

/ПРИКАЗИ

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Demarais, Agathe. 2022. *Backfire: How Sanctions Reshape the World Against U.S. Interests*. New York: Columbia University Press, 293.

'We can shut down the Turkish economy.'
US Secretary of the Treasury
Steven Mnuchin, October 2019.

After browsing just the book's front cover, the reader wonders: how on earth can US (economic) sanctions backfire? How it is possible that the most powerful nation in the world, a nation that complacent contemporary American political thought (Mandelbaum 2022) considers a hyperpower, has been wilfully introducing something that backfires and has reshaped the world against US interests? What are the hidden pitfalls of the US economic sanctions that have made them backfire? Why are the US decision-makers unable to spot these pitfalls? Or, perhaps, they can, and they already have, but they just do not care?

Agathe Demarais, the Global Forecasting Director of the *Economist Intelligence Unit*, boldly confronts this conundrum in an uncompromising manner, without evading a single relevant issue. At the very beginning of the book – in the Preface – the author spells out the reasons why the US government, both the executive and legislative branches of it, has been

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imposing economic sanctions against so many countries and so frequently in the past several decades. The first is that the sanctions are a quick way for the United States to demonstrate resolve and to punish what is considered unacceptable behaviour by some countries and their decision-makers. Although it is a good selling point for sanctions for the US public, demonstrating the nations' decisiveness on the international stage, these swift moves are usually hasty, without thorough and meticulous consideration of the direct and side effects, let alone that some side effects can be discovered only *ex-post*, but even then, the 'ripple' effects of sanctions remain understudied, as the author suggests.

There is no universal blueprint for 'good' sanctions, those that are efficient and with moderate adverse side effects. As the author demonstrates throughout the book using numerous case studies of US sanctions in recent history, each situation is specific: the countries against which sanctions are imposed and their economies are different, as are the political institutions, the aims of the sanctions differ (both those announced and those hidden), therefore there are no ready-made, off the shelf solutions for 'good' sanctions. Nonetheless, meticulous consideration takes time, inevitably undermining the first selling point of the sanctions – they are no longer the swift way. In terms of political rating, this is a very important feature, especially if the public is aroused – by media reports, social networks frenzy and advocacy of NGOs – to 'do something' mode. Because 'do something' is actually shorthand for 'do something and do it *right now* without considering the consequences'.

The second selling point of the US sanctions, according to the author, is that sanctions are a low-cost policy. On the one hand, only a handful of civil servants are needed to draft sanctions and not many more for their implementation. Demarais points out that the burden of implementing US sanctions falls on multinational (real sector) companies and banks, which shoulder lost opportunities and compliance costs. This is a refreshing view compared with the mainstream academic contributions on sanctions (e.g. Mulder 2022) which completely neglect the burden of sanctions on the business world, not only on US-based businesses but on businesses regardless of where they are located. Furthermore, in addition to the lost business opportunities and increased transactions costs, in the numerous case studies the author provides ample evidence that US sanctions have been inconsistent over time regarding their application, creating substantial

uncertainty when sanctions are not imposed at all, declining expected returns on investments and other business endeavours, decreasing both international trade and investment flows, and growth rates.¹

On the other hand, Demarais points out that the immediate political and human costs of sanctions to the US also appear to be low, making them more attractive than other forms of coercion in international relations, such as military intervention. Sanctions fill the policy void in the diplomatic space between ineffective declarations and potentially deadly full-fledged military operations. 'With sanctions, the U.S. administration can pressure countries to comply with its demands from the safety of Washington' (p. x). Naturally, the human costs to the population of the country that the US sanctions are imposed on are not of concern to the US public, so it is also not of concern for US decision-makers, as the politicians have constituents to please and appearing to act decisively to defend US interests is usually a vote winner. The reader, supporting this line of argumentation, could even accept it from another viewpoint. Who (in America) cares about the well-being of some people in some 'far away country'? Furthermore, the difference between the present 24/7 media and social networks coverage of ostensible villains around the world and Neville Chamberlain's time is substantial – punishing people in some nasty country boosts the approval ratings of the US policy-makers who impose the sanctions. They deserve it – justice is done! After all, it was the Serbs who supported Milošević and the Russians who have supported Putin. Considering the (negligible) cost side, it is not surprising that sanctions have become so popular in the US over the past several decades.

Finally, the author points out that US sanctions have proven to be effective in persuading countries to alter their behaviour and refers to Iran as a case in point. 'If sanctions had not put tremendous pressure on the Iranian economy, it is doubtful that Tehran would have ever agreed to sign the 2015 nuclear deal' (p. x-xi). Well, the reader understands this insight as a selling point of the sanctions for the US policy-maker, meaning the sanctions *can* be efficient, i.e. effective in the pursuit of US foreign policy goals. The point is that the author provides ample evidence throughout the book that most US sanctions have not been efficient, even counterproductive in the majority of cases.

¹ The author points out that, for example, despite lifting the sanctions against Iran in 2015, European firms remained wary of re-entering the Iranian market as they all thought the United States would not stay true to its word and would soon reimpose sanctions on the Islamic republic. They were correct, proving how credible the deterrent effect of the sanctions is, even if they are not in place.

With these political incentives in mind, the author specifies the aim of the book. 'This book is not for or against sanctions. It does not take a view on whether the United States should resort to sanctions when it feels that its interests are being threatened. However, if it wants to ensure the long-term effectiveness of arguably its most powerful economic weapon, America has to build a clear picture about the side effects of sanctions and of how these shape the strategies of companies, allies, and enemies across the world' (p. xii).

The aim of the book is so relevant, because at the end of June 2020 the US government had around 70 sanctions programs, targeting more than 9,000 individuals, companies, entire countries, and economic sectors in virtually every country in the world (Eineman 2020). The author points out that some sanctions focus on non-state actors, such as Islamist terror groups, Latin American drug cartels, and Syrian warlords. Other programs apply to whole countries, such as Venezuela, Cuba, or North Korea. Iran and Russia are by far the most targeted nations, subjected to thousands of sanctions designations, probably with Russia taking a comfortable lead following its 2022 aggression in Ukraine.

Part One of the book (*Sanctions Genesis*) starts with a brief history of sanctions, with the first sanctions of the modern era – Continental Blockade, i.e. Napoleon's trade sanctions against Great Britain – with two main takeaways. First, it was not effective, since the French Navy was not capable of imposing a thorough naval blockade of the British Isles, hence Great Britain readjusted its overseas trade routes,² but also smuggling goods to and from continental Europe, making the Continental Blockade ineffective. Lesson#1: countries under sanctions adapt in order to evade them or at least to lessen their impact. To what extent they will succeed depends on the many factors, the reader would add – there is no unambiguous answer. The second takeaway is that the Continental Blockade hurt the French economy and its public finances. Lesson#2: 'Sanctions do not harm only their intended targets: the measures often cause ripple effects and may incur costs for the country that imposes them, too' (p. 5).

Fast forward to the 1960 and the early stage of the US sanctions, this time against Cuba, as the US trade embargo imposed by President Dwight Eisenhower, in response to Cuban leader Fidel Castro's decision to

² There is a significant difference to a situation 130 years later, with German unrestricted submarine (U-boat or *U-boot* from *Unterseeboot*, in naval parlance) warfare that almost accomplished nearly impregnable naval blockade of the British Isles. In words of a key decision-maker (Churchill 1949, 529): 'The only thing that ever really frightened me during the war was the U-boat peril'.

nationalize three American oil refineries. The author points out that the real, though not disclosed objective of the sanctions was a regime change in Havana. With American companies absorbing 73 per cent of Cuba's exports and providing 70 per cent of its imports, to the US policy-makers the trade embargo seemed a lethal weapon against the regime in Havana. Nonetheless, there has been no trade embargo imposed by the Soviet Union, countries of Western Europe and Canada, so Cuba adjusted to the US sanctions and start trading with all other nations (Lesson#1). This took its toll, a country cannot get trade preferences and aid from the Soviet Union for nothing, but the main mechanism that the US policymakers hoped would work – pain inflicted on the population would inflict popular unrest and removal of Castro from office, with a more US-friendly regime stepping in – simply did not occur.³ In short, Fidel Castro died in office of the old age, but the regime remind. Nonetheless, all the sanctions against Cuba are still in place, despite all the evidence that they have not been effective, because the US policymakers are sending a message to the world: we are never wrong. Under that façade, US policy-makers learned the lesson that sanctions must be global in order to work. That is basically the origin of contemporary US secondary sanctions, which are addressed later in the book and this review.

The author points out that it is difficult to assess the effectiveness of sanctions, 'given that we do not have the counternarrative: no one knows what would have happened if sanctions had not been imposed in the first place' (p. 7). Well, counterfactual analysis is rather common in contemporary historiography, and although it is not exact (let alone failproof), it provides some framework for analysis. Fidel Castro attempted to establish normal relations with the US in the early stage of his rule, and it is undoubted that the trade embargo pushed him closer to Moscow and away from the US. Perhaps the outcome would have been the same without the US sanctions, but it is evident that they did not help achieve US strategic goals.

Trade embargoes, a traditional mechanism of sanctions, can be circumvented in different and imaginative ways (Early 2015), and the author provides ample examples as evidence for the insight that trade flows are notoriously difficult to oversee, especially in remote corners of the world. It was the US administration that also realised that. Hence, according to Demarais, financial sanctions, which target banking ties, were born. These

³ A simple truth is that when the ruler acknowledges that the aim of the sanctions against his country is regime change, he has no incentives to cooperate – he is doomed whatever he does. The sanction then, with him on the throne, and with a little help from government propaganda, become a cohesive factor for the society, breeding xenophobia, and proving to be a general excuse for all the disasters occurring in the country.

enable the US Treasury's Office of Foreign Assets Control (OFAC), which was created in 1950, but at the time fairly innocuous, to become the main star of the US sanctions show.

The point is that trade is an exchange: the flow of products is accompanied by the flow of money, and the latter is channelled by banks. Hence, follow the money. International trade is done to a great extent in US dollars, directly or indirectly, because of the depth and liquidity of the US dollar markets, meaning that transactions are done via a corresponding account in one of the US banks. Furthermore, according to the author, OFAC has initiated a secret partnership with SWIFT, the Belgium-based cooperative that provides the infrastructure to process financial wires around the world. The US administration sent a strong signal, not only to the countries under sanctions and specific entities within the country, but to the international business community, especially multinationals and banks: Big Brother is watching you! In other words, the US Treasury monitors all the transactions, both legal and illegal, and its weapon (cutting access to the US dollar with devastating business effects) is locked and loaded. Hence many Western banks, according to the author, think twice before clearing wires involving companies located in a country that is targeted by the US sanctions, such as Iran.

With all the sanctions mechanisms in place, and based on the recent US experience, the author concludes that there are four factors that 'may help to determine whether sanctions might work (or not): how long they have been in place; whether they have a narrow or a broad goal; the preexistence of trade ties between the United States and the targeted country; and, perhaps most important of all, whether allies are aboard' (p. 39). These questions are intuitive as are the answers, i.e. the necessary conditions for the US sanctions to work. Answering these questions in every specific case of sanctions can provide some guidelines, something like road signs for the case-by-case evaluation and forecasting whether the sanctions will work, but the reader should not mistake them for an academic exercise of producing a 'general' theory of the sanctions' effectiveness.

The reader's concern is the goal of the sanctions because in many cases there is a hidden agenda and the goal that is publicly specified is not the (only) goal of the US policy. In some other cases, the goal of sanctions is specified so broadly that it is very difficult to evaluate, as in the foremost case, whether the sanction's goal has been accomplished. For example, the incumbent US Secretary of Defence Lloyd Austin specified in late April 2022 that '[w]e want to see Russia weakened to the degree that it can't do the kinds of things that it has done in invading Ukraine' (Ryan, Timsit 2022). Not only is that goal extremely broad – weakening a nation is a much broader goal

than even a regime change – and it is virtually impossible to unambiguously conclude whether it has been accomplished, but also it cannot be achieved in the short run: weakening Russia means years of sanctions. Considering the present US sanctions against Russia, they do not fulfil the third condition, as the trade ties between Russia and the US are not substantial, and as to the fourth one – not all the allies are on board and some relevant players (e.g. China) are not allies at all. Nonetheless, with all these negative answers, the reader would hardly bet that the US sanctions against Russia will eventually fail.

Part Two of the book (*Sanctions Crossfire*) deals with the side effects ('ripple' effects, as the author specifies) of US sanctions. The big and true picture of sanctions should include all these effects, not only the goal of the sanctions and the evaluation of whether the goal has been achieved. Even if it is achieved, perhaps the total costs of that achievement outweigh the benefits.

The author has no second thoughts: sanctions entail substantial collateral damage, in military parlance. The point is that the collateral damage – by definition unintended consequences – is misleading. The author doubts that it is possible to design effective sanctions that do not harm civilians 'Sanctions aim to put pressure on the populations of targeted countries to prompt policy changes by their governments. It follows that penalties that do not inflict pain would probably be worthless. This means that by design, sanctions are weapons that have damaging humanitarian consequences' (p. 66). It is true, according to the author, that the sanctions produce fewer deaths than conventional, fully fledged wars, but they kill (civilians) nonetheless. Furthermore, conventional war is regulated by international law, but US sanctions are not. 'Under the Geneva Convention, weapons must discriminate between civilians and combatants. Even in war zones, soldiers cannot do as they please; they must abide by rules that seek to avoid the killing or harming of innocent civilians' (p. 66). The author provides ample evidence of humanitarian crises and the suffering of civilians, including children in many countries that have been under US sanctions.⁴

The other important point is that the US sanctions substantially affect not only firms located in the USA but also firms in other allied countries. According to the author, there are two main mechanisms for that

⁴ US officials have been aware of that. When confronted in 1995 with the information that a substantial number of children died in Iraq because of the sanctions, the then-US ambassador to the United Nations, Madeleine Albright, declared, according to the book, that this death toll had been 'worth it', given the need to apply pressure on Saddam Hussein.

impact: extraterritorial penalties and secondary sanctions. As to the US extraterritorial laws and regulations, they are nothing new. In 1789 the United States adopted the Alien Tort Statute, an example of such legislation. Nonetheless, the application of such legislation has become more frequent in recent decades and, according to the author, since 2009 the OFAC has imposed more than USD 4 billion in fines on foreign companies for violating sanctions; over the same period, US firms were fined less than USD 300 million for evading sanctions (Early, Preble 2020).

Secondary sanctions, the other mechanism for impact on non-US businesses is straightforward. They threaten to punish foreign businesses, wherever they are located in, including US-allied countries, that do not respect US sanctions against individuals, entities, and nations. Firms that are placed under secondary sanctions 'lose access to the US dollar for their international transaction and must leave the American market. In addition, their executives may be subject to individual penalties' (p. 71). Secondary sanctions can be imposed on both firms from the real sector and financial sector, and it is international banks with global networks that are especially vulnerable to these sanctions. All these companies are caught in the sanctions' crossfire.

The author explains that there are two main motives for these measures. The first one is the Cuban experience in which Cuba adjusted to the US sanctions by switching to trading with other countries, making the sanctions virtually ineffective. Hence international sanctions are needed for the isolation of a country to be effective. Sanctions imposed by the UN Security Council would do the trick, but the problem for the US administration is the veto power of Russia and China which has frequently undermined US international relations goals. The way out of this awkward situation for the US government is to use extraterritorial penalties and secondary sanctions.

The other reason for them to be applied is US domestic politics. It is US businesses that are subdued by the US sanctions, as American firms cannot do business with some or all firms in the countries that are under US sanctions. They lose the market and lucrative business deals to their competitors from countries that have not imposed sanctions. Accordingly, US businesses have every incentive to lobby against US sanctions, for the obvious reason – they undermine their business. The US government, especially the legislative one, is very sensitive to business lobbying. Hence, the obvious way out of the conundrum – how to simultaneously demonstrate decisiveness to the domestic constituency by imposing sanctions on other countries and keeping content the US businesses that are against the sanctions because of the restrictions – is to impose the same restriction on non-US businesses. In short, this is a lose-lose equilibrium.

There is more bad news to come. With all the companies worldwide becoming liable to US sanctions, the number of people tasked with keeping track of legal requirements regarding sanctions has increased substantially in the past two decades. 'Nowadays, about 15 percent of the staff of a major bank works in the compliance department, making sure that all transactions respect international rules. For a major bank such as Citi, this represents 30,000 people ... HSBC's risk and compliance budget stands at US\$1 billion per year' (p. 67). This means increasing transaction costs and decreasing economic efficiency – the resources dedicated to compliance could have been allocated to productive ends, producing goods or services for the customers, or being engaged in research and development (R&D) – innovating, either improving existing products or introducing completely new products. These costs are aggravated by rather nebulous US sanctions provisions, intentionally fostering uncertainty, for more leverage for the government in the implementation, generating augmented deterrence.

Furthermore, the author points out, the impact of US sanctions is felt well beyond those firms that are caught in the sanctions' crossfire. If the target of sanctions is producers of commodities, either countries or specific large producers, then substantial ripple effects are created on the commodities markets. The impact of the downstream side effects of these sanctions, on all producers that directly or indirectly purchase commodities, can be massive and ubiquitous. The author demonstrates that in a few case studies, with the global aluminium market and sanctions against Russia-based company Rusal being sanctioned as the most important one. The consequences were as grim as unintended, as the sanctions ended up having unexpected side effects on commodity markets, and consequently on hundreds of manufacturing and related companies in dozens of countries. Furthermore, some of the side effects were counterproductive. 'Ironically, sanctions looked set to benefit Chinese metals producers; they had ample spare capacity and made it clear that they were keen to fill the void left by Rusal. By sanctioning Rusal, the United States was penalizing global aluminum consumers while inadvertently supporting Chinese metals makers' (p. 93). Perhaps, some people in Washington DC still have not realised that these days China is America's main rival.

The saga of (already destroyed, by whomever, at the time of the publishing of the book) Nord Stream 2 is a long and telling story about US sanctions against Soviet/Russia gas pipelines to Western Europe, motivated by a blend of foreign policy and domestic lobbying considerations. The story started with the first Soviet–German attempts to establish a gas partnership, but it reached its pinnacle with Nord Stream 2. and all the US sanctions in all these cases have been of a stop-and-go pattern, without a clear goal, let alone a

roadmap for achieving the goal. Perhaps the crescendo was achieved with the arch-volatile Trump administration; the story told by the author is the one of its casualties. In addition to the companies, with exception of some US-based beneficiaries (gas suppliers), the main causality is the relations between the allies – America and Western Europe.⁵ The fractures have been sustained, and most of them have at least healed, mainly courtesy of Russian President Putin's recent actions, but the scars remain. It is these scars that will be a cost component of the projections of the US allies for a very long time. These costs only increased with Trump's presidency and its aftermath, as none of the US allies can 'be sure that the United States will never elect another president who wants to make America great again at the expense of everyone else?' (p. 133). The reader wonders what happened to the cost-benefit analysis that was initially introduced precisely in America. It seems it is not used in Washington for foreign policy decisions.

Part Three of the book (*Sanctions Blues*) starts with a review of the recent developments on the sanctions-busting front. The point is that, according to the author, in recent years Washington's enthusiasm for sanctions has fuelled the development of state-backed mechanisms aimed at circumventing America's coercive measures. 'U.S. allies and foes alike are openly taking steps to evade American sanctions, which they often believe are an abuse of power. These sanctions-busting mechanisms vary, but they have one thing in common: they all seek to build alternative financial channels that bypass the U.S. dollar' (p. 125). The US dollar's omnipresence around the world, explains the author, is due to the lack of direct links between central banks of many countries, hence the US currency, with the depth of its liquidity, is a suitable intermediary in currency exchanges. This starts to change with the introduction of currency swaps, financial derivatives that enable the direct exchange of currencies. The financial institution with the most currency swap lines is – surprise, surprise – the Chinese central bank.

'Yet it would be of no use for them to get rid of the U.S. dollar if they continue to use Western financial channels, such as Swift. The undisputed leader for financial messaging services, Swift is a cooperative that links virtually all banks' (p. 129). It depends on access to the US dollar, hence SWIFT is very cooperative with the US financial authorities, enabling them to monitor all

⁵ After the US (Reagan administration) decision to retroactively introduce sanctions on Western companies involved in pipeline construction and maintenance, in July 1982 the UK prime minister Margaret Thatcher declared: 'The question is whether one very powerful nation can prevent existing contracts from being fulfilled. It is wrong that it should prevent those contracts from being fulfilled.' It was the closest US ally in Europe at the time of 'special relations', at least between the leaders (Reagan and Thatcher) of the two countries.

financial transactions and, in that way, enforce US secondary sanctions. As a way around this possible hurdle in sanctions-busting operations, China started to build its own financial messaging service, called CIPS, to process international payments in renminbi. It is still in the infant stage, it processes only a small fraction of SWIFT transactions, but according to the author, it has been appealed to 1,300 banks in 100 countries. It is not a global competitive threat to SWIFT, but the banks that are or can be under US sanctions in what the US administration considers rogue countries, now have an alternative. That was the initial aim. In due course, China's government will be able to monitor a substantial chunk of financial transactions in the world, especially in the countries that are a neuralgic point from the Chinese diplomacy point of view.

The US sanctions enforcement effectiveness crucially depends on the dominance of the US dollar as the global reserve currency. Nonetheless, recent developments on the currency front, according to the author, could undermine that leverage. The first development of the kind is the advent of cryptocurrencies, those that are not controlled by central banks, i.e. no government is involved in any way. The author points out that rogue countries already have used cryptocurrencies in trade to avoid the US dollar and the potential US sanctions implementation mechanism. The reader does not share the author's (modest) optimism about the prospects of cryptocurrencies, not only regarding the sanctions-busting mechanism but also as a method of payment. It seems to the reader that they will remain (if they remain at all) only as an investment vehicle. The other development is much more important – digital currencies, those issued electronically by central banks, implying that every customer, household or company, at home or abroad, has a current account with the central bank. It is not helpful that in some segments of the chapter, the author confuses cryptocurrencies and digital currencies. Focusing to the latter, the author claims that the biggest 'leap forward' in digital currencies is unsurprisingly being recorded in China, with the People's Bank of China gradually introducing the digital renminbi. With such a constellation, two transaction parties located anywhere in the world can conduct financial transactions without intermediation based on the US dollar. One of the motives for such a move is obviously US sanctions-busting since it eliminated the US dollar as an intermediary and circumvents US financial monitoring capabilities. The other motive is Beijing's obsession with monitoring financial transactions in general, especially those of its own citizens. The third motive, the author points out, is that with the development of the digital renminbi and further advancement of China as an economic powerhouse, that very currency will become a suitable intermediary currency for international transactions, enabling the Chinese

government to be in the current position of the US administration. Although the book is about US sanctions, no government in the world dismisses economic sanctions for accomplishing its international relations aims.

These aims need not be political – they can be fundamentally economic. The final two chapters of the book focus on the US sanctions against China, specifically against China-based businesses. This is a high-tech game: it is about semiconductors, i.e. microchips, which are components of any electronic products, and there is a growing share of products that are electronic these days. The restriction on China's import of state-of-the-art semiconductors and the hurdles for Chinese firms to produce them on their own is basically an export-control mechanism used in the showdown between the two countries. 'The conflict between America and China is one for economic dominance between an incumbent economic superpower and its rising challenger' (p. 162). Obviously, the primary goal of the sanctions is to prevent the economic challenger from becoming a superpower. Accordingly, crippling China's economy – to the extent America can achieve this – is the goal itself and not the mechanism to accomplish some political aim.

This is a U-turn for US foreign policy. It was US President Woodrow Wilson, referred to in the book as the person who introduced sanctions in international law, whose idea was that the threat of sanctions would discourage nations to go war. A century later, the US administration is using sanctions in the economic confrontation with another country, what the author referred to as 'rolling out a revamped version of economic imperialism' (p. 162), with a bipartisan consensus at home.

The author rightly points out that economic imperialism undermines free trade. The trade war that America started with China demonstrates precisely that. Decoupling from China, as a US strategy, and the sanctions that are considered as a crucial method for that decoupling, are conceived in corridors of power in Washington, not in the boardrooms of US companies, as the latter are aware of all benefits of the international division of labour. It seems that it is not quite evident to the US consumers that the division of labour with China has brought cheaper and more innovative products to the market. The author's hint that decoupling from China would backfire on America is quite convincing. What remains to be seen is what the relative lobbying power of business will be, compared to the pressure from the electorate, which is obviously engulfed in an anti-China frenzy.

Taking all this into account, the reader wonders whether the US political elite is aware of what they is doing and what are the consequences of the policies of the sanctions that it is implementing, not only towards China. The

author provides an answer, refereeing to the findings of a US government office: 'In a 2019 report, the Government Accountability Office (GAO) noted that the U.S. government does not know whether existing sanctions programs work, and what effects they have. This is not surprising. The U.S. Treasury does not publish studies on the effectiveness of sanctions before they are imposed or after they have been in place for some time. Nor do the State and Commerce Departments. In fact, such assessments do not exist: before imposing sanctions, an administration checks only whether they could cause immediate humanitarian damage' (p. 38). Hence, the answer should be – it does not know.

Nonetheless, the author refers to the results of a Congressional review of all U.S. sanctions programs since 1970 (Elliott 1997), which demonstrates that targeted countries altered their behaviour in the way that the US government hoped that they would only 13 per cent of the time. In an additional 22 per cent of cases, the policies of the sanctioned states became somewhat (but not fully) more palatable to Washington. Hence, the reader, following the insights of the others (Whang 2011) concludes – the elite knows but just does not care.⁶

Perhaps the explanation is that the US decision-makers take care only of short-term political benefits, related to retaining or hopefully improving their popularity rating, at least before the next elections. US sanctions have proved to be beneficial for them. With such a focus, it is simply irrelevant what are the costs of these sanctions imposed on other counties, international companies, people around the world, whoever. The only exception may be (but it is not always the case) the short-term interest of well-organised businesses, if their lobbying is more effective that the beneficial effects on the US

⁶ The author rightfully points out that there is a vicious circle of sanctions. A reasonable questions is: if the sanctions have not achieved the goals, should they be lifted? If the answer is yes, this would diminish the US leverage, because the author points out this will send a clear signal to all sanctioned countries (present and future) that it is reasonable to stick to whatever they stick to for a few years and then Washington will lift the sanction. US administration, quite reasonably, does not want to provide such an incentive, so it is a vicious circle in which the US sanctions, though ineffective stands for decades. Furthermore, it would not go well with the US constituency to lift the sanctions (symbol of the US determination in the international relation) without achieving results. Such a vicious circle, concludes the reader, can be avoided only *ex-ante*. Either by introducing sanctions that are well thought out, hence they accomplish the goal, or do not introduce them at all. Both options, as clearly explained in the book, contradict the domestic political motives for the introduction of US sanctions.

decision-makers' popularity.⁷ In this short-term time frame, the ripple effects, most of which are long-term, are also irrelevant. This has created, the reader concludes, a sanctions-obsessed mentality in Washington, considering US sanctions as the panacea for political popularity ratings. And, based on the evidence from the book, all that has backfired horrendously.

The author rightfully considers the backfire of the US sanctions from the perspective of the effectiveness of future US sanctions. 'The time of peak U.S. sanctions has passed. American diplomats will soon be deprived of their favorite weapon to cajole, threaten, or punish U.S. enemies. ... Washington's lack of interest in the side effects of its unilateral policies also united both friends and enemies against U.S. sanctions. For American policy makers, the loss of the previously all-powerful sanctions weapon will be a seismic change' (p. 200). Quite a convincing prophecy! Some US sanctions enthusiasts will not like it. Good! Perhaps they will start to question their approach.

The reader, not disputing this kind of backfire, finds it interesting to consider America's long-term position in the world. For decades America was a beacon for many people around the globe. Friendship with America was important to many nations, for good reason. It was America who saved Europe twice (from various perils, both times German), it was America who speeded-up the decolonisation process, it was America who enabled the swift and efficient reconstruction of Europe after the Second World War, in the Cold War it was America that stood for freedom and democracy, it was American pilots who died in the crashes during the Berlin Airlift. For decades America has been fighting for the minds and hearts of the people in other countries. Nonetheless, that has changed. This book and numerous episodes mentioned in it demonstrate that these days America just does

⁷ It is illustrative that after the introduction of the 2022 sanctions on Russia, all the government financial assets in US banks were frozen, with the explanation that such a move was a method of denying Russia's government a source for funding the war in Ukraine. It was expected that Russia would have been denied payment of the obligations due stemming from its US dollar-nominated bonds because that would make Russia default and prevent any possibility of it borrowing money on the international financial market. Nonetheless, due to the lobby pressure of US bondholders, who would have lost their returns on Russia-issued bonds, the US Treasury effectively allowed Russia to service a chunk of its sovereign debt when it became due on 16 March 2022. The constellation of power changed, and the lobby pressure by the bondholders become less effective, hence Russia's further payments of the obligations due were not allowed, on account of the US sanctions. Accordingly, Russia defaulted on 27 June 2022, although the Russian government (The Ministry of Finance) tried to process the payments. The story produced a bitter taste around the world. On the one hand, the US administration declared the noble goals of US sanctions against Russia, on the other hand, these noble goals were side-lined when the lobby pressure of the US-based bondholders was strong enough.

not care about others and their perception.⁸ Perhaps that is the reason why there are so many enemies of America (real or perceived) around the world. What is the reason for such a change? Perhaps it was the end of the Cold War.⁹ Perhaps, it was the end of ideological competition. Perhaps, it was the complacency of being a hyperpower. Perhaps...

One way or the other, from idealism, from people like Woodrow Wilson and his global projection of America as a beacon of peace and democracy, FDR's 'Arsenal of Democracy', JFK's '*Ich bin ein Berliner!*', and Ronald Reagan's 'Mr. Gorbachev, tear down this wall!', America has become a country without any grand idea whatsoever, a country of Trumps and Bidens, who will be remembered only for their gaffes and uttered stupidities, such as Donald Trump's recommendations for COVID-19 treatment. Also, these days America is a country of the arrogance of its political elite, it is embodied in the bragging statement of the former US Secretary of the Treasury quoted at the beginning of this review: 'We can shut down the Turkish economy.' Well, Mr Mnuchin, in October 2019 you (plural) could possibly do that, and these days it is difficult to say, but if you (plural) are successful, Turkey will probably adapt, and Turkish businesses will probably readjust to the new circumstances. It will take some time, in the short run some GDP will inevitably be lost, but in the long run what would definitely come to stay for the foreseeable future is a lack of confidence in America, both its government and businesses, fostering anti-Americanism for generations. Hence, it is reasonable for someone who is an attested enemy of America to apply Dirty Harry's (Clint Eastwood) appeal to Mr. Mnuchin: 'Go ahead, make my day!'.

The book is riveting stuff for the reader. It encompasses case studies of many episodes of US sanctions in recent decades, starting with Cuba. Almost every case study is very well elaborated. It is not only a description of the situation, but a small story with *dramatis personae*, incentives for each of them, twists and turns along the way, building up the tension, and the outcome in the final act – if any, because some of these stories are still ongoing. Caveats are provided in each case, as are the takeaways that a

⁸ It was a Serbian poet, at a literature event held in the mountains of Montenegro during the 1999 US lead NATO bombing of Serbia (known as the Kosovo War in Western historiography), who spelt out the sentence: 'Instead of being loved, America has decided that it should be feared'. Quite succinct (that is what poetry is about) and rather accurate.

⁹ It was suggested (Kaempfer, Lowenberg 2007) that the collapse of the Soviet Union initiated a spurt of sanctioning activity because the country that introduced sanctions no longer needed to be concerned that its actions would exacerbate Cold War tensions between the superpowers' blocs.

meticulous observer can gain from it. In short, an abundance of high-quality and delicious food for thought. Not only about sanctions, but especially about contemporary America.

Another quality of the book is its emphasis on something that has been hardly mentioned before: the burden of US sanctions on businesses – not only US-based but especially non-US-based businesses and international companies. The segment of increased compliance costs (i.e. transaction costs) and lost entirely legitimate business opportunities due to fear of US sanctions, which are intentionally kept unclear to foster uncertainty – a situation that economic analysis of law labels as overdeterrence – is extremely illuminating. These insights were almost completely neglected in sanctions literature. Perhaps this is one of the most important inefficiencies created by the US sanctions, and definitely the most neglected one. And inefficiencies, i.e. increased costs, are passed through, at least up to a point (depending on the price elasticity of demand), in the higher prices for consumers.

For the reader accustomed to academic texts, reading this book was somewhat weird in the beginning. In a standard academic text, there is a coherent structure that moves precisely, almost like on the rails, from the departure point to the destination. Then, after a number of pages read, the reader realises that this book narration is similar to González Iñárritu's brilliant 2003 film *21 Grams*.¹⁰ Everything is disclosed in flashbacks – various episodes – and exposed in seemingly random order, but as the film/book moves on, the big picture emerges. The movie deals with human tragedy. So does the book. There are no heroes and villains in the movie – the choices of the characters are constrained by destiny – there are only victims. In the book, there are many victims, definitely no heroes, perhaps some villains, but the reader is just not quite sure whether it is appropriate to paint weathercocks as villains. If something is to be blamed, then it is the short-term blindness of both the elected and the electorate, with a robust and nationwide feeling of American exceptionalism. Reading this book, it seems, can do nothing about the former. Perhaps, let us hope, it can do something about the latter.

¹⁰ <https://www.imdb.com/title/tt0315733/>

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