

Smeets, Maarten

Working Paper

Can economic sanctions be effective?

WTO Staff Working Paper, No. ERSD-2018-03

Provided in Cooperation with:

World Trade Organization (WTO), Economic Research and Statistics Division, Geneva

Suggested Citation: Smeets, Maarten (2018) : Can economic sanctions be effective?, WTO Staff Working Paper, No. ERSD-2018-03, World Trade Organization (WTO), Geneva, <https://doi.org/10.30875/0b967ac6-en>

This Version is available at:

<http://hdl.handle.net/10419/176768>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

World Trade Organization

Economic Research and Statistics Division

CAN ECONOMIC SANCTIONS BE EFFECTIVE?

MAARTEN SMEETS¹

Manuscript date: March 2018

Disclaimer: This is a working paper, and hence it represents research in progress. This paper represents the opinions of individual staff members or visiting scholars, and is the product of professional research. It is not meant to represent the position or opinions of the WTO or its Members, nor the official position of any staff members. Any errors are the fault of the author.

¹ Maarten Smeets (PhD) is head of section at the Institute for Training and technical Cooperation of the WTO and is senior visiting fellow at Institute Clingendael in the Netherlands. This contribution is written in his personal capacity. Any views expressed in the analysis are his and cannot be attributed to the WTO Secretariat.

CAN ECONOMIC SANCTIONS BE EFFECTIVE?

MAARTEN SMEETS¹

Abstract

While economic sanctions may be attractive policy tools for governments wanting to express discontent with a country's behaviour, it is arguable if from an economic perspective sanctions can achieve the change that is often envisaged through the punitive measures taken. In fact, the literature does not present conclusive evidence that economic sanctions are an effective policy instrument. Nevertheless the number of sanction episodes is on the rise and have increasingly gained in popularity in recent years. What can explain that?

This paper will review how sanctions work from an analytical perspective and the challenges countries encounter in applying sanctions as an effective policy tool. In doing so, it reviews more specifically the sanction episodes against the Russian Federation and Iran and without offering any views on the merits and/or legitimacy of the actions taken by any of the parties. It will be argued that economic sanctions generally inflict economic costs to all countries involved in the sanction episodes, including those taking the sanctions, thus shooting themselves in the foot. The country facing the sanctions is likely to develop trade relations with third parties that are not part of the sanction coalition. It is observed that sanctions are mostly taken in complement of diplomatic and other forms of pressure. The type of sanctions is also evolving, with countries increasingly using 'smart' sanctions, targeting financial transactions, business activities and individuals there where it hurts most and limiting their freedom of movement. From an analytical perspective, it is noted that when various measures are put in place, it is hard to assess the extent to which the economic sanctions per se contribute to the eventual outcomes, hence the question of attribution. It is the combination of various interventions that could eventually make the sanction episodes effective, if at all and not the economic sanctions per se. Despite such shortcomings and lack of evidence of their effectiveness, it can safely be said that they are the preferred option compared to military intervention. At the same time, and regrettably, sanctions do not necessarily prevent armed conflict adding to the economic cost the tragic cost of human life.

Key words: trade sanctions, conflict, trade theory and policy, national security, international relations,

JEL Classification: F13, F51, F52, F53

¹ Maarten Smeets (PhD) is head of section at the Institute for Training and technical Cooperation of the WTO and is senior visiting fellow at Clingendael in the Netherlands. This contribution is written in his personal capacity. Any views expressed in the analysis are his and cannot be attributed to the WTO Secretariat.

1. Introduction

The number of sanction episodes seems to be on the rise and sanctions have increasingly gained in popularity in recent years and such despite the fact that the literature does not present conclusive evidence that economic sanctions are an effective policy instrument. The objectives of the sanction episodes vary and range from merely being an expression of dissatisfaction to demanding a change of policies in the targeted country. The higher the level of ambition and change envisaged, the more difficult it is to achieve. This is particularly so when economic sanctions are taken by countries individually. Even when the sanctions are backed by groups of countries collectively and ideally are covered by a decision taken by the United Nations, thus giving them the strongest international and diplomatic support and legitimacy, their success is far from being assured. The time it generally takes to align governments in support of the sanctions and reaching agreement on the measures involved, often gives the target country ample opportunities to build alliances with 'sanction busters' and find alternative outlets for its goods and services, thus undermining the effectiveness of the sanctions. Given that the literature and evidence shows that the rate of success is very limited, why then were economic sanctions applied against the Russian Federation following its intervention in Ukraine reclaiming Crimea and against Iran in response to its nuclear programmes?

This paper will review how sanctions are meant to work from an analytical perspective and the challenges encountered in making sanctions an effective policy tool. It does not include views or take position on the merits and/or legitimacy of the actions taken by any of the parties. Given the difficulties to make sanctions effective, they should mainly be seen as complementary policy tools complementing diplomatic and other forms of pressure put on the target country and are a confirmation that the countries involved in the sanction episode are serious about their request and walk the talk.

2. How economic sanctions are meant to work: theory and practice

There is quite a bit of literature on economic sanctions, but as will be argued below, the practice differs considerably from the theory. There is a tension between sanctions and the fundamental objectives of the WTO: the WTO's principle aim is to liberalize trade, whereas the direct purpose of economic sanctions is to restrict trade and such mostly for non-economic reasons. Sanctions are precisely meant to deprive countries from economic gains that can be obtained through trade. In a WTO context, the notion of sanctions is also often associated with retaliatory action resulting from the conclusion of a WTO dispute settlement process: according to the dispute settlement procedures in the WTO, a party to a dispute may be authorized to withdraw concessions in order to compensate for losses suffered resulting from an unjustified trade action. The (authorized) retaliatory action resulting from WTO trade disputes follows the logic of maintaining or rather restoring a balance in rights and obligations between members when these are affected by a country applying policies inconsistent with the WTO. These issues will not be addressed in this paper.

Also, the economic and trade sanctions are mostly justified under the security exceptions and more specifically Article XXI and Article XIV bis of the GATS when services trade is involved.² The purpose of this paper is not to address the legality of the sanctions under WTO rules and which were addressed in earlier writings.³ It is up to the WTO Members to decide on the legality of economic sanctions in the WTO and interpret the rules and WTO provisions through the dispute settlement

² GATT 1994, Article XXI, states that 'Nothing in this Agreement shall be construed (b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests (iii) taken in time of war or any other emergency in international relations; or (c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security'. These provisions find their mirror image in Art. XIV bis GATS.

³ Smeets, M., 'Conflicting Goals: Economic Sanctions and the WTO', *Global Policy Dialogue*, Vol.2 Number 3, summer 2000.

procedures and there may soon again be an opportunity to do so.⁴ The main objective of this analysis is to assess the effects of economic and trade sanctions resulting from political decisions to act against another country and which policies or actions are being contested.

The economic theory of sanctions is largely based on a number of stylistic assumptions with regard to trade and how it can be affected by sanctions and which often don't reflect the realities. As will be seen, it also doesn't take account of human behaviour and responses, including by the leaders of countries that are facing the sanctions and which can seriously undermine the effectiveness of sanctions. So what does the theory tell us and what are the realities?

Hufbauer, Schott and Elliott argue that economic sanctions have only a very limited capacity to serve their intended objectives.⁵ Overall their track record is poor. To the extent that they work, the time span for the actual impact is very short. These views are broadly supported by van Bergeijk and van Marrewijk.⁶ In earlier writings I have expressed reservations about the effectiveness of economic sanctions as a policy instrument and questioned their use in specific cases.⁷ Yet they continue to be a popular policy tool. The effectiveness of sanctions is further reduced today due to a growing interdependency between markets and a 'shrinking world'. It becomes hard to single out products that can effectively hurt the country being sanctioned and without repercussions for countries taking these punitive measures. All these aspects merit further consideration.

What are economic sanctions? Generally speaking they cover trade-restricting policies between sovereign nations, including so-called 'boycotts' and 'embargoes'. Boycotts are generally associated with the refusal to purchase goods and services from a supplier, and embargoes imply that no goods and services will be supplied to the buyer.⁸ The scope of sanctions naturally varies with each case and can include a policy to completely isolate a country and break off economic and trade relations and which is perhaps the most difficult to accomplish. Rare are the cases where a full embargo was imposed with the purpose of cutting off all economic and trade relations with a specific country. The United States tried this with Cuba for over half a century, but didn't succeed despite Cuba's vulnerability as an island nation and its geographic proximity to the United States' mainland. Cuba's vulnerability was further increased given its geographical distance from its main ally, the Russian Federation, and its markets of supply. The sanctions have now mostly come to an end, without having achieved their objective.⁹ The economic sanctions taken against North Korea are also far ranging and were further strengthened by the United States late February 2018. It was found that the sanctions are not watertight, with trade continuing between North Korea and some trading partners in one way or another¹⁰. Some time back, countries tried to isolate South Africa for many decades in order to end the

⁴ Qatar most recently brought a case against Bahrain and Saudi Arabia, in which it contests the restrictions imposed by the two countries with regard to trade in goods and services and trade related aspects of intellectual property rights (DS527 and DS528).

⁵ Hufbauer, G.C., Schott, J.J., and Elliott K.A. (1990), *Economic Sanctions reconsidered: History and Current Policy*, 2nd edition (Washington D.C.: Institute for International Economics), and Hufbauer, G.C., J.J. Schott and Elliott K.A., and B Oegg, *Economic Sanctions reconsidered: History and Current Policy*, 3rd edition, Peterson Institute, November 2007.

⁶ Bergeijk, P.A.G. van and C. van Marrewijk (1994), 'Economic Sanctions: A hidden Cost of the New World Order', in Chatterij, M., Rima, A., and Jager, H., (Eds), *Economics of International Security: Essays in Honour of Jan Tinbergen* (Mac Millan: London), 168-182.

⁷ Smeets, M., 'Economic Sanctions against Iraq: The ideal case', *Journal of World Trade*, Vol. 24 No.6, Dec. 1990; 'Economic Sanctions against Iraq', in 'The Persian Gulf War' Blumberg, H. and French, C. (Editors), 1994; 'Conflicting Goals: Economic Sanctions and the WTO', *Global Dialogue*, Vol.2 Number 3, summer 2000.

⁸ The origin of boycotts according to dictionary.com is related to Charles C. Boycott (1832-97), an English estate manager in Ireland against whom nonviolent coercive tactics were used in 1880.

⁹ The US President Barack Obama and the Cuban President Raul Castro made a joint statement to that effect before Christmas 2014. Diplomatic relations between the two countries resumed in the summer of 2015.

¹⁰ Cf Collins, K., Cohen, Z., Borak, D., and Merica D.: 'Trump announces new North Korea sanctions', CNN, 24 February 2018. See also FT 23 February 2018: 'US sanctions 27 shipping companies for ties with North Korea.'

Apartheid regime and which eventually ended, but it remains questionable what the contribution of the economic sanctions per se was, given that the sanctions were largely circumvented.¹¹

The mechanism through which economic sanctions are believed to achieve their ultimate objectives from an economics perspective is based on a reversal of the international trade theories, which assume that world economic welfare is maximized under conditions of free trade. These trade theories are mostly associated with the Swedish economists Ohlin¹² and Heckscher¹³ who explain the notion of trade and specialization. The key element of their theory is that different goods require different factor proportions, and different countries have different relative factor endowments. Countries will tend to have a comparative advantage in producing goods that use their most abundant factors more intensively, for this reason each country will end up exporting its abundant-factor goods in exchange for imported goods that use scarce factors intensively. Trade therefore is not a 'zero-sum game' in which one side gains only what the other loses. The whole world gains from trade and both sides are at least as well off with some trade as with no trade.

What follows from the theory is that any limitation of trade, and in particular the protection of individual markets through an increase in tariffs or applying direct import restrictions through quota, will ipso facto reduce the general welfare level. The theory of economic warfare developed by Kemp in essence is based on a reversal of the Heckscher-Ohlin theory.¹⁴ An embargo will create a supply shock and a boycott will isolate the target country from the world market. A net welfare loss will be the result. Depending on the relative balance of powers between the countries involved and the importance of their economic interaction (large versus small country), the imposing party can explicitly depress the income and welfare level of the target country to an unacceptably low level. The weaker party will face deteriorating terms of trade and it is expected that it will be forced to comply.

One weakness in the theory is that it is essentially based on a two-good and two-country model, which suggests a strong interdependence between the two economies prior to the sanctions and hence vulnerability. The reality is different, as the world is dynamic and highly interdependent, with increasingly complex trade ties between all countries. These new realities result from the rapid growth of trade *per se*, globalization, the emergence of global production networks and a splitting up of the production process. Obviously, a correct description of trade among OECD countries would therefore require a multi-good and multi-country model, with complex interrelations, both through trade and investment, subsidiaries, cross-stockholding of companies and so on, which make things a lot more complicated. Ideally, all these factors would need to be included in the equation.

The simplified approach also means that a critical condition for sanctions to be successful is already fulfilled. It assumes that the target country has little scope to escape from the sanctions, as it depends on the other good. The growing interdependency of markets and the emergence of Global Value Chains (GVCs), the increased role of services trade, e-commerce and the role of Foreign Direct Investment (FDI) as an alternative way to penetrate markets complicate matters. In addition, sanctions often are circumvented by engaging in trade with third parties refusing to abide by them. One cannot simply assume that by depressing the economy in the target country to a certain point, the leaders have no choice but giving in. The practice is different and it takes more to bring leaders to their knees. The economic sanctions can even have the reverse effect, leaders using the sanctions as an explanation for the lower levels of growth and welfare, instead of failing economic policies. It can lead to them digging in their heels and resisting the sanctions even more, thus making it even harder

¹¹ Apartheid ended, but few would argue that this resulted from the sanctions imposed on South Africa per se. The sanctions added to the pressures, but it is generally held that a rapid evolution in domestic politics and more specifically the role of former President Nelson Mandela were largely determining in the transition from a white minority to a black majority government in South Africa and the logical ending of Apartheid.

¹² Ohlin, B., 'The reparation problem: a discussion', *Economic Journal*, June 1929.

¹³ Heckscher, E.F., 'The Effects of Trade on the distribution of Income', *Economic Tidskrift*, 1919.

¹⁴ Kemp, M.C., *The pure Theory of International Trade*, Prentice Hall, Inc. New Jersey, 1964.

achieving the set objectives. A good illustration is presented in the sanctions that were applied against Iraq, where Saddam Hussein was even more determined than ever before to resist the outside pressures and eventually leading to a military intervention.¹⁵

In Russia the fall in oil prices have had a more significant effect on the Russian economy than the sanctions per se, as will be argued further. The lower prices deprive the government from a much needed income and underscore the vulnerability of Russia's little diversified economy to external shocks. The consumer may thus be affected, but will not necessarily be aware of the real cause of the pain and which could be put on the count of the sanctions. In addition, the pain of the sanctions that is felt by the people is not necessarily felt the same way at the political levels. This is the reason why it was decided to specifically target Russian political leaders using 'smart sanctions'.¹⁶

Recognizing the limitations and shortcomings in the classical literature on sanctions and building on several studies that were undertaken in this field, Sajjad Farayi Dizaji and van Bergeijk developed a dynamic model of sanctions taking into account various situations and leading to different scenarios.¹⁷ They establish that 'firstly, the social impact of economic sanctions may well extend beyond the sanction episode and, secondly, that the deterioration during the initial phase will exceed the improvement during the recovery that sets in either in the second phase or when the sanction is terminated'.¹⁸ They therefore conclude that 'the costs of imposing sanctions exceed the benefits of lifting sanctions'.¹⁹

Given the increased interdependence and the close network of economic, trade and investment relations among Western countries, economic sanctions are increasingly less likely to work. The large variety of sources of supply and the mobility of capital seem to facilitate the replacement of goods and services by other suppliers. Production processes have internationalized through the investment decisions of multinational corporations. In addition, trade is increasingly characterized by intra-industry or even intra-firm trade as opposed to inter-industry trade, which makes it hard to find a particular good that can be adequately singled out for sanctions.²⁰ This reasoning applies to a lesser extent to trade with developing countries, which often have a less diversified production and export package and would thus seem to be more vulnerable. Even then, it turns out to be difficult to effectively apply sanctions.

In the past much attention was given to the significance of strategic goods in trade, which can be of crucial importance in economic warfare. It was felt that countries would be particularly vulnerable if they would be deprived access to strategic goods, thus creating a bottle-neck in an economy. The theory of strategic goods was originally applied with regard to East-West trade during the cold war and more specifically in relation to the former Soviet Union. The Coordinating Committee for Multilateral Export Controls (CoCom), created shortly after WWII was meant to prevent the Soviet Union and China from obtaining technological goods and material that had strategic significance.²¹

¹⁵ Cf footnote 7.

¹⁶ The Economist February 3 2018, page 23: 'Sanctions on Russia, copy and paste'.

¹⁷ Dizaji, S. F. and van Bergeijk, P., Potential early phase success and ultimate failure of economic sanctions: A VAR approach with an application to Iran, *Journal of Peace Research*, 26 June 2013, 50(6) 721-736; Frey, B., *International Political Economics*, Basil Blackwell, 1984; Kaempfer, W. and Lowenberg, A., 'The Theory of international economic sanctions: A public choice approach', *American Economic Review* 78(4), pages 768-793; Marinov, N. 'Do economic sanctions destabilize country leaders? *American Journal of Political Science* 49(3), 2005, pages 564-576; Porter, R., *International Trade and Investment Sanctions: Potential Impact on the South African Economy*, *Journal of Conflict Resolution* 23(4), 1979, Pages 579-612.

¹⁸ Ibid, (Dizaji et al.) page 734.

¹⁹ Ibid

²⁰ The difficulty of identifying products for retaliatory purposes is also apparent when it comes to authorized retaliation in the context of the dispute settlement body.

²¹ Information found on Wikipedia, consulted on 24 May 2016.

<https://enl.wikipedia.org/wiki/Coordinating-Committee-for-Multilateral-Export-Controls>

Cocom was abolished in 1994, following the easing of the East-West tension in 1989 and there is no evidence that Cocom prevented the two countries from developing their economic potential due to the measures taken with regard to strategic goods. The discussions thus seem to have become largely hypothetical in the context of sanctions, since it is unlikely that any strategic good can be singled out for that purpose. This seems again to be confirmed by the ways Iran and North Korea have been able to develop their domestic nuclear activities and such despite the fact that the inputs required and more specifically the required technology supposedly are not freely available on the markets. This notion seems to be contradicted by the realities, as can be read in the press.

On the question of the duration of sanctions and their short term effects compared to the longer run, the research undertaken by Hufbauer, Schott, Elliott and Oegg also shows that economic sanctions lose much of their effectiveness after the first and second year, which accounts for 55% of successful sanction episodes, followed by a steep decline.²² Dizaji's and van Bergeijk's empirical analysis establishes that economic sanctions can be successful in the first two years following the implementation of sanctions.²³ They found 'strong and consistent evidence for an initially significant economic impact of sanctions that wanes at the end of the simulation period for government consumption per capita, imports per capita, gross capital formation per capita and GDP per capita'.²⁴ Accordingly, the likelihood of compliance by the targeted country decreases significantly after that time. They built a set of comprehensive vector autoregressive (VAR) models to test their case on Iranian oil. They found that

the economic impact of an oil boycott on the Iranian economy is considerable: oil and gas rents are important drivers of the Iranian macro-economic variables and ultimately of its political system. A reduction of these oil and gas rents creates economic costs that act as incentives to move towards a more democratic setting. The effect is only significant in the first two years and turns negative after six to seven years, reflecting that even short term sanction costs will wane due to economic adjustment.²⁵

Another important element to be kept in mind in sanction episodes is the fact the sanctions will generally imply economic costs not only to the target, but also to the countries that initiate the sanctions through the loss of business contracts and a reduction or interruption in trade (depending on the scale of the sanctions). These costs will have to be borne by the consumer and taxpayer, which will be ready to accept this if they believe in the cause and the achievement of the objectives. The costs for the sender can be considerable and undermine both the economic rationale and the political willingness to engage in the sanctions. These arguments are developed further by Bond, Odendahl and Rankin who explain how the EU and Russia are economically intertwined and the extent to which the EU economically depends more on Russia than the other way round.²⁶

According to their calculations,

the EU is a far more important trading partner for Russia than the other way round. Based on total trade (exports and imports), the EU is roughly five times more important to Russia than vice versa. The EU buys more than half of Russian exports, equivalent to almost 10 percent of Russia's economic output.²⁷

²² Hufbauer, G.C, Schott, J., Elliott, K.A., and Oegg, B., *Economic Sanctions reconsidered*, 3rd edition, Washington DC: Peterson Institute for International Economics, 2008.

²³ Cf footnote 17

²⁴ Ibid page 728.

²⁵ Ibid, page 734.

²⁶ Bond, I., Odendahl, C., Rankin, J., *Frozen: The Politics and economics of sanctions against Russia*, Centre for European Reform, March 2015

²⁷ Ibid, page 5.

The close interdependency between the two economies is also explained by Nelson, who argues that Russia has a power of retaliation as well as alternative sources of supply and for the outlet of its goods, including China.²⁸

As the target country is more likely to become less rather than more vulnerable to the sanctions with time, this again underscores the need for a speedy implementation of sanctions and in order to prevent the target country from organizing its resistance to the sanctions and thus undermining their efficacy. The target country can build up stocks, and take diplomatic steps to create an alliance with friendly countries and develop an import-substituting industry, or divert its trade to new trading partners. The position and role of third parties and their involvement in the sanction episode is of critical importance. 'Sanction busters' can create loopholes in the sanctions and thus undermine their effectiveness. The role of alliances (with third parties) in sanction situations has been studied by Early, who researched 96 episodes of sanctions imposed by the United States over a 50 year period. The behaviour of third parties and their willingness to bust sanctions will largely depend on the economic gains they are likely to obtain.²⁹ The target country on its side will do everything necessary to diminish the economic dependence of the sender.

It is thus crucial that the countries taking the economic sanctions decide swiftly and implement their decisions abruptly and to the fullest extent possible. While this seems to be obvious, in practice it is a difficult condition to fulfil, particularly when several countries are involved in the sanctions episode and more specifically when the sanctions are taken under the aegis of the United Nations. It is often extremely difficult to reach common agreement on the necessity for and the extent of the sanctions to be applied. There will always be countries dragging their feet and rather taking the economic benefits of sanctions by engaging in friendly relations with the target country in return for business contracts. According to Nelson, 'In October 2014, Russia and China completed approximately 40 agreements related to finance and technology. Russia is also reportedly turning to Brazil and other Latin American countries for food imports to compensate for losses resulting from its ban on agricultural imports from other countries'.³⁰

Furthermore, there are other considerations to bear in mind using of sanctions as a policy tool. While it would a priori seem that the effectiveness of economic sanctions largely depends on the vulnerability of the country undergoing the sanctions and the instruments available in the sanction campaign, the effectiveness of sanctions never is guaranteed. One explanation is that economic sanctions are an economic instrument that aims to achieve political objectives. Not only is it challenging as political objectives may shift, but it can equally be hard to assess the contribution of the sanctions in achieving a specific outcome ('attribution'). As I will argue below, in the case of Russia, the rapid fall of oil prices on world markets are likely to have had a deeper effect on the Russian economy than the sanctions. At the same time, this never was part of the sanctions plan and cannot be influenced by the countries taking the sanctions.

Finally, but not least important is the absence of clearly defined and specific objectives of many sanction episodes with the logical consequence that sanctions often stay in place for longer than necessary. The related problem is that in the absence of clearly specified objectives it becomes unclear when to lift sanctions without losing face and more specifically if the objectives have not been achieved. The more specific the objectives of the sanctions are defined, the easier it becomes to assess when the target has been achieved, thus allowing for a lifting of the sanctions.

²⁸ Nelson, R., US Sanctions on Russia: Economic Implications, February 2015. Congressional research service 7-5700, www.crs.gov R43895. Washington DC.

²⁹ Early, B., Alliances and Trade with sanctioned states, a study of US Economic Sanctions, 1950-2000, *Journal of Conflict Resolution*, Vol. 56 no 3, June 2012, pages 547-572.

³⁰ Cf footnote 28, page 13.

Despite the weaknesses of sanctions and the lack of their effectiveness, it is definitely a preferable policy tool if it contributes to averting armed conflict, but the two often go hand in hand and sanctions are not always given enough time to be effective. Sanctions can (at least in the first instance) provide an alternative for military warfare. At the same time, governments are not always willing to allow time for sanctions to bite. One example is the intervention in Iraq in 1990, with first sanctions put in place and quickly followed by military intervention, thus overriding the economic sanctions per se. Iraq was generally viewed as providing almost perfect conditions for sanctions to work, but that they were not given the time to do so.³¹ A similar situation occurred with former Yugoslavia (as it was then known) in the 1980s, where armed interference complemented the economic sanctions that had been put in place. It would seem that other, mainly political factors, provided overriding arguments to use military force in both cases, irrespective of the question whether the sanctions would bite or not. In the case of Iraq, the aggression in Kuwait gave political leaders an opportunity to get rid of Saddam Hussain. In the case of Yugoslavia, a new geopolitical balance was in the process of being established and at the same time the international community decided that it needed to intervene to halt what the international community condemned as acts of genocide in the region. It could of course be argued that in both cases the sanctions were not given the time they needed to be effective, and so it is hard to know what would have happened without the military intervention.

The relationship between sanctions and armed conflict is studied by Erikson and Wallensteen, who provide insights into their interaction and the role of the United Nations and how it complements the goals of sanctions.³² In both cases there was a mixture of UN-backed sanctions and armed intervention which eventually resolved the issue.

In the case of the claim by the Russian Federation of the territories of Ukraine, the Western leaders decided to abstain from military intervention and focus on the economic and political sanctions, albeit more selectively than applying them on a full scale.³³ The military actions were mainly conducted by the Ukrainian military in defence of their territory. Both the German Chancellor and American President have excluded military intervention which could have escalated matters.³⁴

Given the weak track record of sanctions, why then would countries continue resorting to economic sanctions? They are generally recognized to be a more powerful expression of disagreement than making purely political declarations. Sanctions are meant to give teeth to these declarations and leaders want to walk the talk. It shows the domestic electorate that politicians take responsibility and do not sit on their hands and watch 'evil' taking place without acting. Nevertheless, it remains uncertain to what extent they really can bite. It is thus believed that economic sanctions are a powerful foreign policy instrument instead of being an economic policy tool. Other measures may prove more effective than economic measures, including boycotting sports events (e.g. Olympic Games) or directly targeting officials and restricting their movements, as was done by the United States, putting a large number of high level officials and business men on a blacklist.³⁵ Of course several measures can be taken simultaneously, thus building cumulative effects.

3. Main features of sanctions taken against the Russian Federation

Following actions by the Russian Federation reclaiming territories in Ukraine both the United States and the European Union responded with economic sanctions. A brief account of the chronology and

³¹ Cf Footnote 7.

³² Rikson, M. and Wallensteen, P., Targeting sanctions and ending armed conflicts: First steps towards a new research agenda, *International Affairs*, Vol. 91, Issue 6, pages 1387-1398, November 2015.

³³ Cf footnote 26. Armed and military intervention was not an option considered by the EU political leaders.

³⁴ Ibid, page 2.

³⁵ Cf *The Economist*, February 3rd 2018, page 23

content of the sanctions put in place by the US administration is provided by Nelson.³⁶ The economic and trade sanctions taken against Russia included a mixed bag of economic, financial and diplomatic sanctions. Sports sanctions are also a popular ingredient in sanction episodes and were applied in 1980 when the US decided to boycott the Olympic Games in Russia. It threatened to repeat that action for the winter Olympics at Sochi in 2014. The President of the European Council at the time, Herman van Rompuy, said in March 2014 ‘Sanctions are not a question of retaliation, they are a policy tool. Not a goal in themselves, but a means to an end. Our goal is to stop Russian action against Ukraine, to restore Ukraine's sovereignty – and to achieve this we need a negotiated solution’.³⁷ This shows again that the sanctions were meant to be a complementary policy tool and not the sole measure taken to achieve its objectives.

Nelson points out that ‘Canada, France; Germany, Italy, Japan, the United Kingdom and the United States have suspended (Russia's) participation in the G-8 and instead convened as the G-7, of which Russia is not a member, for the first time since the late 1990s’.³⁸ The simple fact of excluding Russia from the G-8 sends a strong political signal, as it was considered a major step when Russia joined the G-8 in the first place, in recognition of the role it plays on the world economic and political scene. At the same time imposing sanctions can put leaders in a delicate situation, which is the case in Germany, as the strongest European and economic partner of Russia. The position of Germany's Chancellor is of critical importance and according to Bond et al ‘much will turn on whether Angela Merkel maintains her firm line: she has invested a lot in her relationship with Putin’.³⁹

The sanctions include the freezing of assets for individuals and specific entities, restrictions on financial transactions with Russian firms, restrictions on oil-related products as well as on dual-use exports. Further insights are provided by Portansky who explains what measures were put in place, starting as early as March 2014 and followed by a tightening of the sanctions in April and later during the summer.⁴⁰ What was new with these sanctions is that they targeted a number of Russian individuals in the belief that this would hurt the most. This view is also held by the authors of a study prepared by the Graduate Institute of International and Development Studies in Geneva and which provides a detailed historical account of the sanction episode.⁴¹ It also provides insights into the costs endured by Russia and the sanctioning powers. The sanctions thus affected a number of high-ranking Russian officials and politicians, forbidding them to enter the United States and freezing their assets and property abroad.⁴²

The sanctions affected trust in Russia and according to Portansky ‘resulted in capital flight and a worsening investment climate that was never particularly good’.⁴³ Russia witnessed a serious decline of its currency, the Ruble, which lost nearly 50% of its value in 2014. According to Bond et al, ‘German Gref, a former minister has indicated that sanctions are having a major effect on the bank's ability to borrow money’.⁴⁴ Separately, specific market conditions can be of critical importance in sanction episodes and this applies again to the Russian Federation: the international oil market collapsed shortly after the sanctions were put in place against Russia. This was a coincidence and considerably strengthened the impact of the sanctions and the likelihood that they would contribute to their goal. The oil prices dropped to extremely low levels, hitting a low of nearly 30 US dollars in

³⁶ Cf footnote 28, pages 5-7.

³⁷ Ibid, page 3.

³⁸ Ibid, Page 6.

³⁹ Ibid, page 16.

⁴⁰ Portansky, A. ‘Sanctions Pushing to Decline, a new reality for the Russian Economy’, *Global Affairs*, 23 September 2014.

⁴¹ ‘The New Deterrent? International Sanctions against Russia over the Ukraine Crisis; Impacts, Costs and further action’, E. Moret, T. Biersteker, F. Giumelli, C. Poretla, M. Veber, D. Bastiat-Jarosz, C. Bobocea, Geneva, Published by the Programme for the Study of International Governance, 12 October 2016, page 21

⁴² Ibid.

⁴³ Cf footnote 40, p. 3.

⁴⁴ Cf footnote 26, page 11.

early January 2016, as opposed to well above 100 US dollars earlier in 2014. Oil and gas prices are closely linked and increase and decline in parallel. The drop in oil prices is explained by several factors unrelated to the sanctions, including the continued economic recession, thus lowering the economic demand worldwide and the rapid growth of oil production and development in the United States, which has become a net exporter of oil and gas. In addition, the OPEC decided to stick to its policy to maintain the levels of oil production. The implications of these developments are worrisome for economic growth perspectives and created major budget imbalances, as well as capital outflows. As has been reported in the press, the Russian Central Bank had to dig deep into its reserves to support the Ruble, but to no avail, as it continued to depreciate.

The former Russian Finance Minister Alexei Kudrin warned that the sanctions could depress the Russian economy by as much as 1-1.5% of GDP, which he considered 'not to be disastrous for the economy'.⁴⁵ These observations were made well before the drop in oil prices, thus underestimating the real cost to the Russian economy. Hence, the economic impact has been much more important than initially anticipated. The purchasing power of the citizens has been reduced and many goods previously accessible are no longer available, with little or no domestic substitutes available. Inflation is mounting and government reserves are decreasing rapidly.

The vulnerability of the Russian economy is also evidenced by Sutyurin, Koval and Trofimenko who argue that, irrespective of a sanctions perspective, Russia's structural dimension has remained mostly unchanged since the 1990s, with similar patterns of trade.⁴⁶ The Russian economy is not that diversified and therefore theoretically more vulnerable to sanctions. The authors argue that the economy is highly dependent on the importation of goods and supplies for both consumption and production. Russia is also not well connected to GVCs and continues to be highly dependent on the export of raw materials and base products. They observe that Russian exports mainly consist of mineral products, which represent a share of nearly 70% of exports. This is far higher than the share of machines and transport, which was around 5% and which represent nearly half of all imports. Other main import items include chemicals, food and agricultural equipment. Sutyurin et al thus suggest that Russia needs to diversify its production and increase its efforts to link to GVCs. This would not only be beneficial to the Russian economy globally, but more diversity automatically diminishes the economy's vulnerability. A similar point is made by Vladimir Mau, who argues that Russia faces structural problems and needs economic liberalization, which would provide the necessary modernization for institutional growth and modernize the welfare state.⁴⁷

Given the trade dependency of the EU in its relation with Russia, the sanctions backfired in several ways as a result of the retaliatory actions by Russia. In the agricultural sector European farmers have been hit hard by Russia's ban on imports of fruit, vegetables, meat, dairy, fish and other foodstuffs. Separately, Russia has the power to deprive the West from important energy supplies and more specifically from gas, on which the European countries are highly dependent. According to the EU Commission, the sanctions are likely to have reduced the EU's economic growth in 2014 by 0-3% points and 0.4% in 2015.⁴⁸ According to the Graduate Institute, EU exports to Russia fell by 12.1% and Russia exports to the EU dropped by 13.5% with a fall in total trade value from Eur 326 billion to Eur 285 billion.⁴⁹ At the political level, the talks on Russia's accession to the OECD were interrupted and Russia's de facto membership of the G-7 suspended, as was indicated earlier.

⁴⁵ Cf footnote 40 p.3.

⁴⁶ Sutyurin, S, Koval, A.G, Trofimenko, O., 'Integrating into the multilateral trading system and global value chains; the case of Russia' in *'Connecting to Global Markets, challenges and opportunities: Case studies presented by WTO Chair-holders'*, Jansen, Sadni Jallab, Smeets (Editors), pages 106-107.

⁴⁷ Mau, V., 'Russia needs reforms, not a sanctions war', *Global Affairs*, 25 September 2014.

⁴⁸ Cf footnote 26, page 12.

⁴⁹ Cf footnote 41 page 12.

It was argued earlier that sanctions are often seen as a policy instrument that is used for domestic (political) consumption. In the country imposing sanctions, the leadership may show its determination and capacity to act, but this argument can work both ways depending on the determination and the power of the target country to resist and take counter measures. It seems that the Russian leadership has largely managed to attribute the difficult economic situation that the country is experiencing to the sanctions. According to various reports, the Russian President Putin became more popular since the military intervention and benefits from large and broad support. He is capitalizing on the sanctions and Russia is reported to have managed to portray the situation as the 'Great Patriotic War'.⁵⁰ In other words, there seems to be some form of cohesion building, thus leading to a natural resistance against the sanctions and undermining their efficacy.

Separately, and according to the study by the Graduate Institute, Russia is on a path of substituting the EU as a key trading partner and diversifying its trade by seeking closer relations with other countries for obtaining technology and finance and for trading agricultural goods and selling its oil.⁵¹ The study refers to countries like China, India, Brazil, and Turkey, alongside Argentina, Belarus and Chili. In the medium to longer run, this means that the Russian dependency of foreign goods and services for domestic consumption and its supply of goods and services to foreign markets will change. These effects are likely to be felt much harder by Russia's traditional and geographically nearby trading partners than the United States that has a rather insignificant share of trade with Russia.⁵² The study also notes that some countries have not joined the coalition of countries applying the sanctions, including South Korea. On the side of the coalition, it notes that there too weaknesses can be found and a growing reluctance to renew the sanctions given the forgone market opportunities. Hence, building a coalition is one thing, keeping it together another. The chain can only be as strong as the weakest link and the chain is being tested.

Given that the sanctions have been in place for some four years, and the inverse relationship that was established between the duration of sanctions and their effectiveness, the likelihood that they will bite is decreasing. It seems highly unlikely that Russia will give up its claim on territories in Ukraine, which looks more and more like a fait accompli. The question then is what next? Bond et al. suggest that the 'West certainly needs to re-evaluate collectively how far its sanctions are achieving their objectives. If it concludes that they are ineffective or only partly effective, the EU, US and other countries which have imposed sanctions on Russia have several alternatives'.

The suggestions include the following five options:

- (i) They can leave sanctions in place, in the expectation that their effect will grow over time, and because they want them to give a permanent political signal that annexing territory is unactable.
- (ii) They can lift sanctions and return to business as usual, as after Russia's invasion of Georgia in 2008.
- (iii) They can maintain the objectives but adjust the sanctions.
- (iv) They can maintain the sanctions but adjust the objectives.
- (v) They can adjust both sanctions and objectives.⁵³

⁵⁰ Cf footnote 26, page 11, quoted from 'the heroism of deprivation' Vedomosti, August 29th, 2014.

⁵¹ Cf footnote 41, page 23.

⁵² Cf 'Sanctions on Russia: Impacts and economic costs on the United States', E. Moret, F. Giumelli, D. Bastiat-Jarosz, Geneva, Published by the Programme for the Study of International Governance, 20 March 2017.

⁵³ Cf 26, page 17.

The option that will be chosen remains open for now, but the analysis has shown that keeping sanctions in place with the expectation that in the longer run they will work is not realistic and not supported by the evidence. At some point a decision would need to be taken with regard to the duration and scope of the sanctions and eventually lifting them

4. Main features of economic sanctions taken against Iran

There is a long history to the sanctions against Iran, which according to Zachary Laub initially started after the Iranian Revolution in 1979 and found its origin in the 1979-1981 hostage situation.⁵⁴ In another work, Fayazmanesh analyses the circumstances under which the US enacted its sanction campaign against Iran following the 1979 crisis.⁵⁵ President Jimmy Carter froze all Iranian assets under US jurisdiction. A detailed historical account and analysis of the sanctions taken against Iran is provided by Hufbauer, Schott, Elliott and Oegg.⁵⁶ The sanctions were therefore initially unrelated to the nuclear non-proliferation concerns which are more recent. The sanctions were gradually expanded under the successive US Presidents in the 1980s and 1990s. More recently, the sanctions were again strengthened by the United Nations, the European Union and the US in the early 2000s, following indications of work on uranium enrichment.⁵⁷ The main objective of the international sanctions was to block Iran's access to nuclear-related materials and put pressure on the Iranian government to compel it to end its uranium enrichment programme and other nuclear weapons-related efforts.

Looked at over time, the sanctions included a broad range of measures. The ones that perhaps hit the hardest included financial/banking sanctions, as well as restrictions on oil exports, which were taken since 2011 under the various US laws. The 'smart' sanctions taken by the US Treasury Department mainly targeted the international financial system to deprive Iran of access to the financial market. The measures were applied not only with regard to the financial institutions based on US territory and involved in transactions with Iran, but also had extra-territorial application. The so-called secondary sanctions imply that any foreign based financial institutions or subsidiaries that deal with banks targeted by the US would automatically be excluded from doing business in the United States and making transactions in US dollars. Carter and Farha provide insights into the complexities of the manner in which financial sanctions work.⁵⁸ They explain how the sanctions affect trade as a result of the difficulties of paying for the trade transactions, including exports and imports of goods and services. These 'smart sanctions' seem a priori to more effective than the broad based general sanctions that can perhaps more easily be circumvented.

Iranian oil exports were curtailed, thus depriving it of much of its oil revenues: according to Laub,⁵⁹ prior to 2012 oil contributed to half of the Iranian government's revenue and made up one fifth of the country's GDP. Earlier measures against Iran included trade sanctions dating back to 1995, the

⁵⁴ Laub, Z., International sanctions on Iran, *Council on Foreign Relations*, July 2015. See also Fayazmanesh, S., The Politics of the US Economic Sanctions against Iran, *Review of Radical Political Economics*, September 2003, Vol. 35 no.3 pages 221-240.

⁵⁵ Fayazmanesh, S., The Politics of the US Economic Sanctions against Iran, *Review of Radical Political Economics*, September 2003, Vol. 35 no.3 pages 221-240.

⁵⁶ Hufbauer, G.C., J.J. Schott and Elliott K.A., and Oegg, B., *Economic Sanctions reconsidered: History and Current Policy*, 3rd edition, Peterson Institute, November 2007, with updates on US v. Iran case study of early 2012.

⁵⁷ The UN Security Council adopted a series of resolutions between summer 2006 and summer 2015, starting with Resolution 1696, passed on 31 July 2006, with a threat of sanctions, which were subsequently imposed and gradually strengthened. The measures included not only a ban on the supply of nuclear material, an arms embargo, but also a freeze on Iranian assets. Following progress in the discussions with Iran, the UN Security Council passed Resolution 2231 in July 2015 and which sets out a schedule for suspending and eventually lifting UN sanctions, with provisions to re-impose UN sanctions in case of non-performance by Iran.

⁵⁸ Carter, E., and Farha, R., Overview and operation of US financial sanctions, Including the example of Iran., *Georgetown Journal of International Law*, June 1, 2013, Vol. 44, pages 903-913

⁵⁹ Cf footnote 54.

freezing of assets and travel bans, as well as sanctions on weapons development. The embargo on Iran's oil export mostly worked due to the creation of an international coalition of countries led by the European Union. The sanctions were taken with the support of the United Nations Security Council. It passed Resolution 1929, deepening previous rounds of UN sanctions and urging cooperation on financial sanctions.⁶⁰ The coalition that was created under the umbrella of the UN included key Asian oil importers, thus strengthening the coalition of countries taking the sanctions and meeting one of the main conditions for sanctions to work. There is less evidence on the extent to which sanctions are being broken by third parties.

Did the sanctions 'bite' and what was their effect? According to estimates of the US Treasury Secretary Jacob Lew in April 2015, Iran's economy was 15-20% smaller than it would have been had sanctions not been ratcheted up in 2012, and cost US \$160 billion in lost oil revenues alone.⁶¹ In addition, more than US \$100 billion in Iranian assets is held in restricted accounts outside the country. The US led sanction campaign resulted in a two year economic recession in Iran, a decline of the currency (Rial) by 56% between January 2012 and January 2014, a period in which inflation reached 40%. The unemployment rate might be as high as 20%. Oil prices have collapsed to unprecedented lows, as reported earlier. The IMF estimates that Iran's break-even point, the price per barrel at which the country can balance its budget is US \$92.50. With oil prices that have reached a low of less than US \$40 in 2016, this is less than half of what is required to stabilize the economy.

The economic conditions thus have seriously deteriorated, but it nevertheless remains difficult to say to what extent these sanctions contributed to bringing the negotiators back to the table and work out a deal. Referring to the analysis by Dizaji and van Bergeijk, the sanctions have been in place for such a long time span that the Iranian economy must have adjusted to the hardship.⁶² According to Schott, despite increased economic pressure over several decades, the US sanctions did not lead to major Iranian policy changes.⁶³ He argues that on the contrary, the external pressure has been used by Iranian leaders to blame the US for their domestic economic suffering. The sanctions were, at least for a while, used by the authorities to explain the domestic economic hardship in Iran. Similar views can be found: Borszik explains how the sanctions were used by its political leaders to maintain and reinforce domestic intra-elite cohesion.⁶⁴ Hufbauer in an interview stressed the significance of the strong coalition that was formed with the EU, Russia and China with the support of the United Nations, the comprehensive nature of the sanctions, and particularly the importance of the US diplomacy that brought the Iranian negotiators back to the table.⁶⁵

These various arguments show once again how challenging it can be to separate and/or identify the cause and effect, but what matters at the end is the result and that is a peaceful resolution of the issue and getting parties back to the negotiating table. It seems more reasonable and prudent to assume that the combination of interventions have led to the resumption of talks with Iran. It is also reasonable to claim that political developments in Iran over the past few years and the emergence of a change in the leadership have played an important role in the changing policies. President Hassan Rouhani, who was elected in 2013 and assumed office in August 2013 showed readiness to engage in a dialogue, and pursue a policy geared towards engaging and connecting to the world economy. It thus are a combination of internal political developments and external pressures that have contributed equally to the new stance and engagement on the nuclear issue. This argument for what could be considered at

⁶⁰ United Nations Security Council Resolution 1929 (2010), adopted in New York at its 6335th meeting on 9 June 2010.

⁶¹ Cf footnote 54, page 5.

⁶² Cf footnote 17, Dizaji et al..

⁶³ Schott, J., Economic sanctions against Iran: Is the third Decade a Charm? Peterson Institute for International Economics, Article in *Business Economics*, July 2012.

⁶⁴ Borszik, O., 'International Sanctions against Iran under President Ahmadinejad: Explaining Regime Persistence', *German Institute and Area Studies*, No 260 November 2014.

⁶⁵ Interview: Sanctions on Iran: 'Why they worked and why a 'snapback' may not work' by Gary Hufbauer, Peterson Institute, 29 July 2015.

least as a partial success of the sanctions could thus be ascribed to the change in political dynamics inside Iran.⁶⁶ To the extent that the sanctions worked, it is most likely due to a combination of factors that were mutually reinforcing.

5. Conclusions

While the use of economic sanctions can politically be an attractive policy tool, their effectiveness is arguable. How much do they really contribute to achieving the policy changes that are mostly the purpose of the measures put in place? If they are ineffective and perhaps even costly, what then would be the reason for countries to apply economic sanctions? It is argued in this paper that sanctions show a willingness and even determination by governments to act and go beyond mere rhetoric. Governments are willing to walk the talk, no matter the costs. Indeed, it was shown that they seem a priori a powerful instrument and generate economic costs, but it was argued that these costs work both ways. In addition, there are generally third parties willing to take advantage of the situation and break the sanctions. It may lead to a change in trade partners and the creation of new alliances and thus adding to the costs to at least one of the parties. Given the ways in which trade has evolved over time, including the globalization of production and the growing interdependency of trade relations between nations, the effectiveness of economic sanctions is reduced even further.

Given the weak history of economic sanctions episodes, it is argued that they are hardly applied in isolation and complement other measures, including diplomacy. Given the combination of various measures put in place, it becomes even harder to assess the effectiveness of economic sanctions per se. In addition, other economic and/or external factors may kick in, unrelated to the sanctions per se, complicating the analysis even further in assessing the contribution of the sanctions to the eventual resolution of the conflict. In some cases they are not given the time to work and are overtaken by military action.

Two sanctions episodes were discussed, one against the Russian Federation and one against Iran. Russia was found to be economically vulnerable given the limited diversification of its economy and a high dependency on raw materials. It was argued that while the sanctions have produced economic hardship this pain was also caused by other external and unrelated factors. Indeed, and due to a number of coinciding circumstances, the Russian economy was affected by drastically lower oil prices, a decline in the currency, capital flight and a reduction in its GDP. Yet, there is no indication that the sanctions will lead to the ending of the crisis and tensions with Ukraine. It was argued that the main sender (the EU) is also affected by the sanctions it imposed and that the coalition supporting the sanctions is being weakened.

The sanctions imposed on Iran were in place in various forms for over 30 years. The sanctions were strengthened in more recent years in response to Iran's nuclear programme and extended to include financial restrictions and a ban on Iran's oil exports. These targeted measures have the potential of inflicting severe economic pain. Yet, it remains unclear if and to what extent they have contributed to resuming the discussions between Iran and other countries over Iran's nuclear programme. The international diplomacy entertained by a coalition of Western countries and backed by the United Nations Security Council and which also covered the economic sanctions, may have been of a more critical importance than the sanctions per se. Finally, it was argued that the internal changes at the political level in Iran may have contributed to opening the door further to dialogue and diplomacy.

In concluding, there is general agreement that economic sanctions are always preferable to warfare, but the measures come at a cost, and which are not one-sided: those taking the sanctions may end up shooting themselves in the foot.

⁶⁶ Cimino-Isaacs, C., Hufbauer, G. and Schott, J., 'The US-Iran Nuclear Deal and the Effectiveness of Economic Sanctions', *Trade and Investment Policy Watch*, Peterson Institute, July 28th.

Bibliography

Bergeijk, P.A.G. van (1994), *Economic Diplomacy, Trade and Commercial Policy: Positive and Negative Sanctions in a New World Order* (Edward Elgar: Aldershot and Vernon).

Bergeijk, P.A.G. van (1995), 'Economic Sanctions in the 1990s', *The World Economy*, Vol. 18 No 3.

Bergeijk, P.A.G. van and Van Marrewijk, C., (1994), 'Economic Sanctions: A Hidden Cost of the New World Order', in M. Chatterij, A. Rima and H. Jager (Eds), *Economics of International Security: Essays in Honour of Jan Tinbergen* (Mac Millan: London), 168-182.

Bond, I., Odendahl, C., Rankin, J., Frozen: The Politics and Economics of Sanctions against Russia, *Centre for European Reform*, March 2015.

Borszik, O., 'International Sanctions against Iran under President Ahmadinejad: Explaining Regime Persistence', *German Institute and Area Studies*, No 260 November 2014.

Bull, H., 'Economic Sanctions and Foreign Policy', *The World Economy* (1984).

Carter, E., and Farha, R., Overview and operation of US financial sanctions, including the example of Iran, *Georgetown Journal of International Law*, June 1, 2013, Vol. 44.

Cimino-Isaacs, C., Hufbauer, G. and Schott, J., 'The US-Iran Nuclear Deal and the Effectiveness of Economic Sanctions', *Trade and Investment Policy Watch*, Peterson Institute, July 28.

Collins, K., Cohen, Z., Borak D., and Merica, D.: 'Trump announces new North Korea sanctions', CNN, 24 February 2018.

Dizaji, S. F. and van Bergeijk, P., Potential early phase success and ultimate failure of economic sanctions: A VAR approach with an application to Iran, *Journal of Peace Research*, 26 June 2013, 50(6).

Eaton, J. and Engers, M., (1992), 'Sanctions', *Journal of Political Economy*.

Early, B., Alliances and Trade with sanctioned states, a study of US Economic Sanctions, 1950-2000, *Journal of Conflict Resolution*, Vol. 56 no 3, June 2012.

Frey, B., *International Political Economics*, Basil Blackwell, 1984.

Fayazmanesh, S., The Politics of the US Economic Sanctions against Iran, *Review of Radical Political Economics*, September 2003, Vol. 35 no.3.

Moret, E., Biersteker, T., Giumelli, F., Poretla, C., Veber, M., Bastiat-Jarosz, D., Boboceca, C. (Eds), 'The New Deterrent? International Sanctions against Russia over the Ukraine Crisis; Impacts, Costs and further action', Geneva, Published by the Programme for the Study of International Governance, 12 October 2016.

Hecksher, E.F.: 'The Effects of Trade on the distribution of Income', *Economic Tidskrift*, 1919.

Hufbauer, G.C., J.J. Schott and Elliott K.A., and Oegg B., *Economic Sanctions reconsidered: History and Current Policy*, 3rd edition, Peterson Institute, November 2007, with updates on US v. Iran case study of early 2012.

Hufbauer, G., C., Interview: Sanctions on Iran: 'Why they worked and why a 'snapback' may not work' Peterson Institute, 29 July 2015.

Kaempfer, W. and Lowenberg, A., 'The Theory of International Economic Sanctions: A public choice approach', *American Economic Review* 78(4), 1988.

Kaempfer, W.H. and Lowenberg A.D., *International Economic Sanctions: A Public Choice Perspective* (Westview: Boulder) (1992).

Kemp, M.C., *The Pure Theory of International Trade*, Prentice Hall, Inc. New Jersey, 1964.

Laub, Z., *International Sanctions on Iran*, Council on Foreign Relations, July 2015.

Marinov, N., 'Do economic sanctions destabilize country leaders? *American Journal of Political Science* 49(3), 2005.

Mau, V., 'Russia needs reforms, not a sanctions war', *Global Affairs*, 25 September 2014.

Moret, E., Giumelli, F., Bastiat-Jarosz, D. (Eds.), 'Sanctions on Russia: Impacts and economic costs on the United States', Published by the Programme for the Study of International Governance, Geneva, 20 March 2017.

Nelson, R., US Sanctions on Russia: Economic Implications in Current Politics and Economics of Russia, Eastern and central Europe, 2015.

Ohlin, B., 'The reparation problem: a discussion', *Economic Journal*, June 1929.

Portansky, A., 'Sanctions Pushing to Decline, a new reality for the Russian Economy', *Global Affairs*, 23 September 2014.

Porter, R., International Trade and Investment Sanctions: Potential Impact on the South African Economy, *Journal of Conflict Resolution* 23(4), 1979.

Ricardo, D., '*On the Principles of Political Economy and Taxation*'; (1817) London, UK.

Rikson, M. and Wallenstein, P., Targeting sanctions and ending armed conflicts: First steps towards a new research agenda, *International Affairs*, Vol. 91, Issue 6, November 2015.

Schott, J., Economic sanctions against Iran: Is the third Decade a Charm? Peterson Institute for International Economics, Article in *Business Economics*, July 2012.

Smeets, M., (1990), Economic Sanctions Against Iraq: The Ideal Case?' *Journal of World Trade*, Vol. 24 No.6 Dec. 1990.

Smeets, M., Economic Sanctions Against Iraq, in H. Blumberg and C. French (Eds) *Lessons from the Gulf War: Social Science Findings*, University Press of America, 1994.

Smeets, M., 'Conflicting goals: Economic sanctions and the WTO', *Global Policy Dialogue*, Vol.2 Number 3, summer 2000.

Sutyryn, S., Koval, A.G., Trofimenko, O., 'Integrating into the multilateral trading system and global value chains; the case of Russia' in '*Connecting to Global Markets, challenges and opportunities: Case studies presented by WTO Chair-holders*', Jansen, Sadni Jallab, Smeets (Editors).

United Nations Security Council Resolution 1929 (2010), adopted in New York at its 6335th meeting on 9 June 2010.
