

What the U.S. Has and Hasn't Learned From Imposing Sanctions

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By heeding the lessons garnered from past experience and empirical studies, Washington can mitigate concerns about sanctions overreach and greatly increase their effectiveness.

In a recent speech on economic sanctions and what the Obama administration has learned from their use, Treasury Secretary Jack Lew stressed the importance of broad multilateral support for any sanctions arrangement and the value of credibly providing relief when goals have been met. This was most likely a response to those who have advocated new sanctions on Iran or criticized the administration over relief for Tehran. Mr. Lew also called for committing sufficient resources to implementation, perhaps a reflection of how the increasing -- and increasingly novel -- use of sanctions and the associated reporting requirements have weighed on the Treasury Department's capacities.

Sanctions loom large in U.S. foreign policy, but they are hardly new. In the 15th century, when Henry VII wanted an alternative to using force against the Duke of Burgundy, he imposed trade sanctions. He surely wasn't the first. Today the U.S. employs trade sanctions, travel bans, and asset freezes, and the increasingly integrated world economy and financial system continue to open new frontiers for use.

Mr. Lew also warned of the consequences of overuse, arguing that there are risks "that sanctions overreach will ultimately drive business activity from the U.S. financial system" and that employing "secondary sanctions" -- those directed at foreign persons doing business with a target country or entity -- accentuates this threat. This concern was shared by Hank Paulson, Mr. Lew's predecessor as Treasury secretary, and probably accounted for at least some of the Obama administration's initial opposition to financial and oil sanctions Congress enacted against Iran.

While concern about overreach is not without basis, it risks painting a misleading picture of U.S. policy. As Mr. Lew

noted, the U.S. has employed sanctions for decades. The sort of secondary financial sanctions imposed on Iran are a more recent innovation -- and not one that Washington has imposed capriciously but, rather, in line with a strong international consensus in instances regarding Iran, Syria, and North Korea.

The biggest problem with sanctions is not their overuse or any of the other risks mentioned by Mr. Lew; it is their track record of relative ineffectiveness. The seminal study by Gary Hufbauer and Kimberly Ann Elliott, published in 2007, found that sanctions achieve their goals in about one-third of cases or less. Their research also found that sanctions are less effective when they are ratcheted up incrementally, in contrast to what Mr. Lew said, and are not necessarily more effective when the coalition of countries imposing them is larger.

This empirical evidence comports with recent experience. Few would assert that sanctions have changed Russian behavior in Ukraine, the Assad regime's tactics in Syria, or the Kim regime's actions in North Korea. Iran, by contrast, is often cited as a success case for sanctions (including by Mr. Hufbauer). The sanctions imposed against Iran were innovative and had an outsized impact on its economy. Yet the 2015 agreement over Iran's nuclear program was made possible not just by Iranian interest in ending the sanctions but also by significant U.S. concessions. It's impossible to know whether a better deal could have been reached had sanctions been given more time to "work," or whether the same deal could have been reached in the absence of the toughest sanctions. Given the changing U.S. goals during the talks with Iran, it is difficult to conclude that sanctions achieved what they set out to do.

This doesn't mean that sanctions are necessarily ineffective but that the ways in which they are used are critical. Policy makers should bear in mind three factors in particular.

- **The imposition of sanctions garners the most attention, but enforcement is arguably more vital.** Enforcement involves more than resources for implementation. More important is political will. This is a pressing issue in Washington, as it is unclear how aggressive the Obama administration will be about enforcing the measures against Iran that remain on the books, such as the secondary sanctions targeting the Islamic Revolutionary Guard Corps.
- **Because the aim of sanctions is increasingly ambitious, the cost they impose on the target must be of commensurate scope.** Accordingly, that cost should be of importance to not merely the targeted entity or country at large but also to those individuals whose decisions the U.S. seeks to influence.
- **Most important, sanctions work best as part of a larger strategy rather than a substitute for one.** This point is most glaringly illustrated in Syria and Ukraine, where sanctions have perhaps satisfied the need to "do something" and have been worthwhile on their own merits but have not been buttressed by the effective use of other elements of U.S. power to achieve the president's policy aims. Sanctions work best when paired with robust intelligence, active diplomacy, and, when needed, the threat or use of force.

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