

AN ETHICAL ASSESSMENT OF THE USE OF ECONOMIC SANCTIONS AS A TOOL OF FOREIGN POLICY

Charles A. Rarick and Martine Duchatelet

This paper is the third in a series of articles that examines the shortcomings of economic sanctions. Drawing on Mill's utilitarianism, Kant's categorical imperative and Rawls's theory of justice, the conceptual frameworks of consequentialism, deontology and contractualism are used to demonstrate the unethical nature of this increasingly popular instrument of foreign policy.

Introduction

The popularity of economic sanctions as a tool of foreign policy has increased in recent years. Prior to World War II, the use of sanctions was infrequent, and often acted as a prelude to armed conflict (Duncan, 2005). The use of sanctions by the United States increased after 1945, and expanded significantly during the 1980s and 1990s and beyond. The USA currently has major economic sanctions imposed on 12 countries or country groups: Balkan countries, Belarus, Burma (Myanmar), Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Iran, Iraq, North Korea, Sudan, Syria and Zimbabwe (Treasury Department Website, 2007). In addition, the USA has limited sanctions against many more countries including measures related to anti-terrorism, narcotics trafficking, diamond trading and non-proliferation of weapons of mass destruction. Economic sanctions are enforced through the US Department of the Treasury and its Office of Foreign Asset Control (OFAC). Penalties to American citizens and businesses for violating OFAC regulations include fines of up to \$1 million, and possible imprisonment of up to 30 years. Economic sanctions are often ineffective instruments of foreign policy and they reduce business opportunities for American companies (Rarick, 2006, 2007). In addition to being ineffective and costly, economic sanctions are questionable in terms of ethics.

The United States is by far the leading sanctions-imposing country. Economic sanctions are created either through legislation, or executive order of the President.

They have become a popular tool of foreign policy for the executive and legislative branches of the federal government, and state and local governments have also begun imposing their own sanctions. In some cases not only the ethics of sanctions can be questioned, but also the legality of the sanctioning activity. For example, a number of executive orders imposing sanctions refer to the authority of the President to act based on the International Emergency Powers Act (IEEPA), Title 50, Section 1701. A careful reading of the Act shows that the use of this power is limited. Section 1701 states that the Act, '... may only be exercised with an unusual and extraordinary threat with respect to which a national emergency has been declared for purposes of this chapter and may not be exercised for any other purpose' (Federal Register, 28 July 2003). Executive Order 13310 – Blocking Property of the Government of Burma and Prohibiting Certain Transactions – was imposed using the justification of Section 1701 of the Act. Even a liberal interpretation of the situation in Myanmar (Burma) would find it difficult to conclude that a national emergency for the USA exists as a result of the lack of democracy in that country. Likewise, an earlier executive order (EO 13047) in 1997 imposing sanctions on that same country stated '... the actions and policies of the Government of Burma constitute an unusual and extraordinary threat to the national security and foreign policy of the United States and declare a national emergency to deal with that threat' (Federal Register, 22 May 1997). The sanctions have been imposed due to the current regime's

refusal to accept democracy, and its human rights abuses of minority populations within its borders. While this behaviour is deplorable, it does not represent an emergency to the national safety of the USA.

A number of economic sanctions have been imposed based upon a lack of democracy in a country. While democracy is generally viewed as the preferred form of government, even democracies can be ineffective in advancing the interests of all citizens, and democracy will not solve every country's problems. Reich (2007) has argued that even in democratic countries such as the USA, citizen interest has been overtaken by special-interest groups lobbying law-makers for policies favourable to their interests. Brittan (2007) warns against viewing democracy as everything that is politically desirable. While this paper does not argue against the desirability of a democratic form of government, it does propose that economic sanctions cannot be relied upon to produce democratic forms of government, or to ease the suffering of people under totalitarian regimes. It is an ethnocentric viewpoint to assume that people strongly desire democracy over economic freedom and development. Economic sanctions aimed at producing political change can have the opposite effect and harden dictatorial rule, increasing the suffering of people in the sanctioned countries. In the case of Myanmar, recent civil unrest over the military regime's policies and worsening economic situation has produced an even harsher response from the government (Kazmin, 2007) including a crackdown even on the monastic community of the country.

Government leaders have a fiduciary duty to represent all people, not just those with special interests. Young (2007) has proposed that leaders should use this fiduciary duty, which has evolved from the Judaeo-Christian tradition and Roman law, to represent all stakeholders. Often sanctions are imposed because of pressure brought by special-interest groups, such as Burmese or Cuban refugees living in the USA, who are successful in getting sanctions imposed in order to advance their own agendas. Economic sanctions imposed for a special interest, even with good intentions, can be questioned on the basis of their ethical legitimacy. Using the three major frameworks of ethics the morality of economic sanctions can be explored, and conclusions drawn concerning the ethical nature of this type of public policy.

Consequentialism

Consequentialism is a theory of ethics which states that ethical behaviour is that which produces the most intrinsic good. Consequentialism contends that an act is right or wrong depending on its actual consequences. The consequences or utility of an action are evaluated on the outcomes of that action. Consequentialism, or utilitarianism, advocates the 'greatest good for the greatest number of people'. Behaviour that leads to good consequences for most people is viewed as moral or ethical, and behaviour that leads to bad consequences for most people is viewed as immoral or unethical. Consequentialism recognises that consequences must be viewed not simply as short-term outcomes. The action under question is viewed both from its short- and long-term consequences. An early advocate of this approach was the eighteenth-century philosopher and social reformer, Jeremy

Bentham, who argued that the desirable consequences of action result in happiness, and the undesirable consequences of action result in pain. Happiness as defined by Bentham concerned bodily pleasures, or what later would be referred to as lower pleasures. John Stuart Mill, the nineteenth-century philosopher and economist, expanded upon the work of Bentham by further defining happiness. According to Mill (1861), happiness, or pleasure, has both a higher and lower form. Higher forms of pleasure would include aesthetic, moral and mental pleasures.

When we look at the consequences of sanctions, in most cases the outcome has been to lower the economic, educational and healthcare systems of the sanctioned countries. While one could argue that higher pleasures such as virtue and moral principle could override the negative consequences of sanctions, it is questionable that most people in sanctioned countries would agree with that argument. In some cases the citizens of sanctioned countries may, through state propaganda, take a different view. However, factual data concerning quality-of-life issues is a better indicator of negative consequences. The longest-running case of economic sanctions, the embargo against Cuba, has harmed the healthcare industry of that country. A study by the American Association for World Health concluded that economic sanctions have had a devastating impact on the quality of healthcare in Cuba. The trade embargo is responsible, at least in part, for increases in certain diseases such as waterborne illness, the lack of surgical supplies and equipment, and the unavailability of medicine (Williams, 1997). While the socialist policies of Fidel Castro have made medical services available to all citizens of Cuba, the lack of medicine, medical supplies and equipment have decreased the effectiveness of healthcare providers. The dire economic conditions in Cuba, of course, cannot entirely be blamed on US economic sanctions. Castro has been a less than effective economic planner. He has, however, been able to blame his failed policies on US-imposed sanctions (Katz, 2005) and has gained some sympathy with other political leaders in the region. There are both short- and long-term consequences of US sanctions against Cuba, and the results of this policy may be felt for some time past the eventual lifting of the sanctions. If sanctions were effective most of the time, it could be argued that the positive results gained by the people of the sanctioned country justify the necessary pain they experience in the application of the sanctions. This is not, however, the case because economic sanctions seldom achieve their desired aims. In most cases, they therefore result in a net loss in happiness for sanctioned-country citizens, both in terms of lower and higher forms of pleasure.

Deontology

The deontological approach to ethics is based on reasoning and inherent rights of human beings. An action, or behaviour, is ethical if it is morally correct, and consequences of the action are not the central focus. The morality of an act is not the consequences brought about by that act, but rather, the action itself is questioned based upon duties and rights – not duties and rights derived from government but duties and rights inherent in being a human being. The deontological view is that all human beings possess certain rights and people should

be valued simply because of their human quality. They should not be used in an instrumental fashion.

The main deontologist, eighteenth-century German philosopher Immanuel Kant, discounted the consequences of behaviour in assessing ethics, and instead focused on human reasoning and logic. Kant developed the *categorical imperative* as his framework for ethical behaviour. The categorical imperative has two formulations; the first being universalism. In order to act in an ethical manner a person has to want the behaviour they are engaging in to be universally applied. For example, if you want the act of murder to be ethical, you would have to accept that everyone is entitled to murder others. The second formulation of the categorical imperative – ‘So act that you use humanity, whether in your person or in the person of any other, always at the same time as an ends, never as a means’ (Kant, 1785) can be used to argue against the use of sanctions. Sanctions are a means to an end. The theory operating behind sanctions is to cause as much pain as possible to the people of the receiving country in order for pressure to be brought on the government. The citizens of the sanctioned country are used as a means to achieve the foreign policy objectives of the sanctioning country.

Using people as a means represents an inhumane form of public policy. Dennis Halliday, former co-ordinator of United Nations Resolution 986 (Food-for-Oil in Iraq), describes economic sanctions as a ‘totally bankrupt concept’. Sanctions in Iraq caused the price of basic food products to greatly increase, resulted in inadequate nutrition, caused a decline of healthcare, and led to the collapse of the national currency (BBC, 1998). According to UNICEF, economic sanctions against Iraq resulted in a doubling of the death rate for children less than five years of age. The organisation reports that the sanctions made it very difficult for parents to provide needed medicine, food and safe drinking water for their children, and estimates that they resulted in the deaths of 500,000 children under the age of five between 1991 and 1998 (Pigler, 2004). Economic sanctions themselves can be called instruments of mass destruction (Mueller and Mueller, 1999) when one considers the human toll inflicted on the innocent people of sanctioned countries.

Not everyone agrees that deontology is an appropriate framework to evaluate ethical choices made by economic policy-makers and organisations. Altman (2007) has argued that it is impossible for the categorical imperative to be applied to organisations (including governmental bodies) since they do not, as a collective whole, have the ability to reason. While it is true that the organisation itself, as a separate and unique body, cannot reason, organisations are made up of individuals who can reason, either individually or collectively. Along a similar line of reasoning, Staveren (2007) feels that neither deontology nor utilitarianism are appropriate for ethical questions involving economic matters. Instead she offers virtue ethics as an alternative, in which the standard for ethical behaviour is determined by the behaviour of a virtuous agent. Virtue ethics places an emphasis on the moral character, virtue and practical wisdom of the decision-maker. While both arguments have some merit, policy-makers are individuals who possess the ability to reason, and their moral character and motives can be less transparent through the use of laws and regulations. This

makes these arguments less applicable to the question of the ethics of economic sanctions.

Contractualism

In addition to the ability of consequentialism and deontology to discredit the ethics of economic sanctions, sanctions also do not stand up to the principles of contractualism. The contractualist view sees ethics as not based on utility or reasoning, but rather based upon the norms established by rational agents acting under a social contract. Unlike the utilitarians who argue for ‘the greatest good for the greatest number’, social contract theory argues for justice delivered via a social contract between free and equal citizens (Kelly, 2004). A leading proponent of this ethical orientation was John Rawls. According to Rawls (1971), ethical action involves providing each person with equal rights to basic liberties, and taking action beneficial to the least advantageous members of society. Economic sanctions imposed on most countries have not harmed the country’s leaders, and the least advantageous members of society carry the burden. Economic sanctions do not achieve the goal of allowing the greatest benefits to the least advantaged of society.

Rawls’s theory can be further explained by using his ‘thought experiment’. Under the ‘original position’, a group of individuals are asked to create a society in which they will be living, without knowing anything about their abilities or interests. Operating behind this ‘veil of ignorance’, participants create a society where everyone has equal opportunity and where privileged lifestyles are minimised. The theory operating behind this process is that no one would be willing to risk the chance of ending up in a very bad position in the new society. In order to protect themselves (since they do not know where they will be positioned in the new society) participants select an option that ensures the least bad outcome for themselves. This tends to produce societal construction in which special interests are not created and economic pain is minimised. If policy-makers were operating behind Rawls’s veil of ignorance it is reasonable to conclude that they would be less willing to impose economic sanctions on countries in which they themselves would be citizens.

Economic sanctions deprive citizens of sanctioned countries of their basic liberties, including freedom from disease and death. In a study of the impact of economic sanctions imposed against Haiti from 1991–94, Gibbons and Garfield (1999) demonstrated that sanctions resulted in declining incomes, rising unemployment, decreased attention to child welfare and education, poor nutrition and increased family breakdowns. The sanctions decreased the standard of living of the most disadvantaged members of Haitian society. An article in the *Annals of Internal Medicine* (Morin and Miles, 2000) reported the declining public health of countries experiencing comprehensive economic sanctions. Lack of medicine and other supplies, coupled with lower incomes, resulted in a number of public health issues including increases in infant malnutrition, increases in water-borne diseases and death, and increases in the death rate of children under the age of five. The article quotes from another source that ‘economic sanctions are, at their core, a war against public health’. Policy-makers are violating their duties under social contract

theory by not treating everyone as free and equal people. Economic sanctions reduce equality and economic freedom, and harm the least advantaged members of the sanctioned country, including harming their physical well-being.

An alternative to sanctions

Amartya Sen, 1998 Nobel Prize winner in economics, has suggested throughout his career and most definitively in his seminal work, *Development as Freedom* (1999), that economic freedom and social or political freedom are inextricably intertwined. One does not happen without the other. 'Freedoms are not only the primary ends of development, they are also among its principal means'. Simplifying Sen's arguments, one can infer that adding economic 'unfreedom' through sanctions only adds to the social or political 'unfreedom' of the citizen in the sanctioned country, delaying further the advent of development for that country. A much better way to bring about social change and economic development would be to offer the targeted country as many freedoms as possible from the outside: freedom of trade, free and accurate information through broadcasts accessible to the citizens in the country, freedom of education through scholarships for graduate students to study abroad, freedom from disease and hunger through generous aid. Of course, the authoritarian regime within the country may attempt or indeed succeed to negate these freedoms provided by the global context outside the country. Opposition groups within the country can avail themselves of whatever external freedoms exist as they work to organise opposition and bring political and social change within the country. However, trade can promote development as Joseph Stiglitz, 2001 Nobel Prize winner in economics, and Andrew Charlton argue in their controversial book, *Fair Trade For All: How Trade Can Promote Development* (2005). Sen demonstrates eloquently that economic development is in itself an increase of freedom. We believe that developed countries seeking to favour political and social reform in poorer countries should open trade up rather than impose economic sanctions.

Conclusion

Economic sanctions are often imposed with good intentions. They are often seen as an alternative to military intervention, and a less painful method of bringing about social or political change. Economic sanctions are viewed as a means of facilitating global peace. These sanctions are, however, not applied in an even manner and are sometimes applied to benefit the interests of the sanctioning country. Countries such as China, Egypt, Pakistan and Saudi Arabia escape being sanctioned by the United States, even though those countries engage in some of the same practices that lead to sanctions on other countries of less strategic importance. Regardless of the intentions, economic sanctions have been largely ineffective in bringing about positive social and political change or in creating world peace.

Economic sanctions reduce free trade, reduce economic liberties, increase suffering and cause an unequal level of hardship. The consequences of economic sanctions are generally negative for the people of the sanctioned countries,

resulting in less 'happiness' for the majority of the citizens. Economic sanctions treat people as a means to an end, using them to bring about the desired social or political change. They also violate the social contract to honour equal rights and basic liberties, and generally harm the least advantaged members of the sanctioned country. Economic sanctions do not pass the tests of ethical action.

Amartya Sen (1999) convincingly develops the idea that economic development is freedom and that the various liberties from famine, early morbidity, arbitrary exploitations, political repression and social discrimination, to name only a few, come with economic development. Joseph Stiglitz and Andrew Charlton (2005) offered the view that fair trade for all promotes development. The implication is that trade favours the emergence of development and therefore social and political freedom. Fort and Schipani (2007) have proposed more recently that business has a role to play in fostering peace throughout the world. One of the key contributions business can make to world peace is economic development. They argue that economic development is facilitated through free trade, due to the fact that trade relies on relationships built on ethical and legal practices. Open trade rather than economic sanctions should therefore be the preferred policy option for governments seeking to promote development and freedom in other countries.

References

- Altman, M. (2007) 'The Decomposition of the Corporate Body: What Kant Cannot Contribute to Business Ethics', *Journal of Business Ethics*, 74, 3–4, 253–266.
- BBC (1998) 'UN Official Blasts Iraq Sanctions', BBC News, 30 September.
- Brittan, S. (2007) 'The Devil in Democracy: Majorities and Pluralities Can Often Be Very Misleading', *Financial Times*, 28 July, p. 38.
- Duncan, D. (2005) 'Of Course This Will Hurt Business: Foreign Standing under the Foreign Narcotics Kingpin Designation Act of 1999 and America's War on Drugs', *George Washington International Law Review*, 37, 4, 969–995.
- Federal Register (1997) (22 May) Available at <http://209.85.165.104/search?q=cache:mCJTv94HMKj:www.gomr.mms.gov/homepg/whatsnew/newsreal/bondsurre.pdf+federal+register+may+22+1997&hl=en&ct=clnk&cd=1&gl=us>.
- Federal Register (2003) (28 July) Available at www.access.gpo.gov/su_docs/fedreg/a030728c.html.
- Fort, T. and C. Schipani (2007) 'An Action Plan for the Role of Business in Fostering Peace', *American Business Law Journal*, 44, 2, 359–377.
- Gibbons, E. and R. Garfield (1999) 'The Impact of Economic Sanctions on Health and Human Rights in Haiti', *American Journal of Public Health*, 89, 10, 1509–1513.
- Kant, I. (1785) 'Groundwork of the Metaphysics of Morals', trans. by M. Gregor, in D. Palmeter (ed.) *Cambridge Texts in the History of Philosophy*, Cambridge: Cambridge University Press.
- Katz, D. (2005) 'Sanctioned State: The U.S. Embargo on Cuba', *Harvard International Review*, 27, 1.
- Kazmin, A. (2007) 'Surge in Dissent Spurs Crackdown by Burma's Junta', *Financial Times*, 12 September, p. 8.
- Kelly, E. (2004) *The Basics of Western Philosophy*, Westport, CT: Greenwood Press.
- Mill, J. (1861) 'Utilitarianism', *Fraser's Magazine*, 64, 391–406.
- Morin, K. and S. Miles (2000) 'The Health Effects of Economic Sanctions and Embargoes: The Role of Health Professionals', *Annals of Internal Medicine*, 132, 2, 158–161.
- Mueller, J. and K. Mueller (1999) 'Sanctions of Mass Destruction', *Foreign Affairs*, May/June.
- Pigler, J. (2004) 'Even Before the 2003 War, We Were Attacking Iraqi Civilians with Our Inhumane Economic Sanctions', *Statesman*, 4 November.
- Rarick, C. (2006) 'Destroying a Country in Order to Save It: The Folly of Economic Sanctions against Myanmar', *Economic Affairs*, 26, 2, 60–63.

- Rarick, C. (2007) 'Economic Sanctions: Failed Foreign Policy Tool and a Cost to American Business', *Economic Affairs*, 27, 3, 65–70.
- Rawls, J. (1971) *A Theory of Justice*, Boston, MA: Harvard University Press.
- Reich, R. (2007) 'How Capitalism is Killing Democracy', *Foreign Policy*, September–October, 39–42.
- Sen, A. (1999) *Development as Freedom*, New York: Alfred A. Knopf (Random House, Inc.)
- Staveren, I. (2007) 'Beyond Utilitarianism and Deontology: Ethics in Economics', *Review of Political Economy*, 19, 1, 21–35.
- Stiglitz, J. E. and A. Charlton (2005) *Fair Trade For All: How Trade Can Promote Development*, Oxford: Oxford University Press.
- Treasury Department Website (2007) www.treas.gov/offices/enforcement/ofac (accessed on 12 September 2007).
- Williams, R. (1997) 'In the Shadow of Plenty, Cuba Copes with Crippled Health Care', *Canadian Medical Association Journal*, 157, 3, 291–293.
- Young, S. (2007) 'Fiduciary Duties as a Helpful Guide to Ethical Decision-making in Business', *Journal of Business Ethics*, 74, 1, 1–15.

Charles A. Rarick is Professor of International Business in the School of Management at Purdue University-Calumet, Indiana, USA (charlesrarick@comcast.net).

Martine Duchatelet is Dean of the School of Management and Professor of Finance and Economics at Purdue University-Calumet, Indiana, USA (duchatel@calumet.purdue.edu).

Copyright of *Economic Affairs* is the property of Blackwell Publishing Limited and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.