Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

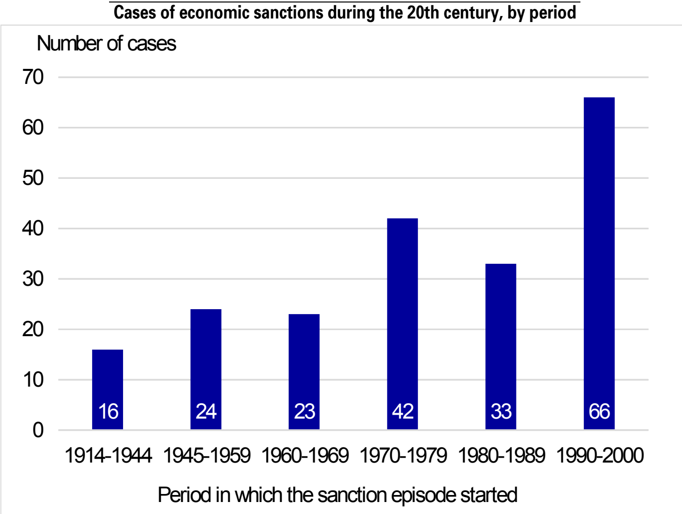
No. 150
July 2015

TRÉSOR-ECONOMICS

Economic sanctions: what have we learned from the recent and not so recent past?

- The use of economic sanctions as a tool for diplomacy is nothing new. The benchmark study by Hufbauer, Schott and Elliott published in 2007 inventories more than 200 sanctions episodes instituted since the beginning of the 20th century. More recent developments, such as the sanctions imposed against Russia or the upcoming lifting of sanctions against Iran, show that sanctions are still a very topical issue.
- Empirical work on the success of economic sanctions is still equivocal: the unique characteristics of each sanctions episode, such as the types of measures implemented, the nature of the policy goal being sought, or the coalition of sender countries, make comparative analysis a very complex task.
- Another factor complicating the task is the linkage between two separate goals that must be defined in each sanctions episode. These are the ultimate political goal and the intermediate economic goal sought to bring pressure to bear on the target country.
- Therefore, the effectiveness of sanctions depends on a clearly defined intermediate economic goal that can actually bring about a change in a policy stance.
- This issue of Trésor Economics uses an analysis of the microeconomic and macroeconomic mechanisms in play to propose a number of principles to improve the chances of success and thereby increase the effectiveness of sanctions, while minimising the economic costs for the sender countries. Ultimately, improving the effectiveness of sanctions enhances their credibility.

Cases of economic sanctions during the 20th century, by period



Source: Gary C. Hufbauer, Jeffrey J. Schott, Kimberly A. Elliott, (2007), "Economic sanctions reconsidered".

MINISTÈRE DES FINANCES ET DES COMPTES PUBLICS

MINISTÈRE DE L'ÉCONOMIE DE L'INDUSTRIE ET DU NUMÉRIQUE

1. What forms do economic sanctions take?

The economic literature defines economic sanctions as **restrictive economic measures** imposed by one or more governments (sender countries) on another country, or a group of individuals from that country, which is deemed to have an antagonistic policy (target country), **with the aim of affecting its welfare and/or economic resources**. The ultimate goal is **to use economic pressure** to obtain a change in the target country's domestic or foreign policy.

The complexity of the analysis of economic sanctions stems primarily from the fact that each case has unique features, and may differ across several dimensions, starting with:

1.1 The nature of the policy goal and the possible concomitant use of force

The policy goal may be modest or ambitious, ranging from settling a simple trade dispute to achieving regime change. When the goals have been very ambitious, military actions or covert actions have often backed up the economic sanctions (see Table 1). In more recent cases, economic sanctions are more likely to have been used on their own (60% of cases prior to 1960, compared to more than 85% after that).

Tableau 1 : Type of economic sanctions by policy goal

Nature of policy goal		Case sanctions accompanied by military action	Case of economic sanctions alone	Total
Modest goals	Settlement of a trade dispute	0	9	9
	Release of hostages, extraditions	2	6	8
Limited goals	Improvements in human rights situation	2	19	21
	Other cases (nuclear safety, etc.)	4	22	26
Relatively ambitious goals	Recognition/non-recognition of a government	4	6	10
	Nuclear non-proliferation	6	12	18
	Impairment of military capabilities	1	4	5
	Democratisation of target country	1	16	17
	Other cases (Berlin blockade, etc.)	6	5	11
Very ambitious goals	Stopping a civil war	4	3	7
	Ending a military intervention	6	13	19
	Settling territorial disputes	4	2	6
	Contributing to a military victory	7	0	7
	Regime change	21	19	40
Total		**68**	**136**	**204**

Source: authors, based on Hufbauer, Schott and Elliott (hereinafter, HSE), 2007.

1.2 The nature of the sanctions imposed

Economic sanctions differ greatly. They can be divided into three main categories:

i) **Individual measures,** such as travel bans or asset freezes, are targeted sanctions used to restrict the travel and financing of specific individuals or corporations. Asset freezes are the main form of individual sanctions and the key measure used in response to embezzlement of public funds (ill-gotten gains).

ii) **Trade restrictions:** such restrictions may apply to the target country's exports in order to limit their foreign currency earnings, through restrictions on commodity exports, for example, or to the sender country's exports, with the aim of preventing the target from acquiring weapons or specific technologies, or with the aim of increasing the cost of supplies of certain goods for the target. Restrictions on the sender country's exports present two drawbacks. Exporters are likely to see their sales drop and suppliers from countries that do not impose sanctions may step in to replace them, weakening the impact of the sanctions and causing the sender country's exporters to lose market share.

Trade restrictions may apply to one or more sectors (energy, luxury goods, etc.) or be a complete trade embargo.

iii) **Financial restrictions:** these restrictions can be very complex and, in some cases, choosing the right measure will depend on how developed the target country's financial sector is. Some of them can have a very broad impact if they are imposed by a group of countries that play a central role in the international financial system. Four sub-categories of financial measures may be defined:

- **Restrictions on financing for the target country** (bank financing, market financing, bilateral aid, multilateral loans, etc.). Such restrictions can reduce investment capacity, increase borrowing costs and put pressure on the balance of payments.
- **Foreign direct investment restrictions:** this type of restriction can be aimed at direct investment enterprises in the target country, as well as the target country's enterprises in the sender countries.
- **Restrictions (or controls) on banking transactions:** examples include restrictions on the use of a currency, on access to the SWIFT interbank payment

network or on financing related to embargoed equipment, or a ban on correspondent banking relationships. Such measures do hamper the target country's financial system, but they can also have a very severe impact on legitimate trade.

- **Bank freezes:** such measures may have a very broad impact if they are imposed on a large segment of the banking sector. If the freeze is extended to the central bank, it could halt transactions that would otherwise be authorised (meaning that neither the underlying business transactions nor the counterparties fall under a provision of sanctions regimes), leading to a blanket ban on all exports, including humanitarian exports (medicines, etc.).

Box 1: **Two case studies: the South African apartheid regime and the conflict between Russia and Kazakhstan about minority rights (1993-1995)**

a/ The sanctions imposed on South Africa with the aim of ending apartheid were maintained over a very long period (1963 to 1994). The United Nations, the United States and the European countries, the Commonwealth countries, and the Organisation of Arab Petroleum Exporting Countries adopted a wide range of restrictions (embargo on arms sales, exports of South African coal, sports boycott, etc.). The most important sanction was the embargo by the Arab petroleum exporting countries introduced on petroleum sales to South Africa in 1973. This embargo was backed up by a UN recommendation in 1977.

However, Iran refused to impose the sanction and became the main petroleum supplier for South Africa, which had to undertake a costly stockpiling strategy. Despite the added costs for the target country, the fact that the sanction was not universally applied (only one oil exporting country refused to comply) made it possible to circumvent the embargo.

b/ In the early 1990s, Russia imposed economic sanctions on Kazakhstan with two goals, having a larger say in the management of mineral resources and enhancing the rights of ethnic Russian minorities. Russia used its monopoly over the pipeline network in the CIS to limit the amounts of Kazakh oil and gas carried by the network. The sanctions could have taken a very heavy toll on Kazakhstan's economy, reducing GDP by some 5 points per year according to estimates by HSE. Consequently, Kazakhstan agreed to concessions regarding Russia's two demands.

1.3 The coalition of sender countries and their economic links with the target country

The group of sender countries and their commercial and financial links with the target country are key parameters. In the vast majority of cases, sanctions have been imposed unilaterally. There have been only 27 cases of sanctions imposed by the UN or its predecessor, the League of Nations. And yet, the universal application of a sanction is an important component of its effectiveness. Historically, sanctions were mainly imposed by individual countries or coalitions of western democracies. Of the 204 cases of sanctions inventoried by HSE, 134 were imposed by the OECD countries.

2. Which economic channels transmit the impact of sanctions to the target country?

a) Given the wide variety of sanctions, the economic mechanisms involved are very diverse. **The impact of many sanctions is felt only at the microeconomic level** (travel bans, freezes of individual and corporate assets, embargos on exports of specific technologies to the target country, direct investment restrictions in certain sectors, bans on technical assistance, bans on arms sales and bank freezes). An assessment of these sanctions calls for a detailed case-by-case analysis.

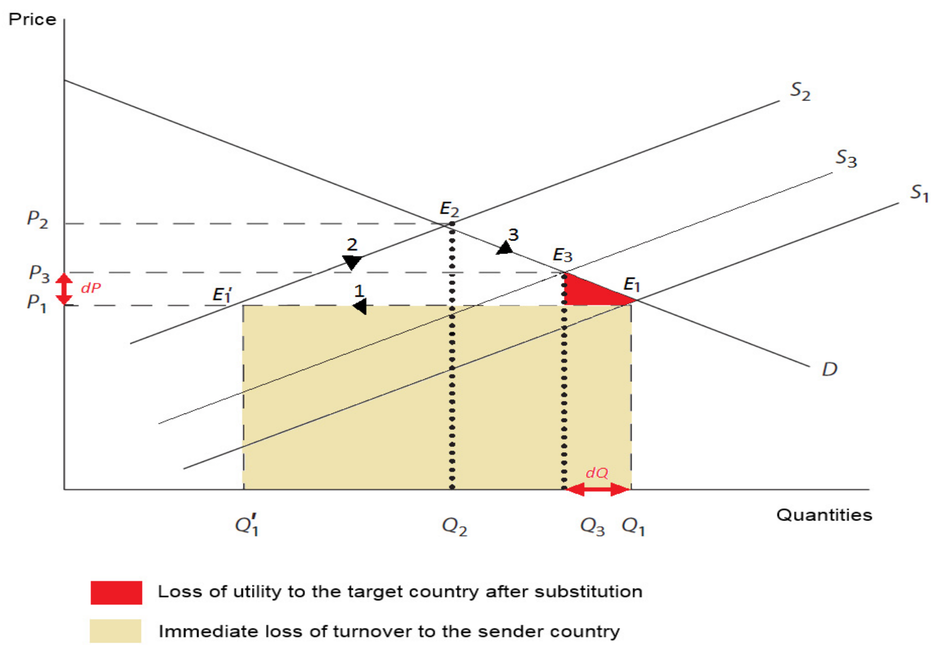
b) **Economic sanctions that have a real macroeconomic impact are primarily sanctions that significantly undermine the target country's balance of payments.** More specifically, only major financing restrictions that have a negative effect on the target country's capital account and/or affect the target country's cost of borrowing, or trade embargos on the target country's key exports that have a negative effect on its balance of trade have the potential to produce a powerful impact on the balance of payments. In other words, for maximum economic effectiveness, a sanctions policy **must affect financing and trade flows asymmetrically,** targeting the flows that contribute to increasing the target country's reserves, such as financing flows into the target country and export flows out of the target country. Clearly, the impact of trade sanctions will be more powerful if the target country has strong trade links to the sender countries and the sanctions are imposed by a large number of sender countries. However, an embargo on commodity exports from the target country could have a major impact on the price of the commodity in question if the target country is a major oligopolistic supplier. In some cases, the negative macroeconomic impact of higher commodity prices on the sender countries can be massive, so much so that such sanctions cannot be seriously considered.

c) **Ultimately, the balance of payments shock produced will affect the other macroeconomic aggregates, including GDP and the budget.** The negative impact on GDP from a deterioration of the current account balance should be greater (with a one-for-one direct impact on GDP before adjustment and linkage to other macroeconomic statistics) than the negative impact on the capital account produced by a suspension of an equivalent amount of financing. The negative impact of cutting off financing would be felt in reduced investment capacity. The severity of the impact will depend on whether the financing is used for consumption, capital formation or asset purchases. The impact would also increase the cost of borrowing to a degree that will depend on the target country's ability to find alternative financing.

When sanctions cause the target country's reserves to dwindle far enough, they lead to strong pressure on the exchange rate. They also result in higher financing costs if the country's credit rating is downgraded. However, a downgrade could result in a negative impact for the sender country, especially if it is a major net creditor of the target country.

d) **Counterintuitively, trade embargos have frequently been imposed on the sender country's own exports,** either individually or as part of a general embargo. This approach may make sense, when it is aimed at depriving the target country of some means of action or strategic resources for its economy, but the impact of such embargos is much less direct and usually less severe for the target country, which does not see its reserves dwindle or a short-term drop in GDP, unless the embargo has a major impact on inflation. These embargos could have an impact on GDP in the longer term, if they prevent one of the target country's key industries from developing. However, this implies that there is little possibility of finding other countries that are willing or able to supply the embargoed goods or services, either because the sender countries are the sole producers of the goods or because the sanctions are universally applied. Chart 1 shows the transitory nature of the potential welfare loss when such substitutions are possible. The main drawback of such sanctions is their direct negative impact on the exports of the sender countries, potentially leading to a more severe welfare loss for the sender country than for the target.

Chart 1: Dynamic effect on the welfare of a country targeted by restrictions on its imports



Source: authors.

Key: The initial equilibrium of supply and demand for a good (E1) on the target country's market corresponds to its suppliers' (including the sender country) sales of a quantity Q_1 of a good at a price P_1. When the sanction is imposed "restricting imports by the target country", the quantity supplied to the target country decreases to $Q_{1'}$. The supplier's withdrawal causes the supply curve to shift from S_1 towards S_2. When the sender country does not have a monopoly or when the sanction is not universally applied, the target country can call on alternative suppliers (who gain greater market power) or turn to higher priced domestically produced goods to obtain a greater quantity Q_2 of a good at a price P_2. In the medium term, the supply available to the target country will be adjusted (balancing out at E_3) as new producers enter the market or factors of production are adapted to take advantage of the opportunities resulting from the withdrawal of the sender country. The degree of adjustment will depend on the substitutability of the good. (If it is fully substitutable, S_3 is superposed over S_1). This means that the actual impact of the sanction on the target country's welfare, which results from the decrease in quantities and the increase in the unit price (dP) of the good, is reduced to the net loss shown in red. The loss of sales for the sender country is represented by the coloured rectangle. This loss can be offset by new exports to alternative markets. This loss of sales may result in a welfare loss that is greater than that inflicted on the target country.

Box 2: **Literature review on the effectiveness of sanctions**

The effectiveness of economic sanctions is still a controversial issue in economic literature. In the 1970s, the consensus seemed to be that economic sanctions were much less effective than the use of military force. Hufbauer, Schott and Elliott (HSE) initiated case studies with the aim of being as comprehensive as possible and followed them up in 1985, 1990 and 2007. In their latest survey, the authors concluded that sanctions had a relatively high effectiveness rate of some 34%.

The work by HSE can be used as a benchmark, by virtue of the sample size (204 cases of sanctions) and by the number of variables studied, but Robert Pape severely criticised their methodology: (*Why Economic Sanctions Do Not Work*, 1997). Pape's criticisms cover four aspects:

- In some cases, the policy goal attributed to the economic sanction was not achieved (for example, Egypt ultimately rejected international control of the Suez Canal, despite the sanctions imposed by the United Kingdom, France and the United States).
- In many cases, the causal link between achieving the policy goal and economic sanction has not been established (for example, the methodology of HSE suggests that economic sanctions made a decisive contribution to the Allied victory over Germany in 1945, or in the overthrow of Allende in 1973). According to Pape, the use of force often turns out to be the decisive step, making up for the failure of sanctions.
- The method used to assess success is extremely crude, arbitrarily combining achievement of the policy goal and the contribution made by sanctions. The two components are scored on a scale from 1 to 4 and the two scores are then simply multiplied.
- Pape feels that mere trade disputes, where sanctions have a much higher success rate, should not be included in the analysis.

After reconsidering the work of HSE, Pape comes up with a success rate of barely 4%. His criticism seems to be justified on the whole, but Pape takes an extreme approach to causality (if there is any doubt, sanctions are deemed not to have contributed to success). If we take a middle approach to the matter of causality, meaning *i)* not counting as successes for sanctions cases where military action or internal guerrilla action made the decisive contributions to achieving the policy goal, but *ii)* counting as successes cases where economic sanctions brought major pressure to bear, then the success rate, based on the same data set, comes out at 17.5 (see Table 2). If we exclude trade disputes, the success rate shrinks to 16%.

A recent study by the Targeted Sanctions Consortium (*Evaluating the Impacts and Effectiveness of UN Targeted Sanctions*, 2012) analyses 56 cases of sanctions imposed by the UN between 1992 and 2012. Three effectiveness criteria are defined, from the most to the least ambitious: *i)* changing the target country's policy choices, *ii)* constraining the target country's activities and *iii)* stigmatising the target country. Based on the sample, the authors find that sanctions are more effective for stigmatising a country (43% success rate) and for constraining their activities (42%) than for actually changing policy (13% success rate). The success rate is also much higher when the policy goal is a modest one. Furthermore, in 55% of the cases considered, the use of military force has accompanied the sanctions (the authors emphasise that the interpretation of success ratios examines correlation rather than causality.

3. How can sanctions be improved?

3.1 The selection of instruments could be refined

a) Most surveys of the effectiveness of sanctions give only cursory consideration to the nature of the sanctions used or the relative importance of the economic measure compared to the ultimate policy goal. And yet, the effectiveness of a sanction and its chances for success theoretically depend heavily on its appropriateness, which can be assessed from many angles (cost inflicted on the target country, cost incurred by the sender country, relative severity of the sanction, possibilities for circumventing the sanction, ambitiousness of the policy goal, etc.). Therefore, it is probably wiser to assess the success rate of sanctions **conditionally**, relying on a number of key parameters, rather than a gross overall success rate suggesting that different types of sanctions are equivalent.

In keeping with this hypothesis, Table 2 confirms that the choice of instrument clearly affects the chances of success for a sanction policy. Schematically, we see that:

- The cases where sanctions post the highest success rate are those where the main measure concerns a key export industry in the target country (NB: the negative impact for the sender countries can be minimised if substitution of the goods or sectors concerned is easy).
- On the other hand, sanctions that restrict the sender countries' exports to the target country seem to be much less effective; the relatively frequent use of such measures (33 cases inventoried, excluding arms supplies) suggests that potential substitution of other suppliers may have been underestimated, as shown by the case of South Africa. Furthermore, it is always hard to get all countries to impose sanctions, but obtaining universality is much more critical for sanctions aimed at exports to the target country than for sanctions aimed at exports **from** the target country. In the first case, successful use of sanctions primarily involved restrictions on supplying uranium (where producers form an oligopoly) in order to restrict the possibility of re-exporting nuclear materials. This confirms the theoretical condition that this type of sanctions should be used only for clearly non-substitutable products in order to have a significant impact.
- Restrictions on financing may be effective, if the target country is very reliant on assistance or loans. On the other hand, when asset freezes or investment restrictions have been imposed as the main sanctions on this sample, they have not been successful.

- Increasing the number of sanctions does not necessarily make them more effective. Combining export restrictions with restrictions on imports and financial transactions does not increase the chances of success and has often been the sign of a poorly calibrated sanctions regime (e.g. the League of Nations' sanctions against Italy after it attacked Abyssinia in 1934).

b) Calibrating an intermediate economic goal of the sanction regime that could be in line with the ultimate policy goal calls for:

- Clear definition of both goals (while the policy goal is generally clearly defined, the economic goal is very rarely clear cut).
- The definition of the economic goal relies on an analysis of the target country's weaknesses and potential circumvention of sanctions (e.g. the sanctions imposed on the Khmers Rouges' wood exports in 1992 were ineffective because of smuggling).
- The severity of sanctions and the resulting economic pressure must be proportionate to the ambitiousness of the policy goals with regard to the target country. The highest success rate of sanctions is achieved when the cost inflicted appears to be high compared to the political demands being made (e.g. Russian sanctions against Kazakhstan).

Table 2: Success rate of sanctions by instrument used

Restrictions aimed primarily at…	Main measure concerns…	Number of cases (o/w threatened)	Number of successes (o/w threatened)	Success rate
Target country's imports	Supply of commodities and nuclear technology related to non-proliferation goals	12 (2)	3 (1)	25%
	Embargos on selected imports from the target country	21	1	5%
Military assistance and arms sales to the target country		19	1	5%
Target country's exports	Very specific goods and services (government procurement, etc.)	6 (1)	2 (1)	33%
	Trade barriers (tariff barriers and other barriers)	6 (1)	1	17%
	One of the main exported resources (petroleum, etc.)	13 (1)	7 (1)	54%
	All exports or broad restrictions on market access	7	4	57%
All trade	Total embargo in times of war	9	0	0%
	Other cases of broad-based embargos or blockades	16	3	19%
	Other measures affecting imports and exports	7	1	14%
Financial flows	*Modest* bilateral financial assistance and/or multilateral loans	21 (2)	1	5%
	Major bilateral financial assistance and/or multilateral loans	41 (1)	9 (1)	22%
	Dollar financing (for oil purchases)	1	1	100%
	Other (asset freezes, expropriations, investment restrictions, suspension of payments)	8	0	0%
Broad combinations of trade and financial sanctions		12 (3)	1	8%
Atypical cases	Anti-boycott law, expulsion of migrant workers, etc.	5	1	20%
Total		**204 (11)**	**36 (4)**	**18%**

Source: authors' estimates based on the HSE data set (2007).

NB: The success rate is assessed using the information from the HSE data set and the following criteria: a sanction is considered to be successful if the policy goal is broadly achieved in a lasting manner and the achievement of the goal can primarily be attributed to the economic sanctions.
- If the contribution of the economic sanction seems to be uncertain, but probable, we decided (contrary to Pape's methodology) to count it as a success.
Only 36 of the 70 cases originally counted as successes by HSE are successes according to the criteria above. In 25 of these cases, the main factor in achieving the policy goal was something else (domestic factors, military or diplomatic pressure, a coup d'état organised by the sender country, etc.). In 9 cases, the goal was not achieved in a lasting manner or was only partially achieved.

Table 3: Success rate of sanctions according to the ambitiousness of the policy goal

Policy goal	Cases	Successes	Rate
Modest	17	11	65%
Limited	47	11	23%
Ambitious	61	10	16%
Very ambitious	79	4	5%

Source: authors' estimates based on the HSE data set (2007).

3.2 The cost incurred by the sender country or countries could be reduced

Experience has shown that the cost incurred by the economies of the sender countries have sometimes been higher than necessary. More specifically, a combination of three factors increases this cost:

- Choosing an inappropriate instrument: i) either by failing to consider the externalities of some measures with regard to trade (typically, a bank freeze squeezes legitimate trade flows in both directions); ii) or by seeking to choose a symbolic sanction. Thus, in 23 of the 119 cases of sanctions imposed by the United States, export credit granted by the US Export-Import Bank was restricted. And yet, export credits primarily benefit exporting companies from the sender country, helping them to win new markets.
- Failure to obtain universal application of sanctions or the fact that not enough countries join the sender country in imposing the sanctions. In this case, the measures chosen should offer the fewest opportunities for circumvention or boons for countries that do not impose them.
- Finally, the practical difficulties of implementing sanctions are often underestimated and the uncertainty created by sanctions, along with the compliance costs incurred by companies and banks may lead to patterns of "over-compliance" that hamper legitimate trade. Some of these factors include:

i) Vaguely defined concepts, such as "indirect financing", "making economic resources available indirectly", "financial assistance" or "controlled funds", can be interpreted in different ways.

ii) The use of identical notions, but in ways that vary from one type of sanction to the next, makes it difficult to achieve harmonised application of standards and favours the harshest standard.

iii) Failure to comply with the principle of no retroactive laws means that banks are reluctant to engage in actions that may become illegal later on. For example, export transactions can take several weeks to complete, meaning that a payment for a transaction that started out as perfectly lawful, but falls due after the entry into force of new sanctions, may be prohibited.

iv) Regulations may result in a requirement for banks to monitor or filter certain transactions, particularly for sanctions imposing embargos on certain goods. The monitoring process may turn out to be very costly for banks, which, in some cases, may prefer to withdraw from the market outright and stop all transactions, rather than implementing costly monitoring procedures. In such cases, sanctions also impede legitimate trade indirectly.

Systematic consideration of this uncertainty, which promotes or exacerbates "overcompliance", when choosing sanctions to be imposed on the target country should help limit the negative impact of sanctions on the sender country or countries.

Box 3: **Recent innovations: sanctions against Russia**

Council Regulation (EU) 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine included an original and narrowly targeted financial sanction: Article 5 of the Regulation restricts access to capital markets for a number of Russian entities (Russia's public financial institutions) by prohibiting the purchase of their newly issued securities (equities and bonds) with a maturity of more than 90 days (later cut to 30 days by EU Regulation 960/2014 adopted on 8 September 2014).

Such a sanction broadly meets the criteria highlighted above regarding effectiveness and minimal costs for the sender country by combining the following characteristics:

- It treats financial flows to the target country differently from financial flows from the target country.
- It singles out one of the main vulnerabilities of the Russian economy, namely long-term financing in foreign currencies for Russian companies.
- It has a clearly defined economic goal: increasing the cost of capital for Russia's leading public banks.
- It limits the cost incurred by the sender countries to a reduction in the size of their securities issuance market.
- The compliance costs for banks are lower than the cost of monitoring commercial transactions.
- Its application, while not universal, is very broad since the United States imposed a similar sanction and the demand for securities on this market comes mostly from European and American investors.
- The scope of the sanction can be modulated easily by changing the number of entities targeted or the maturities of the securities concerned, etc.
- It is very clearly defined.

4. Conclusion and "best practices"

A number of principles can be proposed for drafting sanctions policy based on the matters discussed above. Seven key steps can be identified:

1/ **Conduct the most rigorous economic analysis possible of the impact of sanctions before imposing them,** looking at the vulnerability of the target country, trade links and specific characteristics of the capital market. The analysis must include the negative impact of the potential sanctions for the sender country, including the direct and indirect effects of a deterioration of the macroeconomic situation, for example. If possible, the analysis should also consider potential retaliatory measures that the target country may take. For example, if a potential sanction is aimed at commodity exports from the target country, which appears to be the most effective tool, the analysis should also assess the possible impact on world prices.

2/ **Make sure that each goal, meaning the ultimate policy goal and the intermediate economic goal,** is clearly defined and consistent with the other goal. A lack of consistency could make the sanctions policy economically counterproductive and reduce its chances of success. On the other hand, if the expected cost for the sender country's economy is too high, it will be difficult to sustain the sanctions over time. A "punitive" sanction only makes economic sense if it is aimed at deterring antagonistic action in the future.

3/ **Limit the choice of sanctions to the most effective ones.** There are three pitfalls in particular: i) choosing sanctions for their symbolism, without any assessment of their effectiveness; ii) choosing a package of sanctions with a large number of components purely for show, since the effectiveness of a sanctions policy is not related to the number of sanctions imposed; and iii) using the same sanctions imposed in previous cases, simply because they are already in the arsenal of sanctions. Generally speaking, the point is to avoid sanctions that treat **inflows and outflows** of trade and financing the same, as is the case for sanctions aimed at banking transactions. The goal of choosing effective sanctions may be impinged by the notion of "burden sharing" between the sender countries.

4/ **Seek universal imposition of the sanctions.** In this context, the effort to build a coalition of sender countries implies preventing them from introducing extraterritorial sanctions.

5/ **Anticipate attempts to circumvent sanctions and plan for the post-sanctions situation.** Including a sunset clause presents three advantages: i) it opens up the prospect of a negotiated resolution of the crisis; ii) it means the policy can be adapted as needed in the light of experience and iii) it makes it possible to increase the pressure by threatening to renew sanctions.

6/ Make sure that **sanctions are drafted clearly and rigorously and that the principle of legal certainty is upheld.** The latter principle implies that a clause protecting existing contract must be included systematically. The scope of each asset freeze could be specified. This would apply to the notion of "making economic resources available indirectly", which leaves a lot of room for interpretation and means that the actual restrictions often exceed the initial goal.

7/ **Conduct periodic reviews of the sanctions policy, in view of the difficulty of anticipating all of the consequences.** The reviews can be used to enhance the effectiveness of sanctions by restricting opportunities to circumvent them, or to correct imprecise definitions or to reduce unnecessary costs for sender countries. Naturally, such flexibility must be backed up by support for economic operators, including explanation of changes as they occur, rather than recurrent shifts in policy that are incompatible with the legal certainty that operators are entitled to expect.

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Publisher:

Ministère des Finances et des Comptes Publics
Ministère de l'Économie de l'Industrie et du Numérique

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English translation:

Centre de traduction des ministères économique et financier

Layout:

Maryse Dos Santos

ISSN 1962-400X
eISSN 2417-9698

Recent Issues in English

http://www.tresor.economie.gouv.fr/tresor-economics