Can Sanctions Be Smart?

The Costs and Benefits of Economic Coercion

By Justyna Gudzowska and John Prendergast; Daniel W. Drezner
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Printing dollars in Washington, D.C., October 2006
Jim Young / Reuters

THE RIGHT TOOL FOR THE JOB

Justyna Gudzowska and John Prendergast

Daniel Drezner's skeptical take on sanctions gets much right ("The United States of Sanctions," September/October 2021).

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Yet it is also clear that sanctions are not going away and that when used appropriately, they still represent an indispensable instrument of foreign policy. Given our respective experiences with sanctions, in and out of government, we have a far more optimistic outlook on the power of these tools.

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TARGET ACQUIRED

Like most critics of sanctions, Drezner focuses largely on comprehensive country-based measures, which prohibit commercial transactions with an entire country and its people. These are the most antiquated form of sanctions and the most deserving of criticism. But with the profusion of sanctions programs in recent decades, a series of new tools have been developed that operate much more precisely. Drezner makes little reference to thematic programs such as counterterrorism sanctions, targeted nonproliferation sanctions, counternarcotics sanctions, and human rights and anticorruption sanctions—all of which are aimed at specific actors engaged in problematic conduct, no matter what jurisdiction they are in. These are the most advanced tools in governments' financial pressure toolkits, and they are designed to avoid many of the problems that Drezner describes.

Because such policies target specific individuals or entities anywhere in the world, rather than a country writ large, these sanctions minimize collateral damage and avoid the danger of so-called wholesale de-risking, whereby U.S. banks or businesses indiscriminately withdraw from an entire national economy. Although Colombia and Mexico, for example, have some of the highest numbers of sanctioned individuals and entities, financial institutions have not left, because compliance with the sanctions is more straightforward.

In contrast to countrywide sanctions, which often come under fire for their alleged political motivations and unintended humanitarian consequences, thematic sanctions also create less friction with allies. In 2016, Congress passed the Global Magnitsky Act, which authorizes the president to impose asset freezes and visa bans on human rights abusers and corrupt actors worldwide. The law galvanized U.S. allies: Australia, Canada, the United Kingdom, and the EU have since adopted similar measures, and other countries are considering their own versions, as well. These nimble and targeted sanctions are also better suited to transnational issues such as corruption, which U.S. President Joe Biden recently designated a core national security threat.

When used appropriately, sanctions still represent an indispensable instrument of foreign policy.

Like any other tool of foreign policy, however, targeted sanctions don't work in isolation. It is unfair to expect them to produce

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recovery strategies, and anti-money-laundering advisories (which alert financial institutions to red flags). And whenever possible, governments should impose sanctions on the entire networks of targeted individuals—not just on the individuals themselves. Any target with the slightest sophistication is likely to shroud his activities with corporate opacity and operate through intermediaries and shell companies, thus rendering individual sanctions less effective.

This strategy has proved successful in two recent cases in Africa. In 2017, the U.S. government introduced targeted sanctions against the Israeli billionaire Dan Gertler as part of a broader multilateral effort to convince Joseph Kabila, then president of the Democratic Republic of the Congo, not to run for an unconstitutional third term. Gertler was a close friend of Kabila and a key middleman for the sale of Congolese mining assets to multinational companies. The U.S. government, in its inaugural use of its authority under the Global Magnitsky Act, sanctioned Gertler for allegedly having "amassed his fortune through hundreds of millions of dollars' worth of opaque and corrupt mining and oil deals in the Democratic Republic of the Congo." It also sanctioned his business network—blacklisting one of his main partners and 19 associated companies. In 2018, it went further, sanctioning 14 other Gertler-affiliated entities. The Financial Crimes Enforcement Network, or FinCEN, the Treasury Department's financial intelligence unit, also issued an anti-money-laundering advisory that described Gertler's use of offshore shell companies to launder stolen mining revenues.

With this sort of follow-up, the U.S. government displayed a level of persistence that it has rarely evinced with respect to bad actors operating in Africa. That is the key to successful sanctions: adjusting and calibrating actions against an entire corrupt network over an extended period of time and with a clear objective, rather than engaging in one-off, brute force measures. In the end, Kabila stepped down and did not run for a third term, paving the way for the first peaceful transition of power in Congo's history. Our discussions with interlocutors in the region have led us to believe that persistent and integrated U.S. pressure, including the targeting of one of Kabila's close allies, played a substantial role in that decision.

Another recent success came in South Sudan. Beginning in 2017, the United States hit the inner circle of South Sudanese President Salva Kiir, including his brother-in-law, with a combination of targeted sanctions and anti-money-laundering mechanisms in response to corruption and human rights abuses. Many observers credit the pressure campaign with helping persuade Kiir to form a unity government in February 2020 and tempering his incentives to re-escalate the country's long-running civil war.

BAD BEHAVIOR

On a deeper level, the notion that the success of sanctions can be measured only by the appearance of specific behavioral changes is simplistic and unhelpful. Vladimir Putin is not going to stop being a tyrant because the United States imposes more sanctions on Russia, just as Osama bin Laden was not going to give up on terrorism because Washington sanctioned al Qaeda. Such binary tests are a very narrow way of measuring the effectiveness of sanctions.

Often, sanctions programs are designed not to evoke a sudden epiphany on the part of bad actors but to introduce friction into their lives. By denying resources to terrorists, human rights abusers, nuclear weapons proliferators, and kleptocrats, sanctions make it more difficult for such figures to do what they do. These types of actors also tend to rely on networks of international facilitators, who are usually more pragmatic than ideological and often have one foot in the legitimate business

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Drezner dwells on what he perceives as the failure of sanctions to change behavior, but he may be looking at behavioral change the wrong way. Rather than fixating on the inability of isolated sanctions to alter the behavior of bad actors, better to focus on the ways in which these tools can influence the people and businesses that bank with those bad actors, trade with them, create their shell companies, ship their goods, supply them with materials, sell them arms, and launder their money.

Sanctions are best employed as part of a broader multilateral strategy.

One might object that a state or individual with malign intent can always find other facilitators to stay in business. But as the sanctions targeting the Islamic State (also known as ISIS) have demonstrated, these measures create a real and sometimes significant tax. Repeated rounds of U.S. and UN sanctions have degraded the group's access to the international financial system and forced it to rely on more precarious methods of moving funds, such as couriers. This is another reason why sanctions must target an entire network, not just individual militia leaders or government officials. Blacklisting whole networks shuts service providers out of the global financial system and sends a message to other potential facilitators to think twice before doing business with targeted entities. It would be naive to think that U.S. sanctions changed Gertler's moral calculus or personal convictions, but losing access to U.S. dollars complicated his business prospects to a point where he pushed aggressively to have the sanctions removed. (He succeeded, briefly, in this effort at the end of the Trump administration, when the sanctions were lifted. They were reimposed by the Biden administration last March, with additional restrictions added in the run-up to the December 2021 Summit for Democracy.)

In our experience, it is the international facilitators and quasi-legitimate businesspeople—figures such as Gertler—who go to the greatest lengths to lobby governments or file lawsuits to have sanctions removed. If these sanctions were ineffective, why would they work so hard to overturn them? Moreover, focusing on the narrow litmus test of behavioral change makes it easy to lose sight of the important normative and preventive function that sanctions serve. How many future Dan Gertlers might now be dissuaded from engaging in corrupt activities out of a rational fear that sanctions could profoundly disrupt their livelihoods?

We wholeheartedly agree with Drezner that sanctions should be smart, strategic, and targeted. The comprehensive state-based programs that Drezner focuses on, however, are not the only options out there. More precise tools already exist and are already being used—with real success.

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DREZNER REPLIES

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In their enthusiasm for thematic sanctions focused on human rights and anticorruption, however, Gudzowska and Prendergast also reveal why my wariness about the overuse of economic pressure is justified. As I wrote, my concerns are threefold. First, the United States has leaned more on sanctions as support for alternative and complementary policy instruments has atrophied. Second, in trying to demonstrate resolve by threatening sanctions, the United States has eroded its ability to credibly commit to lifting them. Third, targeted sanctions tend to become less targeted over time, morphing into more comprehensive measures that cause humanitarian suffering.

As Gudzowska and Prendergast acknowledge, "Targeted sanctions don't work in isolation." They go on to advocate a "broader multilateral strategy" that includes sustained diplomacy, technical assistance, and regional outreach. These are precisely the areas in which U.S. government support has at best plateaued and at worst declined. The authors even concede that the success in Congo was an anomaly, given the persistence and focus it required. Unless it decides to invest in these alternative approaches, Washington will continue to rely on sanctions in isolation—rather than in concert with other diplomatic tools.

There is no bright line between targeted sanctions and more comprehensive measures.

Gudzowska and Prendergast also argue that even if sanctions fail to produce concessions, economic coercion may still be worthwhile because it introduces "friction" into bad actors' lives. Although there are times when such measures are entirely appropriate, this sounds like sanctioning for sanctioning's sake. If the friction doesn't change the target's behavior, then it is hard to see what purpose it serves, other than allowing the sanctioner to claim that something has been done. Moreover, as the conflicts in Afghanistan, Libya, and Syria have demonstrated, diplomacy in conflict-ridden areas sometimes requires bargaining with nasty actors. Gudzowska and Prendergast need to acknowledge the possibility that excessive sanctions might lead an amoral but pivotal player—say, a warlord who controls territory and commands the respect of a key demographic—to conclude that the United States cannot credibly commit to lifting sanctions and that therefore, there is no point in negotiating with it.

Finally, Gudzowska and Prendergast's insistence that there is a bright dividing line between targeted sanctions and more comprehensive measures is fanciful. As they note, for targeted programs to work, they must target an entire network. In some economies, criminal enterprises and violent nonstate actors make up such a large portion of the economy that no dividing line exists.

Consider Afghanistan. Ongoing targeted sanctions against specific members of the Taliban and the decision not to recognize that group's control over the country have badly complicated attempts to supply foreign aid. Afghanistan is now teetering on the edge of a humanitarian disaster. This is due in no small part to economic sanctions, which have impeded relief efforts and helped crash the country's economy. As the International Crisis Group recently observed, "Economic strangulation is unlikely to change the Taliban's behaviour but will hurt the most vulnerable Afghans." This is all happening despite the Biden administration's recent sanctions review, which sought to alleviate the suffering experienced by ordinary Afghans.

I share Gudzowska and Prendergast's desire for the adroit use of economic sanctions. I am more skeptical, however, about the

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CORRECTION APPENDED (FEBRUARY 25, 2022)

Due to an editing error, an earlier version of this article incorrectly described FinCEN as the Treasury Department's foreign intelligence unit. It is the department's financial intelligence unit.

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