CHAPTER II
ECONOMIC SANCTIONS IN INTERNATIONAL RELATIONS:
A HISTORICAL OVERVIEW

The instruments of foreign policy are numerous and varied ranging from diplomacy to economic pressures, from military warfare to the use of ideological beliefs, in order to win over the opponent nation. This makes it a difficult task for the policy makers by demanding an artful endeavour towards proper coordination and application of these multitude of measures including the threat to use them for achieving their foreign policy objectives.

The foreign policies are thus strategies for action designed by the respective governments to terminate, reduce or increase cooperation and conflict.

In conflictive situation that the concepts of power and influence become relevant and influence plays an additional role in the establishment, maintenance and expansion of a purely cooperative enterprise.

The political and technological interdependency of the modern nations led to their reliance on each other for resources and commodities to develop and sustain viable
economies. Consequently, reliance on others has become one of the paramount conditions of modern international relations.

Since economic resources are often scarce, possession of some these resources can be transformed into political influence. So economic resources are among the major capabilities that can be mobilized for political purposes. Today some developing countries use their possession of rare materials to yield effective international influence.

Economic pressure used to achieve political ends is not a recent phenomena but has been employed by a group of states against one or more target countries, with a view to achieve either a foreign policy objective or to enforce compliance with an international norm.

The experiences of the Great Wars compelled the international personalities to rethink the rational use of foreign policy instruments for avoidance of massive destruction and save the mankind from the 'scourge of war'. Accordingly, earlier the League Covenant and at present, the United Nations Charter pronounced the use of economic statecraft to military statecraft, which implies that violation of an international norm by any state should be retaliated collec-
tively or individually by the international community by imposing economic sanctions to alter the behaviour of the violator.

The question arises, why does a nation in a given situation prefer economic sanctions to alternative courses of policy?

As an international organization is set up on a constitutional basis, certain limitations exist regarding what kind of decision the organization may make or take under certain given situations. The members of the international organization too, are not free to choose between 'ad hoc' solutions when a political problem of international character springs up, the organization reacts in accordance with its constitutional basis.

The League Covenant in Paragraph 16 which is derived from the principles of collective security and 'rule of law' as basic international rule of conduct, prescribed the use of economic sanctions. But the crying need of the international community is some common law to which all states would submit or obey to, and which would help in the replacement of the vicious game of power politics.
Sanctions are a tool to coerce target governments into particular avenues of response. They may be viewed as the sender country's attempt to 'interfere' in the internal affairs of the target governments.

2.1 The Evolution

The employment of economic sanctions for foreign policy purposes have had a long and controversial history. They were employed in ancient Greece, the best known example was Pericles decree of 432 B.C. limiting the entry of products from Megara into the Athenian market in response to Megara's territorial expansion and its kidnapping of three women. It has made an early appearance in American history.

2.1.1 From 18th Century to World War I

In one of the well-known steps leading to the American Revolution, the colonists resorted in 1765 to a boycott of English goods in response to the Stamp Act and raised the famous cry of "No taxation without representation".¹ The British repealed the Stamp Act the next year, but following

in 1767-70, with the Townshend Act to cover the salaries of colonial governors and judges. The colonists again retaliated with a boycott that eventually led to the Boston Tea Party of 1774.2

The use of sanctions then became part of the tradition of the United States. Hoping to avoid war with England and France in late 1807, President Thomas Jefferson successfully urged Congress to enact a thorough going trade embargo. It prohibited American ships from leaving for foreign ports and banned the carriage of American goods by other vessels. Due to virulent domestic opposition, the embargo was ended in March 1809. In 1811, the United States stopped trade with Great Britain in response to British orders limiting U.S. trade with France.3 The war of 1812 followed.

The creation of the League of Nations after the First World War generated new hopes and enthusiasm for the economic sanctions as an alternative to the use of force as has been mentioned earlier. Article 16 of the League Cova-

2. Ibid., pp.268-73, 345-50.

nant provided that all League members were to cease all economic intercourse with any other member that resorted to war.4

Unfortunately, the hopes for the peace-keeping powers of economic sanctions were severely damaged by the League's weakness in response to Italy's invasion of Ethiopia in October 1935.

The League approved an arms embargo and other trade and financial sanctions against Italy. The League failed to embargo exports to Italy, of the vital commodities of petroleum, coal, steel and pig iron. Moreover, the non-League members like the U.S. and the Soviet Union did not adhere to sanctions and many League members including Germany, were less than punctilious in observing them. The selective sanctions had some impact on Italy, but they did not deter

4. Art.16 (Sanctions of Pacific Settlement) provided in pertinent part: "1. Should any Member of the League resort to war in disregard of its covenants under Arts.12, 13 or 15 it shall ipso facto be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the Covenant breaking State, and the prevention of all financial, commercial or personal intercourse state and the nationals of any other state, whether a Member of the League or not."
the Italian aggression. Adis Ababa fell to Mussolini in May 1936 and the League discontinued its sanctions in July.

During the First World War, economic sanctions proved useful. The trade embargo against Europe and Japan and Allies preemptive buying of strategic materials from neutral countries played at least a modest role in the defeat of the countries. Japan especially dependent on imports from across the seas, was particularly vulnerable.

2.1.2 From World War II Onwards

The post-war history of Soviet-Yugoslav relations provides an excellent example of how economic instruments played an important role, in Soviet attempts to influence developments in Yugoslav foreign and domestic policies. The Soviet also organized a communist bloc embargo and boycott against Yugoslavia. The embargo was potentially an effective technique of punishment because in 1948 Yugoslavia sold over 50% of its exports to the bloc and received 95% of its imports from the same source.5 The unfavourable economic

impact of the embargo and boycott on Yugoslavia was short-lived because Tito was able to turn to Italy and Great Britain for compensating trade agreements and to the International Bank for Reconstruction and Development for developmental loans.

Considering Yugoslavia's economic dependence on the Soviet bloc, communist economic punishments and rewards should have succeeded, they failed simply because Yugoslavia turned to the West and found alternative supply and market resources.

A case where alternatives were not available and economic sanctions succeeded occurred in the relations between Finland and the Soviet Union in 1958. After parliamentary elections in 1958, in which Finnish Communists won over one-quarter of the seats, a coalition government headed by a social democrat was formed. This government did not include among its ministers any Communists. The Soviet government had held a traditional enmity against all Finnish socialists and the Soviet premier wasted no time in announcing his displeasure and distrust of the new Finnish Prime Minister. The Soviet Government also objected to the inclusion of conservatives in the new Cabinet. The Soviet press pointed
to the 'rightist' government as symptomatic of a general resurgence of "reactionary forces in Finland and criticized these 'rightists' for attempting to destroy friendly Soviet-Finnish relations and planning to increase Finnish trade with the West, at the expense of Soviet-Finnish trade. The Soviet government began to apply a number of economic pressures: (i) it refused on 'technical grounds', to sign an agreement with Finland covering fishing rights in the Gulf of Finland; (ii) in November 1958, it abruptly halted all trade with Finland, including goods that had already been ordered. This action had the most serious effect since many Finnish metal and machinery products sold in the Soviet Union could not be sold in Western markets because their prices were not competitive, i.e., since no alternative markets existed, the Soviet cancellation of trade threw many Finnish workers out of jobs adding to an already severe winter unemployment problem.

Recognizing that such economic pressures could seriously damage the Finnish economy and worsen an already serious unemployment problem, several members of the Cabinet resigned, and a new government more to the liking of the Kremlin was eventually formed. The Soviet economic pres-
sures in this case worked very efficiently. 6

But power and influence do not flow only from the major powers or those who possess military might, is illustrated in the oil embargo imposed by the Arab countries against Western Europe, Japan and the United States in 1973, to reduce Western support for Israel. These efforts did not succeed because the Arab governments were divided among themselves on whether or not to apply an embargo and because the United States was willing to share oil purchases from Venezuela with the Europeans. The Arab governments cut back production by 5% each month and placed a complete embargo against the U.S. and the Netherlands. The purpose was clear, to place the industrial countries into a severe energy shortage that could be avoided or overcome only if the targets changed their policies toward Israel. The European governments, through a series of individual symbolic and policy actions, eventually inducted the Arabs to lift the embargo against them. The American position too changed, as Secretary of State Henry Kissinger, began to urge the Israelis to make concessions on key territorial

issues. The oil began to flow again. Arab solidarity, the extensive dependence of the industrial countries on Arab oil supplies and lack of stockpiles were the conditions that enabled the "weak" successfully to confront the "strong".

Cuban-American relations during the period of the Castro regime provide many examples of American efforts to use economic instruments of policy for foreign-policy objectives. Cuba was dependent upon Western sources and facilities for oil until the American Secretary of the treasury, persuaded the American and British companies to refuse Castro's request for refining Soviet oil. Castro thereupon obtained a commitment from the Communist countries to supply all of Cuba's oil, confiscated American and British refineries and refused to pay the $50 million owed for earlier deliveries. When Premier Castro began to expropriate other American-owned property in Cuba, the State Department and Congress retaliated by ordering reduction of quotas on the import of Cuban sugar. As this measure failed to yield effect, measures were formulated to isolate Cuba diplomatically and economically from the rest of the Caribbean and Central American regions. This involved an American embargo on the sale of weapons to Cuba, and implored other Western governments to control shipments of military goods to the
Castro regime. Later, when the Cubans had made explicit their association with the Communist bloc, the American government instituted a complete economic and travel boycott of Cuba. Since the United States had traditionally purchased a majority of Cuba's exports, this punishment seriously crippled the Cuban economy until the Cubans found alternate markets for their products in the Soviet Union, Eastern Europe and Communist China. As a final measure, the American government in 1964 imposed controls even on the export of food and medicine to the island.

If one looks into the history of application of sanctions to achieve foreign policy objectives, one assumes that they are mostly employed by big powers which pursue an active foreign policy to influence events on a global scale. This point becomes clear as one looks into a chronological list of cases of economic sanctions from the First World War to date (See Appendices I and II).

This clearly brings out that there are cases when an individual country has imposed sanctions or a group of countries have imposed it on a certain country or a case where an international organization in cooperation with any of the big powers has done so. But one significant thing
can be noticed that as Hufbauer and Schott has pointed out that 'demonstration of resolve' has supplied the driving force behind the imposition of sanctions, which is particularly true of the United States that has frequently employed this measure to assert leadership in international politics.

2.2 Objectives and Types of Sanctions

One can see that the protagonist country aims to gain five objectives from the imposition of sanctions. Firstly, within a specific period of time through meaningful restraints, the sender country seeks the alteration in the policies of the target state, as can be seen in Human Rights and Non-Proliferation cases. Secondly, to destabilize a target government. This has been frequently aimed by the United States and USSR. The significant ones are that of United States campaign against Cuba in 1962 and USSR's campaign against Yugoslavia in 1948-55, to destabilize Castro's and Tito's governments respectively. Thirdly, to disrupt minor military adventures for example United Kingdom's action against Argentina over Falkland islands. Fourthly, to weaken or damage military potential of the target as was done in the First and Second World Wars against Germany mainly, and Japan. Lastly, in order to
achieve major policy changes in the target state, for example, United Nations campaign against South Africa, over Apartheid and control of Namibia.

2.2.1 Unilateral Sanctions

When a country employs economic sanctions against another country in its individual capacity as has been frequently used by United States at different periods of time against different individual target countries separately, one may notice a decisive element that the protagonist countries did not disclose its true intentions or announce their goals clearly. This statement can be justified by the destabilization cases where the protagonist country always imposed sanctions with the motive to overthrow the respective governments of Castro (Cuba), Sukarno (Indonesia), Tito (Yugoslavia) under the veil of either an attempt to discourage Cuba from foreign military adventures or to cease 'Crush Malaysia' campaign of Indonesia or an attempt to compel Yugoslavia to rejoin Soviet Camp. But most of the destabilization cases were unsuccessful due to the lack of total international cooperation for that period of time which would have made the sanctions, effective to attain its goals. The main objective behind the imposition of economic
sanctions on one country against another is to attain its own self-interest, to enforce those norms which the protagonist personally considers to be observed in a relation and any violation of which should be countered to reinforce it.

2.2.2 Collective Sanctions

When a group of countries or a single country in cooperation from an international organization impose sanctions on a single country, for example, the League of Nations sanctions against Italy in 1935-36, the United Nations sanctions against Rhodesia in 1965 and against South Africa for its inhuman apartheid policy, the Allied powers against Germany and Japan in 1939-45. The main aim behind the imposition of sanctions collectively is, to re-establish those global norms which the international community deems essential for maintaining international law and order that in turn would given stability and peace to the international system as a whole. This collective effort always sought to improve the human rights condition. Thus the international community should take a collective sanctions package against the Pretoria regime of South Africa for its continual defiance of human rights to its majority of the population in the name of apartheid.
2.3 **Political and Economic Variables**

In the imposition of sanctions, a number of national and international factors play a vital role in restricting the protagonist, to achieve the foreign policy goals which it aimed at. In justification to this statement, one can cite the example of the League of Nations sanctions against Italy in 1935-36, where the major powers Britain and France, in fear of upsetting the political balance of Europe on the eve of national election, were reluctant to cease the advancement of Italian Army in Abyssinia compelling the League Council to seek appeasement by ceding some Abyssinian territory to Italy.

There also underlie a number of political and economic variables in any sanctions episode.

The political variables, as has been pointed out by Gary C. Hufbauer and J.J. Schott as firstly, 'companion policy' used by the sender that include the covert action of destabilizing the target government, stationing of troops at the border to armed hostility. Secondly, time-span of sanctions in force, i.e., the exact date of onset and termination of sanctions. Thirdly, the most influential factor,
i.e., international cooperation, for example, there may be no cooperation, i.e., when a sender imposes sanctions in its individual capacity as has been several times employed by the United States, as discussed above. There can be some degree of support to the sender but for a specific period of time and coverage, as was in the Cuban case. Again, political stability and economic health of the target is an important determinant. For example, Uganda in the later years of Amin regime was an easy prey to the British sanctions, whereas a strong and stable country can withstand the pressures of sanctions as was the case with USSR at the time of Afghan invasion. Lastly, the warmth of prior relationship between the sender and the target which was evident from South Korea and Taiwan's accede to mild U.S. pressures and to forgo construction of nuclear processing plants in the mid-1970s. 7

The economic variables include, the cost imposition on the target country, i.e., the higher the cost, the more the chances of target altering its policies. The commercial

relations marked by the degree of trade too, largely influences sanctions. Then, the respective economic size of the country measured by the ratio of their GNP (Gross National Product) values play a vital role. Lastly, the type of sanctions, i.e., whether it is trade or export interruptions from the sender. 8

2.4 An Evaluation

It is generally believed that sanctions have a deterrent action as the protagonist by increasing the associated costs discourages objectionable policies of the target, in the future. But if one looks into the United States imposition of sanctions against USSR over Afghanistan from 1980-81, one would find it difficult to determine whether sanctions are an effective deterrent against future misdeeds, as the Soviet Union was virtually unaffected by that imposition of sanctions.

There are three ways by which the sender attempts to aggravate the costs on the target. First of which involves trade interruptions. Secondly, by restricting imports. But this is rarely used as the target can find new markets and

8. Ibid., p.57.
some countries do not possess legal authority to impose import controls for foreign policy reasons, for example, United States only under Section 232 of the Trade Expansion Act of 1962 and International Economic Powers Act can do so. Lastly, by impending finance including reduction of aid which aims at freezing target state's assets.

Thus it may be concluded that economic sanctions are employed to achieve political ends by economic measures.

But the fact is that with many international embargoes and boycotts, unless all the participating countries perceive the target as a threat to their own security or economic interests, they are not likely to sympathize completely with policies that deprive their business community of economic opportunities.

Automatically, question may arise that, how far the systematic application of economic pressures been successful in achieving political objectives? In the case of Yugoslavia, Soviet pressures forced it to become more reliant upon the West, a turn of events hardly in keeping with Soviet interests, later offers of rewards were undoubtedly instrumental in obtaining Yugoslav support for selected Soviet
foreign policy proposals. The case of Finland and the Soviet Union illustrates the effective utilization of economic and other pressures to bring about changes in the internal politics of the target country. In the case of the oil embargo and Cuba, the results were mixed. Although Cuba may have had to concentrate on problems of survival as opposed to revolutionary activity abroad, there is little doubt that American pressures forced Cuba to become dependent upon the Soviet bloc. And in the short run, the oil embargo forced some Western governments to change policies toward the Middle East conflict. But in the long run, the dramatic Arab action altered the major oil consuming countries to their highly dependent condition. Multi-billion dollar programmes to develop alternative resources of supply as well as emergency oil-sharing schemes, have resulted so that presumably in future cases of embargo, the importers of oil will be far less vulnerable.

One study of eighteen cases in which total economic sanctions were employed in international relations between 1918 and 1968 indicates that only two worked effectively.9

The first occurred in 1933 when the British government threatened and imposed various economic pressures against the Soviet Union to obtain the release of six British subjects who had been arrested by the Russians. Faced with these pressures, the Soviet Government released the persons in question. In 1962, the Kennedy administration complied with an international system of sanctions established by the Organization of American States against the Trujillo regime in the Dominican Republic. Even after Trujillo had been assassinated, the American government successfully maintained the embargo and boycott as a means of preventing the takeover of the government by any of Trujillo's heirs.

Apart from these, most of other cases of economic sanctions, whether unilateral or multilateral have had at best mixed results. The study shows although the targets of sanctions may have suffered initially, ultimately they were able to restore their pre-sanction volume of trade within two years after the sanctions were put into effect. Internally the effects of economic pressures were quite the opposite of those intended. Economic pressures against Cuba

...Continued...

and Rhodesia were based on the assumption that economic hardships would bring about dissatisfaction from the regime and ultimately the collapse of the target government, incapable of meeting the elementary economic needs of its citizens. But, sanctions, even if they create hardships, generally mobilize a population in support of their government. The enemy is not the home government but the state or states that apply the sanctions. With this type of support, the target government can more effectively defy the wishes of the government or states that are applying the economic punishments.

In 1980 the United States imposed a number of economic sanctions against the Soviet Union for latter's invasion of Afghanistan in December 1979. These measures included a partial grain embargo, halting the delivery of high technology items such as oil drilling equipments and most dramatically boycotting the Moscow Olympic Games. The costs of the Soviet Union were not negligible. The grain embargo was predicted to reduce meat supplies, as the Russians had to divert more of their wheat to immediate necessities such as bread and away from feeding the cattle. Oil-drilling equipment was important to a Soviet industry that was facing declining production rates. And the American Olympic
boycott supported by some key countries such as Germany, Japan, Canada and Kenya, reduced the significance of all the Soviet gold medals. But in terms of bringing about a change in Soviet policy in Afghanistan, the economic pressure must be judged as a total failure. To the Russians, the costs of pulling out of Afghanistan and seeing the collapse of their client government in that country, far outweighed the costs of the American embargoes and boycotts.

But what about the various forms of economic pressures which are more subtle and directed against regimes that are highly dependent. Richard S. Olson had made a study of such techniques as they have been applied by major powers against developing countries.10 A prime example would be the 'silent blockade' imposed by the U.S. against Chile after the election of the Marxist President Salvador Allende in 1970. It is only important to acknowledge that a variety of 'quiet' economic pressures had serious economic consequences in Chile, without engendering a nationalist anti-American response. These measures include: (i) declines in foreign investment; (ii) delays in delivery of spare parts; (iii)

snags in licensing or other technology transfers; (iv) shutting of or reducing bilateral and multilateral loans and credits (as U.S. did in Chile); and (v) refusal to re-finance existing debts. Economic coercion can lead to economic decline and such decline, where dependency and social conflicts are already notable, can result in change of regime and ultimate compliance with the major powers economic objectives, for example, Ghana 1969-72, Brazil 1962-64, Peru 1965-68 and Chile 1970-73. In all but the Ghanian case, the U.S. was the source of 'invisible blockade'. And in each of the Latin American cases, the regime which resulted from internal turmoil was more amenable to American economic policies in the region.

2.5 *International Morality and Economic Sanctions*

The recognition of the importance of moral factors in International Relations called for collective action to sustain prevailing norms. The experience of Great Wars generated the feelings of opposition to the use of force and imposition of economic sanctions were thought to be pragmatic against a norm breaker rather than the use of military measures to alter the offender's behaviour.
Though the objectives behind the imposition of sanctions are multi-dimensional, they may be categorized as primarily related to the action and behaviour of the target, for example, it was a primary objective to stop Italy attacking Abyssinia. Secondary related to the status, behaviour and expectations of the sender, e.g., American politicians in order to receive domestic support took action against Cuba in 1962. Thirdly, tertiary concerned with broad international considerations related either to the structure or function of the international system or parts that are important, e.g., it was America's tertiary motive in Cuba to stop the spread of Communism in the Western Hemisphere.

Thus C. Lloyde Brown has correctly pointed out that economic sanctions alone cannot be employed to achieve primary objective. In that case it becomes victim of 'over expectations'.

Economic sanctions must be regarded as a marginal instrument of influence which can achieve best political result when employed in conjunction with other measures.

Time plays an important role in politics. Circumstances change, the sharp edge of initial criticism are
blunted and other issues arise in the international relations to steal attention.

With the technological advancement the world has become more close knit resulting in greater complexities and conflictive relations among nations. Simultaneously, it has obviously dictated the nations to adopt economic to military measures of statecraft to achieve the foreign policy objectives. Thus we may conclude that it is here where lies the key stone of success of economic sanctions as one of the important tools of foreign policy which the nations would, at large, employ as long as international relations continue.

The United States as one of the important international actors has often used this non-violent instrument to seek domestic political change in the target countries. The next chapter attempts to throw a light on few such significant cases.