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Prologamena to Thinking about Economic Sanctions and Free Trade
David A. Baldwin*

Much has been written about economic sanctions, and even more has been written about free trade. Before delving into the relationship between these phenomena, it is prudent to clarify some concepts, identify some common pitfalls to understanding, and place the topic in a theoretical and historical perspective. This article will focus on economic sanctions with respect to the following topics: (1) the nature of political sanctions; (2) why states use economic sanctions; (3) common pitfalls in thinking about economic sanctions; and (4) historical and theoretical perspectives on economic sanctions and free trade.

I. WHAT ARE POLITICAL SANCTIONS?

Economic sanctions are sometimes divided into two categories—"political" and "nonpolitical." The criterion for deciding which category particular sanctions exemplify is defined in terms of the motives or goals of the policymakers using the sanctions.1 When economic sanctions are used to influence another state’s tariff policy or treatment of private foreign investment, for example, they are depicted as "nonpolitical" because the sanctions are being used to pursue "economic" rather than "political" goals. When economic sanctions are used to influence another state’s human rights policy or to get that state to disarm or pay war reparations, however, the sanctions are categorized as "political" because they are being used to pursue "political goals."

The practice of differentiating between "political" and "nonpolitical" economic sanctions requires a criterion for distinguishing between political and nonpolitical goals. If an example of such a criterion exists, it has escaped this writer's attention. Unless such a criterion can be found, the distinction between "political" and "nonpolitical" motives (goals, purposes, or ends) is untenable.

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1 See, for example, Robert A. Pape, Why Economic Sanctions Do Not Work, 22 Intl Security 90, 93–95 (1997).
Definitions of "politics" take two forms. One emphasizes the state. Politics, it is said, is about government.\(^2\) "Political" signifies that which relates to a state, or a society of persons . . . united for the purpose of government.\(^3\) This conception of politics cannot be used to differentiate between the political and nonpolitical goals of economic sanctions imposed by states. As activities of the state conducted in pursuit of state goals, all economic sanctions are political sanctions according to this perspective.

The second conception of politics emphasizes processes rather than institutions. According to this view, politics is about social relations involving power, rule, or authority.\(^4\) Such a view implies little or nothing about particular goals; any goal that involves power, rule, or authority would seem to qualify as political. Numerous writers have echoed this view:

As a matter of fact the field of political activity cannot be defined, \textit{a priori}, by reference to particular objects.\(^5\)

Our definition says virtually nothing about human \textit{motives}.\(^6\)

The ends of politics may be anything.\(^7\)

The goals that might be pursued by nations in their foreign policy can run the whole gamut of objectives any nation has ever pursued or might possibly pursue.\(^8\)

The idea that certain goals are inherently political while others are not is incompatible with the second conception of politics. Likewise, the idea that economic sanctions can be classified according to whether their goals are political or not is difficult—nay, impossible—to defend. Attempts to influence the foreign economic policy of another state are political in the same sense that attempts to change another state's human rights policy or military activities are political. This is true regardless of the means used in such influence attempts.

Thus, neither of the two most common ways of defining politics allows one to differentiate the political goals of economic sanctions from the allegedly nonpolitical goals. Those who insist on making this distinction are obliged to specify the conception of politics involved in making such judgments. None to date has done so.


\(^3\) George Cornewall Lewis, \textit{Remarks on the Use and Abuse of Some Political Terms} 234 (Missouri 1970) (facsimile of the 1832 text).


\(^5\) Bogdanor, \textit{The Blackwell Encyclopaedia of Political Institutions} at 482 (cited in note 4).

\(^6\) Dahl, \textit{Modern Political Analysis} at 4 (cited in note 4) (emphasis in original).

\(^7\) Quincy Wright, \textit{The Study of International Relations} 132 (Appleton-Century-Crofts 1955).

Is this mere semantic nit-picking that has little to do with understanding the role of economic sanctions in foreign policy and international relations? No. Although politics and economics are not the same thing, they are often intertwined in the real world. Thinking of the political and economic realms of human affairs as separate and distinct—with no overlap—makes it almost impossible to understand economic sanctions. Economic sanctions are prime examples of institutions and policies in which economic and political aspects are inextricably intertwined. They are, in other words, simultaneously economic and political.

The attempt to treat the economy and the polity as autonomous spheres of social life mirrors the attempt to treat war and politics as separate and distinct activities. The point of the famous, but frequently misunderstood, dictum of Carl von Clausewitz was not to glorify war but to subordinate it.

This unity [of politics and war] lies in the concept that war is only a branch of political activity; that it is in no sense autonomous.

It is, of course, well known that the only source of war is politics—the intercourse of governments and peoples; but it is apt to be assumed that war suspends that intercourse and replaces it by a wholly different condition, ruled by no law but its own.

We maintain, on the contrary, that war is simply a continuation of political intercourse, with the addition of other means. We deliberately use the phrase “with the addition of other means” because we also want to make it clear that war in itself does not suspend political intercourse or change it into something entirely different. In essentials that intercourse continues, irrespective of the means it employs . . . . Is war not just another expression of . . . thoughts, another form of speech or writing? Its grammar, indeed, may be its own, but not its logic.

If that is so, then war cannot be divorced from political life; and whenever this occurs in our thinking about war, the many links that connect the two elements are destroyed and we are left with something pointless and devoid of sense.9

Properly understood, Clausewitz’s words are as applicable to economic sanctions as to military force. What distinguishes war, according to Clausewitz, is “simply the peculiar nature of its means,”10 not the ends being pursued. Likewise, one could say that what distinguishes economic sanctions is the peculiar nature of the means, not the goals sought by such means. Just as war is a political activity, so too the use of economic sanctions should be viewed as a political activity—regardless of the ends.

Given the context of this symposium, it should also be noted that what has been said thus far about economic sanctions applies also to legal sanctions.

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10 Id at 87.
According to either of the conceptions of politics discussed above, the imposition of legal sanctions is a political act in the same sense that imposing economic or military sanctions is a political act.

If all of the goals pursued by economic sanctions are considered political, the universe of episodes of sanctions expands so much that studying all of them would be impossible. While this is true, it is not an argument for redefining economic sanctions. One cannot study everything at once; thus, all researchers must delimit the boundaries of their inquiry. It is quite legitimate for a researcher to rule out consideration of the use of economic sanctions to influence commercial or financial policies in other states on the grounds that the researcher lacks the resources (time, expertise, research assistance, etc.) to consider such matters. It is even legitimate to ignore them on the grounds that one is simply not interested. It is not legitimate, however, to ignore pursuit of such goals on the grounds that they are nonpolitical. This is not a tenable intellectual position—unless accompanied by a conception of politics that justifies such a rationale.

II. Why Do States Use Sanctions?

Since there is a widespread belief that economic sanctions rarely work, one might well ask why they are used. Three types of answers have been offered to this question—cognitive, expressive, and instrumental.

Cognitive explanations often depict decisions to impose sanctions as flowing from ignorance or bad judgment. Policymakers, some suggest, either do not understand how to identify situations in which such measures are likely to work, or they are fools. Such explanations are usually arrived at deductively rather than empirically. Since “everyone,” that is, the analyst, “knows” that economic sanctions do not work, there must be something wrong with the perceptions and/or the judgment of the policymaker who uses them.

Expressive explanations are based on a distinction between instrumental and expressive behavior. Whereas instrumental behavior is depicted as intended to influence others, expressive behavior has no objective other than the release of internal tensions. Thus, although instrumental behavior is a means to an end, expressive behavior is an end in itself. From the perspective of expressivism, there is no need to analyze goals, since expressing frustration or “blowing off steam” serve as both means and ends. Economic sanctions, then, are used not because they are expected to work, but because they make the user


feel better. Although purposeless foreign policy behavior may exist, it is probably rare. This is simply because foreign-policymakers usually assume that other countries are watching and because they care about the image those countries have of them. Although temper tantrums by small children are supposed to be the prototypical example of expressive behavior, it is interesting to note that even they rarely occur when the child is alone.

The instrumental explanation treats sanctions as means to various ends. This explanation assumes that most foreign policy behavior is purposeful. When combined with the logic of choice, this approach provides a powerful explanation for the use of economic sanctions—one that does not require depicting policymakers as foolish or temperamental.

The logic of choice applies to situations in which policymakers must choose how to allocate scarce resources among competing ends. In such situations policymakers must consider the opportunity costs of their actions. In such situations, choosing a low-cost policy alternative with a low probability of success may not be foolish at all if the likely cost-effectiveness of other policy alternatives is even less attractive. Making that choice may be the rational thing to do. For example, military force may have the highest probability of success with respect to getting a country to change its human rights policy or stop exporting arms. Military force, however, is likely to be more expensive than economic sanctions. In such a situation, it may be rational to choose the less effective and less costly alternative of economic sanctions rather than the more effective but more costly alternative of military force. Herbert Simon explains it as follows:

> An administrative choice is incorrectly posed, then, when it is posed as a choice between possibility A, with low costs and small results, and possibility B, with high costs and large results. For A should be substituted a third possibility C, which would include A plus the alternative activities made possible by the cost difference between A and B.\(^{13}\)

Although the judgment of foreign-policymakers is fallible and their knowledge imperfect, the assumption that they are fools is not likely to be very helpful in understanding the use of economic sanctions. Likewise, although it may well be that nations sometimes engage in expressive behavior, most uses of economic sanctions are better understood in instrumental terms. This perspective necessarily entails an understanding of the goals being pursued, especially if one wants to estimate the success of such undertakings. As the following section will show, identifying the goals of economic sanctions is more difficult than it seems.

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\(^{13}\) Herbert A. Simon, *Administrative Behavior* 179 (Free Press 3d ed 1976).
III. SOME FALLACIES IN THINKING ABOUT ECONOMIC SANCTIONS

The single most important step in determining the extent to which economic sanctions "work" is identifying and understanding the goals of such measures. Although there are many pitfalls in thinking about economic sanctions, only three will be discussed here: the single goal fallacy, the fallacy of misplaced dichotomies, and the fallacy of simplistic symbolism.

A. THE SINGLE GOAL FALLACY

Individuals and nation states rarely, if ever, pursue one goal at a time. One does not go to work solely in order to earn money, and one does not play golf solely in order to get the ball in the hole. Likewise, nation states normally pursue multiple foreign policy goals vis-à-vis multiple countries; they do not pursue one goal at a time toward one country at a time.

The economic sanctions imposed on Fidel Castro's Cuba in the early 1960s were described by Secretary of State Dean Rusk as having the following "limited, but nonetheless substantial, objectives":

First, to reduce Castro’s will and ability to export subversion and violence to the other American States;
Second, to make plain to the people of Cuba that Castro’s regime cannot serve their interests;
Third, to demonstrate to the peoples of the American Republics that communism has no future in the Western Hemisphere; and
Fourth, to increase the cost to the Soviet Union of maintaining a Communist outpost in the Western Hemisphere.\textsuperscript{14}

This statement of goals is interesting in several respects. First, the target countries included not only Cuba but also other Latin American countries and the Soviet Union. Second, the goals were multiple. And third, despite the common tendency to judge the success of economic sanctions against Cuba in terms of their ability (or lack thereof) to topple Castro's regime, this goal was not included. The Secretary of State even prefaced his statement of objectives with an explicit disavowal that the policy was likely to bring down the regime.\textsuperscript{15}

Foreign-policymakers usually impose economic sanctions with more than one goal in mind and more than one target country in mind. This is not to say, however, that all goals are equally important. Policymakers are likely to attach different priorities to different goals and targets. Thus, it is reasonable to think in

\textsuperscript{14} Committee on Foreign Relations, 1 East-West Trade, Hearings before the Committee on Foreign Relations, United States Senate: Eighty-Eighth Congress, Second Session 13 (GPO 1964).
\textsuperscript{15} Id.
This conception of foreign-policymaking calls into question the common tendency to judge the success of sanctions solely in terms of the degree to which the primary goal is attained. A given instance of economic sanctions may be quite successful in attaining several secondary and tertiary goals even though it fails to achieve the primary goal. Characterizing such instances simply as “failures” can be misleading.

B. THE FALLACY OF MISPLACED DICHOTOMIES

The fallacy of misplaced dichotomies refers to treating as dichotomous a variable which ought to be treated as a matter of degree. Thus, not only are economic sanctions often evaluated in terms of a single goal, but the failure to achieve this goal completely often leads to characterizing such sanctions as “failures.”

This is objectionable on both practical and theoretical grounds. From a practical standpoint, policymakers care about the degree to which sanctions achieve their goals. They understand the difference between partial success and outright failure. From a theoretical standpoint, “[A]ttainment of objectives,” as Simon points out, “is always a matter of degree.” Although World War II is regarded by most Americans as a success for US foreign policy, few would deny that the war would have been more successful if it had been shorter or less costly in terms of lives and money.

In judging the success of foreign-policy undertakings, the concept of perfect or complete success is a snare and a delusion. This concept impedes understanding and negates policy relevance. Foreign-policymakers understand that perfection is beyond their reach. In deciding whether to use economic sanctions, they want to know to what degree sanctions are likely to be effective, with respect to which goals and targets, at what cost, and compared to which alternative courses of action.

C. THE FALLACY OF SIMPLISTIC SYMBOLISM

The symbolic uses of economic sanctions seem to be a source of widespread misunderstanding. Symbolic action is sometimes portrayed as what countries do when they lack the will or the capability to do anything else; that is, to engage in “real” or “substantive” foreign policy actions. Characterizing economic sanctions as “merely symbolic” is a way of dismissing them by implying that they are futile gestures, self-indulgent expressions of righteous

16 See, for example, Pape, 22 Int'l Security at 97 (cited in note 1).
17 Simon, Administrative Behavior at 177 (cited in note 13).
indignation not really intended to influence others. They represent expressive rather than instrumental behavior.

Symbolic behavior is not unique to economic sanctions. James N. Rosenau contends that foreign policy “involves a degree of manipulation of symbols that is unmatched in any other political situation.” 18 And Robert Jervis reminds us that “[a] desired image . . . can often be of greater use than a significant increment of military or economic power. An undesired image can involve costs for which almost no amount of the usual kinds of power can compensate and can be a handicap almost impossible to overcome.” 19

Economic sanctions are sometimes viewed as so useless and counterproductive that they can be worse than “doing nothing.” Even putting aside the rather tricky question of what it means for a nation state to “do nothing,” this is misleading. As a practical matter, “doing nothing” means doing what one would have done if the event provoking consideration of sanctions had not occurred. In other words, it means carrying on “business as usual.” And countries that carry on business as usual when confronted by aggression (Iraq’s invasion of Kuwait), racism (apartheid in South Africa), nuclear proliferation (India and Pakistan), or other violations of international norms are likely to acquire an image as being indifferent to such behavior. If they take action to avoid the acquisition of such an image, they are not necessarily behaving in a frivolous or expressive manner.

It is often said that laws that are not enforced should be repealed, since unenforced laws tend to undermine respect for the rule of law. Likewise, one could argue that violations of international norms that go unpunished are likely to weaken such norms. The use of economic sanctions to reinforce international norms is not an alternative to instrumental behavior aimed at exercising influence; it is instrumental behavior aimed at exercising influence. Strengthening or maintaining a norm is not an end in itself. The point is to increase the probability of behavior in conformance with such norms.

IV. SANCTIONS AND FREE TRADE

Are economic sanctions and free trade compatible? At first glance, one might think the answer is obviously no. There are, however, two kinds of arguments suggesting that this matter is more complex than it seems. One deals with sanctions as trade liberalizers and the other with sanctions that protect national security.

18 James N. Rosenau, Comparative Foreign Policy: Fad, Fantasy, or Field?, 12 Intl Stud Q 296, 328 (Sept 1968).
A. SANCTIONS AS TRADE LIBERALIZERS

Strychnine is not normally recommended for ingestion by humans. There are, however, a few conditions under which small amounts can save the lives of people with heart problems (or so I have been told). Likewise, the judicious and limited use of economic sanctions can be used to promote trade liberalization and to strengthen a regime of free trade. Even Adam Smith recognized this possibility:

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours.

... There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconvenience of paying dearer during a short time for some sorts of goods. 20

Although Smith notes this possibility, he is skeptical since such policies are likely to be carried out by "that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs." 21 An updated version of this basic line of argument was put forth recently by Robert E. Hudec. 22

Even the World Trade Organization recognizes the possibility that economic sanctions have a role to play. When a member state is found to be in violation of the rules of the liberal trading system, other states may be authorized to impose economic sanctions against the offending state.

B. NATIONAL SECURITY AND SANCTIONS

One of the most longstanding exceptions to the doctrine of free trade concerns national security. Adam Smith believed that "[t]he first duty of the sovereign [is] that of protecting the society from the violence and invasion of other independent societies." 23 Therefore, Smith observed, "defence... is of

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21 Id at 435.
much more importance than opulence.”

Both Smith, writing in 1776, and John Stuart Mill, writing in 1848, approved of the Navigation Acts, which restricted trade on national security grounds. And even the ardent nineteenth-century advocate of free trade, Richard Cobden, drew the line at the arms trade, which he saw as a threat to peace.

Since the mid-twentieth century, the General Agreement on Tariffs and Trade (“GATT”) provisions have served as the backbone of the free trade regime and seem to restrict severely the legal authority of GATT members to use trade sanctions, at least with respect to other members. The agreement contains a general prohibition on the use of import and export controls (Article XI) and forbids trade policies that discriminate between GATT members (Article I). Article XXI, however, supersedes these prohibitions by declaring that none of them should be interpreted “to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests.” Even before September 11, 2001, this provision constituted a significant loophole in the GATT restrictions on the use of sanctions. In view of the expansive conception of “essential security interests” espoused by the United States since September 11th, it is difficult to imagine what actions are ruled out.

Although the use of economic sanctions to promote national security seems incompatible with free trade, this is not necessarily the case. During the twentieth century, economic sanctions were used to combat Nazism, Communism, terrorism, and other threats to international peace and stability. To the extent that economic sanctions helped thwart such threats, they contributed to the creation of conditions favorable to the spread of globalization and free trade. Although sanctions may conflict with free trade in the short run, they may facilitate it in the long run.

V. CONCLUSION

Any distinction between economic and political sanctions cannot be based on either of the two most common conceptions of politics. Until a conception of politics that would support such a distinction is identified, all economic sanctions should be considered as forms of political sanctions—in the same way that military, diplomatic, and legal sanctions are forms of political sanctions.

24 Id at 431.
What differentiates these various political sanctions is their means, not their status as political instruments. If war is politics by other means, then so too is the use of economic sanctions.

Despite the common view that economic sanctions do not work, decisions to employ such measures are not necessarily signs of foolish judgment, ignorance, or impetuosity. Rational foreign-policymakers may choose economic sanctions even when there is a low probability that they will achieve their aims.

The conventional wisdom about the futility of economic sanctions is strengthened and maintained by a number of fallacies. Three of these fallacies are (1) the belief that foreign-policymakers pursue one goal at a time with respect to one target at a time, (2) the classification of sanctions episodes as either failure or success without taking into account differences of degree, and (3) the belief that symbolic actions have little or no instrumental value to foreign-policymakers.

The relationship between economic sanctions and free trade is more complex than it seems. As instruments of statecraft, economic sanctions can be used to pursue a variety of foreign policy goals. Among the goals that such measures can be, and have been, used to pursue is free trade. Although the sacrifice of free trade in the name of national security has an ancient and honorable pedigree, the tradeoff is not so stark as is often implied. International political security enhances and facilitates free trade. To the extent that economic sanctions are used to promote international political security, therefore, they help to create conditions conducive to free trade and globalization.