

# How effective are economic sanctions?

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The idea of using economic instruments to influence political objectives dates back to antiquity, but it was not until after the First World War that sanctions were legally codified in the Charter of the League of Nations. The victors in the First World War believed that measures like this would act as a deterrent and help to secure peace by avoiding armed confrontation<sup>[1]</sup>.

Russia’s military intervention in Ukraine and the many rounds of sanctions that have been imposed by the West since then (the United States, the European Union, etc.) have revived the debate on sanctions. What is their political purpose? Can they be effective, or, in a globalized economy, can the sanctioned country find ways around them? What conditions are needed for sanctions to succeed?

## ***History of sanctions***

For several centuries, economic sanctions were intended to complement military action in wartime. In the 20th century, a

paradigm shift occurred with the idea that sanctions could be an effective substitute for military action, as reflected in the Charter of the League of Nations (Article 16). Keynes himself said he was “sure that the world greatly underestimates the impact of economic sanctions”. History has, however, proved Keynes wrong: for example, sanctions by the League of Nations against Italy or Japan on the eve of the Second World War failed to prevent that global conflict.

After the Second World War, the idea of sanctions as an alternative to armed confrontation gained traction, and sanctions came into long-term use. The 1990s saw a return in force of sanctions, following the Cold War period when they were used less often, to the point where the period is referred to as the “decade of sanctions”. Voices were nevertheless raised challenging their effectiveness and highlighting the suffering of civilian populations. At the dawn of the 21<sup>st</sup> century this led to the notion of targeted sanctions, known as “SMART” sanctions (specific, measurable, achievable, realistic, time-bound).

### ***Definition and objective(s)***

What exactly is meant by the term sanctions? Askari et al. (2003) [\[2\]](#) define sanctions as “coercive measures, imposed by one country or group of countries on another country, its government or individual entities, aimed at inducing a change in behaviour or policy”. Sanctions can be general or targeted, bilateral or multilateral, trade and/or financial.

When assessing sanctions, it is common to assign them a single objective, but the reality is much more complex. There are actually a plurality of objectives, as Barber (1979) [\[3\]](#) shows: primary objectives, aimed at changing the behaviour of the *target* country; secondary objectives, aimed at satisfying *domestic* political forces; and tertiary objectives, aimed at promoting the defence of certain values. Thus, sanctions are also a form of punishment of actors whose behaviour is deemed

“deviant” from the dominant moral order, and they reflect a desire to extend national sovereignty, as exemplified by US extraterritoriality laws.

As a consequence, the effectiveness of sanctions cannot be judged solely on the basis of their primary objective. Moreover, the objectives actually sought sometimes differ from the objectives declared: in the case of sanctions against Iran, beyond the stated objective of the United States to prevent Iran from becoming a nuclear power, there is in reality also an objective of regime change, which has been pursued since 1979 (Coville, 2015[\[4\]](#)).

### ***Debatable effectiveness***

Among the attempts to assess the effectiveness of sanctions, one school of thought, considered “pessimistic”, has generally concluded that they are ineffective. This line of thought began with Galtung’s seminal study (1967)[\[5\]](#), which, using Rhodesia as a prime example, concluded that sanctions have contributed to the strengthening of political power. A second stream of research starting in the 1980s offers a more “optimistic” view of the effectiveness of sanctions; this approach was initiated with a study by Hufbauer, Schott and Elliot (HSE, 1985)[\[6\]](#): based on a sample of 103 cases of trade and financial sanctions implemented between 1914 and 1985, the authors concluded that 36 per cent of the sanctions achieved their objective. A third stream of research then developed out of criticisms of the HSE methodology. As Coulomb and Matelly (2015)[\[7\]](#) point out, recent studies suggest an average success level of 30% for targeted sanctions (Targeted Sanctions Consortium, 2012[\[8\]](#)). Some political scientists disagree, such as Robert A. Pape (1997)[\[9\]](#), who criticises the causality established between sanctions and political objectives and estimates the effectiveness of sanctions “in the strict sense” at around 4%.

Worse still, sanctions are sometimes charged with even being

counterproductive. In the country sanctioned, they may provide additional legitimacy to the leadership and render the population more vulnerable to radical ideologies. They can also worsen the situation of the civilian population (access to basic needs, medical care and services, basic food, etc.) and lead to the development of a parallel economy, hurting the most vulnerable in particular. Sanctions can also have strong repercussions in the countries implementing them. They can lead to counter-sanctions, as we are currently seeing as Russia targets European countries. Furthermore, if sanctions are bilateral, they can disadvantage companies in the countries implementing them and create a windfall effect for their competitors who do not apply sanctions: both China and India are currently benefiting from a sharp discount on Russian oil, while European business is having to bear higher fuel costs.

### ***Performance over effectiveness***

As the PERSAN report (2017) cited above shows, measuring effectiveness is not in fact sufficient to determine whether sanctions are appropriate. Rather than measuring their effectiveness, the authors argue for measuring the sanction's "performance", using a triptych of relevance-effectiveness-efficiency. While the notion of effectiveness measures only the adequacy between objectives and results, the notion of relevance evaluates the adequacy between means and objectives. If a country's economy is highly integrated globally and has possibilities to circumvent bilateral sanctions, then the sanction will lose its relevance. On the other hand, effectiveness measures the relationship between means and results, in other words, it takes into account the effect of the sanctions on the country implementing them. The ideal sanction is thus one that maximises the potential cost to the sanctioned country while minimising the cost to the implementing country.

It is worth noting that the vulnerability of EU countries to

sanctions is comparable to the level of the United States, if intra-regional trade is excluded. Indeed, the rate of openness to international trade, measured as the sum of a country's exports and imports of goods in relation to GDP, comes to 18% in the European Union (51% if intra-EU trade is taken into account) compared to 19% in the United States in 2019[\[10\]](#). But the level of dependence varies from one European country to another: small, very open countries such as Slovenia and Bulgaria have an openness rate of 35% (excluding intra-EU trade), whereas the openness rate in France and Portugal is only 14%. Moreover, the degree of dependence varies according to the product: for example, Guinea and Sharma (2022)[\[11\]](#) draw up a list of 233 products for which the European Union is highly dependent on the outside world, highlighting the importance of China, India and Russia.

### ***EU sanctions against Russia: Self-defeating?***

The question of how sanctions perform has importance today, especially in the case of Russia. In response to Russia's invasion of Ukraine, six successive waves of sanctions have been approved by the European Union. The first four rounds of EU sanctions targeted trade with Russia, but carefully exempted energy products and banks heavily involved in the energy sector. This changed with the fifth round of sanctions imposed by the EU Council on 8 April 2022, which banned the import of Russian coal and other solid fossil fuels to the EU from August 2022. The sixth set of sanctions decrees a total halt to imports of Russian oil within six months and to refined products by the end of 2022. Russia has responded to these measures with counter-sanctions: it has obliged foreign creditors to pay for their imports in roubles, and it has suspended gas deliveries to several European countries via the Yamal pipeline.

In terms of effectiveness, it is still early to judge the effect of the sanctions on the Russian economy, but the provisional balance sheet appears mixed. In its October 2022

forecast, the IMF expects Russian GDP to contract by 3.4% in 2022, which is less than the 6% expected in July 2022. True, half of the country's foreign exchange reserves are frozen, several major banks have been cut off from the international payment system, and Ural crude oil is trading at a discount of about \$20 per barrel. However, Russia's economy seems to be holding up better than expected. The central bank has imposed capital controls and raised interest rates sharply, pushing the rouble up steeply. The trade balance has improved: higher world oil and gas prices have offset the "Russian discount", and increased sales to China and India appear to have partially offset the decline in exports to the EU. Thus, the existence of third countries claiming to be neutral, in a context of globalization, largely weakens the power of sanctions and raises questions about their relevance. Some countries, such as Turkey, play a major role in circumventing sanctions, as illustrated by the project discussed by V. Putin and R. T. Erdogan that aims to create a gas hub in Turkey intended to supply Russian gas to European countries[\[12\]](#).

Furthermore, the EU's heavy dependence on Russian oil and natural gas also calls into question the sanctions. Changing producers may be possible in the case of oil, because of the relative simplicity of transporting oil; sanctions would then imply a reworking – not without cost – of the trading network. In the case of natural gas, however, the very nature of the transport infrastructure limits the possibilities for substitution, as the bulk of European gas trade is based on a network of pipelines coming from Russia. Moreover, Europe's countries are unevenly dependent on Russia, with the easternmost European countries appearing to be the most vulnerable (Antonin, 2022[\[13\]](#)). In response to the sanctions, Russia has drastically reduced its gas deliveries to the European Union, which could have a strong impact on EU countries' growth (Geerolf, 2022[\[14\]](#)). But if the cost to the implementing country outweighs the cost to the sanctioned country, then the sanctions will be counterproductive. The

challenge for the implementing country is therefore to reduce the impact on its own economy, for example by providing the best possible support to the domestic entities that are most directly affected by the sanctions.

### ***Defining the conditions for successful sanctions***

It is impossible to predict the conditions required for sanctions to succeed, as each situation needs to be analysed in specific detail. However, certain conditions seem favourable for maximizing their performance. Although empirical studies based on the data of Hufbauer et al. (already cited) show that unilateral sanctions have a higher success rate than multilateral sanctions, there is no consensus on this result: based on new data covering 888 cases of sanctions – with a higher proportion of sanctions not involving the US – Bapat and Morgan (2009) [\[15\]](#) show that multilateral sanctions are more likely to succeed than unilateral sanctions, *provided that* there is either a single grievance against the targeted country or (if there are several grievances) that the sanctions are orchestrated by an international institution. Indeed, because of the presence of an international institution, each implementing country loses its ability to enter into a side agreement with the target country and to participate de facto in a strategy of circumvention. As a result, the target country is more likely to take the threats seriously and offer a compromise. In addition, multilateral sanctions have the advantage of conferring strong political legitimacy on the sanctions.

Furthermore, it is important to ensure that the final political objective is in line with the intermediate economic objective, so that the country issuing the sanctions is confident of its ability to maintain the sanctions over time (Lettre Trésor-éco, 2015 [\[16\]](#)). Finally, sanctions should be limited to the most effective measures, and sanctions that have a display objective – whose performance has not been proven – should be prohibited. The sanctions regimes that have

a high success rate are those where the main measure targets a key export sector of the target country – without the implementing country being overly affected: the *Lettre Trésor-éco* (2015) estimates a success rate of 54% when the main measure of the sanctions concerns one of the main export resources of the target country, compared to an average success rate of 18%, all sanctions combined<sup>[17]</sup>. Finally, it is important to ensure that the final objective is clear so as not to fuel the idea that sanctions are an instrument of imperialism; otherwise there is a risk of leading the population of sanctioned countries to harbour a sense of being subject to unjust aggression and to reinforce their rulers' legitimacy – which would be completely counterproductive.

<sup>[1]</sup> For a more detailed discussion of the performance of sanctions, the reader may wish to refer to the report [Matelly S., Gomez C., Carcanague S. \(2017\). Performance des sanctions internationales, Typologie : étude de cas. Rapport final PERSAN, June 2017, IRIS, CSFRS](#) [The performance of economic sanctions – A typology and case study], which has generally inspired and nourished the production of this text.

<sup>[2]</sup> [Askari H., Forrer J., Teegen H. and J. Yang \(2003\). Economic sanctions: examining their philosophy and efficacy. Greenwood Publishing Group.](#)

<sup>[3]</sup> [Barber J. \(1979\). “Economic Sanctions as a Policy Instrument”. \*International Affairs\*, 55\(3\).](#)

<sup>[4]</sup> [Coville, T. \(2015\). “Les sanctions contre l’Iran, le choix d’une punition collective contre la société iranienne?”. \[Sanctions against Iran – Choosing collective punishment of Iranian society?\], \*Revue internationale et stratégique\*, 97\(1\).](#)

<sup>[5]</sup> [Galtung J. \(1967\). “On the Effects of International Economic Sanctions, With Examples from the Case of Rhodesia”. \*World Politics\*, 19\(3\).](#)

<sup>[6]</sup> [Hufbauer G. C., Schott J.J., Elliott A. K., 1985, \*Economic\*](#)



*Sanctions Reconsidered: History and Current Policy*, Washington, Peterson Institute for International Economics.

[7] [Coulomb, F. and Matelly, S. \(2015\). “Bien-fondé et opportunité des sanctions économiques à l’heure de la mondialisation”. \[The reasonableness and appropriateness of economic sanctions in a time of globalization\], \*Revue internationale et stratégique\*, 97\(1\).](#)

[8] Targeted Sanctions Consortium, 2012, *Designing United Nations targeted sanctions. Evaluating impacts and effectiveness of UN targeted sanctions*, The Graduate Institute – Watson Institute for International Studies, August.

[9] [Pape, R. A. \(1997\). Why economic sanctions do not work. \*International security\*, 22\(2\).](#)

[10] Data source: World Bank for the United States, Eurostat for the European Union (27 countries excluding Malta).

[11] [Guinea, O. and Sharma, V. \(2022\). Should the EU Pursue a Strategic Ginseng Policy? Trade Dependency in the Brave New World of Geopolitics. \*ECIPE Policy Brief\*, April 2022.](#)

[12] [La Tribune, \*Erdogan et Poutine s’accordent pour bâtir un « hub gazier » de l’Europe en Turquie\*](#), [Erdogan and Putin agree to build a European ‘gas hub’ in Turkey], 13 October 2022.

[13] [C. Antonin \(2022\). “Dépendance commerciale UE-Russie : les liaisons dangereuses”, \[EU-Russia trade dependence : A dangerous liaison\] \*OFCE Blog\*, 4 March 2022.](#)

[14] [Geerolf F. \(2022\). “The “Baqaee-Farhi approach” and a Russian gas embargo – some remarks on Bachmann et al.”. \*Sciences Po OFCE Working Paper\*, no. 14/2022.](#)

[15] [Bapat, N.A. and Morgan, C.T. \(2009\). Multilateral versus unilateral sanctions reconsidered: A test using new data. \*International Studies Quarterly\*, 53\(4\).](#)

[\[16\] Ministère de l'Économie, de l'Industrie et du Numérique \(2015\). « Sanctions économiques : quelles leçons à la lumière des expériences passées et récentes ? ». \[Economic sanctions : What are the lessons in the light of past and recent experience?\], \*Lettre Trésor-Éco\*, no. 150.](#)

[\[17\] \*Lettre Trésor-éco\* \(2015\), cited above, Table 2.](#)