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SANCTIONS AND WORLD POLARITY:

**AN ANALYSIS OF THE EFFICACY OF SANCTIONS AS THE WORLD
SHIFTS FROM UNIPOLARITY TO MULTIPOLARITY AND HOW THIS
CHANGE AFFECTS THE ORDER OF THE INTERNATIONAL
POLITICAL ECONOMY.**

**A thesis submitted to
Regis College
The Honors Program
In partial fulfillment of the requirements
For Graduation with Honors**

by

NENANI NATHANIEL SICHONE

MAY 2014

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SANCTIONS

In the realm of international relations, there is an instrument of policy which combines economics and politics in both intent and outcome. It also says a lot about the polarity of any particular time period. Sanctions are a foreign policy tool used by nations to shape the behavior of another country; they come in several forms. In this analysis we will consider 3 sets of issues: The first question to explore is how sanctions work and how are they enforced. The second question is how and can, sanctions be examined and evaluated; that is, what framework should be used to analyze the effectiveness of sanctions? Does the use of such a framework make it possible to describe and explain the overall outcomes of the sanctions? The third component of this research looks at what sanctions imply about the international political and economic polarity of a particular time period. Such a combination of questions can be used to elaborate and evaluate how best to use sanctions to achieve the desired goals in particular circumstances. To facilitate the answers to these questions I adopted a modified framework to analyze the efficacy of sanctions and what implications this has for the ongoing polarity shift the world is going through.

The term ‘Sanctions’ is defined in many ways but the two definitions I will use will be from the Oxford English Dictionary and one proposed by the legal and political philosopher, Hans Kelsen. Kelsen defines sanctions in a wider sense as any measure taken in support of a social order regulating human behavior so as to prevent a particular

behavior that is inconsistent with the goals and standards of a particular world.¹ The Oxford English Dictionary definition which is used by many sanction academia and politicians, states that ‘Sanctions’ are (a) ‘specific penalties enacted in order to enforce obedience to a law’. And (b) ‘considerations which operate to enforce obedience to any law or rule of conduct; a recognized motive for conformity to moral or religious law, operating either through the agents desire for some resultant good or through his fear of some resultant evil’.² These definitions are similar and both get to the main purpose of this paper. Sanctions are currently used as an alternative to war because they are perceived to cut costs and get the results the victorious nation would want to see implemented. The best examples would be Japan and Germany. Defeating these two nations cost Europe and the United States so much money and resources. While the war efforts of World War II were necessary to dispose of Hitler, it could have been cheaper to use sanctions and restrict the rise of the two superpowers. However, as will be elaborated later, this would not have been easy because the world at this time was multipolar and both Japan and Germany had strong economies almost on equal terms with the United States.

It is clear that sanctions have to be enforced by an ‘imposing’ country or actor, and received by a ‘sender’ country or actor. The imposing actor is often the United Nations but the United States is the main actor that usually has the main say on sanctions that are deemed necessary since it is the country that has the military capability to police the international waters as well as the economic muscle to influence the financial markets.

¹ Sanctions, International. “International Encyclopedia of the Social Sciences” Gale Virtual Library

² Miyagawa, Makio. *Do Economic Sanctions Work?* Houndmills, Basingstoke, Hampshire: Macmillan, 1992.

This has been true since the end of World War II but even more so after the collapse of the Soviet Union in 1989/90 – after the United States became the undisputed Global power. The United Nations identifies and imposes sanctions on the basis of International Law and justifies them by including language pertaining to sanctions in the United Nations Charter which is approved by all member countries. According to the United Nations Charter – ‘In situations where the UN Security Council has determined the existence of a threat to the peace, breach of the peace, or an act of aggression, the *Charter of the United Nations* (the Charter) authorizes it to decide on measures to be taken to maintain or restore international peace and security (Charter Article 39). Members of the United Nations are legally bound to accept and carry out these measures (Charter Article 25). Those measures that do not involve the use of armed force are known as "sanctions".’³ These sanctions are intended to deter any behavior that might jeopardize the political and economic peace of the world. Sanctions can be enforced when the five permanent members as well as ten of the rotating temporary member countries agree to ensure that a country is not committing a threat or breach of peace. However, the United Nations is usually considered toothless in imposing sanctions because the five permanent members rarely reach a consensus to impose sanctions on countries due to national interests. This is why the case studies considered in this paper will be those that were and still are imposed by the United States. The United States has the capabilities as well as the resources to implement sanctions without having to reach a consensus with other countries in the UN. To give an example of one of the obstacles to achieving a consensus on sanctions is the concept of human rights.

³ UN, "Sanctions." Last modified 2013. Accessed April 4, 2013. <http://www.un.org/en/documents/charter/chapter7.shtml>.

The concept of human rights is not internationally accepted by all countries due to the different traditions and cultures. This is the first roadblock that sanctions must address; what one country considers as human rights may not be equivalent to those observed in the country you are imposing sanctions on. This is where the conflict and tension of sanctions begin to emerge. Both definitions allude to the fact that sanctions ‘prevent a particular behavior that is inconsistent with the goals and standards of a particular world’⁴ OR ‘operate either through the imposing agent’s desire for some resultant good or through the imposing agent’s fear of some resultant evil’.⁵ In fact, the sanctions enshrined in an International Law might be deemed biased; they are often set-up by the country that is currently considered the most powerful both economically and politically. In practice if sanctions will be to be enforced then everyone must be sure that a strong actor is behind most of them (the United States). This is important both theoretically and pragmatically; in addition, what then happens when the actor that has developed and implemented this tool begins to lose its economic and political clout in a world that is increasingly multi-polar? Do sanctions become less effective and if they do, is there any way they can be more effective to achieve well intentioned standards for the new multipolar world? In this study, South Africa, Iran and China will be considered to address these questions.

⁴ Hans Kelsen

⁵ Miyagawa et al

THE FRAMEWORK

The framework I will be using is a redesign of what other scholars have already developed and applied. When sanctions are imposed on a target country there are objectives that the imposer would like to achieve. These objectives are usually in line with what the imposer believes are the standards and goals that the target actor has to conform to. However, those objectives are not the only outputs that the imposer is likely to observe. There are also other outcomes that manifest that are usually not anticipated or even if they were, governments have no mechanisms to neutralize them. It is these other outcomes that from now shall be referred to as consequences, which usually determine what the final outcomes of a set of sanctions will be. When an actor imposes sanctions there are three categories I will use to evaluate them: *1) Intended Consequences; 2) Unintended Consequences and 3) Unexpected Consequences.*

Intended Consequences

These are the policy changes governments or organizations wish to see by imposing sanctions on a particular country. The policy change could be political, economic or social. Once perceived that a country's course of action would go against the standards this world desires then sanctions would be put in place to ensure the country is restrained. The most preferred outcome by the imposer is that the regimes in a particular country, especially those that are considered aggressive, leave power to regimes that are more co-operative and willing to compromise on the best course of action. Adopting of 'friendly' economic objectives is something that the countries or organizations will want to see so as to facilitate the 'globalization' that the world has come to embrace. Another way of

looking at the intended consequences would be the notion that the country that imposes them is safeguarding the concept of fairness in a world that is advocating the philosophy of globalization. These intended consequences of sanctions are deemed necessary as the aim is to establish some form of standards that every country in the world lives by and where no country has an advantage over the other or takes advantage of its own citizens. The incentives behind using sanctions are to bring about the desired change suitable to the standards and goals set by the global power or powers of that particular period. For the purposes of this research the global power in question will be the United States and whether or not it can still carry out the principles it wants to promote around the world.

Unintended Consequences

These are the consequences that many political and economic theorists will point out as the reasons why sanctions either fail or even to some extent actually work. The term ‘unintended’ is the expected, but uncontrollable social behavior of the people who live in the country that has been hit with economic sanctions. The premise upon which the intended consequences of sanctions are based; are the fact that a government will adjust its policies to the tune of the countries imposing the sanctions so as not to make its own people suffer (since every country is, at its core, nationalistic). The countries implementing the sanctions expect to see the people within the country pressure the current government into complying with what the international community asks of it. However, as much as this behavior is expected the one thing the outside actors don’t have control of is the ability to control the particular behavior that they have generated.

This is where the unintended consequences then begin to arise and the results can be twofold; **1)** the behavior generated, can without a doubt, push out the current government but how far they are willing go is something no-one knows. This means that the populous can indeed bring about change but whether or not they will be peaceful is a question that cannot be controlled by the actors that imposed the sanctions. This might even bring about the springing up of rival factions within a country due to the different opinions that may arise due to the effects of the sanctions. This leads to an ethnic, religious or tribal divide that divides the country even further and possibly initiate a civil war with radical actors who are unable to reach a compromise on the way forward. The other possibility is you might have a full blown conflict that the outside actors might have to get involved in to ensure the very same reason they imposed sanctions in the first place – ‘maintain or restore international peace and security.’

2) The intended behavior generated could be used by the government of the day to create sovereign resistance against the sanctions imposed against the country. This is known as the ‘rally-round-the-flag-effect’⁶ – this is where the government facing the sanctions cultivates the spirit of nationalism and uses the behavior generated by the sanctions to point out that they are meant to undermine the country’s advancement. If this is done strategically by the condemned government; compliance of the sanctions at this point is virtually impossible. At the core of unintended consequences is the analysis of the composition and welfare of the country or countries that are faced with sanctions and how the intended behavior generated is controlled or tamed.

⁶ Verdier, Daniel, and Byungwon Woo. 2011. "Why Rewards Are Better Than Sanctions." *Economics And Politics* 23, no. 2: 220-238.

Unexpected Consequences

This is the part of the framework that completes and verifies whether or not sanctions do the job they are supposed to do or escalate the situation into an uncontrollable conundrum. So as not to confuse the readers between unexpected and unintended consequences let me elaborate exactly what unexpected pertains to. Throughout the paper ‘unexpected’ will constitute of the effects sanctions have that **1)** affect the imposer’s businesses, multi-national organizations and key economic and political players and **2)** the broader implications the sanctions have that the actors who executed them didn’t add to their equations. These broader implications will usually involve the region that the country facing sanctions is located in. But as observed recently and something that will be explained further; a government shut down or even severe gridlock in an imposer’s political system such as the United States could be detrimental to the effectiveness of sanctions.

Another thing about sanctions is that the imposers seem to ‘ignore’ is that countries faced with sanctions do business with companies located within the imposing country. This indirectly affects these companies that are unlikely to know how a set of sanctions can affect their business.⁷ In addition, many private businesses that are located within the countries that impose sanctions such as the United States, don’t know they have broken the law until they receive million dollar lawsuits.⁸ Some companies do business the ‘ostrich way’:⁹ they decide not to research international compliance laws with the view that if they do not know they probably won’t get in trouble or that the

⁷ Trip Mackintosh Trade Sanctions Lawyer), Talk, Holland and Hart"Effects of Economic Sanctions on American Businesses," 2013

⁸ Mackintosh, "Effects of Economic Sanctions on American Businesses," 2013.

⁹ *ibid*

particular product they deal with is not subject to those particular sanctioning laws and regulations. There are a number of different regulations concerning with whom a company can trade. Overlooking any regulation could cost a company more than money but also its credibility to many of its customers as it has to hand over lots of confidential information so as to clear its name.¹⁰

A final aspect to the equation of what sanctions might do is when imposers decide not to take into consideration the dynamics of the country's location and the region it is in. If a country is burdened with strict sanctions and yet is a powerhouse in the region how are the other countries in that region supposed to respond to those who initiate the sanctions. These unexpected consequences raise problems that imposers may not have considered or thought that they would not affect projected outcomes in several ways.

¹⁰ Mackintosh , "Effects of Economic Sanctions on American Businesses," 2013

INTERNATIONAL LAW

To fully understand how sanctions function, we have to look at how they are enshrined in International Law. International Law is a system of law which primarily governs the relations between states. But also dictates relations between international organizations, companies and individuals.¹¹ International Law sources its power from international conventions establishing rules expressly recognized by contesting states, international customs, general principles of law recognized by civilized nations and from judicial decisions and teachings of the most highly qualified publicists of the various nations, as subsidiary means for the determination of rules of law.¹² Strictly speaking the current laws concerning human rights, economic integration and political collaboration reflect a western philosophy of law related to the whole world's view on what should be right or wrong. Just like sanctions, International Law seems to be designed by nations that have the most abundant resources at their disposal. In addition, when International Law is differentiated than a specific country's constitution it is particularly hard to enforce. This raises significant questions about when the 'Law' has been broken.

International Law is respected far more than most people think; not because of the fear of sanctions, but because every country is entitled to retaliate if it has been wronged by another nation¹³ - this is actually enshrined in international law. At the same time, this misconception of countries disregarding international law is often exacerbated when

¹¹ Malanczuk, Peter, and Michael Barton. Akehurst. *Akehurst's Modern Introduction to International Law*. London: Routledge, 1997.

¹² Slomanson, William R. *Fundamental Perspectives on International Law*. South Melbourne ; Belmont, Calif. ; London: Thomson West, 2003.

¹³ Malnczuk, Michael, "A modern Introduction to International Law", p. 11.

powerful countries ignore it in the name of their national security or interests. Examples would be when the United States invaded Iraq and when Russia annexed northern Georgia. To make things worse, it is common to observe a number of minor wars all over the globe addressing domestic problems such as border, ethnicity, religion and domestic issues. These problems must also be handled within the framework of international law. International law is violated when the countries involved begin to use means that are outside the scope of reasonable retaliation. The concept of a 'Just War' and a proportional response to a crisis between countries or a government and its people, plays a key role in establishing what the international community would constitute as reasonable retaliation. For example, a civil war is entirely not a violation of international law; but the use of chemical or nuclear weapons, genocide or blatant violation of human rights may violate of a mutual understandings among states.

From a world perspective, isolated wars with cycles of retaliation will be detrimental to every nation. It is much more 'efficient' to have a global legislative body that nations can use to apply some form of punishment against a rogue state, or actors within that state, that seem intent on bringing political and economic instability that might affect the world. Most nations will abide by international law most of the time because the absence of a legislature is paradoxically the source of strength for international law since it solves the problem of nations having to look at their own laws to justify particular actions.¹⁴ In general, international law is based on generally accepted

¹⁴ Slomanson, *Fundamental Perspectives on International Law*. p. 13

customs (or a form of etiquette) between nations. Moreover, states cannot live in isolation in a world where development depends on exchanging ideas¹⁵.

Despite the many problems with International Law, the potential use of sanctions is accepted by most countries in the system because some level of order is required to not disrupt existing and future mutually beneficial roles (such as trade). When analyzed from the systematic level, every nation is mercantilist and nationalistic at the core; that is, they try to maximize their trade surplus and will always put their own interests first. Overall they try to enrich their own country before they benefit the global economy. With this attitude in mind, it is necessary for them to abide by international rules because it is likely to be much cheaper than be in a world where there is constant economic or political disruption. This is analyzed further by looking at the shift in international economics and world polarity.

¹⁵Slomanson, *Fundamental Perspectives on International Law*. p. 13

UNDERSTANDING THE ECONOMICS

Sanctions are an economic version of war without the need to use military or physical force against nations that are in violation of a principle of International law. Understanding the economics that allow sanctions to happen is vital as it explains why certain countries are unique in the effectiveness of the policies. The economics behind trade, whether financial, goods or services, and how certain countries use these tools to impose sanctions are something that has to be explained. Overall, for sanctions to be effective the country that enforces them either solely or through an organization has to have a strong economic standing to ensure other countries comply.

World polarity in its different forms from unipolarity to multipolarity depends on the size and capability of the country or countries involved. At the core of a country's ability to control any percentage that determines the nature of the world's polarity is the size and strength of its local economy. "All politics are local" – is a saying that carries weight with regards to why sanctions are imposed and enforced by a country or organization is capable of doing so. The world's economy today is largely determined by the United States and this is because it has been the hegemon since the end of WW II (and with the Soviet Union in some period before its fall). As the sole hegemon of the late twentieth and early twenty-first century, the US has promoted the principles of capitalism and globalization using its economy and military strength. Globalization has economic principles that it usually follows and it is these principles that make the US and the other countries that are shifting the world to a multipolar system unique in determining whether or not sanctions can be effective.

The best economic model that explains how countries impose sanctions and affect world polarity is the *Gravity Model*. The model states that countries with same or highest gross domestic product (GDP), relatively same size in terms of exports and imports will trade with each other more relative to the distance between them¹⁶. Others will define the gravity model for international trade as the volume of trade between any two trading partners as an increasing function of their national incomes, and decreasing function of the distance between them (Wall, 199)¹⁷. The generally accepted formula of the gravity model is as follows:

$$T_{A,B} = (GDP_A)^{\alpha} \times (GDP_B)^{\beta} / (DISTANCE_{AB})^{\zeta}{}^{18}$$

WHERE:

$T_{A,B}$ – is the value of trade between countries A and B¹⁹

GDP_A and GDP_B – are the GDP values of each country; which measures the total value of goods and services produced in an economy²⁰

$DISTANCE_{AB}$ – The distance between the two countries

α, β, ζ – explain the variety of theoretical settings associated with calculations of GDP and distance. They can also be replaced by a constant A that accounts for the variations.

They are almost always equal or close to equal 1.²¹

¹⁶ Krugman, Obstfeld & Melitz; International Economics, p.13

¹⁷ Yang et al, “US Economic Sanctions against China: Who Gets Hurt?”

¹⁸ Chaney, Thomas. *The Gravity Equation in International Trade: An Explanation*. Master's thesis, Chicago University, 2011. <http://home.uchicago.edu/tchaney/research/Distance.pdf>.

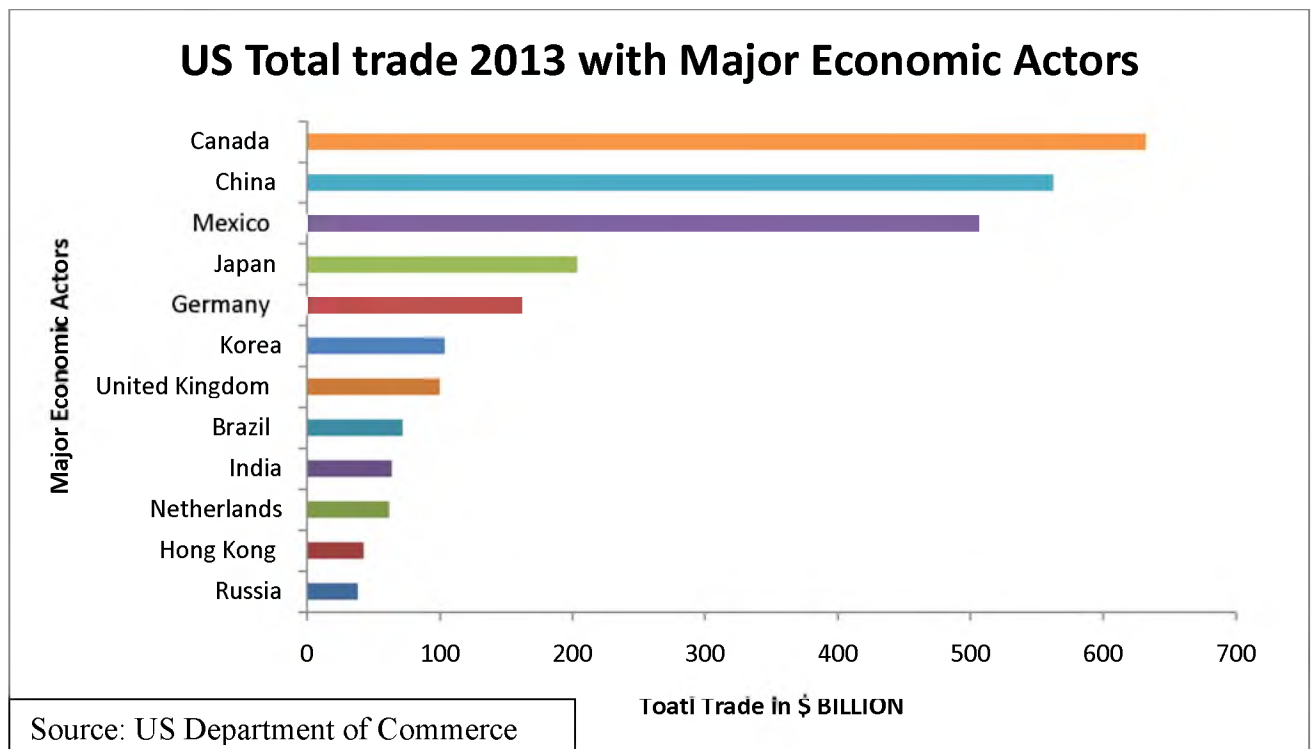
¹⁹ Krugman, Obstfeld & Melitz; International Economics, p.13

²⁰ *ibid*

The gravity model is almost self-explanatory and this paper does not require a detailed explanation of the model to grasp how this affects sanction. The gravity model works because large economies will tend to have the money to spend and buy from other corresponding economies. A large economy also means there is more diversity in the production of goods and services hence, people in these large economies have more of an incentive to buy or sell to these different tastes.

The importance of the gravity model is based on looking at the anomalies that are associated with it, as well as looking at the political impacts these bring about. The United States, for example, would be a good country to analyze because it is the biggest imposer of sanctions. As a country with a large economy and trades with everyone in the world it is very sensitive to those that are its largest export destinations. The US is also very concerned with countries that have it as their largest import destinations. The US does not care much for countries that have no impact on its GDP based on the gravity models predictions. If US trade for the year 2013 is analyzed you get the following graph: (India and Brazil have been added in for the larger purposes of the paper). The first thing we notice is that the economies with large economies are all on the list. But crucially the economies closest to the United States such as Mexico and Canada are in the top three. China is the anomaly here and this is crucial to understanding how this might affect sanctions. The emergence of Brazil also speaks volume.

²¹ Chaney, Thomas. *The Gravity Equation in International Trade: An Explanation*. p. 2



Another thing that looks like an anomaly given the gravity model predicts that only countries with large GDP's and close in proximity, are more likely to trade, is the volume of trade between the US and countries with small GDPs. One of the important underlying incentives to trade with the US is because of the similarity in culture and the economic influences that are adopted. The United Kingdom, Japan, Hong Kong all work under the principles of capitalism. They believe in a free market society. At this point the distance between the US and Hong Kong or Japan become less relevant due to the economic and political similarities. This is also testament to the US position as a world power that conquered Japan and basically wrote its constitution after World War II. The similarity and continued integration through trade also allows multinational companies to establish offices and headquarters in these countries much more easily compared to countries that are not democratic or capitalistic.

Due to its huge GDP and trade with other major GDP countries, the US has the ability to influence the flow of trade to countries that have relatively smaller GDP's and where the distance variable of gravity model can have less of an effect. For example, due to its trade with the many European Union countries the US has an incentive to help its multinational and private companies that do business there by creating a favorable environment. This favorable environment is created through legislature, generous loans through the Export Import Bank of the US and signing trade agreements between regions or nations. In the case of Mexico and Canada you have North American Free Trade Agreement (NAFTA). The United States also creates favorable environments in regions that would be considered risky by encouraging capitalistic policies through the International Monetary Fund (IMF) and World Bank. These would require countries to adopt policies that allow private and multinational EU, Japanese and other US major trading partners' companies to establish business operations in those regions. All this would be done with the view to reduce the distance variable that is likely to predict that trade in those regions would be unfavorable.

From the gravity model and the sample graph, it is also very clear to predict and conclude that any economic problem in a country with a huge GDP will have some effect on the countries it trades with. The trade value will reduce if the GDP of any of the two countries takes a hit due to an economic shock of some sort, for example, the 2008 Great Recession. The effects are worse when you analyze trade between countries with a large GDPs trading with countries with smaller GDPs. It is also implicit as well as explicit that the more economically and politically alike any two countries are the greater the trade

value generated. When sanctions are imposed you begin to see a decline in the trade value.

China is the odd country out when you analyze the major trading partners of the US. While the size of its GDP is huge and much more likely to trade with the US its political and economic structure is one that does not compliment the American system of capitalism. As far as the gravity model goes the only tangible explanation it can give is that the US and China are major trade partners because of size. This implicitly means that the US, regardless of how much trade value it has with China, is willing to overlook some Chinese practices in favor of trade. This economic and political anomaly is important to take into consideration when the US or China imposes sanctions on other nations because the effectiveness of sanctions is at risk depending on which country imposes them.

A study was conducted to analyze the impacts of US sanctions on its politics and economy. The study also included the effects these sanctions implemented by the US had on its allies, especially the European Union. The observations and results collected were based on the gravity model application to sanctions. One of the findings was that if the US decided to impose comprehensive sanctions there was a negative impact on bilateral trade²². This would have been the case for countries like Iran and Cuba that have smaller GDPs and find it had to switch countries they can trade with. The other finding was that trade with other major US partners such as Japan and the EU had been negatively affected by US sanctions but the countries facing sanctions were not able to improve their trade value. The researchers pointed out that this was evidence that the sanctions were

²² Yang et al; "U.S Economic Sanctions: An Empirical Study"

multilateral and its allies helped with the enforcement of the sanctions²³. From these findings it is a clear indication that countries that are major trading partners especially with an identified superpower and have the same economic and political structure will support the imposing of sanctions.

However, the gravity model also allows us to analyze why certain countries can affect the effectiveness of sanctions the US or UN imposes because of having a large GDP. For the GDP of any country to grow it has to increase trade, improve innovation and become a country that can create a business environment for itself and trading partners. For the purposes of this thesis, the countries that best epitomize these qualities are the Brazil, Russia and China. The first thing to observe is that these countries have a different political and economic structure compared to the US. They do not have to create the same business environment as the US and do not have to do business in the same nature as the US. With the World Bank as well as the IMF reporting that these countries GDP's are growing²⁴ - this means their stake in international trade is growing too.

The best way to illustrate this would be by giving a short modern case study. The EU (27 member countries*) trades with Russia which is showing all signals to annex Crimea. Of the EU's major trading partners, Russia accounted for 11.9 percent of EU imports and is second only behind China²⁵ in 2012. Russia accounted for 4.5 percent of EU exports in fourth position in the same year.²⁶ When Russia sent what they called 'self-defense' forces to Crimea, the US was the strongest critic among others and suggested that Russia sanctioned – the call was met with mixed political messages in Europe or

²³ Yang et al, "U.S Economic Sanctions: An Empirical Study?"

²⁴ World Bank, IMF

²⁵ European Commission "European Commission Directorate-General for Trade."

²⁶ *ibid*

something close to what I would term as ‘European silence’. European leaders were reluctant to follow in the footsteps of their biggest ally – the US. It was reported by the European commission that the EU accounted for 75 percent of directed stocks in Russia and approximately 33 percent of EU’s petroleum imports came from Russia²⁷. The gravity model would predict exactly the same thing. Complementing the study done by Yang et al, we know that US sanctions affect allies such as the EU but sometime the allies simply would not be able to go along with what the US proposes.

In economics, the gravity model can also go further to explain why countries such as China could refuse to impose sanctions on another country especially if the sanctions affect trade to the neighboring countries of the target country. If China for example has economic interests in a landlocked country, for example Zambia, and sanctions are imposed on Tanzania due to a political clash with the UN or US – then they have every incentive to veto or ignore those sanctions. On a net-basis, land neighbors are usually ‘innocent bystanders’ who are likely to suffer due to increased transport costs and trade disruptions²⁸ that have a direct negative impact on the total trade value. With growing GDPs that bring countries together sanctions become much more difficult to enforce or even impose. The gravity model allows making the connection necessary to understanding how countries that are in a position to affect world polarity, first need to have a large GDP. Secondly, the anomalies that arise in analyzing the gravity model then allow us to access the arguments necessary to be made to substantiate the claims that the shift is indeed occurring and sanctions imposed are affected.

²⁷ www.dw.de/trade-ties-expose--eu=us=rift-over-russia-sactions/a-17476069

²⁸ Slavov, "Innocent or Not-so-innocent Bystanders: Evidence from the Gravity Model of International Trade About the Effects of UN Sanctions on Neighbour Countries."

WORLD POLARITY

Polarity is the distribution of power among nations and how this power is used to influence the political and economic actions within the system²⁹. This power comes in the form of economic and military capabilities of a particular or group of countries. The system also reflects that ideology the dominant countries of the world adopt for trade and political arrangements to bring about generally accepted outcomes. To elaborate and explain the dynamics of polarity I have adopted the realist interpretation. A realist sees world polarity as evolving and never stagnant. Further, there cannot be a dominant power without it being challenged by other nations in the world. History has shown that powers have risen and fallen, usually after being challenged by other countries. The rising and falling of powers has been dependent on the strength of their economy and the use of their military around the world. They become the center of trade and can protect interests that remain the core of the trade. They can also use their military capabilities to enforce conditions that ensure that their economy is not threatened by other nations, especially those that are trying to compete.

There are three types of polarity that can be the basis for the world system, including its economic and political outcomes. Each of these Balances of Power also has a direct impact on the effectiveness of sanctions and whether or not the goals of the imposing actor or actors are accomplished. Put simply, polarity depends on how many great powers can be identified during any period of time. The identification of these countries as hegemonies is based on how strong their economy, political structure and

²⁹ Thompson, "Polarity, the Long Cycle, and Global Power Warfare."

military are; and how much they influence the expectations of other countries in the system³⁰. The ultimate test is whether the outcomes of interactions with other countries favor (and protect) their core interests. Such systems can be classified as unipolar (one power), bi-polar (two powers) or multipolar (three or more powers).

Modelski and Rapkin provide details about three types of polarity in an international system. A unipolar system is where one states controls fifty percent or more of the relative capabilities that matter.³¹ 'Capabilities that matter' is something that could be problematic to define but for the purposes of this paper and logic these would be economic and military capabilities. It is likely Modelski and Rapkin et al. could include other variables. For example the population and size of the country could be very significant in determining how important an actor can be in determining the efficacy of sanctions. These are important but would be considered as secondary compared to the economic and military might of any country that has an effect on sanctions. For sanctions to be effective or implemented the nation, nations or organizations advocating for them would have to have economic means and the military strength to ensure they are effective.

A bipolar system is one where two states control at least fifty percent of the relative capabilities and each of the two actors possess at least twenty-five percent with no other state controlling as much as twenty-five percent.³² This situation can be confusing as they are likely to be a variety of combinations especially when two control twenty-five percent of resources while the others control close to twenty-five percent. For the purposes of this paper and in relation to sanctions this twenty-five percent will again

³⁰ Thompson, "Polarity, the Long Cycle, and Global Power Warfare."

³¹ *ibid*

³² *ibid*

be relative to military and economic might of the two countries involved with the rest having no such capabilities. The authors also point out that the issue of nuclear weapons would have to be from the perspective of how much money and resources a country in the system spends on maintaining their nuclear stock pile³³. That is, it is not the number of nuclear weapons (from a military perspective) that a country has, but rather how much they spend to maintain them in comparison to other countries in the system.

A multipolar system is where three or more states each control at least five percent of the relative capabilities but no single state controls as much as fifty percent and no two states have as much as twenty-five percent apiece. This simple guide of the different polarities allows me to show how the effectiveness of sanctions can swing from being strong to relatively weak based on the changes in economic and military capabilities. The analysis of South Africa, Iran and China will point to how the sanctions are more effective are in a unipolar system and how they become weaker in a system that is moving towards multipolarity. This is true because countries have different political setups and have different interests. These differences are more likely to cause a form of chaos in the world and the best example would be World War I and II that all happened during time periods that were multipolar.³⁴ In these cases you had the United States, Britain and Germany as the competing powers.

The realist view of world polarity includes *Long Cycle Theory* and *Power Cycle Theory*. Long cycle theory is based on two major premises. The first being that global

³³ Thompson, "Polarity, the Long Cycle, and Global Power Warfare."

³⁴ *ibid*

wars give birth to a new leadership and this state is always a maritime trading state³⁵.

This is true even today as any country other than the United States identified as a potential world leader has access to the oceans and seas of the world. The best examples would be members of the G8 (group of eight most developed countries; US, Britain, Japan, Germany, France, Italy, Russia and Canada) as well as the BRICS (Brazil, Russia, India, China and South Africa). The identification of these countries allows for the next premise to be established. The second premise of Long Cycle theory is that the state that emerges victorious from the global war has to convincingly show that its military power is able to support economic goals³⁶; these economic goals monopolize the system both economically and legally. To conduct a global war the countries involved will need a strong military and one that can travel to a warzone anywhere on the globe. Military campaigns anywhere around the globe, in any form; full scale war, preventive or insurgency, requires that the country pursuing have the financial muscle to do so. The country has to have a very strong economy to support such a campaign. This would be possible because it can raise taxes, borrow capital and use other financial instruments with the confidence that the country's economy will be able to pay back all its commitments without any strain on the economy itself. All the countries singled out as potential hegemon have the navy to travel the globe and the economy to support its military expeditions.

The kinds of wars the Long Cycle theory applies to are inter-state (between sovereign nations). For example, World War I and II: from which emerged a clear victor,

³⁵ Kohout, "Cyclical, Hegemonic, and Pluralistic, Theories of International Relations: Some Comparative Reflections on War Causation."

³⁶ Kohout, "Cyclical, Hegemonic, and Pluralistic, Theories of International Relations"

the allied forces, and a loser the German forces. After World War I Britain and the United States emerged as great powers and after World War II the United States then Russia emerged as super powers. While World War I and II were both full scale campaigns on the European continent and almost every strategic location on the planet, that is not the type of war that has continued since 1945. War has evolved and countries like the US and The Soviet Union adapted to the new world supporting proxy wars financially or with a limited number of their own military personnel.

However, after the experiences of such wars it is clear that they are unlikely to happen. To influence outcomes, a hegemon or rising power is likely to lend assistance or carry out a campaign in other foreign countries that are classified as threats. While 'war' does not involve direct conflict between the United States and some of the potential countries; the war the super power is involved in affects its economic and military capabilities. In the case of the United States this war has happened twice. America's war against terrorism has led to its involvement combined with the support of its allies in Afghanistan. While the preemption of a nuclear attack or the use of Weapons of Mass Destruction (WMDs) led to the conquering and occupation of Iraq. These two wars within the same decade from 2001 to 2010 (whit the continued presence of US forces in Afghanistan till 2014) has had a serious impact on the economy and military impact of the United States.

By engaging in two wars at once, the United States portrayed the very definition of a super power in a unipolar system. An extension of the long cycle theory is hegemonic theory, which realists use to explain the actions of unipolar, bipolar and multipolar super powers such as the United States. Hegemonic theory asserts that the

world will be dominated by a powerful state that will set the rules³⁷. These rules will be used in economic transactions and local and international disputes because the country has the capability to use military force. The important consequence of this theory that is crucial to the analysis of sanctions is the cost-benefit ratio associated with hegemony. According to Gilpin, the hegemon has reason to keep the status quo and will absorb all the cost necessary to maintain the system³⁸. The United States, for example, it was important to go into Afghanistan to defeat terrorism and ensure that an attack such as 9/11 would never again take place on its soil. From the American stand point cost was not an issue because terrorism was going to disrupt its economic, political and global interests. Further, America invaded Iraq for two reasons; first, to bring democracy to the region and depose Saddam Hussein. Secondly, to ensure that Saddam Hussein would not use WMDs on his people, against America, or provide them to terrorists who had sworn to endanger the lives of Americans.

The cost of running two wars on another continent has had direct impact on the superpower's economy. By trying to maintain the status quo that it inherited, the costs associated with conducting two wars at once began to overcome the likely benefits. As important, straining the economy has a direct impact on how effective sanctions can be effectively imposed on target countries because the superpower will have to focus on stabilizing its economy to maintain the status quo. To finance the wars it is conducting, the United States had to borrow money domestically and internationally; this borrowing changed the US from the world's largest creditor to the largest debtor. This can give leverage to countries that lend money to the United States; allowing them more freedom

³⁷ Kohout, "Cyclical, Hegemonic, and Pluralistic, Theories of International Relations"

³⁸ *ibid*

in pursuing their national interests even if they do not agree with the United States. This in essence begins the shift from unipolarity to either bipolarity or multipolarity depending on how many other countries in the system are benefiting from the United States inability to maintain the status quo. This is the case with the BRICS and some European Countries that are primary beneficiaries. For sanctions to be effective the country imposing them needs a resilient economy. However, if the number of countries with strong economies begins to increase (at the expense of the unipolar superpower) then the target country has more flexibility to bypass sanctions without the threat of retaliation. Put simply, the superpower cannot command the outcomes it desired compared to those expected before the rise of the challenging nations without putting itself at further risk economically.

Long Cycle and, Hegemonic Theory; encompass factors which may explain a shift in polarity. Power cycle theory provides another dimension related to those looking to have more influences on the system: the use of economics as an instrument of foreign policy designed to shift polarity. Power cycle theory states that in a unipolar system, the superpower's politics and economy become the underlying dynamic of international politics. It focuses on the systemic (historic) role of each state and how this role is perceived by the elites of other nations, and what impact the changing distribution of power has on the role and security of the state³⁹. Power Cycle theory reinforces the importance of how a country perceives itself and how it adjusts to change, depending on the ever-changing structure of the global system. Charles F. Doran, raises a key question; "As a state's relative power decreases, how should it adjust its state's role and power?"⁴⁰

³⁹ Kohout, Kohout, "'Cyclical, Hegemonic, and Pluralistic, Theories of International Relations'"

⁴⁰ Doran, "Economics, Philosophy of History, and the 'Single Dynamic' of Power Cycle Theory: Expectations, Competition, and Statecraft."

The most likely scenario for a country in this position is that it will be less willing to accept the reduction of its influence and likely continue with the same policies that it had while it was still the hegemonic power. This theory has a direct impact on sanctions because they can be followed and implemented only to the degree the hegemonic power can enforce them. If the super power begins to lose its grip on controlling the world system it promoted, then the sanctions are less likely to be effective overall.

The power cycle theory also allows us to look at the polarity from the perspective of countries that are challenging the international policies of the hegemon. Rather than focus on the United States, in a state of decline (as could be the case now) another way of evaluating the shift in polarity would be by analyzing the economic rise of the other countries⁴¹ that affect the effectiveness of sanctions. Up to the present, the United States is critical to the financing and preservation of the international organizations that initiate or maintain development around the world (e.g. The World Bank, International Monetary fund and the Export-Import Bank). These development and economic improvement agencies function because the United States provides a large percentage of operating and financing capital. Based on the premise that each nation has to contribute a certain amount, based on its GDP, the United States is the largest benefactor. This allows the US to exert the goals of a capitalist democratic country on countries that apply for help. For every country that applied for aid or development projects, especially after the end of the Cold War, the conditions associated with that aid were principles that the United States continues to champion to this day.

⁴¹ Chandra, "The Rise and Rise of Emerging Market Banks."

However, these institutions are being challenged by the rise of other institutions that Russia, Brazil and China, for example, are creating. The creation of International Banks such as The Brazilian National Development Bank and the China Development Bank are important examples; they provide loans that are virtually interest free⁴² and give other countries the ability to avoid banks with American influences. This loosens the United States influence on the world economy and makes its sanctions much weaker because other countries and companies that would like to do business with a target country have other avenues of doing transactions.

The maritime part of hegemonic and long cycle theory is another important aspect, especially when combined with the power cycle theory. Once countries like China, Russia, and Brazil begin to have actual economic capabilities to influence the world's outcomes – they are likely to strengthen their military. Of the countries that are likely to affect the effectiveness of United States and International Organization (backed mainly by the US) sanctions, all of them are located on oceans. Of the countries rising as polarity contenders (e.g. China, India and Russia) all are currently expanding and strengthening their military capabilities by adding aircraft carriers to their maritime fleets⁴³. The purchase and renovation of an aircraft carrier by the Chinese Government, for example, is a clear indication that it wants to have complete control of its territorial waters. It is also a clear indication by the communist government that it wants to be able to protect its interests abroad⁴⁴ just as the United States has done over the years. With its increasing aid and investment in Asia, Africa and South America, it is in the Chinese government's best

⁴² THE ECONOMIST. "The Dragon's New Teeth." .

⁴³ *ibid*

⁴⁴ *ibid*

interests to ensure that its assets are not vulnerable. Even though the Chinese official foreign policy statement is not to use hard power to enforce their agenda⁴⁵, its actions often seem to suggest the opposite. Russia's involvement in the Ukraine, without any serious consequences or fear of threats from the United States is also a sign that the international system is clearly moving towards a multipolar state. Even previous hegemonies are reluctant to take on additional costs to maintain their status; rather, they pick and choose fights they know they can win and refuse to do so if they fear they cannot.

This is likely to be the future. It is where the power cycle theory with its focus on economic changes solidifies the case for a change in polarity. Economics of trade and politics become more important in determining whether or not sanctions are imposed. As the long cycle and hegemonic stability theories predict, the dominant power has used its military strength to ensure that its interests in regions it considers important, are maintained. This has often meant that country with a strong military will almost always get to determine the outcomes they desire.

In this environment, imposing of sanctions will have to be smarter; to target not the country but those who are in control. This is more likely to be achieved by having a strong economy in which others are likely to invest or obtain the goods and services from. While the US was engaged in two wars trying to maintain the status quo; a country like China has been enjoying an unprecedented seven percent growth rate⁴⁶ that allowed it to lend money to the hegemon. This dependency has resulted in reducing the ability to

⁴⁵ THE ECONOMIST. "The Dragon's New Teeth."

⁴⁶ *ibid*

influence China to join in efforts to contain Iran by economic sanctions. Similarly, Russia is building strong economic ties in the Middle East and Eastern Europe; this makes its political and economic actions more legitimate. For example, Russia's political calculation to be the main actor to advocate for the destruction of its Chemical weapons stock pile is something that shows its growing economic and political capabilities⁴⁷.

So while China, Brazil, Russia or India and the United States didn't engage in war, it was war in Iraq and Afghanistan that create the final necessary conditions for a major shift in polarity. This shift will have an increasingly large impact on the potential effectiveness of sanctions proposed by the US. Other countries have grown economic capabilities which will give them increasingly direct impacts on the outcomes of such effects.

Long Cycle, Hegemonic and especially the Power Cycle theory can be applied to contemporary cases to assess the effectiveness of sanctions. Each part of their combined insights contributes to the understanding of how imposing sanctions depend on how they react to systemic shifts in power, including when different countries are becoming major players in the world's political economy. In a unipolar world, it is possible for the hegemonic power to shape the effectiveness of sanction by convincing its allies to do the same; this is exactly what the United States has done and is still doing in some areas. Such a condition is found in assessment of how the Iran Sanction Act has been applied by the United States and how its allies in Europe and around the world are affected by it. However, in a bipolar or multi polar world, the existing or past hegemon that imposes sanctions has to be much more considerate of the other major players of the economy. To

⁴⁷ Zakaria. "Circling the Wagons on Syria."

maintain trade that favorable to your country with China might be more important than continuing a policy of sanctions attempting to achieve regime change. While regime change might be important to the United States, it will not be necessarily true for other main players in the world system. Hence the United States would have to reduce the stringency of sanctions to accommodate the wishes of other countries so as to not face a more hostile political economy. In the end, the nuances that come with a change in world polarity have to be understood in analyzing the potential effectiveness of sanctions.

SOUTH AFRICA

Apartheid South Africa is the country most academics will point to as a classic example where sanctions were used and garnered intended, unintended and unexpected consequences. However the biggest problem that people are likely to face when talking about the sanctions that were imposed on South Africa since 1960 – just 15 years after the end of the of World War II – is to confuse the nuclear sanctions with the apartheid sanctions. These two sets of sanctions did intersect, but they had different objectives and achieved different results. The apartheid sanctions can be considered successful, the nuclear sanctions are usually considered to have failed. The inconsistent results of the sanctions applied to the same country will help me further explain why the conditions outlined in my framework if met, could lead to the results that the apartheid sanctions achieved without the complications of either partial or total failure. South Africa provides a very useful setting to elaborate the model as well as set the platform to fully conceptualize the framework I hope to promote as a new way of looking at sanctions.

Based on the framework I am working with the intended consequences are the premises for which sanctions are being applied by the imposing⁴⁸ countries to the target⁴⁹ country/region. The objective of the sanctions is to ensure that the intended consequences are achieved. The judgment of whether or not the sanctions were successful is what determines whether or not the intended consequences are met. The unintended consequences are the effects that most people will point to when condemning sanctions

⁴⁸ This will be explained in further detail in the part of the paper that has the framework. The sender country is the nation that is imposing the sanctions.

⁴⁹ The target country is the country receiving the sanctions.

against a target country. As explained in the framework it is the unintended consequences that bring about the effects of sanctions on the welfare and livelihood of the citizens of the target country. The reactions from the citizens or institutions are what will usually give you a sign as to whether the unintended consequences are detrimental to the sanctions or not. Unintended consequences either can bring about a positive or negative feedback. Then we will see what the unexpected consequences look like primarily in terms of the sender country in relation to the target country. Unexpected consequences are the effects that the sanctions being imposed have on the imposing country. These are the consequences that raise more questions about the sender's country's main goals but also importantly how the sanctions may affect it (which is almost always the case and is treated as the standard for this paper).

In the early 1970's South Africa announced its secret new uranium-enrichment process that served as a reason not to sign the Non-Proliferation Treaty (NPT) that was adopted by the UN General Assembly on 12th June 1968. They feared that they would not have enough control or reap the rewards of its commercial capabilities.⁵⁰ As this was during the Cold War, the two main powers were disturbed by this development and both worried as to which one would get their hands on this technology first. South Africa during this period had a nuclear arsenal that was primarily provided by the United States and some of its European allies such as France and Britain. South Africa was imposed with sanctions that would compromise its commercial power reactors the Keoberg I and II (low-enriched uranium and supplied by France) and its Safari-I (high enriched uranium

⁵⁰ Hufbauer, "Economic sanctions reconsidered."

and supplied by the US)⁵¹. With its new technology that could possibly weaponize the uranium and with its refusal to sign the Non-Proliferation Treaty which would have given comfort to the major powers – the United States government under President Carter decided to impose sanctions on South Africa to get them to sign the NPT.

If we were to funnel this information through the framework and include particular details that were later discovered, we could begin to see why these sanctions that were imposed for about seven years were considered relatively unsuccessful. The intended consequence of the sanctions during the Carter administration was to obtain South Africa's signature to the NPT which would then require the target country to adhere to the safeguards of the International Atomic Energy Agency (IAEA).⁵² Added to this and with President Carter's well known pursuit of the recognition of Human Rights; another secondary reason was to put some form of pressure on the government to reconsider the Apartheid policies (however, this was a side note). The main objective of the sanctions was met and South Africa did eventually sign the NPT and follow its procedures, but that was not until 1991.⁵³ The problems with these sanctions begin to emerge once you begin to look at the unintended consequences of the sanctions brought about. The first unintended consequence of the US sanctions was that it exposed the United States true position with respect to South Africa – that is, the United States wanted to leverage the sanctions against them to have more influence over the country in the context of the Cold War. In 1979 forty-nine nonaligned East-bloc and developing countries outvoted the US and its 24 Western allies from barring South Africa from

⁵¹ *ibid*

⁵² Hufbauer, "Economic sanctions reconsidered." Database.

⁵³ *ibid*

participating in the 1979 IAEA summit.⁵⁴ To make matters worse the Reagan administration took a very strong position in the Cold War conflict against Russia and approved for the export of powerful computers to South-Africa that could be used to design nuclear weapons⁵⁵ - all this to shift the balance of power in southern Africa towards America.

While the US might have initiated the sanctions against South Africa, it becomes clear once you analyze the fallout with other nations that it did so with its own interests in mind. The US itself became the country that allowed South Africa to develop its nuclear arsenal even though they became cautious once they realized that South Africa might have had developed the capability to proliferate. The UK and US saw South Africa as a source of uranium for their own nuclear programs and in the context of the Cold War they had to get their hands on it before the USSR built more nuclear weapons than they had. As David Fig points out in his analysis of the nuclear sanctions against South Africa that despite the country's nuclear establishment insistence that the technology was home-grown; it was virtually impossible for the country to be as advanced as the US, UK and USSR without outside help.⁵⁶ He goes on to claim that it is more likely that the US and UK were behind the funding of the nuclear program and their interest in uranium deposits in South Africa. The UK and US funding to South Africa, allowed the apartheid government to easily navigate around the sanctions imposed by other countries. The Reagan and Thatcher administrations (which play a very crucial role in the South Africa episodes) were administrations that put free market economics over international politics.

⁵⁴ *ibid*

⁵⁵ Hufbauer, "Economic sanctions reconsidered. "Database.

⁵⁶ Crawford, Klotz, "How Sanctions Work: Lessons from South Africa."

Hence it is not surprising that since they didn't account for the unexpected consequences (their need for uranium) they could not simply follow suit with the rest of the UN.

The failure of these countries to foresee the unexpected consequences of the sanctions they initiated in good faith and eventually for leverage put the sanctions on a road to failure (partial effectiveness). It is also reported that during the Carter presidency, sanctions imposed on South Africa cost the US nuclear industry lost sales of about \$134 million by not being able to sell fuel cells to the South African reactors.⁵⁷ This economic impact was something that capitalist governments of Reagan and Thatcher could not accept. They reconsidered the terms of trade with South Africa through the policy of "Constructive Engagement". This policy was designed to relax most sanctions on South Africa while the President used back channels to change or end the apartheid system.⁵⁸ Basically the sanctions imposed on South Africa were unlikely to have any real effect until the apartheid sanctions began to kick in (as will be explained) and this was due to the fact that the desired effect of the sanctions was soon seen as a disadvantage to the country that initiated them. These disadvantages that the US identified then became the unintended consequences of applying sanctions in the first place and combined with the economic pressures which were unexpected – the sanctions were destined to be ineffective until the apartheid sanctions began pulling their weight.

Apartheid in South Africa was a policy that was designed to separate the white minority from the other races – the black majority in particular. In 1948 after the Nationalist Party had assumed power, they decided to make this separation law. Between

⁵⁷ Hufbauer, "Economic sanctions reconsidered." Database.

⁵⁸ *ibid*

1948 and 1950 the government had passed the Prohibition of Mixed Marriage Act, Group Areas Act (separate residential areas) and the Population Registration Act (required official registration of race).⁵⁹ The first sets of sanctions imposed were in 1960 when the UN passed resolution S/4300 that deplored the violence and called for an end to apartheid.⁶⁰ The UN, its new members and the newly decolonized African states which eventually form the new African Union are the main senders of these sanctions. The intended consequences of these sanctions were to end the apartheid that was leading to political unrest and hopefully overtime and with the right political climate ensure the black majority assent to power. The other aim was to terminate South African presence in Namibia and ensure it regained its sovereignty.⁶¹ The Namibian objective was achieved relatively early, in 1970, when a UN resolution ended the South African trusteeship of Namibia and Zambia temporary held the reins until a new government was elected to office.

This intended consequence was achieved due to the fact that all member countries that exported arms to South Africa banned all shipments. This was partly due to the fact that most European colonial powers were withdrawing from Africa and handing them independence. By 1970 more than half the countries in Africa had gained independence and ‘colonial guilt’ had already begun to set in. ‘Colonial guilt’, here meaning that former colonialists were not willing to agitate the other countries soon after leaving them after having treated them as second class human beings. So as to reduce the tensions that existed between themselves and their former colonies – the least they could do was

⁵⁹ Hufbauer, “Economic sanctions reconsidered. “Database.

⁶⁰ *ibid*

⁶¹ *ibid*

militarily isolate the Apartheid regime. This ban of arms by all trading members seemed to make the South African military high command have a change of heart, as they realized that their army might not be able to control the state of Namibia if the other African countries with the help of outside assistance decided to help Namibia. Apartheid on the other hand was an issue that was not going to slowly go away with the implementation of an arms embargo. South Africa's geological position allows for all its citizens to move freely between borders and assimilate or take refuge in neighboring countries that had already obtained colonial freedom – this movement creates a host of unintended consequences. During this period the majority of Southern African countries shared the same traditions, religion and more importantly the same political ambitions. The white minority government could not use the sanctions imposed on them to gain internal momentum (or a rally-around- the-flag effect) to further their cause against the countries that imposed the sanctions (as Iran did). The only way they could suppress internal rebellion was by creating a strong police state. Once this happened the vocal political activists would leave the country but were welcomed with open arms in the neighboring countries. This unintended consequence worked so well for the oppressed freedom fighters to the point that the South African government of President Botha had to send agents to kill political dissidents in neighboring countries.⁶² In this case the unintended consequence was positive for the freedom fighters but negative for the apartheid government. Negative, in that, it did not act in favor of the government but rather worked against them.

⁶² Hufbauer, "Economic sanctions reconsidered. "Database.

Such events led to more bans, especially from crucial trading partners such as the Organization of Arab Petroleum-Exporting Countries (OAPEC) except Iran, which greatly put pressures on the apartheid government. However, the government countered this by first no longer publishing its oil imports and also building strategic reserves in the Transvaal Mountains that could have sustained the country for up to 5 years.⁶³ What this meant was that the South African government had temporarily negated the effect of the oil embargo. Being a country that was resistant to change was never going to be easy between the 1960's and 1990's because the Civil Rights movement was just gaining momentum in the US. This movement was one of the unexpected consequences that both the imposing and target countries did not see or prepare for. With pressure mounting in Western countries to implement laws that brought about integration, South Africa's Apartheid Government became more isolated in its stance against racial mixing. With activists like Martin Luther King Jr. continuously singling out South Africa as a country that people should be less associated with it became increasingly clear they had to revise some of their policies.

This unexpected consequence that the apartheid government of South Africa as well as the United States didn't expect, had huge implications on the fight against segregation was the disinvestment of multinational corporations. In March of 1977 eleven multinational companies developed codes of conduct that were to affect the structure of the workplace⁶⁴. Unlike, many state-owned companies in South Africa at the time anyone race could be hired and promoted. There were no limitations on how far you could progress in a multinational company. These were developed by Rev. Leon Sullivan who

⁶³ How Sanctions Work

⁶⁴ Hufbauer, "Economic sanctions reconsidered. "Database.

was the first black board member of General Motors. This was definitely much easier to adopt because Carter was President and he most likely supported any efforts that would promote human rights and end segregation in South Africa. By July 1978, it was reported by Rev. Sullivan that an expanded version of his codes of conduct would be adopted by 103 other companies.⁶⁵ This was a clear indication that the multinational companies were willing to reflect what was happening in their countries and didn't want to be associated with segregation. These codes of conduct came under threat when Ronald Reagan came to power (1981) and announced the policy of 'constructive engagement' which would relax diplomatic, economic, technology and nonlethal exports for the South African military and police sanctions.⁶⁶ This was clearly due to the fact that Reagan was going to take a hard line approach to the Cold War and had to ensure that a country such as South Africa was going to be on the side of America rather than Russia.

By relaxing the sanctions on exports and some imports, the Apartheid regime no longer felt the pressure that the multinational companies were applying. In 1984 multinational companies stepped up their game and 119 United States companies agreed to expand the Sullivan principles.⁶⁷ As a President who believed in liberal economics Reagan began to take notice of the actions of these American companies. Most of these companies began to disinvest in their South African holdings which meant that South Africa was starved of capital and technology.⁶⁸ The impacts of this disinvestment were double digit inflation, currency devaluation and a climate of heightened uncertainty due

⁶⁵ Hufbauer, "Economic sanctions reconsidered. "Database.

⁶⁶ *ibid*

⁶⁷ *ibid*

⁶⁸ Mangaliso; "How Sanctions Work: Lessons From South Africa"

to isolation.⁶⁹ Some of these companies were basically taking a risk because the government had an option of kicking them out or buying the company at a cheap price if they decided to leave. Since South Africa was a country that wanted to have a strong economy that would compete with the world and would be the strongest in Africa, the apartheid regime could not ignore these pressures. To make matters worse in 1985 the blacks who accounted for over half of all retail sales boycotted white-owned business which forced the business owners to go to Pretoria (seat of government) and advocate for the improvement of the majority's welfare.⁷⁰ From 1985 to 1994 the primary tool that anti-apartheid movements and individuals used as leverage becomes the role of the multinational companies.

Another unexpected consequence that arises from the imposing of sanctions comes from the structure of the United States government. The White House and the Congress can both impose sanctions on a particular country. However, this doesn't mean that the sanctions the two branches of government impose will be the same or will have the same support especially if there is a different majority in the senate and house. The President might execute executive orders, but that doesn't necessarily mean the bill in congress will address the same concerns – this is the difficulty that Reagan faced with regards to South Africa and something Obama will face in regards to Iran (later in the paper). Initially Reagan had relaxed sanctions against South Africa, but congress was about to pass a bill that would do the exact opposite. In 1986 the senate overrode Reagan's veto of the sanctions bill by passing the Comprehensive Anti-Apartheid Act

⁶⁹ *ibid*

⁷⁰ Hufbauer, "Economic sanctions reconsidered." Database.

which banned all loans, banned new investment (disinvestment) and set five goals for the lifting of sanctions; these were:

1. Release of all political prisoners, those who were detained without trial and the release of Nelson Mandela
2. Repeals of the state of emergency... and release all detainees held under such state of emergency
3. Remove ban on all political parties, movements and let everyone regardless of race participate in the democratic process
4. Repeal of the Group Areas Act and the Population Registration Act
5. Agree to enter into good faith negotiations with the main representative black majority without preconditions.⁷¹

With each passing year the congress tightened sanctions especially on investment and Reagan could not do anything to stop him as he was afraid of being embarrassed by being unable to veto if the senate and house were against him. In 1988 the House approved sanctions legislation that ended all trade with South Africa except for strategic mineral and even threatened to use force against countries that would try to help South Africa on the black market. The legislation however, did not go through a vote in the senate.⁷² The complex nature of the American government structure, one could point out, showed that the representatives of the American people were reflecting the change they had seen in their constituencies. By the 1980's the United States had gone through more

⁷¹ Hufbauer, "Economic sanctions reconsidered. "Database.

⁷² *ibid*

integration compared to the 1960's. By 1985, the US economy was doing well and the US had become the undisputed hegemony. The threat of the going back to the Cold War had lessened and after the fall of the Soviet Union the policy of “constructive engagement” was no longer viable. At this point the apartheid government had no Cold War leverage they could use to maintain their system of government. With sanctions tightening and the world around them rapidly detesting segregation – it can be said that the unintended consequences of sanctions largely helped end apartheid.

IRAN

The Iran episode of sanctions could be seen through a number of different lenses but it would be insightful to see it through their own. This narration could either be politically correct or an oversimplification. In any case, it is necessary to understand how the theocratic elite of Iran probably see the United States and the United Nations. During the Iran – Iraq war of 1980 to 1988, Iran didn't like the fact that the United States actively supported the Iraqis by providing them with weapons (especially chemical weapons) as well as destabilize a government that wasn't inclined to follow western conceptions of democracy and had just exiled the Shah (who was a western ideological advocate). What surprised the Iranians more however was how quickly the US was ready to dispose of Saddam Hussein on the premise that he had Weapons of Mass Destruction and Chemical Weapons (that the US had provided). From this perspective – it only makes sense for Iran's elite leaders to come up with a policy that guarantees that they are not in a position that Iraq found itself. To make matters worse the United States' unconditional support of Israel and the fact that it has nuclear weapons is unacceptable to Iran, especially when they have historically been the regional power (as Persians). Therefore, it should not come as a surprise that the country might want to have a deterrent in the form of nuclear weapons; to both neutralize Israel's nuclear capability and increase a certain level of influence within the region.

The current sanctions now imposed on Iran by the United States and its allies in Europe are a policy that would have been almost inconceivable had the Shah not been exiled and the theocratic regime not taken a hard stance on US foreign policy. The sanctions imposed on Iran begin in earnest during the Iranian hostage Crisis of 1979,

when US embassy employees were held by students who were supporters of the new leader Ayatollah Khomeini who had just overthrown the US puppet leader – the Shah. Sanctions were used by the Carter administration in a two-track or dualistic approach immediately after learning about the embassy siege⁷³. The administration was to apply economic pressure on Iran through the prohibition of Iranian oil imports to the US, a freeze of all Iranian state assets held by US institutions and a comprehensive travel/embargo ban on all forms of trade with Iran⁷⁴. This was to achieve the dual goals of bringing the Iranians to the table as well as to increase the cost of holding the US hostages.⁷⁵ This was the starting point of imposing sanctions against a country that has had the majority of its political history governed by external powers and something the Ayatollah was ready to change. We see this through the negative attitude he had towards the United States and its allies.

The sanctions imposed on Iran show clearly how the world polarity played out at that time and how international law was the basis on which these were imposed. The sanctions were implemented as a tool to punish Iran for breaking international law/protocol, but due to the power of the Soviet Union at the time, the United States could only impose sanctions that had a limited effect. Another important assumption is that Iran had a commodity that was important to the world and was one of major producers of it – oil. Initially when the United States tried to impose sanctions it had difficulty achieving broad multilateral support for stiff penalties against Iran despite its

⁷³ TAKEYH and SUZANNE "The self-limiting success of Iran sanctions." International Affairs.

⁷⁴ *ibid*

⁷⁵ *ibid*

allies' sympathies over the affront of international law and diplomatic protocol⁷⁶. Most of the other countries feared that any strong sanctions would jeopardize relations and also bring about anger towards other Islamic countries in the Muslim world⁷⁷. Since the Ayatollah had just gained power, the Muslim world was not only in unison with his goals but any form of aggression towards him would have been seen as an open disagreement with the Islamic principles he advocated for – especially in the Shiite countries. To make matters worse the Soviet Union saw this as an opportunity to engage with Iran more effectively and also undermine the influence of US policy within the region. They did this by vetoing a modest array of UN sanctions and went further by offering economic assistance to Iran⁷⁸. This relationship has been a key factor for Iran each time they seem to be under pressure from the international community. Immediately after the implementation of these sanctions and with Iran's influence in the OPEC we shortly see the rise of oil prices in what becomes known as the 'Oil Crisis of 1979.'

During the late 70's and early 80's the United States and the Soviet Union were clearly the two countries that determined most of the world's political and economic activities. At this point, the United States had not solidified its power with its allies in the west to the point where its word was going to be policy that the other countries would try to follow as closely as possible to be in line with their own. This begins to change during the Reagan years and even more so during the Clinton years when the United States becomes the undisputed strongest nation, hence creating a unipolar system. After the fall of the Soviet Union in 1990; we begin to see the creation of stronger US regulations in

⁷⁶ TAKEYH and SUZANNE "The self-limiting success of Iran sanctions." International Affairs.

⁷⁷ *ibid*

⁷⁸ *ibid*

the area of trade with what were considered hostile nations. Using the institutions the US and its allies created after World War II such as the World Bank (WB), International Monetary Finance (IMF) and the various branches of the United Nations (UN) it begins to squeeze Iran's economic pipeline so as to influence its political behavior. When the Soviet Union had sufficient power and resources most countries had the option of ignoring these institutions and simply borrowing money or selling their commodities to them without having to worry about the institutions in which the US had great and unrivalled influence. This changed completely.

During the 1990's after the Iran-Iraq war, Iran had to borrow money from the World Bank to rebuild its war-torn economy⁷⁹ - this was the time for the United States to strike. The US pressured its allies to prevent Iran from having access to other financial institutions such as the Paris Club and not let it reschedule its debt due to the financial crisis it had in 1993⁸⁰. US representatives in the World Bank and other institutions would oppose any loans it might ask for any further development. This development was important to Iran because it had to upgrade and build new oil fields that would go on to sustain its economy. Iran, however, had serious difficulties in obtaining investors who would invest in their economy. During 1995 and 1996 the US government made the sanctions against Iran even more severe by creating legislature known as the 'Iran Sanctions Act of 1996'⁸¹. This impacted financial, technological, service and trade transactions going out of and into Iran. This piece of legislature also classified Iran as a nation that wanted to manufacture weapons of mass destruction and a nation that

⁷⁹ Torbat, "Impacts of the US Trade and Financial Sanctions on Iran"

⁸⁰ *ibid*

⁸¹ Iran Sanctions Act of 1996

supported terrorist activities⁸². This legislation is accompanied by a statute known as OFAC – Office of Foreign Assets Control which is under the Department of Treasury and monitors any transactions that might be linked to Iran or any other countries that are under UN and US sanctions.

On March 16, 1995, as a result of Iranian support of international terrorism and Iran's active pursuit of weapons of mass destruction, President Clinton issued an Executive Order prohibiting U.S. involvement with petroleum development in Iran. On May 6, 1995, he signed another Executive Order pursuant to the International Emergency Economic Powers Act ("IEEPA") substantially tightening sanctions against Iran⁸³. The IEEP Act is different from the Iranian Sanctions Act and OFAC regulations because it is a law that gives the President the power to determine which country (any country) poses a threat to US interests. Unlike the OFAC regulations which can apply to anyone or the Iranian Sanction Act which is specific and bilateral the IEEP Act is subjective and valid as long as the President can prove his case to congress. The language in the legislature states that the President can exercise his powers to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States⁸⁴. This language gives the US President lots of power against countries that he would deem dangerous but also gives him the power to coerce his allies to aligning with US foreign policy. This was met with little resistance from allies and other countries that would have been affected by this legislation. This was another sign that the United States was seen as

⁸² Iran Sanctions Act of 1996

⁸³ OFAC - "Resource Center." Office of Foreign Assets Control. Accessed May 02, 2014.
<http://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>.

⁸⁴ *ibid*

the only power that could solely influence world politics and economics without having to contend with any backlash or pushback from any other viable power (such as the Soviet Union). These statutory instruments also guaranteed that US companies would not be allowed to bid for any of the oil field projects in Iran. Even if US companies could bid for the oil field projects the US was not going to approve of any loans or monetary aid in international lending institutions that it had major influence. This led to the withdrawal of US companies in the bidding process for oil fields reduced the competitive environment that the Iranian government would have hoped for⁸⁵.

The extent of these sanctions was not only limited to US companies in the US but also to those that were located outside the US and used US technology, US financial services/instruments or US equipment to function around the world. On August 19, 1997, the President signed another Executive Order, clarifying the Executive Orders involving petroleum development in Iran and the IEEPA; confirming that virtually all trade and investment activities with Iran by U.S. persons, wherever located, are prohibited.⁸⁶ This means that ‘No U.S. person may approve or facilitate the entry into or performance of transactions or contracts with Iran by a foreign subsidiary of a U.S. firm that the U.S. person is precluded from performing directly. Similarly, no U.S. person may facilitate such transactions by unaffiliated foreign persons.’⁸⁷ And for companies in the petroleum business this was a confirmation that ‘U.S. persons may not trade in Iranian oil or petroleum products refined in Iran, nor may they finance such trading. Similarly, U.S. persons may not perform services, including financing services, or supply goods or

⁸⁵ Torbat, “Impact of US Trade and Financial Sanctions on Iran”

⁸⁶ OFAC Regulations Summary/ Treasury.gov

⁸⁷ OFAC Regulations/ Iran Sanctions Act 1996

technology that would benefit the Iranian oil industry.’⁸⁸ These measures are enforced primarily by the US navy which virtually polices the entire world with aircraft carriers in the Persian Gulf. Then, secondarily by the US State, Justice, Treasury and Commerce departments depending on which regulations have been violated – depending on which part of the Iran Sanctions Act is covered by a particular department. With the firepower that is to this day unrivaled, an economy that was recording a surplus during the 1990’s to early 2000 and the resources to effectively litigate companies that would try to evade these sanctions, the US government was determined to achieve the goals it intended by imposing the sanctions.

The dominance of the United States itself and its influence after the fall of the Soviet Union can be seen, at least partially, in the way it applied sanctions and how it almost single-handedly brought about serious long and short term economic implications to Iran. These implications can be flashed out much more explicitly when funneled through the framework of intended, unintended and unexpected consequences. Since 1979 to this day there have been a number of reasons the US has imposed sanctions on Iran. The first wave of sanctions against Iran in 1979 as stated were to apply economic sanctions so as to release the American Hostages the country was holding after the revolution. It wasn’t until 444 days passed that the hostages were released and sanctions were relaxed to a certain extent. The length they were able to hold on to US hostages without any military reaction speaks volumes about the system polarity of the time. This first wave of sanctions had two main stated objectives (the dual policy): ‘the safe return of the US hostages/prisoners and the protection of the property claims of US individuals

⁸⁸ OFAC Regulations/ Iran Sanctions Act 1996

and Corporations against Iran’⁸⁹. The intended consequences of the sanctions were achieved, but it is important to point out that these are different from most sanctions the US or the UN are likely to impose on a target country today. Unlike the second wave of sanctions imposed or those imposed on other countries the intended objectives were not designed to change the internal behavior, structure and political practices of the target country. At no point did the US request that Iran change its methods of governing or cease its influence promoting anti-American activities in the Middle and some areas of the Far East. This is an exception to the definitions adopted for this paper but these sanctions highlight how sanctions have evolved over time in regards to punishing countries that break international norms. In the end, the objectives were achieved, but only after much consultation with its allies and the increasing influence of the multi-national corporations.

An *Economist* article and many sanction experts observed that the sanctions placed on Iran ended up being effective because of the Europeans solidarity with the US to enforce the sanctions rather than the freeing of the US hostages captured⁹⁰. As far as most western countries were concerned they did not want to be involved in Iranian domestic politics. The expert went on to point out that America’s tactic of freezing most of Iran’s assets abroad over the course of the 444 days combined with the limiting of trade by its allies⁹¹ was enough to achieve the intended consequences without having to bring about unintended or unexpected consequences. However, it is important to point out that this episode of sanctions showed clearly the dynamics of the international system.

⁸⁹ Hufbauer, “Economic sanctions reconsidered.” Database.

⁹⁰ *ibid*

⁹¹ *ibid*

With the Soviet Union clearly against the sanctions and the reluctance of its allies to support the sanctions explicitly – the US had to bide its time regarding how it would impose effective sanctions. Due to the unique nature of the intended consequences (which did not require internal change) as well as Iran’s unrealistic demands for holding US hostages for more than a year; the US allies would have seen Iran’s stance as costly without any political or economic benefits. From the allies perspective it would cost them more economically, due to oil price increases, if they intervened in Iran. The US had managed to make doing business with Iran much more expensive by denying it allies access to its technology and credit services if they planned to use it in Iran. At this time it is important to note that the US was the largest lender of money especially to its allies who were still rebuilding and strengthening their economies after the devastations of World War II but also after they had to let go of their colonies around the world that provided extra income. Losing colonies proved to be expensive both by trying to maintain them and also by no longer having free access to the commodities that financed their activities. At this point the tide was against Iran and it only made sense to release the hostages and give back what was due to US oil companies that had invested in the region prior to the revolution.

The second waves of sanctions were imposed in 1984 and are still in effect to this day. The sanctions had been limited but are now complete and more stringent. The only exceptions to these sanctions are donations of articles intended to relieve human suffering (such as food, clothing, and medicine), gifts valued at \$100 or less, licensed exports of agricultural commodities, medicine, and medical devices, and trade in “information and

informational materials”⁹². The main difference between the intended consequences of these sanctions and the first wave sanctions is that the US demanded to see policy changes that would change the political structure and policy of Iran with regards to terrorism, nuclear enrichment and proliferation and human rights in the country. In October 1983 a US Marine Base in Beirut, Lebanon was bombed. It was alleged and subsequently proved in 1984 that Iran played a part in the bombing of a US Marine base that killed more than 200 people⁹³. This was seen as an act of terror and the US was going to retaliate by ensuring that it imposed sanctions that would bring about a change in policy or regime in Iran - this was the first consequence the US wanted to accomplish. The second consequence came as a result of the regime’s determination to obtain nuclear weapons as a deterrent against Israel and to assert itself as a power of the Middle East region. The third consequence came about due to the very nature of Iranian politics. As a theocratic state with an authoritarian-democratic style of carrying out politics the US decided to add the issue of human rights to the list of state-behavior it decided to achieve. As observed during the Green Revolution, Iranian authorities will crush any form of mobilization by people who disagree with the status quo.

The unintended consequences that arise from these sanctions have been rather more disturbing and bring to light the supremacy of the US from the 1990’s to about 2003. They also show how it is possible for other countries to ascend to the top of the system to create a multi polar one and affect the effectiveness of sanctions. One of the backlashes that the US noticed from placing sanctions on Iran is that the Ayatollah regime strengthened its grip of power in the country by portraying the US as an

⁹² OFAC Regulations

⁹³ Hufbauer, “Economic sanctions reconsidered.” Database.

imperialist nation. Using the support of Iraq during the Iran-Iraq war, the protection of the Shah and its refusal to lend money to the country for development purposes; the elite of the regime created a base that has had a deep mistrust of the United States. This mistrust has led to the re-emergence of the Iranian Revolutionary Guard Corps (IRGC) who answer to the Ayatollah and not to the President; a dynamic that the US seems to ignore when dealing with Iran. Trust issues in the context of the Middle East should never be underestimated when it comes to analyzing issues that might bring about unintended consequences⁹⁴.

The Revolutionary Guard is an elite force that controls the armed forces of Iran. They were officially created in 1979 (they had been in existence in one form or another before), after the fall of the Shah, by the Supreme Leader Ayatollah by decree with a mandate to guard the revolution and its achievements⁹⁵. The revolution and its achievements are a reflection of the new regime's consistent position of denouncing western ideals and maintaining the traditional and cultural traits of Iran. One thing we know for a fact is that this wing of the Iranian Republic with the Supreme Leaders is inherently anti-American. The sanctions against Iran could be considered a gift the regime accepted so as to turn its citizens against the US and its 'imperialistic' actions. The other vital consideration about the Revolutionary Guard is that their role and intervention in politics and the economy is neither constitutionally mandated nor legally prohibited⁹⁶. This gives both internal and external policy makers a headache because you never really know what the Ayatollah could mandate IRGC to do or what they are

⁹⁴ Zakaria, "On Iran, Compromise is Needed"

⁹⁵ Alfoneh, "The Revolutionary Guards' Role in Iranian Politics."

⁹⁶ *ibid*

capable of doing on their own. It is these propositions that make the Revolutionary Guard a vital actor to analyzing the unintended consequences that Iran encounters in Politics as well as economics. One thing the IRGC does from time to time is constantly run a parallel agenda that seems to undermine the Iranian President or any negotiations that the US might want to engage with the civilian government. This will be elaborated on the when looking at the unexpected consequences.

The Iranian Sanctions Act of 1996 and the IEEPA prohibit the sale and use of American technology in Iran – this provides a serious headache to American companies and allies located outside the US who would like to invest in Iranian projects. This is an area the IRGC takes advantage of because the sanctions allow it to take on the role of provider and fill the the gap that these possible companies from the US allies would occupied to do business. I had an interview with a trade sanctions lawyer and this is the example he used (paraphrased):

“Take the example of Japan which is currently investing and exploring for oil in the rich untapped oil fields [of Iran]. If a Japanese company, which is a US ally (in the broad sense of the word), were to purchase equipment from a US company with the intention to use that equipment for the exploration of oil – that would be crime and within the jurisdiction of the US to persecute the company that sold equipment to the Japanese company. This would be especially problematic if the US Company knew the purpose of purchasing the equipment.”⁹⁷

This scenario provides several opportunities for the IRGC while discouraging US allies to support sanctions that impact its ventures for cheap alternative oil sources rather than Saudi Arabia. The IRGC is one of, if not the biggest, benefactor of the sanctions against

⁹⁷ Mackintosh, “Effects of Economic Sanctions on American Businesses.”

Iran. With no specific mandate the IRGC takes the place of potential foreign investors and begins to amass wealth that allows it to be defiant in the face of any threats of more sanctions that the US might throw its way. By becoming a very important economic actor without access to the equipment or finances it needs it is left with one option – turn to the black market. This is known as the *Criminalizing Consequence of Sanctions*⁹⁸ and this is worse if it is done by an entity that is considered a legitimate actor in the target country. Simply stated sanctions create an economic (and political) opportunity structure that privileges those best positioned⁹⁹; which means any attempt to negotiate with the government leads to the unexpected consequence of always arriving at a deadlock. Research on the effects of sanctions imposed on the Federal Republic of Yugoslavia, by Andreas, confirmed that while sanctions don't bring about the criminalization effect they enhance it tremendously. Generally, criminalization is considered a regrettable but tolerable side effect of sanctions¹⁰⁰ but the difference between Yugoslavia and Iran is that the IRGC is a legal entity that has no clear mandate as to the role it can play in the economy or political sphere. As a well-recognized entity the IGRC would use its resources exclusively to consolidate its influence and repress any form of concern that many ordinary Iranians might want to address.

This involvement in the economy by the IRGC actually worsens conditions for those who want to see political and economic change. The Green Revolution that occurred immediately after the re-election of President Ahmadinejad was swiftly repressed by the IRGC because they were trying to protect their interests. The current

⁹⁸Andreas, "Criminalizing Consequences of Sanctions: Embargo Busting and Its Legacy."

⁹⁹*ibid*

¹⁰⁰*ibid*

President publicly but carefully asked the IRGC to reduce its role in the economy so as to not to compete with private companies and create a competitive business environment¹⁰¹. These are all unintended consequences of sanctions that the IRGC has had evolve in order to protect the tenants of the revolution of 1979 and defend the country against western ideals. And this is where the unintended consequences of sanctions are seen explicitly. Due to the sanctions' ability to cripple Iran's financial system the inflation rate is currently above thirty percent¹⁰² with many sources claiming it could range from thirty to as much as a hundred percent (think Zimbabwe but with oil). High inflation means high prices and with high prices means less goods and a general decline in the standard of living. With less access to goods it is in the interests of businesses to raise the price of products rather than reduce them. With restrictions on technology, the production costs of goods and services are still the same and have to become more expensive since the demand for those goods and services is still high. The Iranian government has had to increase subsidies over the last number of years and is currently running a 30% budget deficit.¹⁰³ Only recently after the election of a new moderate President has the government halted these programs so as to control inflation as well as stop the funding of populist initiatives of the previous Ahmadinejad government such as the cheap housing schemes.¹⁰⁴

According to the Financial Times the percentage of Iranian families living under the poverty line increased from 22 per cent to more than 40 per cent¹⁰⁵ – a clear indication that the sanctions are affecting ordinary Iranians' way of life. The only

¹⁰¹ Zakaria, "Fareed Zakaria on Iran's Nuclear Program."

¹⁰² Paivar, "Iran: Rouhani's First 100 Days."

¹⁰³ *ibid*

¹⁰⁴ *ibid*

¹⁰⁵ Bozorgmehr, "Inflation and Weak Rial Push Iran's Middle Class towards Poverty."

problem for these people is that even if they tried to revolt, as they recently tried, the IRGC would make sure that they could not. One of the intended consequences the US would want to see is the ordinary citizen apply pressure on their governments so as to eventually concede to the demands of the sanctioning country. However, if a legalized entity of that regime benefits from the very same sanctions that have been imposed and their position is threatened then the only way to ensure they remain in that position is to suppress any form of protest. This then goes on to have another knock on effect – the people who were protesting get frustrated not only at the regime but also with the actor that imposed the sanctions that put them in the situation they are currently in. They are caught between a rock and a hard place. This position then forces them to re-evaluate most of their options and are less likely to do one of the intended consequences that the sanctioning country hopes to see. At this point the sender country is losing on two fronts: 1) on the propaganda front - since the government is using these ‘clashes’ to inform the rest of the country how Western imperialistic motives are trying to destroy the country and 2) discouraging the very action they are trying to promote within the masses.

The unexpected consequences that arise from the Iranian experience show more clearly how the effectiveness of sanctions is shaped by the system polarity of the time. The IRGC have become such a crucial actor in Iranian politics that almost all negotiations over the nuclear program in the country have come down to them and the Supreme Leader. However, they are not the only problem as this is almost the same situation that the American government finds itself in. The US problem stems from the fact that the Iranian Sanctions Act of 1996 has a number of goals that Iran has to reach for the sanctions to be dropped – this is problem one. For the sanctions to be lifted, Iran

has to have ceased its efforts to design, develop, manufacture, or acquire a nuclear explosive device or related materials and technology, chemical and biological weapons, and ballistic missiles and ballistic missile launch technology¹⁰⁶. These would be easy to determine and the President can easily prove this to the committee and eventually congress. The problem arises in the last condition that Iran has to meet, which is, that it poses no significant threat to United States national security, interests, or allies¹⁰⁷. Read allies as Israel (and refer to story about Israel). The problem with the last condition is that it is subjective and something the President cannot easily prove to congress. It would be almost impossible for any President especially a Democratic one to convince congress to pass a bill that would lift sanctions against Iran considering the political deadlock the US is currently experiencing and will likely continue experiencing. The problem even before these countries negotiate is that regardless of what both Presidents say – there is no guarantee it will happen. Due to the fact that the Revolutionary Guard is hawkish on all foreign-policy issues and also profit from the sanctions¹⁰⁸ it is impossible for the Iranians to see any light at the end of the tunnel. Giving up their goal of getting nuclear weapons while a country like Israel has them is not a proposition you could sell to the Supreme Leader and the IRGC.

The other unexpected consequence comes from a shift in the world hegemonic system of power. As elaborated earlier, the US has been the top dog since the fall of the Soviet Union and I would personally say till the beginning of the great recession in 2007. However, it is in between 2001 and 2003 that we begin to see Russia and China flex their

¹⁰⁶ Iranian Sanction Act 1996

¹⁰⁷ *ibid*

¹⁰⁸ Zakaria, "Can Rouhani or Obama Deliver on Any Deal?"

economic muscles due to oil and exports respectively. The Russian government has done this by making its exports and businesses an integral part of the Iranian economy. For example, the largest exporter of arms to Iran since 1979 has been the Russian Government¹⁰⁹ - and as one of the biggest manufacturer of arms, the Russian government has a reserved interest to what happens to Iran. This reserved interest in Iran is to have some influence on the political discourse of other Sunni controlled countries such as Syria, Egypt and Iraq. [One of the reasons Russia's proposal to Syria to destroy its chemical stockpiles was because of its influence in the region and support from Iran – a strong supporter of Assad]. Russia also has the government owned Oil Company Gazprom operating in the country with huge investments in its drilling and transporting activities. Russia and Iran co-own the pipelines in the region that transport oil to Europe and the rest of Asia. The sanctions against Iran are largely ineffective due to the rise of Russia as an oil giant hence having the ability to trade with Iran on favorable terms. Additional sanctions on Iran imposed in UN are almost always vetoed by Russia and China especially if there interests in the country would be affected. This allows Iran to trade on the oil exchange/swap market through Russia and China without the fear of any retaliation from the US or its Western allies (that rely on Russian energy to avoid shortfalls). This would have not been the case if the US was still the only growing economic giant that determined the rate of China's and Russia's growth. A resurgent Russia also means that its military potential and capabilities provide a headache for a country like the US that is likely to avoid a confrontation (even though they would win).

¹⁰⁹ *ibid*

A major characteristic that established the United States a leading nation from 1945 to present; was its status as the world's main creditor. This however, is no longer the case as that title of the goes to China. This has caused cracks to appear in the effectiveness and imposing of sanctions. According to RAND and New York University (NYU), China's aid to the world has increased almost sixteen fold.¹¹⁰ China pledged \$52 billion dollars to the Middle East compared to the \$162 million dollars in 2010¹¹¹. Of this Iran has received 88 percent of all aid sent to the Middle east which over the years has accumulated to over \$88 billion dollars with China receiving most deals of exploring and developing the oil fields in the country¹¹². This flow of aid to Iran is China's way of trying to secure its energy future. With its booming economy and new position as the second largest economy China has to ensure that its demands are met regardless of sanctions imposed on Iran. Just like Russia, China is also investing in the building of land transportation capabilities for energy harvested. The oil transportation system being built guarantees Iran a source of income to keep its economy healthy as well as keeping the elite of the theocratic state happy. As long as the elite as well as strong groups such as the IRGC are happy, the sanctions on Iran are more likely to be in vain. This has severely weakened sanctions the US has applied to Iran.

The other unexpected consequence that brings uncertainty towards the sanctions regionally is the issue of refugees running away from a conflict that the United States is involved in Afghanistan. The war against terrorism that led the United States to invade Afghanistan to defeat the Taliban has been on-going since the end of 2001. This war has

¹¹⁰ Wolf, et al "China's Foreign Aid and Government-Sponsored Investment Activities Scale, Content, Destinations, and Implications."

¹¹¹ *ibid*

¹¹² *ibid*

created regional instability and a sense of confusion both for the international community and the refugees themselves. Iran's geographic location in the Middle East is economically, politically and historically very strategic and crucial to determining the mood of the region. It borders Iraq, Afghanistan and Pakistan – which are all proving to be rather key in determining whether or not American Foreign Policy is successful or not. The invasion of Iraq and Afghanistan in particular put Iran in the very unusual position of having to receive refugees from two wars that were created by the very same country that is imposing sanctions on it. This might seem minuscule in the context of sanctions being imposed but this has a serious consequence when the refugees can't find the 'refuge' they need in Iran due to the sanctions imposed by the United States

According to a United Nations Human Rights Commission (UNHRC) report in 2012, their main populations of concern in the Islamic Republic of Iran were: Afghan refugees who fled as a result of the Soviet military presence in Afghanistan from 1980-1992; and Iraqi refugees who have fled conflict in their country over the past decade¹¹³. The report might suggest that most of the refugees are from the Soviet era Afghan war, but this doesn't seem to make complete sense because the Iraqi refugees seem to have been as a result of the US- Iraq war during the last decade. The number of Iraqi refugees is currently at 44,100¹¹⁴ while that of Afghanistan is currently at 824, 100¹¹⁵ though it is impossible to determine how many of the Afghan refugees are as a result of the US-Taliban war. The likelihood and I might be wrong is that there are more from Afghanistan than from Iraq during the same period. More worrying about the situation, is

¹¹³ UNHRC. "Islamic Republic of Iran."

¹¹⁴ UNHRC. "Islamic Republic of Iran."

¹¹⁵ *ibid*

that Iran is expected by people in the region to provide some sort of relief due to its history as a country of opportunity. Before the sanctions were implemented Iran was where many people from Afghanistan immigrated to find jobs in the oil fields and send money to their relatives back home. Currently, they are received with contempt by a local population that is finding their standard of living deteriorating but also can't find any feasible means of income because the economy is constantly contracting. The UNHRC goes on to report that one of the constraints they face are the socio-economic situation of refugees in the Islamic Republic of Iran are being affected by the economic changes in the country, inflation and international sanctions. Furthermore, banks were unable to provide UNHCR with hard currency to pay refugee repatriation grants. Hyper-inflation increased the cost of operations, with the result that UNHCR was able to provide assistance to a smaller number of refugees than originally planned. The rising cost of health services was one of the reasons the Government decided to stop providing direct assistance to refugees suffering from a number of serious medical conditions¹¹⁶. With the previous Ahmadinejad government focusing its resources on pro-government policies it becomes virtually impossible to see how it would spend any money to help refugees from another country.

The intended consequence of expecting the people in the region to apply pressure on their government to change its policies so as to get rid of the sanctions – is no longer seen as a viable option. This is made worse when you consider the fact that the Iranian government might use the refugee problem to increase their influence in the region. This is especially important because the central government in Tehran has not changed its

¹¹⁶ *ibid*

policy toward Afghans, which is to provide asylum to refugees and a legal framework for Afghan migrant labor.¹¹⁷ This means that the Iran government is willing to take on this task of looking after refugees. Whether this would be a genuine or simply moral action is something we cannot be certain about. However, according to a *Financial Times* article it is then important to note that there are about 3m Afghans are living and working in Iran. . . which is not a problem but is concerned that there are no jobs for Iranian youth.¹¹⁸ This is clearly a problem as it is almost impossible to tell what the real unemployment rate in Iran is with sources such as Aljazeera claiming it might be 13% or double the figure. If this is the case there is unlikely to be any place for the refugees to find jobs to help sustain them.

There can only be two possible explanations for why Iran is willing to take on three million refugees while risking its economy and the wrath of its own citizens, but when analyzed from a broader context this can play out in the country's favor. As mentioned before the first goal would be to ensure they have some influence in the region by showing some form of compassion to people in the region that they can use to spread their anti-west messages. The other goal could be to use the aid that comes in for the refugees to weaken the effectiveness of the sanctions on the economy by smuggling in or out sanctioned goods. It is likely that the Iranian government could import and export commodities under the umbrella of aid so that imposing countries do not detect illegal trade. This is plausible due to the fact that the IRGC could use its black market operations through aid channels. This would also be impossible for the countries imposing sanctions to stop because they have an obligation through the UN to help refugees. This creates

¹¹⁷ Khalaj, "Sanctions on Iran Hit Afghan Refugees."

¹¹⁸ *ibid*

even more unexpected problems for the sanctioning countries because setting up effective sanctions becomes much more complex and could lead to more unintended consequences.

Ultimately, the expected and unanticipated effects of sanctions leads to people in the region to ask serious questions about what role the US is actually playing in the region – is it to ‘liberate’ or ‘oppress’ them. Whichever way you look at it, the US finds itself in a catch-22. It becomes much more difficult to achieve the goals the sanctions were set to achieve, and it becomes much easier for the groups the US is trying to stop to actually strengthen their stronghold by showing the locals the predicament they find themselves in. The unexpected consequences created by sanctions are difficult to predict. The Iranian case study is an example of where all elements of our adopted framework are applicable. It is also a case where the shift to multi-polarity in the system is occurring and clearly has an impact on the effectiveness of sanctions.

CHINA

The study of sanctions against China provides another dynamic to the whole research. Currently and has been explained in the Iran case study; China is part of the transformation of the world polarity from unipolar to multipolar. As a key actor in the current global political economy, China's position is one that can be described as 'the most experienced'¹¹⁹. China is a country that has experienced the imposing of sanctions and has also done the same to other countries and corporations. This experience might explain actions that might seem to other countries in the world system as being hostile¹²⁰. By looking at the sanctions that were imposed on China by the Soviet Union and the United States and using the framework; it becomes clear why China takes what would be considered a hostile or less stringent approach towards sanction policies.

Since its establishment as the People's Republic of China (PRC), the country has been targeted for sanctions. Mao was communist and when he led his army to overthrow the Chinese government of the day that supported capitalist and democratic reforms. The capitalist government then left the country to settle in, the country known today as Taiwan. With the calculus of the communist Soviet Union, the United States sort to contain what they believed would become a communist country. The intended consequences of the sanctions was to deny China access to goods of strategic importance, weaken the economy and ultimately undermine the new regime which had just overthrown one that the US was more likely to work with¹²¹. The objectives of denying the China to strategic goods and weaken the economy were reasonable goals. At this time, the 1950s, the United States was the most powerful and innovative country. It was the

¹¹⁹ Zhao, "Sanction Experience and Sanction Behavior."

¹²⁰ *ibid*

¹²¹ *ibid*

hegemony of the time¹²² and was still the only country expanding its military reach around the globe. The United States, was preparing for the Korean War at this time and most of its forces were in the Pacific region. So denying the goods that would be strategic was easily enforced because of the military capabilities at its disposal. The United States dollar had by this time also established itself as the reserve currency due to the Bretton Woods system. This meant for China to procure any goods from Europe or America it had to buy US dollars that it was simply not going to get.

As a pre-emption of the sanctions the United States expected Mao's Communist Party to side with the Soviet Union in domestic and foreign policy issues but it was going to make this very difficult. This was seen as something that could be managed through the policy of containment; which was applied differently by the various White House administrations between 1950 to about 1974 (When Nixon made his first official trip to China)¹²³. The objective of undermining the new communist regime backfired. One of the unintended consequences of the sanctions was the establishment of a very strong domestic communist state. The Communist government used the sanctions imposed on it to cultivate the spirit of nationalism and make out the United States to be a country trying to impede development. This was the rally-round-the-flag-effect¹²⁴ that the Mao regime used to undermine any efforts within the country to divide the nation. This division of the country would be achieved by causing economic hardships that would affect the people who would then demand change. This demand for change would likely increase the chances of the people on mainland China to recall the Chinese Nationalist Party back to

¹²² Thompson, "Polarity, the Long Cycle, and Global Power Warfare."

¹²³ Gaddis, "Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy"

¹²⁴ Verdier, Daniel, and Byungwon, "Why Rewards are Better than Sanctions."

government. If the intended consequences had gone according to the way the United States had predicated – this would have been the case and China would not have been communist during this time.

The sanctions on China by the US and its allies increased trade between the Soviet Union and the People's Republic. This trade which was more than 60 percent of imports into China as well as human capital (experts, assistance) became vital to the communists economy¹²⁵. This also proved to be a double edged sword for the Chinese government as they were dealing with a country that was readying its own world expansion. The Soviet Union model of communism compared with the Chinese ideology of how it should be practiced eventually reached a crossroad. Between 1960 and 1962 the Soviet Union became the clear competitor to the United States and the world system became bipolar¹²⁶. The Cold war was at one of its peaks and the way that these two countries were able to show this was by having influence in countries that adopted the same economic philosophies as they did. Due to the large trade exchanges between China and the Soviet Union – it was Khrushchev's and Moscow's aim to show China the way to practice communism. This policy was rejected by China, which insisted it would practice its own version of communism which did not include exporting it to other nations around the world (as the Soviet Union was aiming to do)¹²⁷. This was also the time the Soviet Union was pursuing an aggressive nuclear setup in Cuba that would eventually lead to the Bay of Pigs debacle.

¹²⁵ Zhao, "Sanction Experience and Sanction Behavior"

¹²⁶ Thompson, . "Polarity, the Long Cycle, and Global Power Warfare."

¹²⁷ Ulam, "Expansion and Coexistence: Soviet Foreign Policy, 1917-73."

Due to the escalations of political and ideological conflict between China and the Soviet Union, sanctions were imposed on China¹²⁸. The Soviet Union under Khrushchev had the ambition of expanding the Russian brand of communism and coexisting with capitalism under the policy of détente – what is usually referred to as the Grand Design¹²⁹. Due to having disagreements, that became public and embarrassing for the Soviet Union, they decided to apply sanctions so as to bend the Chinese resolve of following their own communist policies. Sanction imposed by the US and then the Soviet Union meant that China was isolated and had to begin to fend for itself. This is what both these countries thought and predicted would happen hence the unintended and unexpected consequences. One unintended consequence was China's resolve to become completely self-reliant something that was not of many countries due to the wars that had taken place. Premier Zhou Enlai initiated a policy that stated that China would never have to rely on its enemies, in this case the US and China, for products the People's Republic required¹³⁰. The Chinese government survived these sanctions by encouraging its people to reduce, reuse and recycle, to participate in production and sustaining the local economy by becoming more innovative¹³¹. The government was then going to protect these gains and ensure that China's economy grew throughout the Cold War period.

The other sanction experience that makes China a very unique country is when trade restrictions and suspensions were imposed due to the Tiananmen Square incident. These sanctions were imposed after China's military, massacred 5000 university students

¹²⁸ Zhao, "Sanction Experience and Sanction Behavior"

¹²⁹ Ulam, "Expansion and Coexistence: Soviet Foreign Policy, 1917-73. "

¹³⁰ Zhao, "Sanction Experience and Sanction Behavior"

¹³¹ *ibid*

who carried out pro-democracy protests, with the intention to establish order¹³². This was seen as a human rights violation and the US among other countries imposed a broad range of sanctions with the aim of changing its domestic policies¹³³. This imposing of sanctions brought to the surface the differences in how China and the United States viewed world problems and more importantly the meaning of sovereignty. One of the unintended consequences in this episode of sanctions was the unequivocal stance China was going to have with regards to domestic policy. This can be summed up by the Chinese Communist Party's General Secretary, Jiang Zemin who said, "The concepts of Human Rights, democracy and freedom are all relative and specific ones... they have to be determined by the specific national situation of different countries"¹³⁴. For the Chinese Communist party the US sanctions against them were perceived as an attempt to undermine the legitimacy of the government and have direct influence in the construction of domestic policy¹³⁵. This was seen as disrespecting the sovereignty of China and its people.

China responded to these sanctions by being defiant and claiming that the sanctions (arms embargo) against them were not in line with the reality of the time¹³⁶. They also did what they had done the first time to continue to develop more economic partners so as offset the effect of the sanctions. China went as far as opening trade contacts with India after three decades in the hope of obtaining technology for use in

¹³² Boudreau, Donald G. 1991. "Beyond Tiananmen Square: China and the MFN debate." *World Affairs* 153, no. 4: 140. *Academic Search Premier*, EBSCOhost.

¹³³ Zhao pg. 269

¹³⁴ Petersen Institute: Case 89-2 US v. China (1989- : Tiananmen Square Massacre, Human Rights)

¹³⁵ Zhao 269

¹³⁶ Chinese Foreign Minister Liu Jianchao; Case 89-2 US v. China (1989- : Tiananmen Square Massacre, Human Rights)

agriculture, services and public administration¹³⁷. Due to its insistence of non-interference by western countries in domestic policy and the growing influence of the Chinese economy the US no longer saw any benefit to impose sanctions. One of the greatest concerns from the United States perspective was evident in President Bush's (89') statement where he called for a "reasoned, careful action, that takes into account both our long-term interests and recognition of a complex internal situation in China."¹³⁸ This statement from the President of the United States shows the level of uncertainty and conviction that the administration had in relation to the sanctions imposed on China. From this perspective, while the United States were going to show the world that they were champions of human rights and freedom – they did not want to destroy a relationship that had taken so long to build. With China's increasing importance in Asia, it was clear from the US point of view that the cost-benefit analysis overall was not in their favor.

Interestingly, China has been subject to sanctions that have been considered successful. However, these sanctions were imposed due to China's involvement in the proliferation of missile weapons. China was selling missiles to Iran and the United States saw this as a threat to its national security¹³⁹. The United States Congress passed the Missile Technology Control Act (MTCA) in 1990 with the intention to impose sanctions on China and force them to agree to the over non-proliferation of weapons. The sanctions imposed were to ensure that China's trade relationships with countries that were considered US adversaries, such as Iran, were not going to use the technology and

¹³⁷ Case 89-2 US v. China (1989- : Tiananmen Square Massacre, Human Rights)

¹³⁸ Petersen Institute: Economic Sanctions Reconsidered

¹³⁹ *ibid*

weapons traded¹⁴⁰. These sanctions mainly targeted specific Chinese companies that were involved in the selling military hardware and technology but did not apply to the broad economy¹⁴¹. The United States was primarily concerned with its own security and the Chinese government was cooperative with these sanctions as they realized that this could affect their trade relations with the biggest economy at the time. It was also during this period that leaders in China realized that economic seclusion had been a costly mistake¹⁴². To survive the new world of globalization that was being promoted by the United States, China had to trade and become economically strong so as to compete and engage with other countries. In doing so it became obvious that their biggest customer was the United States. Critical to maintaining a good trading relationship is recognizing the values that your largest trading partner holds as a standard – one of these was and still is its national security. For the Chinese, the United States security concerns had nothing to do with its own internal politics and for this reason there was no need to be uncooperative with sanctions imposed. One of the important steps the Chinese government took was to educate Chinese Officials with the export and import compliance laws.¹⁴³ This would ensure that China did not trade with actors that would violate US laws and security fears.

Based on China's reaction to the sanctions imposed by the US and those it has advocated, the unexpected consequences of the sanctions manifest in two clear ways. The first was that China's economic emergence during this period had a direct economic impact on companies around the world and in the US. Secondly, China would over the years to this day have a parallel view with how sanctions should be applied and what they

¹⁴⁰ Zhao, p.270

¹⁴¹ *ibid*

¹⁴² Economist - <http://www.economist.com/blogs/graphicdetail/2014/01/daily-chart-6>

¹⁴³ Zhao, p. 271

should affect. With its economic emergence and currently the largest economic trading country in the world¹⁴⁴ – a status it just obtained – China's economic importance is something that many companies as well as the Congress in America cannot ignore. The isolation experience of sanctions by China is the most important unexpected consequence that the US and the Soviet Union ignored. It is this isolation that I believe allowed China to watch from the sideline while it was developing. By observing from the sidelines it knows exactly what to expect and how to avoid being in the same position again. Chinese history rarely makes the same mistakes twice and with this calculus in mind China as a country that has a major say in the coming multipolar world becomes a crucial player in determining the effectiveness of any sanctions imposed by a country or organization around the world.

¹⁴⁴ The Economist. "Crowning the Dragon."

THE CONCLUSION

The three case studies above allow me to predict the future of sanctions and how world polarity is likely to have a major role in determining the most effective types of sanctions to use. Sanctions are still the best tool superpowers and world or regional organizations can use to influence the economic and political outcomes in a target country or region. They are still the best alternative to any form of warfare. But it is up to the countries or organizations imposing them to ensure that the intended consequences are achieved with minimal unintended and unexpected consequences. It is also up to the imposing countries or organizations to realize when the sanctions being imposed are no longer effective or are bringing about more escalation to a political or economic situation rather than agreement. Whether or not the imposing country (or organization) decides to cancel the sanctions or reduce them will depend on the world political climate of the time.

The first factor to consider when assessing the potential to successfully use sanctions against a target country is to determine their regime type. In this thesis South Africa, Iran and China were chosen to illustrate three common types of regimes likely to be seen in the future. South Africa during the Cold War era was technically a democracy, even though it oppressed the black population in its country. Iran is a theocracy built on authoritarian and democratic principles. China is an authoritarian country with a communist political ideology. The results of this study suggest that achieving the intended consequences in these countries could be a problem if the sanctions are imposed by a country with different political and economic structures. In addition, to achieve the

intended consequences, the imposing country must craft sanctions that do not forcibly alter the core ideology of the regime in the target country.

South African sanctions against apartheid were largely successful because the intended consequences could be initiated within the regime. Even though it was an apartheid regime, within the elite changing policy was relatively democratic. Put simply, democratic countries or regimes (with a democratic setup) are likely to be more vulnerable to economic and political sanctions compared to authoritarian counter examples¹⁴⁵. This could also explain why the freedom fighter movement in South Africa headed by the Africa National Congress (ANC), kept petitioning the US to intervene. Even though the black majority could not externally force the democratic processes within the Apartheid regime to begin the movement towards reform; pressure from a white-government abroad could be the catalyst required. This is true increasingly for almost all countries when you begin to include the world polarity calculus. Economic and political coercion in South Africa became attainable by the sanctions imposed by Congress, United Nations and many other countries because people within the apartheid regime that the policy was harming the nation. Even though sanctions are imposed from the outside, the South African case study confirms that they work from the inside out¹⁴⁶. The intended consequences of sanctions in South Africa were largely successful because within the ranks of the apartheid were people such as F.W De Klerk who were motivated by the sanctions to move towards desegregation. With more economic and political pressure it became easier for De Klerk to challenge for the South African presidency and then implement the intended consequences of the sanctions.

¹⁴⁵ Major, "Timing is Everthing"

¹⁴⁶ *ibid*

This is not the case with Iran and China. The intended consequences become much more difficult to attain when the target country is not the same (or similar) to the imposing country or organization in structure. For example, consider the way elections are held in Iran and China. In Iran's case, elections are not a true democratic process – the Ayatollah has to approve of the candidates running for office. The people in Iran choose a president from a list rather than from personal campaigning. In China, the communist party chooses the leaders who are on the Politburo who create economic and political policy without any input from the people.

In Iran, the Ayatollah as the Supreme leader is able to manipulate the instruments of domestic loyalty based on religion to create a rally-around-the-flag effect that portrays the imposing country or organization as one that is trying to destroy the country. Once you add this to the history of a country like the US in the region, you begin to see all the unintended consequences that could possibly be avoided in a country like South Africa. If the portrayal of the imposing actor seems inadequate, the Ayatollah can use the military as an agent to crack down on protest the sanctions might have encouraged (e.g. Green Revolution). In China the unintended consequences would be manifested by the disregard for human rights. Any protest that is likely to threaten the stability in the country will be crushed in the name of peace. Compared to the US, China does not have to answer questions of accountability or justifying its actions to the world because it is still seen as an emerging power that is not explicitly trying to shape the systems outcomes. China is more concerned with improving its economy and ensuring that its people are economically satisfied. If people are economically satisfied they have less of an incentive to concern themselves with the politics of their country. The increase of China's

participation in the world economy also becomes an issue that the Western Liberal world cannot ignore. If China's contribution to the global economy increases, other major economic actors that have real influence in the world will be more concerned with maintaining economic dialogue (hoping that they might achieve some form of concession) rather than openly challenge China's political stance on any set of sanctions against a target country.

The unintended consequences would manifest differently for each country; but they often stem from the experience the target country had had with them. This is something that imposing actors seem to acknowledge yet also ignore at the same time. While most actors that impose sanctions acknowledge the experience a target country has had with sanctions, policy makers are always convinced that they are always the most effective way to bring about the desired outcomes. In achieving a unipolar role, the country that does so, shapes the international rules and guiding principles of doing business or handling political issues in its own structural setup. What you then begin to see is a persistent friction between the country imposing sanctions and the target country that can use its experience with sanctions to create nationalist opposition to them. This friction is what usually precipitates the unintended consequences. For example, the World Bank and IMF are the major systematic monetary lenders. The conditions attached to loans have always been western in nature: democracy, human rights and liberation of the economy (less government intervention). These principles might be in line with a target country or they might be seen as incompatible or even threatening. A country like South Africa had nowhere else to turn once the United States Congress imposed the sanctions. The United States was its main supplier of nuclear technology and assistance.

Its only other option was going to be the Soviet Union, but this would probably have meant a complete overhaul of American products and technology. This would cost money and during the 1980's it became clear that they were no longer a leading economic power that could support countries involved in the Cold War calculus. South Africa's only option was to concede defeat and reform so as to avoid more economic damage. The unintended consequences could not materialize.

This is not the case with Iran and China. The Ayatollah's new Iranian government attitude towards the US was both political and cultural because of the United States' support of the last Iranian Shah. The Ayatollah as well as the IRGC used any form of economic coercion as propaganda to fuel Iranian nationalism. The new Iranian elite attempting to preserve their status had to look for alternative forms to ensure that the people did not rise up against the government. People who tried were tortured or in some cases killed. People who supported the government and Supreme Leader were rewarded with a subsidized standard of living that had negative impacts on the economy. This resulted in high inflation rates and shortages in vital commodities such as petroleum (something that Iran produces). To negate these economic problems, the government asked for assistance from China and engaged the black market for vital products such as petroleum¹⁴⁷. This attempt to regulate the economy led to the IRGC becoming more involved in Iran's economy. This creates another set of unexpected consequences for the imposing country when they decide to reduce or remove the sanctions. If sanctions are removed (or reduced), and the IRGC (and the Iranian government) have invested heavily in businesses on the black market, the IRGC will not easily let go of that lucrative

¹⁴⁷ Swartz and Stecklow. "Black-Market Gas Shelters Iran." ,The Wall Street Journal.

business. They are particularly likely to resist the approach by any President who might be interested in thawing relations between Iran and the West. This would also be the case for other members of the Iranian elite who have done the same in other niches of businesses that the sanctions allowed them to reap huge profits.

The unintended and unexpected consequences are especially important when you compare the Chinese case study to the other two case studies. This comparison also suggests that current events in Crimea could easily have been predicted but not avoided. Like Iran and South Africa, China has been subject to sanctions by the United States. The different sanctions targeted different political and economic issues from human rights to intellectual property. Whenever China felt its national integrity and sovereignty was threatened, it stayed resolute. When the sanctions after Tiananmen Square were announced, China made it clear to the countries imposing those sanctions that China's problems were for China alone to resolve and that they would not bend to intervention from the outside.

However, whenever the sanctions were economic, it was more likely that China would be more conciliatory, because the only way China could survive was by engaging in world trade. The important thing to gain from the Chinese case study is that the sanctions put China and the US on a collision course, considering that the US was on an economic and political decline while China was on the rise. With its rise as a great economic actor, China has become a model other countries imitate partly due to its new position as global creditor. More countries that rely on aid and foreign direct investment have come to see China as a viable alternative source. This is amplified when you look at the role China has played on the sanctions imposed by the US on Iran. In 2007, a Chinese

ambassador stated that the relevant sanction measures imposed should neither harm the Iranian people nor affect normal economic, trade and financial exchanges between Iran and other countries.¹⁴⁸ In 2009 China signed \$14.5 billion worth of contracts with Iran to help expand two existing oil refineries to produce more gasoline domestically¹⁴⁹. This type of aid undercuts any form of sanctions the US or UN might impose on Iran.

China's foreign aid is known to come without any political conditions that would affect recipients' the structure of government or culture. This is probably due to the experiences they had when sanctions were placed on them by the US and the Soviet Union during the Cold War years. With their share of investment increasing around the world it inherently becomes part of the Chinese DNA to protect them. This has meant investing in economic and military capabilities that would allow them to be in that position. The China Development Bank, which facilitates China's cross-border investment and global-business cooperation,¹⁵⁰ is becoming a key rival to many of the western international institutions such as the World Bank and IMF. In such a situation, the economic advantage of placing a broad range of sanctions becomes much more difficult because the target countries can substitute their source of development funds. This is also why China has invested in military modernization to be able to reach areas where their investments might be at risk. This is exactly what Long Cycle theory predicts for rising great powers.

The unexpected consequences begin to emerge when it becomes increasingly clear that the hegemonic imposing country (or organization) can no longer coerce over

¹⁴⁸ Van Kemenade, "China vs. the Western Campaign for Iran Sanctions."

¹⁴⁹ *ibid*

¹⁵⁰ China Development Bank; <http://www.cdb.com.cn/english/>

rising powers like China to support its set of the sanctions. For example, as the largest trading country in the world, China does business with anyone and everyone. This is not the same for most US individuals or companies around the world due to the development of “Smart Sanctions”. American companies in particular have a stake in the Chinese economy but they are restricted in what types of businesses they can conduct without breaking the law. When sanctions are implemented today, they affect every American company and any company that has an American citizen as an employee.¹⁵¹ Current US sanctions, increase America’s jurisdiction and this is can affect companies in ways that are likely to disrupt business¹⁵². An international transaction whose destination is a target country could substantially cost a company or its subsidiaries more in legal fees this increases with the complexity of sanctions. The new forms of sanctions that the US has adopted are much more complex and could involve lawsuits from the Commerce, Treasury and the Justice department at once, or separately, depending on the situation¹⁵³. These types of regulations are difficult for multinational companies to avoid which discourages international business. Hence, the effect of sanctions will be felt in the home country as well because they might not be sure if the company they are selling their product to in China is reselling to a buyer in a sanctioned country such as Iran. One of the unexpected consequences is that the imposing country might not receive support from its allies because the sanctions are putting unnecessary pressures on companies that are vital to the United States’ allies’ economies. With more economic integration and emergence of rising nations, the economic capabilities that made a hegemon effective in imposing sanctions in a unipolar world no longer have the same effect. While the US is still

¹⁵¹ Buretta, & Mackintosh. "U.S. Trade Sanctions: The Threat of Local Enforcement of Federal Sanctions."

¹⁵² *ibid*

¹⁵³ *ibid*

identified as the strongest in the system it does not necessarily mean it can effectively influence the outcomes in the world.

A country like China would never support this type of infringement on their companies and would become less inclined to do business with US persons or entities. From the Chinese perspective, the US is not the powerful country it was twenty years ago and that type of infringement is not worth the risk. From the American companies' perspective, their business opportunities are becoming more limited due to the fact that Chinese, Russian (or any other country's companies) might not follow the sanction procedures that the US, EU or even UN have implemented.

THE PREDICTION...

Understanding world polarity is crucial to analyzing systematic trends we see in the world today. The gravity model helps explain that as a country's economy begins to expand it increases its multilateral trade with countries that have large economies. China, the US, the EU and Russia are among the top five trading partners today. Long and Power Cycle theories explain that as countries grow economically it becomes virtually inevitable for them to desire to increase their military strength.

Parallels are usually drawn between the dynamics in 1914 and those happening today in 2014.¹⁵⁴ A comparison between the political and economic similarities of the United Kingdom and Germany's differences laid side by side to the ones between the United States and China. I would go further and expand this parallel comparison as the differences between the US and China as well as Russia. In 1914, the world was multipolar. The identified superpowers were Britain, Germany, US and France. The differences between Britain and Germany led to the First World War. History seems to suggest that a world that is multipolar has all the ingredients to start a war, which would then determine the new superpowers. This might not be the case this time because an inter-state war between great powers today would be fundamentally disadvantageous to everyone involved. It is also likely that sanctions will suffer as well. Rather than having a world war we will see more counter-posed sanctions (in effect, a kind of economic warfare were countries impose sanctions on one another till they reach an agreement).

¹⁵⁴ Evans; "Before the First World War: What Can 1914 Tell Us About 2014?"

Russia recently annexed Crimea from the Ukraine and the US and the EU responded with sanctions.¹⁵⁵ The US Executive issued executive orders that would ensure that if the Secretaries of the Treasury, State and Commerce concluded that a Russian individual had helped the Russian Government facilitate the annexation of Crimea and escalation of violence in the Ukraine then that individual should not have access to any US assets¹⁵⁶. This action was swiftly followed by a reaction from Russia that froze assets in their country.¹⁵⁷ It has become increasingly clear that the United States' EU allies are hesitant to impose the amount or level of sanctions as the US.

When you analyze the situation further you begin to observe why the cracks have shown up. Russia is the EU's largest single supplier of gas products at 30 percent¹⁵⁸. Any sanctions that are deemed truly harmful from a Russian point of view could mean restricting energy supplies to Western Europe. This would cause a shock on the EU and one of its largest trading partners – the US. When you look at the US sanctions in depth, one will notice that they only affect people serving in the Russian government and some banks that have assets of individuals supporting President Putin. The US knows that imposing sanctions that would actually cripple some part of the Russian economy would anger their EU allies. The intended consequences would not be met; and even if they were, Russia has already annexed Crimea – irreversible at this point. The unintended consequences could be significant, including disorder in the region due to possible riots over the increase of gas prices if the Russian government began to choke supply. The unintended consequence would be political isolation for the US government as well as

¹⁵⁵ BBC, ECONOMIST

¹⁵⁶ Treasury – US Executive Orders 13661/2/3/4

¹⁵⁷ BBC/ECONOMIST

¹⁵⁸

many US companies such as Visa and Mastercard that would be sanctioned by Russia for carrying out US directives to withhold and deny access to cross-border funds.

Given the analysis of this study, such a scenario is exactly what we should expect to see in the realm of sanctions. While many will argue that the Iranian sanctions are becoming more successful,¹⁵⁹ there is an unexpected consequence often left out: the different domestic-political climate within the countries involved. The sanctions imposed by the US (and organizations that it influences) uncertain in duration, make it very difficult to know whether sanctions will be temporary or permanent, which reduces their credibility. It is one thing for the president to drop sanctions and rescind executive orders, it is not a given that Congress will do the same. Unlike South Africa apartheid sanctions where the Congress was in agreement – today provides a different political landscape. China and Russia, may avoid the US deadlock problem because of their authoritarian political structure (which will support the Politburo and President Putin respectively). When and where quick action is necessary to go around sanctions – they are relatively quicker and can offer more assurances to countries that request for assistance. This is contrast to the US because the President can say one thing and the Congress something completely different.

For now the US is still the superpower; it has the largest military and defense budget compared to the next eleven to thirteen countries combined.¹⁶⁰ The US also still has the most advanced technology, services, and goods that many countries, companies and individuals want and need. The US is still the single most crucial player in the world

¹⁵⁹ BBC. "Q&A: Iran Sanctions."

¹⁶⁰ The Economist. "The Military Balance."

economy. The comparative advantage the US has over up and coming powers such as China and Russia is still significant. However, this is likely to change in the future. Trading with the US will become like trading with any other country in history; in time, others will offer the same quality of technology, services and goods. In such multipolarity, the US or organizations it uses to influence political and economic outcome, will become much less dominant. Countries that have made fewer demands, and have not infringed on the political structure of other countries (such as China and Russia), will gain influence and be major alternative centers of political power and the economic interaction.

Sanctions will still be used. Russia and China have shown that they will continue to use them. But the efficacy of anyone trying to use sanctions in a multipolar world is fundamentally reduced. Those who do so will have to create sanction policies that both produce intended consequences and avoid the unintended and unexpected consequences that might arise. This will not make the world a safer place; it will add more systemic volatility and uncertainty as countries pursue national interests. Avoidance of the effects of US sanctions will be easier and more common. As in 1914, the balance of power will be difficult to determine and while the integrated economy might act to stabilize the system, outcomes of particular attempts to use sanctions will be complex and ambiguous. Sanctions are an important tool. They may still be able to help avoid inter-state war – and they probably will when they are designed much smarter and efficiently. With a shift in world polarity and the efficacy of sanctions questioned; the real question is this: What does a multipolar world come to when sanctions imposed by great powers are neither efficient nor effective? I do not know the answer, but I do know how increasingly critical the question will become.

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