From the very inception of modern international system, statesmen and diplomats showed a genuine concern about legal principles, rights and obligations that should govern the nations in their interactions with one another. But in the international arena, there is no global community that may compel all member states to law and collective monopoly of forces. Although their public declarations are generally in accordance with the traditional rules of law, their actual foreign policies are often at odds with them.

A country's interests normally define the goals of its foreign policy which in turn leads to a definition of commitments and capabilities to defend them. At this juncture of the development of world community, there is a requirement for new political thinking which necessitates recognition of realities and equilibrium of interests by all participants in international relations.

1.1 Statecraft and Foreign Policy

The study of statecraft is to consider the instruments
used by the policy makers in their attempts to exercise power, that is, to get others do what they would not otherwise do. David A. Baldwin has identified four instruments of foreign policy derived from Lasswell's taxonomy of techniques of statecraft that are available to the policy makers in their way to achieve their foreign policy goals: information, diplomacy, economics and force.

Traditional international law allowed states almost unfettered discretion with respect to the use of force. War being a legitimate tool of foreign policy, economic coercion was deemed permissible. But with the establishment of the United Nations in 1945, the international community adopted entirely a different approach. Article 2(4) of the U.N. Charter pronounced that member states "shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state..." save for collective or individual self-defense against an aggression. In addition, Article 16 of the Charter of the Organization of American states it proclaims "No use of coercive measures of an economic or political character in order to force the sovereign will of another state and obtain from it advantages of any kind". There is almost an identical statement in the 1970 United
Nations Declaration on Friendly Relations. As a legal proposition such language is perfectly empty for if read literally, it would outlaw diplomacy. Threats, more or less subtle, have always been an important feature in the intercourse of states, even among allies. One can locate examples of coercive diplomacy whose legitimacy has rarely been questioned. For the last thirty years, the North Atlantic Treaty Organization (NATO) has restricted exports of strategic goods to the USSR without anyone in the Kremlin raising any legal obligation.

Although the international community's emphasis on the pacific settlement of disputes have successfully diminished the resort to force, still, power and influence continue to be important determining features of international relations. New methods for exercise of power and influence are developing fast. In this context, the role of economic means of exercising power is becoming important.

1.2 Concepts of Economic Coercion, Statecraft and Sanctions

In the post-war period, the significant expansion in foreign trade and capital flow has generated vulnerabilities which is asymmetric and unequal. The growing international
interdependence has encouraged to resort to external economic pressure. Moreover, the realization that the nuclear war cannot be won, made, non-military measures mostly economic sanctions, the natural options in coercive international relations. Aid, trade and investment along with economic sanctions are important economic instruments of contemporary diplomacy. They are often used by economically strong countries to exercise power on weaker nations.

For many countries 'economic security' is a matter of as great a concern as military security. They feel vulnerable to internal disruption and any political change in the face of economic pressure. They are dependent on other countries for supply of vital commodities such as oil, gas or food.

1.2.1 Economic Coercion

Economic coercion is the imposition of economic pain by one government on another in order to attain some political goal. This instrument of foreign policy has been employed by and against a variety of international entities in the form of economic sanctions, imposing embargoes or boycotts against a target state to induce it to comply to a particular standard of political behaviour.
In a system where the primary purpose and mission of each state is to pursue its own interests, international law can only play a minimal role. Its function is to minimize the effects of the conflicts between the rival national interests that will inevitably occur as each state single-mindedly drives towards its own 'perfection'.

The fact remains that however nebulous, there are now some restraints upon a state's unilateral resort to economic coercion. Even the most blatant type of economic coercion is permissible when undertaken pursuant to internationally authorized measures.

To preserve the accepted pattern of international order that governments have been exercising power and influence vis-a-vis one another from time immemorial.

Economic power appears in the withholding of or in the promise of advantages, e.g., trade, investment, developmental aid. In these ways economic power may be employed to threaten or directly to weaken or strengthen another state.
1.2.2 Economic Statecraft

Different scholars of International Relations have emphasized on the use of economic measures in pursuit of foreign policy goals. Baldwin used the concept of economic statecraft in this context:

1. The type of policy instrument used for exercising influence on the target nation.
2. Domain of the influence attempt, i.e., participation of other international actor(s).
3. Scope of the influence attempt, i.e., some dimensions of the target(s) behaviour (including beliefs, attitudes, opinions, expectations or propensities to work).\(^1\)

Klaus Knorr has used the term "economic leverage" to discuss how economic factors can be used "as means of achieving state policy".\(^2\)

Broadly defined, the concept of economic statecraft

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include three overlapping foci: Economic sanctions, economic warfare, and foreign aid.

1.2.3 Economic Sanctions

Gary Clyde Hufbauer and J.J. Schott has defined economic sanctions to mean the deliberate governmental inspired withdrawal or threat of withdrawal of "customary" trade or financial relations.  

Economic sanctions entered the diplomatic armoury long before World War I. The technique was used in ancient Greece. The most celebrated occasion was Pericles Megarian decree enacted in 432 B.C in response to the kidnapping of three Asparian women. Like other fashions, economic sanctions wax and wane in popularity. After World War I, great hopes were held out for the economic weapon, with President Woodrow Wilson as the leading advocate.

These include the use of economic measures to enforce either international law or objective of exercising influence over some international actor. Economic sanctions are

of two types: positive and negative. Tables 1 and 2 itemize the various measures included under these types:

**TABLE 1: Measures of Economic Statecraft: Negative Sanctions**

<table>
<thead>
<tr>
<th>Trade</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embargo</td>
<td>Freezing assets</td>
</tr>
<tr>
<td>Boycott</td>
<td>Controls on Imports and Exports</td>
</tr>
<tr>
<td>Tariff increase, Tariff discrimination (unfavourable)</td>
<td>Aid Suspension Expropriation</td>
</tr>
<tr>
<td>Withdrawal of 'Most Favoured Nation' treatment</td>
<td>Taxation (unfavourable)</td>
</tr>
<tr>
<td>Blacklist</td>
<td>Withholding dues to international organization,</td>
</tr>
<tr>
<td>Quotas (import and export)</td>
<td>Threats of the above</td>
</tr>
<tr>
<td>Dumping</td>
<td></td>
</tr>
<tr>
<td>Preclusive buying</td>
<td></td>
</tr>
<tr>
<td>Threats of the above</td>
<td></td>
</tr>
</tbody>
</table>

TABLE 2: Positive Sanctions

<table>
<thead>
<tr>
<th>Trade</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariff Discrimination (favourable)</td>
<td>Providing aid</td>
</tr>
<tr>
<td>Granting 'Most Favoured Nation' treatment</td>
<td>Investment guarantees</td>
</tr>
<tr>
<td>Tariff reduction</td>
<td>Encouragement of private capital (Export &amp; Import)</td>
</tr>
<tr>
<td>Direct purchase</td>
<td>Taxation (favourable)</td>
</tr>
<tr>
<td>Subsidies to Exports &amp; Imports</td>
<td></td>
</tr>
<tr>
<td>Promises of the above</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ibid.

1.3 Theories of Sanctions

The basic theory of economic sanctions postulates that economic deprivation will result in the desired political change in the behaviour pattern of the target state.

Sanctions may be defined in the words of A.L. Epstein "a promise of reward for fulfilment of the norms or behaviour that are socially recognized and accepted or in the liability to suffer the consequences that attend their
breach".⁴ Thus they are conformity-defending and conformity inducing modalities, upholding a particular value system and discouraging any deviation from the norm. Sanctions are indicators of the parameters of individual and group behaviour "designed to confront" as Arens and Lasswell put it "all standard participants in the culture with the probability that non-conformity will prove more deprivating in terms of their net value position than conformity".⁵ According to them, the objectives of sanctions are, first of all, deterrence, with a view to anticipating non-conformity towards the community prescription by encouraging the expectation on the part of those who consider deviation that they will be well off by conforming rather than by deviating. Secondly, restoration, which aims at stopping further deviation and restoring the original situation in so far as the acts of deviation could be withdrawn. Thirdly, rehabilitation, i.e., rehandling the values that have been just destroyed as a result of non-conformity. Fourthly, prevention which attempts to diminish provocation to non-conformity and to


strengthen the factors making for conformity. Fifthly, institutional reconstruction, i.e., revolutionizing public and civil order in ways that would permit closer approximation to the basic goal in the management of sanctions. Lastly, individual reconstruction enabling non-responsive, non-conformists to achieve a responsible level of participation.  

Thus, the significance of the theory of sanctions is that, a set of sanctions should be capable of inducing conformity with the value structure. Then the question automatically arises that it is self-evident that the values should be readily identifiable and familiar to the members of the group and that there should be a competent authority recognizable as such to enforce measures against a norm breaker.

But the group values are comparatively well defined at the state-level. At the level of international politics, sanctions are measures of foreign and/or collective policy against an offender state. Johan Galtung has defined sanctions as "actions initiated by one or more international

6. Ibid. for details, pp.244-5.
actors (the "senders") against one or more others (the "receivers") with either or both of the two purposes; to punish the receiver by depriving them of some value and/or to make the receiver comply with certain norms the sender deems important." It then may be seen that the value-structure it is sought to be upheld is "subjective", i.e. to say, it is decided and subscribed to by the senders.

Sanctions applied by an international organization against a state or group of states by way of punishment, for the breaking off an internationally accepted norm, are qualitatively different from the sanctions employed as an instrument of foreign policy of a state. This is so because any technique that an international organization may use, has the advantage of immediate legitimacy as R. St. Macdonald has pointed out that "collective measures are theoretically more desirable than individual sanctions, the reason being that the coercion is here being mobilized in support of and in no significant way in opposition to, the decisions of the organized community and this sole factor provides

Thus it may be observed that the value structure of an international organization, at a particular moment is governed by the thinking of the dominant group, existent at that particular period of time, which may not have universal support, though it makes no difference to the legitimacy on account of its adoption by an international organization.

The traditional techniques available to the international organization against a recalcitrant state, range from diplomatic measures such as verbal denunciations of that state, passing of votes of censure, suspension from international bodies and specialized agencies and rupture of diplomatic relations, to the use of military measures.

Economic sanctions are often applied in wartimes in the form of economic blockades and embargoes which are secondary to military measures. There is a fundamental and qualitative difference between sanctions employed in times of war with the aim of destroying the infrastructure of the offending state and that which are employed as a method of

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non-destructive coercion with the objective of enforcing law.\textsuperscript{9}

Margaret Doxey has commented that "there are important differences in the status and purpose of economic measures used as techniques of warfare either in conjunction with military measures or independently and economic sanctions employed by an international organization as a part of constitutionally authorized enforcement process."\textsuperscript{10}

1.4 The League Covenant: the UN Charter and Sanctions

The League Covenant institutionalized economic sanctions as an instrument of coercion in the hands of international community to be applied against a transgressor state, the nature of which was framed by the American President Woodrow Wilson, during the deliberations at Versailles as follows: "Suppose somebody does not abide by these engagements, then what happens? An absolute isolation, a boycott. The boycott is automatic... when you consider that


the League is going to consist of every considerable nation in the world except Germany, you can see what the boycott would mean. No goods can be shipped in or out, no telegraphic message can be exchanged except through the exclusive wireless perhaps there should be no communication of any other kind between the people of the other nations and the people of that nation."\textsuperscript{11}

In the League Covenant, the concept of sanctions was tied up with the question of aggression, while in the United Nations sanctions are related to the collective measures to uphold international peace and particularly to the maintenance of the purposes and principles of the UN Charter. Chapter VII of the Charter conferred upon the Security Council the competence to "determine the existence of any threat to peace, breach of peace or act of aggression and also the power to decide upon the measures needed to maintain or restore international peace and security."\textsuperscript{12} If satisfied, that a threat to the peace exists, the Security Council can decide upon the measures needed to maintain or restore international peace and security.


\textsuperscript{12} UN Charter, Ch.II, Article 39. This can be read with Article I of the Charter that states the purposes of the UN.
Council may initiate economic action against the offending state under Article 41 which includes complete or partial interruption of economic relations and/or rail, sea, air, postal, telegraphic, radio and other means of communication and the severance of diplomatic relations. Macdonald spelled out these sanctions as follows:

1. First of all, the management of access to a flow of goods, services and money as well as to markets, with the end of denying the target state such access while maintaining it for oneself;

2. ...the blocking or freezing of target assets;

3. the imposition of import and export embargoes total or selective;

4. blacklisting of foreign firms and individuals who deal with the target state;

5. drying up of foreign supplies by preclusive buying;

6. control of re-exportation from a non-participant territory;

7. control of shipping through selective admission to credit, insurance, stores, fuels, port and repair facilities;

8. the monetary system of the target state may be substantially impaired by skillful manipulation of foreign exchange markets;
9. withdrawal or refusal of credit;
10. dumping of large quantities of currency to compel the target state to pay in gold;
11. by psychological methods designed to cast doubt on the target state's ability or the willingness to pay; and
12. by simple counterfeiting of currency.\textsuperscript{13}

Each of these forms of economic coercion may be applied independently or in collective combination with others, a total application or imposition would lead or mean a complete expulsion of the target state. But experience has shown that this is practically unattainable as it calls for a firm stand of all participants to apply all these measures or in other words, calling for total boycott would also affect the participants' economies too and would also make them look for and find new sources of raw materials and new markets for their products and reorient their own trade patterns.

Consequently, an alternative to this total boycott, the participants may embargo those commodities of the target state which have a high loading effect on its economy, which

would be more effective in the case of a country that is dependent on any particular sector of production for export. Moreover, if a target state's trading activities are limited to a few trade partners, it would be vulnerable to the sanctions that may be imposed by those partners.

The theory of sanctions is based on the assumption that economic deprivation would lead to political change and that there is a cause-effect relationship between the two, that is, for e.g., an embargo on international trade with the target state would call for depressed economic conditions, that would consequently lead to alteration of its political stance. Although the interpretation in which economic sanctions cause strain differs\(^\text{14}\) but all is in consensus in one particular point that, one of the important consequences of the application of sanctions is that real income suffers a decline, the ensuing shortage of foreign exchange put inevitable restraint on crucial imports and loss of foreign

markets leads to a deterioration in the balance of payments position. In short, the economy is thrown out of the mainstream of international economic intercourse that saps morale of the people of the target state, leading to no-confidence on the existing regime.

With the growth of international trade and commerce, the modern state is no more a self-sufficient unit but a part of the world economy. Therefore, economic isolation can very well undermine the economic structure of the target state. It is anomatic that economic stability is a pre-condition for the preservation of political structure of a state, so if adequate pressure is brought to bear, the economic weapon has every chance of succeeding.

1.5 Conditions for Success

Johan Galtung has listed seven conditions for the success of sanctions; if:

1. the imports of the target state have a very high loading effects on important sectors;
2. there is no integral substitute for the imports;
3. a high percentage of important imports come from the sending nations applying sanctions;
4. there is no external substitute for these imports so that the target cannot change its trade partners;

5. the imports make up a very small part of the exports of the sending nation(s) and/or that they can form alternative trade relationships;

6. the exports of the target are sent mainly to the states applying sanctions and if that cannot find new markets easily; and

7. these exports of the target can be obtained easily from other sources by the former trade partners so that the nations applying sanctions do not suffer economically. 15

Robin Renwick in his work on economic sanctions noted that "in current international usage sanctions are conceived essentially as the imposition of economic penalties to bring about a change in the political behaviour of the country against which they are directed." 16

A still more conceptual bias in the study of economic statecraft is the denial that economic exchange processes


involve power or influence. Klaus Knorr distinguished between economic exchange on one hand and transactions involving politics and power on the other. 17

"Economic sanctions" asserted Milton Friedman "are likely to do as much harm as they do their intended target." 18 This idea has been supported by Brinen Gilpin who argued that "the probable success of economic sanctions may very well turn on whether the ultimate costs involved are higher for the sanctioned or the sanctioning state." 19

1.6 Rationale Behind Imposition

The question that whether it is rational to impose sanctions that hurt the sender more than the target cannot be answered in advance but must be approached in terms of sender's value system and his perceived alternatives. In some situations the policy makers may have no choice because all of their policy alternatives involve bigger costs for themselves than for the target. K.J. Holsti has concluded


that "past experience suggest that little is to be gained from using these (economic) instruments... compared to other techniques, particularly subversion and warfare... they might seem particularly inexpensive. That is not to say they are most effective." 20

Robin Renwick introduced his study of economic sanctions as follows "in deciding whether to impose economic sanctions, governments frequently find themselves responding to an international crisis on the basis of three broad options (a) to do nothing, (b) to consider taking some form of military action, (c) to seek to impose economic penalties. A decision to impose sanctions may be less on its intrinsic merits than because of its attraction in relation to alternatives." 21

It may be said that Renwick has ignored the logical implications of this opening paragraph, which dictate structuring an assessment of utility of economic sanctions in terms of comparative costs and benefits. In the last chapter though he has observed that "sanctions frequently... one


might almost say, generally, are decided in large measures as a consequence of the lack of feasible alternatives;\textsuperscript{22} he has failed to focus on 'the lack of feasible alternatives' vitiates the force of his argument for the usefulness of economic sanctions as a tool of statecraft.

Robin Renwick has rightly pointed out that the effects of economic sanctions are very difficult to predict and added that it is beset by many difficulties, which are not very obvious as most modern states maintain professionally trained cadres to implement diplomacy. Difficulties may arise about the organization of the contemporary states for the conduct of foreign affairs than about the inherent drawbacks of economic sanctions.

It is important for the policy makers to understand the general characteristics of techniques of statecraft. But it is more important for them to know the distinctive traits of different kinds of statecraft. For unlike journalists and academicians, policy makers must choose among alternative techniques.

In sum, economic statecraft can be used for good or evil.

\textsuperscript{22} Ibid., p.85.
The general rule is that, means should be proportionate to the end pursued. For most economic techniques of statecraft, moral status must be determined in the context of foreign policy contingency framework in which they are applied or contemplated. Moreover, in the nuclear age, elucidation of alternatives to military statecraft becomes especially important.

Policy science focuses on the means by which statesmen may pursue their goals. Stanley Hoffmann in his book contemporary theory has warned that this approach runs the risk of becoming a study of manipulation through excessive emphasis on the skills of policy making and developing a fascination with the strategies of power. Despite he noted that one of the roles of scholarship is to help the policy makers to understand the situations and choose the appropriate alternative.

This chapter emphasized the theoretical aspect and the rationale behind imposition of economic sanctions in international relations. An attempt has been made to review historically the role of economic sanctions in international relations.