

Action and Reaction: Effects of Country-based Trade Sanctions

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Abstract

Trade sanctions consist of export restrictions and embargoes, or import or customs restrictions, and boycotts. Such measures, which can be adopted at the international, regional or national level, are economic tools for achieving foreign policy objectives. The effects that they produce are several, and they cover the political, economic and social spheres. This article analyzes the possible consequences of trade sanctions, in particular embargoes addressing targeted states, in order to evaluate their effectiveness. Two case studies of sanctions, the Iranian and the Russian case, are presented.

Keywords

Sanctions, embargoes, United Nations Security Council Resolutions, European Union restrictive measures, Iran, Russia

Introduction: Different Categories of Sanctions

The flip side of a prescriptive rule is a sanction, triggered when the rule itself is violated. Legally speaking, the terms of the triad “rule-violation-sanction” are inherently linked together. Sanctions are usually characterized by the following elements:

Author/sender: the subject that decides the enactment of a sanction, such as the international community, a regional organization (i.e., the European Union), or an individual state;

Target: the recipient or addressee of a sanction. The target is generally the violator of the rule, but it is not always the case. The target can be the State as a whole (so-called “country-based

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sanctions”), specific goods (“selective sanctions”), or people/enterprises (“targeted or smart sanctions”);^{2,3}

Purpose: the aim of the sanction, such as punishment, thus reasoning *ex post* (i.e., after the performance of the violation). The purpose can be also preventive (*ex ante*), as a coercive and deterrent, or with the aim of signaling or rectifying a wrong action, or for the implementation of other rights and obligations;

Nature/feature: the typology of the sanction. It can be positive, such as an incentive to change the behavior, or negative, as a punishment.⁴ Moreover, it can have an economic, financial, cultural, travel, military, diplomatic nature, or—notably at the national level—it may belong to the area of administrative, criminal or civil law.⁵ More specifically, economic sanctions can be categorized into trade and financial sanctions. The first ones restrict imports and exports to

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- 2 See, for instance, the cases of sanctions for “strict liability,” (i.e., when a person is considered legally responsible for the damage and loss caused by his/her acts and omissions, or acts/omissions committed by another person at his/her dependence, or under his/her control). In these cases, it is not necessary to prove the fault or negligence by the person of reference, but the responsibility is recognized immediately upon him/her, regardless of culpability.
 - 3 Daniel W. Drezner, “Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice,” *International Studies Review* 13 (March 2011), pp. 96–108; Mikael Eriksson, *Targeting Peace: Understanding UN and EU Targeted Sanctions* (Farnham, UK/Burlington, VT: Ashgate, 2011); William H. Kaempfer and Anton D. Lowenberg, “Targeted sanctions: Motivating Policy Change,” *Harvard International Review* 29 (Fall 2007), pp. 68–72.
 - 4 David Cortright and George A. Lopez, “Bombs, Carrots, and Sticks: The Use of Incentives and Sanctions,” Arms Control Association, March 2005, <www.armscontrol.org/act/2005_03/Cortright>.
 - 5 For the literature on sanctions, see - among the many: David W. Drezner, *The Sanctions Paradox: Economic Statecraft and International Relations* (Cambridge: Cambridge University Press, 1999); James Barber, “Economic Sanctions as a Policy Instrument,” *International Affairs* 55 (July 1979), pp. 367–385; Michael P. Leidy, “The Theory of International Economic Sanctions—A Public Choice Approach: Comment,” *American Economic Review* 79 (December 1989), pp. 1300–1304; David A. Baldwin and Robert A. Pape, “Evaluating Economic Sanctions,” *International Security* 23 (Fall 1998), pp. 189–198; Jean Combacau, “Sanctions,” in Rudolf Bernhardt, ed., *Encyclopedia of Public International Law* (Amsterdam: North-Holland, 2000), pp. 311–315; Gary C. Hufbauer, Jeffrey Schott, Kimberly A. Elliott, and Barbara Oegg, *Economic Sanctions Reconsidered* (Washington, DC: Peterson Institute for International Economics, 2007); Jonathan Kirshner, “Economic Sanctions: The State of the Art,” *Security Studies* 11 (Summer 2002), pp. 160–179; Alex Vines, “The Effectiveness of UN and EU Sanctions: Lessons for the Twenty-first Century,” *International Affairs* 88 (July 2012), pp. 867–77; David Baldwin, “The Sanctions Debate and the Logic of Choice,” *International Security* 24 (Winter 1999/2000), pp. 80–107; Fredrik Hoffmann, “The Functions of Economic Sanctions: A Comparative Analysis,” *Journal of Peace Research* 4 (June 1967), pp. 140–159; James M. Lindsay, “Trade Sanctions As Policy Instruments: A Re-Examination,” *International Studies Quarterly* (June 1986), pp. 153–173; Miroslav Nincic and Peter Wallensteen, “Economic Coercion and Foreign Policy,” in Miroslav Nincic and Peter Wallensteen, eds., *Dilemmas of Economic Coercion: Sanctions in World Politics* (New York: Praeger, 1983), p. 3; Margaret P. Doxey, *International Sanctions in Contemporary Perspective* (New York: St. Martin’s Press, 1996); Robin Renwick, *Economic Sanctions* (Cambridge: Harvard Studies in International Affairs, 1981); Elizabeth S. Rogers, “Using Economic Sanctions to Control Regional Conflicts,” *Security Studies* (Summer 1996), pp. 43–72; Clifton Morgan and Navin A. Bapat, “Imposing Sanctions: States, Firms, and Economic Coercion,” *International Studies Review* 5 (December 2003), pp. 65–79; George A. Lopez and David Cortright, “Economic Sanctions in Contemporary Global Relations,” in George A. Lopez and David Cortright, eds., *Economic Sanctions: Panacea or Peacebuilding in a Post-Cold War World?*, (Boulder: Westview, 1995), p. 5.

and from the target country,⁶ while the second ones address monetary issues and include the blocking of assets held abroad, freezing of assets and development aid, or limiting access to financial markets, restricting loans, credits, or international transfer payments.

In the area of trade sanctions, embargoes represent one type of restrictive measure. This article considers the effectiveness of embargoes proceeds as follows: First, it defines trade sanctions, discusses their history, types, and scope. The second section considers the effects of trade sanctions, in particular embargoes, on targeted States, subdividing the analysis into political, economic, and social effects, and their respective positive and negative aspects. Finally, two concrete examples of the consequences of embargoes will be presented.

Trade Sanctions: History, Typologies and Scope

Historically speaking, the application of trade sanctions is not new, but it was only after World War I that the idea of sanctions appeared as an alternative to conflict.^{7,8} In particular, Woodrow Wilson, the American president in office at the time, boosted diplomatic thought rather than military intervention, and proclaimed “a nation that is boycotted is a nation in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force.”⁹ After Wilson’s declaration, sanctions were adopted as a means of policy enforcement by the League of Nations, followed by the United Nations, and more recently both unilaterally by some States and by regional organizations like the European Union (EU) or the League of Arab States.^{10,11}

6 Arne Tostensen and Beate Bull, “Are Smart Sanctions Feasible?,” *World Politics* 54 (April 2002), pp. 373–403.

7 In ancient Greece, for instance, the Megarian Decree was enacted by Athens in 432 BC to prevent the merchants of nearby Megara from frequenting Athens’ ports and commercial markets. This measure was adopted by Pericles as a result of the transgressions committed by the inhabitants of Megara towards their neighbors. So, it was a *de facto* trade embargo. See Jona Lendering, “Megarian Decree,” *Livius*, August 2015, <www.livius.org/concept/megarian-decree/>.

8 Hossein Alikhani, *In The Claw of the Eagle: A Guide to U.S Sanctions against Libya* (London: Centre for Business Studies, 1995).

9 Quoted in Saul K. Padover, ed., *Wilson’s Ideals* (Washington: American Council on Public Affairs, 1942), p. 108.

10 Simon Chesterman and Beatrice Pouligny, “Are Sanctions Meant to Work? The Politics of Creating and Implementing Sanctions Through the United Nations,” *Global Governance* 9 (October/December 2003), pp. 503–518. See also Peter Rudolf, “Sanctions in International Relations. On the Current State of Research,” *SWP Research Paper*, June 2007, <www.swp-berlin.org/en/publications/swp-research-papers/swp-research-paper-detail/article/sanktionen_in_der_internationalen_politik.html>; Mary E. O’Connell, “Debating the Law of Sanctions,” *European Journal of International Law* 13 (2002), pp. 63–79; Vera Gowlland-Debbas, ed., *United Nations Sanctions and International Law* (The Hague: Kluwer Law International, 2001); Erika de Wet, *The Chapter VII Powers of the UN Security Council* (Oxford: Hart Publishing, 2004); Andrea Charron, *UN Sanctions and Conflict: Responding to Peace and Security Threats* (London: Routledge, 2011); Peter Wallensteen and Carina Staibano, eds., *International Sanctions: Between Words and Wars in the Global System* (London, Routledge/Frank Cass, 2005); Damien Fruchart, Paul Holtom, Peter Wallensteen, Simon Wezeman, and Daniel Strandow, *United Nations Arms Embargoes. Their Impact on Arms Flows and Target Behavior* (Stockholm and Uppsala: Stockholm International Peace Research Institute (SIPRI) and the Department of Peace and Conflict Research, Uppsala University, 2007).

11 Gary Clyde Hufbauer, Jeffrey J. Schott, Kimberly A. Elliott, and Barbara Oegg, *Economic Sanctions Reconsidered* (Washington, D.C.: Peterson Institute for International Economics, 2007).

The most utilized trade sanctions can be categorized into two groups: First, export restrictions and embargoes, which mean a total suspension or block of exports to a country, and second, import or customs restrictions and boycotts, which are a total suspension or block of imports from the addressed country. These measures can have different objectives and content. They can be general, referring to all the goods imported or exported, thus targeting the State as a whole, or they can address single commodities (oil, fuel, diamonds, and timber, for instance) or specific items like arms, services, or equipment. Their objectives can be to coerce, to produce behavioral change from groups and individuals, to constrain by undermining a target's capacities to achieve their objectives; or to signal disapproval of certain actions.¹²

The International Level

At the international level, trade sanctions can be enacted on the basis of Chapter VII of the United Nations (UN) Charter, entitled "Action with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression." In the case of threats to peace and security, or an act of aggression, the UN Security Council (UNSC) can implement a "complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication" (art. 41).

The list of sanctions embedded in this provision is not exhaustive, and the UNSC could broaden the typologies of sanctions on a case-by-case basis according to the specificity of the situation.¹³ The recourse to Chapter VII is the *extrema ratio* for the UNSC because it is considered more proper to initiate actions under Chapter VI (Pacific Settlement of Disputes) before resorting to more interventions pursuant to art. 41.

Sanctions must be effective and in accordance with the purposes and principles of the UN (art. 24) and in conformity with the principles of justice and international law (art. 1.1), respecting the principle of equal rights and the self-determination of peoples (art. 1.2), and respecting human rights (art. 55). These measures are compulsory for all UN Member States pursuant to articles 2.5, 25, and 48.1 of the UN Charter. As for UN non-members, art. 2.6 affirms that they shall be required to cooperate.

The adoption of trade sanctions by the UNSC requires a majority of nine of its fifteen members, and no veto by any of the five permanent members.¹⁴ A sanction resolution usually establishes

12 Miroslav Nincic and Peter Wallenstein, "Economic Coercion and Foreign Policy," in Miroslav Nincic and Peter Wallenstein, eds., *Dilemmas of Economic Coercion: Sanctions in World Politics*, eds. (New York: Praeger, 1983), pp. 6-8. See also Thomas O. Bayard, Joseph Pelzman, and Jorge Perez-Lopez, "Stakes and Risks in Economic Sanctions," *World Economy* 6 (March 1983), p. 74; David Leyton-Brown, "Lessons and Policy Considerations about Economic Sanctions," in David Leyton-Brown, ed., *The Utility of International Economic Sanctions* (New York: St. Martin's Press, 1987), pp. 303-306; Lisa L. Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions* (Princeton, New Jersey: Princeton University Press, 1992).

13 Enrico Carisch and Loraine Rickard-Martin, "Global Threats and the Role of United Nations Sanctions," *International Policy Analysis*, December 2011, <library.fes.de/pdf-files/iez/08819.pdf>; See also Kimberly A. Elliott, "The Sanctions Glass: Half Full or Half Empty?," *International Security* 23 (Summer 1998), pp. 50-65.

14 In general terms about sanctions, see UN Security Council Resolution 1732, S/RES/1732, December 21, 2006, UN Security Council Resolution 1730, S/RES/1730, December 19, 2006; UN Security Council Resolution 1699, S/RES/1699, August 8, 2006.

a Sanctions Committee for monitoring the implementation of sanctions, composed of fifteen Members of the Council, and chaired by the Ambassador of an elected Member State of the Council. The Committee usually receives the report from the State about the measures adopted regarding compliance. It can also receive instances of non-compliance by other States. Decisions are taken by consensus and most meetings are informal and held in closed session. Moreover, the Council mandates a Panel of Experts, composed of five to eight members, to assist the Committee in monitoring compliance to the sanctions regime.¹⁵

To date, the UN has imposed sanctions 32 times on 21 different countries since the Cold War. The reasons have been different: for instance, for cases of nuclear proliferation (Iran and North Korea), civil wars, cross-border conflict (Congo, Sudan) and for humanitarian purposes (Ivory Coast, Sudan, and Libya). Since the 1990s, targeted sanctions addressing specific listed people and groups have been introduced. The most emblematic is the case of the sanctions against Taliban or Al-Qaida groups for terrorism.

The Regional Level: The Case of the European Union

The framework of trade sanctions enacted at the international level is complemented by regional sanctions, viewed as a means to strengthen the international community's response to threats to international peace and security. On the basis of Articles 52-54 of the UN Charter, regional organizations can be called upon to cooperate with UN institutions. However, the UNSC remains ultimately responsible for the maintenance of peace and security. Some regional organizations have imposed trade sanctions on their own territories or outside them, sometimes implementing UN sanctions, or unilaterally, in response to the violation of certain principles.¹⁶ In both the cases, sanctions should be consistent with the "purposes and principles of the United Nations" (art. 52 UN Charter) and, if unilaterally imposed, they should be in conformity with the principles of justice and international law.

With respect to EU policy, the EU has never imposed trade and political sanctions against one of its own Member States.¹⁷ Yet article VII of the Treaty of the European Union (after Lisbon) gives the European Council full discretion to judge when "a serious and persistent breach" of common values (listed in article II, such as the respect for human dignity and human rights, liberty, democracy, equality and the rule of law) has occurred and whether this breach justifies sanctions or not.¹⁸ However, the recourse to sanctions upon Member States is quite rare, and rather than adopting these measures, specific attention is given to conditionality clauses (pre-membership). On the contrary, the EU has adopted sanctions that are defined by the European External Action Service (EEAS) as 'restrictive measures' for non-EU countries. The purpose

15 See "Report of the Informal Working Group of the Security Council on General Issues of Sanctions," S/2006/997, UN Security Council, December 22, 2006.

16 It should be observed that the OSCE, which is an international forum for confidence building measures and security cooperation in Europe, is not formally mandated to adopt sanctions or measures. It has requested its Participating States to adopt embargoes, but it cannot impose them directly (see, for instance, the case of request of arms embargo on Nagorno-Karabakh [Azerbaijan]).

17 Austria has been subject to punitive measures from other EU States during the Haider crisis from February to September 2000, and the European Union as such has intervened through weakening diplomatic relations only.

18 "Promoting and Safeguarding the EU's Values," European Commission, March 10, 2015, <europa.eu/legislation_summaries/human_rights/fundamental_rights_within_european_union/133500_en.htm>.

of these measures is “to bring about a change in activities or policies such as violations of international law or human rights, or policies that do not respect the rule of law or democratic principles,” and to “maintain and restore international peace and security.”^{19,20} Over time, the EU has adopted export/import restrictions, financial measures and travel bans as sanctions upon countries and listed/targeted individuals and enterprises.

Embargoes are usually implemented on the basis of UN measures because the EU is obliged to implement them under an EU-UN bilateral agreement. Restrictive measures can be decided autonomously and adopted in the framework of the Common Foreign and Security Policy (CFSP), cross-cutting the horizontal (between EU institutions) and vertical (between EU and Member States) division of competences.

Sanctions are always passed through Council Decisions, finding their legal basis in Title V of the Treaty of the European Union, specifically art. 29, 30, and 31.²¹ In case the sanction consists of a general embargo, the Council Decision is followed by a Regulation based on article 215. This means it is up to the Council, acting by a qualified majority on a joint proposal from the High Representative of the Union for Foreign Affairs and Security Policy and the Commission, to adopt the measures and to inform the European Parliament. If the Decisions provide for an arms embargo, they are directly implemented by Member States and there is no need of further regulation. So far, the EU has resorted to sanctions for several situations: (i) conflict management (e.g., Afghanistan in 1996, Libya in 2011, Russia in 2014); (ii) democracy and human rights promotion (e.g., Uzbekistan in 2005 and Belarus in 2006); (iii) post-conflict institutional consolidation (e.g., the Federal Republic of Yugoslavia in the 1990s and Guinea in 2009); (iv) nonproliferation (e.g., Libya in 1994 and Iran in 2007); and (v) countering international terrorism (e.g., Libya in 1999 and the EU’s list of terrorist organizations).²²

The National Level

Trade sanctions are also imposed by single states or groups of states. The UN General Assembly has stressed that the imposition of unilateral sanctions especially affects developing countries and human rights, and has prohibited them save exceptional cases, such as in the case of a state’s response to a clear violation of universally accepted norms, standards, or obligations.²³ States

19 “Sanctions Policy,” European External Action Service, August 3, 2016, <eeas.europa.eu/topics/sanctions-policy/423/sanctions-policy_en>.

20 “Basic principles on the Use of Restrictive Measures (Sanctions),” 10198/1/04 Rev. 1, Council of the European Union, June 7, 2004, paragraphs 1-6.

21 The list of EU sanctions can be found at <eeas.europa.eu/cfsp/sanctions/docs/measure_en.pdf>. As regards EU sanctions, see Iana Dreyer and José Luengo-Cabrera, eds., “On Target? EU Sanctions as Security Policy Tools,” *EU Institute for Security Studies*, Report No. 25 (September 2015); Charlotte Beaucillon, “Comment Choisir ses Mesures Restrictives? Guide Pratique des sanctions de l’UE,” *EUISS*, Occasional Paper, No. 100 (December 2012); Francesco Giumelli, “How EU Sanctions Work: A New Narrative,” *EUISS*, Chaillot Paper, No. 129 (May 2013).

22 See Francesco Giumelli and Paul Ivan, “The effectiveness of EU sanctions. An analysis of Iran, Belarus, Syria and Myanmar (Burma),” *EPC Issue Paper*, No. 76 (November 2013), p. 6; Francesco Giumelli, *The Success of Sanctions. The case of the European Union* (Farnham: Ashgate, 2013); Makio Miyagawa, *Do Economic Sanctions Work?* (New York: St. Martin’s Press, 1992); Johan Galtung, “On the Effects of International Economic Sanctions,” *World Politics* 19 (October 1966-July 1967), pp. 378-416.

23 See UN General Assembly 50, A/Res/50/96, February 2, 1996.

can also unilaterally impose sanctions in the presumption of proportional countermeasures for a prior injury.

Such embargoes are usually based on article XXI of the General Agreement of Tariffs and Trade (GATT) which allows states to take “action which it considers necessary for the protection of its essential security interests taken in time of war or other emergency in international relations.” U.S sanctions against Cuba starting from 1960, and further the bans such as the 1992 Cuban Democracy Act, the 1996 Helms-Burton Act, and other legislative and executive acts, represent use of this GATT article.^{24,25}

National trade sanctions can also occur when UN Resolutions impose embargoes, such as the transposition of UN measures into national law or the opting for case-by-case legislation for each type of sanction. Moreover, EU Member States are called upon to implement EU Council Decisions. Even in cases when these decisions are followed by regulations (general embargoes), further domestic legislation is needed in order to determine the penalties to be imposed for the violation of the sanctions by private individuals. Such penalties should follow the criteria indicated by the Regulations or Council Decisions. Member States also have an important role in the monitoring phase of the application of sanctions and for the enforcement of sanctions violations.²⁶

The Effects of Embargoes

Embargoes can produce positive or negative economic, political, and social effects. The analysis of these effects helps to understand their effectiveness.²⁷

24 The Cuban Democracy Act bars from the United States market for six months any merchant ship that stops at a Cuban port and prohibits trade between Cuba and the foreign subsidiaries of United States companies.

25 The Helms-Burton Act allows for financial sanctions and lawsuits against foreign firms who use “formerly American property” in Cuba, it requires United States representatives in all international financial institutions to categorically oppose loans to Cuba and bars from entry to the United States any foreign nationals involved in the “confiscation” of the property of United States citizens.

26 Clara Portela, “National implementation of United Nations sanctions: Towards Fragmentation,” *International Journal of the Canadian International Council* 65 (Winter 2009-2010), pp. 13-30; Carina Staibano, “Trends in UN Sanctions and State Capacity: Towards a framework for National Level Implementation,” in Peter Wallensteen and Carina Staibano, eds., *International Sanctions. Between Words and Wars in the Global System* (Taylor and Francis ebook), p. 31; Vera Gowlland-Debbas ed., *National Implementation of United Nations Sanctions: A Comparative Study* (The Hague: Martinus Nijhoff Publishers, 2004).

27 About the effectiveness of sanctions, see: Robert Pape, “Why Economic Sanctions Do Not Work,” *International Security* 22 (Autumn 1997), pp. 90–136; Alastair Smith, “The Success and Use of Economic Sanctions,” *International Interactions* 21 (1996), pp. 229-245; Robert J. Carbaugh, “Are Economic Sanctions Useful in Discouraging the Proliferation of Weapons of Mass Destruction?,” *World Economics* 9 (December 2008); Navin A. Bapat and Bo Ram Kwon, “When are Sanctions Effective? A Bargaining and Enforcement Framework,” *International Organization* 69 (January 2015), pp. 131–162; George A. Lopez, “Effective Sanctions,” *Harvard International Review* 29 (Fall 2007), pp. 50-54; Shen Dingli, “Can Sanctions Stop Proliferation?,” *The Washington Quarterly* 31 (Summer 2008), pp. 89-100; Arya Neil, “Economic Sanctions: The Kinder, Gentler Alternative?,” *Medicine, Conflict and Survival* 24 (January 2008), pp. 25-41.

Economic Effects

Favorable Economic Effects

Considering the sanctioned state, one of the favorable economic effects consists in the change of economic choice of trade. If the export of some goods is blocked, the country can feel obliged to change policy and substitute those goods with others that are not subject to the embargo. For example, in Rhodesia the embargo imposed upon its tobacco exports, which represented around a third of the value of exports, pushed farmers to switch to other crops such as corn, wheat, and cotton.²⁸ Moreover, an embargo on one state can positively favor other States that are not the sanctioning ones by allowing for the creation of new markets and channels for other suppliers.

*Unfavorable Economic Effects*²⁹

Taking the perspective of the sanctioned State, trade sanctions lead to the slowing down of the economic growth and technological development, and to worse economic relationships with other countries. International isolation and the recourse to autarchy may occur, provided that there are no alternative markets and suppliers. Trade sanctions may provoke a diminution of goods, a reduction of overall production and an increase of prices. If there is low production, this generates unemployment and industry collapse, which is related to the collapse of the transport chain and telecommunication systems. Directly connected there is the decline in Gross National Product (GDP) and the loss of earnings, per capita income and access to foreign currency: a general sense of economic frustration, recession and inflation usually pervades the sanctioned countries, together with fiscal destabilization and higher external debt. Since foreign currency reserves decrease as well as capital investments, economic recovery through foreign direct investments and currency transfers is impeded. Moreover, as some goods are banned from entering the country, a black market may develop.

From the perspective of the sanctioning state, sanctions can produce unexpected effects: indeed, there is the risk that they lose important markets for their internal enterprises and businesses, thus being obliged to look for alternatives and leaving open space to foreign (non sanctioning) competitors that can do business in the targeted countries. The companies in the sanctioning countries can suffer from regulatory burden and be forced to think of themselves as tied to their home governments. Such loss of markets can also entail a reduction of investments.

28 William Minter and Elizabeth Schmidt, "When Sanctions Worked: The Case of Rhodesia Reexamined," *African Affairs* 87 (April 1988), pp. 207-237.

29 Literature on the effects of trade sanctions includes: Marc Bossuyt, "The Adverse Consequences of Economic Sanctions," Review of Further Developments in Fields with Which the Subcommission Has Been or May Be Concerned, The Bossuyt Report for the Economic and Social Council, E/CN.4/Sub.2/2000/33, June 21, 2000; Carl Bildt, "Assessing the Efficacy of Sanctions for Nonproliferation," Speech at Carnegie International Nuclear Policy Conference, Washington, DC, April 9, 2013, <carnegieendowment.org/2013/04/09/assessing-efficacy-of-sanctions-for-nonproliferation/fv9s>; Sue Eckert and Thomas Biersteker, "The Impacts and Effectiveness of UN Nonproliferation Sanctions: A Provisional Report on Iran and North Korea," Prepared for the International Security Research and Outreach Program International Security and Intelligence Bureau, 2012, <www.international.gc.ca/arms-armes/assets/pdfs/Report-CCDP_Sanctions.pdf>.

Political Effects

Favorable political effects

If the purpose of sanctions is political change, then the most positive effect is that the sanctioned state is pushed towards compliance with the rules that it has violated. Sometimes sanctions have the effect of inducing a country to change its political structure if such a goal was at the origin of the imposition of sanctions: for instance, in the case of Iran, it has been affirmed that the election of Hassan Rouhani as new President was due to his promise of working to lift sanctions. In this sense, the imposition of sanctions, even if related to suspected nuclear activities and not to the existence of a particular political regime, induced voting trends towards a candidate who could lift restrictive measures.³⁰

In the sanctioning country, sanctions are sometimes imposed for reasons of reinforcement of democracy or power, or for sending a message of authority to the international community, not only to the offenders. Finally, in terms of other States, sanctions can produce not only the opening of new market possibilities but also determine changes of political alignments.

*Unfavorable Political Effects*³¹

In terms of embargoes' negative political effects, for the target country, sanctions may result in the empowerment of the authoritarian force in power, in the growth of nationalism and patriotism, and hate towards the sanctioning community. The authoritarian power may become a dictatorship and start, or boost, a policy of suppression of minorities and opponents to the governmental position. This may human rights and the protection of fundamental liberties. Political elites impose themselves as the warrants against aggressors and invaders and may impose greater control over lucrative black markets, of the press, and of basic civil and social rights.

In other cases, the imposition of sanctions can create political instability that leads to a political vacuum. In any case, sanctions confer a bad image to the target country in the eyes of the international community, leading to the state's international political isolation and the weakening of its diplomatic efforts.

In the face of nationalistic and authoritarian reactions in the target country, public opinion in sanctioning states can be that they are implemented to satiate public pressure for action in a time of crisis, or for political calculations rather than global security imperatives. This can lead to a loss of authority, unity, and credibility in the politics of the sanctioning state or community.

30 Dan Joyner, "Mark Fitzpatrick on the Influence of Western Sanctions on the Iranian Election," *Arms Control Law*, June 17, 2013, <armscontrollaw.com/2013/06/17/mark-fitzpatrick-on-the-influence-of-western-sanctions-on-the-iranian-election/>; Dina Esfandiary, "Assessing the European Union's Sanctions Policy: Iran as a Case Study," *EU Non-Proliferation Consortium, Non-Proliferation Papers*, No. 34 (December 2013); Dina Esfandiary and Mark Fitzpatrick, "Sanctions on Iran: Defining and Enabling 'Success'," *Survival: Global Politics and Strategy*, 53 (October/November 2011), pp. 143–156; Nikolay Marinov, "Do Economic Sanctions Destabilize Country Leaders," *American Journal of Political Science* 49 (July 2005), pp. 564–576; Katerina Oskarsson, "Economic Sanctions On Authoritarian States: Lessons Learned," *Middle East Policy* 19 (December 2012), pp. 88–102.

31 See William H. Kaempfer and Anton D. Lowenberg, "The Political Economy of Economic Sanctions," Todd Sandler and Keith Hartley, ed., *Handbook of Defense Economics*, Vol. 2 (Amsterdam: Elsevier, 2007), pp. 867–911.

Social Effects

Sanctions generally produce only negative social effects. Civilians are ultimately the most affected by comprehensive trade measures. Indeed, trade sanctions always have humanitarian costs and make civilians vulnerable. A decrease of human resources in many sectors of the country such as education and health may occur, as well as an erosion of purchasing power whereby families are not able to buy food, medicine and other necessities anymore. This increases poverty, illness and inequality. Many people may migrate from the country or make recourse to violence because of economic frustration and pessimism.

Two Case studies

Two case studies, Iran and Russia, demonstrate the applicability of the aforementioned considerations.

Iran

Iran is a country that has been under international attention since August 2002 due to revelations concerning its nuclear program.³² Since 2006, due to the International Atomic Energy Agency (IAEA)'s referral of the nuclear issue to the United Nations Security Council, the first set of sanctions were imposed on Iran at the UN level, followed by EU and U.S sanctions.^{33,34,35,36} UN resolutions created a ban on the supply of nuclear-related materials and technology, froze assets of key individuals and companies related to the program, banned Iran from participating in any activities related to ballistic missiles, imposed an arms embargo, and recommended that states inspect Iranian cargoes and prevent the provision of financial services. The EU restricted cooperation with Iran in foreign trade, financial services, energy sectors and technologies, and imposed an oil embargo on Iran, froze the assets of Iran's central bank and disconnected it from the SWIFT, the world's hub of electronic financial transaction.

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- 32 Oliver Meier, "European Efforts to Solve the Conflict over Iran's Nuclear Programme: How has the European Union Performed?," *EU Non-Proliferation Consortium, Non-Proliferation Papers 27* (February 2013), pp. 1-22; Orde F. Kittrie, "Emboldened by Impunity: The History and Consequences of Failure to Enforce Iranian Violations of International Law," *Syracuse Law Review 57* (June 2007), pp. 519- 549.
- 33 See Kenneth, Katzman, "Iran Sanctions, Congressional Research Service," *CRS Report*, September 21, 2016 <www.fas.org/sgp/crs/mideast/RS20871.pdf>, p. 2; Eskandar Sadeghi-Boroujerdi, "Sanctioning Iran: Implications and Consequences," *Oxford Research Group*, October 9, 2012, <www.oxfordresearchgroup.org.uk/publications/briefing_papers_and_reports/sanctioning_iran_implications_and_consequences>.
- 34 UN Security Council Resolutions 1696, S/Res/1696, July 31, 2006; Res. 1737, S/Res/1737, December 27, 2006; Res. 1747, S/Res/1747, March 24, 2007; Res. 1803, S/Res/1803, March 3, 2008; Res. 1929, S/Res/1929, June 9, 2010.
- 35 See Council Decision 2012/35/CFSP amending Decision 2010/413/CFSP concerning restrictive measures against Iran, January 23, 2012; Council Regulation 267/2012 concerning restrictive measures against Iran, March 23, 2012; Council Decision 2012/635/CFSP amending Decision 2010/413/CFSP concerning restrictive measures against Iran, October 15, 2012.
- 36 See U.S 2010 Comprehensive Iran Sanctions, Accountability and Divestment Act, Public Law, 111-195, July 1, 2010; Iran Sanctions Act; National Defense Authorization Act for 2012; Iran Freedom and Counter-Proliferation Act; and Iran Threat Reduction Act.

After many years of negotiations and dialogue, a definitive deal, the Joint Comprehensive Plan of Action (JCPOA) created a plan for lifting the sanctions.^{37,38} However, since sanctions have “accompanied” Iranian history for years and the current deal does not lift all the sanctions at once, Iran remains a significant example to be analyzed in order to check the effects of sanctions.

Effects on the Target State

Considering the effects on Iran from the economic perspective: the embargoes led to a decline of Iranian exports of oil products, a reduction in oil sales, and changes in the type of goods being exported, especially favoring non-oil exports. This produced an increase in the privatization of enterprises and the reallocation of investments funds, even if they have been destined to the urban *élite* only.^{39,40} In particular, the privatization occurred in favor of the Revolutionary Guard, i.e., the Praetorian guard of the Supreme Leader Khamenei, which is considered the main operator in the oil industry and the leader of the nuclear program. The arms embargo also reduced Iran’s military capabilities because of its dependence on Russian and Chinese military assistance.⁴¹

Beyond this, Iran has experienced a strong GDP decline, a fall in its crude oil exports from about 2.5 million barrels per day in 2011 to about 1.1 million barrels per day by mid-2013, a fall in oil prices in 2014, currency decline and inflation, and the difficulties or impossibilities of access to currency reserves held in foreign banks. Due to this situation, industrial production has rapidly decreased and Iran has been pushed to reduce its expenses and the price of its products in order to boost its exports. Moreover, for the collection of money, new taxes have been imposed. Iran also adopted autarchic countermeasures, such as the fact of providing its own insurance, reflagging its ships, blending its crude oil with other fuels, and accepting monetary values other than the Euro and Dollar.^{42,43}

From the political perspective, sanctions firstly strengthened the former president, as Ahmadinejad tried to empower his role by manipulating the issue of sanctions to the regime’s advantage. He moved Iranian foreign policy towards the East, asserting that the sanctions regime was the

37 The text of the JCPOA is available at <eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf>. The JCPOA has been endorsed by the Security Council Resolution 2231/2015. In the European Union it has been formally approved via a vote of the EU Foreign Affairs Council on July 20, 2015, in the United States it has been approved by the Congress on September 10 and 11, 2015, while in Iran the Majlis (Parliament) has also agreed on it in October 2015.

38 As for the critical content of the JCPOA, see Gary Samore, ed., *The Iran Nuclear Deal: A Definitive Guide Report*, Belfer Center for Science and International Affairs, Harvard Kennedy School, August 3, 2015, <belfercenter.ksg.harvard.edu/publication/25599/iran_nuclear_deal.html>.

39 See Sabrina M. Peterson, “Iran’s Deteriorating Economy: An Analysis of the Economic Impact of Western Sanctions,” *International Affairs Review* September 10, 2012, <www.iar-gwu.org/node/428>; Steve H. Hanke, “On the Failure of the Iranian Sanctions,” *Cato Institute*, May 9, 2013, <www.cato.org/publications/commentary/failure-iranian-sanctions>.

40 Iranian National Bank, “Economic Trends,” No. 62, Third Quarter 1389 (2010/2011), Balance of Payments, p.16.

41 Arms Control Association, “The UN Sanctions’ Impact on Iran’s Military,” *Issue Brief* 1 (June 2010), <www.armscontrol.org/issuebriefs/iransanctionseffectonmilitary>.

42 Farideh Farhi, “Sanctions and the Shaping of Iran’s Resistance Economy,” June 27, 2012, <lobelog.com/sanctions-and-the-shaping-of-iran%E2%80%99s-%E2%80%9Cresistance-economy%E2%80%9D/>.

43 “Iran’s Rial Hits an All-time-Low against the U.S dollar,” *BBC News*, October 1, 2012.

price to be paid for conducting its anti-hegemonic foreign policy; furthermore, he considered the Iranian nuclear program a symbol of national progress and of resistance to the arrogance of external powers.^{44,45}

Sanctions influenced the election as president of Hassan Rouhani, a relatively moderate mid-ranking cleric, who promised the easing of restrictions and the end of Iranian isolation. As mentioned, this effect was unexpected as the political change was not, at least formally, the purpose of the sanctions.

Sanctions led to Iran's international isolation for years, with the fear of being considered a "pariah State" or as a State in a "nuclear apartheid."⁴⁶ This has determined the loss of its role of 'fortress' in other conflict situations, such as against jihadist groups and the Islamic State. However, it should be recognized that Iran has kept up its military assistance to the Assad government in Syria, to the Iraqi government, to Lebanese Hezbollah, Hamas, and to Houthi rebels in Yemen, even if it has been less able to provide military equipment because of arms embargoes.

The effects of sanctions on the population are demonstrated by the sense of frustration, psychological pain, distress, fear, and pessimism caused by the decreases in purchasing power, access to money, and employment. Moreover, many fundamental rights have been affected, such as the freedom of thought and speech, demonstrated by the censorship of media and the internet; limitations to the right to health, due to the shortage of medicines and food, and worse health care conditions; and the right to education due to less available resource.⁴⁷

Effects on the Targeting States

The effects of sanctions on the targeting actors shows that, for example in the European Union where more than the 80% of oil production came from Iran, some Member States were risked a precarious situation for oil supply. In 2012, Iran symbolically preempted the embargo by ceasing sales to Britain and France so as to oblige Europe to look for alternative sources and markets.⁴⁸

In the United States, trade embargo had the effect to prohibit all U.S persons, business and banks from dealing with Iranian companies, including investing in Iran or facilitating third-country trade with Iran, with the exception of foods and medicines and the civil aviation industry.⁴⁹

In addition, as a secondary effect of the imposition of the embargo on Iran, the United States (U.S) pushed to introduce so-called "secondary sanctions" meant to impede non-U.S citizens

44 Adam Tarock, "Iran's Nuclear Programme and the West," *Third World Quarterly* 27 (May 2006), pp. 645-664.

45 Clara Portela, "The EU's Use of "Targeted" Sanctions Evaluating Effectiveness," *CEPS Working Documents*, No. 391 (March 2014), p. 24.

46 Jaswanth Singh, "Against Nuclear Apartheid," *Foreign Affairs* 77 (September/October 1998), <www.foreignaffairs.com/articles/asia/1998-09-01/against-nuclear-apartheid>.

47 Julian Borger, and Saeed Kamali Dehghan, "Iran Unable to get Life-saving Drugs due to International Sanctions," *The Guardian*, January 13, 2013.

48 Javier Blas and Bozorgmehr Najmeh, "Iran Struggles to Find New Oil Customers," *The Financial Times*, February 20, 2012.

49 See John Ydstie, "What Lifting Iran's Sanctions Means for U.S Businesses," July 19, 2015, <www.npr.org/2015/07/17/423643361/what-lifting-irans-sanctions-means-for-u-s-businesses>.

and companies abroad from doing business with a target of the primary U.S. sanction. This is a typical case of extraterritoriality and provoked a strong dispute with the European Union and with other U.S. allies. Over time, many EU enterprises doing business with Iran have been affected by sanctions stemming from the United States.⁵⁰

Effects on Other States

Sanctions on Iran had effects on other States as well. Gulf States engaged in transactions with other states such as India and China, in order to find alternative revenue sources.⁵¹ On the other hand, India and China have not accepted Western sanctions and have increased their trade with Iran as energy suppliers. India, in particular, has benefited from the closure of European markets to Iran and the lower competition at stake, and has continued to import oil from Iran and to export automobile components, tools, motors, and chemicals to Iran.⁵² India also signed in 2003 a deal with Iran to develop the Chabahar port in southern Iran, which is an important “door” to commerce between the Arabian Peninsula and Asia, and also Iran’s closest and best access point to Asia. China has grown its commercial activity with Iran, accessing Iranian oil and exporting machinery, equipment, textiles, chemical products and consumer goods to Iran, thus demonstrating themselves to be a strategic trade partner for Iran.⁵³

Russia

The genesis for the imposition of sanctions upon Russia can be found in the illegal annexation of Crimea, a Russian-speaking region in the Eastern part of the country and autonomous republic within Ukraine; and the destabilizing action in Ukraine by the Russian Federation. The EU considered such action as a breach of international law and a violation of Ukraine’s sovereignty, thus deciding a first set of “symbolic” sanctions against some individuals and entities linked to the situation in Ukraine: asset freezes, travel bans and a ban on doing business with listed subjects.⁵⁴ More severe restrictive measures on Russian exports and on exports from Crimea and Sevastopol were enacted later.⁵⁵ The U.S. also imposed sanctions on four members

50 See Jeffrey A. Meyer, “Second Thoughts on Secondary Sanctions,” *University of Pennsylvania Journal of International Law* 30 (March 2009), pp. 905-968; Nicholas Davidson, “U.S. Secondary Sanctions: The UK and EU Response,” *Stetson Law Review* 27 (1998), pp. 1425-1435. The EU has reacted to extraterritoriality with the adoption of Council Regulation No. 2271/96, *Official Journal L* 309, 1996.

51 Harsh V. Pant, “Iran-India Relations Weighted in Favour of Gulf Arab States,” *The National*, January 29, 2012, <www.thenational.ae/thenationalconversation/comment/iran-india-relations-weighted-in-favour-of-gulf-arab-states#page1>.

52 Dilasha Seth, “Iran to Source Vehicles, Medicines from India,” *The Economic Times*, May 17, 2013, <articles.economictimes.indiatimes.com/2013-05-17/news/39336799_1_iran-auto-exports-pharma-exports>; Manoj Kumar, and Nindi Verma, “Iran, India Meet to Discuss Oil Exports, Payments,” *Reuters*, December 10, 2013, <in.reuters.com/article/india-iran-oil-idINDEE9B906S20131210>.

53 John S. Park, “Iran and China,” *United States Institute for Peace*, 2010, <iranprimer.usip.org/sites/iranprimer.usip.org/files/Iran%20and%20China.pdf>.

54 Council Regulation No. 208/2014 of 5 March 2014 Concerning Restrictive Measures Directed against Certain Persons, Entities and Bodies in View of the Situation in Ukraine, *Official Journal L* 66, 2014; followed by Executive Regulation No. 381/2014 of 14 April 2014, *Official Journal L* 111, 2014.

55 Council Regulation No. 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, *Official Journal L* 78, 2014.

of Putin's inner circle and prevented the Russian National Bank from conducting transactions with U.S credit institutions.⁵⁶

After the downing of Malaysia Airlines flight MH17 in the rebel-held territory, and after the downing of several Ukrainian military aircraft in separatist-controlled areas, the EU hardened its sanctions.⁵⁷ The Minsk agreement for the cessation of hostilities was enacted in 2014, followed by a decision in February 2015 to adopt a package of measures to alleviate the ongoing war. Sanctions nevertheless remain in place.

EU sanctions can be divided into three groups: (a) travel bans and asset freezes; (b) economic sanctions against Crimea constituting a ban on the import of goods originating in Crimea and Sevastopol; (c) economic sanctions against Russia, targeting (1) capital markets (restrictions on issuance of and trade in certain 'bonds, equity or similar financial instruments'), (2) defense sector (arms embargo), (3) dual-use goods (embargo on dual-use goods and technology), (4) oil industry (embargo on certain technologies related to deep water, Arctic and shale oil).⁵⁸ The U.S also imposed trade sanctions against any "U.S person" trading with oil and gas drillers in Russia, as well as travel bans and asset freezes on listed people.⁵⁹ Australia, Canada, Japan, Norway, Switzerland, Albania, Montenegro, Iceland, Moldova, and Ukraine have followed the other states' example of sanctions against Russia.⁶⁰

Effects on the Target State

Regarding the economic effects of sanctions on Russia, a high level of inflation occurred and food prices increased while oil prices fell due to the collapse in the currency value.⁶¹ Russia entered a period of economic stagnation and recession with a GDP change of -2.2% for the first

56 Council Regulation No. 692/2014 of 23 June 2014 Concerning Restrictions on the Import into the Union of Goods Originating in Crimea or Sevastopol, in Response to the Illegal Annexation of Crimea and Sevastopol, *Official Journal* L 183, 2014.

57 Council Decision 2014/512/CFSP of 31 July 2014 Concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, *Official Journal* L 229, 2014. Council Regulation No. 833/2014 of 31 July 2014 Concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, *Official Journal* L 229, 2014. Council Decision 2014/508/CFSP of 30 July 2014 Amending Decision 2014/145/CFSP Concerning Restrictive Measures in Respect of Actions Undermining or Threatening the Territorial Integrity, Sovereignty and Independence of Ukraine, *Official Journal* L 226, 2014.

58 The list of EU, U.S and other Western sanctions against Russia is contained in Jarosław Ćwiek-Karpowicz and Stanisław Secieru, *Sanctions and Russia* (Warsaw: PISM, The Polish Institute of International Affairs, 2015).

59 U.S Government, U.S Executive Order, "Blocking Property of Certain Persons Contributing to the Situation in Ukraine," March 6, 2014.

60 Council of the European Union. Declaration by the High Representative on behalf of the European Union on the Alignment of Certain Third Countries with the Council Decision 2014/145/CFSP Concerning Restrictive Measures in Respect of Actions Undermining or Threatening the Territorial Integrity, Sovereignty and Independence of Ukraine, April 11, 2014.

61 See Ian Bond, Christian Odendahl, and Jennifer Rankin, *Frozen: The Politics and Economics of Sanctions against Russia* (London: Centre for European Reform, 2015).

quarter of 2015.^{62,63} Russia's deteriorating economic situation led to several losses of capital resources and to lower access to international capital markets, together with the increase of foreign debt and higher bank interest rates. Moreover, Russian banks started providing loans selectively only to companies close to the government via state-owned or state-controlled banks. There was a cut in assets destined to infrastructure, health and education, with a related crisis for manufacturers and a delay in the modernization of Russian industry. In response to the asset freezes, Russia decided to develop an alternative to the money transfer system SWIFT.⁶⁴

Russia responded to the sanctions with retaliatory countermeasures adopted with Decrees n. 830, n. 656, n. 791, and n. 826/2014.⁶⁵ They provided for restrictions to imports in Russia of agro food and raw materials coming from the U.S, EU, Canada, Australia, and Norway (Decree 830); bans to import metal mechanic goods coming from listed countries (Decree 656); bans to acquire tissues, clothes, shoes, leather products, and bans to export semi-manufactured leather from Russia (Decree 826). Russia also introduced punitive sanctions against the three Eastern European States—Ukraine, Moldova, and Georgia—that signed with Association Agreements (AA) with the EU.

Politically speaking, Russia promoted a nationalistic message that it could handle the sanctions alone and that they were not affecting its development. There was a consolidation and strengthening of the authoritarian regime and an emphasis put on nationalism and patriotism. Vladimir Putin made recourse to the “Great Patriotic War” motto and to Soviet myths for justifying and empowering his role, insisting on his belief that the goal of Western sanctions was, in reality, to change the regime. He has repeatedly spread the image of Russia as surrounded by hostile countries seeking to destroy it.

Taking into account the effects on civilians, it is evident that the number of Russians with incomes below the poverty line increased in the last years, and in the first quarter of 2015 almost twenty-three million Russians were poor according to the Federal State Statistics Service Rosstat, thus seeing a decrease on their living standards.⁶⁶

62 “Russia’s Rouble Crisis Poses Threat to Nine Countries Relying on Remittances,” *The Guardian*, January 18, 2015.

63 “Sanctions after Crimea: Have they Worked?,” *Nato Review Magazine*, 2015, <www.nato.int/docu/review/2015/Also-in-2015/sanctions-after-crimea-have-they-worked/EN/>.

64 “Russia to Launch Alternative to SWIFT,” *Financial Tribune*, November 13, 2014, <financialtribune.com/archive/2015/08/20/articles/world-economy/4527/russia-launch-alternative-swift>.

65 For the analysis of Russian countermeasures, see Elena Siagrovets, “Breve Analisi delle Norme che Definiscono il Divieto di Esportazioni e Importazioni di Alcuni Prodotti dalla Federazione Russa,” in Fabrizio Marrella, ed., *Le Sanzioni Economiche e la Russia* (Venezia: Università Ca’ Foscari, December 2014), <www.unive.it/pag/fileadmin/user_upload/scuole/challenge/master/fiscalita_finanza_contrattualistica/IBATAX/attivita-formativa/Le_sanzioni_economiche_e_la_Russia_Dossier_IBATAX.pdf>, pp. 29-56.

66 See the Russian Federal State Statistics Service, <www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/figures/living/tion>; and “Poverty Rate in Russia Jumps to 16%,” *Russia Insider*, June 12, 2015, <russia-insider.com/en/business/poverty-rate-russia-jumps-16/ri7961>.

Effects on the Targeting States

The EU sees the Russian case as a test for its sanctions policy adopted in order to protect its security, economic interests and normative goals.⁶⁷ As a result of the sanctions, the EU interrupted trade with Russia and many companies suspended joint ventures with Russian companies.

If the sanctions could be an opportunity for the EU to open new markets to local products and to boost the creation of an independent EU Common Defense and Security policy, in reality the EU demonstrated little coherency in its policy: indeed, some Member States, especially the ones more dependent on Russian oil, advanced the proposal to lift the sanctions.⁶⁸ This does not give a solid image of Europe in the eyes of the Russian population and in front of the international community.

Moreover, due to Russian counter-sanctions, there has been a lower demand for European goods and services. Many European farmers, fishing crews and manufacturing firms, as well as countries depending on Russian gas oil, have experienced economic losses.⁶⁹ The calculated losses for the EU are €100 billion, with Italy losing over €1.25 billion.⁷⁰

The impacts on the EU have been higher than in the U.S because the EU is the first trading partner of Russia and Russia represents the third trading partner of the EU, while the U.S does not have as significant economic links with Russia.

Effects on Other States

The sanctions on Russia created the effect that Russia and China agreed on a \$400 billion gas deal in May 2014. This deal has risked making the sanctions ineffective.⁷¹ Indeed, Gazprom, the world's biggest gas exporter, expressed its availability to conclude a contract to supply China from fields in Western Siberia by 2016. In this way, China is meant to become Gazprom's largest customer in a short time. Novatek OJSC, Russia's second-biggest gas producer, also agreed to sell gas to China's state-owned Silk Road Fund.

China and Russia have also decided to strengthen the development of cross-border online trade, the delivery of mail by railway, investments in networking, and telecommunications equipment and services.

67 Kristi Raik, Niklas Helwig, and Juha Jokel, "EU Sanctions Against Russia Europe Brings a Hard Edge To its Economic Power," *The Finnish Institute of International Affairs, FIIA Briefing Paper 162* (October 2014), p. 3.

68 Especially Greece, Italy, Czech Republic, Cyprus, Bulgaria and Luxembourg were split on sanctions. See Robin Emmott and Pavel Polityuk, "EU Wins Greek Backing to Extend Russia Sanctions, Delays Decision on New Steps," *Reuters*, January 29, 2015, <uk.reuters.com/article/uk-ukraine-crisis-idUKKBN0L22AZ20150129>.

69 "Russian Sanctions to Cost Europe €100bn," *Newsweek*, June 19, 2015.

70 "Russians Live Without Parmesan as Italy Pays Sanctions Price," *Bloomberg*, June 19, 2015.

71 "Energy Goes East as Russia and China Seal Multibillion Dollar Deals in Beijing," September 3, 2015, <www.rt.com/business/314236-Russia-China-cooperation-agreements/>.

Conclusions

Trade sanctions are economic measures used as a foreign policy tool. As seen, they can address specific States, be enacted at several levels (international, regional, national), and produce wide-ranging effects, often unexpected. The analysis of the consequences that they can give origin to—in relation to their objective—is useful to conclude several observations and recommendations regarding how they have been more effective:

A holistic strategic approach: Experience has demonstrated that sanctions cannot unilaterally solve foreign policy problems, but they must be integrated with other tools of national power into a broader approach including diplomacy and financial assistance. For instance, the Iranian case shows that the EU and U.S.'s decision to pursue a 'dual-track strategy' allowed for the conclusion of the JCPOA. In other words, a mixed policy of carrots and sticks, dialogue and pressure, imposition of sanctions without forgetting to boost diplomatic debate has reached some results that the sanctions *per se* on their own could not reach. Therefore, sanctions are not an alternative to diplomacy, but complementary to it;

Clear ex ante objectives: In order to be effective, sanctions should have a clear purpose *ex ante*, and the objectives should be agreed upon among the whole community in order not to incur incoherence or lack of credibility, such as in the case of EU sanctions towards Russia. The objectives should be established keeping in mind that sanctions may be ineffective in the short-term but successful given a longer-term perspective. For example, in the case of Russia, if the goal for sanctions is a coercive one (i.e., to change Russia's behavior towards Ukraine and deter further similar behavior of invasion of territorial states) as well as a constraining one (i.e., to stop military action), the EU could fail in short-term in the light of the fact that the Ukrainian war is ongoing and that Russian military intervention continues. However, sanctions could lead to a victory in long-term;

No space for alternatives for the target State: For sanctions to work, they cannot leave space for alternative markets to the targeted State. The costs of sanctions should fall primarily on the state being sanctioned. The deal between China and Russia shows how sanctions risk favoring the opening of other markets and business if the target State has alternatives; and

Attention to human rights: Sanctions should take into account the indiscriminate effects on civilians and whenever possible, it is desirable to opt for "smart" or "targeted" sanctions on individuals and enterprises, although they can still be susceptible of violating individual rights.^{72, 73}

72 The discussion on targeted sanctions starts in 1998/1999 at the Interlaken Process, which focused on the issue of targeted financial sanctions; then, it continues at the Bonn-Berlin Process, focused on travel and air traffic related sanctions as well as on arms embargoes; and at the Stockholm Process dealing with the practical feasibility of implementing and monitoring targeted sanctions. See José W. Fernandez, "Smart Sanctions: Confronting Security Threats with Economic Statecraft," July 25, 2012, <www.state.gov/e/eb/rls/rm/2012/196875.htm>.

73 See the interventions by the European Court of Justice in this sense. For instance, case T-380/14, May 30, 2014, against the lack of motivation and evidence as for the involvement of the target person in the pillage of Ukrainian funds; case T-12/11, September 6, 2013 and case T-262/12, September 18, 2014, on the violation of individual rights and the infringement of the principle of legal certainty because of insufficient evidence, in the listing of Iranian people, whose assets had been frozen.

Final Conclusions

This paper has shown that such “country-based sanctions” targeting import and export of the State as a whole, and not specific groups or people, have been criticized for causing pain on the general population, or for determining the loss of markets and the crisis of credibility upon sanctioning States, as well as for inducing the enactment of countermeasures by target States and the increase of authoritarian regimes within them. Despite these negative consequences, sanctions still remain attractive in the international sphere as an alternative to military intervention. However, it is evident that they need improvements. The recommendations proposed can be taken as a step in this direction, even if a one-size-fits-all solution for achieving such a purpose does not exist. Therefore, the current challenge consists of looking for the best, or the least worst, options for dealing with foreign policy issues, in order to ensure global peace and security. Further research on the effectiveness of sanctions and on how to balance their costs and benefits is needed in this regard.