

# Purposes of economic sanctions



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## **2. Abstract Summary**

Economic sanctions, which comprise trade and financial components, are imposed by governments or the United Nations on target countries for the express purpose of achieving the sender countries objectives. They are imposed when diplomatic negotiations have broken down and as an alternative to conflict or warfare.

The United States and the European Union, with the UN, are the major sender countries involved, with the US having broader defined purposes.

Economic sanctions can be applied unilaterally or collectively. There is concern regarding the high volume of economic sanctions applied by the US and the legality of their defined purposes. This study also concludes that the defined purpose may not result in the desired outcomes, and can inflict economic burden on the sender country.

### **3. Introduction**

This paper deals specifically with defining and discussing the purpose of economic sanctions. This will be done in the context of the current purposes, which have changed considerably from historic times when economic sanctions were primarily imposed prior to going to war or in conjunction with military hostilities.

Economic sanctions are defined as:

‘ Economic, trade or financial sanctions are imposed by governments or the United Nations to exert pressure on individuals or political regimes and for the advancement of foreign policy objectives. Sanctions include a range of financial or trading restrictions, such as freezes on the assets of and travel restrictions on nominated individuals, bans on financing of state-owned enterprises, prohibitions on the supply of technical, financial and other assistance and outright prohibitions on trade.’ Ref <sup>[1]</sup> <http://www.lloyds.com>

There are two specific types of economic sanctions Ref <sup>[2]</sup> <http://www.globalpolicy.org>

#### *(a) Trade Sanctions*

Trade sanctions restrict imports and exports to and from the target country. These restrictions can be comprehensive, as in the case of Iraq, or they can be selective, only restricting certain goods often connected with a trade dispute.

#### *(b) Financial sanctions*

Financial sanctions address monetary issues. They can include, blocking government assets held abroad, limiting access to financial markets and restricting loans and credits, restricting international transfer payments and restricting the sale and trade of property abroad. The freezing of development aid also falls into this category.

There is substantial overlap between financial and trade sanctions, especially when applied comprehensively, since with their foreign assets frozen and access to new funds blocked, Governments will be unable to pay for imports, and trade will suffer.

#### **4. Body**

Sanctions can be applied unilaterally or collectively and different rules will apply to each sanctions regime. Research shows that collective sanctions are more effective than those unilaterally applied.

The following list from Lloyds identifies the following countries targeted by the EU & the US as at May 2006

Myanmar (Burma) (EU and US)

Belarus (EU)

Democratic Republic of Congo (EU)

Cuba (US only)

Federal Republic of Yugoslavia & Serbia (EU and US)

Iran (US only)

Iraq (EU and US)

Ivory Coast (EU only)

Lebanon&Syria(EU and US)

Liberia (EU and US)

Libya (US only)

North Korea (US only)

Sudan (EU and US)

Zimbabwe (EU and US)

Some of these sanctions affect designated individuals only in the targeted country. There are also sanctions in place against named individuals or entities who:

Are indicted by the International Criminal Tribunal for former Yugoslavia;

Belong or are related to the Taliban, Usama Bin Laden and the Al-Qa'ida network;

Are suspected terrorists.

Many countries impose economic sanctions against others. However, due to their financial muscle in the international economy, the United States and the European Union are the major ' senders' of economic sanctions and their stated purpose of applying such sanctions differ if one looks at their stated purpose for the imposition of sanctions by the major senders..

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**United States – Purpose for Economic Sanctions**

Ref <sup>[3]</sup> <http://www.fas.org/man/crs/crs-sanction.htm>,

The U. S. government may choose to impose economic sanctions:

- to express its condemnation of a particular practice such as military aggression; human rights violations; militarization that destabilizes a country, its neighbors or the region; proliferation of nuclear, biological, or chemical weapons or missiles; political, economic, or military intimidation; terrorism; drug trafficking; or extreme national political policies contrary to basic interests or values of the United States (e. g., apartheid, communism);
- to punish those engaged in objectionable behavior and deter its repetition;
- to make it more expensive, difficult, or time-consuming to engage in objectionable behavior;
- to block the flow of economic support that could be used by the targeted entity against the United States or U. S. interests;
- to dissuade others from engaging in objectionable behavior;
- to isolate a targeted country (or company or individual);
- to force a change or termination of objectionable behavior; or
- to coerce a change in the leadership or form of government in a targeted country.

**European Union – Purpose for Economic Sanctions**

The European Union has a common list of objectives which all member countries adhere to. Ref,

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[4] [http://ec.europa.eu/comm/external\\_relations/cfsp/sanctions/index.htm](http://ec.europa.eu/comm/external_relations/cfsp/sanctions/index.htm)

The European Union applies sanctions or restrictive measures in pursuit of the following specific objectives:

- To safeguard the common values, fundamental interests, independence and integrity of the Union in conformity with the principles of the United Nations Charter;
- To strengthen the security of the Union in all ways;
- To preserve peace and strengthen international security, in accordance with the principles of the United Nations Charter, the Helsinki Final Act, and the objectives of the Paris Charter, including those on external borders;
- To promote international cooperation
- To develop and consolidate democracy and the rule of law and respect for human rights and fundamental freedoms.

In addition to the 2 economic superpowers listed about, the Security Council of the United Nations has a charter for the imposing of sanctions. Ref <sup>[5]</sup> <http://www.un.org/Docs/sc/committees/INTRO.htm>

### **United Nations – Purpose for Economic Sanctions**

‘ Under Chapter VII of the Charter, the Security Council can take enforcement measures to maintain or restore international peace and security. Such measures range from economic and/or other sanctions not involving the use of armed force to international military action.

The use of mandatory sanctions is intended to apply pressure on a State or entity to comply with the objectives set by the Security Council without resorting to the use of force. Sanctions thus offer the Security Council an important instrument to enforce its decisions. The universal character of the United Nations makes it an especially appropriate body to establish and monitor such measures.

The Council has resorted to mandatory sanctions as an enforcement tool when peace has been threatened and diplomatic efforts have failed. The range of sanctions has included comprehensive economic and trade sanctions and/or more targeted measures such as arms embargoes, travel bans, financial or diplomatic restrictions.'

#### **Addition Comments**

There is a growing trend to apply economic sanctions in order to protect industries or supply in the senders home country; this is increasingly considered outside the original purpose of economic sanctions and scholars debate that this is protectionism using economic sanctions as a tool to look after the senders domestic market. One example, that led to retaliation from the EU, was against steel imports to the US from lower priced sources.

In 2002, The United States places import tariffs on steel in an effort to protect its industry from more efficient foreign producers such as China and Russia.

The World Trade Organisation ruled that these tariffs were illegal.



The backlash from Europe resulted in the tariffs being dropped before the EU applied tariffs against the US as reported in the New York Times Dec 5, 2003

ref <sup>[6]</sup> [http://select.nytimes.com/gst/abstract.html?res=](http://select.nytimes.com/gst/abstract.html?res=F2091EF93F590C768CDDAB0994DB404482&n=Top%2fReference%2fTimes%20Topics%2fOrganizations%2fE%2fEuropean%20Union%20)

[F2091EF93F590C768CDDAB0994DB404482&n= Top%2fReference%2fTimes%20Topics%2fOrganizations%2fE%2fEuropean%20Union%20](http://select.nytimes.com/gst/abstract.html?res=F2091EF93F590C768CDDAB0994DB404482&n=Top%2fReference%2fTimes%20Topics%2fOrganizations%2fE%2fEuropean%20Union%20)

President Bush lifts tariffs on imported steel, averting trade war with Europe but risking political backlash in some industrial states heading into 2004 Presidential election; cites improving economy and cost-cutting efforts by domestic steel makers as reasons for his decision to lift tariffs 21 months after they were imposed; original goal was to keep them in place for as long as three years; announcement of his decision immediately leads European Union to drop its plan to retaliate with tariffs on variety of American exports from states vital to Bush's political fortunes; Bush says he will continue program to monitor steel imports to detect any destabilizing surges of cheap foreign steel, and that United States will also continue pressing other nations to stop subsidizing their own inefficient steel producers

In addition, the US (in 1999) had imposed unilateral economic sanctions on 75 countries - the purpose and high volume of economic sanctions is increasingly being questioned in the light of the stated purposes for which they should be applied. Ref <http://www.twinside.org.sg/title/half-cn.htm>

' Half the World Hit by Unilateral Sanctions, by Someshwar Singh

' Geneva, 21 Dec 99 — More than half of the world's population in 75 countries is subject to unilateral coercive economic measures or ' sanctions'

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by one country alone – the United States of America – according to a recent report by the United Nations.’

The longest standing unilateral economic sanction enacted by the US, is that against Cuba. This has been in effect since 1960 and has failed to achieve their original purpose. After 46 years the Fidel Castro government is still in power, and maintains its commitment to Communism, even after the fall of the Soviet Union.

Refthe US Chamber of Commerce <sup>[7]</sup> <http://www.uschamber.com/issues/index/international/cuba.htm>

Cubaand Unilateral Sanctions

The United States has maintained an embargo on trade with Cuba since October 1960. Implemented to pressure the Castro regime to democratize, these unilateral sanctions have completely failed to achieve their objective. The U. S. Chamber has long argued that unilateral sanctions do not work. Too often, they serve to make a martyr of a tyrant and actually help prop up authoritarian regimes. Unilateral sanctions also isolate the United States from its allies while denying U. S. Company’s access to markets in which third-country firms can do business easily.

## **5. Conclusions**

The US stated purposes for applying economic sanctions are broader and more far reaching than those documented for the European Union and the United Nations. Economic sanctions have been used by the United States to protect local industry and arguably are a tool used in providing protectionism. The US has also enacted sections in higher volumes in recent years. However, the purpose that invoke sanctions are often

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circumnavigated by services and goods being supplied by alternative countries or the purpose itself is not met at all. The 45-year embargos against Cuba by the US have not fulfilled their purpose that was to force Fidel Castro to renounce communism. The purpose for engaging in sanctions by the sender is often not the eventual outcome in the target country.

The European Union imposes economic sanctions within the framework of the United Nations Charter.

The motives and desired outcomes for imposing sanctions vary by sender country as a result of these differences in purpose.

In general, internationally, the application of sanctions should be introduced when diplomatic channels have failed and to avoid conflict or war.

There is increasing statistics that show that the imposition of economic sanctions can result in more harm to the sender country than the target. With the current level of globalization, the target can find alternative sources for goods an/or services. The effects on the host and target countries should be the subject of a further paper to provide a broad framework for discussion on this topic.

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