

## Review of “The Art of Sanctions; A View from the Field”<sup>1</sup> by Richard Nephew

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### Abstract

Sanction is defined as the restrictions over economic activity imposed by one international actor. It is a foreign policy tool in the United States foreign policy. Three key terms discussed throughout the book are sanction, pain, and resolve of sanctioned country. In the nine chapters of the book, the author discussed the design, and implementation of economic sanctions. The main points raised in the review are: a one-sided account of the book. It is an account of the sanction sender’s perspective. The other side of sanctions is the humanitarian problem stemming from sanctions. Moreover, studies on the economic consequences of sanctions on Iran were briefly presented, which are ignored in analyzing the implementation of the sanctions. The literature includes reducing economic growth, increasing income inequality, intergenerational effects of sanctions, effect of sanctions on food security, and impact of sanctions on public health expenditures.

**Key Words:** economic sanctions, humanitarian problems, food security, inequality, public health

<sup>1</sup> . Nephew, Richard, (2018), “The Art of Sanctions: a view from the field”,(2018), New York: Columbia university press.

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IRANIAN REVIEW OF ECONOMIC STUDIES, Vol.1, No.2, Autumn 2021, pp.85-94 . Institute for Humanities and Cultural Studies, Tehran, Iran.

## 1. Introduction

Economic sanctions can be defined as restrictions over economic activity imposed by one international actor on another with a specific purpose ( Özdamar and Shahin,2021,p.3). Therefore, sanctions prevent a country from engaging in normal economic activity. As sanction is a foreign policy tool in U.S. foreign policy, Nephew argues about designing sanctions for making pain to achieve a defined objective. On the other hand, the country under sanction resolves it in order to resist, deactivate and overcome the pain. Indeed, pain and resolve are two key variables of sanctions in Nephew's perspective. Although the author points out issues in Russia, North Korea, Syria, and Iraq, he focuses on the case of Iran .

Richard Nephew is an adjunct faculty and scholar at Columbia University's Center on Global Energy Policy. He also was a sanction expert for the U.S. team negotiating with the Islamic Republic of Iran between August 2013 to December 2014. The book was translated to Persian in 2018 .

The rest of the review is organized as follows. Section 2 focuses on the structure of the book and highlights the issues addressed in nine chapters. Section 3 points out the exclusive sender's perspective. Section 4 discusses humanitarian problems stemming from sanctions. Section 5 analyses the economic consequences of sanctions on Iran. Finally, section 6 provides conclusions.

## 2. Structure of the book

The book comprises a preface, an introduction, and nine chapters. In the end, the book has sections on notes, a bibliography, and an Index.

In preface, the author states that the book is about the use of sanctions in foreign policy, written by a practitioner in foreign policy and considering whether, when, and how to apply sanctions (p.vii).

In the Introduction, the book focuses on the design and application of U.S. sanctions against Iran from 1996 to 2015. Several parts of the book are written anecdotally, because the author was involved in the process of designing sanctions.

In chapter one, three key terms were defined: sanction, pain, and resolve.

sanction is defined as regulations that restrict or prohibit what is normally permissible conduct. In his usage, Nephew means a set of systemic rules of behavior which he called sanctions regime (p.8). He underscores that sanctions are imposed to create hardship or pain (p.9). we should develop a strategy to increase pain in those areas that are vulnerable (p.149). The term resolve means the sanctioned country's response to sanctions (p.13).

Chapter two provides an overview of the sanctions against Iraq. He draws lessons from Iraq's sanctions. Nephew confesses the mistakes that the United States committed to implementing sanction in Iraq (p.26).

Chapter three discusses Iranian nuclear history in brief (p.27) and the adoption of the Joint Comprehensive Plan of Action (JCPOA). On the Sanctions, the U.S. administration imposed new sanctions on Iran's economy by targeting the interconnections between Iran and the rest of the world (p.42)

Chapter four on sanctions imposition and pain, highlights that the objective of economic sanctions is to damage the ability of the sanctioned country to obtain and use economic resources (p.46). Initially, economic sanction was synonym with trade sanctions. Financial sanction is a new one because of financial globalization (p.47). Over time, pain is added to the sanctions regime, intensifying the negative consequences to the sanctioned country (p.50). The author suggests eight points for assessing the level of pain applied, including political institutions of the sanctioned country (p.54), the vulnerabilities of the

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macroeconomic and financial system (p.54), the nature of trade relationships of sanctioned country (p.55), and Cultural values( material motivation or religious with a history of martyrdom). Consideration of The cultural factor is important for implementing sanctions (p.57).

In chapter five the author articulates channels of continuing pressure on Iran. Chapter six is on how Iran responded and resolved the U.S. pressures. Chapter seven discusses the Intensifying pressures on Iran and the Negotiations (p.102).

Chapter eight is on the Inflection Points of sanctioned countries. Chapter nine looks at the future perspective. The book concludes by concluding remarks.

Nephew mention that the United States and its partners should accept the possibility that, their efforts may fail. They must be prepared to acknowledge their failure and change course, or accept the risk that continuing with their present course could create worse outcomes in the long run (p.155).

Nephew underscore that the Russian economy is under the most serious sanctions pressure (p.156). These sanctions were principally intended to impose economic costs on Russia (p.159). Recession, inflation, and shortages of goods are important indicators of the economic stress being felt by common Russians (p.165).

The author also mentioned the application of UN sanctions against North Korea (p.168).

### **3. Exclusive sender's perspective**

The book is an account of the sanction sender's perspective. Thus it's a one-sided account. Indeed, it suffers from a deficiency in sanctions studies. It focused on the sender's perspective without mentioning the sanctioned country perspectives which can be

illuminating on the subject. Without sanctioned country views, the picture and understanding of the phenomenon and consequences of sanctions are really deficient.

#### **4. Humanitarian Problem stemming from sanctions**

While economic sanctions may appear successful in achieving political goals, can hurt humanitarian issues. The author acknowledged that "in the execution of our sanctions-equipped strategy, the many deficiencies of the tool were exposed" (Nephew, 2018, p.5) among which humanitarian problems resulting from sanctions and economic pressure applied (Nephew, 2018, p.12). Another risk from sanctions over-reach is the creation of unintended (and, ultimately, unproductive) pain (Nephew, 2018, p.130) or unintended consequences (Nephew, 2018, p.130) for the sanctions target. But in sanctions, the unintended consequence most frequently cited is that of humanitarian suffering (Nephew, 2018, p.130). These unintended consequences could be counterproductive in both the short and long term (Nephew, 2018, p.131). The author gives an example. "The rise in chicken prices in Iran was not exclusive to poultry but affected all manner of agricultural and medical goods, in addition to run-of-the-mill consumer products" (Nephew, 2018, pp.142-143).

Other sanction studies mentioned the humanitarian problem resulting from sanctions. (Moret 2015, 130) mentioned that Iran and Syria suffered a decline in the availability of food and medicines.

In the same vein, Setayesh and Mackey (2016) and Shahabi et al.(2015) and Karimi and Haghpanah(2015) acknowledge that even medicines excluded from sanctions may become less available due to higher prices, problems with transportation and funding, or companies' unwillingness to engage in the complicated process of selling even permitted goods to targets (Setayesh and Mackey 2016, pp.5-6), as witnessed in Iran (Shahabi et al. 2015; Karimi and Haghpanah 2015).

#### **5. Economic Consequences of sanctions on Iran**

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The prominent adverse effects of imposed sanctions on Iran could be recognized in economic growth, inequality, intergenerational effects, the effect of sanctions on food security, and impact of sanctions on public health expenditures. I reviewed an example of each group as follows:

A. Reducing economic growth;

Heydarian et al.(2021) explored the impact of financial sanctions on economic growth using Iran's data over the period 2005-2017. Financial sanctions targeted the country's financial resources and increased interest rates and medium- and long-term financing costs. In general, financial sanctions adversely affected the financial sector. In this regard, blocking of assets and restricted access to financial and foreign exchange resources, depreciated domestic currency, reduced investment, exports, and production along with increased inflation and unemployment ultimately reduced economic growth. The results indicated the effectiveness of financial sanctions on economic growth in the short run.

However, during the third period (2010-2014), when severe and multilateral financial sanctions are imposed, the coefficient is negative (0.54), which is higher, compared to the other periods. As the economic sanctions of Iran have intensified, the economic growth has slowed down. Nevertheless, in the long run, financial sanctions have had a weaker negative effect of 0.19 on economic growth.

(Heydarian et al, 2021, p. 1). Reducing economic growth means increasing unemployment and poverty.

B. Increasing income inequality;

[Pahlavani](#) et al.(2021) examined the impact of financial sanctions on income inequality using Iran's data over the period 1991-2017. Sanctions reduced the share of capital expenditures in the government budget and the government expenditures for a safety net.

When the government faced a budget deficit and the imports became more expensive, the resulting inflation increased the cost of living for the low-income groups. Therefore, financial sanctions adversely affected the poor due to the disruption of financial flows. Sanctions not only restricted financial transactions but also posed trade barriers. It also led to increased challenges in paying for exports and imports. Financial sanctions also affected imports because they impeded the transfer of money, which led to a shortage of goods. Thus, economic sanctions reduced the supply of necessary goods. Rising prices, especially staple prices increased inequality. Also, sanctions reduced the import of health and pharmaceutical products, and, as a result, citizens' access to these goods is reduced; most of all, the vulnerable segments of the population were affected, especially women, children, and elderly people.

Sanctions on imports through capital goods and intermediaries reduce domestic production, employment, and income, which leads to an increase in absolute poverty and a reduction in exports of labor-intensive goods. This, in turn, reduced the level of income and employment in the target country and led to increased inequality. The financial sanctions adversely affected the inflation rate, exchange rate, and unemployment as well as increased the foreign debts of the central bank. In fact, the increasing financial sanctions prevented the transfer of oil revenues and the import of staple goods. It also raised the inflation rate which led to the higher inequality of income distribution. Therefore, sanctions adversely affected the Gini coefficient and increased inequality in Iran (Pahlavani et al., 2021, P. 213).

#### C. Intergenerational effects of sanctions

Moeeni (2021) investigated the intergenerational effects of economic sanctions. The negative effects of sanctions could be detrimental and long-lasting for future generations. Moeeni (2021) estimated the effects of economic sanctions on children's education by exploiting the United Nations sanctions imposed on Iran in 2006. Using the variation in the strength of sanctions across industries, she finds that the sanctions decreased children's

total years of schooling by 0.1 years and the probability of attending college by 4.8 percentage points. Moreover, households reduced education spending by 58 percent—particularly on school tuition. These effects are larger for children who were exposed longer to the sanctions. The results imply that sanctions have a larger effect on the income of children than their parents. Therefore, ignoring the effects of sanctions on future generations significantly understates their total economic costs (Moeeni, 2021, p.1)

D. effect of sanctions on food security;

Heydari (2018) examined the Impact of US Sanctions as an exogenous shock on Food Security for Iranian Households by estimating the calorie intake of households in the form of income deciles and estimating the overall food security index of urban and rural households over the period 2002 to 2017. Findings show that after the imposition of sanctions in 2010, calories received less than the standard, and it was advanced from the first decile to the fourth decile; This means that the food security of urban households decreased. (Heydari, 2018, p. 35)

E. Impact of sanctions on public health expenditures;

Faraji Dizaji and Ghadamgahi, (2019) examined the impact of economic sanctions on public health expenditures using data from developing natural resource exporting countries over the period 1996 to 2012. Economic sanctions can harm public health and lower the quality of life by reducing government revenues and affecting spending policies. They affect the level of resources allocated to public health and thus make citizens vulnerable. The results show that both severe and weak economic sanctions have a negative and significant impact on public health expenditures as a percentage of government expenditures. In general, the research findings confirm the adverse effects of sanctions on citizens' health by reducing government expenditures allocated to public health.



## 6. Conclusion

The whole story of sanction is about designing sanctions for making pain to achieve a defined objective and on the other hand, the country under sanction resolves it in order to resist, deactivate and overcome the pain. The author focused on the sender's views without mentioning the sanctioned country perspectives which can be illuminating on the subject. Iran and Syria suffered a decline in the availability of food and medicines which are humanitarian problems resulting from sanctions. The prominent adverse effects of imposed sanctions on Iran could be specified in reducing economic growth, increasing inequality, negative intergenerational effects, effect on food security, and impact on public health expenditures.

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