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## EUROPEAN SANCTIONS: PERSPECTIVES ON TRADE & POWER

PRESENTATION FOR THE PROGRESS FOUNDATION

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## » Proliferation of economic sanctions

Increasing use since the cold war

### » United States leading Cold War applications

- › Export restrictions on strategic materials in advent to the Korean War 1949 (Battle Act, Trading with the Enemy Act)
- › Committee for Multilateral Export Controls (COCOM), Cuba (Helms-Burton Act)

### » Increasing and inconsistent use since the fall of the Berlin Wall

UN Sanctions

### » South Rhodesia (1966), South Africa (1970)

### » Currently in 12 cases

### » From states to wider variety of situation and subjects

- › Armed conflicts
- › Dead-ends in political processes
- › Proliferation of WMD
- › Anti-terrorism, anti-narcotics – new asymmetrical threats

# » Trade and global governance

Increasing dependency on cross-border trade

- » Cr Trade as share of GDP
- » Inc World Trade / World GDP;
- wit **Developing economies** Trade / GDP

Trade

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World Bank 2011



## » Recipients of economic sanctions

+EU	+US	UN	CH
			Sudan
			Eritrea
			Côte d'Ivoire (Lebanon)
			Liberia
			Libya
			D.R. Congo
			Iran
			North Korea
			Iraq
			Afghanistan
			Somalia
			Syria
			Belarus
			Burma
			Bosnia Herzegovina
			Serbia & Montenegro
			Zimbabwe
			Haiti
			Egypt
			Republic of Guinea
			Sudan
			Tunisia
			Croatia
			Moldavia (Transnistria)
			Cuba
			Fiji
			Sri Lanka
			Cyprus
			Yemen
			Haiti

## » Efficacy of economic sanctions

### Power in international relations

- » Ability to coerce third country to pursue policy against their intent
- » Economic diplomacy rarely the sole option

### Inconclusive about 'success' criteria

- » Effective use against friendlies
- » Usually against smaller, economically dependent countries
- » Prelude to hard, strategic threat
- » The aim of sanctions does factor in – economic goals vs regime change

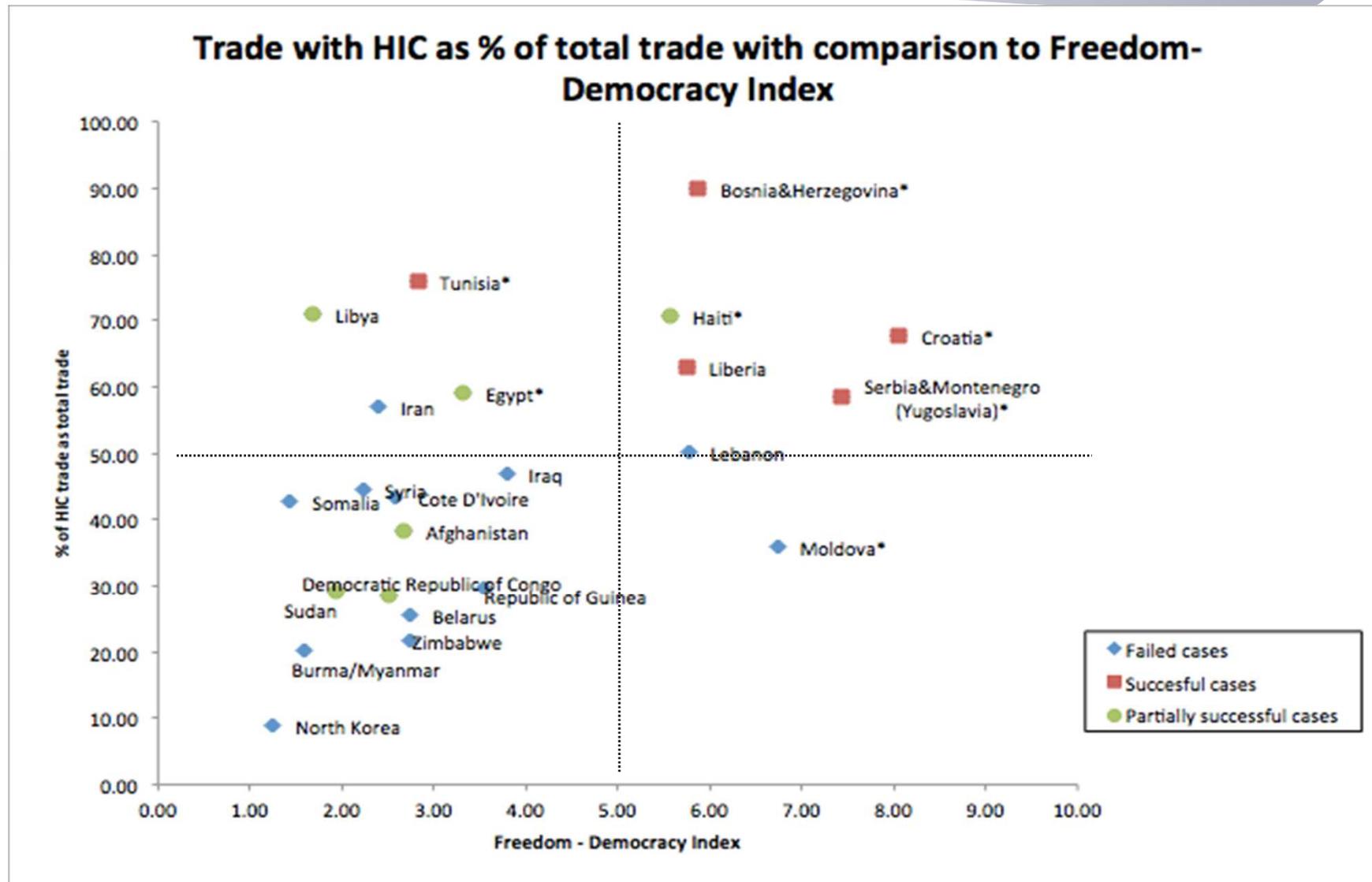
### Distinction between comprehensive and 'smart' sanctions

- » Increasing use since mid-90s
- » Development considerations; introduced by the EU
- » Personal and selective measures (embargoes, commodities, freezing of assets, flight bans)

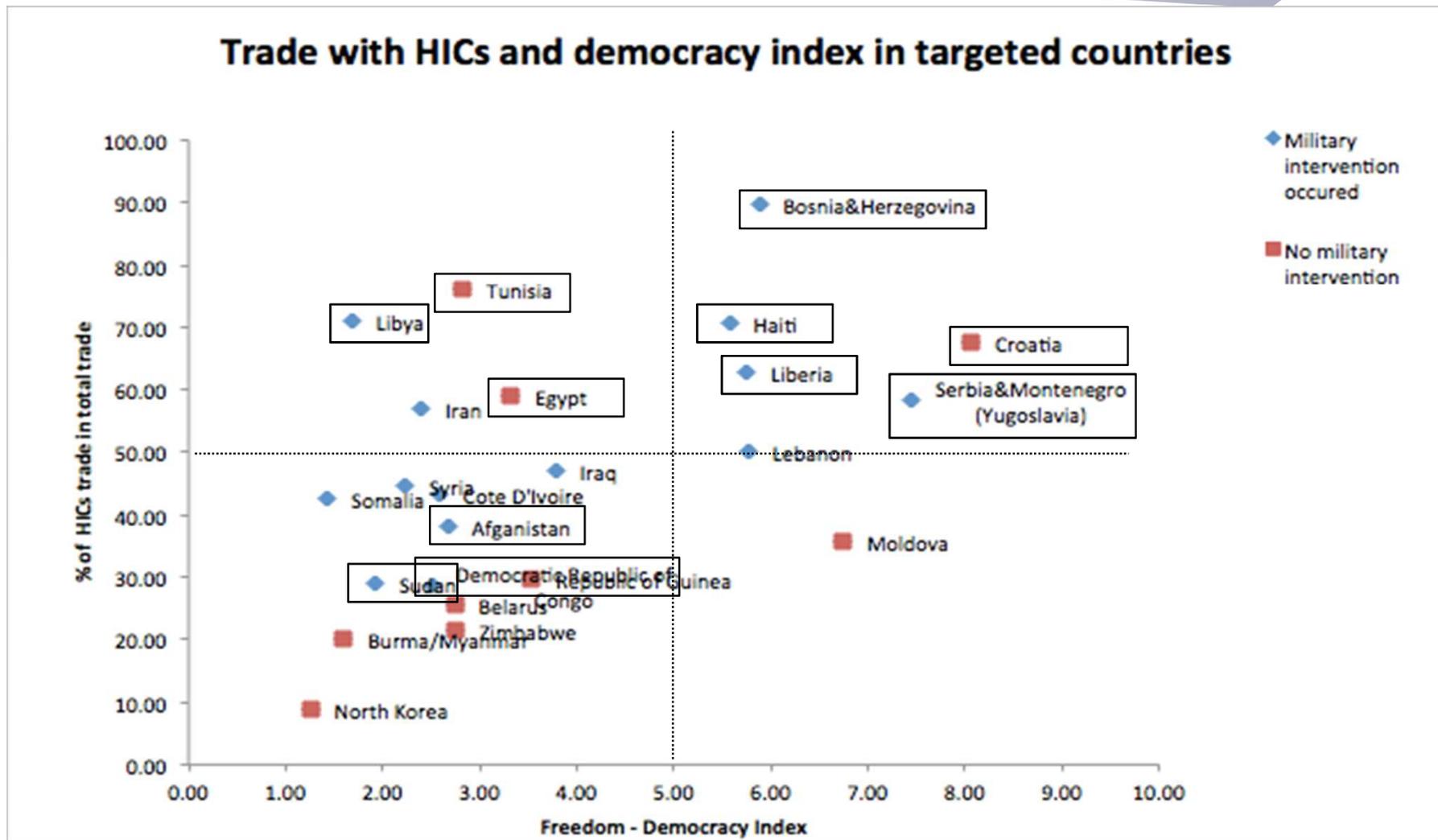
### Costly, risky strategy

- » 'Rally around the flag'
- » Comes at high cost – loss of trade and options
- » Failure in 66% of the cases

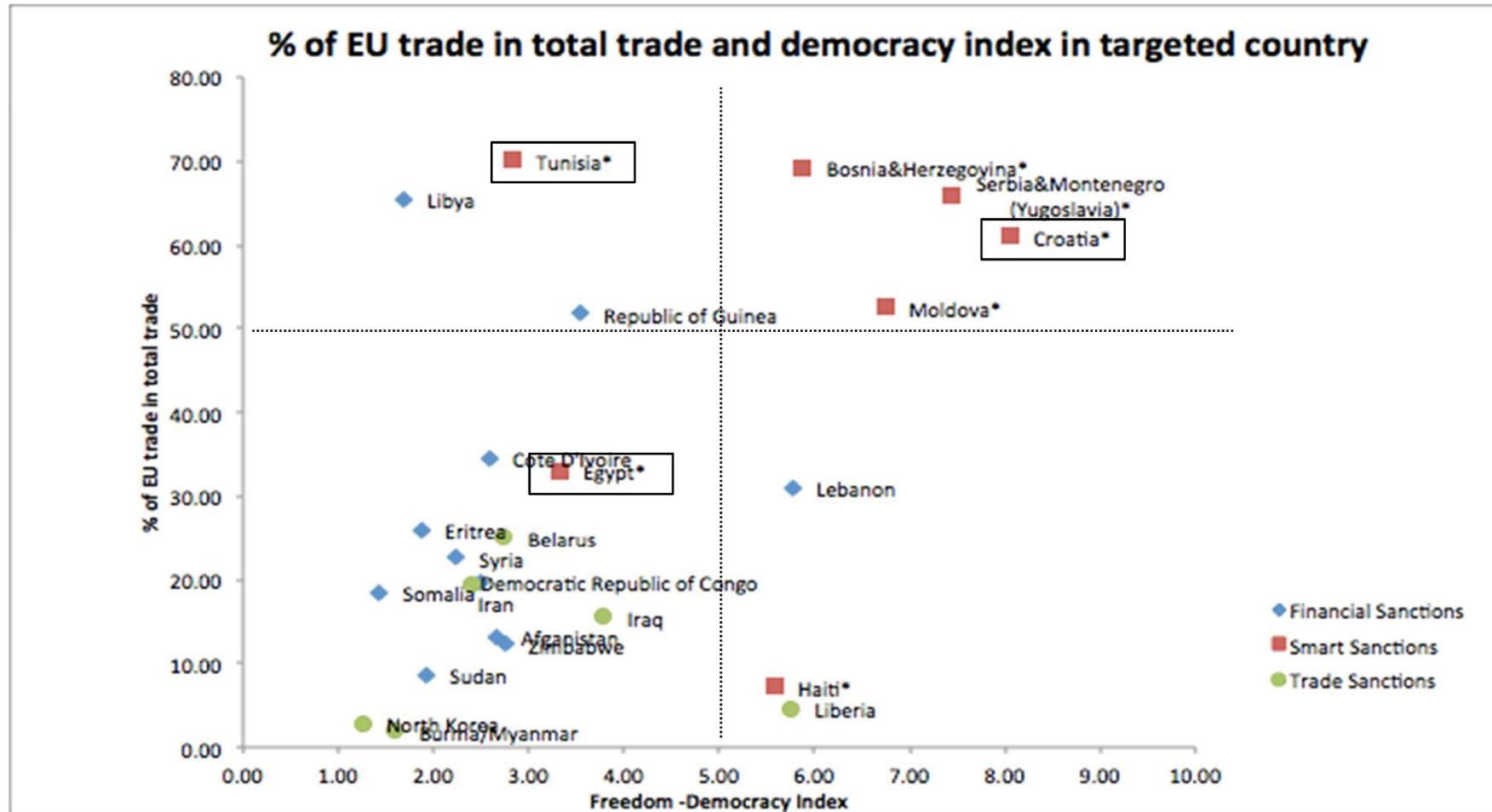
## » Objectives reached



## » Threat of hard power



## » EU sanctions (beyond US/Swiss sanctions)



## » Informal sanctions

	<b>Measure</b>	<b>Time period</b>	<b>Main objectives</b>	<b>Outcome</b>
<b>Cuba</b>	Diplomatic sanctions	2003-2009	Release of imprisoned dissidents	Limited compliance
<b>China, PR</b>	Arms embargo	1989-ongoing	Human rights	Limited compliance
<b>Russia</b>	Redirection of aid	1999-2001	Violation of humanitarian law in Chechnya	No compliance
<b>Pakistan</b>	Deferral of signing international treaties	1998	Abandonment of nuclear weapons	No compliance
<b>Peru</b>	Freezing of development aid	2000-2001	Free elections	Compliance
<b>Serbia</b>	Suspension of EU accession talks	2006-2007	Co-operation with ICTY	Compliance
<b>Guatemala</b>	Freezing of development aid	1993	Free elections	Compliance
<b>Palestinian Authority</b>	Freezing of development aid	2006-2007	Recognition of the Quartet terms by Hamas	No compliance
<b>Turkey</b>	Freezing of development aid; diplomatic sanctions	1981-1997	Improvement of democratic rule, human rights record	Compliance

## » Use of carrots, rather than sticks

Withdrawal of trading privileges and aid

Suspension of benefits for former colonies

- » So-called Article 96 privileges; Lomé convention
- » Obligation 'to support ACP countries even if it was implementing policies contrary to development, human rights, rule of law'
- » Introduction of conditionality in 1995
  - › Coerced free elections in Central African Republic, Ivory Coast (x2), Fiji, Haiti?
  - › Failed to address HR violations and constitutional changes in Guinea-Conakry, Liberia, Togo (x2), Zimbabwe

Withdrawal of GSP+

- » Human rights issues in disguise
  - › Burma
  - › Belarus
  - › Sri Lanka (temporary withdrawal)
- » Use of ILO conventions

# » European Sanctions – a policy failure

## Outcomes

- » Exclusively failures for sanctions without multilateral support
- » High economic integration does not ensue success
- » Limited success against relatively well-managed aid recipients, EU neighborhood and accession
- » Smart or selective sanctions
  - › Insignificant economic damages
  - › Only effective against those concerned about being branded as a rogue state

## Cause of failure - cold war instrument in a multipolar world

- » Recipients largely non-responsive
  - › Military rule or authoritarian rulers or hard realists
  - › Failure as conflict management tool
  - › Inefficiency of smart sanctions
- » Trade substitution
  - › Buyers of commodities/raw materials – Russia, China
  - › High income countries no longer technology monopolist
- » Conditionality and the 'threat' stage is expected to work
  - › Not supposed to arrive to sanctions
- » Resulting often in early abandonment of sanctions

## » EU sanctions – a policy failure

### Sender's dilemma

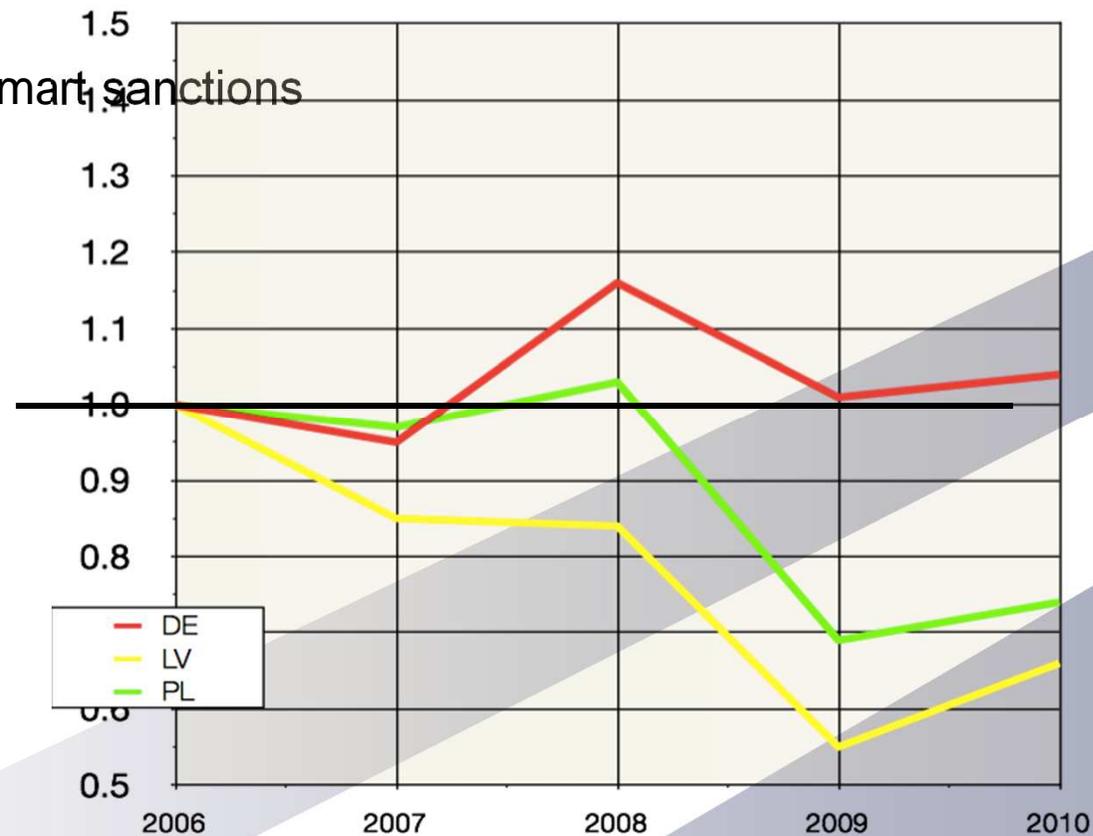
#### » Strategic dead-end once sanctions are imposed.

- › Institutional capacity of managing sanctions lacking
- › Results in loss of geopolitical leverage

### Asymmetric distribution of their economic costs

#### » Case of Belarus

#### » Third party cost bearer of smart sanctions



## » European Economic statecraft

### The misperception of power

- » The relative success of EU conditionality (CEEC, ACP countries)
- » Relatively low internal leverage of trade policy
- » Delusions about 'soft powers' after the Lisbon Treaty
  - › Gaps between competence and representation; No political authority
  - › Still an primarily an economic union, pursuing economic goals, using economic instrumentation
  - › Access to the Single Market is still the main source to power
  - › Economic crisis and internal disturbances
- » Soft idealist versus hard realist powers

### Are the EU and Europe strategic actor(s)?

- » Lack of hard power and geopolitical footprint
- » EU – no grand strategy or leitmotif
  - › Strategic partnerships in a purpose vacuum
  - › Lack of unity and focus, resulting in divide and conquer
- » Unable to coerce, unable to make concessions

### From integrationalist approach to civil, value-based normative power

- » The rapid spread of the discourse on normative power
- » Arab Spring
  - › Abandoning the success of integrationalist approach
  - › Export sanctions, 'enabling technologies'

## » Fragmentation of European trade policy

Trends towards subordination of international trade policy

- » Consolidation of development and trade policy under foreign & security policy
- » Failures in other forum – UNHRC, P-5
- » Involvement of non-trade actors in trade policy

A broadened EU sanctions universe

### » Increasing use of sanctions

- › Satisfy local constituencies
- › Increasing mercantilist in a post-crisis environment

### » New concepts

- › Conditionality in trade agreements – EU India FTA (social clauses); Euromed re-negotiations
- › Reciprocity, trade war – China on government procurement (GPA), market economy treatment (MET), subsidies (CVDs)
- › GSP revocation
- › Expansion of dual-use
- › WTO cases

### » Third countries, extraterritorial application on smart sanctions

### » By objective criteria

Disengagement as an outcome

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