

Sanction policies – success stories, mistakes and lessons learned
Summary

May, 2022

In the wake of the unprecedented sanctions regime implemented against Russia following the invasion of Ukraine, it is worth assessing the utility and effectiveness of economic sanctions. While it is difficult to assess the effectiveness of sanctions measures from the perspective of political science, researchers have developed several frameworks to examine the issue over the past decades. According to Viktor Szép's overview, the majority of scholars working on the topic before the 2000s considered the political effectiveness of economic sanctions to be negligible, because in most cases they had been unable to achieve their foreign policy goals and desired outcome in world politics.¹

This negative picture has been somewhat altered by research conducted over the last two decades using more sophisticated methodologies, as early research often ignored the broader policy context and focused exclusively on achieving narrowly defined foreign policy objectives. New research suggests that measuring the effectiveness of sanctions is extremely complex, as it is not possible to clearly assess which foreign policy instrument is responsible for which effect. Examining causality is complicated by the fact that even when sanctions are used successfully, it is often the efforts of diplomats that get the credit.²

Even if the sanctions are intended to change behavior, they may have unintended consequences, such as a loss of national capabilities or, in extreme cases, the collapse of the targeted regime. Policy objectives are much easier to capture - even if not all are openly declared - than impact, because the political-economic machinery of a given state is extremely complex and we have imperfect models to measure specific macroeconomic or policy impacts. Another problem is that these effects are usually not immediate, but only become apparent after months, years or even decades. Moreover, as sanctions are usually imposed on closed autocratic regimes, false or manipulated data from these countries also make it difficult to accurately assess the effects.

Initially scholars viewed policy/behavior change as the sole possible objective of economic sanctions.³ According to the more recent approach of James Barber (1979)⁴ and James Lindsey (1986)⁵, sanctions have more than one purpose, but the first remained changing the policies of the target country. Barber, for example, noted that a secondary objective may often be to increase the popularity of the government imposing the restrictive measures. The tertiary objective may be to maintain certain patterns of behavior in the international system, such as respect for the territorial integrity of countries or upholding a ban on the proliferation of nuclear weapons.

¹ Szép, V. (2015). A gazdasági szankciók politikai hatékonysága. *Politikatudományi Szemle*, XXIV (4.), 117–131. http://www.poltudszemle.hu/szamok/2015_4szam/szep.pdf

² Deák, A. G. (2021). Gazdasági nyomásgyakorlás a nemzetközi politikában. Néhány gyakorlatias szempont a gazdasági szankciók értékeléséhez, *Stratégiai Védelmi Kutatóintézet*

³ Wallensteen, Peter (1968): Characteristics of Economic Sanctions. *Journal of Peace Research*, 5 (3): 248–267.

⁴ Barber, James (1979): Economic Sanctions As a Policy Instrument. *International Affairs*, 55 (3): 367– 384.

⁵ Lindsay, James M. (1986): Trade Sanctions As Policy Instruments. *International Studies Quarterly*, 30 (2): 153–173.

Another major researcher in this field is David Baldwin, who argues that sanctions should be judged in the same way as any other diplomatic, propaganda or military instruments.⁶ Consequently, when assessing economic sanctions, the costs, risks and consequences of alternative options should be taken into account. He wrote that the decision-maker should not only consider the costs and benefits of sanctions, but also the cost-benefit analysis of alternative policy options. Efficiency in the narrowest sense of the word, which Baldwin considers to be only one of the five factors to be taken into account, is only one component in the complex evaluation process that must be used when assessing sanctions policies.

According to a widely cited study, out of 174 cases analyzed, sanctions were effective in only a third of cases, but success depended to a large extent on the policy objective pursued.⁷ While modest goals were relatively easier for governments to achieve with sanctions, political regime change was much more difficult to put in motion with this instrument. According to another study, the success rate of sanctions increased until 1995, but has declined somewhat since then, reaching a level of around 30%.⁸ Almost all researchers agree that economic sanctions are only one tool in a broad toolbox of foreign policy instruments and are primarily useful as part of a comprehensive and coherent policy efforts.

Regardless of the debate on the effectiveness, the use of sanctions remained popular among policy-makers. The Global Sanctions Database has collected 1101 sanctions over the period 1950-2019 and categorized them according to their type, objective and effectiveness.⁹ Several significant changes were found in the relative importance of each type over the period:

- Between 1950 and 1975, trade sanctions were the dominant form, but financial sanctions gradually became prevalent as well.
- In the 20 years between 1975 and 1995, the use of sanctions became more 'popular', and between 1985 and 1995 the use of arms-related sanctions increased disproportionately.
- Over the next fifteen years, the number and proportion of sanctions remained relatively stable, with a slight decline in the first years of the 2000s.
- Since 2010, however, there has been a steady increase in all types of sanctions.

This database has not been adjusted to cover the thousands of sanctions unleashed on Russia and the Russian elite after its recognition of the separatist republics in Ukraine, and the subsequent invasion of the country. Even before 22 February, 2 754 sanctions had already been in place against Russia, mainly for its illegal annexation of Crimea in 2014, its support for the separatists in eastern Ukraine and the downing of flight MH17. According to some

⁶ Baldwin, David A. (1985): *Economic Statecraft*. New Jersey, Princeton University Press.

⁷ Hufbauer, Gary Clyde–Schott, Jeggrey J.–Elliot, Kimberly Ann–Oegg, Barbara (2008): *Economic Sanctions Reconsidered*. Washington, Peterson Institute for International Economics. 3rd edition, <https://www.piie.com/bookstore/economic-sanctions-reconsidered-3rd-edition-paper>

⁸ Felbermayr, G., Kirilakha, A., Syropoulos, C., Yalcin, E., & Yotov, Y. V. (2020). The global sanctions data base. *European Economic Review*, 129, 103561. <https://doi.org/10.1016/j.eurocorev.2020.103561>

⁹ Kirilakha, A., Felbermayr, G., Syropoulos, C., Yalcin, E., & Yotov, Y. V. (2021). *The Global Sanctions Data Base : An Update that Includes the Years of the Trump Presidency*. Drexel Economics Working Paper Series, WP 2021-10.

estimates, the Russian Federation has overtaken North Korea, Syria and Iran as the most sanctioned country in the world with more than 10,000 sanctions currently imposed on the country.¹⁰ Most of these sanctions (6524) were imposed on individuals, Russian citizens who are part of the Russian political and economic elite.

In the absence of a valid UN mandate, sanctions are mainly imposed by partner countries of the Western alliance system and its members. This may seem a broad coalition, but the lack of a UN mandate gives non-Western allies considerable leeway to condemn the violence but use the uncertainty of war to strike favorable trade deals with Russia.¹¹

These sanctions included ban on the import of raw materials and on the export of technology and services to Russia. The latter could have a particularly negative impact on the Russian economy, almost all sectors of which are exposed to Western technology. This is particularly true for energy extraction, the defense industry and aviation. What seems certain, given the current poor performance of the Russian military and the long-term effects of technological sanctions, is that Russia's military force projection capability will erode significantly in the coming years, making a similar large military operation out of reach.

The isolation and punishment of Russia is also an important objective of the sanctions regime. The restrictions on financial transactions and assets, the targeted sanctions on members of the elite and the exodus of Western multinational corporations are a clear signal to Moscow and to the world. The punishment of Russia, and in particular the Russian elite, has so far been swift and effective. The ruble briefly fell by 35 percent against the dollar, inflation could reach 15-20 percent in 2022, while the Russian economy is projected to shrink by 8%. While the Russian central bank has managed to stabilize the ruble, this does not mean that the Russian economy has been stabilized. According to experts, the artificial stabilization of the ruble has a primarily political function, sending a message of stability, but it does not improve the state of the Russian economy in practice.¹²

However, in an autocratic regime with strong internal security, such as Russia, elite or citizen discontent is unlikely to lead to regime change. Hopes that the deteriorating economic situation would encourage the political elite to attempt a coup are therefore overly optimistic. Moreover, the Russian population is not yet clearly against the war and the Kremlin has a wide range of resources to pacify the population should discontent begin to grow.

The low probability of regime change makes the last stage of sanctions policy difficult, namely the international rehabilitation of the targeted country; i.e., a lasting change of behavior. The most important objective of imposing sanctions remains to change Russia's behavior, in this case by ending the war and withdrawing from the occupied territories, including Crimea, and

¹⁰ Spencer Vuksic: Russia Is Now the World's Most Sanctioned Country; 7 March 2022; Castellum.AI <https://www.castellum.ai/insights/russia-is-now-the-worlds-most-sanctioned-country>

¹¹ PIIE: How effective are sanctions against Russia? 16 March 2022; <https://www.piie.com/blogs/realtime-economic-issues-watch/how-effective-are-sanctions-against-russia>

¹² Politico: How Russia's vigorous ruble defense could backfire; 5 April 2022; <https://www.politico.eu/article/how-russias-vigorous-ruble-defense-could-backfire/>

restoring Ukraine's territorial integrity. However, this seems impossible under the current Russian leadership. As long as Vladimir Putin is in charge of Russia, a lasting political settlement of the war in Ukraine without a sweeping Ukrainian military victory seems unlikely.

The sanctions policy must also take account of internal public opinion. Although sanctions only achieve their political objectives in less than half of the cases, their moral and internal political role is not negligible. Constituencies interested in foreign policy need to see that their governments are capable of pursuing not only perceived or real interests but also values. And it is particularly important to reinforce confidence in politics and in the robustness of liberal democracies when their values are under siege by both internal and external forces. Each sanctions package shows the length the Western alliance is willing to go to uphold the rules-based international order.

The effectiveness of economic sanctions and confidence in them can be severely undermined if they are taken without a clear policy objective or if their implementation is inconsistent. In contrast to trade wars, where economic interests predominate, economic sanctions are a tool in the foreign policy toolbox to achieve political objectives. And a clear and well-defined policy objective is key. If this objective is missing or absent, the imposition of sanctions is reduced to a theatrical act and likely to be ineffective. The ineffectiveness of sanctions imposed solely on the basis of public sentiment, but without a real underlying policy objective, will also erode confidence in the usefulness of sanctions in the long-run, reducing their domestic legitimacy as well.