

I. HOW AND WHEN DO SANCTIONS WORK?

THE EVIDENCE

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Introduction

The debate on the usefulness of sanctions as a foreign and security policy tool follows a familiar pattern. Proponents of sanctions cite well-known success stories, while opponents highlight evident failures. This is not surprising, because sanctions are a highly political issue, with both sides of the debate persuasively arguing their case. But the choice of examples selected to make a case for or against sanctions is often biased, and not much can be learned from case studies drawn from skewed samples.

The aim of this chapter is to move the debate forward, in the direction of more evidence-based policymaking. Our point of departure is that the use of sanctions should be preceded by a strategic evaluation of their appropriateness in a specific case. This will help to improve the selection of distinct types of targeted sanctions, because gaining a clear understanding of the determinants of success and failure of sanctions in the past is a prerequisite for better evidence-based sanction design. Evidence-based policymaking needs to consider both failures and successes. It is only by studying successes, failures and intermediate outcomes that we can understand the determinants of sanction efficacy.

One important fact that emerges from empirical research on sanctions is that their rate of success is low. But this same empirical research also reveals under what conditions sanctions *do* work. The widely used Peterson Institute for International Economics sanctions database, which covers almost 200 cases, shows that sanctions fail to achieve their policy goals in about two out of three cases. The more recent research of the Targeted Sanctions Consortium (TSC) on United Nations (UN) targeted sanctions suggests an even lower rate of success: on average, in less than one in four instances.

The fact that the majority of sanctions policies fail, however, does not necessarily imply that sanctions are not effective. Firstly, the effectiveness of sanctions depends on the alternative policy instruments available to policy practitioners. Secondly, if basic conditions for success are not met or if the agreed measures are not implemented, then a sanction should actually be expected to fail. For example, if no or very little economic or diplomatic exchange was taking place before sanctions were enacted, then the impact of sanctions will inevitably be weaker.

It is also important to emphasise at the outset that sanctions are rarely, if ever, implemented alone or in isolation from other foreign and security policy instruments. Active negotiations, peace mediation efforts, threats of force, use of force, peacekeeping operations, and/or covert operations: all co-exist with the application of sanctions. Accordingly, sanctions should be evaluated from the standpoint of an integrated approach to international peace and security that takes these other measures into consideration and looks at their interactive effects.

Sanctions tend to have a strong economic dimension to them. But economic sanctions – such as trade or commodity embargoes or financial sanctions – should not be studied as purely economic phenomena: they require a multidisciplinary analysis in order to be understood. Economists can and do contribute to this understanding by identifying the actual sanction damage *ex post* and, more importantly, the potential *ex ante* sanction damage that constitutes the threat of (further) implementation. Economic models can also clarify how targets behave and engage in activities to substitute for trade losses due to sanctions. Beyond those questions, however, the economist needs to work with scholars from other disciplines including law, political science, sociology, and (applied) psychology. These disciplines bring in institutional analysis, implementation processes and important elements such as legitimacy and reputation.

The key issue, then, is not the probability of sanctions' effectiveness, but why sanctions succeed and why they fail. What are the conditions for success? And how do sanctions actually work?

This chapter addresses these questions and offers an overview of the key lessons the most up-to-date academic and empirical research on sanctions can provide for those designing and analysing sanctions policies.

Goals of sanctions

In order to understand how and whether sanctions work, a first step is to realise that sanctions goals are multiple, and that effectiveness is best measured against the actual goal of each (set of) sanction(s).

Most of the public, policy, and scholarly discussions of sanctions proceed from the assumption that sanctions are intended primarily to coerce a change in the behaviour of the targeted party. While this is most certainly one of the principal reasons for the application of sanctions, and often a central part of the rhetorical justifications for their use, coercion is not the only goal of sanctions.

When it is highly unlikely that a target can be coerced into giving up power or reneging on some larger revolutionary cause (whether that cause is motivated by political ideology or religious extremism), the goal of sanctions can be to constrain a target

in its ability to engage in proscribed activities. Sanctions can raise the costs of the target's activities or force it into costly changes with regard to strategy and the procurement of supplies necessary to its activities or economic survival.

At the same time, sanctions may be intended to send a signal to a target or some other relevant constituency. The signalling aspect of sanctions is under-appreciated in the scholarly and policy literature on sanctions. Dismissing sanctions as 'merely symbolic' gestures fails to appreciate their role in the articulation and reinforcement of global norms. Sanctions impose costs on both the target and the sender, and backing the rhetorical conviction of diplomatic condemnations with costs imposed on one's own constituents is a powerful way to communicate norms. Sanctions also send signals to multiple constituencies, not only the target, but also other actors tempted to pursue similar policies. They can even be used as signals to prevent allies from escalating a conflict and resorting to the use of military force, as they were in the case of recent EU sanctions against Iran.

These different goals are inter-related in complex ways. An asset freeze intended to coerce an individual to stop financing acts of terrorism can simultaneously be utilised to constrain a group from being able to commit those acts. Constraining a rebel group's access to resources to purchase arms can tip the balance on the battlefield and influence their calculations about a negotiated settlement of a conflict. If potentially imitating states see the stigmatising effects of signalling sanctions on their peers, they may be persuaded into compliance with burdensome treaty obligations.

Given that the goals of sanctions are multiple, their effectiveness in achieving those goals should be evaluated in analytically separate terms. If a sanction fails to coerce a change in the behaviour of the target, it is not necessarily a failure in policy. Sanctions might succeed in constraining a target, in buying time for a negotiated settlement, or in signalling resolve about a norm that has important implications for the policy behaviour of other parties.

By differentiating the effectiveness of sanctions according to their purpose, the research of the TSC has shown that sanctions intended to constrain or to signal targets are nearly three times as effective (27% of the time) as sanctions intended to coerce a change in behaviour (only 10% of the time).

Seven conditions for sanctions success

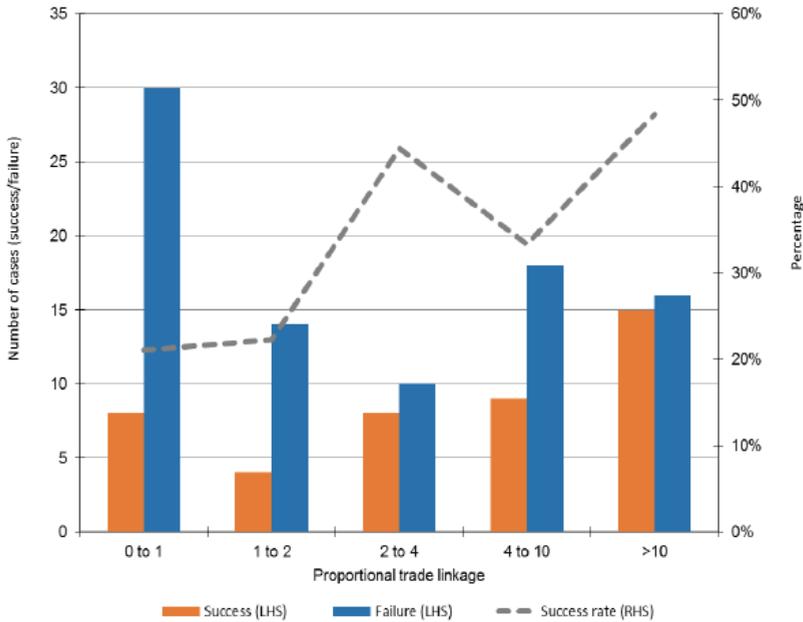
1. Pre-sanctions trade volumes need to be important for economic sanctions to bite

Sanctions on an entire economy or a sector of an economy can only coerce change or constrain targets when pre-sanction trade between the sanction-imposer and the

sanction target is important for the target. This means (a) that the lower the level of pre-sanction trade, the higher the probability of failure, and (b) that boycotts and embargoes of highly valued products that cannot be replaced, re-sourced or (re)sold have more impact. This is common sense, but all too often students of sanctions have overlooked this basic requirement. They either do not consider trade at all, do not measure trade linkages before the sanction is imposed or threatened, or consider only the development of bilateral trade (not taking potential trade diversion into account).

Figure 1 shows how the expected result of a sanction is linked to the amount of bilateral trade between sender and target as a percentage of the target’s GDP (measured in the year before the sanction is imposed). Clearly when trade linkage is low, failures to coerce a change in behaviour exceed successes by far. Once proportional trade linkage is above 10%, the rate of success is almost 50%, a strong improvement of the 33% success rate observed for all sanctions.

Figure 1: Trade linkages and sanctions success



Sources for data: calculations based on Peter A. G. van Bergeijk, *Economic Diplomacy and the Geography of International Trade* (Edward Elgar, 2009). The primary data set for the outcome of sanctions is the Peterson Institute sanction database.

2. Sanctions tend to succeed most in the initial years of implementation

Adjustment by the target reduces the potential impact of economic sanctions. Here two mechanisms operate.

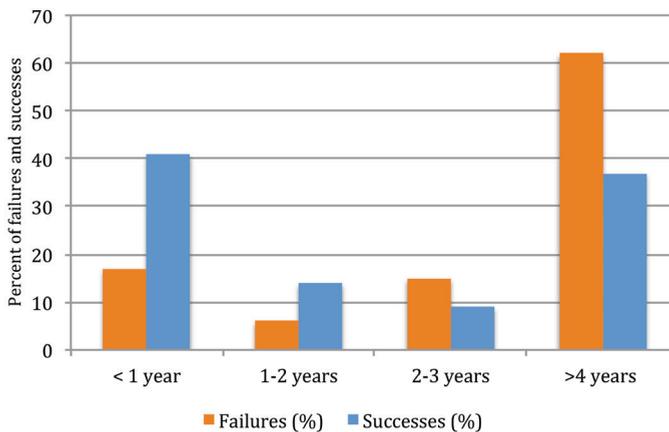
Firstly, a sanction implies that the pre-sanction pattern of international specialisation is no longer optimal and needs to be changed. This process of reallocation of labour and capital towards other sectors (e.g. from the export sector to the import sector) requires time. The longer the duration of the sanctions, the better the sanction target can adjust to the new situation.

Secondly, during the adjustment process economic performance will improve. From a political economy perspective it is important that this creates the perception that the worst is over. Indeed, while economic activity will remain below pre-sanction levels, growth rates may be positive, fuelling the expectation that the sanctions can be overcome.

Given that targeted countries tend to adjust their economies under sanctions, the potential sanction damage is largest before adjustment can undercut the (potential) costs of sanctions.

Figure 2 illustrates the importance of duration. About 40% of the successes in changing behaviour occur in the first year of a sanction regime; a good 60% of the failure cases are characterised by duration in excess of three years.

Figure 2: Duration and sanction success/failure



Source: Sajjad Faraji Dizaji and Peter A. G. van Bergeijk, 'Potential early phase success and ultimate failure of economic sanctions: A VAR approach with an application to Iran', *Journal of Peace Research*, vol. 50, no. 6, 2013, pp. 721-36.

3. The psychological factor: expectations, credibility and strategic interaction play a major role

The actual application of sanctions is uncertain, and the very threat of sanctions can play a major role in changing target behaviour. A sanction does not only impose costs on the target, but also on the country that imposes the sanctions. After all, both countries have to forego the benefits of international trade. Therefore the actions and reactions of the actors involved need to be analysed comprehensively, and the analyst needs to deal with expectations.

This implies, first of all, that we need to acknowledge that the expected outcome *ex ante* may be different from the observed outcome *ex post* (for example, the target may think it unlikely that the sanction threat will actually be applied).

Sanctions 'bite' most when they are unanticipated

Sanctions that are expected by the target give rise to activities that reduce their impact, such as stockpiling, setting up import substitution, refocusing exports and imports on non-traditional markets and reducing dependency on foreign capital and trade in general. Unexpectedness can be achieved by contingency planning, short deliberations, quick implementation, the engagement of unexpected (non-traditional) sanction imposers, and the use of instruments (new types of sanctions or restrictive measures) that have not been used before.

The threat of sanctions is more effective than the actual imposition of sanctions

Strategic interaction is an important element. Both target and sender have to consider the implications of their behaviour for their reputation. A history of strong sanctions may enhance the sender's reputation and make its threats more credible (it may, however, also provide incentives to future sanction targets to avoid having too close trading links with such a sender). Giving in to sanctions may reveal weakness on the part of the target, and this may spill over to and have an adverse effect on other international negotiations.

The actual imposition of sanctions represents a failed strategy of bluffing on both sides. The target underestimates the resolve of the sender, while the sender is unable to persuade the target to weigh accurately the costs and benefits of changing behaviour. This is linked to the above insight about the short-term nature of sanctions effectiveness when it comes to efforts to coerce a change in behaviour. For example, the threat of international sanctions was reportedly an important factor in former Yemen President Saleh's decision to step down from power in 2012, just as it played into the decision of President Kiir to sign the South Sudan peace agreement in 2015.

The credibility of sanction threats can be enhanced by a track record of effective sanctions implementation. A threat of sanctions that is not followed up by actual

measures that bite undermines the credibility of the use of sanctions in future cases. This reputational consequence implies that the use of sanctions should be restricted to cases where the sanctions can be imposed, monitored and implemented. Likewise, sanctions that cannot be sustained, or for which the coalition imposing the sanctions is unstable, should be avoided.

Sanctions are less effective the higher the risk tolerance of targets

We also need to consider the risk tolerance of the sanction target leadership. Decision-makers are not risk neutral: sometimes the target is risk averse and sometimes the target has a risk preference and is willing to take the gamble even if the expected outcome is negative.

Sanctions against targets whose leadership has a short horizon of survival are less likely to succeed in changing target behaviour. A short time horizon is associated with more risky behaviour. Government officials who may have to fear for their lives if they comply with sanctions will show risk-taking behaviour in the sense that they may gamble that the sanctions will not be implemented (effectively). Targeted entities that are participating in a civil war may be thought to act irrationally if they do not give in under extreme economic pressure, but if no viable alternative exists, sanctions have a low probability of succeeding. Under these conditions, sanctions designed to constrain the target may be more appropriate, such as the travel bans and asset freezes imposed on individuals deemed responsible for war crimes or seen as a potential threat to the peace processes in Angola and Liberia in the 1990s and early 2000s.¹

'Failed' sanctions can create a new baseline for engagement with the target

The presentation of costs and benefits matters. People have different assessments of losses and benefits, even if they are relatively of equal magnitude. In cases where the 'stick' (the threat of sanction damage) does not prove effective in bringing about a change in behaviour, the 'carrot' of incentives or positive inducements might succeed. One reason for sanction implementation may thus be to create a new baseline. Lifting sanctions can then be framed in a positive way, as they have in the case of Iran. The same happened with Libya in the 1990s, when the promise of a suspension of sanctions triggered a diplomatic breakthrough.

Sanctions intended to send a signal to the target (or to others observing the sanctions dynamic), often perform a stigmatising function. Most targets are not shamed by sanctions (in the sense of naming and shaming), because they tend not to share the norms being articulated by those sending the sanctions. They can, however, be stigmatised or isolated among some relevant communities by being sanctioned. Some of the individuals designated by the UN Security Council for their financing

1. See Biersteker et. al., *SanctionsApp*, Angola, episode 3 and Liberia, episode 4, for details. Available online at: <http://www.sanctionsapp.com>.

of terrorism, were not shamed by their listing (because they viewed their cause as just), but they were shunned and stigmatised by their neighbours.

4. Sanctions are more likely to succeed if the target is more democratic (less authoritarian)

Sanctions are mediated by political systems. The effectiveness of international sanctions is often determined by the nature of the political system or political economy in place in the target state. Economic costs of sanctions cannot be assessed in a unitary cost/benefit manner, but affect different communities and regions of the target country in different ways.

The stronger the autocratic institutions *vis-à-vis* democratic institutions, the lower the opposition's political effectiveness; sanctions will thus lead to stronger and more effective opposition in democracies as compared to autocracies. Authoritarian regimes also have the capacity to distribute the losses (and gains) from sanctions in ways that penalise their opponents and reward their supporters, thus often strengthening authoritarian rule in the process, as observed in Iraq during the 1990s.

The target's institutional framework is not black and white: some countries are more authoritarian than other countries (as for example can be seen in the discussions on Russia and Iran in chapters II and V respectively). Among authoritarian states personalist regimes and monarchies are also more vulnerable to sanctions than military regimes and single party states, because they have a track record of relying more heavily on external financial support.

Sanctions may strengthen rather than weaken popular support for the regime

An external threat may generate a 'rally around the flag' effect, as has been observed in Russia under sanctions (see chapter II). This is particularly the case when the target population approves of the behaviour that the sender is opposing and seeking to change. Targets of sanctions in authoritarian regimes often mobilise popular support through their control of the media and their ability to depict the sanctions as targeted not against the proscribed activities of the regime in power, but against the entire nation. Religiously motivated behaviour is thus difficult to change. Military activity to safeguard fellow nationals who are minorities in other countries can also count on strong popular support, as in Russia. In these cases, sanctions often fail to tip the balance.

Targets with a strong ideological motivation are almost impossible to coerce

Sanctions targets with a strong commitment to a political-economic ideology, to religious extremism, or targets engaged in a struggle for survival and self-determi-

nation are difficult to coerce with sanctions. A change in their behaviour might undermine the rationale or basis on which they rely for political legitimisation, survival and support. As a result, they are willing and able to bear very high costs.

Groups engaged in carrying out acts of terrorism that are highly resistant to attempts at coercion, such as the al-Qaeda terrorist network, are more appropriately targeted with sanctions intended to constrain their activities rather than to force a change in their behaviour. The same applies to most targeted sanctions against non-state armed groups.

5. Strong multilateral political commitment makes sanctions more effective

Most sanctions regimes are the product not of unilateral decisions taken by a single state, but of collective decision-making within a multilateral institutional framework. As such, the dynamics of decision-making, implementation, monitoring, and resolve are influenced by institutional factors.

The more multilateral the sanctions are, the fewer the options for sanctions evasion or trade diversion by the target. Moreover, sanctions imposed by universal member institutions like the United Nations have more international legitimacy than sanctions imposed by a single state as an instrument of its foreign policy. Sanctions imposed by regional organisations of which the target is a member also have greater legitimacy than sanctions imposed by a regional organisation on third parties who are not members of the regional institution.

Multilateral decision-making is not always based on a collective, unitary, consistent or strategic logic. Rather, the text and content of many international sanctions enacted by international organisations is the product of negotiation, bargaining, separate bilateral deals, and side-payments. The texts of international sanctions resolutions often contain what diplomats refer to as 'constructive ambiguity,' which, although useful for negotiation purposes, can render the terms subject to multiple, and conflicting, interpretations. When sender ambiguity is visible to targets, targets are more likely to wait out the sanctions or to develop counter-strategies to sow dissent among sender states, as Libya did by mobilising OAU and Arab League opposition to the implementation of UN sanctions in the 1990s.

Political will is indicated by unanimity in sanctions resolutions, unambiguous texts, devoting resources to sanctions implementation, active monitoring and enforcement activities, and by a visible willingness by the senders to bear the costs of the measures.

6. Narrowly defined goals & multiple policy instruments increase success rate of sanctions

Targets are more likely to comply with narrowly articulated goals – such as convening elections (DRC), turning over suspects (Libya in the 1990s), providing access to a disputed territory (Russia) – that give them some room for manoeuvre than to comply with multiple, vaguely defined, general goals (like improving the human rights situation in the territory under their control).

The simultaneous application of other policy instruments, such as referrals to international legal tribunals, the application of other (regional) sanctions, and the introduction of resource certification schemes, is also correlated with effective efforts to coerce a target to change their behaviour. Applying sanctions to an entire country is more effective than trying to limit them to a single territory or region of the country, due to the complexity of implementation of the measures by companies called upon to restrict their transactions to a targeted region.

Some cases, such as post-conflict situations handled by the UN over the last two decades, show that an even more fine-tuned strategy can effectively constrain targeted actors. When the UN tries to stay neutral and avoids taking sides in a conflict, as it often does when it first becomes involved, its sanctions (typically imposed on ‘all parties to a conflict’) tend to be ineffective.

After a peace settlement is negotiated, and the UN uses sanctions to constrain one party (potential spoilers to the transitional arrangement), the sanctions have a higher probability of effectiveness. Since virtually all international sanctions today are targeted, focusing on key regime supporters and core family members is more important than focusing directly on the political leadership of the regime. When appropriate, cutting off access to sources of revenue (diamonds, timber, oil, diverted charitable donations) is highly effective in constraining targets, as seen in the cases of Liberia and Sierra Leone.

When only one type of targeted sanction is imposed in isolation, it is never effective

Based on the data accumulated by the TSC for UN sanctions, imposing a single type of sanction in isolation (an arms embargo or a travel ban, for example), is never effective. On average, the simultaneous application of at least three (and closer to four) different types of targeted sanctions is necessary for effective coercion, constraint or signalling.

The most common combination of targeted sanctions imposed by the UN is an arms embargo, travel ban, and an asset freeze. When commodity sanctions are added to the mix, as they frequently are in the African conflict cases (Angola, Liberia, Sierra Leone, Somalia), the effectiveness of such measures tends to increase. Sanctions effectiveness is also associated with simultaneous use of other policy instruments (threats of force,

use of force, peacekeeping operations, legal referrals to international tribunals, covert operations, and sanctions imposed by more than one organisation).

7. 'Targeted' sanctions can be as effective as comprehensive sanctions

Even though they invariably affect fewer people and have lower humanitarian consequences, targeted sanctions, on average, do not appear to be significantly less effective than comprehensive sanctions. The aggregate figures of the effectiveness of 63 cases of UN targeted sanctions from the TSC suggest an average of 22%, as opposed to the Peterson Institute for International Economics data that suggest 33% for all types of sanctions (comprehensive and targeted).

This has implications for the debate about how to strengthen sanctions. It suggests that there are different ways to bolster sanctions – both a widening (to additional segments of the population) or a deepening (applying secondary sanctions to evaders). Public discourse tends to equate strengthening with widening, not deepening, the measures, but secondary sanctions on evading parties tend to be under-utilised.

In the final analysis, sanctions can be effective, even when targets prove resistant to changing their behaviour. There are situations in which sanctions communicate a strong signal to other parties to avoid embarking on a proscribed policy activity. This applies particularly to the non-proliferation sanctions regime. While the sanctions imposed on individual countries to cease their 'weaponisation' of nuclear programmes have not always yielded success, other countries contemplating similar programmes have been deterred from embarking on them. Thus, while the sanctions may have failed at one level, they have succeeded at another.

Collateral damage as a result of broad-based sanctions is inevitable

Opponents of sanctions often point out secondary or unexpected outcomes of sanction cases, drawing principally on the case of comprehensive sanctions against Iraq in the 1990s. Collateral damage occurs in terms of health (including lower life expectancy, increased child mortality and contagious diseases), education (reduced spending and completion rates) suppression of minorities, and effects on the gender division of labour. A deterioration of human rights situations has also been documented, as have increases in corruption and a legacy of criminality once sanctions are lifted (because networks originally established to evade sanctions can be utilised to engage in criminal activities – as seen in the former Yugoslavia). While these effects appear and often are unintended, they are not unexpected. Indeed a large body of literature exists that clarifies that economic slow-downs, such as recessions, leave their marks on these important determinants of individual well-being – and comprehensive economic sanctions contribute to (and are mostly intended to) slow down an economy.

Conclusion: ending sanctions remains difficult

Ending *unsuccessful* sanctions is difficult. The sanctions have been imposed because the target behaves in a way that is deemed unacceptable. If the sanctions do not change that behaviour or constrain the target, there is no logical reason to end the sanctions. Typically the ending of such sanctions needs a change of government, often in the sanction target country, but sometimes also in the sanction sending country. A new leadership can set new rules of engagement and this may offer an opportunity to reevaluate the utility of economic sanctions that are still in place. Monitoring the impact of sanctions, especially of their unintended consequences, may provide arguments to review the sanction regime.

Ending *successful* sanctions looks straightforward but in reality it is also complicated. Sanction goals may be adjusted over time or be only partially met. Still, for sanctions to work, the commitment to lift sanctions and transparency about the conditions under which this will be done needs to be clear. The negotiation among senders over the sequencing of the suspension or lifting of sanctions has important consequences for both target and senders and can have significant benefits for those who first renew business activities with the targeted entity.

Failure to suspend or lift sanctions creates two problems for the senders of sanctions. First, they place an administrative burden on sender states or institutions. The UN never had more than six or seven sanctions regimes in place at the same time during the 1990s. Today, the number has grown to sixteen simultaneous regimes in place. Second, failure to lift sanctions after the situation changes undermines the legitimacy of sending institutions and makes it more difficult for them to secure compliance by others.