

**Busted Sanctions: Explaining Why Economic Sanctions Fail**

Bryan R. Early. 2015. Stanford, CA: Stanford University Press. ISBN 978-0804794138, \$90.00.

*Reviewed by J. David Richardson, Syracuse University (emeritus)*

This book is original and very fine applied scholarship, in many dimensions. It examines important international-political-economic behavior by under-studied agents. It uses a wide array of inter-related and integrated research methods that are subtle though carefully explained. It significantly extends Early's numerous peer-reviewed journal articles and other publications on related themes.

The behavior that Early examines is what he calls "sanctions-busting"—the circumvention and countervailing of U.S. foreign-policy sanctions by third-party countries and their firms. Foreign-policy sanctions are those aimed at altering foreign governments' offensive behavior. They are usually distinguished from their counterpart, national-security sanctions aimed at protecting "our" technology from abuse by rivals and enemies. (There are of course gray areas of overlap, e.g., concerning weapons-proliferation.) "Third-party" means "not the target of the sanctions, nor their initiator."

I think Early is correct when he claims that his book is "the first comprehensive explanation of why both types of sanctions busters emerge ... [to corrode] the effectiveness of sanctioning efforts" (p. 9). Third parties are indeed among the most important conduits for circumvention and countervailing of sanctions. Trade that is denied to target countries is often diverted to and through third countries, re-connecting the sanctioned target country to the world economy circuitously. Injury to target countries for their offensive behavior is often assuaged by third-country governments that boost their foreign aid to the target country, countervailing the injury from sanctions.

The most striking conclusion of Early's scholarship is that American friends and allies are disproportionately the third-party agents of circumvention! An important piece of his originality is to unpack the intricacies of the way American rivals and enemies strategically employ aid to offset American sanctions. Still another piece of originality is to examine the trade-off in third-country rivals and enemies between encouraging circumvention, which often benefits their own economy, and compensatory aid, which imposes a budget drain on their own economy.

The research methods that Early uses are diverse and interrelated, an appealing mixture of quantitative and qualitative techniques. The quantitative analysis is based on a 96-case sample (for 63 targets from 1950 through 2002) drawn from the exhaustive universe of cases by the Peterson Institute's Gary Hufbauer and colleagues, who have been updating and refining their universe for almost 30 years (2007; regular updates at <http://www.piie.com>). Early devotes two chapters to several varieties of logit regressions. One chapter relates Hufbauer-et-al.'s indicator variable for success or failure of a sanctions episode to an array of independent variables, the most important of which are two that Early carefully-but-not-uncontroversially constructs. One is for trade-based sanctions-busting (circumvention), the second for aid-based sanctions-busting (countervailing compensation). Both Early variables have strong and statistically significant negative effects on American sanctions success. In other words, "sanctions-busting" busts sanctions, as Early hypothesizes! The second chapter relates Early's trade-based sanctions-busting indicator variable to an array of independent variables hypothesized to be its determinants. Here the most provocative results are the typical profiles of sanctions-busting third countries: They look uncomfortably like us Americans. They are large, open, democratic states that are often our own allies! "We have met the sanctions-buster, and he is us!"

The qualitative analysis is based on detailed histories of American sanctions against Iran and Cuba and the third-party actors that circumvented/countervailed them. (Here Early offers two long chapters with almost 400 footnotes). The principal busters in the Iran history are the United Arab Emirates (U.A.E.) and the multinational companies that flocked there to trade. The principal busters in the Cuba history are the Soviet Union, Maoist China, modern China, and Venezuela, all of whom in different overlapping eras used aid to compensate for Cuba's injury from American sanctions.

Early's two qualitative chapters are models. They have much more structure than conventional histories. They are carefully integrated with his quantitative analysis and are linked to each other. They are more like "analytical narrative" than ordinary history. (Early calls them "process-tracing," meaning the process of sanctions-busting.) In these chapters, publically available information is supplemented by interviews that Early personally conducted. These chapters are fine and persuasive ex-

amples of what social scientists sometimes call (loosely and apologetically) “structured/focused comparative case studies.”

As someone who admires such integrated and wide-ranging methods, and who has employed them myself, I commend Early. I was fully persuaded by his deep qualitative discussions, as far as they go. (North Korea, Russia, Burma / Myanmar, and Cuba over the past few years beg for similar treatment.) In his quantitative work I wish only that he had said more about his sample-selection methods ... and perhaps even dared to build his own sample extension beyond 96-cases-ending-in-2002. His more up-to-date qualitative analysis suggests that he is capable of doing so, and he could thereby examine quantitatively some of the modern technical innovations in sanctioning, such as financial sanctions, “secondary sanctions” (sanctions against sanctions-busters), and so-called “smart” sanctions that target “entities” and individuals.

Early’s scholarship is original but “applied” in the very best sense. Its subject matter is immediate, relevant, and newsworthy to American foreign policy. Yet it is also applicable logically to the study of boycotts, discriminatory sales and pricing, affirmative-action programs, preferential business practices in family firms, and many similar subjects.

Of course there are gaps in Early’s scholarship, gaps perhaps waiting to be filled in his own follow-ups to this fine book ... but gaps nonetheless.

In my opinion, Early gives inadequate attention to his book’s “big brother”—national-security sanctions and licensing (e.g., of so-called dual-use (military and commercial) goods, services, and technologies). These raise all the same issues of sanctions-busting, and together are arguably “weightier” than foreign-policy sanctions (Richardson and Sundaram (2013) and references therein).

I think that he gives inadequate attention to the way U.S.-based firms themselves, not third-country governments and firms, engage in entirely legal circumvention of sanctions. They naturally shift their competitive exports, imports, and investments toward non-sanctioned trading partners, nudging out corporate rivals there, and leaving market “vacuums” in the sanctioned targets to be filled naturally by those very same rivals. In the extreme, no target countries are disciplined, nor do any U.S.-based firms, workers, and communities suffer any injury from America’s own sanctions; all corporate actors merely occupy different geographical seats in the global market.

And that raises an important awkwardness, perhaps inconsistency, in Early's argument. Any nation's sanctions that merely shift geographical seats—i.e., who supplies whom in a global market—have no real economic impacts at all in overall market outcomes. In that case, such sanctions serve symbolic purposes only ... however important those symbolic restraints may be to a nation's sense of morality or integrity. (This is more broadly the problem with any kind of boycott that is meant to inflict economic discipline / injury.)

Early also pays too little attention to an increasingly important applied issue of symmetry. If sanctions don't "work" because of sanctions-busting behavior, will the putatively noble lifting of sanctions not work either because sanctions-busting will be abandoned?

For regular readers of *Faith & Economics*, there is no strong Christian underpinning or content in Early's book. Christian scholars, however, ought to take seriously both his methods and his conclusions, especially given their justice-based interests in sanctions as instruments to discipline genocide, human trafficking, persecution, and other inhumane behavior.

Finally, a work of such impressive scholarship deserved a more helpful, discriminating index.

### **References**

- Hufbauer, G. C., Schott, J.J., Elliott, K.A., & Oegg, B.** (2009). *Economic sanctions reconsidered* (3rd ed.). Washington, D.C.: Peterson Institute for International Economics.
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