Economic sanctions

Economics

Economic sanctions are a form of trade restrictions where the end goal is to achieve certain foreign policy objectives that usually go beyond normal trade and investment issues in order to tackle a variety of political and social issues. This is done by one country imposing a penalty on another country which usually is in the form of erecting trade barriers and/or limiting financial transactions, but is not limited to the above, and therefore can be anything that is designed to impair and disrupt another country and may lead to military intervention. Gerber, peg. 1 52) The categorization framework organizes thegoalsof the economic sanctions that have occurred since World War I into five groups in an attempt to analyze the success rate that economic sanctions have had on each of the five groups. With the recent Russian Annexation of Crimea, economic sanctions by the US and EX. are categorized as disrupting a military advance which fits very well with what has actually occurred with the occupation of Crimea.

Any one of the remaining four goals would be a poor fit as the goal of economic sanctions must appropriately align to the original policy objective identified, otherwise there will be a mismatch between the optimal level of sanctions imposed on the target country and the actual economic sanctions that are implemented which can have an undesired impact where sanctions can be too lenient, or not strong enough. This is supported by Hauberk, Shoot, Elliot, & Egg (2007) which assert that you must " choose the right tool for the right Job".

Even after selecting one of the five goals of economic sanctions there is further evidence presented by the categorization framework that after the 1973 the success ate of imposing sanctions is further reduced. On top of this, economic sanctions will have a much higher success rate if the target country meets a number of criteria, that is the target country is small, economically weak, politically unstable, an ally, sanctions imposed quickly, costs to the sending country are small, and the goal of sanctions is relatively small. Text, peg. 153). Arguably, Russia meets only one of these criteria which is that sanctions were imposed quickly by both the US and ELI. Taking into account that the success rate for imposing sanctions after 1973 has been educed and that Russia does not fit the model of a country where sanctions have a higher probability of success, it is likely that the success rate will be lower than the reported 6 out of 18 cases (or 33%) since World War l.

Economic sanctions currently will have a greater impact on the European Union than the United States due to a number of reasons. First, the close proximity of Europe and Russia and the higher level of economic integration between the two trading partners mean that the EX. has more to lose than the US. As of now, Europe has not omitted to sanctions on Russian businesses because the Lei's financial and energy sectors have a large reliance on business with Russia and to block trade would have a detrimental impact for the EX. economy (Charlemagne, 2014).

This deeper integration can make I t difficult tort economic sanctions to nave their desired outcome, especially in the age where manufactured goods have components produced across multiple countries, and economic sanctions can disrupt the import of a component necessary for the assembly of the finished good. (Gerber, peg. 8) That s not to say the US is not greatly impacted because it is as economic sanctions impact all US companies with subsidiaries in Russia.

Boeing and General Electric for example have contracts to sell goods to Russia. Boeing will in-turn import titanium, a much needed resource for its planes. (Sooner & Kent, 2014) Secondly, as mentioned by Charlemagne, the EX. fears retaliation from Russia over natural gas exports to Europe, particularly Eastern Europe where many countries rely exclusively on Russian gas as it has a comparative advantage in the production of trial resources and its factors are well endowed. (text, peg. 5) The European Union's gas imports from Russia account for 39% of total natural gas imports which gives Russia considerable negotiating power leaving it with room to apply additional duties to the sale of natural gas exports thereby raising the price of natural gas in the ELI. The falling Russian ruble also has implications for the US and EX. economies where an exporter to Russia sells goods in local currency and must convert sales back into the exporters home currency. This indirect cost of economic sanctions could drive earnings down in US and EX. companies due to fluctuations in exchange rates. Sooner & Kent, 2014) For the time being, economic sanctions are targeted in the areas of visa bans for government officials, financial asset freezes, and financial transaction processing stops with Visa and Mastered. But there are plans to increase the intensity of these sanctions from the US, putting more pressure on Russia to back away from increasing escalations with Ukraine. This would mean imposing sanctions on specific sectors of he Russian economy designed to really hurt.