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What's new in economic sanctions?

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In the early 1980s, when Secretary of State George Shultz deplored “light switch diplomacy”, and President Ronald Reagan criticized Jimmy Carter for restricting US agricultural exports to Russia, it seemed that economic sanctions would become a less prominent feature of international affairs. Quite the contrary happened, starting in the Reagan Administration. The imposition of sanctions not only proliferated. There were some 20 on-going sanctions cases in 1960, but by 2014 the figure reached 170 cases (Felbermayr et al 2019).

The 3rd edition of *Economic Sanctions Reconsidered* (Hufbauer et al., 2009) covered episodes through 2000, and that year will serve as the point of departure when asking “What's New?” in this essay. Roughly, this essay looks at the evolution of sanction over the past two decades, but with greater emphasis on more recent events. New technology has enabled the nature of sanctions to be expanded from traditional trade restrictions to finance, travel and contract cancellation measures. Not only states but also non-state actors have become senders as well as targets of sanction. New actors and new weapons tend to produce new goals of sanctions, compared to traditional actors and weapons. Excellent analysis and a meticulously collected sanction database – presented at the workshop “Sanctions: Theory, Quantitative Evidence, and Policy Implication,” in Drexel University, Philadelphia in April 2019 – are surveyed to highlight potential venues for future research on sanctions regimes. Finally, the New Cold War between the United States and China has dramatically altered the landscape of sanctions by blurring the line between commercial and political diplomacy. The new landscape is now straining the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO). America's allies in NATO have become targets of US secondary sanctions, intended to punish Iran and China. WTO commercial rules have been superseded by “national security” trade restrictions. The evolution of sanctions that merge security and economic spheres challenges the survival of those organizations. Hence, the essay is divided into five parts: New Weapons; New Actors; New Goals; New Data and Analysis; and New Cold War. It is more qualitative than quantitative, and examines possible consequences arising from the use of new weapons in the New Cold War context.

1. New weapons

Entering the 2000s, new weapons have been introduced to affect target behavior. This section surveys such new weapons from negative measures such as financial measures, offers hard to refuse, and weaponized tariffs, to positive measures such as humanitarian exceptions, diplomatic exceptions and monetary rewards. Also, cyber warfare and private litigation are

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illustrated as unconventional measures. The emergence of new weapons and the growing preference of sender countries to use them creates fresh concerns, which are discussed at the end of this section.

1.1. Financial tools

Very early in the post Second World War era, the United States and its European allies used the International Monetary Fund, the World Bank, and regional development banks – institutions they controlled – as on-off spigots to block or limit funding to target countries. This was supplemented by outright denial or slow-walking bilateral grants and loans (military and economic) to persuade recalcitrant foreign leaders. The Soviet Union did much the same to coerce wayward satellites during these decades.

Prior to South African sanctions in the late 1980s and early 1990s, private banks headquartered in Western countries were rarely instructed or even cautioned by their home governments to restrict loans or financial services to target countries (such services as correspondent relations or floating sovereign debt). Partly this reflected the operations of private banks in that era: they did relatively little business in countries that were prime candidates for economic sanctions. But also, it reflected hesitation by Western governments to “meddle” in the affairs of private banks.

All this changed with the presidency of Barack Obama, and the wide-ranging sanctions against Middle East targets. Private banks based in the West were instructed not to do business with Iraq or Iran, and heavy fines were imposed on European banks (such as Société Générale and HSBC) that sought to evade the strictures.¹ Equally important, when sanctions against Iran gathered force in 2010, most Iranian banks were cut off from the world’s financial centers. This was achieved both by proscriptions against doing business with Iranian banks and by denial of their wire transfers through SWIFT or Fedwire. These novel techniques threw sand into the creaky domain of Iranian finance, hobbling an economy that was already suffering from severe mismanagement.

Why was President Obama so eager to enlist financial institutions in the conflict with Iran? Saddled with flagging military ventures in Iraq and Afghanistan, Obama wanted to avoid, at all costs, a third military front with Iran. Like multiple leaders before him, Obama searched for “silver bullet” sanctions that would force Iran to the bargaining table. Finance seemed to fit the bill, and indeed financial pressure was a critical element in creating the Joint Comprehensive Program of Action (JCPOA) which seemed to end the conflict over nuclear weapons in 2015.

Not so quick. President Trump dismissed the JCPOA as ineffective. Yet he resurrected and reinforced the financial techniques applied by his predecessors, though European cooperation became more reluctant than during the Obama years. Many European foreign ministers believe that the JCPOA was as good a deal as Iran would ever sign and, unlike Trump, hesitated to blow it up. However, Iran’s threat, publicized on June 17, 2019, to enrich more uranium than permitted in the JCPOA agreement unless European sanctions are lifted, could eventually alter European views.

1.2. Offers hard to refuse

Prior to the 21st century, alliances of willing sender country were formed under UN auspices, often with blessings from the Security Council, the Organization of American States, or *ad hoc* groups. In earlier decades, the United States enacted statutes (e.g., the Helms-Burton law in 1996) and issued regulations designed to force foreign subsidiaries of US firms, and even foreign firms, not to do business with targets such as Cuba and China. These laws and regulations sparked nationalist backlashes in Canada, France and other US allies because US measures were perceived to intrude on sovereign powers abroad.²

In recent decades, the United States has devised a more direct technique – offer banks and industrial firms in Europe, Japan, Korea and elsewhere a choice: do business in the target country, or do business in the United States, but not both. This was Obama’s way of implementing broad sanctions against Iran, and Trump is doing the same. This new approach of making offers bank-by-bank, and firm-by-firm achieves results with far less backlash. Moreover, the surveillance techniques of the National Security Agency (NSA) and Central Intelligence Agency (CIA) provide powerful deterrence against “cheating”. Very likely the offer technique will be applied widely in the future. As Beijing flexes its economic muscle, China may well adopt the same technique. As a harbinger, China has extended Belt-and-Road loans to nearly every country in Latin America except Paraguay – which committed the offense of granting diplomatic recognition to Taiwan.

1.3. Humanitarian exceptions

Seldom acknowledged but hard to deny, broad economic sanctions are akin to area bombing, also known as carpet bombing, a technique favored by Sir Arthur “Bomber” Harris during the Second World War and embraced by Winston Churchill. Carpet bombing inevitably kills innocent children and other civilians; broad sanctions inevitably inflict privation and disease on the poorer strata of society, often the young and old.

¹ Inti Landauro, “SocGen expects around \$1.27 billion in U.S. sanctions penalties,” *Reuters*, September 3, 2018, <https://www.reuters.com/article/us-socgen-fines/socgen-expects-around-1-27-billion-in-u-s-sanctions-penalties-idUSKCN1LJ1TK>

² See Quickenden (1997).

One answer to the moral dilemma is to make exceptions for exports of food, medicines and other arguably humanitarian products. This answer, intended to pacify critical Western journalists as well as help the vulnerable, came into vogue in the 1990s and is now a regular component of nearly every episode. Even President Trump's renewed sanctions against Cuba and North Korea have humanitarian exceptions. Critics of Trump's sanctions against Venezuela – cutting off US oil purchases and diverting Citgo earnings – have been quick to cite the humanitarian harm to ordinary Venezuelans.

Nevertheless, the overwhelming trend in the past two decades is away from comprehensive sanctions to “smart” or “targeted” sanctions. In the scores of cases unknown to the general public, limited sanctions are the preferred tool – sanctions aimed at specific individuals, companies or transactions, without causing humanitarian harm to the public. However, in high profile cases – the ones average readers remember, such as Iran, Cuba, North Korea and Venezuela – the flavor is comprehensive sanctions. So, humanitarian exceptions remain as key component of sanctions policy.

1.4. Diplomatic exceptions

In pre-21st century episodes, sender countries were nominally “all in” the sanctions regime. However, cheating was widespread among senders, even for declared adherents to a UN Security Council resolution. Less than faithful observance was an informal means of avoiding burdens. As well, token compensation was sometimes extended to states neighboring the target, to mitigate their hardship from diminished trade. The Serbian and Iraq episodes are examples.

To recruit countries into the “sheriff's posse”, tailored exceptions were woven into the Iranian sanction regime spearheaded by President Obama. Countries heavily dependent on Iranian oil could maintain traditional, or modestly scaled back, import levels. Such exceptions enlisted Turkey, India, China and a few others into the regime. President Trump's renewed sanctions against Iran contained similar exceptions, but with flexible time limits that eventually ran out.³ The new approach anticipates the reality of unenthusiastic posse members by negotiating diplomatic exceptions in the launch plan.

Whether diplomatic exceptions and humanitarian carve outs make a difference in assembling a “coalition of the willing”, or the ultimate success of sanctions, remains to be explored.

1.5. Weaponized tariffs

President Trump has inaugurated an almost novel technique to the realm of economic sanctions – not an easy feat after more than two centuries of practice since the Napoleonic Wars. Trump has weaponized the US tariff regime, raising selective rates well above maximum (“bound”) levels committed both in the WTO and regional and bilateral free trade agreements. During the Great Depression of the 1930s, many countries raised their tariffs as a retaliatory tool in response to the Smoot-Hawley Act. But in that era international commitments did not bind national tariff levels. Trump's justification for weaponization is simple: “When a country [USA] is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win.”⁴

Once Trump settled in the White House, his campaign promises were put in action through tariffs on merchandise imports from China and Mexico. Contending that Chinese practices of forcing technology transfers and stealing intellectual property are threats to the US economy and national security, Trump imposed 10 percent and 25 percent tariffs on \$250 billion imports from China. In response, China retaliated by imposing tariffs on some \$110 billion imports from the United States, and lowering tariffs to imports from other countries.⁵ Trump threatened to impose tariffs on the rest of Chinese imports (about \$325 billion), but the threat was shelved at the G20 Summit held in Osaka, Japan on June 28-29, 2019. In September 2019, however, Trump raised US tariffs on some imports and more tariffs were threatened. But in January 2020, the US and China negotiated a “phase one” deal committing China to step up its purchases of US goods and services (a huge increase over two years of \$200 billion compared with 2017), and the additional tariffs were put on ice. If the US is dissatisfied with Chinese performance on any of the phase one commitments, the tariffs can be reinstated. That could well happen in the runup to the US presidential election in November 2020, as one means for Trump to advertise that he is tougher on China than his rival, former Vice President Joe Biden.

A much smaller version of the same strategy was applied to Mexico, to resolve the issue of Central American refugees passing through Mexico to the United States. Trump announced that a 5 percent tariff would be imposed on all products imported from Mexico, starting June 10, 2019, unless Mexico reduced the flow of illegal migrants. Moreover, he threatened to increase the tariff in 5 percent stages, up to 25 percent, to be reached on October 1, 2019. Mexico caved, and agreed to deploy up to 6,000 national guard troops to its southern border and take additional measures to slow the refugee flow. In turn, Trump suspended the imposition of tariffs.⁶

³ Demetri Sevastopulo, Aime Williams, and Anjli Raval and David Sheppard, “US ends sanctions waivers on Iranian oil imports,” *Financial Times*, April 22, 2019.

⁴ Donald Trump's tweet, March 2, 2018, <https://twitter.com/realDonaldTrump/status/969525362580484098>

⁵ Chad Bown, Euijin Jung and Eva (Yiwen) Zhang, “Trump Has Gotten China to Lower Its Tariffs. Just Toward Everyone Else,” *PIIE Trade & Investment Policy Watch*, June 12, 2019.

⁶ Nick Miroff, Kevin Sieff and John Wagner, “How Mexico talked Trump out of tariff threat with immigration crackdown pacts,” *Washington Post*, June 10, 2019.

In 1960, the percentage of US trade affected by sanctions was under 1%. Several conflicts later, but before Trump entered the White House, still only 5% of US trade was similarly affected.⁷ Just adding Trump's tariffs on \$250 billion imports from China and Chinese retaliation against \$110 billions of US exports, that percentage has now reached 13%,⁸ a magnitude of macroeconomic significance. One unintended result is to erode business confidence worldwide and diminish cross-border investment.

With his weaponized approach, Trump has significantly eroded the distinction between routine commercial tactics in search of markets abroad, on the one hand, and economic sanctions in pursuit of foreign policy goals, on the other. The erosion is particularly evident with respect to China, where Trump's trade war presages a New Cold War (explored later, and likely to be pursued, with fresh vigor, if a Democrat captures the White House in 2020).

Since the founding of the General Agreement on Tariffs and Trade (the GATT) in 1947, the United States and other members have imposed penalty duties on top of bound tariffs in retaliation against specific foreign practices – notably countervailing duties against subsidized imports and anti-dumping duties against imports sold below average cost or prevailing prices abroad.

But these and other penalty duties are targeted on narrow product categories in response to individual offenses. Trump's tariffs are aimed at a wide range of products (all autos, all steel, everything Chinese) in pursuit of broad goals that mix commerce and foreign policy (e.g., slash bilateral trade deficits, restore US preeminence as a manufacturing power, or limit technology exports that could strengthen China's military).⁹ In kindred spirit, the Trump administration is pushing a bill titled the "Reciprocal Trade Act" that would enhance presidential powers to raise US tariffs against specific imports from countries that impose higher tariffs than existing US rates. It is hard to classify the draft bill as commercial policy or sanctions policy, since it conflates the two.

Moreover, Trump's tariff agenda is buttressed by fresh limitations on foreign investment in the United States, via regulations issued under the new Foreign Investment Risk Review Modernization Act (FIRRMA). The regulations create a pilot program that will review – in a secret star chamber process under the auspices of the Committee on Foreign Investment in the United States (CFIUS) – virtually every foreign acquisition, even of minority interests, in any US company with a technology flavor.¹⁰ Again, the distinction is blurred almost beyond recognition between commercial objectives and foreign policy goals. Likewise, new regulations issued under the Export Control Reform Act of 2018 (ECRA) subject a broad range of technology exports to government oversight, another conflation of commercial and foreign policy.

New databases have yet to catch up with the weaponization of import tariffs, investment policy, and export controls. For the moment, case-by-case studies will be needed to appraise the success of Trump's approach. The imposition of steel and aluminum tariffs, and the threat of auto tariffs, on Canada and Mexico appear to have wrested concessions from the two neighbors in the renegotiation of the North American Free Trade Agreement (NAFTA) – negotiations that led to the US-Mexico-Canada Agreement (USMCA). Further, Mexico clamped down on Central American refugees bound for the United States, in response to Trump's threat of escalating tariffs. In January 2020, the phase one agreement promised a massive increase in Chinese purchases of US exports, along with many market-opening measures. Whether Beijing can or will carry out these promises remains to be seen, especially in the wake of the coronavirus epidemic and heightened technology tensions with Washington.

Whatever the outcome of these episodes, the conflation of commercial policy with sanctions policy has dramatically and adversely changed the face of world trade and finance. Since the Second World War, the United States has espoused market principles for trade and finance – a world economy where government sets the rules, but private firms determine purchases and prices. The new flavor, in the Trump era, is managed trade and finance – government both sets rules and determines outcomes. As other countries emulate Trump, it's hard to believe the US will benefit. The research task for scholars is to evaluate not only the outcome of individual episodes, but also how the new flavor affects the global system. If the conflation becomes a customary staple of sanctions and commercial policy, past the Trump Administration, our prognosis is gloomy.

1.6. Monetary rewards

Every sanctions episode contains the seeds of relief, simply from the potential removal of barriers to trade, investment and finance. Ever since the Marshall Plan was launched to thwart Soviet expansion, the United States has conditioned military or economic aid on the behavior of recipient countries. In the 20th century, South Korea, Pakistan, Chile, Egypt and others have been targets of such positive measures. The new twist, in the realm of positive measures, is the twinning of negative threats with positive incentives. This was done by Europe to slow the arrival of Syrian and other refugees via Turkey. The negative threat was to harden the border between Turkey and its European neighbors; the positive measure was money.

⁷ Felbermayr, Syropoulos, Yalcin, and Yotov (2019).

⁸ $(\$250 \text{ billion} + \$110 \text{ billion}) / (\$1,645.2 \text{ billion (US exports to world)} + \$2,568.4 \text{ billion (US imports from world)}) * 100 = 8.5\%$. Based on US merchandise imports in 2019.

⁹ In 2018, Trump imposed 25 percent and 10 percent tariffs on steel and aluminum imports respectively, and may import similar tariffs on autos and parts, invoking Section 232 of the Trade Expansion Act of 1962. Trump also imposed tariffs ranging from 10 to 25 percent on \$250 billion of Chinese imports under Section 301.

¹⁰ For more details, see Martin Chorzempa, "Is the US Treasury Going Too Far in Protecting US Technology?" PIIE Trade & Investment Policy Watch, October 23, 2018.

EU promised to pay about \$3.3 billion to Turkey to contain refugees at the EU-Turkish border in 2016.¹¹ In a similar spirit, President Trump has tabled vague offers of loans and grants, coupled with the threat of stiffer sanctions, to entice North Korea and Iran to curtail and even eliminate their nuclear arsenals. Following the celebrated meeting of Presidents Trump and Kim Jong Un at the end of June 2019, more positive measures seemed to be on the negotiating table, but a subsequent chill seems to have ended the nascent détente.

Far more massive, China launched its “Belt and Road” initiative, offering huge loans, possibly with a grant element, for infrastructure projects in adjacent and distant friendly countries. How much will be expended to improve sea, rail and road ties with China remains to be determined, but the amounts are likely to run into hundreds of billions if not trillions of dollars. Indeed, a new study suggests the Belt and Road initiative could eventually invest as much as \$8 trillion in infrastructure projects (Hurley et al. 2018).¹² Anything approaching this magnitude will give China enormous leverage to influence recipient countries, both by offering finance and by withdrawing finance.

The realm of “positive sanctions”, as they have been called, is potentially broad and ambiguous. We prefer to confine the term to situations where the promise of monetary rewards is twinned with the imposition or threat of negative sanctions in a *quid pro quo* fashion. For example, Belt-and-Road loans are clearly conditioned on the target country not recognizing Taiwan and establishing friendly trade and investment relations with China. US offers to North Korea and Iran hinge on their abandonment of nuclear weapons.

1.7. Cyber warfare

Cyber-attacks clearly rate as a 21st century innovation. Through NSA wizardry, the United States has possessed the capability, for at least a quarter century, to descend chaos on the banking, telecommunications, and power systems of adversaries. Other countries, not only China and Russia, but also North Korea and India, and allies like Germany, France, Britain and Israel possess similar if not quite equal capabilities. Moreover, the United States is highly vulnerable, still struggling to create a Cyber Command capable of mounting defensive measures.

During Obama’s tenure, the Pentagon and the National Security Advisor eschewed offensive use of cyber capabilities, arguing that cyber warfare was akin to kinetic warfare. In a classified Executive Order, President Trump has reversed that policy, opening the possibility of offensive cyber-attacks in future economic sanctions episodes.¹³ Media reports indicate that cyber measures have already been deployed against Russia (its electrical grid) and Iran (its financial system).

Russia made its mark with extensive disinformation and hacking activities during the 2016 US presidential election. But influencing foreign elections is nothing new in the sanctions world; the United States often deployed media campaigns during the Cold War to shift election results in Europe and Latin America. What’s new is posting fake opinions and news on social media and hacking private email accounts. Future episodes seem all but certain, starting with the November 2020 US presidential election.

1.8. Private litigation

In a bygone era, sovereign states were shielded from foreign private litigation by the doctrine of sovereign immunity. While the doctrine has been gradually eroded, we define private litigation, when launched in the courts of a hostile country, as a new weapon in the sanctions armory.

Thus, in April 2019, the Trump Administration withdrew the Executive Order, issued by its predecessors, which barred private litigation against Cuban and foreign entities for “trafficking” in Cuban property expropriated from American firms and citizens.¹⁴ Such suits were authorized by the Helms-Burton law of 1996 but suspended by the Clinton Administration to settle a case brought against the United States in the WTO by the European Union. The Trump Administration’s action could unleash multiple private cases, with claims aggregating billions of dollars. Once the cases are filed, it will be beyond the Administration’s powers to shut them down. Hence, they will not be useful as bargaining chips with the Cuban government, but they will inflict punishment on Cuban and foreign firms (principally European and Canadian corporations). Blocking statutes and bruised relations between Washington and its allies seem likely.

As another example, using the amended Foreign Sovereign Immunities Act (FSIA) that allows US victims of terrorism to sue designated State sponsors of terrorism for their terrorist acts, the US federal courts over the last two decades issued some 92 judgments finding Iran liable for terrorist action that claimed American victims, resulting in over \$56 billion in damages against Iranian government entities and officials.¹⁵ For example, US courts found Iran – acting through Hezbollah

¹¹ James McAuley and Anthony Faiola, “Migrant ‘exchange’: Turkey accepts mass returns but sends Syrians to Europe,” *Washington Post*, March 8, 2016.

¹² John Hurley, Scott Morris, and Gailyn Portelance, “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,” *Center for Global Development Policy Paper* 121, 2018.

¹³ White House, *National Cyber Strategy of the United States of America*, September 2018. In June 2019, National Security Adviser John Bolton announced that the United States was expanding its offensive cyber operations, without revealing details of targets or goals. Warren P. Strobel, “Bolton Says US Is Expanding Offensive Cyber Operation,” *Wall Street Journal*, June 11, 2019.

¹⁴ Niraj Chokshi and Frances Robles, “Trump Administration Announces New Restrictions on Dealing With Cuba,” *New York Times*, April 17, 2019.

¹⁵ For details, see Jennifer K. Elsea, “Suits Against Terrorist States by Victims of Terrorism Updated,” Congressional Research Services, August 8, 2008.

– liable for Americans killed in the 1983 bombing of the US Marine Corps barracks in Beirut and other attacks. Recently the US Supreme Court ruled that \$2 billion in frozen Iranian assets can be turned over to the survivors of the bombing.¹⁶

Trump's policies with respect to Cuba may set a precedent for other sanctions cases. Private litigation could become more common if the Congress amends the Foreign Sovereign Immunities Act of 1976 to broaden existing exceptions to the immunities doctrine to include "trafficking" and other offenses that sanctioned countries and their commercial partners are likely to commit (for example, canceling contracts or imposing tariffs on US exports). From the standpoint of US foreign policy, private litigation may serve as deterrent and retribution, but not as a tool of international negotiation.

1.9. Why the weapons race?

New economic weapons have flourished in the past two decades, alongside an amazing array of battlefield devices, but the economic weapons have had greater use. An overriding reason for the US preference is the record of murky outcomes and outright failures in military actions against Somalia, Iraq and Afghanistan – all reminiscent of Vietnam. Economic sanctions rarely lead to American deaths, unlike military operations. Whether sanctions succeed in achieving their goals seems far less important to the public than the outcome of military conflicts. Moreover, when it comes to challenging Russia or China, sanctions are the only tool: US military measures would threaten nuclear war.

Parallel concerns can be found in the preference of other great powers for economic weapons. The Chinese market, like its US counterpart, is big enough that shutting access commands the attention of an adversary. South Korea is the exemplary case, with implications for Vietnam, Malaysia and Thailand. China cannot threaten military strikes against South Korea, Taiwan or Japan without triggering a US military response, but China can easily close its market to exports from offending neighbors. Russia faces the same dilemma with respect to NATO members, but it has enjoyed a relatively free military hand in Georgia, Ukraine and Syria – correctly calculating that the United States would not respond in those theaters. For other theaters, social media and cyber campaigns are far cheaper than overt or covert Russian military actions. The European Union lacks a joint military force and has no prospect of acquiring one. Apart from moral suasion, economic sanctions are the EU's sole enforcement tool with bearable economic and political cost.

In sum, the growing use of economic sanctions carries adverse implications for the stability and survival of NATO and WTO. For NATO, frictions between the United States and its security allies weaken the effectiveness of sanctions on Iran and other targets and foster dissent between senior officials. The misalignment in Iran sanction policy became worse when the European Union blocked the US attempt to reimpose UN sanctions on Iran.¹⁷ Meanwhile, Trump's Cuban policy irritates business firms abroad and seems pointless to Canadian and European military leaders.

Trump's broad national security justification for Section 232 tariffs under the 1962 Trade Act, and his tariff reprisals under Section 301 of the 1974 Trade Act, directly threaten the rules-based multilateral trading system overseen by the WTO. On their face, US trade measures conflict with WTO rules, but since collateral US actions have dismantled the WTO's Appellate Body, aggrieved foreign countries have no meaningful forum for settling disputes. Accordingly, they have resorted to retaliatory measures which are equally inconsistent with WTO rules. Underlying the largest frictions is the New Cold War and it's not at all clear that the WTO system can house both the United States and China. Given the global trade and investment reach of both antagonists, a split of the WTO into two domains will inflict substantial costs on the other 162 member countries. In practice, if not in name, the World Trade Organization may not survive.

2. New actors

Through the turn of century, the United States was the dominant sender country, participating in about 80 percent of cases, often with a posse of allies, followed by the erstwhile Soviet Union, the United Kingdom and the European Union. After the end of the Cold War in 1990, the United States sometimes secured UN Security Council resolutions that enlisted nominally committed sender countries. During that era, US targets dotted the globe, while Russian targets were concentrated in neighboring countries, and UK and EU targets were concentrated in Africa (but the UK often joined far-flung US-led episodes). In recent years, new actors and new targets are changing the traditional landscape of sanctions, reflecting technological advances and the rise of social media.

2.1. European union

To this day, the United States remains the dominant sender, but starting in the late 1990s and early 2000s the European Union became much more active, allied with the United Nations, regional partners or the United States. EU targets were concentrated in Africa, usually countries ridden with strife, ruled by despots, or victims of military coups. The European Union sometimes achieved a modest degree of success in stabilizing these countries or displacing their political leaders. For example, the European Union introduced restrictive measures against Zimbabwe in 2002 in relation to the escalating domestic repression against political opponents, and the violation of human rights including freedom of speech. The EU

¹⁶ Orde Kittrie, "Iran Still Owes \$53 Billion in Unpaid U.S. Court Judgments to American Victims of Iranian Terrorism," FDD Research Memo, May 6, 2016.

¹⁷ Carol Morello, "European powers refuse to back U.S. call for escalating sanctions against Iran," *Washington Post*, June 19, 2020.

sanctions included arms embargo, travel restrictions and asset freeze. After the constitutional referendum in Zimbabwe was held, most sanctions have been suspended, but several Congolese individuals are still subject to asset freeze and travel bans.

Entering the 2000s, the European Union built a policy framework for more effective use of targeted sanctions. To this end, the EU updated its guidelines for member states, calling for timely implementation and evaluation. EU sanctions aim to deter terrorism (e.g. Iran), delay nuclear proliferation (e.g. Iran and North Korea), reduce human rights violations (e.g., Nicaragua), reverse annexation of foreign territory (e.g. Russia), and destabilize foreign leaders (e.g., Ivory Coast). Between 2004 and 2015, the European Union introduced more than 40 different sanctions against 27 states.¹⁸ For example, in 2019, EU members agreed to impose travel bans and asset freezes on Nicaraguan individuals and entities responsible for human rights violations. All designated individuals and entities are listed in the official EU sanctions database.

One EU concern is coping with US “extraterritorial” sanctions. When Trump revoked US participation in the Iranian nuclear agreement and imposed secondary sanctions against firms doing business with Iran (mainly energy deals), third countries became subject to US sanctions. Some argued that European foreign policy autonomy was at risk because the EU could be seen as coerced into following US foreign policy.¹⁹ To bypass this perception, France, Germany and Britain created the “Instrument for Supporting Trade Exchanges” (INSTEX) as a special vehicle to help EU firms do business with Iran and facilitate non-US dollar transactions. Despite Trump’s criticism of INSTEX, the EU successfully made its first transaction with Iran using this financial mechanism in March 2020.²⁰ However, this divergence weakened the overall impact of sanctions and lessened the already small likelihood that Iran would abandon its nuclear goals. When Trump re-imposed nuclear sanctions, Iran became less compliant with the JCPOA. In 2020 Iran has exceeded a threshold on uranium enrichment agreed to in the deal, but continues to work with IAEA inspectors in verification and monitoring of sites related to the deal with limiting their access to certain sites.²¹

2.2. Russia

Shorn of direct control over its erstwhile satellites, Russia turned to active diplomacy towards the “near abroad”. Economic sanctions accompanied the diplomatic mix, leading to episodes aimed at discouraging ties with the West, seizing disputed territory, or protecting Russian-speaking minorities. For instance, Russia imposed economic sanctions on Estonia and Latvia in response to alleged discrimination against Russian minorities (1992–1999). Restrictions on oil and gas exports and access to Russian markets are customary tools.

Entering the 2010s, Russia often imposed sanctions as a retaliatory instrument to counteract Western measures against Russia’s own provocative actions, such as the invasion of Ukraine, the nerve agent attack on a former Russian spy, and the cyberattack on US elections. Responding to US and EU sanctions for the invasion of Ukraine in 2014, Russia imposed travel bans and food embargos on the two senders. Following annual renewals, these will remain in effect until the end of 2020. Counter sanctions also apply to Ukraine in response to Ukraine’s decision to expand its own list of prohibited imports from Russia.²² Trade in energy and food products between Russia and Ukraine has essentially stopped.

2.3. China

Under the leadership of Deng Xiaoping, starting in 1978, China claimed that non-interference in the affairs of other countries was a guiding principle. Subsequent Chinese leaders sang the same notes, up through Hu Jintao, who stepped down in 2012. The current president, Xi Jinping, apparently leader for life, has changed the music. Ten sanction cases can be identified between 2010 and 2018, which is triple the number of cases between 1978 and 2000.²³

China’s growing economic power and its integration with the world markets enables China to influence the foreign policies of neighboring countries and even distant nations. President Xi’s Belt-and-Road initiative is by far the largest “positive sanction” since the Marshall Plan. As they embrace Belt-and-Road projects, many countries in Asia and Latin America adopt a friendly approach to China in the United Nations and other international fora.

Alongside, China deploys negative measures such as trade and investment restrictions, popular boycotts, limits on Chinese tourism, and informal pressure on business entities. Unilateral sanctions are typically imposed when China perceives specific threats to its national security and sovereignty. For example, China cut off diplomatic and trade talks, and curtailed imports of Norwegian salmon, when Norway awarded the 2010 Nobel Peace Prize to Chinese dissident Liu Xiaobo. In a similar vein, after South Korea installed its defensive missile system of US design in 2016–2017, China restricted tourism and imports of cultural products and used regulatory measures to close almost 90 South Korean owned retail stores in China.²⁴ These

¹⁸ Christian Hörbelt, “A Comparative Study: Where And Why Does The EU Impose Sanctions,” *Revista UNISCI / UNISCI Journal*, No. 43 (Enero/January 2017).

¹⁹ Ellie Geranmayeh and Manuel Lafont Rapnouil, “Meeting the Challenge of Secondary Sanction,” *European Council on Foreign Relations Policy Brief*, June 25, 2019.

²⁰ Laurence Norman, “EU Ramps Up Trade System With Iran Despite U.S. Threats,” *Wall Street Journal*, March 31, 2020.

²¹ The Nuclear Threat Initiative provides a comprehensive timeline of sanctions against Iran’s nuclear program.

²² Alexander Bychkov and Vladimir Efremov, “Russia expands sanctions against Ukraine,” *SanctionNews*, April 23, 2019.

²³ Richard Nephew, “China and economic sanctions: Where does Washington have leverage?” *Brookings Institute*, September 2019.

²⁴ For more details, see Ethan Meick and Nargiza Salidjanova, “China’s Response to U.S.-South Korean Missile Defense System Deployment and its Implications,” *US-China Economic Security Review Commission, Staff Research Report*, July 26, 2017.

sanctions did not reverse Norwegian or South Korean policies, but they did send diplomatic signals to other countries that might consider crossing Chinese “red lines” (Harrell et al, 2018).

All three countries have different reasons for employing sanctions-related policies. The European Union prioritizes its own liberal principles, even as it disagrees with US positions on Iran and other targets. Russia’s approach to dominate its neighbors hasn’t changed much, but in addition Russia has frequently imposed retaliatory sanctions when Russia itself became a target country. As a newcomer to the offensive use of sanctions, China has specialized in coercive measures that boldly announce the “red lines” in its relations with foreign powers.

2.4. Non-state actors

In the United States and Europe, civil society has actively pushed government to impose sanctions for bad behavior abroad, particularly in the realm of human rights. The first big campaign took place in the late 1980s when *ad hoc* groups persuaded US states and private firms to sever ties with South Africa. More recently, the Kimberly Process, aimed at limiting the global market for “conflict diamonds”, was embraced by De Beers and other dominant firms. The Magnitsky Act – retaliation against human rights abuses and death suffered by the Russian lawyer Magnitsky – stemmed from the lobbying efforts of his erstwhile employer to blacklist the responsible Russian officials.²⁵ Finally, a group of 58 NGOs impelled US sanctions against senior Burmese military leaders responsible for severe violations of human rights during episodes of killing Rohingya people.²⁶ Gathering steam today are efforts to punish China for its harsh treatment of the Uighur population and Hong Kong protestors and – over a longer time frame – new sanctions against purveyors of coal and other fossil fuels. Civil society has increased its influence on sanction process as its network spreads to the globe via social networks and helps raise public awareness of concerning issues.

2.5. “Specially designated” targets

Fairly recent is the imposition of sanctions against “specially designated” persons or firms. Terrorists, drug dealers and money launderers were early targets, but an innovation is black-listing political and business leaders and select firms. Thanks to advanced technology in communication and data processing, national intelligence agencies such as NSA and CIA can identify assets, travel patterns, families and commercial contacts of designated firms and individuals.

Since January 2019, significant sanctions were launched against designated entities. The European Union imposed its first sanctions in response to a chemical attack, targeting four Russian military intelligence agents for poisoning a former Russian double agent living in Britain. Meanwhile, the US sanctioned a state-owned oil company, Petroleos de Venezuela, S.A. (PdVSA), restricting US firms from buying Venezuelan crude. The US complaint against PdVSA was its financial support of the Maduro regime. In August 2020, the Trump administration imposed financial sanctions on individuals who implemented China’s national security law in Hong Kong, including chief executive Carry Lam. In turn, China retaliated with similar measures against US politicians who were prominent critics.²⁷

3. New goals

3.1. Deterrence

While certainly not a new goal, deterrence has played a large role in recent cases. No analyst could expect sanctions to diminish Putin’s support of pro-Russian forces in Eastern Ukraine, much less dislodge Russian occupation of Crimea. But intelligence officers and foreign ministers could reasonably expect that stiff sanctions in response to Russian adventures would deter further Russian military expansion – into Moldova, the Baltics, or Central Asia. At this writing, Putin has not followed Hitler’s playbook, beyond the takeover of Crimea in March 2014 and the subsequent support of pro-Russian forces in Eastern Ukraine. Perhaps deterrence worked.

Turning to another theater, US and allied sanctions against Iran, even with renewed force starting in 2010, were unlikely to force the Supreme Leader to abandon his nuclear weapons project, then in its 20th year.²⁸ But alongside the threat of a military strike, the sanctions apparently deterred Iran from either testing its bombs or miniaturizing them to fit on missiles. In turn, restraint helped pave the way for the Joint Comprehensive Plan of Action (JCPOA).²⁹

Less appreciated is the impact of US and allied sanctions, plus unpublicized on-again, off-again support from China, in limiting North Korea’s nuclear ambitions. Kim Jong Un almost certainly could have conducted additional long-distance

²⁵ Alex Horton, “The Magnitsky Act, explained,” *Washington Post*, July 14, 2017.

²⁶ Daphne Psalidakis and Simon Lewis, “U.S. slaps sanctions on Myanmar military chief over Rohingya atrocities,” Reuters, December 10, 2019.

²⁷ Sha Hua, “China Sanctions 11 Americans Over U.S. Moves Against Hong Kong,” *Wall Street Journal*, August 10, 2020.

²⁸ Joseph Joff, “Why Iran Will Never Give Up on Nuclear Weapons.” *The American Interest*, July 12, 2019, <https://www.the-american-interest.com/2019/07/12/why-iran-will-never-give-up-on-nuclear-weapons/>

²⁹ A full text is found here: <https://www.state.gov/e/eb/tfs/spi/iran/jcpoa/>

missile tests and detonated more powerful bombs. But the coupling of US-led and Chinese sanctions, along with the high-profile June 2018 and June 2019 meetings with President Trump in Singapore and the DMZ respectively, may have stayed Kim's hand.³⁰ Again, perhaps a win for deterrence, though well short of a win for nuclear disarmament.

Most recently, reciprocal US and Chinese sanctions over Beijing's absorption of Hong Kong into the mainland legal regime stand no chance of swaying Chinese policy nor of curtailing US criticism. Moreover, it's not obvious that these sanctions will deter further episodes in the New Cold War. But to determine whether deterrence was achieved in these and other cases requires persuasive counterfactual scenarios, not easy to construct.

3.2. Retribution

Again, retribution is not new, but it features prominently in post-2000 cases. Thanks to digital technology, NSA and CIA sleuths, along with their European counterparts, can identify "bad guy" individuals and firms. In turn, the "bad guys" can be singled out for "special designation" status that hits their wallets and persona. For example, in the wake of the Jared Khashoggi's murder in Istanbul, the US revoked visas of Saudis connected to the assassination squad.³¹ This will inconvenience the designated individuals, even though the chief instigators, likely including Crown Prince Mohammed bin Salman, will not be brought to justice.

On a much larger scale, in response to Russia's annexation of Crimea and intervention in Ukraine, dozens of well-connected firms and elite Russians were subject to financial, trade and travel sanctions. Careful research by [Ahn and Ludema \(2016\)](#) plus fresh analysis presented at the Workshop, shows that Russian firms were severely affected, on average losing a quarter of their sales. But their pain will not persuade Putin to vacate Crimea or withdraw support from dissidents in Eastern Ukraine. Indeed, as new research by [Ahn and Ludema \(2019\)](#) shows, Putin shielded some 39 "strategic firms" from the brunt of sanctions, at a cost calculated at nearly a half of the total pain imposed on Russian firms by the targeted measures.

As a rule, retribution against individuals and firms – a common response – does not achieve lofty foreign policy goals but it may deter future misdeeds. In fact, severe sanctions against major powers (Russia and China) and against small countries with entrenched autocrats (North Korea and Cuba) rarely achieve advertised goals, but they do punish the targets.

And this is important. In democracies, influential constituents – given voice in parliament and congress – insist on punishing foreign countries for their misdeeds. Retribution is its own goal, and punishment gives satisfaction. Justice is served. Whether sanctions stand a chance of altering policies abroad is a secondary matter.

3.3. Rehabilitation

"Mission Impossible" aptly describes the role of rehabilitation in major episodes of the 21st century. Russia will not abandon imperial aspirations, nor will Cuba and North Korea transition to democratic states. But by far the most ambitious goals of 21st century sanctions are to arrest China's military, economic, and technological rise. If anything, US trade, investment and technology sanctions will spur China's efforts, commercially divorced from the United States, to deepen cooperation with Russia and a few Western countries, and to rely on its own ample resources.

Former German Chancellor Helmut Schmidt was scornful of sanctions on Russia, calling them 'nonsense'. Travel bans and asset freezes, he claimed, are symbolic and "affect the West as much as the Russians".³² If Chancellor Schmidt were still alive, he would probably have still more scathing words for the current US economic campaign against China.

4. New data and analysis

At the Workshop scholars presented new theoretical models designed to generate hypotheses worthy of testing against the findings recorded in new databases. The models have two common features: they are mathematically demanding, and they build on costs or benefits incurred by senders and targets. The models often distinguish between threats and imposition, drawing on insights from Thomas Schelling's famous canoe trip.³³ In this section, new databases and new analyses by various scholars from the Workshop are summarized to bring attention to their contributions.

4.1. New databases

New and more comprehensive datasets have been constructed since research in the 1980s and 1990s. The main databases now used for empirical research include:

³⁰ Motoko Rich, "Trump and Kim Arrive in Singapore for Historic Summit Meeting," *New York Times*, June 10, 2018, <https://www.nytimes.com/2018/06/10/world/asia/kim-jong-un-trump-north-korea-singapore.html>

³¹ Matthew Lee and Susannah George, "US to revoke visas of Saudis implicated in killing of writer," *Washington Post*, October 23, 2018.

³² Quoted by Gerald Schneider at the workshop. Original source is at Derek Scally, "Schmidt attacks western sanctions on Russia as 'nonsense'," *Irish Times*, May 29, 2014.

³³ Thomas [Schelling \(1966\)](#).

- Hufbauer et al. (2009): covers 174 episodes between 1914 and 2000. Subsequent episodes are summarized on the Peterson Institute for International Economics website.³⁴
- Threat and Imposition of Sanctions (TIES Version 4.0): covers 1413 episodes between 1945 and 2005. Principal investigators are Cliff Morgan and Navin Bapat.³⁵
- Targeted Sanctions Consortium Database (TSE): covers 63 episodes of United Nations targeted sanctions on 23 countries between 1991 and 2014. Compiled by the Graduate Institute Geneva.³⁶
- European Union Sanctions (EUSANCT): covers 325 episodes of EU sanctions between 1989 and 2015.³⁷
- Global Sanctions Data Base (GSDB): covers 1,045 cases from all parts of the world between 1950 and 2015. Principal investigators are Gabriel Felbermayr, Constantinos Syropoulos, Erdal Yalcin and Yoto V. Yotov.³⁸

Lord Rutherford, the distinguished British scientist at the turn of the 19th century, declared, “All science is either physics or stamp collecting”. Rutherford might have classified the databases mentioned above as “stamp collecting”. However, *a priori* hypotheses as to the impact of sanctions, often held with great conviction by leading statesmen, can only be tested with the benefit of these collections.

4.2. New analysis

Before 2000, micro studies of the impact of sanctions on individual firms were rare. The Workshop featured several outstanding examples of this new form of analysis, enabled by vast datasets and sophisticated econometrics.

First, Ahn and Ludema (2019) add to their own pioneering work that analyzed the cost to Russian firms of US and EU sanctions in the wake of the Crimean annexation and Ukrainian occupation.³⁹ Collecting firm/individual data from the Bureau Van Dijk (BvD) Orbis and LexisNexis WorldCompliance databases, the authors developed a model to assess the impact of sanctions at the firm level that features domestic government shielding of “strategic” firms from foreign measures. Their results showed that strategic firms systemically outperformed non-strategic firms under sanctions, implying a cost to the regime that adds to the total cost of sanctions.

Besedeš et al. (2018) explored Bundesbank data on German firms impacted by sanctions aimed at 23 countries during the period 2000 to 2014. Apart from Russia, the target countries were centered in Africa and the Middle East. They found that German firms suffered little loss of sales or employment. In other words, the cost incurred by sender-country firms during these episodes was low. That finding suggests that termination of the JCPOA would at most entail moderate economic costs for European firms, though geopolitical costs could be high.

Using the new Global Sanctions Data Base (GSDB), covering the years 1950–2015, Felbermayr et al (2019) studied the impact of sanctions on international trade and welfare, focusing on the Iran case. All else equal, they found that comprehensive bilateral sanctions could reduce two-way trade by about 86 percent. However, their investigation of Iran sanctions showed different effects on Iran’s bilateral trade across partner countries.

Fresh research by Grauvogel and Attia (2020) revealed an additional and unexpected positive outcome from the termination of sanctions. Political stability in the target country improved, if the country had resisted strong demands from the sender. Resistance evidently enhanced the ability of political leaders to ward off internal rivals.

In an innovative piece of Workshop research, Weber and Schneider (2019) found that unilateral *threats* are more persuasive, but multilateral *imposition* stands a higher chance of success. The reasoning is that a unilateral sender, typically the United States, shows more resolve than a heterogeneous group of senders, each with a different agenda. But when threats fail to convince the target, multilateral action brings greater heft to the bargaining table. Meanwhile, Joshi and Mahmud (2016) presented a model that demonstrate how the frequency of sanctions and the frequency of violations of international norms depends on unilateral or multilateral actions using network structure theory.

Miromanova (2018) investigated whether sanctions on products identified at the 8-digit level of the Harmonized System exerted a greater impact on the number of importing firms in the target country (the extensive margin) or on the import flow per affected firm (the intensive margin). She found that the extensive margin is the more important channel.

Portela and Sanguinetti (2019) found that single-party regimes are resistant to sanctions – and single party regimes are common across the globe. However, in countries where two or more parties compete for power there is less resistance, but no significant difference whether the government of the day is a military or personal regime, or a democracy.

Morgan (2019) observed that the cost of sanctions might be better thought of as the enforcement cost (on the part of senders) and adjustment costs (on the part of targets) rather than more traditional metrics such as the volume of trade curtailed. He emphasized that threats are a bargaining tool, but that actual imposition means that diplomacy – in other words, bargaining between two sovereigns – failed.

³⁴ Hufbauer et al (2009), <https://www.piie.com/summary-economic-sanctions-episodes-1914-2006>;

³⁵ Morgan, Bapat and Kobayashi (2014). TIES version 4.0 is found at, <http://sanctions.web.unc.edu/>;

³⁶ Targeted Sanctions Initiative is found at <https://graduateinstitute.ch/research-centres/global-governance-centre/targeted-sanctions-initiative>

³⁷ EUSANCT, <https://webgate.ec.europa.eu/europeaid/fsd/fsf#1/files>;

³⁸ Felbermayr et al (2019).

³⁹ They cite several studies. For trade flows, Moret et al. (2016), Crozet and Hinz (2016) and Haidar (2017); for capital flows, Besedeš et al. (2017); for share prices, Draca et al. (2017) and Stone (2016).

5. New cold war

Winston Churchill proclaimed the first Cold War, the one with the Soviet Union, in his famous “iron curtain” speech delivered at Westminster College, Missouri, in March 1946.⁴⁰ By that time, Stalin had already occupied most of Eastern Europe and was busy in the Adriatic. Soon the United States launched the Marshall Plan and created the NATO alliance, buttressed by huge military bases in Western Europe. Restrictions on military and dual-use exports to the Soviet Union, via the Coordinating Committee for Multilateral Export Controls (CoCom), were an afterthought.

President Trump, with bipartisan support, has now proclaimed a second Cold War, this time with China, letting the press use the term and not denying its essential accuracy.⁴¹ Chinese provocations, according to Trump, are the theft and appropriation of US technology, and commercial malfeasance by running an annual bilateral trade surplus of several hundred billion dollars.⁴² In the second Cold War, unlike the first, Trump is leading with economic sanctions, but a military buildup is likely to follow, whether Trump or a Democrat wins the 2020 presidential election.

Trump’s sanctions take the form of high tariffs, both imposed and threatened, that could eventually cover nearly all US imports from China; a star chamber screening process, under CFIUS auspices, that will deny Chinese investment in any US firm with a technology flavor; and criminal charges against the world’s leading telecom company, Huawei, and its chief financial officer, Meng Wanzhou, for stealing trade secrets and evading economic sanctions on Iran; and the forced sale of TikTok assets in the United States.⁴³ Beyond these immediate measures, many Americans are gripped with fear that China will dominate 21st century technology – quantum computing, 5G telecommunications, artificial intelligence, robotics, and much more. The response is to “decouple” (meaning divorce) US high-technology firms, as well as individual scientists and engineers, from their Chinese counterparts. The US effort to constrict Huawei’s leadership in 5G technology – by denying components and markets – is only the first installment of a broad campaign. In addition, Trump amplified such efforts by issuing executive orders that prevent the use of two Chinese mobile apps, WeChat and TikTok. Broad restrictions on US technology exports to China, the access to Chinese mobile products, and scientific cooperation with Chinese institutions, are in the works.

By far, this makes China the largest target of sanctions in the 21st century. As well, the nature of sanctions between the four great powers – the United States, China, Russia and the European Union – is changing. When one of the great powers targets a smaller country – say Mexico, South Korea, Georgia or Equatorial Guinea – it can use the traditional range of trade and financial measures. When the great powers target each other, more ingenuity is required.

History has shown that great powers are relatively impervious to sanctions: they are not immune to economic damage, but they are highly resistant to changing course. Military conflict between the great powers runs the risk of nuclear escalation, to be avoided at all costs. Hence themes raised in this essay play an important role when great powers are at odds. Of special note are financial restrictions, cyber assaults against leading firms and through social media, offers hard to refuse directed at private firms, weaponized tariffs and kindred investment and technology restrictions, and measures against specially designated leaders.

6. Conclusions

21st century sanctions practice has the flavor of evolution more than revolution. New Weapons reflect, in part, new technologies (finance and cyber), and in part new statecraft (offers hard to refuse, weaponized tariffs and positive measures). As the geopolitical world shifted from a single hegemon to a system of great powers, players besides the United States became significant actors, with new target choices. Pinpoint sanctions aimed at “bad guys” are popular, partly because they avoid moral qualms, partly because digital technology makes them effective. The New Cold War was largely responsible for conflating commercial policy and sanctions policy.

Evaluated against traditional standards of “success” – in other words, was the foreign goal achieved and did sanctions materially contribute to the outcome? – 21st century innovations have not made sanctions more effective. Indeed, [Weber and Schneider \(2019\)](#) conclude that the effectiveness of EU, US and UN sanctions for concluded episodes did not change much during the 26 years between 1989 and 2015. These finding echoes analysis done by [Huebauer et al. \(2009\)](#).

To be sure, measured by traditional standards, sanctions often promote regime change and humanitarian objectives in small or chaotic countries. But in big cases, goals appear to be evolving, leading practitioners to stress different metrics. Deterrence, whether actual or imagined, looms large. As does punishment for its own sake. Rehabilitation, often remote, has diminished as a measure of success.

After this essay was written, Covid-19 swept the world, creating the biggest economic downturn since the Great Depression of the 1930s. It remains to be seen whether economic sanctions are more less numerous, and more or less effective, in dramatically different circumstances.

⁴⁰ Winston Churchill, “Iron Curtain” Speech transcript, *The History Place*, March 5, 1946.

⁴¹ Michael C. Bender, Gordon Lubold, Kate O’Keefe and Jeremy Page, “U.S. Edges Toward New Cold-War Era With China,” *Wall Street Journal*, October 12, 2018.

⁴² US trade balance in goods and services with China was \$335.7 billion in 2017, up from \$308.4 billion in 2016.

⁴³ David E. Sanger, Katie Benner and Matthew Goldstein, “Huawei and Top Executive Face Criminal Charges in the U.S.” *New York Times*, January 28, 2019.

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