Economic Sanctions: A Failed Approach

ARTA MOEINI
CHRISTOPHER MOTT

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Key Points

• International sanctions are often framed as an instrument of choice in the foreign policy toolkit of North Atlantic nations. While they are depicted as an effective and non-violent method for persuading and disciplining “rogue states” to follow the “global norms” set by the West, the actual results of sanctions often contradict the theoretical justifications for them.

• The effectiveness of sanctions to induce change in regime behavior is highly suspect. Economic sanctions often harm the average citizen, while political elites can more easily evade them using their control over the state. This imbalance can actually strengthen the regime’s hold on power. In imposing sanctions, North Atlantic powers may increase social solidarity and state allegiance in the targeted country, producing a rallying effect for both the ‘rogue’ state and the population.

• Over-reliance on unilateral sanctions may not only delegitimize sanctions as a policy tool, but it could also hurt the economic opportunities and financial reputation of the countries imposing them, not to mention harming free enterprise and private industries in targeted countries.

• Continuing these costly policies despite their failure may be partly motivated by ideology. An approach rooted in prudential realism recommends that North Atlantic powers significantly reduce their reliance on and preference for international sanctions.
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Increase in Political Use of Sanctions

International sanctions are a tool in the strategic arsenal of states to inflict economic pain on a target foreign nation, specific individual, or a non-state organization by means of collective, coordinated action to deprive it of economic, commercial, and financial access. This includes asset freezes, trade and investment embargoes, increased import costs, and travel and monetary restrictions.

Historically, they are used in trade disputes between otherwise friendly nations as a tactic to force negotiation on economic disagreements. Another common approach is to deploy them against global threats such as transnational terrorist organizations. In recent decades, however, they are employed with increasing frequency by economic powerhouses in the West against adversaries outside their alliance networks, especially by leveraging the dollar’s position as the world’s reserve currency. This is often done to express moral outrage at a rival states’ domestic politics or political system as a means to force diplomatic concessions, general compliance to the liberal international order, or possibly instigate regime change.

The sharp rise in frequency of sanctions within the past two decades is truly staggering. Taking the United States—the country most likely to leverage its great power status and the alliance network to impose unilateral sanctions—as an example, a former baseline of 8 new sanctions per year under the Clinton Administration gave way to on average 525 new sanctions per year in the Obama Administration and a whopping 975 per year average under the Trump Administration. Frequently, nations allied to the United States also either enforce these U.S.-driven ‘international’ sanctions or impose sanctions of their own.

With such a massive turn to sanctions as the coercive measure of choice by the North Atlantic bloc, one would presume that they are empirically shown to be extremely effective at influencing regime behavior. Yet, evidence for their success is scant. And when they do modify behavior, it is often to make their target more aggressive and confrontational, raising the potential for conflict.

Growth of New Sanctions Per U.S. Administration

![Chart showing growth of new sanctions per U.S. Administration](image)

Data sourced from Defense Priorities

The Practical Effect of Sanctions on Targeted Countries

When a targeted country is sanctioned, the level of economic pain it experiences will vary based on how connected it is to the international economy and how dependent it is on trade as a percentage of its GDP. Given globalization and the interconnected nature of the global economy, few countries today are entirely self-sufficient; rather, they need access to foreign commodities, products, or markets and, in turn, the U.S. Dollar. Accordingly, sanctions’ real effects can range from
minor inconvenience all the way to severe deprivation that would approximate siege warfare. This variance inevitably invites a cost-benefit analysis of the sanctions policy as a whole to determine its efficacy.

In the 1990s, sanctions gained increasing prominence due to the perception of their indispensibility to the fall of the Apartheid government of South Africa. Writing for the publication International Security in 1998, Robert Pape argued, however, that despite some apparent successes, the odds of getting any concessions through sanctioning was less than a third, and the odds of getting all of the desired policy changes was about 5%. Even the supposed success story of the role of international sanctions in ending the Apartheid regime appears tenuous when one notes that the imposition of international sanctions actually accelerated economic growth. Arguably, the regime’s collapse had much more to do with the end of the Cold War and the internal dynamics of South Africa, namely the growth of an educated Black middle class and the inevitable rise in economic synergy and cooperation between the races in that country.

What is more, the 90s also witnessed some of the most crushing sanctions in diplomatic history be inflicted on Iraq—a de facto blockade that would last until the toppling of the Baathist state by the United States and its allies in 2003. During this interwar period, living standards in Iraq plummeted and Saddam Hussein’s security apparatus became more draconian, ramping up its surveillance of ordinary Iraqis. The result of the crippling sanctions and the Oil-for-Food Programme (OIP) instituted by the United Nations was a humanitarian disaster on all fronts. At least, a third of children in the country suffered from malnutrition by 1997 and hundreds of thousands of people died over the course of the blockade.

The Iraq War may have turned public opinion in NATO-allied nations against military intervention and regime change wars, but it was a godsend in that it ended the ruinous and ineffective sanctions regime against Iraq. Ironically, the very disillusionment toward armed intervention and nation building (coupled with the equally-disastrous humanitarian intervention in Libya later in 2011) was to lead to a growing use of sanctions against so-called “rogue states.” Coercive economic statecraft was now to be preferred to militarism. This was, in many ways, a return to the 1990s, when the United States routinely employed its unquestioned hegemony in the unipolar international order to confront and quell “the backlash states” that would challenge it. Significantly, the overall increase in the practice of sanctions does not seem to have improved the odds of their effectiveness.

Contemporary Sanctions and Questionable Results

By studying a handful of countries most subjected to international sanctions, it becomes apparent that the intended objectives of these policies seldom occur. Moreover, many unintended consequences have also revealed themselves.

Venezuela

U.S. sanctions on Venezuela began back in 2002 at the time of Hugo Chavez. Over time, they became more cutthroat and intense, culminating in a truly devastating impact under the Trump Administration in 2017 and 2019. Almost every aspect of international trade with Venezuela now falls under some kind of restricted guideline listed by the U.S. Department of the Treasury. Following the trend established by sanctions placed on Iraq in the 1990s, Venezuela has seen an increase in mortality and food shortages among the general population; yet, the government’s grasp on power remains as firm as ever. If anything, given that
sanction mitigation necessitates greater centralization, Maduro enjoys a **stronger position** today as his government controls a larger share of the country’s economy.

**Iran**

In contrast to Venezuela, economic sanctions on Iran have occasioned a true international coalition united to punish Tehran for its nuclear program as well as its regional machinations (such as its support for Hezbollah). In the first instance, sanctions remain attractive because they are presented as an effective way to increase pressure on Iran to resume negotiations on its nuclear program and possibly accept compromises.

Of course, raising foreign pressure on a rogue state could well **create a backlash** of support for the government among its people, in this case by inducing ordinary Iranians to rally behind their flag in the face of severe economic challenges as well as their perception of foreign injustice and oppression. As such, this is likely to galvanize public support for the nuclear program and its framing as vital to Iran’s national security, further incentivizing Tehran to take a more uncompromising stance on the issue. It is a classic catch-22.

One could argue that restricting Iranian commerce internationally will put additional constraints on the country’s budget for defense and undermine Tehran’s infamous **proxy-based deterrence** strategy. Such an assumption remains unsupported as the Iranian defense spending **has not decreased** even as more sanctions target that nation. Overwhelmingly, it is Iran’s innocent population that has borne the brunt of these sanctions, even impeding their access to life-saving **coronavirus vaccines**. Although defenders of sanctions claim that such pressures would alienate the average citizen from their national and political leadership, the harmful and potentially deadly impact of sanctions would undoubtedly antagonize the local population **against the U.S. and its allies**.
Syria

Yet another case in point in the futility of sanctions is the war-torn nation of Syria, close to Iran in both geopolitical alignment as well as in being heavily targeted by the U.S. alliance. After a decade of efforts by various domestic and foreign actors to topple the government in Damascus, Assad remains in power having recaptured many parts of the country that were lost to him in the early stages of the civil war. The multiple accounts of human rights violations in that conflict coupled with Damascus’ alliance with Iran and Russia and its long-term hostility to Israel have turned Syria into a prime target for punitive international sanctions by the North Atlantic nations looking to secure its compliance.

This effort culminated in the Caesar Sanctions, a crippling and controversial program designed to isolate and devastate the Syrian economy. In reality, such practices have only succeeded in hindering postwar reconstruction in Syria and possibly exacerbating the conditions that fuel extremism.

North Korea

The Democratic People’s Republic of Korea is perhaps the most consistently sanctioned nation on earth in the Twenty-first Century, and yet the barrage of sanctions do not seem to have lessened its resistance to the liberal international order or compelled it to change its policies or reform its political system owing to international pressure. Not only has the size of North Korea’s nuclear arsenal only grown under the present economic blockade, but the DPRK’s nuclear testing seems to peak and turn more aggressive when the regime perceives a threat to its sovereignty.

Here again, the costs of international sanctions imposed on Pyongyang are borne almost entirely by the general populace, causing droughts, medical shortages, and humanitarian disaster as well as reinforcing regime narratives that blame the country’s woes on foreign interference and hostility. The sanctions regime is ultimately so ineffectual that the West has failed even to prevent the DPRK elites from importing luxury goods.

Common Follies of Sanctions

The most clear takeaway from the above case studies is that international sanctions’ unintended consequences for the civilian population appear to be the norm rather than the exception. Many of these devastating outcomes can be shown as part of a pattern that is almost predictable—where the political leadership generally escapes the huge toll of sanctions and even uses them to strengthen its grips on power.

Indeed, the sense of nationalism and rally-'round-the-flag effect instigated by the various crises international sanctions unleash on target nations might well be their most paradoxical effect, rousing public support for the regime and lionizing its ‘resistance’ to and ‘independence’ from the hegemonic Western order. In other words, the ‘crisis’ mentality often bolsters the state’s sovereignty in the eyes of its people with the state portraying itself as the people's last line of defense against foreign domination.

Moreover, with international sanctions characterized as acts of war, the national emergency of war and spirit of patriotic resistance are routinely and easily abused to crack down on the opposition (often, urban middle classes who are seen as Western sympathizers). Thus, sanctions, ironically, strengthen the bonds between the political elites and the lower classes that suffer most under the weight of sanctions, while disempowering the very groups that might in time challenge the regime internally through civil disobedience, demands for openness, or acts of rebellion.
If a political system is already fragile, then sanctions could be useful in accelerating its collapse. Such a scenario would require a general belief and consensus among domestic opposition groups, envisioning that a regime’s days are numbered and that there exists an acceptable alternative. Otherwise, sanctions often provide a reprieve for the existing government to boost its legitimacy.

Moreover, sanctions are less effective vis-à-vis non-democratic governments than liberal democratic ones. This means they impose more burdens on states with a robust civil society than they do on more authoritarian societies where individual rights and civil liberties are either nonexistent or less engrained. Illiberal regimes are also far less integrated into the global economy and remain more isolated diplomatically from liberal international order and its institutional arrangements. Sanctions only reinforce this isolation further not only by design but also because elites soon realize the protective benefits of that isolation as key to their survival.

On a related note, some studies have found that the added domestic prestige (and hence security) a regime gains by resisting sanctions offsets the costs of its non-compliance to foreign demands, suggesting that sanctions would generally stunt rather than encourage political reforms abroad.

Lastly, one major consequence of the Anglo-sphere’s over-reliance on sanctions is it precipitates or hardens diplomatic realignments that disadvantage the North Atlantic and empower rival alliance networks. As the U.S.-led bloc attempts to besiege and cut off what it considers rogue states from international finance and trade networks, rival great powers such as China and Russia provide these sanction-ridden states with a lifeline and a workaround to the sanctions resulting in closer relations forged in solidarity against Western hegemony.

Not only would these new alliances likely harm the long-term interests of the North Atlantic countries, they could also evolve into a big-tent entente in the name of national sovereignty against what is perceived as Western overreach, interference, and imperialism. This was perfectly illustrated in 2014, when NATO allies and partners, led by the U.S., coordinated to sanction Russia in the wake of its annexation of the Crimea and invasion of the Donbass region of Ukraine. While Moscow was already moving closer to Beijing, the West’s enactment and implementation of the more stringent sanctions regime against Russia noticeably accelerated this trend.

Even outside the specter of great power politics, international sanctions make for strange bedfellows amongst smaller nations. Iran and Venezuela, for instance, have very little in common other than being made pariahs of in the West, and yet they feel compelled to band together in resistance to the U.S.-led blockades and sanctions. Hence, new connections are formed, where they likely would not otherwise, due to what the sanction-victim-states view as their shared struggles of resisting U.S.-driven economic warfare.

How Sanctions Undercut the West

In addition to studying the effect of sanctions on targeted countries, it is also important to examine their unintended consequences for the states that impose them. Given that international sanctions require close multi-country coordination to prevent their easy circumvention by target states, their overuse essentially changes the international operating environment for private and multinational firms and non-governmental organizations leading to increased costs and barriers that disproportionately impact/harm Western entities.

With sanctioning now a ubiquitous practice, neutral nations in the Western alliance are also ad-
versely affected either by having their commercial and financial relations with targeted countries disrupted or feeling as if their hand is forced due to diplomatic peer pressure and moral grandstanding. This can destabilize otherwise healthy trade networks and undermine the financial credibility of the nations pushing and imposing the sanctions.

Washington’s ability to enact unilateral sanctions but enforce them internationally is only possible because of currency unipolarity creating a dollar-based global system of finance. America’s obsession with sanctions and its weaponizing of the dollar’s reserve currency status (especially for purposes the rest of the world views as narrow-minded, rather tactical, geopolitical tussles) has already led countries in Europe and East Asia to consider constructing alternative workarounds to bypass Washington’s unilateral sanctions, with China and Russia working in tandem to end the dollar’s primacy. The serious drawbacks to Washington’s dollar deterrence strategy—which underwrites the sanctions policy—risks potentially undermining U.S. dominance of the global monetary order, even diminishing U.S economic power and splintering the world’s unified financial system into multiple regionally-differentiated capital markets.

Without urgent course correction, the United States could soon become a cautionary tale about how an obsessive, ideology-driven sanctions policy with doubtful efficacy could ruin not only America’s own financial dominance but also unravel the global financial system in the process. In the context of great power competition and deepening multipolarity, such a course appears especially unwise and imprudent.
Policy Recommendations

• Institutional inertia, ideological motivations, and intransigence of elites could all be to blame for the surge in sanctions, even as preponderance of evidence proves them, on the whole, ineffectual.

• Governments must therefore aim at structural reform to the decision-making process to guard against reflexive enactments of sanctions and raise accountability. They must implement and incentivize checks in the policy process to flag potential costs and strategic fallout from sanctions and to systematically educate North Atlantic foreign policy personnel to recognize that punitive economic measures against rogue regimes and entities are often perceived by these groups as coercive attempts to effectuate system-level change by an outside power through economic warfare.

• If military action is to be the last resort where diplomacy fails, sanctions should be framed as the penultimate option—an economic war absent the armed forces that nevertheless entails excessive costs and undesirable consequences.

• Like most coercive measures, the threat of using sanctions is likely more effective than their actual enactment. In dealing with adversarial states, their role as a psychological deterrent within the broader context of constructive engagement and diplomacy is likely to be more valuable than their direct imposition.

• A grand strategy rooted in “sovereignty” rather than “interventionism” recognizes that the world as it is will not entirely align with the values and political standards of any one nation or civilization. A restrained realism advises that no nation can police the world or demand compliance with its way of life without risking overreach and self-destruction. Still, diplomacy can often be more effective and less risky than bans, sanctions, and embargoes at persuasion.
About the Authors

**Dr. Arta Moeini** is the Research Director of the Institute for Peace & Diplomacy, a Research Fellow at the Center for the Study of Statesmanship in Washington DC as well as an elected member of the Academy of Philosophy and Letters. Dr. Moeini is an international political theorist and a revisionist scholar of Nietzsche and Modernity. He holds a PhD (with distinction) and MA in Government from Georgetown University, an MA in International Relations from Johns Hopkins SAIS, and a BA in Political Science and Near Eastern Studies from UC Berkeley.

**Dr. Christopher Mott** is a Research Fellow at the Institute for Peace & Diplomacy focused on historical geopolitics, grand strategy, and the intersection of defensive realism and conceptions of sovereignty in an era of increasing multi-polarity. He holds a PhD in International Relations from the University of St Andrews, an MA in International Relations from London Metropolitan University, and a BA in History from Rutgers University. Dr. Mott was a researcher and desk officer at the US Department of State.

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E: info@peacediplomacy.org
T: (647) 280-4983
W: peacediplomacy.org