Economic Sanctions: Are They Worth It?

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ABSTRACT:

Economic sanctions are widely been used as tool to today to alter the behavior of the target country to meet the imposing country’s own foreign policy ambitions. However more often these tools turns out to be nothing more than the assertions of the imposing country hurting itself more than the target country. The global, sweeping and aggressive enforcement of sanctions by countries especially the developing one’s have produced rather antithetical results. Countries now need to introspect its own notion on the wide use of ‘Economic sanctions’ before and after imposing them to make certain that its benefits outweighs its probable cost.

This paper thus tries to appraise, introspects ‘Economic Sanctions’ and its impact on both the imposing and the target country. This study has been done in light of the recent of the recent ‘Nepal Trade Blockade of 2015’.
Introduction

In the era of Globalization, where every country is dependent on one another, economic issues are getting more politicized concomitantly political decisions are having its own economic repercussion\(^1\). The interdependence becomes even more critical in nature when a country is landlocked or is an island country and majorly depends upon other single country to meet its needs. Nepal among many others, is one such nation which is extensively dependant on India to meet its internal demands. Nepal is the largest neighboring trade partner of India despite being miniscule both in terms of population and economy as compared to other neighboring nations such as Bangladesh and Pakistan\(^2\).

‘The 1950 Indo-Nepal Treaty of Peace and Friendship’ was the official origination of liaison and co-operation between the two neighboring countries\(^3\). The 10 articles of treaty furnishes for boundless co-operation among other things\(^4\). Like wise subsequent treaties were signed in the coming years between India and Nepal\(^5\). Enactment of these treaties advocated and ensued friendly relations for nearly all the years. Though, these friendly relations at times were hampered due to some unavoidable externalities. During such time India occasionally has opted for an economic sanction as tool to restore back to the prototypical\(^6\). These economic sanctions of imposing financial penance are imposed unwarrantedly by many countries to meet its objectives of foreign policy. However, these economic sanctions have time and again proved to be little beneficial in altering the targets practices and actions.

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\(^2\) Krishnanand Tripathi , ‘India’s border trade: Nepal tops the list, Bangladesh second, Pakistan even behind Bhutan’ (E paper Jan 2019)

\(^3\) India ready to review 1950 Treaty with Nepal’ The Economic Times (E paper : Sep 16, 2008)


\(^5\) ‘Anti-India sentiment in Nepal not good for both nations: Envoy’ Business Standard (Kathmandu 30 September 2015)

The worldwide use of economic sanctions constitutes one of the antinomy of the idea of free and globalized world. These blockades are now becoming one of forefront policy tool at the cost of its own economic growth. Economic sanctions also known as embargo are imposed for variety of purposed including but not limited to social, political and military. Enforcing and maintaining good and healthy relation is one the core idea of the country imposing sanction with the target country; however, the consequences have always been the otherwise. To meet the intentions of its foreign policy, embargoes takes the form of reduction and restrictions in the export and import, arms sanctions, cut-off in foreign aids, limiting the issue of visas, voting against the target country on various international platforms, naval blockade, imposing no-fly zone, prohibitions on capital inflow and its ilk.

This research work will therefore appraise the efficacies of Sanctions in light of the recent declared Trade blockades.

**Nepal Blockade (2015)**

Governments across the world and other international entities have been imposing sanctions, on their counterparts to alter their behavior and actions to meet their own interest or the interest of the whole world community at large. These sanctions got recognized formally after the formation of the ‘League of Nations’, when the same was imposed on Mussolini’s Italy.

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10 Soleimani: What are sanctions and why do countries use them?’, BBC News (E paper January 2019)
11 RISTUCCIA, CRISTIANO ANDREA. “The 1935 Sanctions against Italy: Would Coal and Oil Have Made a Difference?”(2000) 4 *European Review of Economic History* 85
The economic sanctions can be termed as a partial or complete ban on commerce and trade by or against group or an individual country. A similar sanction by India though not officially recognized by the government was imposed on Nepal back in 2015. The embargo gagged imports of oil, and in addition medicines and earthquake alleviation material. Nearly all sectors of the economy of Nepal came to a standstill from agriculture to tourism and the like. Tourism one of the most flourished industry of Nepal witnessed a downfall of 40% in its revenue first by the impacts of quake and then by the blockade of Indian government. Though some of the elite News agencies of India like ‘The Indian Express’ reported of India being choleric and irked of Nepal’s newly adopted Constitution, the research paper will not go into the intricacies, but would rather focus on the declared embargo and its repercussions on India.

Nepal to this day has faced 3 embargos from India, the most recent one being of 2015 that lasted for 5 months. However, on account of the recent embargo the existing relationship between India and Nepal has been hampered to its lowest. This has now become very clear when the Prime Minister of Nepal signed ‘transit agreements’ to have a Chinese ports and rail access between the countries; Thus, reducing its dependence on India. A deal for imports of petroleum products was also signed between the two countries further hampering India’s exports and resultant revenue from Nepal.

15 Come back, tourists’ The Kathmandu Post (Kathmandu November 1, 2015)
16 Mukesh Rawat, ‘Nepal’s Constitution and Lessons for India’ The Diplomat (E paper October 7, 2015)
17 Rishi Iyenger, ‘What the Nepalese Prime Minister's Visit to China Says About the Wider Politics of Asia’ TIME (E paper 24 March, 2016)
Thus, the recent blockade of 5 months made Nepal to face humanitarian and financial crises further straining its relationship with India. Contrarily, India’s unofficial blockade had its own repercussions on India itself which has jeopardized its position as Nepal’s biggest trading partner which further might hamper its revenue\(^{19}\).

**Russian Sanctions**

Russia over the years has made series of sanctions of its western counter parts to achieve mainly its political ambitions. These sanction are predominantly aimed at countries which aspires to be a part of NATO and EU such as Ukraine.

Of the many such sanctions, one was imposed on Ukraine by quadrupling Ukraine natural gas (energy) bill. This was principally done to hamper the aspirations of the then Ukraine’s president to be a part of NATO and European Union. However on cutting the supply of natural gas in 2006 Russia suffered more on economic terms than Ukraine\(^{20}\)\(^{21}\).

**Sanctions by the United States**

The embargo on Cuba by the US government of March 14, 1958 remains as one of the longest ever sanction of modern history\(^{22}\). The Kennedy administration imposed the said sanction by issuing an executive order in 1960. The ‘Helms Burton Act’ provides that the said embargo is imposed to bring representative democracy and free markets in Cuba. To keep the intentions and purposes of the sanction intact, the US administration has bear big amounts to keep proscribed good out of it markets.

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Hundreds of millions of dollars and tens of thousands of man hours is been spent by the accountability government and the administration of the US government. Thus the cost of maintaining the embargoes has been a financial burden for the US.

There are many statues which have over the years empowered the President of the United States to impose an embargo for example: the “International Emergency Economic Powers Act of 1977” or the “Export Administration Act of 1979”.

**Sanctions and its Repercussions**

The Nepal Blockade makes it amply clear that a sanction not only impairs the economy, human rights and politics of the sanctioned country; but also jeopardizes the revenue and the prospect trade of the country which imposes the sanction. Thus this paper will further elucidate and probe the repercussions of an economic sanction on the country imposing it.

Over the years sanctions have been proliferated into Economic sanction, Diplomatic sanctions, Sport sanctions and so forth. The above discussed blockade can be called as an economic sanction where India tried to block the supply of the essentials to Nepal.

A recent study by ‘Neuenkirch and Neumeier’ elaborated that an economic sanction has direct effects on the GDP of the sanctioned country by 2% as well as has an indirect footprint which might reduce its GDP by almost 25% over a decade.

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24 Daniel Hanson, Dayne Batten & Harrison Ealey, 'It's Time For The U.S. To End Its Senseless Embargo Of Cuba' *The Forbes*(16th January 2013)
29 Neuenkirch, Matthias; Neumeier, Florian, "The impact of UN and US economic sanctions on GDP growth" (2015) 40 European Journal of Political economy 110
Correspondingly it also affects the country imposing the sanction as it loses it’s current and prospect trade revenue with the country sanctioned. A trade sanction is imposed primarily with the intent of altering the behavior of the targeted country to meet the needs and interest of the country imposing the sanction; however as seen in the case of Nepal, the sanctioned country immediately moves for the aid of some other country to have an uninterrupted supply of economies. Thus, using trade sanctions as a tool, hardly achieves the purpose behind it\footnote{Griswold, Daniel "Going Alone on Economic Sanctions Hurts U.S. More than Foes" (TechCentralStation.com, November 27, 2000) \url{https://web.archive.org/web/20110923164257/http://www.cato.org/pub_display.php?pub_id=10888} 6 October, 2020}. Using economic sanction as a tool frequently also makes the other trade partners skeptical about the parent, who might pursue to other more reliable countries for trade in future. Thirdly the country imposing the sanctions loses the prospect revenue from the country sanctioned by it as it might not again be willing to have a trade with the parent country. Thus it can be said that the purpose of sanction to alter the behavior of the sanctioned country does not always achieves the intent but rather puts the country imposing the sanction into jeopardy harming its public image, revenue and the like\footnote{Miyagawa, Makio. Do economic sanctions work?. Springer, 2016.}.

**Findings and Conclusion**

Imposition of economic sanction indicates the imposing country’s intent to influence the target country. 'Economic Sanctions' are valuable as expressive acts in the global framework, as they include more breathtaking measures than normally received, for example, official notes. These actions are however proved to be inappropriate in influencing the target country’s behavior; rather such actions act a recipient of popularity for the target country’s government. Intentionally depleting trade with the target country implies discarding a bunch of potential instruments of impact. After such an action the parent country will have no direct means of achieving the desired result and influencing the target country’s behavior.

\footnote{Barber, James. "Economic sanctions as a policy instrument." (1979) International Affairs 55, no. 3 367-384.}
If any nation is literally interested in altering the actions of certain nation’s policy and not only satisfied with condemnation, economic sanctions have many of the same disadvantages as military action, due to their tendency to increase internal cohesion.

Suggestions

In order to influence the actions and behavior of the target nation what shall require more is subtle methods of influence such as well-aimed breaks of specific parts of economic, diplomatic, communication, or other types of relations, and increased attention to positive sanctions in this free globalized world.