

Questions for PubPol/Econ 541
Nov. 29

Economic Sanctions

Haass, Richard N., “Economic Sanctions: Too Much of a Bad Thing,” Brookings Policy Brief #34, June 1, 1998.

- What have been some of the purposes of sanctions? **<a: A long list: arms embargoes, foreign assistance reductions and cut-offs, export and import limitations, asset freezes, tariff increases, revocation of most favored nation (MFN) trade status, negative votes in international financial institutions, withdrawal of diplomatic relations, visa denials, cancellation of air links, and prohibitions on credit, financing, and investment.>**
- Why are they so popular? **<a: Another longish list: Proportional response to a challenge in which the interests at stake are less than vital; a way to signal official displeasure with a certain behavior reinforcing a commitment to a behavioral norm, such as respect for human rights or opposition to proliferation; reluctance to use military force; greater reach of media (increase the visibility of problems in another country and stimulate a desire on the part of Americans to respond); increased strength of single issue constituencies.>**
- Overall, does Haass favor the use of sanctions? **<a: No, but he seems to accept that sometimes they are appropriate.>**
- He argues comparing costs and benefits with those of alternatives. What alternatives does he mention? **<a: military intervention, covert action, public and private diplomacy, offering incentives, or doing nothing.>**

Masters, Jonathan, “What Are Economic Sanctions?” Backgrounder, Council on Foreign Relations, August 12, 2019.

- Are trade restrictions among the most used forms of sanctions by the UN? **<a: No. Most used are travel bans, asset freezes, and arms embargoes.>**
- What foreign policy goals are mentioned as reasons for sanctions? **<a: counterterrorism, counternarcotics, nonproliferation, democracy and human rights promotion, conflict resolution, and cybersecurity.>**
- Who decides on sanctions in the UN, the EU, and the US? **<a: UN: Security Council majority with possible veto; EU: unanimous vote by member states; US: President or Congress.>**
- What are Extraterritorial sanctions? Who uses them and who objects to them? **<a: Restrictions on third countries. US uses and others object that they impinge on their sovereignty.>**
- Does this say that sanctions work? **<a: No. Effectiveness varies and is hard to confirm.>**
- What best practices are suggested for use of sanctions? **<a: Be well-rounded. Combine with other measures. Set attainable goals. Build multilateral support. Be credible and flexible.>**

- Why is the US best positioned to use sanctions, and why might their use undermine that position? **<a: US is the biggest export market and has the currency that most countries depend on using. But sanctions may reduce both of these advantages, as others avoid US markets and the US currency.>**

Mulder, Nicholas, "The Sanctions Weapon," *Finance and Development*, June 2022, pp. 20-23.

- How many governments imposed sanctions on Russia, and from which continents? **<a: 38, from North America, Europe, and Asia.>**
- What previous episodes of sanctions are mentioned here? **<a: Post WWII: Rhodesia, South Africa, Cuba, Iran. Pre-WWII: Italy, Japan.>**
- Why does the author view sanctions as more problematic today than previously? **<a: Mainly because the world is more integrated, depending more on each other.>**
- What "policy adjustments" does he suggest? **<a: Mostly various ways to protect emerging markets from harm: income support, prevent capital flight, help them with debt, humanitarian relief, reduce price pressures from hoarding.>**

Alderman, Liz, "Leave Russia? A Year Later Many Companies Can't, or Won't," *New York Times*, March 2, 2023.

- Many companies announced last year that they were leaving Russia. Have they? **<a: Many have not, or have not completed exit, citing various complications that prevent them.>**
- What fraction are still there? **<a: Different surveys report one quarter, close to 50%, and 91%.**
- What has Russia done to keep them from leaving? **<a: Many things, such as threatening prosecution of locals, threatening nationalization, requiring permission from the Finance Ministry or from Putin.>**

Rodriguez, Dani, "The harm that sanctions do to the vulnerable," *Financial Times*, May 4, 2023.

- What percentages of countries and the world economy are subject to sanctions now? What were those percentages in the 1990s? **<a: Now: 27% and 29%. In the 1990s 10% and 5%>**
- What measures of living conditions are mentioned as being made worse by sanctions? **<a: poverty, inequality, growth, health conditions, and human rights.>**
- What is the "main channel" through which sanctions have their effects, and how does this matter? **<a: Through constraining the public sector's access to foreign exchange, which in turn leads to less spending on public health, education, and food assistance.>**
- How big is the hit to GDP estimated to be in one study? **<a: As much as 26%.>**

Washington Post Editorial Board, "How to make the sanctions on Russia really hurt," *Washington Post*, March 21, 2023.

- What are the two purposes of sanctions against Russia? **<a: To punish Russia, and to deplete its ability to sustain its war.>**
- Have the sanctions worked? **<a: This says it is mixed. It has hurt Russia, but it has not caused collapse or weakened its “will or capacity” to fight.>**
- How is the oil price cap enforced and how does it work? **<a: By restricting not just purchases but also insurance, shipping, and trading. And while other countries are not subject to it, they get leverage to lower prices. And yes, Russia’s revenue has fallen a lot.>**
- What does this article recommend? **<a: Lower the price cap further to \$40; turn up the heat on banks that service Russia; and expand sanctions on individual oligarchs.>**
- Should Russia’s frozen central bank assets be used to rebuild Ukraine? **<a: There are arguments on both sides. Russia should pay to rebuild. But using these assets would damage the international financial system.>**

Kantchev, Georgi, Paul Hannon, and Laurence Norman, "How Sanctioned Western Goods Are Still Flowing into Russia," *Wall Street Journal*, May 14, 2023.

- What is being called the “Eurasian roundabout”? **<a: Goods that sanctions prohibit being sold to Russia instead being sold to another country, which in turn sends them to Russia.>**
- What countries are said to be involved? **<a: The former Soviet republics of Armenia, Georgia, Kyrgyzstan, Uzbekistan and Kazakhstan.>**
- What is the evidence that this is happening? **<a: Large increases in exports to these countries accompanied by large increases in their exports to Russia.>**
- What can be done about it? **<a: Expand the sanctions to cover sales to such third countries.>**

Optional to Read:

Elliott, Kimberly Ann, “Evidence on the Costs and Benefits of Economic Sanctions,” Speech given before the Subcommittee on Trade of the Committee on Ways and Means, United States House of Representatives, Washington, DC, October 23, 1997.

- In the research reported, what fraction of sanctions fully achieved their foreign policy goals, and what fraction achieved them partially? **<a: 13% and 35%.>**
- Have US sanctions (over the time reported) increased or decreased in effectiveness, and why? **<a: Decreased, due to globalization and to US becoming a less important part of trade.>**
- Under what circumstances are sanctions most likely to succeed? **<a: Goal modest, target country small, countries friendly, sanctions quick and decisive, and cost at home avoided.>**
- What are some of the costs of sanctions to the sanctioning country? **<a: Lost exports and associated jobs and wages and community costs; reputation as unreliable supplier.>**