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A USER'S GUIDE TO ECONOMIC SANCTIONS

INTRODUCTION

The annual debate over renewal of normal trading status for the People's Republic of China (PRC) has raised an enormous debate in this country over the effectiveness of economic sanctions, a debate that comes on the heels of an explosive growth in the use of economic sanctions. During his first term, President Bill Clinton imposed new unilateral economic sanctions on 35 countries that make up 42 percent of the world's population and consume 19 percent of its exports. This trend raises important questions for U.S. policymakers: (1) Are economic sanctions an effective way to achieve U.S. foreign policy objectives? (2) What do economic sanctions cost the U.S. economy, and how do they harm American workers? (3) Do unilateral state and local economic sanctions undermine the coherence of U.S. foreign policy, reduce policy flexibility, and violate the U.S. Constitution? (4) What strategic doctrine should govern the use of economic sanctions to ensure that they actually advance U.S. interests?

A Poor Track Record

Historically, economic sanctions have a poor track record. Between 1914 and 1990, various countries imposed economic sanctions in 116 cases. They failed to achieve their stated objectives in 66 percent of those cases and were at best only partially successful in most of the rest.[1] Since 1973, the success ratio for economic sanctions has fallen precipitously to 24 percent for all cases.[2]

Although proponents often cite South Africa as an example of the successful application of economic sanctions, unique factors existed in that case that are unlikely to be found in other countries. Most important was the fact that the sanctions were imposed multilaterally by the international community, not solely by the United States. Even so, Pretoria succumbed to the pressure only *after* private business executives—fearing the

1 Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington, D.C.: Institute for International Economics, 1990), pp. 92–93.

2 *Ibid.*, pp. 105–107.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Free South Africa Movement's disinvestment campaign would cause the price of company stocks to fall—went beyond government-mandated sanctions on new loans to and investments in South Africa, calling in current loans and liquidating existing investments in that country.

The Downside of Unilateral Economic Sanctions

Although multilateral sanctions might succeed under the appropriate circumstances, unilateral sanctions will fail more often than not. By itself, a unilateral trade or investment embargo may not be enough to persuade a country's government to change its objectionable policies. In today's global economy, foreign rivals quickly and easily replace American companies to meet the needs of a target country's market. In addition, unilateral economic sanctions applied against friendly countries because of single-issue disputes (for example, drug trafficking) may reduce cooperation on other more important issues and damage broader U.S. interests.

Unilateral economic sanctions cost the U.S. economy dearly. In 1995, economic sanctions reduced U.S. exports to 26 target countries by as much as $15 billion to $19 billion, eliminated more than 200,000 jobs in relatively high-wage export sectors, and caused American workers to lose nearly $1 billion in wages.[3] Moreover, the effects—through lost follow-on sales and services, diminished foreign confidence in the reliability of American companies as suppliers, and reduced foreign direct investment in the United States—can reverberate through the U.S. economy long after sanctions have been removed.

Finally, economic sanctions imposed by individual states or localities are disruptive and tread on tenuous constitutional ground. They can interfere with the making of foreign policy by preventing the United States from speaking with one voice on international affairs. They also can undermine the President's ability to adapt U.S. foreign policy to changing circumstances. Moreover, unilateral state and local economic sanctions appear to violate both the Commerce Clause and the Supremacy Clause of the U.S. Constitution.

A New Strategic Doctrine on Economic Sanctions

Economic sanctions are important strategic weapons in the policy arsenal. Like other strategic weapons, however, they must be used with extreme care lest American companies and their workers, suppliers, and shareholders become friendly-fire casualties.

Because economic sanctions are only a step below a blockade or other military action, any decision to apply them should receive the same deliberate, sober consideration that is given to a decision that commits U.S. troops to battle. The widespread misapplication of unilateral economic sanctions by Congress and the President since the end of the Cold War suggests that such careful deliberation is not occurring. The United States needs a new strategic doctrine governing the use of economic sanctions to achieve U.S. foreign policy objectives. To fashion this new doctrine, Congress should:

1. **Establish guidelines for implementing economic sanctions.** Before Congress and the President consider imposing economic sanctions, the following remedies should have been exhausted in the order listed:

   - Private persuasion.

3 Gary Clyde Hufbauer, Kimberly Ann Elliott, Tess Cyrus, and Elizabeth Winston, "U.S. Economic Sanctions: Their Impact on Trade, Jobs, and Wages," Institute for International Economics, April 16, 1997, p. 3.

- Public appeals.
- Consultation with allies on multilateral sanctions.
- Non-economic sanctions.

Economic sanctions to achieve clearly defined national security objectives should be treated differently from sanctions that are intended to serve a moral or economic purpose. In national security cases, they may be justified even if their probability of success is low.

For non-national security purposes, economic sanctions should be applied only if there is a high probability of success. To determine the likelihood that a proposed sanction aimed at other foreign policy objectives will be successful, Congress and the President should ask four questions:

- Is the proposed sanction's objective limited enough to be achievable?
- Does the United States have a monopoly advantage that it can exploit against the target and, if not, will other countries cooperate with the United States to impose the sanction?
- Is the sanction's likely impact so large that it may persuade the target to change its policies?
- Is the sanction's probable impact on the U.S. economy small enough not to cause significant harm to American companies and their workers, suppliers, and shareholders, as well as American consumers?

Congress and the President should proceed with a proposed economic sanction only if all of the above questions can be answered affirmatively. If they cannot, the sanction—even though it may please domestic constituency groups—has no realistic hope of achieving its objective and should be rejected.

2. **Limit the application of the International Emergency Economic Powers Act (IEEPA) to clear-cut national security issues.** Enacted in 1977, the IEEPA grants the President broad powers to regulate or prohibit trade, investment, and financial transactions with foreigners for purposes of dealing with a national security, foreign policy, or international economic emergency. These sweeping powers should be used only to counter real threats to national security interests. Congress should tighten the IEEPA to exclude so-called foreign policy and economy emergencies.
3. **Mandate that the President consult with Congress within a set period following the imposition of economic sanctions by executive order.** Just as the War Powers Resolution requires the President to receive congressional approval for any extended military engagement, Congress should approve, directly and expressly, any extended use of economic sanctions.
4. **Direct the Secretary of Commerce to identify all American companies (including suppliers, shareholders, and employees) that have suffered material economic loss because of U.S. economic sanctions.**
5. **Direct the Council of Economic Advisers, in the Economic Report of the President, to publish an annual study of how much sanctions cost the U.S. economy.**

6. **Forbid state and local governments to impose economic sanctions when they interfere with national policy and security interests.**

WHAT ARE ECONOMIC SANCTIONS?

U.S. policymakers and officials utilize a variety of tools to influence the policies of other governments. These tools, in order of increasing severity, are diplomatic persuasion, public appeals, non-economic sanctions, economic sanctions, and military action. They may be applied either unilaterally or in conjunction with other countries through the United Nations (U.N.) or other international organizations.

Economic Sanctions. An economic sanction is any restriction imposed by one country (the sender) on international commerce with another country (the target) in order to persuade the target country's government to change a policy. Economic sanctions include:

- **Limiting** exports to the target country;
- **Limiting** imports from the target country;
- **Restricting** investment in the target country;
- **Prohibiting** private financial transactions between a sender country's citizens and the target country's citizens or government; and
- **Restricting** the ability of a sender country's government programs, such as the U.S. Export–Import Bank (Ex–Im Bank) and the Overseas Private Investment Corporation (OPIC), to assist trade and investment with the target country.

Non-Economic Sanctions. A sender country also may apply non-economic sanctions against a target country to persuade its government to change policy. In contrast to economic sanctions, which are intended to penalize a target country financially, non-economic sanctions are aimed at denying legitimacy or prestige. Although the following list is not exhaustive, non-economic sanctions include:

- **Canceling** ministerial and summit meetings with a target country;
- **Denying** a target country's government officials visas to enter the sender country;
- **Withdrawing** a sender country's ambassador or otherwise downgrading diplomatic and military contacts with a target country;
- **Blocking** a target country from joining international organizations;
- **Opposing** a target country's bid to host highly visible international events, such as the Olympics;
- **Withholding** foreign aid; and
- **Instructing** a sender country's directors to vote against new loans to a target country at the World Bank or other international financial institutions.

Policy Objectives of Economic Sanctions

Sender countries delineate three general categories of policy objectives for which economic sanctions may be applied: national security objectives, other foreign policy objectives, and international trade and investment dispute resolution.

National Security Objectives. Economic sanctions may be employed to deter military aggression or to force an aggressor to withdraw its armed forces from a disputed territory. In such circumstances, the U.N. Security Council may encourage countries to apply economic sanctions. For example, the United States participated in multilateral sanctions against Iraq following its invasion of Kuwait, and against parts of the former Yugoslavia following the outbreak of war there.

Economic sanctions may be used to curb weapons proliferation. The United States participates in a number of international regimes to control the export of militarily sensitive goods and technology, including the Wassenaar Arrangement,[4] the Missile Technology Control Regime, and the Australia Group (chemical and biological weapons proliferation control).[5] Sanctions against countries that seek to acquire weapons in violation of international regimes controlling the proliferation of nuclear, chemical, and biological weapons and missile technology are far more likely to be effective if applied multilaterally and targeted against the offending country's leaders and armed forces.

Economic sanctions may be used to punish a country that condones or sponsors terrorism. Terrorism-related sanctions usually have been applied unilaterally. For example, the United States prohibits investment in Iran and Libya, forbids trade with Libya, and severely restricts trade with Iran because Iran and Libya fund international terrorist organizations.[6]

The United States may wish to restrict the export of armaments and militarily sensitive technology to countries that, although not immediate threats, are considered potentially hostile to U.S. interests. Such restrictions, however, are more likely to be effective if applied multilaterally, in concert with military allies.

Other Foreign Policy Objectives. Economic sanctions may be employed to further other foreign policy objectives, such as the observance of human rights and democratization. For example, on May 20, 1997, President Clinton announced a ban on new investments in Myanmar (formerly Burma) because the ruling military junta had refused to recognize the victory of the opposition party in the May 1990 general election and had kept opposition leader and Nobel Peace Prize winner Aung San Suu Kyi under house arrest for six years.[7]

Three other reasons for employing economic sanctions are indicated by President Clinton's March 1, 1996, decision to cut off Ex–Im Bank and OPIC financing to Colombia because of Colombia's failure to control the traffic in illegal drugs;[8] a July 1, 1996,

4 Successor to the Coordinating Committee on Multilateral Export Controls (COCOM) regime.

5 The COCOM was an informal organization of industrial democracies to control the export of advanced, militarily sensitive technologies to communist countries, especially the Soviet Union, during the Cold War.

6 Iran and Libya Sanctions Act of 1996, P.L. 104–172.

7 The military junta is known as the State Law and Order Restoration Council. The opposition party is known as the National League for Democracy.

8 61 Fed. Reg. 9,891 (1996); 22 U.S.C. Section 2291j.

decision by President Clinton suspending the duty-free designation for surgical instruments, leather gloves, certain sporting goods, and carpets imported from Pakistan under the Generalized System of Preferences (GSP) program because of Pakistan's failure to respect workers' rights;[9] and a May 30, 1996, decision by directors of the Ex–Im Bank to deny financing to three U.S. exporters because of environmental concerns surrounding the construction of the Three Gorges Dam in China.[10]

International Trade and Investment Dispute Resolution. Economic sanctions may be effective in the resolution of international trade and investment disputes. Most such disputes, however, are resolved satisfactorily through the dispute settlement procedures of the World Trade Organization, regional customs unions like the European Union, regional free trade agreements like the North American Free Trade Agreement, or other bilateral agreements. Even when economic sanctions are employed, a sender country's sanctions are usually limited and in proportion to a target country's alleged infraction. Because of their limited application, economic sanctions arising from international trade and investment disputes do not warrant further consideration in this analysis.

THE EXPLOSIVE GROWTH OF ECONOMIC SANCTIONS

During the Cold War (1945–1989), most economic sanctions imposed by the United States were directed against communist countries and were intended to counter actual or potential military aggression; to deny advanced, militarily sensitive technology to the Soviet Union or its allies; and to control weapons proliferation. Economic sanctions with national security objectives usually were applied multilaterally in cooperation with other industrial democracies or (rarely) through the U.N.

Since 1990, however, the United States has been far more willing to employ unilateral economic sanctions to achieve other foreign policy objectives. During President Clinton's first term, U.S. laws and executive actions imposed new unilateral economic sanctions 61 times on a total of 35 countries.[11] These countries are home to 2.3 billion people, or 42 percent of the world's population, and purchase exports of $790 billion, or 19 percent of the global export market.

Congress and the President seem eager to impose additional unilateral economic sanctions this year. On May 20, for example, President Clinton issued an executive order determining that the "actions and policies of the Government of Burma constitute an unusual and extraordinary threat to the national security and foreign policy of the United States and declar[ing] a national emergency to deal with that threat." The order prohibited new investments in Myanmar.

In addition, Senator Arlen Specter (R–PA) and Representative Frank Wolf (R–VA) have introduced the Freedom from Religious Persecution Act of 1997 (S. 772 and H.R. 1685)

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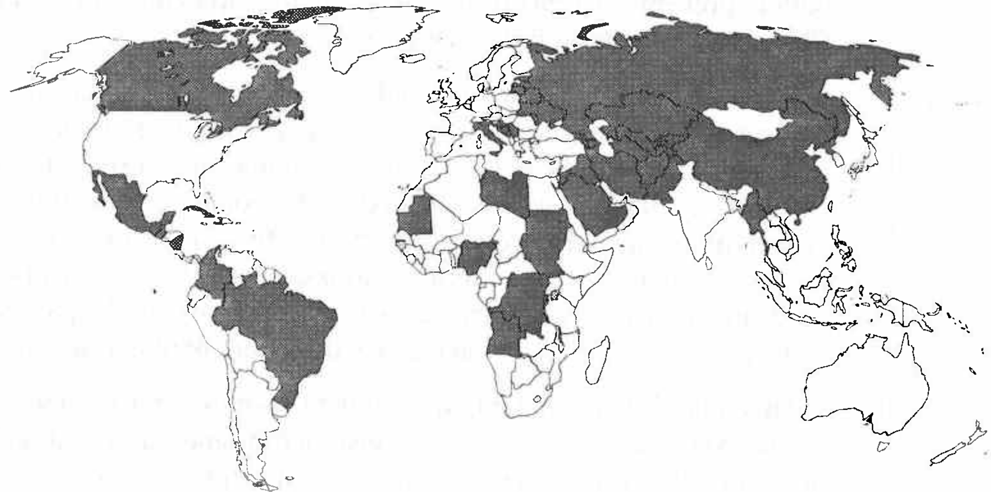
9 61 Fed. Reg. 54,719 (1996): 61 Fed. Reg. 30,645 (1996). Title V of the Trade and Tariff Act of 1984 provides that the President shall not designate any country for benefits under the Generalized System of Preferences that "has not taken or is not taking steps to afford internationally recognized workers' rights to its workers."

10 In September 1996, the National Security Council had recommended against Ex–Im Bank financing because of environmental concerns. The directors acted under the authority of 12 U.S.C. Section 635i–5.

11 The target countries are Afghanistan, Angola, Bosnia-Herzegovina, Brazil, Burundi, Canada, China, Colombia, Croatia, Cuba, Gambia, Guatemala, Haiti, Iran, Iraq, Italy, Libya, Maldives, Mauritania, Mexico, Myanmar (formerly Burma), Nicaragua, Nigeria, North Korea, Pakistan, Qatar, Russia, Rwanda, Saudi Arabia, Sudan, Syria, Taiwan, United Arab Emirates, Yugoslavia, and Zaire (now Congo).

Map 1

Unilateral U.S. Economic Sanctions: 1993-1996

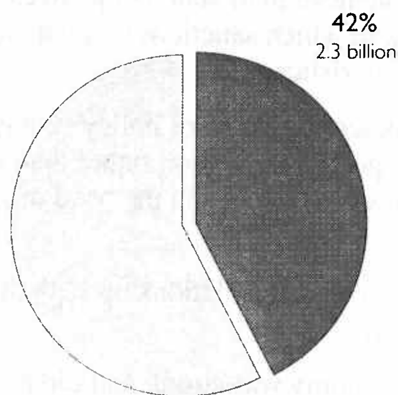


Afghanistan, Angola, Bosnia, Brazil, Burundi, Canada, China, Colombia, Croatia, Cuba, Gambia, Guatemala, Haiti, Iraq, Iran, Italy, Libya, Maldives, Mauritania, Mexico, Myanmar, Nicaragua, Nigeria, North Korea, Qatar, Rwanda, Saudi Arabia, Sudan, Syria, Taiwan, UAE, Yugoslavia, Zaire

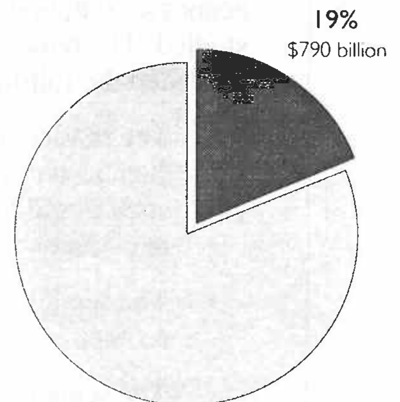
Source: National Association of Manufacturers, *Catalogue of Unilateral Sanctions, 1993-1996*

Chart 1

Global Scope of U.S. Unilateral Economic Sanctions: 1993-1996



Sanctioned Countries' Population as a Share of 1994 Global Population



Sanctioned Countries' Export Markets as a Share of 1994 Global Trade

Source: National Association of Manufacturers, *Catalogue of Unilateral Sanctions, 1993-1996,* source data from the World Bank, *World Development Report*, 1996 and the International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1996.

to sanction countries that engage in religious persecution. The bill's findings demonstrate that its sponsors intend to apply the sanctions to many other countries: It specifically cites Cuba, Laos, the PRC, North Korea, and Vietnam as persecutors of Christians. It also alleges that Sudan and many other Islamic countries use blasphemy and apostasy laws both to prevent Muslims from converting to Christianity and to persecute Baha'i, Christian, and other religious minorities.

States and localities, emboldened by the apparent success of economic sanctions in fostering political change in South Africa, increasingly are imposing their own economic sanctions to satisfy the demands of vocal domestic constituencies. These sanctions typically are secondary boycotts mandating (1) procurement restrictions that prohibit the state or locality from buying goods and services from any firm doing business in a target country and (2) divestiture requirements to prevent the state or locality from investing public funds in any firm doing business in a target country. In the past two years, Massachusetts and a number of localities have enacted procurement restrictions targeting Myanmar.

This trend is spreading rapidly. Bills to sanction Switzerland for its banks' failure to return the secret deposits of Holocaust victims and families after World War II are pending before the New Jersey legislature and the city councils of Chicago and New York. Massachusetts and Rhode Island are considering sanctions against Indonesia for its actions in East Timor. New York City is considering economic sanctions against Cuba, China, Egypt, Indonesia, Kuwait, Laos, Morocco, North Korea, Pakistan, Sudan, and several former Soviet Republics for their alleged religious persecution of Christians.

All told, the explosive growth in the use of unilateral economic sanctions for other than national security purposes poses serious questions for Congress: Are unilateral U.S. economic sanctions worth the cost? Are there better ways to achieve the policy changes the U.S. government seeks in target countries?

UNILATERAL SANCTIONS: A POOR TRACK RECORD

Historically, unilateral economic sanctions have a poor track record in achieving national security and other foreign policy objectives. In a comprehensive study of all economic sanctions imposed worldwide between 1914 and 1990,[12] researchers found that economic sanctions failed to achieve their stated objectives in 66 percent of the 116 cases studied. The remaining cases, in which sanctions were at least partially successful, exhibited the following characteristics:

- The sender country was seeking a minor policy change in the target country, such as the release of a political prisoner, rather than a major policy reversal such as military withdrawal, a change in the head of government, or democratization.
- The sender country had a historic relationship with the target country, such as mother country to colony.
- The sender country's economy was strong and did not depend on trade and investment with the target country. In contrast, the target country's economy was very weak and depended heavily on trade and investment with the sender country.

12 Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered, op. cit.*

state power that may exist is restricted to the narrowest of limits."[32] Moreover:

> The Federal Government, representing as it does the collective interests of the forty-eight states, is entrusted with full and exclusive responsibility for the conduct of affairs with foreign sovereignties. For local interests the several States of the Union exist, but for national purposes, embracing our relations with foreign nations, we are but one people, one nation, one power. Our system of government is such that the interests of cities, counties, and states, no less than the interests of the people of the whole nation imperatively requires that federal power in the field affecting foreign relations be left entirely free from local interference.[33]

If unilateral state and local economic sanctions are so clearly unconstitutional, one might wonder why businesses harmed by them have not brought suit in federal court. Companies have demurred from filing suit because no one wants to be identified publicly with such actions as seeming to defend apartheid in South Africa or the State Law and Order Restoration Council regime in Myanmar. Even if private citizens hesitate, however, Congress and the President must act because these sanctions pose a serious threat to the unity and coherence of U.S. foreign policy.

MAKING ECONOMIC SANCTIONS SERVE U.S. INTERESTS

Applied intelligently, economic sanctions may persuade a target country to change an objectionable policy and thereby help the United States to achieve national security goals; but like other strategic weapons, economic sanctions must be used cautiously. They are likely to achieve their stated objective only in certain circumstances, and their failure rate is even higher when they are unilateral rather than multilateral. Moreover, economic sanctions may produce severe friendly-fire casualties in the sender country's economy.

During the Cold War, U.S. policymakers directed economic sanctions primarily at the Soviet Union and other communist countries to achieve clearly defined national security objectives. Most of these sanctions were applied in conjunction with U.S. allies. Since the end of the Cold War, however, there has been no official strategic doctrine to guide the United States in deciding when and how to apply economic sanctions. As a result, Congress and the President have applied sanctions haphazardly to a rapidly growing number of countries in order to achieve other foreign policy objectives. This carelessness has cost the U.S. economy at least $15 billion annually but has led to few foreign policy gains.

The United States must develop a new strategic doctrine that includes the use of economic sanctions to advance foreign policy objectives. Economic sanctions can be an important strategic weapon in the foreign policy arsenal; but they are only one step below a blockade or other military action, and their application should be given the same sober consideration accorded the commitment of U.S. troops to battle. To implement this new doctrine, Congress should:

1. **Establish guidelines for implementing economic sanctions.** Before Congress and the President consider imposing economic sanctions, the following remedies should be tried and exhausted:

32 312 U.S. 54 (1941) at 68.

33 *Id.* at 63.

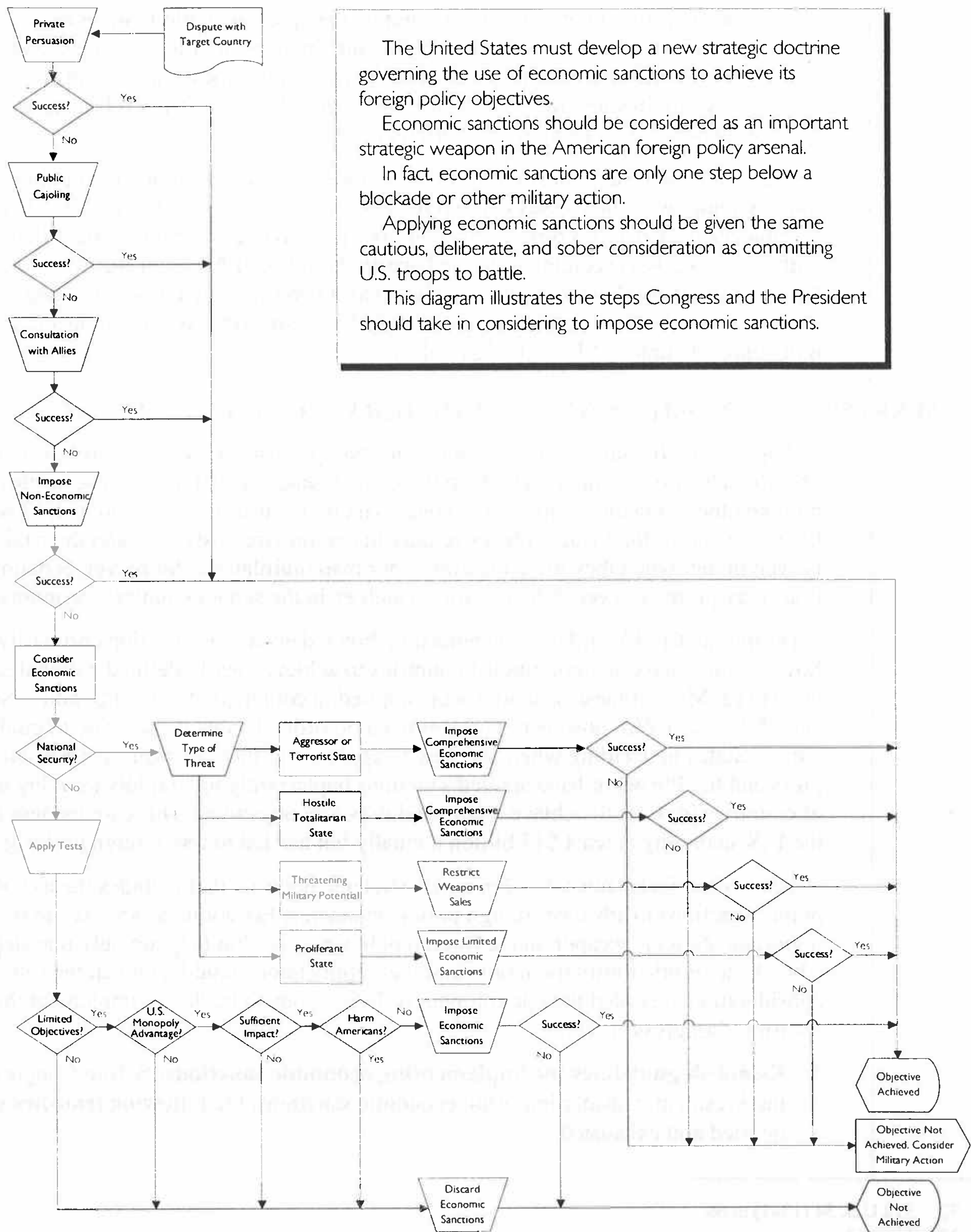


Chart 2
A Strategy for Implementing Economic Sanctions
Private Persuasion
Dispute with Target Country
Success?
Yes
No
Public Cajoling
Consultation with Allies
Impose Non-Economic Sanctions
Consider Economic Sanctions
National Security?
Apply Tests
Determine Type of Threat
Aggressor or Terrorist State
Hostile Totalitarian State
Threatening Military Potential
Proliferant State
Impose Comprehensive Economic Sanctions
Restrict Weapons Sales
Impose Limited Economic Sanctions
Limited Objectives?
U.S. Monopoly Advantage?
Sufficient Impact?
Harm Americans?
Impose Economic Sanctions
Discard Economic Sanctions
Objective Achieved
Objective Not Achieved. Consider Military Action
Objective Not Achieved
The United States must develop a new strategic doctrine governing the use of economic sanctions to achieve its foreign policy objectives.
Economic sanctions should be considered as an important strategic weapon in the American foreign policy arsenal.
In fact, economic sanctions are only one step below a blockade or other military action.
Applying economic sanctions should be given the same cautious, deliberate, and sober consideration as committing U.S. troops to battle.
This diagram illustrates the steps Congress and the President should take in considering to impose economic sanctions.

- **Private persuasion.** First, the President should try to use private talks to persuade a target country to change objectionable policies.
- **Public appeals.** If private persuasion fails, the President should warn a target country publicly to change its objectionable policies or risk further action.
- **Consultation with allies on multilateral sanctions.** If public appeals fail, the President should raise the issue at the U.N. and in regional security organizations like NATO while consulting privately with U.S. allies about multilateral sanctions.
- **Non-economic sanctions.** If the target country still fails to change its objectionable policies, Congress and the President should consider imposing one or more of several non-economic sanctions: (1) canceling ministerial and summit meetings with the target country; (2) denying visas to a target country's officials to enter the United States; (3) withdrawing the U.S. ambassador or otherwise downgrading diplomatic and military contacts with a target country; (4) blocking a target country from joining international organizations; (5) opposing a target country's bid to host such highly visible international events as the Olympics; (6) withholding foreign aid; and (7) instructing U.S. directors to vote against new loans to a target country at the World Bank or other international financial institutions.
- **Economic sanctions.** If these initiatives prove fruitless, Congress and the President then may consider economic sanctions. Economic sanctions proposed for national security purposes and other foreign policy purposes should be analyzed separately.

  First, Congress and the President require greater flexibility in applying economic sanctions for national security objectives than in applying them for other foreign policy objectives.

  a. **Aggression and terrorism.** The United States should impose comprehensive economic sanctions against any country that is engaged in armed conflict against the United States or that sponsors or condones terrorism against the United States, its citizens, or its overseas interests. It also should enforce any U.S.-supported multilateral sanctions authorized by the U.N. or regional security organizations against a country that has committed an act of aggression against another country. In these cases, economic sanctions should be applied even if the probability of success is very low.

  b. **Hostile totalitarian countries.** Among the states of the world, Cuba and North Korea are unique. They still have totalitarian communist governments despite the collapse of the Soviet Union—regimes that, in the Stalinist tradition, control every aspect of their people's lives. Both countries directly challenge U.S. security interests. Cuba's Fidel Castro is the only world leader ever to urge a nuclear attack on the United States, and North Korea's Kim Jong-Il recklessly threatens to use military force against South Korea, a U.S. ally, and U.S. troops stationed on the Korean peninsula. Under such circumstances, the United States should maintain comprehensive economic sanctions against Cuba and North Korea until these regimes show real signs of change.

There is a clear distinction between authoritarian and totalitarian governments that should apply to any decision on the use of economic sanctions. Such authoritarian governments as China may suppress political dissent but allow at least some economic freedom. For example, China's private sector is expanding rapidly. China had approximately 5.9 million small private businesses and more than 60,000 large private business and joint-ventures with foreign firms in 1995. Consequently, the share of industrial output of state-owned enterprises fell from 78 percent in 1985 to 34 percent in 1995.

In authoritarian countries, expanding international trade and investment reduces the people's economic dependence on their government for life's necessities. Expanding international trade and investment foster the growth of a middle class, which is essential to democratization. In many countries—for example, Chile, South Korea, Taiwan, and Thailand—economic liberalization programs started by authoritarian governments in one generation have produced a rising, financially secure middle class in the next that demanded political freedom and won democracy. In authoritarian countries, therefore, comprehensive economic sanctions are counterproductive and more often than not hinder rather than help this evolutionary process.

c. **Military capacity.** The United States may wish to restrict the export of armaments and militarily sensitive technology to countries that, although not immediate threats, are perceived as potentially hostile. Such restrictions are far more likely to be effective if applied multilaterally in conjunction with military allies.

d. **Weapons proliferation.** When a country seeks to acquire weapons in violation of international regimes designed to control the proliferation of nuclear weapons, chemical and biological weapons, and missile technology, the United States may wish to apply limited economic sanctions that target the country's leaders and armed forces. Again, such sanctions are far more likely to be effective if applied multilaterally.

Second, if a proposed economic sanction seeks to achieve non-security objectives, Congress and the President should ask the following four questions:

a. Is the proposed sanction's objective limited enough to be achievable?

b. Does the United States have a monopoly advantage that it can exploit against the target and, if not, will other countries cooperate with the United States to impose the sanction?

c. Is the sanction's likely impact so large that it may persuade the target country to change its policies?

d. Is the sanction's probable impact on the U.S. economy small enough not to cause significant harm to American companies and their workers, suppliers, and shareholders, as well as American consumers?

Congress and the President should proceed with a proposed economic sanction only if all of the above questions can be answered affirmatively. Otherwise, even though it may please domestic constituency groups, the sanction has no plausible hope of achieving its objective and should be rejected.

2. **Limit the application of the International Emergency Economic Powers Act to clear-cut national security issues.** Enacted in 1977, the IEEPA grants the President broad powers to regulate or prohibit trade, investment, and financial transactions with foreigners "to deal with an unusual or extraordinary threat, which has its source in whole or in part outside the United States, to the national security, foreign policy, or economy of the United States, if the President declares a national emergency...with respect to such threat."[34] Presidents Ronald Reagan, George Bush, and Bill Clinton all have stretched the IEEPA to impose economic sanctions when U.S. national security interests clearly were not at stake.

   For example, on September 9, 1985, President Reagan declared a national emergency with respect to South Africa because of Pretoria's "policy and practice of apartheid." Reagan embargoed gold Krugerrand imports and prohibited financial transactions with the government of South Africa.[35] On October 4, 1990, President Bush declared a national emergency with respect to the "illegal seizure of power from the democratically elected government of Haiti" and blocked all property interests of the *de facto* Haitian regime.[36] The order then was expanded to embargo all trade and other transactions with Haiti.[37] On May 20, 1997, President Clinton declared a national emergency to deal with the "extraordinary threat to the national security and foreign policy of the United States" posed by Myanmar and used this to justify prohibiting new U.S. investment in that country.[38]

   None of these three countries, however undemocratic and reprehensible its human rights policies may have been, posed any real national security threat to the United States. That U.S. Presidents have used the IEEPA against phantom national threats proves that its provisions are overly broad. The IEEPA should be amended to apply strictly to clear-cut national security threats.

3. **Mandate that the President consult with Congress within a set period following the imposition of economic sanctions by executive order.** Just as the War Powers Resolution requires the President to receive congressional approval for an extended military engagement, Congress should approve, directly and expressly, any extended use of economic sanctions.

4. **Direct the Secretary of Commerce to identify and compile a list of all American companies (including suppliers, shareholders, and employees) that have suffered material economic loss because of economic sanctions.**

5. **Direct the Council of Economic Advisers to publish an annual study of how much economic sanctions cost the U.S. economy.** Congress and the President need better information on the overall cost of economic sanctions to the U.S. economy.

6. **Forbid state and local governments to impose economic sanctions when they interfere with national policy and security interests.** Unilateral state and local economic sanctions are serious hindrances to the making of foreign policy.

34 50 U.S.C. 1701.
35 50 Fed. Reg. 36,861 (September 9, 1995) and 50 Fed. Reg. 40,325.
36 56 Fed. Reg. 50,641 (October 4, 1991).
37 56 Fed. Reg. 55,975 (October 28, 1991).
38 White House press release, May 20, 1997.

CONCLUSION

Unilateral economic sanctions have been a growth industry in Washington, D.C., since the end of the Cold War. In 1995 alone, they cost the U.S. economy at least $15 billion in lost exports, around 200,000 lost jobs in export industries, and $1 billion in lost wages. They have caused few foreign governments to change their objectionable policies, however.

Faced with this record of high costs and few successes, U.S. policymakers need to rethink their use of economic sanctions. Economic sanctions can be important strategic weapons in the policy arsenal; but like other strategic weapons, these sanctions—whether multilateral or unilateral—must be used with great care. Congress and the President need to develop a new strategic doctrine for the use of economic sanctions, both to maximize their effectiveness and to minimize friendly-fire casualties.

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