Sanctions: The good, the bad, the ineffective

Anthony Lake, Giandomenico Picco

Anthony Lake and Giandomenico Picco led a discussion on the subject of sanctions. What followed were different viewpoints on the effectiveness of economic sanctions and examples of what works, what does not.

Anthony Lake, Ph.D. served as a national security advisor to President Clinton from 1993-1996, and was referred to as the "point man of our foreign policy team" by the President. Lake held various positions in the State Department from 1962-1970 and again from 1977-1981. During these two periods, he served as: Foreign Service Officer, U.S. Vice Consul in Saigon and Hue, aide to Henry Kissinger, and Director of Policy Planning for President Carter. A former professor of international relations at Amherst College and Mount Holyoke College, Lake is a graduate of Harvard and Cambridge University, and received his Ph.D. from Princeton University's Woodrow Wilson School of Public and International Affairs. He is the author of several books and articles.

Giandomenico Picco is renowned for his negotiating skills and knowledge of people and politics in the Middle East. Five nations have honored him with their highest civilian awards. A 20-year senior official of the United Nations, Picco was the secret U.N. negotiator who ended the Iran-Iraq War, and convinced the Soviets to leave Afghanistan. He led the negotiations with Islamic Jihad that resulted in the release of Tom Sutherland and other hostages. After leaving the U.N. he founded GDP Associates, a strategic consulting firm that helps companies set up operations in the Middle East.

STEVENS: There are good reasons for sanctions, but underneath, who pays the price? The price in economic terms is paid by American business too often.

LAKE: Sanctions can hurt us commercially and they can hurt our foreign policy as well. I think we have our sanctions policies wrong; they need to be fixed. Fixing them will not be easy because a bunch of our sanctions policies are legislated and take the form of instruments. The U.S. has sanctioned other countries 110 times in this century. We now have sanctions against 26 countries and those 26 countries have over half of the world's population. It costs us approximately $20 billion a year in exports lost because of our sanctions.

PICCO: I believe that sanctions have been partially useful. They have been effective in some cases and not others, but they are definitely an instrument of policy. They are recognized by international law and as such it's a question of how to use them.

LAKE: Various studies conclude that sanctions do work sometimes and have some positive effect in terms of our national security between a fifth and a third of the time. They have worked in part in helping to eliminate apartheid in South Africa. They've worked in Chile. In the fall of 1994, we got the North Koreans to freeze their nuclear program because we threatened sanctions, and they worked in Serbia. And of course, sanctions are playing a pivotal role in efforts to convince Hussein to open up to U.N. inspectors.

PICCO: I think there is a tremendous debate coming up because for the first time in 50 years there has been a usage of sanctions not by just the U.S., but also by other countries over a number of cases from the Middle East to the Southern part of Africa. When it comes to sanctions, you have the U.S. position and a slightly different position which is sometimes taken by the Europeans. Sanctions are a very Anglo-
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Saxon route, and I say this in a good sense; I like it. It is a clear cut decision and that is something that continental European governments do not like to do.

LAKE: Sanctions work better if they're multilateral, not unilateral; if they are imposed in a targeted way, hard and quickly rather than gradually; and if you have economic leverage. They work best if the country has a strong economic middle class, as in South Africa, which can get hurt by the sanctions and will put pressure on that government to give in. They work best where the opposition leaders who share our goals wish to see sanctions imposed on their country. Sanctions are popular in Congress because it is a great way to posture, especially if it does not hurt your district and if the effects of the sanctions in the U.S. are limited to one state or one area.

PICCO: The perception from abroad of the American government being trigger happy on sanctions pertains to some American senators, not the American government. Sanctions are not seen as a decision taken by the President of this country, but as the unavoidable decision that the President of this country has to take because of a couple of senators. It's all personalized, with people thinking the senator does it for political reasons, because he wants to be reelected.

LAKE: Sanctions are a middle ground, somewhere between military action and doing nothing. Neither extreme is appealing so sanctions almost always win in the government. But this doesn't mean they are always useful. Common sense tells us to make decisions based on answers to a coherent set of questions: Do we have a clear and achievable goal or are the sanctions simply a feel good exercise? Are the costs acceptable in terms of business and workers? Do we have public support? Have we listened to the opposition leaders in the targeted country to learn if they share our goals? Will the sanctions drive people into absolute misery and hunger? Is there an exit strategy, some clear period of time when we can use the sanctions to get a government or society to act in the way that we want? And if you fail, can you lift the sanctions in a reasonable way that will not be permanently damaging to your interests?

PICCO: When Kofi Annan went to see Saddam Hussein last year, there was a tremendous dynamic outside this country to tackle the question of sanctions with Iraq in some different way. Kofi Annan was able to convince Saddam Hussein to follow the U.N. resolutions and a military strike was averted. Kofi Annan later said he was successful because he had the military threat of the Americans and British behind him. This was seen by the Europeans as diminishing the point that you could actually negotiate with Hussein. Aside from that, I struggle with how effective some unilateral sanctions are. Clearly, the multilateral sanctions have a better chance.

STEVENS: Could you brief us on what happened in '95?

PICCO: In 1995 this administration imposed sanctions on Iran that prohibited all commercial and financial transactions. I believe the directive also forbade American companies to travel to Iran or to do business with Iran.

STEVENS: That was in response to what was a pattern of terrorism and to their attacks on the peace process.

PICCO: In 1996 additional sanctions restricted foreign companies from making new oil field investments in Iran worth more than $40 million per year. American oil companies were hit hard. By the same token, American companies could not sell anything to Iran, from weapons to underwear. The Iranian government reacted economically in a way which I think was devastating to them. The government decided to fix the exchange rate and the non-oil sector suffered tremendously. The Iranian government punished themselves in a way which continues to this day. So the sanctions on Iran did have an effect. Was this the effect that you wanted? I do not know, but there was an effect.
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LAKE: You can't prove that Iranian problems with foreign exchange, etc., have limited their nuclear programs and military programs.

PICCO: To make a point that sanctions are ineffective cannot be done. I have been confronted by many Iraqis in the last few years saying their babies died as a result of the sanctions, and it is hard to see all this happening. But the original sin is not the sanctions imposed by the U.S.; it is the leadership of the country who decided to do what it did.

LAKE: You could resolve that humanitarian situation by dismissing the sanctions.

PICCO: I'm not sure that sanctions should be dismissed. I think they should be used with more care. On the economic front, if we go back to Iran, there is no question that the U.S. has lost their business. The entire aviation industry in Iran, helicopters for instance, has moved to French helicopters. But it comes down to this fact: Sanctions are taken by governments that are willing to make decisions. Taking a decision is something that overall will be respected no matter if it is good or bad.

STEVENS: What are some examples of bad sanctions?

LAKE: Off the top of my head: the Bosnia arms embargo in 1991 which ended up penalizing the victims more than the aggressors. I believe our sanctions against Haiti in early 1994 were wrong. Even though we tried to target them we hurt the people of Haiti more and created pressure on us to invade Haiti. I think this strange web of legislation that deals with China is maybe in some ways good but in other ways bad. Another example is the sanctions against India and Pakistan; we are hurting Pakistan far more than India, which started the nuclear test race on the subcontinent. There is a long list of sanctions where they don't work, and a long list of where they do work.

PICCO: Lifting sanctions is really an incentive which in the case of the former Yugoslavia has been used on and off in different ways. It provides a card which otherwise does not exist. If there is enough flexibility, as Tony was saying, lifting sanctions becomes a positive incentive where you can convince people to do things. We ought today to figure out why some sanctions work and why some don't.

LAKE: In an ideal world, we would figure out which are the bad sanctions and then leverage them to get something as the price for our removing them.

PICCO: I believe American companies that have a reputation for performance and quality would be welcomed back at super speed in many countries, once sanctions have been lifted.

FORUM MEMBER: What about the grain embargo President Carter imposed on Russia? That has always been used as an example of a really stupid sanction because Russia just switched to purchases from Canada and Australia and other places. But it lost U.S. farmers the Russian market, which was really hard to get back.

LAKE: The benefits in affecting the Soviets were not equal to the cost to our farmers. It was not politically sustainable; it would have flunked three or four of my "test" questions. And there was no exit strategy.

FORUM MEMBER: In a military action, the U.S. government pays for the action with taxes. Which means there is some equity, some fairness. With sanctions, you're dealing with members of Congress arbitrarily penalizing certain Americans and asking them to pay for our foreign policy. There is a basic inequity there.
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Looking at U.S. competitiveness long term, I see two issues. One is the loss of market. I think that in a developing country, when we are precluded from participating initially when ties are made, we are severely disadvantaged. The second is the loss of confidence. With the idea of sanctions as a potential threat, doesn't that increase the political risk?

If I were the purchasing agent in a foreign country and I wanted to do business with an American source, I would worry that my government is going to do something that will anger somebody in the U.S. Congress and, therefore, my spare parts are now cut off.

PICCO: That's a very good point because of the 110 U.S. sanctions the biggest bulk have been taken in the last five years. I'm talking about sanction it is at the state as well as the national level. What we have is a shoot-out at the sanction corral.

LAKE: It suggests maybe we need to think of some way of compensating those companies that are getting hammered. But you can't know because usually they're giving up opportunity, not existing contracts, and you can't prove they will have the opportunity. That's another reason why sanctions should only be done after the most careful consideration and only after all of the answers to my proposed questions come up positive. Had we been rigorous in this way, I don't think most sanctions would have been imposed. But I still would not rule them out.

Sanctions Policy Reform Act on hold

On a national level, there are two ways that unilateral sanctions can be imposed: by Congress or through executive order. But whichever way it is done, the size and scope of U.S. sanctions have come under heavy criticism by industry and some members of the House and Senate. Sen. Dick Lugar (R-IN) last November introduced the Sanctions Policy Reform Act as an amendment to the FY 99 Agriculture Appropriations bill. The reforms target the way new sanctions are considered by Congress and the executive branch; however they do not prohibit new sanctions nor do they affect existing sanctions.

Highlights of the bill, which is supported by Secretary of State Madeleine Albright:

- Food and medicine should not be used as a tool of foreign policy.
- Proposed new sanctions should, at minimum, include the stated foreign policy goals, economic costs to the U.S., and the likely impact on other foreign policy goals.
- Gives President authority to waive most of information and reporting requirements on new sanctions in case of national emergency.
- Requires a periodic review of the effectiveness of new sanctions.

The Senate debated the bill July 15, 1998 and then tabled it on a vote of 53-46. Lugar may bring it back to the Senate floor before the end the 105th Congress.