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In theory, superpowers should possess a range of foreign policy tools: military might, cultural cachet, diplomatic persuasion, technological prowess, economic aid, and so on. But to anyone paying attention to U.S. foreign policy for the past decade, it has become obvious that the United States relies on one tool above all: economic sanctions.

Sanctions—measures taken by one country to disrupt economic exchange with another—have become the go-to solution for nearly every foreign policy problem. During President Barack Obama’s first term, the United States designated an average of 500 entities for sanctions per year for reasons ranging from human rights abuses to nuclear proliferation to violations of territorial sovereignty. That figure nearly doubled over the course of Donald Trump’s presidency. President Joe Biden, in his first few months in office, imposed new sanctions against Myanmar (for its coup), Nicaragua (for its crackdown), and Russia (for its hacking). He has not fundamentally altered any of the Trump administration’s sanctions programs beyond lifting those against the International Criminal Court. To punish Saudi Arabia for the murder of the dissident Jamal Khashoggi, the Biden administration sanctioned certain Saudi officials, and yet human rights activists wanted more. Activists have also clamored for sanctions on China for its persecution of the Uyghurs, on Hungary for its democratic backsliding, and on Israel for its treatment of the Palestinians.

This reliance on economic sanctions would be natural if they were especially effective at getting other countries to do what Washington
wants, but they’re not. The most generous academic estimate of sanctions’ efficacy—a 2014 study relying on a data set maintained by the University of North Carolina—found that, at best, sanctions lead to concessions between one-third and one-half of the time. A 2019 Government Accountability Office study concluded that not even the federal government was necessarily aware when sanctions were working. Officials at the Treasury, State, and Commerce Departments, the report noted, “stated they do not conduct agency assessments of the effectiveness of sanctions in achieving broader U.S. policy goals.”

The truth is that Washington’s fixation with sanctions has little to do with their efficacy and everything to do with something else: American decline. No longer an unchallenged superpower, the United States can’t throw its weight around the way it used to. In relative terms, its military power and diplomatic influence have declined. Two decades of war, recession, polarization, and now a pandemic have dented American power. Frustrated U.S. presidents are left with fewer arrows in their quiver, and they are quick to reach for the easy, available tool of sanctions.

The problem, however, is that sanctions are hardly cost free. They strain relations with allies, antagonize adversaries, and impose economic hardship on innocent civilians. Thus, sanctions not only reveal American decline but accelerate it, too. To make matters worse, the tool is growing duller by the year. Future sanctions are likely to be even less effective as China and Russia happily swoop in to rescue targeted actors and as U.S. allies and partners tire of the repeated application of economic pressure. Together, these developments will render the U.S. dollar less central to global finance, reducing the effect of sanctions that rely on that dominance.

Washington should use sanctions surgically and sparingly. Under a more disciplined approach to economic statecraft, officials would clarify the goal of a particular measure and the criteria for repealing it. But most important, they would remember that there are other tools at their disposal. Sanctions are a specialized instrument best deployed in controlled circumstances, not an all-purpose tool for everyday use. Policymakers should treat them like a scalpel, not a Swiss Army knife.

A HISTORY OF ECONOMIC VIOLENCE
Economic statecraft has been a vital component of U.S. diplomacy since the early days of the republic. As president, Thomas Jefferson urged passage of the Embargo Act of 1807 to punish the United
Kingdom and Napoleonic France for harassing U.S. ships. That effort at sanctions was a disaster. Back in the day, the United States needed European markets far more than the United Kingdom and France needed a fledgling country in the New World; the Embargo Act cost the United States far more than it did the European great powers. Even so, the United States continued to use trade as its main foreign policy tool, focusing on prying open foreign markets for export and promoting foreign investment at home. This was only natural given the paltry size of the U.S. military for most of the nineteenth century. The preeminence of the British pound in global finance also meant that the U.S. dollar was not an important currency. Trade was the primary way the United States conducted diplomacy.

At the end of World War I, the United States renewed its enthusiasm for trade sanctions as a means of regulating world politics. President Woodrow Wilson urged Americans to support the League of Nations by arguing that its power to sanction would act as a substitute for war. “A nation boycotted is a nation that is in sight of surrender,” he said in 1919. “Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy.” Americans were unconvinced, and the United States never joined the League of Nations. In the end, sanctions imposed by the league failed to deter Italy from invading Ethiopia in 1935 or stop any other act of belligerence that led to World War II. To the contrary, the U.S. embargo on fuel and other war materials going to Japan helped precipitate the attack on Pearl Harbor.

The advent of the Cold War expanded the array of tools of economic statecraft available to the United States. For the first time, the country supplied a significant amount of multilateral and bilateral foreign aid; stopping that aid was an easy way of applying economic pressure. The United States’ most successful use of economic sanctions in this period came during the 1956 Suez crisis. Outraged by the British-French-Israeli invasion of Egypt, Washington prevented the United Kingdom from drawing down its International Monetary Fund reserves to defend its currency. The subsequent run on the pound forced London to withdraw its troops.

Most of the time, however, U.S. sanctions failed. In the early years of the Cold War, the United States embargoed Soviet allies to deny them access to vital resources and technologies. That embargo succeeded as an act of containment. But sanctions designed to compel changes in behavior had little bite, since the Soviet Union simply stepped in to of-
fer economic support to the targeted economies. In the early 1960s, for example, as the United States tightened its embargo on exports to Cuba, the Soviets threw Fidel Castro’s regime an economic lifeline by channeling massive amounts of aid to Havana. Later in the Cold War, the United States used economic sanctions to pressure allies and adversaries alike to improve their human rights records. Beyond the rare success of sanctioning a close ally, economic pressure worked only when it came from a broad multilateral coalition, such as the UN sanctions against apartheid-era South Africa.

The end of the Cold War brought an initial burst of hope about sanctions. With the Soviets no longer automatically vetoing UN Security Council resolutions, it seemed possible that multilateral trade sanctions could replace war, just as Wilson had dreamed. Reality quickly proved otherwise. In 1990, after Iraq invaded Kuwait, the Security Council imposed a comprehensive trade embargo on Iraq. These crushing sanctions cut the country’s GDP in half. They were nonetheless unable to compel Saddam Hussein to withdraw from Kuwait; it took the Gulf War to accomplish that. Sanctions against Iraq continued after the war, but the humanitarian costs were staggering: infant mortality rates were widely viewed to have skyrocketed, and per capita income remained stagnant for 15 years. Iraq manipulated figures to exaggerate the humanitarian costs of the sanctions, but the
deception worked. Policymakers came to believe that trade sanctions were a blunt instrument that harmed ordinary civilians rather than the elites whose behavior they were intended to alter. So they searched for smarter sanctions that could hit a regime’s ruling coalition.

The centrality of the U.S. dollar seemed to offer a way of doing just that. Beginning in the late 1990s and accelerating after 9/11, the United States made it harder for any financial institution to engage in dollar transactions with sanctioned governments, companies, or people. U.S. and foreign banks need access to U.S. dollars in order to function; even the implicit threat of being denied such access has made most banks in the world reluctant to work with sanctioned entities, effectively expelling them from the global financial system.

These sanctions have proved more potent. Whereas restrictions on trade incentivize private-sector actors to resort to black-market operations, the opposite dynamic is at play with measures concerning dollar transactions. Because financial institutions care about their global reputation and wish to stay in the good graces of U.S. regulators, they tend to comply eagerly with sanctions and even preemptively dump clients seen as too risky. In 2005, when the United States designated the Macao-based bank Banco Delta Asia as a money-laundering concern working on behalf of North Korea, even Chinese banks responded with alacrity to limit their exposure.

As U.S. sanctions grew more powerful, they scored some notable wins. The George W. Bush administration cracked down on terrorist financing and money laundering, as governments bent over backward to retain their access to the U.S. financial system. The Obama administration amped up sanctions against Iran, which drove the country to negotiate a deal restricting its nuclear program in return for the lifting of some sanctions. The Trump administration threatened to raise tariffs and shut down the U.S.-Mexican border to compel Mexico to interdict Central American migrants; in response, the Mexican government deployed its new National Guard to restrict the flow.

Yet for every success, there were more failures. The United States has imposed decades-long sanctions on Belarus, Cuba, Russia, Syria, and Zimbabwe with little to show in the way of tangible results. The Trump administration ratcheted up U.S. economic pressure against

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Iran, North Korea, and Venezuela as part of its “maximum pressure” campaigns to block even minor evasions of economic restrictions. The efforts also relied on what are known as “secondary sanctions,” whereby third-party countries and companies are threatened with economic coercion if they do not agree to participate in sanctioning the initial target. In every case, the target suffered severe economic costs yet made no concessions. Not even Venezuela, a bankrupt socialist state experiencing hyperinflation in the United States’ backyard, acquiesced.

**SANCTIONS SETBACK**

There are multiple problems with the way the United States currently employs economic sanctions. The biggest is the most banal: with maximum pressure has come maximum demands. The United States wants North Korea to denuclearize, Iran to denuclearize and then some, and Venezuela to accept the end of Bolivarian rule. To the rulers of these countries, these demands are tantamount to regime change. It should come as no surprise that they have opted to endure economic pain in lieu of making such massive concessions.

The Iran episode highlights an additional problem: the increasingly unilateral nature of U.S. economic pressure. Until recently, the United States had usually been able to impose financial sanctions with the explicit or implicit cooperation of allies. When the Trump administration decided to reimpose financial sanctions on Iran, however, it did so over the objections of European allies. The administration succeeded in ratcheting up the economic pressure on Iran by threatening secondary sanctions on other countries. The countries complied, and the gambit increased the costs to Iran, but success came at the price of straining long-standing ties.

At the same time, Washington has grown more comfortable sanctioning other great powers. What works with Mexico, however, does not work with China or Russia. Bigger targets have more resources to use to resist. The sanctions placed on Russia after its invasion of Ukraine might have deterred Moscow from more aggressive actions on its periphery, but that is a low bar for success. By any reasonable standard, the sanctions have failed to achieve their objective, since Russia has continued to violate international norms. Similarly, the myriad tariffs and other restrictive measures that the Trump administration imposed on China in 2018 failed to generate any concessions of substance. A trade war launched to transform China’s economy from state capitalism to a more
market-friendly model wound up yielding something much less exciting: a quantitative purchasing agreement for U.S. agricultural goods that China has failed to honor. If anything, the sanctions backfired, harming the United States’ agricultural and high-tech sectors. According to Moody’s Investors Service, just eight percent of the added costs of the tariffs were borne by China; 93 percent were paid for by U.S. importers and ultimately passed on to consumers in the form of higher prices.

A related problem is the ratchet effect. Presidents are always eager to impose sanctions but wary of removing them, because it exposes leaders to the charge of being weak on foreign policy. This makes it difficult for the United States to credibly commit to ending sanctions. When Biden considered lifting a few sanctions on Iran, for example, Republican lawmakers criticized him as a naive appeaser. Furthermore, many U.S. sanctions—such as those against Cuba and Russia—are mandated by law, which means that only Congress can permanently revoke them. And given the polarization and obstructionism now defining Capitol Hill, it is unlikely that sufficient numbers of lawmakers would support any presidential initiative to warm ties with a long-standing adversary. Even when political problems can be overcome, the legal thicket of sanctions can be difficult to navigate. Some countries are subject to so many overlapping sanctions that they find themselves trapped in a Kafkaesque situation, unsure if there is anything they can do to comply.

The difficulty of removing sanctions from some countries complicates the United States’ efforts to bargain with all countries. If targets do not believe that Washington can lift its coercive measures, they have no incentive to bother with negotiations. What’s the point of complying with U.S. demands if there will be no reward? That was one reason Saddam refused to negotiate with the United States in the 1990s and one reason Iran refused to negotiate with the Trump administration.

Sanctions also exact a humanitarian toll. Targeted financial sanctions were supposed to reduce the suffering associated with comprehensive trade embargoes, on the theory that going after banking systems and assets held by bad actors would spare the general population. In practice, most financial measures have been larded on top of...
of trade sanctions, damaging the overall economies of targeted countries even more. International relations scholars do not agree on a lot, but the literature on sanctions is unanimous on the harm these measures inflict on populations in targeted countries. Even financial sanctions are likely to trigger repression, corruption, and backsliding on human development indicators.

Finally, targets have learned to adapt to life under sanctions. In the case of great powers such as China and Russia, this means finding alternative trading partners; Beijing lowered tariffs to European countries at the same time as it retaliated against the United States in their trade war. Russia countersanctioned European food imports to stimulate domestic production. Targets also respond with retaliatory sanctions, leading to a tit-for-tat escalation that imposes costs on U.S. producers and consumers. This tendency will only increase as other major economies view U.S. sanctions ostensibly imposed for national security reasons as a stalking-horse for trade protectionism. When the chief financial officer of the Chinese company Huawei was arrested in Canada and charged by the U.S. Department of Justice with trying to evade U.S. sanctions against Iran, China saw the move as part of the larger trade war; Trump did not help matters when he casually suggested that the executive could be released in return for trade concessions.

The greater long-term concern is that financial sanctions could undercut the U.S. dollar’s standing as the world’s primary reserve currency. It is the preeminent role of the dollar, along with the centrality of U.S. capital markets, that enabled the boom in financial sanctions in the first place. After a generation of these sanctions, however, targets are searching for alternatives to the dollar to protect themselves from coercion. Digital currencies offer one way out. The People’s Bank of China has rolled out a digital yuan that will enable those who use it to bypass the U.S. dollar entirely. Even U.S. allies in Europe developed the Instrument in Support of Trade Exchanges (INSTEX), a means through which they could circumvent the dollar and trade with Iran. Little wonder, then, that the U.S. dollar’s share of global foreign exchange reserves fell to a 25-year low at the end of 2020. For now, the dollar remains the primary global reserve currency. But if its use declines further, so will the power of American financial statecraft.

U.S. sanctions have notched a few significant accomplishments. But they have also alienated allies, impoverished populations, and encouraged diversification away from the dollar, all while failing to generate
much in the way of tangible concessions. Policymakers seem to have confused the potency of sanctions with effectiveness. Much as generals erroneously relied on body counts as their metric of success in prosecuting the Vietnam War, policymakers are now using the pain inflicted by sanctions as a metric of success. In November 2020, for example, U.S. Secretary of State Mike Pompeo called the maximum-pressure campaign against Iran “extraordinarily effective.” As evidence, he pointed out that “Iran’s economy faces a currency crisis, mounting public debt, and rising inflation.” Left unsaid by Pompeo was that despite all the economic pain, Iran was in fact accelerating its enrichment of uranium.

THE POLICY OF FIRST RESORT

If economic sanctions are so enervated, why are foreign policy elites so enthused about them? It is not because they are irrational. Rather, shifts in world politics and in American society have made sanctions look more attractive, particularly in comparison with other options. Simply put, it is easier to impose sanctions than it is to do anything else.

To paraphrase Sun-tzu, the best kind of sanction is the one that never has to be imposed. For much of the post–Cold War era, the United States was so powerful that few countries dared challenge it even if they wanted to. Others were cajoled by American soft power into wanting what the United States wanted. Those that did challenge Washington usually faced swift pushback, amplified by multilateral structures such as the UN Security Council. Only in a small subset of international relations—regarding nuclear proliferation and war crimes—did the United States find it necessary to impose economic sanctions.

But now, as U.S. hegemony has declined, there are simply more countries with an interest in challenging the status quo. The democratic recession and the fraying of the liberal international order have created more revisionist states that disagree ideologically with Washington. At the same time, visible U.S. policy failures—in Afghanistan, Iraq, Libya, Syria—have made the threat of U.S. coercion seem less scary. As the number of actors willing to challenge U.S. interests has gone up, so has the demand for sanctions against them.

Meanwhile, the political appeal of other foreign policy tools has declined considerably. It is not a coincidence that even as Biden has preserved most of the Trump administration’s sanctions, he has also honored the pledge to withdraw U.S. forces from Afghanistan later this year. The generation-long war on terrorism has caused policymak-
ers and the public to lose their taste for large-scale military interventions. A 2020 Gallup poll found that 65 percent of Americans think the United States should not strike another country first—the highest percentage since the question was first asked, in 2002. Even small-scale uses of military force, such as drone strikes and targeted bombings, have become less politically appetizing among policy elites. The wars in Vietnam, Afghanistan, and Iraq have convinced many Americans that what may start out as a limited military intervention can easily grow into a long and costly war.

If sticks have lost out to changing tastes, carrots have become downright unpalatable. For more than 80 years, the United States was willing to proffer both foreign aid and preferential trade arrangements to countries as a means of encouraging more amenable foreign policies. Over the last decade, however, the politics of economic openness has curdled. Foreign aid has never been well liked, but in this populist age, it has become even less so. As for trade, both Trump’s “America first” platform and Biden’s “foreign policy for the middle class” mantra exclude new free-trade deals. And even if a president wanted such an agreement, political polarization would make congressional passage a heavy lift.

While other instruments have become more costly to use, sanctions have never been easier to implement. The array of U.S. laws authorizing sanctions has expanded considerably. For Congress, economic coercion hits the political sweet spot: it is viewed as less costly and less risky than a declaration of war but tougher than a symbolic resolution. Politicians can tell their constituents that they are doing something about a problem even if that something isn’t working.

Another factor that has made sanctions more enticing is the additional leverage that globalization has afforded the United States. Globalized economic networks increase the power of central hubs, and the United States stands at the center of most. Because a strikingly high proportion of global transactions involve U.S. banks, the United States has been able to weaponize economic interdependence more than many once thought possible. It has even exploited economic ties with its own allies. Before globalization really took off, countries were reluctant to sanction treaty allies, because as the allies sought new economic partners, the initiating country would suffer as a result. The strength of U.S. financial networks, however, reduces the ability of U.S. allies to find alternatives to the dollar (even though that strength has encouraged these countries to seek long-term alternatives to the dollar).
KICKING THE HABIT

The United States faces a conundrum. It confronts a growing number of foreign policy challenges and yet has a shrinking set of tools to fix them. Meanwhile, its favorite tool, sanctions, is wearing out through frequent use. The Biden administration at least seems to be aware of the problem. In her confirmation hearing, U.S. Secretary of the Treasury Janet Yellen promised a review of U.S. sanctions policy to ensure that the measures are used “strategically and appropriately.” But what would it mean in practice to change such an entrenched policy?

The most obvious advice will also be the hardest to follow: the United States needs to sanction less often. Even if an individual act of sanctioning makes sense, policymakers should consider the aggregate effect of too many sanctions. This does not mean never sanction; the United States does need to push back against egregious norm violations, as when Belarus forced down a civilian airliner in May to take a reporter into custody. But the fewer sanctions imposed, the more effective will be those that are warranted.

Economic coercion works best when the state imposing the sanctions is unambiguous about the conditions under which they will be threatened, enacted, and lifted. To preserve its future ability to use economic statecraft, the United States must reassure other countries that it will apply sanctions smartly. It should, in word and deed, make it clear that it turns to sanctions under narrow and precisely defined circumstances. It should create standard operating procedures to secure multilateral support for sanctioning those well-defined categories of behavior. And it should swiftly lift sanctions and allow cross-border exchange to resume when actors comply with the stated demands.

The executive branch can take a few concrete steps to clarify the U.S. approach. The most explicit would be for the Treasury Department or the White House to publish an economic statecraft strategy every five years. The use of force is guided by a series of official strategy documents, including the National Security Strategy and the National Defense Strategy. A similar logic should apply to economic pressure. The Treasury Department, in particular, would be well served by clear articulations of its approach to economic sanctions; it is damning that the four-year “strategic plan” the department released in 2018 mentioned the word “sanctions” just twice in 51 pages.

To be useful, an economic statecraft strategy would need to include explicit guidelines for when sanctions are being imposed for the pur-
pose of containment (that is, to limit the power of another state’s economy) or compellence (that is, to induce a well-defined change in another state’s behavior). Sanctions designed to contain are akin to the strategic embargo on the Soviet Union and its allies during the Cold War. In a world of great-power competition, such embargoes should indeed be part of U.S. statecraft. By declaring some economic measures as containment, the U.S. government could eliminate any expectations of concessions; rather, sapping a rival’s power would be the explicit goal. Sanctions designed for compellence, on the other hand, would need to be attached to specific, concrete demands that could be met by the target—signaling to the target that relief was a real possibility and thus increasing the odds of compliance.

One way to alleviate the pressure on sanctions as a policy instrument is to promote viable alternatives, so an economic statecraft strategy should also highlight the various economic inducements the U.S. government can dangle. Policymakers need to get back in the business of using the lure of access to the American market as a means of promoting more constructive behavior in world politics. This includes holding discussions with U.S. firms that have to implement sanctions and putting in place safeguards to ensure that sanctions indeed end when they are supposed to. More explicit procedures for lifting sanctions would enhance the Treasury Department’s ability to reassure private-sector actors that once the sanctions are lifted, they should feel safe doing business with the erstwhile targets. Such reassurance would reduce the phenomenon of banks “de-risking” their balance sheets by permanently freezing out previously targeted actors that have mended their ways, causing sanctions to bite for longer than intended.

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All policies benefit from regular review. Sanctions have escaped such scrutiny, as the Government Accountability Office report acknowledged. Mandating such reviews annually—along with assessments of the sanctions’ humanitarian effects—would help policymakers decide when it’s time to give up on a particular campaign of economic pressure. Congress could even automatically require the Government Accountability Office to conduct such reviews for every new measure it passes.

Congress should institute another standard operating procedure: the insertion of a sunset clause into any new sanctions legislation.
Congressionally mandated sanctions could be set to automatically expire after, say, five years unless Congress voted to extend them. Some sanctions may well need to remain in place longer, but requiring a new vote would at least offer decision points where the ratchet effect of continued sanctions could be reversed. It could also offer some elected officials a graceful way out of a policy dead end.

Finally, if embargoes are going to be built to last, the United States needs to revive multilateral structures for maintaining them. During the Cold War, CoCom—short for the Coordinating Committee for Multilateral Export Controls—was the organization that preserved the strategic embargo of the Warsaw Pact states. A modern-day equivalent could originate in the G-7 and then expand to other trusted allies. Developing an informal international group with standing committees would have the added benefit of making it difficult for successive U.S. administrations to reverse the policies of their predecessor without consulting allies because of partisan whims.

A BETTER WAY
Sanctions cannot and will not go away anytime soon. Other great powers, such as China and Russia, are becoming increasingly active sanctioners. China has used an array of informal measures to punish Japan, Norway, South Korea, and even the National Basketball Association over the past decade; Russia sanctioned former Soviet republics to deter them from joining an EU initiative in eastern Europe. Aspiring great powers, such as Saudi Arabia, have also tried their hand at economic coercion. There will be more sanctions in the future, not fewer.

But that doesn’t mean the United States has to be part of the problem. Even the countries now discovering sanctions still rely on them for only a fraction of their foreign policy goals; they also sign trade deals, engage in cultural diplomacy, and dole out foreign aid to win friends and influence countries. So did the United States once. Washington needs to exercise the policy muscles it has let atrophy, lest a statecraft gap emerge between it and other governments. U.S. policymakers have become so sanctions-happy that they have blinded themselves to the long-term costs of this tool. To compete with the other great powers, the United States needs to remind the world that it is more than a one-trick pony.