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Economic Sanctions: A Historical Analysis

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A Research Paper

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Economic Sanctions: A Historical Analysis [redacted] 25X1

A Research Paper

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Scope Note

This study is a broad historical examination of economic sanctions as an instrument of foreign policy in a variety of political settings. It reviews 14 cases of economic sanctions covering a representative sample of sanctions sponsors, targets, and circumstances. Drawing on the information in these case studies as well as on open literature, we have examined each of the elements affecting the formulation and implementation of sanctions. The result is a framework for examining sanctions as a foreign policy instrument. 25X1

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Economic Sanctions: A Historical Analysis

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Economic sanctions, though rarely decisive in forcing policy change, are a useful—and increasingly used—foreign policy tool. More effective than diplomatic protest and less drastic than military action, sanctions not only send a strong political message, but also can have a significant impact on target countries by raising economic costs. The greatest impact typically occurs during the first six to 12 months. This is a period in which trade is disrupted, financial flows are altered, and regimes are forced to deal with dislocations throughout the economy. In general, countries already subject to economic problems tend to be more vulnerable to the impact of economic sanctions.

Effectiveness in Brief

The effectiveness of economic sanctions depends, in large part, upon the objectives of the sponsoring country. While sanctions have traditionally been viewed as efforts to change a country's behavior—10 of our 14 case histories fall into this category—they may have less ambitious goals. For example, the Arab League has long recognized that its boycott of Israel can hurt the Israeli economy but cannot force policy change. Similarly, according to Carter administration officials, Washington understood that US sanctions would not cause the Soviets to withdraw from Afghanistan; the sanctions were intended to punish the USSR and let Moscow know the price for similar conduct in the future. In some cases, the objective is limited to showing disapproval of the target country's actions. This was the case with the European Community (EC) sanctions against Argentina during the Falklands/ Malvinas war.

Sanctions may also combine the objectives or change in their relative emphasis over time. For example, US and Organization of American States (OAS) sanctions against Cuba were initially meant to bring down the Castro regime. As time passed, however, the focus shifted to punishing Cuba and increasing the economic costs to the USSR of supporting a client state. These costs have amounted to some $40 billion since 1960. 25X1

Often, the true objectives of sanctions are never publicly stated. The announced objective of the League of Nations actions against Italy, for example, was to end the war in Ethiopia, while the real, but unstated, objective was to check Hitler's expansionism by demonstrating the effectiveness of the League's collective security provisions. Similarly, the unstated objectives of the UK sanctions against Rhodesia were to prevent the use of force by third countries and to maintain a favorable image for the United Kingdom in the Commonwealth and the Third World. 25X1

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Unstated objectives present policymakers with both advantages and problems. On the positive side, unstated objectives allow:

- Flexibility in determining when sanctions can be removed.
- An opportunity for the target country to accede to the true objectives of the sanctions without publicly capitulating.

There are three principal disadvantages, however, to unstated objectives:

- A country urging a multilateral group to impose sanctions will have a more difficult task if it maintains a private agenda.
- Unstated objectives cannot be kept secret in a multilateral context, making a public confrontation with the target country unavoidable.
- Unstated objectives may be more difficult to justify in the public opinion of sponsoring countries.

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Establishing and Implementing Sanctions

We have identified four key elements that are likely to affect a decision to implement economic sanctions:
- The kinds of items to be withheld or markets to be boycotted.
- The need for multilateral sponsorship and willingness of other countries to participate.
- The economic and political effects on the target country.
- The target country's degree of commitment to its policies relative to the sponsoring country's commitment to the sanctions.

Emphasis on one or another of these elements depends on the goals of the sanctions. If the objective is to demonstrate disapproval, only the first two are pertinent; punishment, in addition to the first two elements, requires assessment of the economic impact; an attempt to change the target country's policies requires consideration of all four elements.

Impact

The economic impact of sanctions against the target country can range from minor inconvenience to major dislocation and is affected by:
- The target country's access to alternate sources of supply or alternate markets for its exports.
- The target country's ability to adjust internally.
- The sponsoring country's ability to enforce sanctions.

In 12 of the 14 cases studied, the target countries were eventually able to secure alternate import sources and export markets. The alternate sources were ideological or strategic foes of the sponsors in the cases of Italy, Cuba, and Rhodesia. In the rest of the cases, the sources were opportunistic suppliers. During the short duration of sanctions against the Dominican Republic, for example, Canada, Western Europe, and the Middle East supplied arms, vehicles, and petroleum. The EC sanctions against Argentina were never seriously intended to deprive Buenos Aires of key imports, and alternate supplies of most items were available if necessary.

Target countries may also try to adjust internally to sanctions by increasing self-sufficiency and shifting demand away from embargoed items. Rhodesia, for example, developed an effective manufacturing sector in response to sanctions, and white Rhodesians were generally able to maintain their standard of living during the long sanctions period. In the case of Cuba, the shift was from an economy dominated by US capital and consumer goods to an economy in which capital is supplied by the Communist Bloc and Japan, and the supply of consumer goods is substantially reduced. 25X1

Despite general availability of alternate supply sources and export markets, sanctions can still have considerable economic impact. In the cases of China, Cuba, and Rhodesia, there was either a timelag between the imposition of sanctions and the availability of new sources or a high economic or political cost involved in obtaining the new sources. Thus, the availability of alternate supplies does not preclude successful application of sanctions. 25X1 25X1

The political impact of sanctions is difficult to quantify, but it is affected by:
- The severity of the economic impact.
- The distribution of the economic impact among the population of the target country.
- The ability of the government to maintain its authority despite the sanctions. 25X1

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In general, the greater the ideological commitment of the target government and population to the policies that triggered the sanctions, the more likely that they will bear the cost of sanctions without changing those policies. Moreover, national unity and commitment are often solidified as a result of sharing hardship under the sanctions. One author notes that the theory underlying the use of economic sanctions "disregards the simple principle of adaptation: that which seems unacceptable at the beginning of the conflict becomes acceptable as one gets used to life under hardship . . . value-deprivation creates the social conditions under which much more sacrifice is possible so that the limit for political disintegration will be reached much later. . . ." 25X1

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The Chinese, Cuban, and Rhodesian cases are all examples of a high degree of commitment:

- The Chinese continued their ideological and economic split with Moscow despite the high initial cost of Soviet sanctions.
- The Cubans not only continued but also intensified the conduct that had brought forth the sanctions, expanding their efforts to export revolution and acting as Soviet surrogates in Africa.
- The Rhodesians held firm for almost 15 years, eventually giving in to civil war and not to economic sanctions.

The countries imposing sanctions are often less committed than the target countries. Commitment by the sponsor countries is affected by:

- The importance the public attaches to the objectives of the sanctions and its willingness to bear the economic costs.
- The willingness of the government to incur the political costs.
- The willingness of allies to share both political and economic costs.

In the likely event of problems with any of these elements, commitment will be reduced and sanctions may not be sustained. This difference in relative commitment between the sponsoring country and the target country is a major reason for the failure of many sanctions programs.

Unintended Impacts

Given the current degree of international interdependence, economic sanctions frequently affect not only the target and sponsoring countries but other nations as well. The sanctions on Rhodesia, for example, had an unintended negative impact on Zambia because of disruptions in critical oil supplies and local trade; furthermore, they had an unintended positive impact on South Africa because Pretoria became a principal supplier and transshipper of goods bound for Rhodesia. The economic confrontation between sponsor and target can cause dramatic, unforeseen, and unintended changes in the latter's foreign policy. The case of Soviet sanctions against China provides a clear example of unintended political consequences. Although sanctions were intended to reassert Soviet ideological leadership over China, the result was a sharp reduction in political leverage as the USSR's participation in Chinese development was terminated. The sanctions were a major reason why China eventually turned to the West for technology and capital. Similarly, US sanctions against Cuba, originally intended to force a reorientation of Castro's politics away from the Soviet Union, ended with the reorientation of the Cuban economy toward the USSR. 25X1

Conclusions

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Economic sanctions represent a middle ground between diplomatic protest and military actions and, as such, they constitute a useful foreign policy tool in a variety of situations. Used alone, they are rarely, if ever, sufficient to force a major policy change on the target country. They can, however, serve to isolate the target country, solidify international opinion against the target country, and increase the political and economic costs to the target country of maintaining its policies. 25X1

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Italy

Appendix A

League of Nations Sanctions Against Italy (1935-36)

Background to the Sanctions

Immediately following its invasion by Italy in October 1935, Ethiopia appealed to the Council of the League of Nations under provisions of the Leagues's Covenant, which declared any war or threat of war a matter of concern to the whole League. The League Council Committee of Six reported that Italy had resorted to war in violation of League obligations to submit disputes to arbitration or judicial settlement. The adoption of this report by the Council was the signal for the automatic application of sanctions under the provisions of Article 16.1 of the Covenant:

> *Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13, or 15, it shall ipso facto be deemed to have committed an act of war against all other members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between the nations of the covenant-breaking State and the nationals of any other State, whether a Member of the League or not.* [redacted]

Provisions of the Sanctions

The sanctions imposed by the League on Italy were not nearly as stringent as Article 16 mandated. The League adopted four economic sanctions effective 18 November 1935:
- The prohibition of the export of arms, ammunition, and implements of war.
- An embargo on certain agricultural and key mineral exports to Italy.
- The prohibition of loans, credits, and some other capital flows to public and private entities in Italian territory.
- An embargo on imports of Italian goods.

Also in November, the League submitted to member governments an additional proposal that extended the sanctions to petroleum, iron and steel (including alloy steels), and coal and coke. These later measures were never adopted; therefore, the scope of the sanctions did not include commodities critical to Italy's war effort. [redacted] 25X1

Not only was the scope of sanctions limited, but also the League did not have the legal power to enforce members' compliance. Furthermore, when the initial sanctions were imposed, the 54-nation League did not include Germany or the United States, major suppliers of arms and oil to Italy. [redacted] 25X1

Objectives of the Sanctions

The League of Nations sanctions against Italy are a good example of a case where the stated and unstated objectives differed considerably. The announced objective of the League's sanctions was ". . . to make the war so costly for Italy that a 'reasonable' solution could be evolved. The (member) nations were prepared to be modest in their definition of their 'reasonable' aims. Ethiopia, like Czechoslovakia at Munich, was expected to do most of the yielding."[1] [redacted] 25X1

The publicly stated objective for the League's action may not have been paramount in this sanctions case. 25X1
According to several academic studies, the League intended the sanctions to inhibit Hitler's expansionist plans by demonstrating that the collective security concept of the League could work in Europe although it had failed in Manchuria. The Italian invasion of Ethiopia occurred against a background of rising tensions in Europe created by both a resurgent and expansionist Germany and Italy's search for its place in the sun. The sanctions thus became a principal test of the peace enforcement powers of the League of Nations. [redacted] 25X1

[1] Rita Falk Taubenfeld and Howard J. Taubenfeld, "The 'Economic Weapon': The League and the United Nations," Proceedings of the American Society of *International Law* at its Fifty-Eighth Annual Meeting held at Washington, D.C., April 23-25, 1964. Washington, D.C., 1964, p. 184. [redacted] 25X1

Given the specific provisions of the sanctions, however, the prospects for influencing the behavior of either Mussolini or Hitler were not favorable. The two principal powers in the League—France and the United Kingdom—did not intend the sanctions to undermine seriously Italy's warmaking capacity. Although the Italian war effort was vulnerable to a cutoff of strategic materials, the British and the French did not want to impose stringent sanctions that would push Mussolini too far toward war with them or toward alliance with Hitler.[2] As author George W. Baer wrote:

Much of this was well known to Mussolini. Italian diplomacy made excellent use of this desire to avoid war. At several critical times the British and French turned aside from imposing increasingly harsher terms of sanctions in response to threats that Italy would assume belligerent rights.[3]

Compliance With the Sanctions

Not only was the scope of the sanctions limited, but also the compliance by members and nonmembers was incomplete. Four members of the League refused to apply any sanctions. The embargo on arms was not applied by seven members. Financial restrictions were not adopted by eight countries. Finally, 13 countries failed to prohibit imports from Italy. One writer has noted:

The belated and partial restrictions adopted did not interfere at all seriously with Italy's warmaking potential or even with the comfort of her population. Italy had been able to build significant stockpiles of many essential products in the period from December 1934 to September 1935, while her intentions grew ever clearer. She was able to continue this process for at least a month and a half after the invasion, since, for coordination purposes, the effective date for many sanctions measures was November 18. The failure to ban important items, such as petroleum, and the failure to cut off shipments of banned items from nonmembers and even from members permitted Italian industry to function at high levels.[4]

[2] George W. Baer, "Sanctions and Security: The League of Nations and the Italian-Ethiopian War, 1935-1936," International Organizations, Vol. 27, No. 2., P. 166-170.
[3] Baer, pp. 166-170.
[4] Taubenfeld, p. 184.

Implications of the Sanctions

Analysts of the League's sanctions against Italy generally conclude that the measures had little, if any, impact on the Italian Government's ability to maintain political leadership or on Italy's national unity and commitment to continue the war against Ethiopia and here written:

With the measures of control over trade and over the economy which were adopted or strengthened, few of the hardships envisioned by the advocates of economic sanctions were in fact felt by the Italian people. Indeed, the buildup and war periods saw a substantial decline in Italy's unemployment problem. While wages rose little or not at all, many families saw overall income rise as more members went to work or received Army pay.[5] 25X1

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In fact, analysts believe that Mussolini was able to turn international opprobrium into a tool for uniting the Italian people behind the Fascists in defiance of the League.[6] Whether full application of sanctions over a long period of time would have affected Mussolini became an academic question after Italy's conquest of Ethiopia and the League's failure to extend sanctions to the point where concessions would have been forthcoming.[7] 25X1

Results of the Sanctions

The League of Nations failed to achieve even its stated objectives against Italy. Although collective action by the League was imposed for six months, the sanctions failed to make the war so costly for Italy that it would be forced to resolve the conflict by negotiation. More important, in the long run, failure to apply Article 16 fully, coupled with serious problems of implementation of the sanctions because of

[5] Taubenfeld p. 184. 25X1
[6] Taubenfeld p. 185.
[7] Taubenfeld p. 186.

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French and British concerns about alienating Mussolini, and because of circumvention by members and nonmembers, provided a strong indication to Hitler that the League would not be likely to impose collective security measures against expansion of the Third Reich.[8]

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Historically, the focus of attention has been on the lack of will of the League members to invoke the collective security concept of the League to check Mussolini and to serve as a demonstration to Hitler. However, the fact is that even if Article 16 of the Covenant had been fully invoked and even if all members of the League had complied with the full sanctions, nonmember Germany was willing to provide Italy with arms required to continue the war and the nonmember United States was willing to provide the oil. Furthermore, Ethiopia's inability to resist any army equipped with modern weapons, including gas, severely limited the time available for even fully implemented sanctions to have an impact on Italian military operations or to have a significant enough impact on the Italian economy to give the political leadership pause in its prosecution of the war.

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Conclusion

Failure of the League's sanctions provides a classic demonstration of the problems involved in establishing and implementing effective sanctions through a multilateral organization:
- The membership of the League did not agree on objectives; sanctions were late, limited, and incomplete.
- The League did not have the power to enforce sanctions; therefore, League members violated them as their individual national interests required.
- The membership of the League did not control the supply of goods and services to be withheld by the sanctions; therefore, Italy was able to purchase essential strategic goods.
- Italy was able to adjust to the limited restrictions by stockpiling commodities, invoking firm measures of economic control, and utilizing idle resources.

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[8] Albert Speer reports, "Hitler concluded that both England and France were loath to take any risks and anxious to avoid any danger. Actions of his which later seemed reckless followed directly from such observations. The Western governments had . . . proved themselves weak and indecisive." Speer, *Inside the Third Reich*, p. 72.

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Israel

Appendix B

Arab League Boycott of Israel (1948-Present)

Background to the Sanctions

The Arab boycott of the Jewish community in Palestine predates the formal establishment of the state of Israel in 1948. In December 1945 the Arab League Council called on all Arabs "to refuse to deal in, distribute, or consume Zionist products or manufactured goods." Even before the boycott, many Arab individuals and groups shunned Jewish businesses in Palestine.

Before 1950 the boycott attempted only to keep Israeli goods out of Arab countries. In that year the boycott was extended to include third-party shipping in an effort to slow trade into and out of Israel. The Arab League Council decided that any ship carrying military equipment or immigrants to Israel would be barred from Arab ports. In the early 1950s the Council also recommended extending the boycott to foreign firms with branches in Israel.

The Arab boycott is administered by a Central Boycott Office (CBO) headquartered in Syria and national boycott offices in each Arab country. The sponsoring Arab League had seven members initially—Syria, Trans-Jordan, Iraq, Saudi Arabia, Lebanon, Egypt, and Yemen—but has since grown to 21 active members. Each member of the League appoints a representative to a central boycott committee, which usually meets semiannually. The committee recommends the addition or deletion of firms to the blacklist, but its decisions are not binding. Each Arab country decides whether to accept the decisions of the committee. Each country, therefore, maintains its own blacklist, and the various country lists are not uniform.

Objectives of the Boycott

The boycott's stated goal is to hinder the economic and military growth of Israel. Beyond that, however, the boycott serves as a sign of opposition to Israel and a useful propaganda device. In a press interview, CBO Secretary General Nurallah Nurallah claimed that the boycott is "the only effective Arab measure against Israel." One scholar has observed that "perhaps one of the principal benefits of the boycott program, in Arab League eyes, is that it keeps the issue of Israel constantly before the Arab people." 25X1

The Arab League does not distinguish among the various types of boycott it administers, but the world business community generally differentiates among three types of boycott action. 25X1 The *primary boycott* bans all direct trade between Arab states and Israel, and before 1977 was most commonly enforced by a negative certificate of origin—a trade document that certifies the goods in question were not made in Israel and do not contain Israeli-made components. In 1977, however, the United States enacted strict antiboycott legislation and forbade US firms to supply negative certificates. Since then, most Arab states have come 25X1 to accept a positive certificate of origin that indicates where the product and its components were manufactured and the name of the manufacturer. 25X1

The *secondary boycott,* instituted in the early 1950s, bans commerce with companies that contribute significantly to Israel's economic or military strength. A firm is blacklisted if it:

- Has a plant, branch, licensee, or regional agent for the Middle East in Israel.
- Is a partner in any Israeli company.
- Advises Israeli manufacturers.
- Acts as agent or principal importer for any Israeli firm.
- Prospects for natural resources in Israel. 25X1

Although boycott officials periodically insist publicly and privately that only firms adding to Israel's strength are blacklisted, the contributions of many boycotted companies are difficult to discern. The Topps Chewing Gum Company, for example, was blacklisted after it licensed an Israeli factory to produce Bazooka bubble gum. 25X1

Firms suspected of proscribed activity in Israel are usually confronted with a questionnaire asking if they are engaged in forbidden practices. If a firm responds positively or refuses to reply to a questionnaire, it may be blacklisted. US firms are prohibited from responding to boycott questionnaires under the 1977 antiboycott legislation. The law also requires US companies to report the receipt of questionnaires to the US Department of Commerce. In late 1979 the deputy secretary general of the CBO stated that, since US antiboycott laws took effect, 90 percent of all US companies blacklisted were boycotted for failing to respond to boycott office questionnaires.

In a form of extended secondary boycott, boycotting countries require third-country firms to refuse to use products or services of blacklisted companies in fulfilling a contract or sale to enforcing countries. A clause requiring such a refusal sometimes appears as a contract condition. This requirement has been labeled a *tertiary boycott* in the United States. It is especially prevalent in international banking. As Arab financial institutions have come to play an increased role as lenders to corporate and government borrowers, some borrowers have been pressured to refrain from dealing with blacklisted banks or other institutions with alleged "Zionist" connections. Three Arab banks, for example, withdrew as comanagers of a $2 billion loan for the Mexican state oil company after blacklisted banks were included in the management syndicate.

Enforcement of the Boycott

The numerous exceptions made by Arab states to the boycott principles detract from the Arab goal of preventing certain types of commerce with Israel. Some Arab League members have criticized the central boycott bureaucracy itself. After the boycott committee went through all of 1978 without meeting, the League commissioned an investigation of charges by some members that the CBO is ineffective. A report written by the Arab League's then assistant secretary general accused the CBO of inflating its performance.

The threat of a loss of business in the Arab world is the only tool the Arab League has to enforce its secondary boycott. Therefore, companies that conduct a relatively small share of their business with Arab countries are less vulnerable to boycott pressure.

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Even countries that strictly enforce the boycott have overlooked regulations and dealt with blacklisted firms when they believed it was important to their economic development or national security. Iraq, for example, bought buses from British Leyland while the company was on the blacklist. If goods or services are only available through a few exporters, exceptions are made. The boycott also may be ignored if a blacklisted firm is the only source for necessary spare parts. The former head of the US Commerce Department's Office of Anti-Boycott Compliance said in 1981, "If they want the goods, Arab countries will accommodate themselves . . . by and large an arrangement can be made."

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Military equipment is usually exempted from boycott requirements since government-to-government sales are not subject to the boycott. Despite the principle of blacklisting any company contributing to Israel's military strength, Arab governments regularly put their own national security interests ahead of boycott rules. Still, the General Principles for the Boycott of Israel recommend that importing countries examine Israel's connections with arms manufacturers.

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The boycott office excepts from boycott rules any international banking institution from which the Arabs derive greater benefit than Israel regardless of the extent of the bank's relationship with Israel. A commercial bank will not be blacklisted for dealing with Israel if boycott officials have evidence that the bank has loaned more money to Arabs than to Israelis.

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In the same vein, some Arab countries have told corporations investing in Israel that they would not be blacklisted if they made an equal or greater investment in an Arab country.

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[redacted] Many large firms and banks, therefore, have found that they can deal with both Arab states and Israel because the Arabs consider their products or capital resources indispensable. [redacted]

Implementation of the boycott varies from country to country. Iraq, Syria, Libya, and Kuwait are considered by most observers to be among the strictest states. Morocco, Tunisia, Sudan, Somalia, Mauritania, and Algeria do not enforce the secondary boycott. Egypt ended its participation in the boycott as part of its peace treaty with Israel. [redacted]

Iraq and Libya are among the most inflexible enforcers of the boycott, but they will make exceptions for products or services that cannot be matched elsewhere, especially items for the petroleum industry. Before the US embargo on Libyan petroleum-related services and equipment in 1981, Tripoli allowed boycott language acceptable to US authorities in letters of credit for goods that could not be found outside the United States. [redacted]

Oman, at the other extreme, is an unenthusiastic participant in the boycott. Muscat's practice has been to pay lipservice to CBO directives and interpret them in a liberal fashion or ignore them entirely. [redacted]

Impact of the Boycott

Until the mid-1970s the Israeli Government for the most part was quiet about the boycott, fearing that publicity would only remind the business community of its existence. Before the increase in Arab economic power in 1973, Israel had so little concern about the boycott that in 1971 it abolished its small antiboycott office. In 1975, however, Israel reestablished an antiboycott unit. Still, Israeli Government officials have differed in tone on the boycott, stressing its negative aspects when talking to US officials but playing it down to potential investors. Israeli officials have acknowledged that foreign firms are able to continue doing business with Israel through various means such as dealing through separate companies or subsidiaries or simply ignoring the boycott. Although some firms may decide to forgo trade with Israel because of boycott considerations, alternative sources of supply are usually available. [redacted] 25X1 25X1

The impact of the boycott on Israel's economy is difficult to measure, but we believe it was a factor in the drop in foreign investment in Israel from a high of $185 million in 1973 to $86 million in 1985 after net disinvestment of $1 million in 1980. Although Israel touts its free trade access to the EC as an attraction to investors, many potential investors probably locate in EC countries to avoid boycott problems. The boycott, however, is only one of the reasons for the decline in investment. Triple-digit inflation and a strong trade union movement discourage many investors. [redacted] 25X1 25X1 25X1

The economic impact on the sponsoring Arab states is diluted considerably by their failure to implement the boycott stringently. If the Arab states adhered vigorously to their boycott principles, they might deny themselves access to necessary inputs or best suppliers. [redacted] 25X1 25X1

In the long term, Arab countries' implementation of the boycott is likely to be marked by continued self-interest, with exceptions to boycott regulations common when they serve a particular nation's purpose. Therefore, the boycott's impact on Israel, the Arab states, and third-country businesses will continue to be limited. [redacted] 25X1 25X1 25X1

Conclusions

The main achievement of the Arab boycott has been the symbolic expression of Arab solidarity against Israel, as the boycott has few of the elements necessary for successful sanctions:

- The Arab states do not control the supply of goods Israel imports.
- The boycott is not mandatory for members of the Arab League.
- The degree of enforcement varies widely, in part because of the potential detrimental impact on the Arab states themselves. US antiboycott legislation has complicated the enforcement effort.
- The political and economic impacts of the boycott on Israel have been small. [redacted] 25X1

China

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Appendix C

USSR Sanctions Against People's Republic of China (1960)

Background to the Sanctions

The decision by the USSR in August 1960 to cancel abruptly its technical assistance to and withdraw its economic experts from China was a dramatic reminder that Soviet aid entails a heavy political price. In the early 1950s, China felt compelled to pay this price of subservience to Soviet national interests and Soviet leadership of the Communist world in order to enjoy the strategic and economic benefits of the Sino-Soviet alliance. By the mid-1950s, however, as China began to stand on its own feet, differences over a broad spectrum of political, military, economic, and ideological questions began to undermine Sino-Soviet relations.

As China became increasingly independent, Soviet policy vacillated. In agreeing in 1957 to assist China in the development of an advanced weapons program, the USSR sought to persuade the Chinese leadership to subordinate their political ambitions in the interests of becoming a great military power. But, when in 1958 the Maoist leadership in quick succession claimed to have discovered a new road to economic development (the Great Leap Forward) and a shortcut to the ultimate Communist society (the People's Commune) and then precipitated the Taiwan Strait crisis, Khrushchev turned increasingly to threats and sanctions in order to secure compliance from China. In June 1959, for example, both as a penalty for past behavior and a threat for the future, Khrushchev formally abrogated the Soviet commitment to assist China in the development of nuclear weapons.

With the publication of the polemical Lenin Anniversary pronouncements in April 1960, the Chinese issued an unmistakable challenge to Soviet ideological and political leadership of the international Communist movement. The Soviets responded at a Bloc conference in June by circulating a long letter denouncing the Chinese and threatening to reduce aid unless China backed down. When Khrushchev then attacked Mao for being as vain and isolated from reality as Stalin had been and the Chinese delegate responded in kind, including a personal attack on Khrushchev for having "betrayed" Marxism-Leninism, the moment of truth had arrived. 25X1

Objective of the Sanctions

The purposes for which the USSR imposed economic sanctions against China in mid-1960 were never clearly defined. Crude and self-defeating as it may seem in retrospect, Soviet strategy appears to have been to give China a foretaste of the even more unpleasant consequences that would ensue if Beijing persisted in challenging Soviet leadership and Soviet doctrine. 25X1 The Soviet Union may also have hoped to take advantage of China's economic dislocation—the result of the Great Leap Forward and a succession of bad harvests—to strengthen the hand of the moderate opposition within the Chinese Communist Party to Mao's radical policies. 25X1

Having threatened in an international Communist forum to reduce aid unless China retreated, the Soviets may have felt compelled to act when it became evident the Chinese would not back down. Since the objective of the sanctions was not made clear, it was interpreted by the Chinese as an attempt 25X1 to force the replacement of Mao Zedong as leader of the CCP or at least the repudiation of his policies.

Description of the Sanctions 25X1

The USSR inflicted a heavy blow on the Chinese economy in August 1960 when it abruptly canceled Soviet technical assistance and withdrew some 2,000 experts. Soviet aid projects (some 300, including those supplied by East European countries) constituted the very heart of China's industrialization program. Practically all the basic plans for industrial development—for example, the construction of new steel complexes, the building of new power plants, the development of railways, and the installation of new chemical plants and oil refineries—were predicated on these projects.

Although perhaps one-half of these were fully or partly completed and in operation by mid-1960, the whole program was undercut by the sudden withdrawal of Soviet technicians, who took the blueprints for plant installation back with them. While Sino-Soviet trade continued, equipment on order and arriving from the Soviet Union could not be installed and began to pile up on railway sidings, in warehouses, and in half-completed factories.

Although the Soviets threatened a more drastic cessation of aid, they did not cut off trade, even in such strategic commodities as petroleum (for which China was then heavily dependent on the USSR) and spare parts for China's industry, including military industry. Indeed, it was the Chinese who in the fall of 1960 took the initiative in cutting back on trade by phasing out the importation of Soviet complete plants and equipment.

Factors Affecting Success or Failure

The Soviet Union could only prevent the supply of experts and technical assistance to China from Soviet Bloc countries. As a result of the Korean war and the associated US and allied trade embargoes, however, in 1960 China could not obtain many types of machinery, equipment, and complete plant installations from any other source. The same applied to technical assistance.

Within three months, however, the Soviet Government had second thoughts and offered to send "any number" of Soviet experts back to China. This reversal was apparently prompted by the belated realization that, by pulling the experts out, the USSR had deprived itself of the chief remaining instrument through which it might retain some leverage or influence on the Chinese leadership and policy. The Soviets also apparently had some forebodings of the enormity of the consequences, which were to greatly accelerate the process of separating the Soviet and Chinese economies and societies. 25X1

The economic cost of the sanctions to China is difficult to assess. There is no question that the withdrawal of Soviet experts dealt the Chinese economy a heavy blow whose effects were still felt many years afterwards. Combined with three years of bad harvests and the mistakes of the Great Leap Forward, it helped precipitate a domestic crisis in the years 1960-62, which for a time appeared to imperil the very existence of the Mao regime. Although industrial production plummeted, the basic cause of this crisis was a shortage of food so severe that it reached famine proportions (the Chinese have admitted a famine death toll in excess of 10 million at this time) in the disaster areas of eastern and northern China. Paradoxically, as the crisis deepened and the Chinese restructured their economy to give priority to agriculture and maintaining subsistence levels of food consumption, there was progressively less need for Soviet experts and technical assistance for China's industry.

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Finally, the political consequences of the Soviet application of economic sanctions against China were counterproductive. Instead of undermining the Maoist leadership, Soviet sanctions were exploited by the Chinese as a scapegoat for the regime's economic failures. A nationwide campaign criticizing Khrushchev and the Soviet Union was organized in discussion groups extending down to the primary school level. The Chinese charged the Soviet leader with precipitating China's industrial slowdown (by withdrawing Soviet technicians); aggravating China's food crisis (by insisting on debt repayment via expanded Chinese exports of foodstuffs); and attempting to subvert and subdue the Chinese Government (by applying economic pressures). In addition, the Chinese propagandists heaped personal abuse on the Soviet leader (employing such epithets as "pig," "donkey," "coward," and "turncoat") and predicted that eventually he would be disowned and overthrown by the Soviet people. 25X1

25X1

Results of the Sanctions

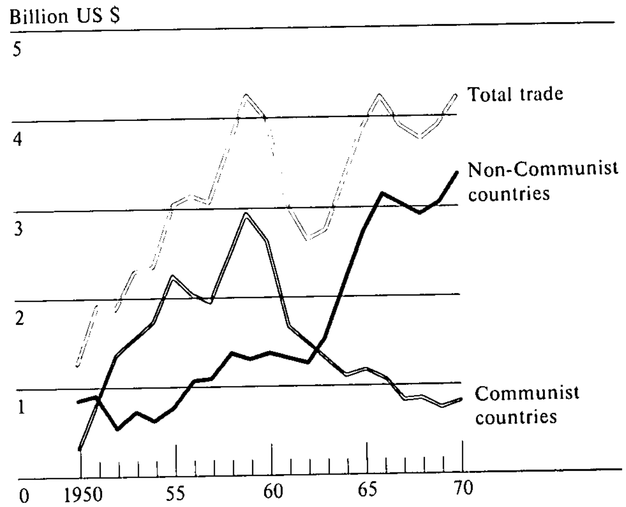
Throughout the three-year "time of troubles" (1960-62), there was continuing controversy within China's leadership over the proper response to Soviet economic pressures. Alternating between defiance and at least tactical accommodation, the varying character of this response appeared to reflect fluctuating leadership assessments of the gravity of China's domestic crisis. 25X1

Confronted with famine, popular uprisings, and the threat of disaffection in the Army, the Chinese responded favorably to the Soviet offer to negotiate a new aid and trade agreement in November 1960 and, throughout the ensuing protracted negotiations, ceased polemics and even made a number of conciliatory gestures toward the Soviet Union. But the help that China had hoped to obtain—principally, 5 million tons of grain—was not forthcoming. Moscow's refusal of Beijing's request at a time of desperate need further embittered the Chinese. 25X1

After a further period of tactical accommodation in the spring and summer of 1962 (this time prompted by concern over the threat of a US-supported Chinese Nationalist invasion), the Maoist leadership then decided in the fall of 1962 to launch an all-out struggle against the "modern revisionist" leadership of the Soviet Union. The following year, the Chinese began to orient their economy more and more toward the West and Japan. The large capitalist industrial states increasingly took over from the Soviet Union the bulk of China's annual foreign trade (see figure 1). Moreover, as the Chinese emerged from their economic depression, they began placing in the West long-term orders for complete plant deliveries of the type the Soviets had made to China in the past. 25X1

Instead of bringing the Chinese to their knees, the final outcome of the Soviet decision in mid-1960 to impose economic sanctions on China was to bring to an end the central role the USSR had played in China's modernization and to reorient the Chinese economy toward the capitalist West. 25X1

Figure 1
China: Total Trade Trends, 1950-70



25X1

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Conclusions

The USSR's cutoff of aid to China is a case where sanctions not only failed to achieve their objectives but led to adverse political consequences for their sponsor:

- The Chinese leadership was so committed to its ideological break with the Soviet Union and to establishment of its own independent development and foreign policy courses that it was willing to bear the considerable economic and political cost of the sanctions.
- The sanctions also provided the Chinese leadership with a scapegoat for domestic economic problems, thereby reducing their political impact during difficult times.
- Chinese adjustment to the impact of the sanctions ultimately left Moscow with limited economic means to influence Beijing's behavior, a substantial political reversal for the sponsor of the sanctions. 25X1

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Dominican Republic

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Appendix D

OAS and US Sanctions Against Dominican Republic (1961-62)

Background to the Sanctions

For 31 years, the Dominican Republic was ruled by what some academics have called the most absolute dictatorship ever established in Latin America. Gen. Rafael Trujillo began in 1930 to build a power base on the control—through strong-arm tactics and bribery—of both the armed forces and the political apparatus as well as on a virtual monopoly of the national economy. The Trujillo family controlled over half the arable land, three-fourths of the nation's labor force, and four-fifths of the capital city's businesses.

By the late 1950s, however, international and domestic forces combined to undermine Trujillo. Regional sentiment against dictators mounted with the fall of other Latin American strongmen, such as Juan Peron of Argentina in 1955, Marcos Perez Jimenez of Venezuela in 1958, and Fulgencio Batista of Cuba in 1959, and the publicity over Trujillo's allegedly ordering the execution of a political opponent and his American pilot in 1956. Meanwhile, Washington was becoming increasingly aware of the growing anti-US sentiment in Latin America that was highlighted by Vice President Nixon's unfriendly reception in Peru and Venezuela in 1958. As a result, the Eisenhower administration reevaluated its policies toward Latin America and began withdrawing support from the Trujillo regime, including cancellation of arms trade agreements.

Pressure against the Trujillo regime intensified in February 1959 when Romulo Betancourt—an outspoken critic of Trujillo—took office as the president of Venezuela. In June 1959, Dominican exiles launched an unsuccessful invasion that Trujillo believed was Venezuelan backed. Trujillo lashed out with unprecedented violence against the exiles and their supporters in the Dominican Republic. Pressed by Venezuela, the OAS's Inter-American Peace Committee accused the Dominican Republic of "flagrant and widespread violation of human rights" including the "denial of free assembly and of free speech, arbitrary arrests, cruel and inhuman treatment of political prisoners, and the use of terror and intimidation as political weapons." In retaliation for Betancourt's continued verbal attacks on Trujillo and for alleged Venezuelan assistance in the June invasion, Trujillo launched his third and nearly successful assassination attempt on the Venezuelan president. 25X1

OAS and US Sanctions

Dominican aggression against Venezuela caused the OAS to initiate sanctions. In January 1961, the members voted to: 25X1
- Break diplomatic relations with the Dominican Republic.
- Partially interrupt economic relations with the Dominican Republic, beginning with the immediate suspension of trade in arms and implements of war of every kind.

These sanctions were later expanded to include trade in petroleum, petroleum products, trucks, spare parts, and other commodities. 25X1

The United States initially objected to the sanctions, fearing that they would lead to Trujillo's overthrow and his replacement with a pro-Castro leader. Washington argued that the OAS should persuade the Dominican Republic to become more democratic and hold free elections under international supervision. 25X1
With the other members clearly opposed to the US approach, and in hopes that the OAS would condemn Cuba in the future, Washington decided to approve OAS sanctions. In addition to OAS sanctions, the United States cut back import quotas for Dominican sugar. 25X1

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Table 1
Dominican Republic: Current Account and Other Indicators, 1956-61

Million US $ (except where noted)

	1956	1957	1958	1959	1960	1961
Current account balance	**−22.1**	**0.9**	**−29.4**	**−27.0**	**55.8**	**−97.0**
Trade balance	−4.0	24.7	−12.3	−5.0	80.4	63.2
Exports (f.o.b.)	121.6	161.0	136.6	130.1	180.4	143.1
Sugar	53.2	88.9	60.5	54.5	88.6	67.2
Imports (c.i.f.)	125.6	136.3	148.9	135.1	100.0	79.9
Other indicators						
Annual real GNP growth (percent)	10.0	6.3	5.3	0.6	1.3	−2.2
Foreign exchange reserves	25.9	34.1	33.3	27.3	15.4	6.0

[redacted] 25X1

The US-supported sanctions, officially imposed as punishment for Dominican participation in the Betancourt assassination attempt, were, in our judgment, constructed to force political liberalization of the Trujillo regime or an end to Trujillo's rule. After Trujillo's death, the sanctions were used as a tool to rid the Dominican Republic of the Trujillo family, prevent a rightwing coup, and press for democratic elections. [redacted] 25X1

The sanctions hit the Dominican economy when already sagging economic performance hampered adjustment to them and the Trujillo regime had turned its attention to survival. Real GDP growth, which had averaged 7 percent annually from 1953 to 1958, had fallen to only 1 percent 1959 and 1960 as massive capital flight cut imports sharply. In 1960 foreign exchange revenues were drawn down by nearly half, to $15 million. Moreover, two-thirds of public expenditures were allocated for defense. In 1961, the sanctions worsened the economic crisis:

- A shipping crisis occurred when Venezuela refused to admit ships that had docked in the Dominican Republic and the international seamen's and longshoremen's unions stopped loading ships bound for the country.
- Oil shortages developed when the Netherlands Antilles halted shipments of refined petroleum and Shell Oil temporarily suspended sales in response to pressure from Venezuela.
- Export earnings in 1961 were cut 21 percent, and imports fell another 20 percent in nominal terms.

The Dominicans were able to circumvent some of the sanctions by purchasing arms, vehicles, and petroleum—albeit at higher cost—from Canada, Western Europe, and the Middle East. Trujillo also managed to ship coffee to the United States disguised in Colombian bags, and he planned to build a Dominican refinery with French and US contractors. [redacted] 25X1

Squeezed by the growing crisis, Trujillo raised taxes, slashed public employee salaries, cut bonuses, and increased commissions to government officials on all business transactions. He also used the sanctions as a basis for anti-US propaganda and opened diplomatic and commercial relations with the USSR and Eastern Europe. In these circumstances, investor confidence remained in the depths. Economic activity fell 2.2 percent in 1961, and unemployment rose sharply. [redacted] 25X1

The deterioration of the economy fostered political unrest in the middle and upper classes, the Army—traditional Trujillo supporters—and the Catholic Church. The regime responded with increased repression and terror. An underground movement grew rapidly, and on 30 May 1961 Trujillo was assassinated. Trujillo's inept son succeeded his father, while figurehead President Balaguer retained his office. With continued economic pressures from OAS sanctions and an increasingly vociferous opposition, Trujillo's son resigned abruptly in November. Trujillo's brothers, dissuaded from taking power by the show of US naval force off the coast and the antagonism of the Dominican armed forces, left the country with the remainder of the Trujillo family, leaving Balaguer in charge. Balaguer, considered a Trujillista, encountered widespread domestic opposition. After the United States threw its support to the opposition, Balaguer was forced to share power with a seven-member Council of State and promised he would resign if OAS sanctions were removed. On 4 January 1962, the OAS removed all diplomatic and economic sanctions.

25X1

Conclusions

The OAS sanctions and US sugar quota cutbacks, initiated to punish Trujillo and force political liberalization in the country, met with considerable success in exacerbating deteriorating economic conditions and providing fuel for the floundering anti-Trujillo opposition. Although the assassination of Trujillo cannot be directly attributed to the sanctions, after his death clear signals of US policy and the continuation of the sanctions forced the Trujillo family to flee the country. 25X1

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Dominican Chronology

1960

5 February
Venezuela requests OAS investigation of human rights in the Dominican Republic.

26 February
United States announces aid to the Dominican Republic and Cuba will cease in June 1960.

8 June
Inter-American Peace Council accuses the Trujillo regime of flagrant and widespread violations of human rights.

24 June
Assassination attempt against Venezuelan President Betancourt.

21 July
United States announces that the Dominican Republic will not be included in extra sugar quotas replacing Cuba's quota.

2 August
The Dominican Republic is excluded again from the new sugar quota.

20 August
OAS foreign ministries vote to condemn the Dominican Republic on aggression and intervention in Venezuela, and call for diplomatic and partial economic breaks.

23 August
Eisenhower asks Congress to curtail sugar imports from the Dominican Republic.

25 August
Dominican Radio Caribe announces ties to TASS and broadcasts in defense of Castro.

26 August
United States breaks diplomatic relations with the Dominican Republic.

1961

4 January
OAS Council votes to impose limited economic sanctions on the Dominican Republic.

30 May
Trujillo is assassinated and succeeded by his son, Rafael Trujillo, Jr.

27 October
Three major opposition groups in the Dominican Republic call for continuation of OAS sanctions, crediting them with pressuring limited sanctions.

14 November
United States recommends that certain sanctions be lifted; Trujillo resigns.

19 November
Balaguer assumes control and US naval units patrol coast of Dominican Republic.

9 December
Agreement in principle on a provisional government is announced; United States is credited with pressuring the negotiated settlement by withholding sugar quotas.

17 December
Balaguer says he will resign as soon as the OAS lifts economic and political sanctions.

1962

1 January
Provisional government headed by Balaguer is sworn in.

4 January
OAS removes all diplomatic and economic sanctions. Balaguer says he will resign before the end of his term in response to the lifting of all OAS sanctions.

6 January
United States resumes diplomatic relations.

16 January
Balaguer resigns after riots in Santo Domingo.

22 January
United States extends $25 million in emergency balance-of-payments assistance.

26 January
Possible resumption of US military aid announced.

29 January
United States ends restrictions on exports to Dominican Republic.

12 February
United States authorizes purchase of additional 105,135 tons of sugar. [redacted] 25X1

Cuba

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Appendix E

US and OAS Sanctions Against Cuba [9] (1962-Present)

Background to the Sanctions

Almost from the day Castro took power in January 1959, Havana and Washington embarked on courses of action that inevitably led to conflict. The United States was at first shocked by the circuslike executions of Batista supporters and then alarmed at Cuban provocations directed against US citizens, property, and policies. The antagonism grew as Cuba came to be seen as the vehicle for Soviet encroachment into the hemisphere.

The turning point came with the visit to Cuba of Soviet First Deputy Premier Anastas Mikoyan, who signed a trade agreement with the Cubans on 15 February 1960. The agreement was the first of a series of political, military, and economic understandings that tied Cuba to the USSR. Furthermore, it began the basic reorientation of Cuba away from its traditional relationship with the United States. On 7 May 1960 Cuba and the USSR reestablished full diplomatic relations.

With these actions and the attacks against US property and interests, US policymakers decided to impose economic sanctions against Cuba. A contingency order had already been given in March 1960 for Cuban refugees to be organized, trained, and equipped for possible action:

- In June the American- and British-owned oil refineries in Cuba refused to process crude oil sent from the Soviet Union. (Cuba retaliated by seizing the installations.)

- In July, President Eisenhower suspended the remainder of the Cuban sugar quota for 1960, which amounted to 900,000 tons out of a total of 3.1 million tons, worth approximately $92 million. (The Cubans reacted by confiscating a series of properties of US citizens and companies.)

- During the same two-month period a coordinated decision was made by the US Government and the US companies to remove key personnel from American-owned plants in Cuba, a measure designed to put the squeeze on Cuba's productive capacity and output. (Despite disruptions, this technical manpower gap was filled by Cubans or foreign specialists. By August, the Castro regime had seized all American-owned properties on the island.) 25X1

Following the unsuccessful Bay of Pigs invasion in April 1961, US policy toward Cuba entered a new phase: 25X1

- On 3 February 1962 the Kennedy administration imposed a total prohibition on exports to Cuba except for "foodstuffs, medicines, and medical equipment for humanitarian reasons."
- On 23 March, Washington prohibited imports of merchandise made or derived in whole or part of products of Cuban origin. 25X1

Under the Johnson administration, the anti-Cuban measures already instituted by the United States were multilateralized through hemispheric approval and support. In July 1964 the OAS voted to establish the following sanctions against Cuba: 25X1

- The severing of diplomatic and commercial relations.
- The suspension of all trade—direct and indirect—except for foodstuffs, medicines, and medical equipment.
- The suspension of all sea and air service to and from Cuba.
- The establishment of passport restrictions on travel to and from Cuba.

Additional sanctions were imposed by the OAS in 1967:

- The recommendation that cargoes owned or financed by member governments not be shipped on vessels sailing to Cuba.

[9] The application of economic sanctions was only one set of measures used by Washington in its relationship with the Castro regime. Other measures included military action, covert activities, political pressure, and propaganda, which are not addressed in this paper. 25X1

- The general call to "Western" allies to restrict their trade and financial ties to Cuba.[10]

Most OAS members adopted the sanctions, but many did not rigorously enforce them.

Objectives of the Sanctions

The initial primary objective of the US sanctions was to remove Castro from power, as demonstrated most visibly by the abortive Bay of Pigs invasion. Subsequently, US policy shifted to a combination of economic and political pressures designed at least to neutralize Castro and, at best, to cause his downfall. The 1962 missile crisis did not change this thrust. US officials publicly and privately stated their belief that Cuba posed a potentially grave security threat to the United States—directly because of its ties to the international Communist movement and indirectly because of its support for subversive groups elsewhere in Latin America.

The basic structure of the Eisenhower-Kennedy Cuban policy changed little during the Johnson administration. The Johnson administration followed the example of its predecessors by treating the Castro regime as temporary. The United States publicly portrayed the overall goal of its policies to be the establishment of "a truly free and independent Cuba which, under a government democratically chosen by the people, will live in peace with is neighbors."[11] US officials also publicly identified four specific goals, indicating that US objectives had become more diverse over time. These goals were:

- To weaken the Castro regime.

- To discredit the Cuban economic model and make Cuba pay a high economic price for its conduct.

- To contain the spread of Castroism.

- To make Soviet support of the Castro regime so costly in political and economic terms that the Soviets would realize the futility of continuing their burdensome commitment to Cuba or of assuming similar commitments elsewhere in the hemisphere. 25X1

25X1

US policy goals toward Cuba did not change significantly during the Nixon administration.[12] Nevertheless, enforcement of the economic sanctions became increasingly difficult. The onset of the Vietnam war had revised Washington's foreign policy priorities, as had the administration's overture to China, and efforts to enforce the embargo became less aggressive over time. The Castro regime not only had demonstrated its staying power, but also had gradually abandoned its support for revolutionary movement in the hemisphere. Indeed, Havana launched a broad campaign to normalize its economic and political relations with other nations in the hemisphere as well as in Africa, Asia, and Europe. 25X1

As a result of these events, pressures began to build in the United States against continuation of the policy of isolation. In the early 1970s a number of US Congressmen began urging normalized relations with Cuba. In 1972 five hemispheric nations recognized Cuba, in the face of the OAS ban on relations. In 1974 the United States agreed to permit the first major exception to US embargo regulations by permitting sales to Cuba by US subsidiaries in third countries. Other exceptions followed. 25X1

25X1

[10] See section at end of this appendix for a listing of the specific sanctions imposed. 25X1

[11] Robert M. Sayre, Deputy Assistant Secretary of State for Inter-American Affairs, "Review of Movement of Cuban Refugees and Hemispheric Policy Toward Cuba," *Department of State Bulletin*, May 3, 1966, p. 712. 25X1

[12] See Congressional testimony by administration spokesmen in: US Congress, House of Representatives, *Cuba and the Caribbean*, Hearings Before the Subcommittee on Inter-American Affairs, Committee on Foreign Affairs (Washington, DC: Government Printing Office, 1970); US Congress, House of Representatives, *Soviet Naval Activities*, Hearings Before the Sub-Committee on Inter-American Affairs, Committee on Foreign Affairs (Washington, DC: Government Printing Office, 1971); US Congress, Senate, *United States Policy Toward Cuba*, Hearing Before the Committee on Foreign Relations (Washington, DC: Government Printing Office, 1971). 25X1

By the mid-1970s, therefore, it had become apparent that the broad application of economic sanctions and other measures aimed at the isolation of Cuba was no longer possible. In August 1975 the OAS passed a resolution that allowed each member to determine for itself the nature of its economic and diplomatic relations with Cuba. The United States voted in favor of the resolution. [redacted] 25X1

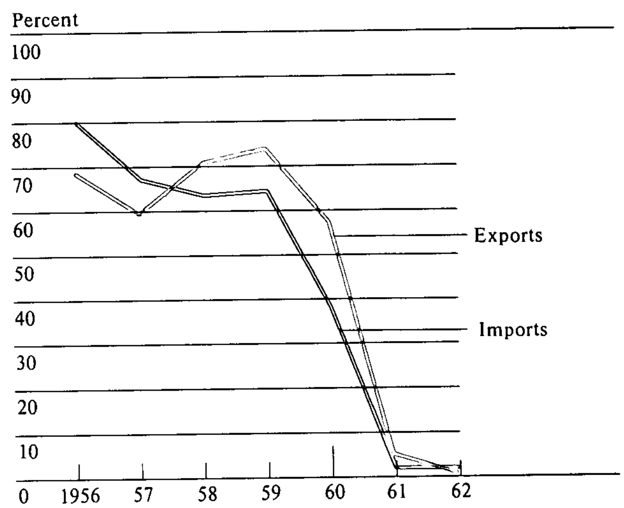
The Economic Impact of the Sanctions

In our judgment, the Cuban embargo in its early years was significantly damaging to Cuba's growth and general development. Before the embargo, Havana was extremely dependent on trade with the United States (see figure 2). The loss of this natural trading partner caused serious dislocations throughout the Cuban economy. [redacted] 25X1

Havana's hard currency earnings suffered greatly from the loss of the US market for sugar—its major export. Since most large sugar importers had long-established contracts with sugar-producing nations, Cuba could not make sizable sales to other hard currency purchasers. With low export revenues from its major crop, Cuba was forced to reduce drastically its imports from the West. Havana turned to the Communist Bloc for trade, and, by 1965, this group of countries accounted for 76 percent of Cuban trade, up from less than 3 percent in 1957 (see figure 3). [redacted] 25X1

The rapid shift in the direction of trade caused a multitude of domestic production problems. The most damaging effect of the embargo was probably Cuba's inability to attain the needed spare parts and raw material inputs for its almost entirely (90 percent) US-produced capital stock. Other problems arose from a lack of complementarity between Cuba's import needs and Bloc export capabilities. Often the kinds of machinery and raw material imports that Cuba needed most were in short supply within the Bloc. Frequently, the quality of Bloc imports was unsuitable, either because of poor production processes or because products were unsuitable to the Cuban climate, technological orientations, or methods of use. Hundreds of pieces of Soviet farm equipment were junked because

Figure 2
Cuba: Trade With the United States, 1956-62



[redacted] 25X1

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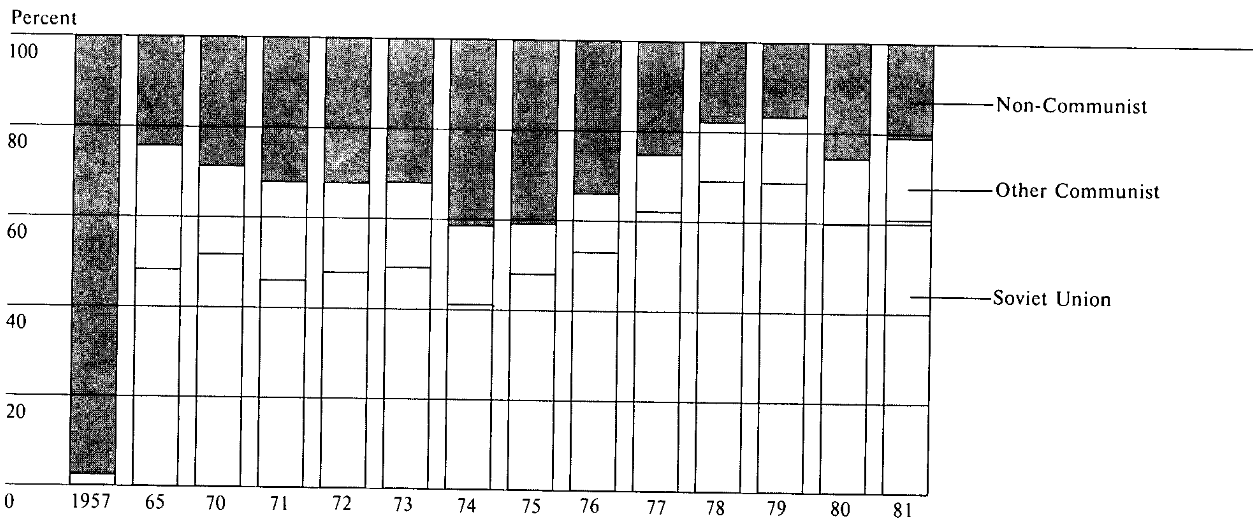
they were designed for continental crops planted in rows of different widths from those the Cubans planted. [redacted] 25X1

While it is not possible to quantify the cost of the embargo to Cuba, we believe it was at least partially responsible for the decreases in production experienced by Havana during the 1960s (see table 2).[13] Other factors included irrational and inefficient planning systems and the flight of skilled technicians. In addition, the embargo had a significant impact on Cuban lifestyle since the Cuban people were overwhelmingly dependent on US consumer goods and foodstuffs. Domestic production was oriented toward export goods, and, after the implementation of the embargo, imports of consumer goods were severely limited because of reduced foreign exchange earnings. [redacted] 25X1

[13] Recently Cuba has publicly claimed that the embargo has caused total losses to its economy of $9 billion. [redacted] 25X1

Figure 3
Cuba: Total Trade by Major Area, 1957-81



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The effects of the embargo have diminished considerably over time. Cuba's capital base now consists largely of Soviet, East and West European, and Japanese machinery and equipment. Consumer goods are more readily available from both the Eastern Bloc and from improved domestic production capabilities. In addition, Havana has opened several front companies that enable it to obtain various types of US products, particularly consumer goods. Industrial, agricultural, and transportation activities are now relatively unaffected by the disruptions and diversions of resources originally associated with the embargo.

The costs of the embargo to the United States were minimal. Washington readily obtained alternative suppliers for Cuban sugar. In addition, US exports to Cuba were small—2.8 percent of total US exports in 1957.

Political Impact of the Sanctions

The imposition of sanctions in the 1960s did little to weaken then Prime Minister Castro's internal political situation. Indeed, the benfits probably outweighed the disadvantages. Sanctions implied a grave external threat, which Castro exploited to carry out the radicalization of all Cuban political, economic, and social institutions. In an atmosphere of national peril, most Cubans were ready to accept radical change in a spirit of sacrifice. 25X1

Those on whom the economic weight of the sanctions would ordinarily fall directly were no longer of economic or political importance—having either fled the country or been discredited and forced from active 25X1

25X1

Table 2
Cuba: Production of Major Agricultural and Industrial Products [a]

1957=100

	1961	1962	1963	1964	1965
Sugar	111.0	77.8	60.4	68.7	93.2
Rice	76.3	72.9	70.3	41.3	16.3
Beans	169.8	156.2	89.6	71.9	55.0
Citrus	47.2	59.8	65.7	69.2	65.7
Beef and veal	98.1	49.5	54.7	64.6	69.4
Whole milk	83.6	70.4	68.9	72.7	64.3
Pork	33.2	26.2	25.6	33.2	36.4
Cigars	40.3	70.5	80.8	131.4	136.6
Leather footwear	21.5	49.3	82.7	87.3	71.9
Detergents	93.1	119.7	89.6	120.8	78.5
Cotton textiles	155.2	179.3	112.0	156.3	114.7
Paper and cardboard	217.2	226.4	214.0	227.8	200.8
Cement	124.6	109.6	111.8	108.0	104.6
Nickel	60.9	112.7	96.5	110.7	134.1

[a] Indexes, adjusted for population growth.

political life—or had cast their lots with the revolutionary government and supported its policies. Long after the sanctions had lost their economic impact, the Castro regime continued to extract political capital by blaming virtually every economic problem on them. Recently Cuba attributed its need for debt rescheduling to the economic damage allegedly wrought by the US sanctions.

Results of the Sanctions

In our judgment, the US and OAS economic sanctions, by themselves or in conjunction with other measures, have not met any of their objectives. We also believe that Western economic sanctions have almost no chance of compelling the present Cuban leadership—mostly guerrilla warfare veterans in power since the late 1970s—to abandon the policy of exporting revolution. Not only are these veterans deeply committed to armed struggle, but they also see revolution abroad as protective of Cuba by redirecting US attention toward regional "hot spots." This was the basis for Che Guevara's theory of "creating many Vietnams." 25X1

We believe the current Cuban leadership reacts to sanctions and other external pressures not by reducing foreign subversive adventures but by stepping up such activity. Unless Western pressures coincide with Soviet pressures on Havana, sanctions are not likely to have the desired limiting effect on Cuban policy until the "guerrilla elite" now in control in Havana passes from the scene. 25X1

Conclusions

The outcome of the US economic sanctions against Cuba in many ways parallels that of the USSR's sanction against China:

- The Castro regime was so committed to its revolutionary policies that it was willing to bear the considerable economic cost of the sanctions.
- The sanctions provided Castro with a scapegoat for all kinds of domestic problems; in fact, he exploited the threat they posed to gain acceptance of radical changes in all aspects of Cuban society. 25X1
- Cuban adjustment to the impact of the sanctions left the United States with limited economic means to influence Havana's behavior.

In addition, OAS participation in the sanctions did not change the results because their additional economic impact was minimal and enforcement became increasingly lax. The economic cost to the Soviets of backstopping Cuba was great but not great enough to force their withdrawal of support for Castro. 25X1

25X1

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Economic Sanctions Applied Against Cuba as of 1975

The OAS Sanctions

(None of these has effect by itself; all need support by laws and regulations of the individual states):

- Member states are called upon to suspend all trade with Cuba, except for foodstuffs, medicines, and medical equipment; and to suspend all sea transportation between their countries and Cuba except that necessary for humanitarian reasons (under Authority of the Rio Treaty, Resolution 3 of the Ninth Meeting of Consultation of Ministers of Foreign Affairs 1964).

- Recommendation is made that OAS member states deny bunkers and government cargoes to ships in the Cuba trade (under OAS charter, Resolution III 10 of the 12th Meeting of Consultation of Ministers of Foreign Affairs, 1967).[redacted]

- Recommendation is made that friendly nonmember governments restrict their commercial and financial operations with Cuba, as well as sea and air transport with that country, especially transactions and transport conducted by state entities (recommendation under OAS charter, Resolution III 2 of the 12th Meeting of Consultation of Ministers of Foreign Affairs, 1967).[redacted]

Restrictions on US Citizens and Entities

Section 620(a) of the US Foreign Assistance Act of 1961, as amended, authorizes the President to "establish and maintain a total embargo upon all trade between the United States and Cuba." Although in actual practice provision is made for exceptions for humanitarian purposes, a near-total embargo on such trade is maintained under regulations that include:

- *Export control regulations.* Issued under the authority contained in the Export Administration Act of 1969 (previously the Export Control Act of 1949) and other laws, these regulations prohibit any unlicensed direct or indirect export from the United States to Cuba except for humanitarian shipments of certain foodstuffs, medical supplies, and inexpensive gift parcels. This prohibition includes parts and components exported from the United States for use in the manufacture of a product for export to Cuba. Licenses are usually not issued.

- *Cuban assets control regulations.* Issued under the authority contained in Section 5 (b) of the 1917 Trading with the Enemy Act and other laws, these regulations:

  — Prohibit the direct or indirect import or export of any property in which Cuba or a Cuban national has any interest.

  — Prohibit, without a license from the US Treasury, any vessel under the control of US citizens or their foreign subsidiaries from engaging in the Cuba trade.

  — Prohibit US companies that own foreign petroleum installations in their own names from bunkering or having any dealing with vessels registered in or under charter or lease to Cuba. 25X1
  [redacted] 25X1

  — Block Cuban assets in the United States, prevent use of US financial facilities by Cuba or Cuban nationals, and prohibit Americans, including those who are officers and directors of foreign subsidiaries of US companies, from engaging in any financial or commercial transaction with Cuba without Treasury license. 25X1

  — Where there are no American officers or directors, the US company is asked to support US foreign policy by preventing its foreign subsidiary from engaging in such transactions. This "moral suasion" has been successful.

  — *Transportation Order T-1.* Issued under the authority contained in the Defense Production Act, this order prohibits US registered vessels and aircraft from carrying to Cuba without appropriate authorization any commodity on the United States Positive List, the United States Munitions List, or under the control of the Atomic Energy Commission. [redacted] 25X1

Restrictions on Foreign Citizens and Entities
The following legislation applies to Foreign Citizens and entities:

- Under Section 620 (a) (1) of the Foreign Assistance Act of 1961, as amended: US assistance is prohibited to the present Government of Cuba and to countries that furnish assistance to that government. This restriction can be waived if the President determines such assistance is in the national interest.

- Under Section 620 (a) (3) of the Foreign Assistance Act of 1961, as amended: US assistance under the Act shall be terminated to countries that fail to take appropriate steps to prevent ships or aircraft under their registry from carrying any goods to or from Cuba. This can be waived if the President determines it is important to national interests.

- Under the Mutual Defense Assistance Control Act of 1951 (the Battle Act): US assistance is prohibited to any country that permits strategic exports to any nation threatening the security of the United States. Cuba was included within the terms of the Battle Act as of November 1962.

- Under Section 103 of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480): Under Title I of the Act, US sales of agricultural commodities are prohibited to countries that sell, furnish, or permit their ships or aircraft to carry any equipment, materials or commodities to or from Cuba, *except* that with respect to the selling, furnishing, or transporting of medical supplies, nonstrategic raw materials for agriculture, and nonstrategic agricultural or food commodities, sales agreements may be entered into if the President finds with respect to each such country that such sale is in the national interest, informs the Congress of his reasons for such finding, and publishes his reasons and findings in the Federal Register.

- Under NSAM-220: Shipments owned or financed by the US Government should not be shipped from US ports on a foreign flag vessel that has called in Cuba since 1 January 1963 unless the persons controlling the vessel give satisfactory assurance that no ships under their control will, henceforth, be employed in the Cuba trade so long as it remains the policy of the US Government to discourage such trade.

- Under the Export Administration Act of 1969: Department of Commerce regulations issued under the authority contained in this Act, prohibit the unlicensed bunkering or servicing in US ports of vessels of Communist countries, including Cuba, or vessels that have been denied access to US Government cargoes by reason of their having been engaged in trade with Cuba since 1 January 1963. In accordance with the recommendation of the 12th Meeting of Consultation of Foreign Ministers of the American States, licenses for bunkers are denied to ships that have called in Cuba since 24 September 1967. Additionally, resale by foreign firms of US commodities (including ship stores, plane stores, and bunkers) to Cuba is prohibited unless specifically authorized by the Department of Commerce. [redacted] 25X1

Restrictions on Cuba
The following relates to Cuba directly:

- Under the Foreign Assistance Act, no aid shall be given or any sugar quota given to any government of Cuba except as deemed necessary by the President in the interest of the United States until Cuba pays compensation for expropriated American property.

- Under Section 301 (b) of the Foreign Assistance Act of 1961, as amended: The President shall seek to assure that no US contribution to the United Nations Development Program shall be used for projects for economic or technical assistance to Cuba as long as it is governed by the Castro regime.

- US assistance to Cuba is also restricted under Section 620 (f) of the Foreign Assistance Act of 1961, as amended, which circumscribes aid to Communist countries (specifically including Cuba) unless the President finds and reports to Congress that: (1) such assistance is vital to US security; (2) the country is not controlled by the international Communist conspiracy; and (3) such assistance will promote the recipient country's independence from international Communism. [redacted] 25X1

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Rhodesia

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Appendix F

UK and UN Sanctions Against Rhodesia (1965-79)

Background to the Sanctions

White Rhodesian opposition to sharing power with the country's black majority set the stage for the UK-led imposition of economic sanctions against Rhodesia in November 1965. Pressured by rising worldwide anti-colonial sentiment after World War II, the United Kingdom hammered out a new constitution for Rhodesia in 1961. Among other things, the new constitution established a complex franchise system that immediately created 15 parliamentary seats for blacks and could have led eventually to black majority rule. Seeking a quicker and more complete power transfer, however, black nationalist groups (led by Joshua Nkomo of the Zimbabwe African People's Union) rejected the new constitution and, for the first time, resorted to violence against white property. Conservative whites formed the Rhodesian Front in March 1962, and this party—aided by an election boycott by blacks—won power at the end of that year. 25X1

The political platform of the Rhodesian Front was to remove the threat of black nationalism and gain independence from the United Kingdom. Ian Smith, who had risen to leadership of the Rhodesian Front by April 1964, pushed London to accede to a formal application for independence that had been made by the party leadership in 1963. Although the British Government was not averse to independence for Rhodesia, a stalemate quickly developed over the role of black Rhodesians after independence. Britain sought five conditions:

- Maintenance of the principles and intention of progress toward majority rule, already enshrined in the 1961 constitution.
- Guarantees against retrogressive amendment of the constitution.
- Immediate improvement in the political status of blacks.
- Progress toward ending racial discrimination.
- Acceptance by the Rhodesian population as a whole of any proposed basis for independence. 25X1

Following two trips by Smith to London and a visit by UK Prime Minister Harold Wilson to Salisbury in futile attempts to iron out differences, the Smith government announced a unilateral declaration of independence on 11 November 1965. Prime Minister Wilson imposed economic sanctions against Rhodesia on the afternoon of the same day. 25X1

London imposed a second set of sanctions in December 1965, and the United Nations followed with sanctions in December 1966 and May 1968. The UN resolutions were passed without dissent. Both resolutions included reminders to member states that failure or refusal to implement the measures would constitute a violation of their obligations under the UN Charter. All states were called upon to report measures taken to implement the resolutions, and a Security Council committee was established to gather information on the evasion of sanctions. 25X1

Description of the Sanctions

UN sanctions complemented those imposed by London and eventually encompassed a cutoff in all trade, transport of Rhodesian goods, and funding to Rhodesia (see inset). In addition to the four major sanctions measures, both the United Kingdom and the United Nations passed supplementary legislation and resolutions designed to tighten and increase their effectiveness. In the period January through June 1966, the United Kingdom made purchases of several Rhodesian products by anyone in the world a violation of British law. The UN Security Council passed roughly a dozen additional sanctions measures after May 1968. Some of these covered loopholes in transportation, financing, and franchising, while the remainder simply duplicated items in Resolutions 232 and 253. 25X1

United Kingdom and United Nations: Sanctions Against Rhodesia, 1965-68

United Kingdom, November 1965
- *Ban on sale of arms, including spare parts.*
- *Cessation of economic and military aid.*
- *Removal from the sterling area.*
- *Ban on export of capital.*
- *Denial of access to the London capital market.*
- *Ban on further coverage by the UK Export Credits Guarantee Department.*
- *Suspension from the Commonwealth Preference Area.*
- *Cutoff of purchases of Rhodesian sugar and tobacco (which together accounted for two-thirds of Rhodesian exports to the United Kingdom).*

United Kingdom, December 1965
- *Cutoff of purchases of several minerals (including copper, chrome, and asbestos) and foodstuffs (corn and beef).*
- *Blockage of dividend, interest, and pension payments to Rhodesian citizens.*
- *Replacement of the Board of Governors of the Reserve Bank of Rhodesia with a British board located in London, and assumption by this board of control of Rhodesian funds outside Rhodesia.*
- *Cutoff of sales of petroleum and petroleum products, accompanied by a request to other countries for similar action.*

United Nations (Resolution 232), December 1966
- *Ban on the purchase by UN members of Rhodesian asbestos, iron ore, chrome, pig iron, sugar, tobacco, copper, meat, meat products, hides, skins, and leather.*
- *Ban on the sale to Rhodesia by UN members of arms, military equipment and materials, aircraft, motor vehicles and equipment, and petroleum products.*

United Nations (Resolution 253), May 1968
- *Ban on all imports from Rhodesia.*
- *Ban on all exports to Rhodesia, except medical and educational supplies.*
- *Ban on the transport of Rhodesian exports and imports.*
- *Cutoff of investment and all other funding to Rhodesia.*
- *Cutoff of airline connections to and from Rhodesia because of the political impact these connections had in a third country.*
- *President Nyerere of Tanzania interpreted the sanctions to mean that the international community would not oppose his invasion of Uganda to remove Amin by force.* 25X1

Objectives of the Sanctions

The Wilson government's stated objectives were to end the Smith rebellion and restore legitimacy so that ultimately the country could be granted independence under majority rule. Wilson wished to unseat Smith ("There can be no truck with this illegal regime or any compromise with it.") rather than just induce a return to negotiations. The objectives of the subsequent UN sanctions were worded differently: to "end the rebellion" and to "avoid assisting the illegal regime." 25X1

Wilson had several unspoken objectives aimed at both domestic British constituencies and world opinion. Holding a slim four-seat margin in Parliament, Wilson wanted to head off any growth in pressures for military intervention that might endanger his consensus with the Tory parliamentary opposition on the sanctions issue. Many in the Liberal Party and some in the left wing of Wilson's own Labor Party already were pressing for much stronger measures against

Rhodesia. Their views coincided with those of many Third World countries. Some additional objectives not directly articulated by the Wilson government were:

- To forestall the use of force by other countries.
- To maintain Britain's positive image and reputation in the international community.
- To take a stand for morality and justice.
- To reduce the chances that Zambia might cut off copper shipments to British industry if Britain failed to punish Rhodesia.
- To reduce the likelihood of retaliation against whites in other African countries. [redacted]

The UK and UN sanctions were targeted against the 225,000 white Rhodesians. Besides controlling the government, this group dominated the economy. White farmers produced all of the country's principal export crops; and white businessmen owned the mines, factories, transport facilities, and most of the wholesale and retail distribution system. Had sanctions worked as intended, they would also have severely hurt the welfare of the country's 5 million blacks. Roughly half of these depended on low-paying jobs in white-owned businesses for at least part of their subsistence. [redacted]

Compliance With the Sanctions

In many respects, Rhodesia appeared to represent a nearly ideal target for sanctions:

- Exports were concentrated in a small number of primary products—tobacco, sugar, and a few minerals—and only three markets: the United Kingdom, Zambia, and South Africa.
- Imports were concentrated in one product area—machinery and transport equipment—and were purchased largely from two countries: the United Kingdom and South Africa.
- Overall, foreign trade accounted for a sizable percentage of Rhodesian GNP.
- The British economy was not critically dependent on supplies of raw materials from Rhodesia or on the Rhodesian market.[14] [redacted]

[14] Several Western companies, however, were dependent on specific primary exports from Rhodesia. For example, Union Carbide of the United States and Foote Mineral of the United Kingdom depended on Rhodesia for chrome ore; Turner and Newall of the United Kingdom used Rhodesian asbestos; and Kropf Mull of West Germany relied exclusively on graphite from Rhodesia. [redacted]

As it turned out, however, the sanctions were severely undermined because Rhodesia's African neighbors, Japan, the United States, and many European countries—including the United Kingdom—were unwilling or unable to abide by them. Moreover, the United Kingdom and the United Nations were unwilling to enforce them militarily. [redacted] 25X1

South Africa, which faced the threat of sanctions because of apartheid, openly helped Rhodesia circumvent the sanctions during the entire 14 years they were in effect. Pretoria continued to trade with Rhodesia and provided critical imports, such as oil, as well as transport and other entrepot services to the landlocked country. We estimate that at least two-thirds of the goods moving between Rhodesia and South Africa for much of the period originated or ended up in world markets with false documentation provided mainly by South African middlemen. The similarity between Rhodesian and South African traded goods, as well as South African laws prohibiting importers from disclosing the ultimate destination of their purchases, enhanced the ability of middlemen to obscure the Rhodesian connection. [redacted] 25X1

25X1

Other African countries also breached the UN embargo:

25X1

- Disguised trade channels similar to those through South Africa were available to Rhodesia in Portuguese Mozambique until its independence in mid-1975.

- Zambia—Rhodesia's largest 1965 export market—continued to trade with Rhodesia and to use its transport facilities until 1973. Then in October 1978, after a five-year hiatus, transport bottlenecks on the alternative Benguela and Tazara railroads forced Zambia to resume transshipments via Rhodesia. This probably enabled some Rhodesian goods—particularly white corn, light manufactures, and coal—to find their way to Zambian markets.

- Other black African neighbors—Botswana, Malawi, and Zaire—maintained economic relations with Salisbury in spite of UN sanctions. [redacted] 25X1

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The West and Japan did not vigorously enforce sanctions, especially during the initial years of application. Indeed, much of the billing and payment for Rhodesia's trade with the West was channeled through Swiss banks; Swiss middlemen apparently remained important conduits until the sanctions were lifted, although in January 1978 their government banned such activity. A 1978 report sponsored by the British Government accused the United Kingdom's two largest oil companies of supplying petroleum products to Rhodesia until 1976—first through South African middlemen, then via a complex swap arrangement with a French company in then Portuguese Mozambique. The United States resumed its role as the leading importer of Rhodesian chrome and several other minerals from the passage of the Byrd Amendment in late 1971 until its repeal in March 1977.

The countries that evaded the Rhodesian sanctions generally felt they had strong reasons. These reflected their assessments of their own best economic and political interests combined with the inducement of strong price incentives offered by Rhodesian businessmen:

- The US Congress passed the Byrd Amendment on the grounds that chrome was "the one item which could and should be imported from Rhodesia that is vital to the national security of the United States."[15]

- Portugal viewed continued relations with Rhodesia as a stabilizing factor in southern Africa. This was important to Lisbon while it was still trying to maintain control of Angola and Mozambique through the mid-1970s.

- Switzerland felt that compliance with the sanctions would violate its longstanding policy of neutrality.

[15] Although only chrome was mentioned during the Congressional hearings and debates, the general license issued by the Department of Treasury on 25 January 1972 authorized imports of chromium ore, ferrochrome produced in any country from Rhodesian chromium ore, and any other material of Rhodesian origin determined to be "strategic and critical." Rhodesia produced 22 of the 72 minerals on the US list of "strategic and critical" mineral products, and many of these were imported while the Byrd Amendment was in force.

- The cutting of trade ties to Rhodesia would have caused severe economic dislocations in Malawi, Botswana, Zambia, and Zaire.

Results of the Rhodesian Sanctions

The UK and UN sanctions against Rhodesia failed to achieve the stated objectives of either Prime Minister Wilson or the UN Security Council. As time passed and the Rhodesian economy flourished, the United Kingdom narrowed its stated objectives for the sanctions. Instead of ousting the Smith regime, Britain's goal became that of keeping pressure on Smith to negotiate. Even that objective was questioned. By 1972, Sir Alec Douglas-Home, Foreign Secretary of the then Conservative government, said, "I do not honestly think that sanctions are the main influence which brings Mr. Smith to the negotiating table."

Following the first full year of sanctions, the Rhodesian economy performed well for almost a decade. Real GDP growth averaged 6.5 percent annually between 1965 and 1974; below-average economic performance occurred only in drought years.

To achieve this pace, the government took a larger role in the economy through a formidable array of organizations and controls:
- Development corporations were set up to provide financing and technical expertise for industrial, mining, and agricultural enterprises.
- Efforts to find new export markets and to evade sanctions were centralized.
- The Rhodesian Government assumed extensive powers in resource allocation and control of wages and salaries.

Import substitution flourished and contributed to the economic resiliency. By 1970 manufacturing had replaced agriculture as the leading nonservice sector, because of a 50-percent overall growth over the five-year period. As a result, virtually all essential consumer items and some intermediate and capital goods were supplied domestically, thereby saving Rhodesia valuable foreign exchange. Indeed, import volume did not match or exceed the 1965 level until 1973.

On the export side, only agricultural sales suffered badly during the sanctions period. The embargo crippled tobacco sales, Rhodesia's largest foreign exchange earner. This was because tobacco was too easily traced to the source and could not, therefore, be passed through foreign middlemen to the world market. The sharp decline in tobacco earnings and a need to reduce dependence on imported food caused the government to encourage growers to switch to corn and wheat production.

Sanctions initially hurt the chromium market, Rhodesia's second-largest export earner. Despite a sharp downturn in output during the late 1960s, however, the US decision to end its embargo—the Byrd Amendment—and the skirting of trade impediments by other Western countries, allowed production to outstrip presanctions levels by 1972.

Other nonagricultural exports generally held their own. Copper and pig iron sales, for instance, were hurt little by sanctions because of new markets in Western Europe and transit with South African bills of lading. The majority of Rhodesia's nondurable manufactures were sold to South Africa and were not affected.

Following the unilateral declaration of independence, South African funds and an involuntary boost in domestic investment allowed Rhodesia largely to replace traditional sources of capital. With remittances to US, British, and Canadian parent companies prohibited by the Smith government, profits had to be reinvested rather than repatriated. As a result, total domestic investment surged from 13 percent of GDP in 1964 to an annual average of 20 percent during the first half of the 1970s.

In addition to the reinvested earnings, some $500-750 million in new foreign investment flowed in, mostly from South Africa. Adherence to the boycott by international bankers and foreign donors made Salisbury almost totally dependent on South Africa for these and other financial flows. Concessional aid and access to Pretoria's private capital markets enabled the Rhodesian Government to finance its small budget deficits.

The Civil War Years

Beginning in 1975, Rhodesia was beset by a new round of troubles that wreaked economic havoc. The main factors were an escalation of the protracted civil war and the Zambian and Mozambican closure of their borders with Rhodesia. The ensuing uncertainty and the erosion of the middle-class market because of white emigration weakened the investment climate. Moreover, international demand for Rhodesian commodities sagged with the recession in Western markets. The economic downturn that began in 1975 persisted for five years. With the real economic decline averaging 3 percent annually, per capita income had tumbled 24 percent by 1979.

25X1

25X1

Government reactions to the war also had profound implications, as the mounting diversion of resources into defense undercut economic growth. The defense portion of the budget rose from 19 percent in 1975 to a peak of 32 percent in 1979, pushing the overall budget deficit from $4 million in 1975 to more than $700 million in 1979. The stimulative effects of rising defense expenditures were more than offset by the reduction in producer and consumer subsidies, the boost in personal income taxes, and the mandatory purchase of war bonds to help cover these deficits. Moreover, the shift of scarce foreign exchange to military-related purchases reduced financial resources for local businessmen, even as the diversion of skilled white manpower from industry and agriculture worsened an already bad labor situation

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External factors also undermined the embattled economy. The Zambian border closure during the period 1973-78 had deprived Salisbury of transshipping fees, but, by itself, this did little harm. More serious, however, was the decision in 1976 by the new Machel government in Mozambique to close Mozambique's borders with Rhodesia. This action forced a rerouting of trade through South Africa, which increased Rhodesia's freight payments about 50 percent annually.

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Beyond the internal and regional forces, the deteriorating international economy also took a heavy toll. Demand by developed countries for most of Rhodesia's exports slumped as world oil prices soared. Trade sanctions caused Rhodesia to suffer disproportionately, as buyers switched to more dependable suppliers. In addition, largely because of technology changes, Rhodesia was unable to replace the US chrome market lost to it after the 1977 repeal of the Byrd Amendment.

Whether the sanctions were a significant factor in the ultimate switch to majority rule—14 years after they were imposed—is questionable. Without the escalating civil war after 1975, the Rhodesian economy probably would have continued to achieve a performance acceptable to the white population, despite sanctions. Nonetheless, combined with the civil war and the persistent diplomatic pressures of the United States, the United Kingdom, and ultimately even South Africa, the Smith government probably factored in the difficulties caused by sanctions in its decision to capitulate.

By imposing sanctions, the Wilson government probably achieved some of its unstated objectives. Thus, the imposition of sanctions served—at least initially—as an effective expression of morality and justice and probably helped maintain a positive international image for Britain. As time passed and the sanctions proved ineffective in bringing Rhodesia to heel, these initial results were severely eroded. Third World countries, in particular, expressed frustration over London's unwillingness to resort to military force.

After Majority Rule

Ironically, the longer term outcome of the Rhodesian sanctions was to leave the Smith government's successors with stronger and far more diversified manufacturing and agricultural sectors than would otherwise have been likely. By 1975 the investment of retained earnings by Rhodesian companies plus South African investment had developed Rhodesian manufacturing sufficiently to meet most domestic consumer needs and provide exports to South Africa and other neighboring countries. Because of the enforced switch from tobacco to grain crops, Rhodesia not only strengthened its self-sufficiency in food production, but also became (along with South Africa) one of Africa's only two consistent net food exporting countries.

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Conclusions

The failure of the UK and UN sanctions to achieve more than a few unstated—and certainly not primary—objectives illustrates the difficulties of enforcing sanctions even against a target that appears highly vulnerable: 25X1

- The sanctions were not fully enforced by any of the major implementing parties.
- Neither the United Kingdom nor the United Nations was willing to use military force.
- A key supplier of the value to be withheld by the sanctions—South Africa—did not participate and, in fact, openly flouted the sanctions. 25X1
- Largely because of South Africa's role, the Smith government's prohibition against profit repatriation by foreign-owned companies, and Salisbury's centralization of economic authority, the Rhodesian economy adjusted quite well to the sanctions that were enforced.

The fact that the Smith government gave way after 14 years appears much more the result of the civil war and heavy diplomatic pressure than of the domestic impact of sanctions. 25X1

Even though unintentional, the sanctions ultimately turned out to be beneficial from the viewpoint of both the sponsors and the target because they left Rhodesia, now Zimbabwe, with a much stronger economy than would otherwise have been likely. 25X1

25X1

Algeria

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Appendix G

French Sanctions Against Algeria (1971)

Background to the Sanctions

In April 1971, France imposed sanctions against Algeria in an effort to resolve a dispute over oil prices and the nationalization of French oil holdings. The issue arose when a 1965 oil agreement granting oil and gas concessions to France in return for aid in industrial development and exploration came up for renegotiation in 1970. The Algerian Government claimed that France was not fulfilling all of its obligations in connection with exploration, industrial development, and the import of Algerian gas into France.

In July 1970, Algeria unilaterally announced an increase in the tax-reference price[16] of oil from $2.08 to $2.85 per barrel. In the fall of 1970, Algeria raised this to $3.00 and by the end of the year was demanding $3.24. Futhermore, Algeria asserted that the price issue was secondary to this objective of taking over control of oil production from the French companies involved. After protracted negotiations, the Algerian Government broke the deadlock in February 1971 and unilaterally announced that it would take over 51 percent of French oil production—accounting for about 70 percent of total Algerian crude oil production—and all pipelines and gas wells in the country.

According to press reports, the French Government initially decided to make the best of the situation and seek the highest possible remuneration for seizures. Following fruitless talks between the two governments, however, Algeria announced in April 1971 that:

- It was raising its oil price to $3.60 per barrel (the highest price of any oil producer in the world).
- It would pay only $100 million to French oil companies as compensation for the 51-percent takeover of their assets (about a seventh of what the French companies had estimated their lost assets to be worth and a third of what they were willing to settle for).
- It was ending all foreign-owned concessions in Algeria.

The French Government responded by cutting off negotiations with the Algerian Government, and the French companies involved—the state-owned Elf-Erap and the 35-percent-state-owned French Petroleum Company (CFP)—suspended their liftings of Algerian oil.

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Objective of the Sanctions

The objective of the sanctions was to force the Algerian Government to reconsider compensation terms and the tax-reference price of oil. The French calculated that their actions would lead to an immediate drop in revenue. The French companies involved produced in 1970 some 660,000 b/d of crude oil out of a total Algerian production of 976,000 b/d.

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Description of the Sanctions

The French boycott campaign cost the Algerians a production drop of at least 25 percent in 1971. In addition to suspending their lifting of Algerian oil, the companies took action on the international oil market by issuing warnings that they would sue any buyers of oil from the fields seized by Algeria, which they

[16] The price used for calculating royalty and income tax payments for equity oil produced by foreign oil companies.

25X1

considered to be their property. The French Government also approached the World Bank, from which the Algerian state oil firm Sonatrach was seeking financing for petroleum development, to block any extension of credits. Finally, it appealed to the United States to forgo a planned purchase of gas from Sonatrach until the oil dispute was settled.

Factors Affecting the Success or Failure of Sanctions

The effectiveness of the French sanctions was undermined by developments in the world oil market, where rising prices enabled the Algerians largely to offset the losses resulting from production cutbacks. Moreover, the French could not win the full support of their allies. Although the United States proved willing to delay the purchase of Algerian gas by the Texas El Paso firm—a decision also influenced by the high Algerian asking price—both US and British firms reached agreements with Sonatrach on the exploitation of their own, smaller oil concessions in Algeria.

French determination to uphold the sanctions was eroded by the disproportionate cost of the measures to their own interests. Before the imposition of sanctions, Algerian oil accounted for 25 percent of total domestic consumption. French energy policy, which did not provide well for alternative sources of supply, made it difficult for France to find quickly oil substitutes to make up for the Algerian shortfall. The loss of the Algerian oilfields was particularly serious for the Elf-Erap firm, for which the fields represented 80 percent of total production. In addition, the sanctions strained Franco-Algerian trade relations generally and encouraged Algeria, which had relied heavily on trade with France, to diversify its trading partners (for example, by developing prospects for large-scale exports of oil and gas to the United States). The sanctions also strained the "special relationship" between Algeria and France. This was of special concern to France since Paris considered Algeria an important link to the Arab world.

Results of the Sanctions

The net result of these converging pressures was the collapse of the sanctions. CFP agreed to Algerian terms in June 1971, followed by Elf-Erap in December of that year. CFP settled for a share of oil amounting to half its 1970 production, and Elf-Erap agreed to accept a share equal to only one-third of its prenationalization production. Four small companies agreed to withdraw completely from the Algerian industry. Compensation for the nationalization was close to Algeria's original terms. The tax-reference price was raised from $2.90 to $2.95 per barrel, with a provision for renegotiation after five years. 25X1

Sonatrach, on the other hand, emerged as the 10th-most important oil producing company in the world. Algeria itself has emerged as one of the leading price hawks in the Organization of Petroleum Exporting Countries (OPEC). Its victory over sanctions in 1971 almost certainly contributed to this aggressiveness. 25X1

25X1

Conclusions

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In the French boycott of Algerian oil almost none of the factors needed for successful sanctions was present:

- France was not Algeria's only customer and could not gain the full support of the others.

- France's commitment to the sanctions was eroded because it could not readily replace Algerian oil, which was a significant portion of French supplies, and because the sanctions strained the "special relationship" with Algeria, which Paris considered a key link to the Arab world.

- The cost of the sanctions to Algeria was minimal because rising world oil prices enabled the Algerians to offset most of the revenue loss resulting from the reduction in export volume.

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- The Algerian Government remained strongly committed to taking over control of its oil production.

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United States

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Appendix H

OAPEC Oil Embargo Against the United States (1973-74)

Background to the Sanctions

The Arab oil exporting nations embargoed the United States during and after the 1967 Middle East war, but the embargo was not effective. The United States used its domestic spare capacity in conjunction with stepped-up imports from non-Arab oil producers to meet its oil requirements. The Arabs were unable to withstand the loss of oil revenue for an extended period and soon lifted the embargo.

By October 1973, however, the United States had become vulnerable to an Arab embargo. Three important developments had taken place:

- US oil demand increased steeply while domestic production fell.
- Increased world oil demand reduced world spare capacity.
- Oil prices quadrupled.

Between 1967 and 1973 the US energy-intensive industries boomed, and, because environmental laws and federal regulation limited the mining and use of coal, the construction of nuclear power plants, and natural gas production, most of the increased energy demand was for oil. US oil output peaked in 1970 and fell thereafter; Arab oil imports rose as a result.

Until 1970 world oil supply usually exceeded demand. In the early 1970s, however, the economies of the major industrial countries expanded simultaneously and soaked up the excess supply. The surge in oil demand and growing assertiveness by OPEC revolutionized oil pricing. In 1971 producer governments forced the oil companies to raise oil prices. Then, on 16 October 1973, OPEC unilaterally hiked the price from $3.01 to $5.12 a barrel. Demand continued to outrun supply, and three months later OPEC raised the price to $11.65. Oil revenues flowed into producing countries at unprecedented rates, giving the members of the Organization of Arab Petroleum Exporting Countries (OAPEC)[17] sufficient financial reserves to withstand a prolonged embargo. 25X1

Description of the Sanctions

On 6 October 1973, Syria and Egypt invaded Israeli-occupied Arab territory. Israel suffered military reversals in the first days of the war and asked the United States to resupply it with arms. 25X1

On 17 October the members of OAPEC decided to: (1) embargo the United States, (2) shut in the oil normally shipped to the United States and reduce production an additional 5 percent, (3) determine an importer's access to Arab oil according to its level of support for the Arab cause, and (4) make further monthly production cuts of 5 percent until Israel relinquished all Arab territory.[18] 25X1

25X1

On 18 October the United States announced that it would resupply Israel with arms. Saudi Arabia, which had counseled OAPEC to be moderate, reacted by reducing its oil production an additional 5 percent and assuming leadership of the embargo. 25X1

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Enforcement

OAPEC governments ordered foreign oil companies to enforce the embargo and threatened them with expropriation and other punitive measures if they failed to comply. To ensure compliance, OAPEC members required tanker captains loading Arab oil to sign affidavits designating their destination and to cable back upon arrival. Arab diplomats abroad also checked public records of oil imports. OAPEC members did not establish a mechanism to monitor each

[17] OAPEC consisted of Saudi Arabia, Iraq, Kuwait, Libya, Algeria, Qatar, Abu Dhabi, Bahrain, Syria, and Egypt.

[18] Iraq subsequently refused to reduce its production, but it did participate in the embargo. 25X1

25X1

25X1

other's observance of the boycott; nonetheless, virtually no Arab oil reached the United States during the embargo. [redacted]

Objectives of the Sanctions

OAPEC members stated three objectives for the sanctions:

- To express their anger at the United States for assisting Israel.
- To demonstrate solidarity with Egypt and Syria.
- To make the United States press Israel to return Arab land. [redacted]

The act of imposing sanctions allowed OAPEC to accomplish the first two objectives. As to the third, Egypt regained sovereignty over some of its territory while the sanctions were in effect, but the United States did not ask Israel to make territorial concessions in order to induce the Arabs to lift the embargo. [redacted]

The OAPEC linkage between the sanctions and repatriation of Arab land loosened after the war ended in late October. Saudi Arabia, the largest oil exporter and the key to maintaining the embargo, indicated that total Israeli withdrawal was not a condition for lifting the sanctions. It did insist, however, that Israeli withdrawal begin. [redacted]

In November 1973 the United States launched a diplomatic effort to disengage Arab and Israeli forces. Egypt and Israel concluded an agreement in mid-January 1974 that required Israel to pull back in the Sinai. Henry Kissinger, who mediated the agreement, asserts in his memoirs that the sanctions did not influence US diplomacy. Israeli Defense Minister Moshe Dayan's memoirs corroborate Kissinger's statements. [redacted]

The United States felt that the agreement met the Saudi condition for ending the embargo. Syria, however, quickly petitioned the Saudis to extend the embargo until the United States attempted a Syrian-Israeli disengagement. The United States refused to commence negotiations while the embargo was in effect. In February an Arab summit conference offered a compromise—OAPEC would agree to end the embargo if the United States sent a diplomatic mission to assess the prospects for a Syrian-Israeli disengagement. The United States agreed, and OAPEC lifted the embargo on 19 March 1974. [redacted]

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Impact of the Sanctions

The Arab sanctions led to widespread fuel shortages in the United States. The sanctions had an impact because non-Arab exporters did not have sufficient spare capacity to compensate for Arab production cutbacks and the Arabs had the financial reserves to maintain the embargo for an extended period. [redacted] 25X1

Three factors, however, mitigated the sanctions' impact: 25X1

- The oil companies used their worldwide transportation and marketing networks to reallocate the available oil. By diverting some non-Arab oil from Europe and Japan to the United States and replacing it with OAPEC production, they protected the United States from the maximum oil loss possible. 25X1
- At the time, US dependence on Arab oil was modest. The sanctions cost the United States 1.3 million b/d of oil, or 8 percent of its total oil consumption. The American people experienced discomfort but not hardship.[19] 25X1
- The US commitment to Israel had broad support. Throughout the embargo, the public never pressed the government to change its Middle Eastern policy to meet Arab demands. [redacted] 25X1

Results of the Sanctions

The embargo awakened the United States to the costs of importing substantial amounts of oil. During and after the embargo, the United States began making major adjustments in its domestic and foreign policies 25X1

[19] The oil companies' allocation measures caused Western Europe to lose about 12 percent of its total oil consumption; they permitted Japan to increase its consumption by about 10 percent. [redacted]

25X1

to try to reduce its vulnerability to future sanctions. The United States:

- Initiated a variety of programs to conserve energy, develop synthetic fuels, and increase oil, gas, and coal production.
- Helped create the International Energy Agency to foster energy cooperation among the industrial oil-importing countries.
- Assumed a more active role in the Middle East to prevent a diplomatic stalemate that could trigger another war and renewed sanctions.

The embargo had a powerful demonstrational effect on other industrial countries. Most were heavy consumers of Arab oil and lacked the capacity to reduce their dependence substantially. Western Europe and Japan waged vigorous diplomatic campaigns to cultivate OPEC members, and, as a result, they voiced greater support for Arab positions. 25X1

The sanctions greatly enhanced the international prestige of the Arab oil exporters and OPEC in general. OAPEC had used oil to punish a military superpower with impunity. The less developed countries saw it as a turning point in international relations. They soon enlisted OPEC support in an attempt to make the industrial countries create a "new international economic order" favorable to the Third World. 25X1

Conclusions

In terms of its effectiveness, the OAPEC oil embargo on the United States presented a paradox. Few of the elements needed for achieving substantial economic impact were present:

- The Arab oil exporters were not able to control the supply of oil to the United States.
- The United States was able to adjust to the embargo with relatively little economic dislocation.
- The United States remained committed to its support for Israel. 25X1

Yet, OAPEC members could legitimately claim that the embargo met their objectives:

- The goals of expressing anger at the United States and demonstrating solidarity with Syria and Egypt were symbolic and easily met by imposing the embargo.
- The goal of making the United States pressure Israel to return Arab land was also largely symbolic because Washington was already committed to this end.

As it turned out, the oil price increases had a more substantial economic impact on the United States than did the embargo. 25X1 25X1

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Pakistan

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Appendix I

US Sanctions Against Pakistan (1977-80)

Background to the Sanctions

The imposition of sanctions against Pakistan in the late 1970s involves a number of factors that appear to make it a special case. First, the objective on the part of the US Government was highly specific—to discourage the Pakistani military regime from pursuing a nuclear weapons program. Other aspects of Islamabad's foreign and security policies, or even its domestic politics and human rights record, were not relevant to the decision to impose sanctions. Second, the sanctions were diverse, involving not only the prohibition of all nuclear cooperation but also the termination of US Government assistance in the areas of military and economic aid. Third, some of the sanctions have been removed while other restrictions still remain in effect. The prohibition against nuclear cooperation is still in force, but economic and military assistance programs involving or requiring US Government financial support resumed as of December 1981.

A crucial factor that complicates any long-term assessment is that developments in the Pakistani nuclear program could trigger the reimposition of economic and military sanctions within a short period of time. The rationale and legal foundation for the original sanctions remain operative. US political leaders can authorize a total embargo on assistance programs any time the pace of the Pakistani nuclear program seems to warrant this step. The possibility of a reimposition of economic and military sanctions could still influence the decisionmaking process within the Pakistani regime concerning the immediate need for a nuclear weapons device.

The Sanctions: Origin and Scope

The imposition of sanctions against Pakistan in 1978 and 1979 was an outgrowth of the broad Congressional-Executive effort in the period 1976-78 to codify laws governing nuclear exports and to make US nonproliferation policy more stringent. The relevant US legislation does not single out Pakistan, but growing concern about the direction of the Pakistani nuclear program was an important factor in stimulating proposals for tougher laws on nuclear transfers to nonnuclear weapons states. The French decision in early 1976 to sell Pakistan a commercial-scale reprocessing plant was a major turning point. The Ford and Carter administrations put considerable pressure on the French Government to cancel the contract even though Pakistan had agreed to place the facility under International Atomic Energy Agency (IAEA) safeguards. In June 1978 Paris informed Washington that French firms would withdraw from the reprocessing plant project. We believe this step was taken not in response to US wishes but primarily because of the risks in being associated with the nuclear weapons ambitions of a rightwing military regime. 25X1

US Government efforts to restrict relations with Pakistan were based on the following legislation: 25X1

- The Symington and Glenn Amendments to the Foreign Assistance Act of 1961.
- The Nuclear Non-Proliferation Act of 1978.

The fundamental purpose of this legislation was to pose the threat of sanctions in order to persuade states that had not already ratified the Non-Proliferation Treaty to accept IAEA safeguards over their entire nuclear program and refrain from procurement activities that could contribute to a nuclear weapons program. Congress and the Executive Branch were essentially in agreement on these basic goals, although opinions varied about the ultimate motives of potential proliferators such as Pakistan. 25X1

25X1

The prohibition against all nuclear cooperation with Pakistan resulted from the automatic application of section 128 of the Nuclear Non-Proliferation Act of 1978. This section stipulates that there can be no nuclear exports to any nonnuclear weapons state that has not placed all its nuclear activities under IAEA safeguards at the time of export. Islamabad's longstanding refusal to accept safeguards on all its existing nuclear facilities required ipso facto the total and immediate ban on US nuclear transfers to Pakistan.[20] This prohibition took effect when the Act came into force on 10 March 1978. [redacted]

Termination of economic and military assistance to Pakistan resulted from the Glenn and Symington Amendments. The Glenn Amendment to the Foreign Assistance Act requires such sanctions against any nonnuclear weapons state that acquires unsafeguarded reprocessing technology or detonates a nuclear device. This amendment was never formally invoked, but the US Government ordered a winding down of economic aid in 1977 in reaction to the French-Pakistani reprocessing plant project. Economic assistance was resumed for the period 1978-79 after the French decision to withdraw from the reprocessing project. [redacted]

The eventual termination of all US Government economic and military assistance to Pakistan resulted from the application of the Symington Amendment. This amendment to the Foreign Assistance Act stipulates that a nonnuclear weapons state that has obtained uranium enrichment technology outside IAEA safeguards can no longer receive economic or military assistance from the United States. Discovery of evidence of the existence of Islamabad's clandestine enrichment facility near Kahuta led to the imposition of economic and military sanctions for nearly three years beginning in March 1979. [redacted]

Objectives of the Sanctions

There were three publicly stated objectives for the imposition of sanctions on Pakistan:

- To discourage the Pakistani military regime from pursuing a nuclear weapons program.
- To slow development of the program by persuading other nuclear weapons states not to export sensitive nuclear materials, equipment, and technology to Pakistan.
- To demonstrate that the United States would withhold nuclear cooperation and economic and military aid from a nonnuclear state that is attempting to develop nuclear weapons. [redacted] 25X1

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Results of the Sanctions

In our judgment, the imposition of the sanctions failed to achieve the first objective. Pakistani President Zia and his top military advisers were not deterred from their fundamental objective of obtaining a nuclear weapons capability. Islamabad steadfastly resisted safeguards over its entire nuclear program, and Pakistani scientists continued efforts to develop both reprocessing and enrichment technology—the two routes to a nuclear weapons capability. Moreover, there was no incentive to slow the effort to develop a nuclear weapons capability once it became evident 25X1
that the United States wished to resume economic and military aid to Pakistan in the wake of the Soviet invasion of Afghanistan. Although the nuclear sanctions remain in effect, economic and military aid resumed as of December 1981. [redacted] 25X1

Impact of the Sanctions

On a *political* level, the military regime in Islamabad appeared to reap additional public support in the wave of reaction against the US sanctions in 1979. The Pakistani leaders felt no compelling need to rely on 25X1
the United States prior to the Soviet invasion of Afghanistan later that year. They had taken steps to develop strong ties to China following the downturn in US-Pakistani relations in the mid-1960s. In the 1970s, Pakistan also looked more to moderate Arab states and Iran for financial assistance and to European suppliers for arms. [redacted] 25X1
there was virtually no visible public pressure to restore relations with the United States, given the uneven history of bilateral relations and the widespread belief among Pakistanis that the United States had failed them in two wars with India. [redacted] 25X1

[20] Other countries similarly affected were India, Argentina, Brazil, South Africa, Israel, Egypt, and Spain. [redacted]

25X1

The sanctions appear to have reinforced Islamabad's doubts about the credibility of the US security commitment to Pakistan as enunciated in the defense cooperation agreement of 1959.[21] [redacted] the termination of US military assistance, if anything, confirmed Pakistan's intention to develop a nuclear weapons capability. Islamabad regards such a capability as the ultimate guarantor of its security against India, whose conventional supremacy and nuclear potential it cannot hope to match. With the United States unavailable as a counter to India and the Chinese unable to supply sophisticated arms, Islamabad placed a high value on nuclear weapons as an effective deterrent that was attainable with Pakistan's technological and financial resources. [redacted]

The cutoff in US *economic* aid occurred at a time when Pakistan's foreign payments position was becoming increasingly precarious following several years of heavy borrowing. Foreign exchange reserves had dropped by one-half between December 1978 and July 1979 to $183 million and continued to slide to a mid-September low of $77 million, roughly one week's import coverage. While US aid was small in relation to Pakistan's needs—scheduled 1979 disbursements of $130 million versus a financial gap of $1.3 billion—it was provided on very soft terms. Nevertheless, after vaguely threatening to default on debt service payments in an effort to secure a new debt rescheduling agreement from a group of Western creditors, Pakistan was able to bolster its international reserves by negotiating short-term credits from foreign private banks and soliciting emergency assistance from Saudi Arabia. [redacted]

Despite the lack of US aid, by June 1980 Islamabad had covered its foreign payments gap and increased foreign exchange reserves to nearly $700 million. Islamabad used planned and emergency aid from Saudi Arabia, a $163 million trust fund loan from the IMF, and short-term funds borrowed against export earnings of the next rice crop. Moreover, good crops, strong export growth, and several key economic policy reforms enabled the economy to grow by 6 percent in FY 1980 for the third consecutive year. Pakistan reduced its current account deficit in both 1980 and 1981. [redacted] 25X1 25X1

Military Assistance 25X1

The termination of *military* aid probably reduced US influence within the Pakistani military establishment as a result of the suspension of the International Military Education and Training (IMET) program for promising officers, but it had no appreciable effect on Pakistan's military capabilities. The amount of US arms supplied to Islamabad after 1965 was negligible and largely paid for in cash. Since the US arms embargo during the 1965 Indian-Pakistani war, China and France had become Pakistan's principal arms suppliers. From FY 1966 through FY 1979, Pakistan purchased less than $430 million in military equipment from the United States, much of it spare parts and ammunition for older US weapons. The only significant military items purchased from the United States during this time were TOW antitank missiles and M-113 armored personnel carriers, bought in 1975 and 1976. [redacted] 25X1 25X1

The Symington Amendment did not preclude cash military sales. Even before the sanctions were applied, only $7.6 million of Pakistan's total arms purchases from the United States were funded by Foreign Military Sales (FMS) credits, and none have been since FY 1968. Pakistan signed cash FMS agreements worth $88 million in FY 1980 and FY 1981 after the Symington Amendment sanctions were applied, but only for spare parts, ammunition, and support equipment. Moreover, the Symington Amendment did not preclude the delivery of military equipment already purchased. Pakistan received about $130 million in military equipment, including TOWs and armored personnel carriers from FMS agreements concluded before the sanctions. [redacted] 25X1 25X1

Nuclear Sanctions

Nuclear relations between Pakistan and the United States were virtually nonexistent when the Nuclear

[21] President Zia ridiculed a tentative US offer in early 1980 to provide $400 million in emergency economic and military aid following the Soviet invasion of Afghanistan. This offer was made by the Carter administration without having obtained Congressional approval to waive the restrictions under the Symington Amendment. [redacted] 25X1

Non-Proliferation Act of 1978 went into force. The main effect of the Act's prohibition of nuclear transfers to Pakistan fell on the US voluntary contribution in cash and kind to the IAEA, an annual gift used to finance technical assistance and training programs for developing nations. Since the contribution was funded under the Foreign Assistance Act, the United States decided that the provisions of the Symington Amendment made Pakistan ineligible for any US funds provided via the IAEA on a country-specific basis. This assistance included the provision of experts, gifts of equipment for laboratory facilities, and fellowships for the study of nuclear-energy-related subjects in the United States. The training and technical assistance that the United States denied to Pakistan through the IAEA was instead provided by European countries. [redacted]

The United States has succeeded to a considerable extent, however, in meeting its secondary objective of making it more difficult for Pakistan to achieve a nuclear weapons capability. Washington continued efforts to persuade other nuclear supplier states not to export sensitive nuclear materials, equipment, and technology to Pakistan—efforts that would not have been credible in the absence of US nuclear sanctions. This attempt to win support for tighter export controls was a source of tension and disagreement with other nuclear suppliers for a number of reasons:

- Several West European countries as a matter of policy are opposed to trade restrictions even with regard to nuclear transfers to a potential proliferator.

- Few West European countries accepted the principle that a nonnuclear item should be controlled on the basis that it could contribute to a nuclear weapons program. As a result, the United States has found it difficult to interdict trade with Pakistan involving dual-use equipment or gray-area technology.

- Other nuclear supplier states have until recently resisted US efforts to make the export control lists more precise and more comprehensive. The London Suppliers Guidelines, in many instances, are too vague to serve as a useful guide to the implementation of export control policy.

- Some countries have not been willing to devote the law enforcement resources needed to prevent Pakistan from operating a clandestine procurement network in Western Europe. Through the use of intermediaries, false shipping addresses, dummy companies, and other techniques, Pakistan has been able to conceal in many instances that it is the ultimate user of items being bought. [redacted] 25X1

Nevertheless, Pakistan is less prepared to explode a nuclear device at this time than it would have been had Islamabad been free to advance its nuclear program through open procurement and trade. A number of nuclear supplier states were sensitive to the issue of nuclear cooperation with Pakistan and took steps to prevent some sensitive nuclear transfers. As a result, Islamabad is now almost totally dependent on the clandestine procurement network. The completion of the enrichment and reprocessing facilities designed to produce weapons-grade nuclear material was significantly delayed. [redacted] 25X1 25X1

The United States is still trying to get Pakistan to accept safeguards on all its nuclear facilities. Washington has urged other nuclear supplier states not to submit bids for Pakistan's new nuclear power reactor without the stipulation that Islamabad accept "full-scope" safeguards. Several Western governments, however, have made it clear to the United States that they fear they might be undercut by competitors at the last moment and lose the contract. Nevertheless, the concern about Pakistan's unsafeguarded facilities and the IAEA's inability to maintain effective safeguards at Pakistan's only power reactor near Karachi is now widespread. There are no international legal obligations for any nuclear supplier to insist on full-scope safeguards, but failure to make this demand of Pakistan at this point would expose the supplier state to considerable criticism. [redacted] 25X1

Pakistan's leaders are not likely to relinquish their objective of obtaining a nuclear weapons option even if the United States succeeds in fashioning a united supplier front on the issue of full-scope safeguards. However, the rejection of full-scope safeguards would seriously impede Pakistan's plans for a larger nuclear power program. The Pakistanis could and probably would turn to other developing nations with nuclear expertise for assistance, but this strategy would take years to bear fruit. [redacted] 25X1

Conclusions

The US sanctions against Pakistan did not halt Pakistan's nuclear program, but the fact that the United States took tangible action and reinforced it with efforts to sensitize other nuclear supplier states has caused Islamabad to be almost totally dependent on the clandestine procurement network and has slowed development of its nuclear program. 25X1

The sanctions imposed under provisions of the Foreign Assistance Act did not have a major impact on Pakistan's military preparedness or economic development:

- Pakistan was able to adjust to the absence of US aid for the short period of its suspension in part because other donors, including multilateral institutions supported by the United States, provided alternate sources of military and economic aid.
- The Government of Pakistan was willing to forgo US assistance in order to continue its efforts to develop nuclear weapons because it perceived nuclear weapons as a vital element in its national security.
- Imposition of US sanctions in a highly visible way increased domestic support for the Government of Pakistan, thus easing the political cost of the forgone aid. 25X1

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Uganda

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Appendix J

US Trade Sanctions Against Uganda (1978)

Background to the Sanctions

The United States imposed trade sanctions against Uganda in October 1978 in response to a lengthy series of human rights violations by Ugandan President Idi Amin. According to US estimates, Amin had murdered nearly 100,000 people—including two American reporters—since seizing power in a military coup in 1971. He also had expelled almost all of Uganda's 60,000-member Asian community, crippling the country's domestic trade. [redacted]

The decision to impose sanctions capped a yearlong campaign by a small group of congressmen who in September 1977 introduced three bills to terminate all trade between the United States and Uganda. Statements in *The Congressional Record* indicate particular concern about US purchases of Ugandan coffee—half of Kampala's total coffee exports at the time—which were cited as an important element in Amin's ability to stay in power. The statements also pointed out the role of US companies in supplying nearly 40 percent of Uganda's oil imports, in constructing a telecommunications satellite system, and in providing civilian jet aircraft and pilot training. According to Ugandan statistics, the United States was Uganda's largest trading partner in 1977, accounting for nearly one-third of the value of Kampala's international transactions. [redacted]

Efforts to obtain approval of embargo legislation were held up by the lack of support in both Congress and the White House. [redacted] President Carter's opposition to Ugandan sanctions was based on a number of factors:

- The United States had already demonstrated its distaste for the Amin regime by closing its Embassy in Kampala and suspending all official US assistance.
- Washington was monitoring Ugandan trade by requiring the Departments of State and Commerce to review US export licenses and determine whether the export item would contribute to human rights violations.
- Amin might retaliate by taking measures threatening the safety of the 200 Americans still in Uganda.
- Economic sanctions would be ineffective and inconsistent with the principle of free trade. 25X1

Over the next several months, however, an intensive anti-Amin campaign by the American media gradually aroused public opinion in favor of sanctions, with a similar impact on Congress. [redacted] 25X1

Provisions and Objectives of the Sanctions

The sanctions contained in Public Law 95-455 of 10 October 1978, applied to nearly all US trade with Uganda and directed that:

- No article—including technical data or other information—except grains and additional foodstuffs could be exported to Uganda by anyone subject to the jurisdiction of the United States.
- No article grown, produced, or manufactured in Uganda could be imported into the United States. 25X1

These proscriptions were to remain in effect until the President certified to Congress that the Government of Uganda was "no longer engaged in a consistent pattern of gross violations of human rights." [redacted] 25X1

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While an end to human rights violations in Uganda was the stated objective of the sanctions, we believe the congressional testimony on the legislation indicates that there was a major unstated objective as well. That goal was to put enough pressure on the Ugandan economy to undercut Amin's control and thereby result in his ouster. [redacted] 25X1

Impact of the Sanctions

Uganda was in desperate financial straits during this period, and, being landlocked, it was dependent on the pro-US government of neighboring Kenya for its international trade. Most of the modern sector of the economy had long since shut down, following the expulsion of Asians and Amin's indiscriminate persecution of Ugandan professionals. Agriculture kept the economy going, but production had been declining as farmers reduced output to subsistence levels. [redacted] 25X1

Despite its economic problems and heavy dependence on the US market, Uganda suffered little from the US trade sanctions. Ugandan officials had been aware for some time of official US sentiment regarding Amin's policies because of the steps taken by the Carter administration and the discussions in Congress. According to Embassy sources, Ugandan envoys were visiting numerous Western and other countries as early as January 1978 to line up new customers for coffee and other products. Indeed, by the time sanctions were in place, US companies had almost completely ended commercial dealings with Kampala. In addition, the Kenyan Government continued to provide transit for Ugandan trade. Official data indicate Ugandan efforts to locate other buyers were largely successful—export receipts during the embargo showed no change from the similar period immediately preceding the sanctions. Most of the slack was taken up by other Third World countries, although Japan, the United Kingdom, West Germany, and Italy also stepped up purchases somewhat (see table 3). [redacted] 25X1

On the import side, [redacted] the US embargo hampered Uganda's ability to obtain petroleum imports. Official Ugandan data show a steady decline in oil deliveries, reflecting, in our judgment, a reluctance by other international oil companies to allow Kampala to purchase oil on credit. Embassy sources report that, as a result, the government had to contend with more frequent fuel shortages and associated disruptions in public transportation. [redacted] 25X1

Table 3
Destination of Ugandan Exports, 1977-78

Percent of total

	1977	1978	Percentage Point Change
Industrial market economies			**8.0** [a]
Australia	2.6	3.6	1.0
Canada	0.6	0.3	−0.3
Federal Republic of Germany	1.7	3.5	1.8
France	5.9	5.7	−0.2
Italy	3.3	4.7	1.4
Japan	3.7	8.3	4.6
Netherlands	2.4	1.7	0.7
United Kingdom	19.5	21.5	2.0
United States	40.4	9.2	−31.2
Other	2.2	0.6	−1.6
Nonmarket industrial economies			**2.9**
Hungary	0	2.0	2.0
Poland	1.5	1.2	−0.3
USSR	0	1.2	1.2
Capital surplus oil exporters			**1.6**
Libya	1.1	2.7	1.6
Middle- and low-income countries			**18.0**
Kenya	0.3	1.8	1.5
Others	15.4	31.9	16.5

[a] Excluding the United States.

[redacted] 25X1

Results of the Sanctions

Although sanctions did not directly bring about a change in Ugandan Government policies or the government itself, Embassy reporting suggests the embargo did have an indirect role in Amin's political demise. According to conversations between senior Tanzanian and US Embassy officials, Washington's decision to terminate commercial dealings with Kampala was an important factor in Tanzanian President 25X1

Nyerere's decision to opt for a direct military campaign to remove Amin in October 1978. Nyerere believed the sanctions were a sign that the international community would not oppose his invasion of Uganda. 25X1

Conclusions

On the surface, the US trade sanctions against Uganda had little going for them:

- The United States was unable to gain the cooperation of other governments in shutting off trade.
- Uganda was able to find other suppliers and buyers of most of the goods traded with the United States.

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Yet, the sanctions ultimately—even if indirectly—achieved the objective of bringing about a change in the Ugandan Government because of the political impact they had in a third country. President Nyerere of Tanzania interpreted the sanctions to mean that the international community would not oppose his invasion of Uganda to remove Amin by force. 25X1

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Iran

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Appendix K

US Sanctions Against Iran (1980-81)

Origin and Scope of the Sanctions

The United States imposed economic sanctions against Iran as part of a larger diplomatic strategy to force the release of the American hostages seized by Iranian militants on 4 November 1979. The immediate objective of the sanctions was to create sufficient economic pressure on Iran to force it to release the hostages.

Three days after the US Embassy was taken, President Carter ordered a halt to all US oil imports from Iran. As the crisis dragged on, the administration also blocked all Iranian assets under US control and informally curtailed some exports to Iran—particularly military equipment already paid for by Tehran. US impatience with Khomeini's intransigence with respect to settlement proposals from both Washington and the United Nations culminated in Carter's formal prohibition on 7 April 1980 of all exports to Iran except food and medicine. In fact, a de facto trade embargo was already in place because US longshoremen had earlier refused to load cargo—even food—bound for Iran.

The most controversial US sanction was the blocking of all Iranian assets in the United States and those under the control of US banks, businesses, and individuals outside the United States. The objectives of this action were, initially, to protect US asset claims from Iranian default and, later, to pressure Iran to release the hostages. The US decision froze about $12 billion of Iran's bank deposits, gold, and other property under US control; about $5.6 billion of these deposits and securities were held in overseas branches of US banks, mostly in the United Kingdom. By taking the extraordinary step of obstructing the use of these overseas accounts, the United States doubled the amount of Iranian assets it could immobilize—including nearly one-half of Iran's official foreign exchange reserves.

To make the sanctions work, the United States needed the cooperation of its allies. To this end, US representatives visited several European countries to discuss the sanctions from the outset of the crisis. The United States also asked the UN Security Council in January 1980 to adopt restrictions on trade and financial transactions with Tehran, and in April Secretary of State Vance met in Washington with representatives from 25 countries to seek a commitment to the sanctions. 25X1

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Concerned about their own self-interest and the wisdom of Washington's hardline economic position, the allies' response was less than enthusiastic. They feared the sanctions would threaten their substantial contractual arrangements with Iran and generally were skeptical that sanctions would force Tehran to free the hostages. Japan and, to a lesser extent, 25X1 Western Europe counted on Iran to meet oil import needs. Following the Soviet veto of the UN resolution, the EC and Japan reluctantly adopted a diluted version of the sanctions they had earlier approved 25X1 during the Security Council discussion.

Although some allies gave tacit approval to the assets freeze, they never did agree to the tougher measures that Washington wanted them to impose. Generally, the EC agreed at its ministerial meeting in May 1980 to ban:
- All export contracts retroactive to 4 November 1979, excluding food and medicine.
- All new industrial service contracts.
- All new supplier credits, loans, or credit guarantees.

The EC measures also included some financial restrictions on Iranian bank accounts and on the purchase of Iranian oil at prices sharply higher than the OPEC benchmark. Japan announced similar sanctions in June 1980. These sanctions did not block Iranian assets in the allies' banks, contained loopholes, and were not strictly enforced. Moreover, neither the EC nor Japan embargoed oil imports from Iran. 25X1

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Domestic Impact of the Sanctions

The rationale for the economic sanctions was Iran's heavy dependence on foreign trade. In 1979 the United States was Tehran's second-largest source of imports, following West Germany; the member countries of the Organization for Economic Cooperation and Development (OECD) accounted for about 70 percent of Iran's imports in 1979. Iran relied on imports to meet most of its requirements for capital goods, industrial raw materials, military equipment, and consumer goods. Iran's most critical import needs at the time of the sanctions were for food and for spare parts for the oil industry.

The economic sanctions apparently had no effect on Iran's decision to hold the hostages. Khomeini's response to the sanctions was even more caustic than his usual criticisms of the United States. Khomeini reportedly appeared ecstatic over Carter's break of diplomatic relations, calling it a "final victory" for Iran. His control of this emotionally charged issue was so great that Iranians were probably willing to suffer (or could be coerced into suffering) economic costs far in excess of those exacted by the sanctions. If anything, the hostage crisis consolidated the revolution in the hands of Khomeini and the clerics.

The sanctions exacerbated economic problems in some sectors of the economy but did not inflict major new hardships or create insurmountable difficulties. Tehran managed to find alternative sources for many denied goods—albeit at much higher prices. In other cases, Iran either rationed commodities or fell back on inventories. Because of the generally depressed state of the economy, Iran probably would have cut back on imports of most trade categories, in any event.

The only sector of the economy to suffer notably from US economic sanctions was the transportation sector, which faced a critical shortage of spare parts. By June 1980 about half of the civil aircraft fleet—composed mostly of Boeing and McDonnell Douglas aircraft—lacked sufficient spare parts. The railroads also were in desperate need of spare parts for their US-made locomotives. Iran suffered a general shortage of car and truck parts as well.

Stopping the supply of oilfield equipment to Iran did not substantially affect already depressed crude output. The revolution had put the petroleum industry in disarray; the oilworker strike from January to March 1979 and Khomeini's decision to lower oil exports caused oil production to tumble 40 percent to an average of 3.2 million b/d for 1979. During most of 1980 the high price for Iranian oil in the face of a soft world oil market was the main reason oil exports fell further to about 1.6 million b/d; the other reason was Iraqi war damage. Nonetheless, Iran had sufficient spare parts and excess capacity to keep its oilfields and refineries operating at these reduced levels of production without US equipment or technology; even with the sanctions, oil industry equipment often could be obtained legally from third parties and foreign subsidiaries of US companies.

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Oil income of about $33 million a day gave Iran the financial wherewithal to cope with the sanctions. Even without US oil purchases, Iran's oil earnings—which accounted for virtually all Iran's income—were more than sufficient to cover the import bill in 1980, which was up 34 percent from 1979. Although oil exports to other developed nations also declined, these countries still provided an important market for Iran's oil.

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Iran easily circumvented US and EC sanctions on trade. Increased food shipments from France, Germany, and Australia more than made up for the loss in US foodstuffs, which had accounted for about one-fifth of Iran's food purchases abroad before the sanctions. Food imports from the OECD in 1980 rose 30 percent over 1979 to $1.2 billion. Tehran also turned to the Third World for new sources of food.

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Several West European, Japanese, and even US firms traded embargoed goods with Iran in violation of the sanctions, usually through intermediary firms in the United Arab Emirates and Kuwait. Supply arrangements covered a wide range of industrial goods, capital equipment, and chemicals, all of which fell under the sanctions. US involvement included the sale of goods such as engine parts, tires, appliances, and drilling rigs.

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Table 4 *Million US $*
Iran: Trade With the World

	1979	1980
Total Trade	**30,305**	**26,681**
Imports	**8,578**	**11,461**
OECD	5,807	7,572
Of which:		
US	1,074	23
Canada	19	27
Japan	921	1,542
Germany	1,285	1,506
France	425	721
Italy	414	575
Non-OPEC LDCs	1,648	2,187
Other OPEC	372	460
USSR	416	399
Eastern Europe [a]	335	843
Exports	**21,727**	**15,220**
OECD	15,204	10,217
Non-OPEC LDCs	5,608	3,673
Other OPEC	127	96
USSR	210	116
Eastern Europe [a]	578	1,118

[a] Excludes data for East Germany.

[redacted]

The blocking of financial assets did not significantly worsen Iran's economic problems, in part because Iran radically changed its portfolio management policies. Markazi, Iran's central bank, increased its holdings of gold as a reserve asset. [redacted] The share of Iran's official reserves not frozen by the United States amounted to about $8 billion—the equivalent of about eight months' worth of 1980 imports. In fact, Iran increased its reserve holdings during the period of the sanctions. [redacted]

Longer Term Impact on Trade

While the sanctions had little short-term impact on Iran's ability to procure needed imports, they did refocus Iran's trading patterns. The sanctions accelerated the shift of trade from the West that had begun before the hostage crisis. To offset the impact of the sanctions and to lessen its dependence on the industrialized West, Iran signed economic agreements with several Third World countries. Largely as a result, the OECD share of Iranian imports fell from 83 percent in 1978 to 66 percent in 1980. [redacted] 25X1

Iran also strengthened its economic relations with Eastern Europe. Tehran signed comprehensive trade agreements with several of these countries to exchange oil for foodstuffs, industrial goods, and the technical assistance, equipment, and material to construct factories in Iran. In addition, Eastern Europe provided military hardware to Iran. Some of these countries helped Iran evade the sanctions by transshipping Western spare parts. [redacted] 25X1

Iran also signed a one-year trade agreement with China in November 1979 calling for a doubling of two-way trade over 1978, to roughly $160 million. In May 1980 the two countries concluded a deal for an unspecified amount of Iranian oil. [redacted] 25X1

The USSR provided little help to Iran despite a new trade agreement. The Soviets were unable to meet Iran's priority need for food because of the USSR's own agricultural problems. Moreover, the USSR could not supply many of the components needed by Iranian industry, which was based largely on Western designs. As a result, Iranian purchases from the USSR actually declined about $17 million in 1980. 25X1

[redacted] 25X1

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Conclusions

The US sanctions on Iran by themselves failed to force the early release of the hostages or to create substantial problems for the Khomeini regime:

- The economic impact of the sanctions was small because the Iranian economy was already operating

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far below normal as a result of the internal revolution. Moreover, most of the economic pressure that should have resulted from the US-imposed trade and financial restrictions was relieved by Iran's ability to circumvent the sanctions.

- The United States failed to have the full support of its allies and, hence, full control over the value it attempted to deny Tehran.

- The failure or inability of the United States to reduce substantially Iran's oil exports gave the regime the financial wherewithal to overcome whatever trade disruption initially occurred.

- Finally, the United States underestimated the strength of the revolutionary movement in Iran, Khomeini's ability to organize and control the populace, and the willingness of Iranians to sacrifice to the point of martyrdom for what they perceived as a just and important cause. 25X1

Iran's war with Iraq probably had more to do with the hostage release than the sanctions. Because of the Iraqi invasion in September 1980, Iran desperately needed spare parts for military equipment. War damage to oil facilities and the danger to tankers serving Iranian ports, however, eliminated a key source of finance for these purchases. With Iran's security threatened, the continuing assets freeze began to have an impact. 25X1

The sanctions were probably more successful when viewed as a response to the need to "do something" quickly about Iran's temerity in seizing the hostages. For both domestic and international political reasons, the United States had to make some show of force. Other options, such as military actions, were initially dismissed as inappropriate or unlikely to succeed. 25X1

USSR (Afghanistan)

Appendix L

US Sanctions Against USSR (Afghanistan) (1980-81)

Background to the Sanctions

In January 1980, following the Soviet military intervention in Afghanistan, the United States and its major allies announced a sanctions program against the USSR. All the governments involved issued immediate, and in most cases, strong condemnations of the Soviet invasion. After consultations, most of the allies initially agreed to back the US-led partial grain embargo. The United States, in addition, proposed a number of specific economic denial measures covering the supply of other agricultural products, various kinds of high-technology goods, and government credits and credit guarantees (see inset). Finally, the United States proposed a Western boycott of the 1980 Olympic Games to be held in Moscow. The sanctions effectively ended with the lifting of the grain embargo in spring 1981. [redacted]

Objectives of the Sanctions

The stated objective of the sanctions was to bring about a withdrawal of Soviet troops from Afghanistan. None of the parties to the sanctions, however, was willing to intervene militarily to achieve this result, and most were convinced that nothing short of force would work. Thus, the primary objective of these sanctions became the unstated one of punishing the Soviets for their aggression. Of the economic denial measures introduced or suggested, three were aimed at hindering Soviet plans for upgrading consumer diets (grain embargo and denial of superphosphoric acid and fishing rights). Several were designed to hinder Soviet efforts to eliminate bottlenecks interfering with economic growth (denial of oil and gas equipment, metallurgical equipment, communications and automotive equipment, and computers—as well as the proposed limits on Western government credits). The Olympic boycott was aimed primarily at embarrassing Moscow politically, and secondarily at denying the USSR some hard currency. [redacted]

Compliance With the Sanctions

The US-proposed sanctions did not draw strong support from US allies, who made it clear from the outset that—for both political and economic reasons—they wanted to keep the door to the Soviet market ajar. Moreover, each was mindful not to take a markedly tougher stand on sanctions than its neighbor. In the case of grain, Argentina, a major exporter, refused to embargo any sales. The varying degrees of commitment to the sanctions meant that acceptance of and compliance with the US proposals also varied. Most countries put a temporary de facto hold on official export credits, but some held out longer than others. The national Olympic committees in West Germany, Japan, and Canada boycotted the Olympic Games; the committees in Britain, France, and Italy did not boycott, although participation was limited. [redacted]

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In the months immediately following the US introduction of sanctions, the debate over the issues had a divisive effect on the Western alliance. The West Europeans, in particular, were highly critical of the Carter administration's handling of the matter, claiming that the United States had no long-term strategy for dealing with the Soviets and that the United States did not appreciate the West Europeans' position on their relationship with the USSR and the need to keep channels of communication open. The debate, however, served to heighten awareness of the need for greater policy coordination in dealing with the Soviets. A consensus was reached on the need to strengthen the Coordinating Committee for East-West Trade Policy (COCOM), for example, even though the parties did not agree on the means. In addition, the discussion involving the US request for less concessional terms on new credits to the USSR helped lay the groundwork for the 1982 OECD decision to move the USSR into a higher rate category for official export credits. [redacted]

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Principal US-Proposed Economic Denial Measures Against the USSR

Agriculture

- *Limit the USSR to purchases of the 8 million tons of US-origin grain guaranteed in each of the 1979/80 and 1980/81 US-USSR Long-Term Agreement years (1 October–30 September accounting basis).*
- *Agreement among all the major grain exporters except Argentina not to replace denied US grain.*
- *Denial of outstanding contracts for oilseeds, meals, and poultry as of 4 January 1980.*
- *Ban the sale of processed agricultural products made in foreign countries from US raw products (for example, soybean meal made from US beans).*
- *Suspend shipments of 1 million tons a year of US-origin superphosphoric acid to the USSR.*
- *Reduce Soviet fishing quotas in US waters from original 1980 figure of 420,000 tons to 75,000 tons.*

Technology

- *Assurances that West European and Japanese firms would not be allowed to bid for projects US firms could not pursue because of the suspension order on export licenses.*
- *A US Government review of all outstanding and pending export license applications for sale of equipment and technology to the USSR.*
- *Tighter controls on equipment and technology sales to the USSR within COCOM channels to include:*
  - *Consideration of a policy on process know-how to include COCOM review of any large ($100 million plus) transaction in which Western technology contributes to the development of Soviet industry in a militarily relevant area, even if neither the technology nor the equipment is currently on the list of COCOM-embargoed items.*
  - *Agreement on new review procedures for fiber optics, lasers, and polycrystalline silicon essential in the manufacture of integrated circuits.*
  - *Agreement on strengthening controls on computer and related software sales.*

Other

- *A total cutoff of government-supported credits and guarantees subsequently revised to a request for less concessionary terms on new credits.* [redacted]

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By the spring of 1981, the United States had decided that the domestic political costs of the partial grain embargo were too high relative to its effect on the USSR. US farmers—the group most affected by the sanctions—had lost grain and soybean sales to the USSR worth perhaps $1.3 billion. [redacted]

The lifting of the US grain embargo further weakened allied support for other US sanctions. Western governments acted quickly to protect their commercial interests. The EC eliminated restrictions on sales of grain to the USSR and planned to resume subsidies on exports of grain and other agricultural products. The Canadians, who were taking advantage of the US embargo to pry better terms out of Moscow for grain, dropped that tactic and rushed to sign a five-year agreement. On the nonagricultural front, Tokyo began to argue that US lifting of the grain embargo gave Japan a freer hand in selling high-technology products to the USSR, although within COCOM the "no exceptions" policy on sales of embargoed technology has not been formally abandoned. [redacted] 25X1

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Result of the Sanctions

In the case of the grain embargo, the USSR was able to replace only 9 million tons of the 17 million tons denied by the United States between January and the end of September 1980. Thus, total grain imports for the 1979/80 marketing year (MY) (October/September) were roughly 25 percent below the expected level. In the MY 1980/81 year, however, Moscow was able to line up nearly all the grain its ports could handle while relying on the United States for only 9.5 million tons, or one-fourth of the total, as compared with nearly two-thirds in the year prior to the embargo. The roughly 1.5 million tons of soybeans and soybean meal denied by the United States in the 1980 MY year were fully replaced by Argentina and firms in Western Europe. EC, Canadian, and Australian grain exports to the USSR all increased in 1980 compared with 1979.

The sanctions resulted in some delay in Moscow's effort to upgrade its domestic fertilizer industry. The United States is the only large-volume source of superphosphoric acid (SPA)—a chemical that the Soviet "liquid complex" fertilizer plants purchased from France were designed specifically to use. The suspension of US SPA sales between early 1980 and mid-1981 delayed the liquid complex fertilizer program by more than a year because most of the available phosphoric acid was of a lower grade and unsuitable for use in the program.

Western sanctions probably did not impair Soviet industrial production appreciably, in large part because France, West Germany, and Japan did not fully support restrictions on trade in technology and equipment. While orders by the Soviets for Western machinery and equipment fell dramatically for a while, new Western contracts to supply equipment rebounded in second-half 1980. Nevertheless, the interruption in US technology sales retarded some urgently needed modernization in the USSR. For example, Soviet oil and gas exploration schedules were set back by delays in granting export licenses for such items as drillships and rigs. The revocations of licenses for the Dresser drill bit plant complicated efforts to improve drilling efficiency. And US denial of computer parts and assembly line equipment has further hampered an already lagging Soviet effort to double production capacity for diesel engines at the Kama truck plant. The impact of these denials, however, is likely to diminish over time as West European and Japanese firms continue to step in as US replacements.

The boycott of the Olympics deprived Moscow of the prestige and propaganda opportunities it hoped to extract from well-run, noncontroversial games. It had little effect on Soviet hard currency earnings, however, because most of the receipts from tourism and broadcast rights had been prepaid. 25X1

On the political side, the economic sanctions heightened the debate within the USSR between advocates of expanding trade with the West and those favoring greater autarky. Sanctions served to strengthen the hand of those favoring self-sufficiency who have long argued that the USSR is dissipating its patrimony by exporting vital raw materials for Western technology. Thus, the denial measures introduced an element of 25X1 uncertainty at a time when Soviet officials were putting the finishing touches on the 1981-85 plan and reinforced doubts within the leadership about the viability of Soviet-Western trade over the long term. The sanctions have not, however, deterred Moscow from the pursuit of its goals in Afghanistan. 25X1

Conclusions

The sanctions against the USSR following its intervention in Afghanistan illustrate the difficulty of 25X1 implementing economic denial measures on a multilateral basis even though potential sponsors generally agreed on the objectives, both stated and unstated:
- The United States and others were unable to control supplies of grain to the Soviet Union because a major grain exporter refused to participate in the embargo.
- The intensity of the US commitment to the grain embargo was affected by domestic political considerations.
- Apart from the grain embargo, there was no consensus among the major sponsors on how to carry out the objectives.

The sanctions did achieve, in some measure, the objective of punishing the Soviets for their aggression:
- Grain imports in 1980 were reduced by 8 million tons and restrictions on sales of SPA acid delayed the liquid complex fertilizer program, thus adversely affecting Soviet plans to upgrade consumer diets.
- Interruption of US technology sales delayed industrial modernization efforts. 25X1

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USSR (Poland)

Appendix M

US Sanctions Against USSR (Poland) (1981-82)

Background to the Sanctions

On 29 December 1981, President Reagan imposed sanctions against the USSR in response to Moscow's "heavy and direct responsibility for the repression in Poland." They included:

- Suspension of all Aeroflot service to the United States.
- Closure of the Soviet Purchasing Commission (SPC).
- Suspension of the issuance or renewal of licenses for the export to the USSR of electronic equipment, computers, and other high-technology materials.
- Postponement of negotiations on a new long-term grain agreement.
- Suspension of negotiations on a new US-Soviet maritime agreement and a tightening of port access controls.
- Licensing requirement for exporting to the Soviet Union an expanded list of oil and gas equipment, including pipelayers, and suspension of the issuance of such licenses.
- Termination of the US-Soviet exchange agreements coming up for renewal in the near future, including the agreements on energy and science and technology, and a complete review of all other US-Soviet exchange agreements.

Sanctions were also levied against Poland in December 1981 (see inset).

When the sanctions failed to produce the desired result (a six-month review period had been allowed), the Reagan administration announced a further restriction on 18 June 1982—a prohibition on the export to the Soviet Union of all oil and gas equipment produced under US license.

Objectives of the Sanctions

The stated objective of the sanctions was the restoration of basic human rights in Poland as provided for in the Helsinki Final Act. If this objective was not attainable, then the administration's unstated goal was to punish the Soviets economically as severely as possible. The sanctions on the export of oil and gas equipment were considered to be the most damaging provisions because they might delay, or certainly increase, the cost of completing the Siberia–to–Western Europe natural gas pipeline. These restrictions were largely aimed at halting the delivery of rotor sets produced by General Electric for gas turbines being built by GE's West European manufacturing associates and destined for the Soviet pipeline compressor stations. 25X1

The pipeline has been viewed with alarm by Washington from its inception. The primary concern was the degree of political leverage that the Soviets might gain from West European reliance on the USSR as a future major supplier of gas. With completion of the pipeline, West European countries could be relying on Soviet gas for nearly one-fourth of their gas requirements by 1990. Gas supplies seemed particularly vulnerable because gas is difficult to replace on a short-term basis (because of the lack of a spot market and high startup costs) and the sectors most dependent on gas—residential and commercial—are the least able to cope with an abrupt fuel supply interruption. 25X1

Of equal concern was the fact that Soviet purchase of Western oil and gas equipment and technology would add to Moscow's export capabilities and hard currency earning power and relieve the pressures for reform 25X1 and the need to choose between financing additional military growth and satisfying the needs of consumers. The pipeline is vital to Moscow's prospects for earning sufficient hard currency beyond the mid-1980s to offset a substantial part of the expected fall in oil export revenues. It was estimated that revenues 25X1

Sanctions Against Poland

The sanctions against Poland included:

- *Suspension of Polish civil aviation privileges in the United States.*
- *A halt in the renewal of the Export-Import Bank's line of credit insurance to the Polish Government.*
- *Suspension of the right of Poland's fishing fleet to operate in US waters.*
- *Proposal to our allies that COCOM controls be tightened on high-technology exports to Poland.* [redacted]

These US sanctions were followed in January 1982 by a set of NATO restrictions, which included a ban on future government-guaranteed credits for goods other than food and the suspension of negotiations on service payments due on Poland's debt to official creditors. Negotiations on Poland's reentry into the IMF were also suspended. [redacted]

In December 1983 the Polish Government claimed that the damages to the Polish economy resulting from Western sanctions amounted to more than $10 billion in the period 1982-83. In light of the economy's problems, however, it is hard to separate the impact of sanctions from the effects of prudent market-oriented decisions that would have reduced Western trade ties to Poland in any case. The denial of Most Favored Nation treatment and suspension of fishing rights did result in losses to specific industries. However, the suspension of airline service (the route to the United States reportedly was unprofitable) and Poland's avoidance of debt service repayments in 1982 and 1983 resulted in a cash flow gain that probably more than compensated for such losses. [redacted]

In January 1984 the United States lifted the ban on fishing (but with quantitative limits imposed) and allowed 88 charter flights to the United States by the Polish air carrier. In late 1983, Western governments resumed debt negotiations with Poland, resulting in the July 1985 rescheduling of $11 billion in arrears accumulated in the period 1982-84. Talks concerning IMF entry resumed in 1984, and Warsaw expects membership in the first half of 1986. [redacted]

from the pipeline deal alone could reach $5 billion annually in the early 1990s when all credits are repaid, and total gas earnings (including existing contracts) could be roughly $10 billion. Thus the pipeline would support Moscow's purchases of Western goods and technology, which are increasingly important to the improvment of industrial productivity and the reduction of agricultural shortfalls. [redacted] 25X1

The United States expected that the Soviets would also suffer some economic loss from the other sanctions, but to a lesser extent, particularly since trade had already been disrupted by the sanctions imposed in 1980 and 1981 after the Soviet intervention in Afghanistan. These provisions were largely intended to be irritants that reminded the Soviets that normal trade relations were not possible without some behavior modification. The activity of the SPC, for example, was already at a low level, and other Soviet commercial organizations in the United States were not affected by its closure. [redacted] 25X1

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Compliance With the Sanctions

The December 1981 US sanctions evoked weak support from our allies. In January 1982, NATO members pledged not to undercut each other's sanctions against Poland and the USSR. In March the EC Commission recommended a reduction in 1982 of imports of nearly 100 products from the USSR by 50 percent as compared with 1980 imports. These restrictions did not apply to contracts entered into before the new regulations came into force and did not include energy products. Moreover, EC member countries further weakened these provisions by eliminating additional products. [redacted] 25X1

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The West Europeans generally favored symbolic gestures and resented the US attempts to slow the gas pipeline construction. They viewed Soviet gas as a relatively low-priced substitute for uncertain Middle Eastern oil and anticipated that the Soviet pipeline equipment orders would ease their substantial unemployment problems. In addition, they held that increased East-West economic interdependence would lead to more responsible Soviet behavior. Even in the event of a total cutoff of Soviet gas deliveries, the 25X1

West Europeans believed that they could cope reasonably well through a combination of conservation, fuel switching, temporary increases in domestic gas production, and drawdown of gas stocks.

The attitude of the allies toward the United States turned to hostility when the sanctions were expanded in June. Most of the Big Seven [22] economic partners believed that earlier in the month at their Versailles meetings the United States had agreed not to press the allies on the Siberian pipeline if they would exercise "commercial prudence" in future extensions of credit to the USSR and Eastern Europe. Yet the sanctions imposed barely two weeks later were targeted at the West European associates of US companies that were participants in the pipeline construction. The previous sanctions had prohibited export licenses for the export of machinery by US firms only. The new regulations attempted to prohibit the export of any machinery manufactured with US licenses. The West Europeans believed that the extraterritorial and retroactive features of the measures were a serious infringement of their sovereignty. They saw the sanctions as further evidence of US indifference to West European political and economic difficulties and as the latest example of Washington's predisposition to interpret international trade practices unilaterally.

As a result, Paris ordered French firms to honor their Soviet contracts, and London—acting under legislative authority—required British firms to do the same. Bonn approved of the French action and stated that it could not stop the West German firms involved from delivering embargoed material to the USSR. Rome said that pipeline contracts would be honored but did not order Italian firms to do so. Because of the furor in Western Europe and the continued determination to participate in the pipeline project, the administration in early November 1982 reduced the sanctions on oil and gas equipment to the level of controls that had applied in 1980. The United States decided to concentrate instead on implementing a proposal for a common allied approach to East-West trade that had been agreed upon (without French accord) in March 1982. This included common policies on export credit restraint, interest rate subsidies, energy alternatives in Western Europe, and tighter controls on the transfer of advanced technology from West to East.

[22] The Big Seven are the United States, Canada, Japan, the United Kingdom, France, West Germany, and Italy.

Results of the Sanctions

Faced with the prospect that the US embargo would delay delivery of the Western gas turbines ordered for the gas export pipeline, the Soviets initiated a crash program during 1982 and 1983 to produce 16- and 25-megawatt turbines. Although lower in efficiency and less reliable than Western turbines, they were workable substitutes. The decision to use a combination of these and West European equipment on the pipeline and to mount a massive effort to accelerate pipeline construction enabled the Soviets to overcome much of the disruption and potential delay caused by the US embargo. Pipelaying operations on the gas export pipeline were completed in September 1983. Gas deliveries to Western Europe began in October 1983 and reached 2 billion cubic meters of additional gas in 1984—less than originally scheduled, largely because of the warm winter and soft demand for gas. The Soviets assigned a high priority to this project not only because of the substantial hard currency that the pipeline would earn but also because the imposition of sanctions had made completion of the pipeline a matter of national prestige and had provided an opportunity to foment dissension in the Western alliance.

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The sanctions, however, imposed costs on the Soviet economy. First, the imposition of sanctions in addition to existing uncertainties in East-West trade caused by East European debt problems and by a Western review of credits to the USSR contributed to the emergence of a new climate in the West that made it more difficult for Moscow to conduct trade on terms as favorable as those obtained in the past. Second, the myriad of inefficiencies associated with the substitution of domestically manufactured equipment boosted production costs in the affected industries and, in turn, imposed costs on other sectors of the economy. Third, the diversion of resources to the export pipeline probably slowed the pace of development of other important Soviet projects such as the Tyumen oilfields. Output from these fields went into decline in 1985 because timely countermeasures had not been taken.

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Except for the export restrictions on oil and gas equipment, the sanctions had little economic impact

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on the USSR. The postponement of negotiations on a long-term grain agreement did not restrict Soviet purchases of US grain. The agreement was extended on a year-by-year basis, and a new five-year agreement was signed in August 1983. The revocation of Aeroflot landing rights, port restrictions, postponement of a new maritime treaty, and suspension of exchange programs were never intended to inflict major economic harm on the USSR. They were meant to highlight the general deterioration in bilateral relations; conversely, their lifting signified a thaw in US-Soviet relations. After the May 1985 meeting of the Joint US-USSR Commercial Commission—its first meeting since 1978—progress was made on resolving all of these longstanding issues. 25X1

Conclusions

The sanctions failed to achieve their primary aim—the immediate lifting of martial law in Poland—or their secondary aim—the substantial delay of the gas export pipeline by the Soviets and a major rethinking by the West Europeans of their potential dependence on Soviet gas supplies. However, they did achieve to a considerable extent their tertiary aim; they caused the Soviets to mount a costly campaign to compensate for the disruption in their imports of Western equipment, which probably had a negative impact on efficiency and on the pace of development in other sectors such as oil. The United States also managed to obtain a West European commitment to limit purchases of Soviet gas to no more than 30 percent of total requirements. 25X1

These gains came at some economic and political cost to the United States. Economically, some US exports were replaced by West European and Japanese equipment, and domestic Soviet production capacity was developed that ultimately lost markets and jobs for all the Western allies. The growth in foreign capabilities to produce gas turbine compressors and oilfield equipment systems and hardware also represented a loss of future US control over the export of these items. These sanctions added to Moscow's perception that the United States was an unreliable trading partner, increasing Soviet determination to redirect trade away from US firms in the future. Politically, the sanctions—particularly the second round—created a serious but temporary rift between the allies. 25X1

Argentina

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Appendix N

European Community Sanctions Against Argentina (1982)

Background to the Sanctions

On 2 April 1982, Argentina militarily occupied the Falkland (Malvinas) Islands. On the following day, the UN Security Council adopted Resolution 502, which demanded immediate cessation of hostilities and withdrawal of Argentine troops and called on Argentina and the United Kingdom to resolve their differences diplomatically.

The United Kingdom immediately dispatched a fleet toward the islands, invoking the right of self-defense under Article 51 of the UN Charter. On 3 April, Prime Minister Thatcher froze Argentine assets in the United Kingdom. This move was quickly followed by a ban on trade with Argentina.

In addition to bilateral action, the United Kingdom embarked on a comprehensive worldwide diplomatic campaign to induce other countries to apply maximum pressure on Argentina to withdraw its troops and resort to a negotiated solution to the territorial dispute over the Falklands. On 6 April, at a meeting of the permanent representatives of the EC Ten in Brussels, the United Kingdom requested a firm show of EC solidarity and implied that it would like to see a total ban on imports from Argentina. The EC responded to the British request on 16 April by agreeing to a 30-day ban on imports from Argentina. This was the sternest punitive measure taken by the EC, although it was not as comprehensive as the British had requested.

As the British fleet approached the Falklands and it became clear that the United Kingdom would not negotiate while Argentine troops remained on the islands, EC solidarity faded. Ireland publicly stated that it opposed British use of force to regain the islands. The Italian Government was under strong domestic pressure to lift the sanctions, primarily because of cultural and ethnic links to Argentina. Other members, such as the Netherlands and Denmark, were concerned that the sanctions were becoming irrelevant to the conflict. They argued that, if an invasion were to take place, the sanctions would have failed to achieve their primary objective of forcing negotiations. 25X1

Unable to achieve the unanimity required to renew the Community-mandated sanctions by 16 May, the EC Foreign Ministers announced action by their separate governments to maintain economic pressure on Argentina. Ireland and Italy stated they would 25X1
avoid "distortions of trade," which meant they intended to resume imports from Argentina but not for cross-trade purposes. The Danish Government renewed its sanctions pending parliamentary adoption of national measures for sanctions. The remaining six member states announced a renewal of the existing 25X1
sanctions for one week.

A week later, on 24 May, the EC Foreign Ministers met again to discuss the sanctions issue. This time it 25X1
was announced that the members would extend indefinitely the separate national measures announced the previous week. 25X1

After the fall of Port Stanley, the British wanted to maintain the sanctions until Argentina formally agreed to end hostilities. However, on 21 June the EC announced that economic measures would be lifted by the member states the following day. The EC noted that some of the Ten that had introduced arms embargoes on a national basis would continue these measures for the time being. 25X1
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Objectives of Sanctions

The explicit goal of the sanctions was to pressure Argentina to comply with UN Security Council Resolution 502, which demanded Argentine withdrawal from the Falklands and resumption of negotiations to settle the dispute. The relative importance of EC trade to the Argentine economy led many Europeans to conclude that the trade embargo would exert considerable pressure on the Argentine regime to come to the negotiating table. 25X1

An important unstated motive of the EC sanctions was to demonstrate that the Community would respond to a clear-cut case of aggression against one of its members. Unlike controversial sanction cases such as Poland and Afghanistan, where the Community was divided on the appropriate form of action, Argentina had attacked an EC member state. Many EC countries felt that Argentina's sense of international isolation would be increased by EC solidarity.

Finally, the continental EC countries were conscious of the growing unpopularity of the EC within the United Kingdom and the United Kingdom within the EC. EC agricultural policies and the cost of EC participation were sensitive domestic political issues for Thatcher's Conservative government. Decisive political support from the EC on the Falklands issue was seen as a possible way to increase the EC political standing in the United Kingdom while coaxing the Thatcher government to be more compromising on internal Community issues.

Impact of the Sanctions

The specific sanctions imposed by the EC were far short of the comprehensive measures taken by the United Kingdom. They applied only to imports from Argentina and were for a 30-day period. Specifically exempted from the sanctions were contracts that had already been signed and shipments under way. Given the amount of Argentine goods subject to long-term contracts and the length of time it takes to ship goods from Argentina to the EC, most trade was not affected by the ban.

Only if the 30-day ban had been extended would the measures taken collectively by the EC have had practical effect. It was clear from the outset, however, that renewal of the sanctions would be difficult, given the unwritten procedural requirement for unanimity within the Community and the reluctance of Ireland and Italy to support continued sanctions. It was the symbolic gesture of the EC decision that was intended to produce diplomatic and psychological effects.

The EC sanctions were not nearly as effective as the separate actions of particular states. Both France and West Germany were strong supporters of the British and quickly moved to impose arms embargoes on Argentina. Other arms suppliers—including Belgium, the Netherlands, Italy, Sweden, Switzerland, Austria, and Norway—also cut off arms sales. Because Europe was the primary suppliers of arms to Argentina, access to military equipment was almost completely restricted. 25X1

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EC sanctions were part of the broader context of the diplomatic and economic pressure being applied against Argentina. In a wide variety of multilateral forums, Argentina found little support for its military action. In the Security Council and the EC there was explicit condemnation. Argentina was unable to gain Nonaligned Movement support for its positions in the UN General Assembly (UNGA), UN Conference on Trade and Development (UNCTAD), General Agreement on Tariffs and Trade (GATT), and even UN Educational, Scientific, and Cultural Organization (UNESCO). The response of the OAS was largely rhetorical, and moderate Latin states insisted on watering down Argentine resolutions so that they would have no legal effect. 25X1

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Results of the Sanctions

In spite of Argentine vulnerability to economic sanctions, the nature of the dispute between Argentina and the United Kingdom reduced the leverage of economic coercion. It became clear as the crisis developed that Prime Minister Thatcher had broad domestic political support to retake the Falklands by force. Within the Conservative Party she would have faced strong opposition to a negotiated settlement that did not achieve total Argentine withdrawal without any commitment on the sovereignty issue. 25X1

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Argentine President Galtieri and the military government had little room to negotiate. National sentiment in Argentina favored retaking the Falklands. As it became clear that a favorable diplomatic settlement was unlikely, the leadership decided that it would be better to surrender on the battlefield after an honorable fight than to surrender at the negotiating table. 25X1

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The sanctions, combined with other factors, however, may have kept the military conflict in bounds. Although Argentine leaders decided to fight in the Falklands rather than negotiate withdrawal, there was also talk of a protracted war against Britain. Had Britain stood alone, this might have been a more attractive policy alternative; but, with the Argentine economy already weak, little prospect of resupply of military equipment, and with the threat of renewal of the EC ban on imports, this was not a realistic option. [redacted] 25X1

Conclusions

The EC sanctions against Argentina are the classic case of a diplomatic gesture. At little cost the Community demonstrated solidarity with a member state that had been the victim of aggression. Had the sanctions been in effect for a lengthy period, their economic impact might have provided incentive to Argentina to remove the troops and return to the negotiating process. However, the intransigent positions of both the United Kingdom and Argentina and the British willingness to use force to prompt a rapid resolution of the crisis meant that economic sanctions had little influence in resolving the conflict. [redacted] 25X1

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Table 5
Sanctions: Case Summaries

	Trigger	Objective	Provisions	Impact	Conclusions
League of Nations sanctions against Italy	Italian invasion of Ethiopia.	Stated: To make the war so costly for Italy that a diplomatic solution to the dispute could be found. Unstated: Inhibit Hitler's expansionist plans by demonstrating that the collective security concept of the League could work.	Cut all trade and financial ties to Italy. Did not include oil.	Few hardships felt by Italian people. Unemployment declined, and family income rose during sanctions. Little if any impact on the Italian Government's ability to maintain political leadership or on Italy's commitment to continue the war.	Failure of these sanctions provides a classic demonstration of the problems involved in establishing and implementing multilateral sanctions. Membership did not agree on objectives; sanctions came late, limited, and incomplete; League did not have power to enforce sanctions; and membership did not control critical strategic goods.
The Arab boycott of Israel	Prospect of the establishment of a Jewish state in Palestine.	To hinder the economic and military growth of Israel. To serve as a sign of opposition to Israel and as a useful propaganda device.	Primary: Bans all trade between Arab states and Israel. Secondary: Bans commerce with companies that contribute significantly to Israel's economic or military strength. Tertiary: Sponsors require third-country firms to refuse to use products or services of blacklisted companies in fulfilling a contract or sale.	Until 1975, little discernible economic impact. After 1975, some foreign firms may have decided to forgo trade with Israel.	Main achievement of boycott has been the symbolic expression of Arab solidarity against Israel. The boycott sponsors do not control the supply of goods Israel imports and do not effectively enforce the sanctions.
USSR sanctions against the People's Republic of China	Chinese assertion of independence on ideological and foreign policy issues.	To give China a foretaste of even more unpleasant consequences that would ensue if Beijing persisted in challenging Soviet leadership and Soviet doctrine. To change ideological and foreign policy courses.	Cancellation of Soviet technical assistance with withdrawal of 2,000 experts.	Withdrawal of Soviet experts dealt the Chinese a heavy blow whose effects were felt many years afterward. Combined with three years of bad harvests and the mistakes of the Great Leap Forward, sanctions helped precipitate a domestic crisis in 1960 through 1962.	Sanctions failed to change Chinese ideological or foreign policies. In fact, they led to adverse political consequences for their sponsor. The Chinese leadership was so committed to its ideological break with the Soviets and to establishment of its own independent foreign policy that it was willing to bear the considerable economic and political cost of the sanctions. The sanctions provided the Chinese with a scapegoat to explain economic failures. Chinese adjustment to sanctions ultimately left Moscow with limited economic means to influence Beijing's behavior. The sanctions did punish the Chinese for their conduct.
OAS and US sanctions against the Dominican Republic	Trujillo-supported attempt to assassinate Venezuelan President Romulo Betancourt.	Stated: To punish the government of the Dominican Republic for the assassination attempt. Unstated: To force political liberalization or elimination of the Trujillo regime.	Suspension of trade in arms and implements of war, later expanded to include trade in petroleum products, trucks, spare parts, and other items.	Sanctions hit the Dominican economy when already sagging economic performance hampered adjustment. The Dominicans were able to circumvent some of the sanctions by purchasing arms, vehicles, and petroleum. Economic deterioration fostered political unrest in the middle and upper classes, the Army, and the Catholic Church. After Trujillo's assassination, the remaining family and supporter lost control of the government.	The sanctions met with considerable success in exacerbating deteriorating economic conditions and providing fuel for the floundering opposition. After Trujillo's death, the continuation of sanctions forced the Trujillo family and supporters to yield control of the government.
US and OAS sanctions against Cuba	The Castro government's domestic and international policies, particularly alliance with the Soviet Union.	Broad range of trade sanctions and other economic denial measures.	Initial: To remove Castro from power. Subsequently: To discredit the Cuban economic model and make Cuba and the Soviet Union pay a high price for continued alliance and for the efforts to export revolution.	The sanctions significantly damaged Cuba's growth and general development. The sanctions did little to weaken Castro's internal political position.	The Castro regime was so committed to its revolutionary policies that it was willing to bear the considerable cost of sanctions. Sanctions provided Castro with a scapegoat for domestic problems, which he exploited to gain acceptance of radical changes in Cuban society. OAS participation did not change results.
UK and UN sanctions against Rhodesia	Rhodesia's declaration of independence and failure to agree to permit majority participation in the government.	Stated: To end the Smith rebellion and restore legitimacy so that ultimately the country could be granted independence under majority rule. Unstated: Wilson wished to unseat Smith rather than just induce a return to negotiations. Wilson also wanted to head off any growth in domestic pressures for military intervention or use of force by other countries. To maintain Britain's positive image and reputation in the international community.	Four sets of UK and UN sanctions banning a broad range of trade and other relations with Rhodesia.	Economic impact affected some sectors, notably agriculture, more than others, but generally Rhodesia's ability to adjust internally—combined with circumvention of the sanctions—substantially reduced economic effects.	Failed to achieve principal objectives because they were not fully enforced by any of the major implementing parties; key supplier, South Africa, flouted sanctions; and the Rhodesian economy adjusted quite well to the sanctions that were enforced. Unintentionally, the sanctions left Zimbabwe with a much stronger economy than would have otherwise been likely.
French sanctions against Algeria	Dispute over oil prices and nationalization of French oil holdings in Algeria.	Force the Algerian Government to reconsider compensation terms and the tax-reference price of oil.	Suspension of lifting of Algerian oil by French companies. Efforts to block extension to block extension of IBRD credits and delay of US gas purchase.	Algerian production dropped at least 25 percent in 1971, but impact undermined by developments in world oil market where rising prices enabled the Algerians largely to offset the losses from production cutbacks.	French companies settled the dispute on terms favorable to Algeria. Sanctions had little impact on Algeria because France failed to get cooperation of other states; market conditions helped Algeria offset revenue losses; French commitment was eroded because it could not readily replace Algerian oil.
OAPEC oil embargo against the United States	1973 Middle East war.	To serve as a symbol of opposition to US support for Israel. To demonstrate solidarity with Egypt and Syria. To encourage the United States to press Israel to return occupied Arab land.	Prohibit shipment of oil to the United States. Cut oil production.	The sanctions led to widespread fuel shortages in the United States and other industrial countries for a relatively short time. The embargo awakened the United States to the costs of importing substantial amounts of oil, leading to the beginning of major adjustments in US domestic and foreign policies. The embargo had a powerful demonstration effect on other industrial countries that were heavy consumers of Arab oil; they began to voice greater support for Arab positions.	The United States remained committed to its support of Israel. The Arab states were not able to control the supply of oil to the United States. The United States was able to adjust to the embargo. Yet, the embargo did demonstrate opposition to US support of Israel and symbolized solidarity with Syria and Egypt.
US sanctions against Pakistan	Under terms of the Nuclear Non-Proliferation Act, Pakistan's refusal to accept IAEA safeguards on its existing nuclear facilities required total ban on US nuclear transfers. The Foreign Assistance Act prohibits provision of economic and military assistance if any nonnuclear weapons state acquires reprocessing technology or detonates a nuclear weapon.	To discourage the Pakistani military regime from pursuing a nuclear weapons program. To slow development of the program by persuading other nuclear weapons states not to export sensitive nuclear materials, equipment, and technology to Pakistan. To demonstrate that the United States would withhold nuclear cooperation and aid from a nonnuclear state that is attempting to develop nuclear weapons.	Ban on US nuclear transfers. Cutoff of aid.	Sanctions did not halt Pakistan's efforts to develop nuclear weapons capability. Economic impact was minimal.	Pakistan was willing to forego US aid in order to continue its efforts to develop nuclear weapons because it perceived nuclear weapons as an element vital to its national security. Highly visible imposition of sanctions increased domestic support for the Government of Pakistan policies, thus easing the political cost of forgone aid. The fact that the United States took tangible action, combined with demarches to other countries, has caused Islamabad to become dependent on the clandestine procurement network and has slowed development of its nuclear program.
US trade sanctions against Uganda	A lengthy series of human rights violations by Idi Amin.	Stated: To end human rights violations in Uganda. Unstated: To put enough pressure on the Ugandan economy to undercut Amin's control and thereby result in his ouster.	Prohibition of trade with Uganda.	Despite its economic problems and heavy dependence on the US market, Uganda suffered little from US trade sanctions.	The United States was unable to gain cooperation of other governments in shutting off trade, and Uganda was able to find other suppliers and buyers. Yet, sanctions indirectly changed the Ugandan Govenrment because President Nyerere interpreted them to mean that the international community would not oppose his invasion of Uganda to remove Amin by force.
US sanctions against Iran	Seizure of US hostages.	To create sufficient economic pressure on Iran to force it to release the hostages.	Initially to embargo all US oil imports from Iran; block all Iranian assets under US control; informally curtail some exports to Iran; particularly military equipment. Later, prohibition of all exports to Iran except food and medicine.	Little impact on Iran's ability to procure needed imports but did change its trading patterns. Iran circumvented US and EC sanctions on trade. Blocking of financial assets did not significantly worsen economic problems. Sanctions, by themselves, failed to force early release of the hostages.	Impact of sanctions was slight because the Iranian economy was already operating far below normal and Iran was able to circumvent sanctions. Although some allies gave tacit approval to the asset freeze, the United States failed to have full support of allies and full control over embargoed items. United States underestimated the strength of the commitment of the revolutionary movement in Iran and the willingness of Iranians to sacrifice for their cause. The sanctions did serve the US need to "do something" quickly in response to the hostage seizure.
US sanctions against USSR (Afghanistan)	Soviet invasion of Afghanistan.	Stated: To bring about a withdrawal of Soviet troops from Afghanistan. Unstated: Punish the Soviets for their aggression.	Embargo of grain sales; denial of superphosphoric acid and fishing rights, and tighter controls on shipments of oil and gas equipment, metallurgical equipment, communications and automotive equipment, and computers; Olympic boycott.	In 1980 USSR able to replace only 9 million of 17 million tons of grain denied by the United States, but the impact declined the next year as the USSR more fully replaced denied grain supplies. Some delay in Moscow's effort to upgrade domestic fertilizer industry. Retarded some modernization programs. Deprived Moscow of some prestige and propaganda opportunities from the Olympics.	Illustrates the difficulty of implementing economic denial measures on a multilateral basis. United States and allies not able to control supplies of grain because a major exporter refused to participate. Intensity of US commitment was affected by domestic political considerations. No consensus among major sponsors on how to carry out the objectives. Sanctions did punish the Soviets in some measure.
US sanctions against USSR (Poland)	Imposition of martial law in Poland.	Stated: To restore basic human rights in Poland. Unstated: To delay or increase cost of construction of gas export pipeline and convince West Europeans to reduce dependence on future Soviet gas supplies.	Suspension of licenses for export of oil and gas equipment and high-technology items; suspension of Aeroflot service to the United States; closure of Soviet Purchasing Commission; postponement of negotiations on a new long-term grain agreement and on a new US-Soviet maritime agreement and tighter port controls; termination of US-Soviet exchange agreements.	Despite initial delay and confusion caused by embargo on gas rotors and turbines, pipeline successfully completed on schedule with domestic and West European equipment. This imposed costs on the Soviets in terms of efficiency and negative impact on other sectors caused by high priority of pipeline project. Other sanctions had little economic impact.	Sanctions did not force Soviets to lift martial law in Poland. Without cooperation from the West Europeans, sanctions were not effective at delaying pipeline and in fact increased determination of Soviets to go it alone. US attempts to use sanctions to force West Europeans to reconsider their participation in project backfired. Some costs were imposed on Soviets but US and Western Europe also suffered economic losses and damaged political relations.
European Community sanctions against Argentina	Argentina's invasion of the Falklands.	Stated: To pressure Argentina to comply with UN Security Council Resolution 502 demanding Argentine withdrawal from the Falklands and resumption of negotiations. Unstated: To demonstrate that the Community would respond to aggression against one of its members.	Prohibited imports from Argentina for a 30-day period. Contracts that had already been signed and shipments under way were exempted.	No significant economic impact. Reduced chance for a protracted war against Britain.	The EC sanctions against Argentina represent the classic case of diplomatic gesture. Community demonstrated solidarity at little cost.

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