ECONOMIC SANCTIONS

Introduction

In deciding whether to impose economic sanctions, governments frequently find themselves responding to an international crisis on the basis of three broad options: (a) to do nothing; (b) to consider taking some form of military action; (c) to seek to impose economic penalties. A decision to impose sanctions may be taken less on its intrinsic merits than because of its attractions in relation to the alternatives. Before deciding on such action governments normally seek to evaluate carefully the probable effects on their own economies, i.e., the "cost" of sanctions. Less careful analysis is usually given to the effects of sanctions on the target country, whether political or economic.

One of the more curious features of the history of economic sanctions has been the extent to which the experience of past cases has tended to be overlooked or ignored on each occasion a fresh attempt had been made to use the "economic weapon." This study concentrates on the two cases in which attempts have been made to organize economic sanctions under general international auspices, and in particular on that of Rhodesia which, both in scope and duration, is the most ambitious sanctions experiment ever conducted. The authorities in Zimbabwe have published recently statistical material on the basis of which it is, for the first time, possible to form a comprehensive picture of the effects of sanctions on the Rhodesian economy. In describing those effects I have adopted a chronological approach in order to judge the correlation—or lack of it—

between the economic pressures and the political effects in terms of the various attempts at a settlement and the Rhodesian negotiating position at a given time.

Sanctions may be defined in legal terms as the penalty imposed to ensure compliance with a law. It is not the purpose of this study to consider the numerous instances in which countries have sought to exert economic pressure to achieve commercial objectives, restraints on exports, changes in tariffs, etc. In current international usage sanctions are conceived essentially as the imposition of economic penalties to bring about a change in the political behavior of the country against which they are directed. Such was the case with the sanctions imposed by the United States and, subsequently, by other countries after the detention of the American hostages in Iran. There have been a considerable number of cases of the use or attempted use of economic sanctions in this way. These attempts have often been made on a purely national or regional basis, as in the case of sanctions against Cuba. In many, indeed in most, of these cases sanctions were applied on so partial a basis, in terms of international support or the proportion of trade involved, as to render of doubtful value any judgments derived from them. In none of these instances has sanctions enforcement had anything like the extent of international support mobilized in the two main cases considered in this study.

The starting point must be an analysis of what actually happened in these and other major cases of sanctions enforcement, of the theory on which sanctions were based—and the exaggerated expectations which have in consequence been attached to them—and the origins of the modern embargo. In examining more briefly some other cases, I have done so not in an attempt at a general survey of the innumerable cases in which "sanctions" in one form or another have been imposed, but in an effort to judge whether such general conclusions as may be drawn from the attempt to apply sanctions against Italy in 1935-36 and against Rhodesia from 1965 to 1979 are borne out or invalidated by other, more partial cases of sanctions enforcement. It is quite widely believed that "sanctions have no effect." This is one of a number of propositions I have tried to test against the statistical and other evidence available in these two main cases. In doing so I have found it necessary to distinguish sharply between the economic and the political effects.

In considering these and other cases, I have done so with various

general questions in mind. Is it, for instance, the case that there is a well-nigh inevitable "law" of leakage? At what point in time are sanctions most likely to produce their maximum effect? At what stage and to what extent is their impact, thereafter, likely to diminish? To what extent are sanctions likely to render the target country more self-reliant? Are prohibitions on imports from a country likely to be more effective than embargoes on exports to it? There are other, wider questions which inevitably arise. To what extent are sanctions really directed towards the "target" country? Are they not more often intended to impress opinion in the country applying them; or third countries? If sanctions policies really are a "romantic delusion,"[1] why will it continue to prove so difficult to do without them?

To most of these and other questions it is, self-evidently, possible to give only partial answers. But the experience derived from these, the two major cases of sanctions enforcement under international auspices, should not be of purely academic interest. As the recent cases of Iran and Afghanistan have demonstrated, to say nothing of demands and the potential need for the imposition of non-military penalties in other cases, the possibility of recourse to economic sanctions, with varying degrees of international support, remains an important factor in international relations and will continue to do so.

The conclusions which may be drawn from the study of these cases are, inevitably, complex. They are *not* that sanctions have no effect; still less that they should never be imposed. But they do relate to the expectations that can realistically be entertained; and to the dangers of excessive reliance on the theory that economic pressures alone may be depended upon to bring about the desired political results.

1

PRELUDE: THE AMERICAN EMBARGOES

The attempt to use economic sanctions as an instrument of policy to induce an offending government to change its conduct and thereby resolve or help to resolve the international problems created by it is an essentially twentieth century phenomenon. States since time immemorial had interrupted commercial relations or sought to withhold essential supplies when in a state of war or near war with one another. Such measures frequently were reinforced, to the extent this was feasible, by a blockade. It was not imagined that economic measures falling short of a blockade could have decisive effects. Such pressure was still considered as an adjunct to and not as a substitute for the use of military force.

The modern theory of economic sanction was elaborated in the context of the creation of the League of Nations. It did not, however, develop without a considerable history. In the seventeenth and eighteenth centuries the mercantilists gave a fresh impetus to the idea that the fostering of commerce and domestic manufactures should be a principal object of state policy. Pamphleteers in Britain advocated impeding Dutch trade by withholding raw materials—especially wool. The purpose still was the furtherance of *economic* objectives. The Navigation Acts and other measures were devised to protect and regulate trade with the colonies.

In the period preceding and following the American War of Independence, embargoes began to be used to achieve objectives which were in part at least political. The attempt by the British government in the aftermath of the Seven Years War to raise additional revenue from the colonies and to tighten the trade laws led to the

adoption by the merchants of Boston and New York of a policy of *non-importation:* a voluntary embargo was placed on the purchase of non-essential English goods. The passage of the Stamp Act in 1765 gave a further impetus to the boycott. The effect on British exports was not at this stage severe, but the policy did cause a committee of merchants in Britain to lobby for repeal of the Act: a petition of London merchants cited several bankruptcies resulting from reduced American markets. The Stamp Act was repealed, but the problem of revenue remained. In 1767 the imposition of duties on the import into the colonies of essential commodities led to the revival of non-importation. Considerable difficulty was experienced in getting the main eastern sea-board towns to adopt equally stringent measures; but imports from Britain were reduced from £2.2 millions in 1768 to £1.3 millions in 1769. These trade losses were largely offset by increased exports to Europe, but the pressure did have some effect: the British government removed the duty on several commodities while retaining that on tea. Following the Boston Tea Party, fresh calls for non-importation and the withholding of taxes were supported by the other American colonies. By this time such measures had been largely overtaken by armed resistance and the movement had developed into the War of Independence. The idea of the embargo as a potentially useful instrument of policy, however, and as a possible *substitute* for war had taken hold, particularly in the mind of Thomas Jefferson. His attempt to carry a stage further the use of "peaceful coercion" to attain a political objective came close to anticipating the subsequent doctrine of economic sanctions—and many of the difficulties to be encountered in their application.

In 1806, in response to the British naval blockade, Napoleon sought to impose a general prohibition on trade with Britain—the so-called "continental system." Since the French fleet had been defeated at Trafalgar the embargo was enforceable only on land. The British government responded with Orders in Council which rendered neutral trade with continental Europe virtually impossible. American ships were submitted to search: in the *Chesapeake* incident in June 1807 a number of American seamen were killed. There were demands for military action. The trouble with war, in President Jefferson's view, was that it injured the punisher as much as the punished. In 1794 he had already pronounced in favor in such circumstances of "cutting off all communication with the nation

which has conducted itself so atrociously." The best hope of obtaining justice from the British government lay in bringing pressure on it from the British people "and this can only be excited by distressing their commerce."[1]

In view of the dangers to American shipping Jefferson proposed to Congress in December 1807 a general embargo in the form of a ban on American ships leaving for foreign ports and the carriage by other vessels of American goods. The purpose of the embargo was described at the time as being to avoid war, to prevent the importation of undesirable foreign goods, to encourage domestic manufactures, to injure America's enemies more effectively than war and thereby to bring them to terms. The Secretary of the Treasury, Gallatin, who was to be responsible for enforcing the embargo, was less enthusiastic: "In every point of view, privation, suffering, revenue, effect on the economy, politics at home etc., I prefer war to a permanent embargo." The embargo from the outset encountered strong resistance in New England. Doubts were expressed as to whether the abandonment of American trade would have much coercive effect: in Josiah Quincy's view the only party seriously injured was the United States.[2]

The measure was extraordinarily ill-conceived, affecting as it did the near-totality of the United States but only a proportion of Britain's external trade. Canning had no intention of yielding to the embargo, writing sardonically to the American Minister in London that he would be glad to help "restore to the commerce *of the United States* its wonted activity" and to facilitate the removal of the embargo "as a measure of inconvenient restriction upon the *American* people." Napoleon was equally forthright: "I will not abate any part of my system." In August the American Minister in France advised the Secretary of State:

> We have somewhat overrated our means of coercing the two great belligerents to a course of justice. The embargo is a measure calculated above any other, to keep us whole and keep us in peace; but beyond this, you must not count upon it.[3]

It was not the case, as Canning pretended, that the embargo caused no inconvenience to Britain. U.S. exports to Britain fell from $31 million in 1897 to $5 million in 1808. There was a sharp decline in British exports to the United States, but the loss was offset by increased exports to South America and Canada. U.S. exports overall fell by eighty percent in this period, while British exports were slightly higher than in the previous year. The loss of American supplies, particularly cotton, did contribute to the depression of manufacturing industry in Britain. But, as Henry Adams noted, the result was to impoverish the families of working men who did not in any event have the right to vote.

Gallatin, meanwhile, was experiencing the greatest difficulty in enforcing the embargo. He recommended that to make it effective no vessel should be allowed to move without the President's special permission and the collectors should be empowered to seize property on suspicion. There would also need to be a small army along the Canadian border to prevent smuggling, for the people there were by now "altogether against the law." These powers he considered indispensable, though he admitted that they were "dangerous and odious." Jefferson replied: "The embargo law is certainly the most embarrassing one we have ever had to execute." Jefferson continued to defend the embargo, pointing to the beneficial effect on American manufactures. This was true, but it scarcely compensated for the almost complete destruction of American commerce. John Quincy Adams noted that any law, to be effective, must have sufficient support to be enforceable: "Not one instance has occurred of a conviction by jury." As petitions flooded in from New England, Adams warned that continuance of the embargo might lead to the secession of the north-eastern states. Jefferson reluctantly concluded that the general embargo would have to be lifted to avoid breaking up the union.[4]

In March 1809 the general embargo was replaced by the "Non-Intercourse Act" prohibiting trade with Britain and France (though indirect trade with Britain continued to be conducted via Canada). Opinion in the United States was moving in favor of a more active defense of neutral rights. The general limitation of supplies and markets resulting from the war deepened the depression of manufacturing industry in Britain and in 1811 there was a significant fall in external trade. In April 1812 the United States was informed of the revocation of the French orders concerning American shipping. On 23 June the object of the embargo was at last achieved with the repeal by Castlereagh of the Orders in Council. Four days earlier, however, the United States had declared war. With fighting in progress along the Canadian border, President Madison prohibited the

supply of provisions to the British armies in Canada and to British vessels. Even this measure had to be modified when, with a British fleet blockading the east coast, it threatened to provoke the near-starvation of the people of Nantucket. Border trade with Canada was not halted. Though the war continued, in March 1814 Madison concluded that the policy of commercial restriction had failed. In a message to Congress he recommended the repeal of the Embargo and Non-Intercourse Acts.[5]

Not surprisingly, perhaps, embargoes in other instances in the nineteenth century were practiced on a less ambitious scale. The American embargoes were more successful in the attainment of economic (repeal of the Stamp Act and of some import duties) than political objectives. There is little evidence that such lessons as might have been derived from this experience—demonstrating as it did the problems of enforcement, the redirection of trade, the domestic opposition liable to be aroused, and the disjunction between the political and economic effects—made any impact on the consciousness of those who, a century later, were to formulate a sanctions doctrine designed to make of them a central element in the policing of a new international system.

2

THE LEAGUE OF NATIONS AND THE ABYSSINIAN CRISIS

The League of Nations was established in the aftermath of a war which traditional methods of diplomacy and attempts to maintain the balance of power had failed to prevent or to cut short as the full extent of the catastrophe became apparent. President Wilson had the ambition to see the League operating as the "organizing moral force of men throughout the world."[1] There was no intention, however, that its authority should be merely moral: the association sponsoring the idea of the League in the United States was known as the "American League to Enforce Peace." General Smuts, author of the pamphlet "The League of Nations: A Practical Suggestion," and Lord Robert Cecil, both members of the Imperial War Cabinet, were no less strongly committed to the attempt through the League to organize a world in which the wider interest would prevail. They exerted a strong influence on the drafting of the Covenant; and the Covenant introduced an entirely new dimension in the quest, after the catastrophe, for a new world order.

It was Article 16 of the Covenant which was supposed to guarantee a state that if attacked it would receive assistance from the other members of the League. That article stated baldly that should any member of the League resort to war in violation of its obligations under the Covenants "it shall *ipso facto* be deemed to have committed an act of war against all other members of the League, which hereby undertake immediately to subject it to the severance of all trade and financial relations . . ." It would be the duty of the Council to recommend what military force the members should contribute to help protect the Covenants. An offending state could also be

expelled from the League. This article was linked to Article 10, under which the members of the League undertook to respect and preserve from external aggression the territorial integrity and existing political independence of the member states. In case of aggression or the threat of aggression the Council would advise on the means by which this obligation should be fulfilled.[2]

Great hopes were placed on sanctions as the means of enforcement. In a memorandum to the British War Cabinet in 1916 entitled "Proposals for Diminishing the Occasion of Future Wars," Lord Robert Cecil, emphasizing the appalling consequences of the war, sought to identify an instrument which, in future, might exert "considerable pressure on a recalcitrant power without causing excessive risk to the power using it." A blockade, he noted, was the most effective way of deterring an aggressor, "but much could be done even by overwhelming financial power." He believed that if Germany and Austria had been threatened with economic sanctions in July 1914, they would not have proceeded with the annexation of Serbia.[3]

These views came to be quite widely held. The theory was that the complexities of modern commerce had rendered no nation self-supporting and therefore capable of resisting a general economic boycott. A nation threatened with such a siege would not think it worthwhile to persist in a course of action liable to lead to that result. The League was thus based on optimistic assumptions about the rationality of states and the effectiveness of economic pressures on them. The conclusions drawn from the Great War contained an essential contradiction which was never overcome: aggression must be resisted, but the horrors of a further war must at almost any cost be avoided. Although the Covenant envisaged in the last resort the deterrence of aggression by military force, attention was concentrated on the "economic weapon" which, it was believed, was the "great discovery and the most precious possession of the League."[4] It was not only internationalists who pinned great hopes on the League. Britain and France saw in it a means of preserving the *status quo*. The spirit of the times was to find a further and more extreme expression in the Briand-Kellogg pact of 1928, under which sixty-three countries solemnly renounced the use of war as an instrument of national policy.*

*"The United States, which had abolished the evils of drink by the eighteenth amendment, invited the world to abolish war by taking the pledge. The world, not quite daring to believe or doubt, obeyed." D. W. Brogan, *The French Nation, 1814-1940* (London: Hamilton, 1957), p. 267.

President Wilson was disavowed by the Senate. The United States refused to participate in part because of the belief that under Article 10 of the Covenant the League would have the power to embroil it in a future conflict. In fact, Articles 10 and 16 did not constitute anything approaching a genuine system of collective security. Member states from the outset had been unhappy about the automaticity of the obligations imposed by Article 16. In 1921 a series of interpretative resolutions was passed by the Assembly and accepted by the Council. It was noted that, particularly since the League had not achieved universality of membership, a "rigid application" of Article 16 could place member states in difficulty. It was agreed that it was the duty of each member state to decide for itself whether a breach of the Covenant had been committed; and that it was in accordance with the spirit of the Covenant that the League should attempt "at least at the outset, to avoid war and to restore peace by economic pressure." Such pressure should be graduated in its application. A decision under Article 16 would therefore have only the force of a recommendation to member states. There was an evident disinclination on their part to be committed in advance to any particular course of action. A French delegate, M. Noblemaire, pointed out in relation to Article 16 that "we lack the means of control or police that would render the decisions of the League effective." But public opinion in Britain and France was not educated about these limitations. The League had generated expectations which, as it turned out, could not be fulfilled. Although successive British and French governments were far more skeptical,[5] they saw in the collective system a chance to escape difficult decisions which, otherwise, would have had to be taken on a national basis. In other words, to the extent that the League did come to transcend the old system of alliances, or the balance of power, it did so without in practice conferring a corresponding measure of security.

The difficulty for the League in taking effective action had already been exposed in the Manchurian crisis, when none of the major powers wanted to impose sanctions against Japan, which nevertheless withdrew from the League. On 3 October 1935 Italian forces crossed the Abyssinian frontier. The speech of the Foreign Secretary, Sir Samuel Hoare, to the League Assembly on 11 Septem-

ber had made it clear that if Italy proceeded, Britain would support action in defense of the Covenant. Behind this firm statement lay great uncertainty, evident in the British cabinet discussions at the time. It would have been open to Britain to interrupt Italian communications through the Suez Canal. But such action was thought certain to precipitate a war, and one in which French support was unlikely to be forthcoming. The British government was conscious of the "grave effects on our diplomacy of our present military weakness." From this point of view sanctions appeared an attractive option. The idea was that they might at first be mild; later, if necessary, more severe. Even mild sanctions, it was thought, probably would shorten the war. Whatever the material effects, the Cabinet concluded, the "psychological effect on Signor Mussolini and the Italian people cannot fail to be very great."[6]

The threat of sanctions did not deter Mussolini and was indeed explicitly rejected by him.[7] On 7 October the League Council concluded that Italy had resorted to war in disregard of its obligations under the Covenant. This was accepted by fifty of the member states. They formed a committee to decide the measures to be taken under Article 16. Mr. Anthony Eden, then Minister for League of Nations Affairs, took the lead in the work of the Committee. Proposal No. 1 for the imposition of an embargo on the supply of arms to Italy was adopted on 12 October. Proposal No. 2 imposed financial sanctions, prohibiting loans and credits to the Italian government or quasigovernmental organizations. Proposal No. 3 prohibited imports from Italy. Proposal No. 4 imposed an embargo on a limited range of exports to Italy including rubber, certain minerals, and transport animals. Proposal No. 5 made vague provision for mutual assistance designed to help countries liable to suffer particular disruption from the application of sanctions. All four further proposals were adopted on 19 October.

In a few days the Committee had created a new world of international sanctions. On 31 October the member states reported on progress towards the implementation of these decisions. By 11 December nearly all the fifty or so governments who had accepted the proposals claimed to be implementing them. Nothing of the kind had even been attempted before. The only precedent had been the organization in 1934 of an embargo on the export of arms to Bolivia and Paraguay, then engaged in the Chaco war. The theory was that, as neither belligerent manufactured arms, its imposition

would bring the war to an end. In practice it did not do so. At the outset, however, in Geneva there were no great expectations that sanctions would fail, though the action taken fell far short of the severance of all trade and financial relations originally envisaged as an automatic response to aggression under Article 16.[8] The sanctions imposed by the League did not deny Italy strategic imports of coal, oil, or steel. The third and fourth sanctions did not come into effect until 18 November, when Italy was threatened with the loss of most of its export trade: seventy percent of its exports went to League members. Sanctions were not applied by Germany and the United States, who were not members of the League, or by Austria, Hungary, and Switzerland.

Nevertheless, Italy did look vulnerable. Although self-sufficient in food, it was dependent on imports for most essential raw materials. It was realized that a simple ban on exports to Italy was unlikely to be effective: Italy, unless subjected to a blockade, would still be able to obtain essential supplies from non-League members.[9] But, with falling gold and foreign exchange reserves, a ban on exports from Italy was expected to have considerable effects. It was estimated that the consequent difficulties would become serious about a year after sanctions were imposed. The effects expected from them were described by Mr. Eden. They would be "continuous and cumulative." Italy's purchasing power would progressively be reduced. The reserves would steadily be depleted. "There would then come a time when the power to purchase would be exhausted altogether."[10]

On 2 November the Canadian delegate on the Sanctions Committee proposed the addition of coal, pig iron, steel, and petroleum to the list of commodities whose export to Italy would be prohibited (Proposal 4A). This caused a reaction in Italy which showed a realization that an oil embargo, unlike those so far applied, was liable seriously to affect the military campaign in Abyssinia. Mussolini appealed to the French Prime Minister,* Laval, who requested deferment of a decision. The overriding French concern was with the containment of Germany. Laval's objective was to try to maintain the front, which he imagined had been preserved at Stresa in April 1935, of Britain, France, and Italy, in dealing with German ambitions to change the *status quo* in Europe. Mussolini was concerned

*and Foreign Minister.

about Hitler's ambitions in Austria: when Austrian independence had seemed threatened the Italians had mobilized on the Brenner in July 1934. Italy did not yet seem a lost cause. Abyssinia, from this point of view, was a secondary issue. Laval was to be much criticized for his attitude in this respect, as well as for his later actions. It represented, however, the consistently held view of the French government at the time. (In Britain the Foreign Office still tended at this time to discount the likelihood of an Italian rapprochement with Germany.)[11]

Under the first impetus of the crisis, on 9 October the British Cabinet had approved in principle the application of oil sanctions. Particularly in view of the French attitude, however, there was increasing concern about the likely military consequences. It was believed, among others by the Chiefs of Staff, that an oil embargo would lead to a war with Italy. In an exchange on the eve of the crisis the British Government had reminded the French of Sir Samuel Hoare's statement in Geneva that "If risks for peace are to be run they must be run by all."[12] Naval reinforcements had been sent to the Mediterranean, but the French Admiralty had refused to discuss cooperation in the event of an attack on the British fleet. Neville Chamberlain, as Chancellor of the Exchequer, argued that the more effective sanctions were, the closer they would bring Britain to the point of war. The First Sea Lord, Admiral Chatfield, considered that "the final outcome of a conflict with Italy cannot be a matter of doubt." But he advised at the time that no new sanctions should be applied until the French attitude had been clarified.[13] There was, furthermore, an obvious incongruity in a nation being drawn into war in the name of peace and no amount of argument about "police action" was likely to dispel it. In the so-called "Peace Ballot" in Britain organized by the League of Nations Union, over ten million people supported the use of economic and other non-military measures to check aggression; but there was little desire to face the possibility that their enforcement could lead to war. The Prime Minister Baldwin, was not alone in thinking, as he said in a pre-election meeting on 28 October 1935, that: "It would be the most bitter irony in history if the League, in its efforts to keep the peace in one part of the globe, should only succeed in setting fire to the whole world."

U.S. non-participation in the League was a major complicating factor. This was the heyday of isolationism in Congress: the first

Neutrality Act was passed in August 1935. There was no prospect of the United States joining in the application of sanctions, though it had imposed an embargo on the supply of arms to both Italy and Abyssinia. The list of "key products" to be denied to Italy under Proposal No. 4 had been established on the basis that Italian supplies of these commodities hitherto had come exclusively from League members. Pig iron, steel and coal as well as oil were excluded in part because the United States was a major supplier. The U.S. Administration took the line that exports to either of the belligerent countries would be at the traders' own risk, that traders should not seek to profiteer from the war and that trade should not exceed "normal peace-time levels." But it had no legislative powers to carry this policy into effect. The Administration, as the Secretary of State, Mr. Cordell Hull, made clear, would also have liked to restrain oil exports to Italy; but there was great uncertainty as to whether this would actually happen. These doubts were justified: the "moral embargo" was largely ineffective.* The United States, which had supplied 6.5 percent of Italy's oil, was supplying 17.8 percent by the end of the year.[14]

The British position at this stage was that sanctions could not be carried further unless the member states were prepared to face the possible military consequences. In the Cabinet on 2 December Hoare spoke of the danger of Mussolini reacting to an oil embargo like a "mad dog." There had been reports from various capitals that Mussolini would regard an oil embargo as rendering defeat inevitable and would respond by attacking the British fleet, even though that would be "tantamount to suicide." It was realized that there was a large element of bluff in Mussolini's attitude. The Cabinet were reminded of the importance vis-à-vis Germany of sanctions remaining a deterrent and that, having agreed to sanctions which many regarded as ineffective, the government's position would be untenable if it now opposed an effective one. But it was doubted whether the French would agree to oil sanctions—and whether Mussolini could in fact be relied upon to climb down under duress. The Chairman of the Anglo-Iranian Petroleum Company, whom the Cabinet consulted, thought that an oil embargo could be effective. But this depended on American cooperation: no attempt at a voluntary limita-

*As Mr. Hull himself was to put it: "A moral embargo is effective only as to persons who are moral."

tion of supplies would work. Meanwhile U.S. oil exports to Italy had tripled. Although, the Cabinet noted, the oil trade was unpopular in America, the companies were politically powerful and a great deal of oil was likely to continue to reach Italy. Faced with these difficulties, the Cabinet sought another way out. "The object of an oil sanction was to stop war. If war could be stopped by making the peace that would be better." Baldwin concluded that the government must bear in mind that in the case of Mussolini they were "not dealing with a normal type of intellect."[15]

These two factors—the fear in Britain that oil sanctions might trigger a larger war and the consistently held French view that they would drive Italy into the arms of Hitler—resulted in the deferment of a decision in favor of an extremely ill-advised attempt to achieve a negotiated settlement. On 7 December Hoare and Laval met in Paris and tried to work out a solution involving the cession to Italy of a large part of Abyssinia. The proposals leaked; the public reaction in Britain was extremely hostile. On 18 December Hoare was obliged to resign.

The Italians, meanwhile, were intensifying their military operations in Abyssinia, including the systematic bombing of villages and the use of poison gas. On 12 February 1936 League experts reported that oil sanctions would take twelve to fourteen weeks to take effect. The experts concluded that an oil embargo could be effective if the United States also limited its supplies to Italy; otherwise the only effect would be to render the purchase of petroleum more difficult and expensive.[16] Italy's domestic supplies of oil were negligible. Consumption was approximately 300,000 tons a month, of which only 20-30,000 tons were required for Abyssinia. A single tanker could transport 13,500 tons. Germany had demonstrated during the World War an ability drastically to reduce non-essential domestic consumption by rationing. The Hoare-Laval proposals had undercut any possibility of U.S. cooperation in an oil embargo.

In the British Cabinet there was an increased awareness of the "inevitable slowness" of sanctions and continuing perplexity as to the likely effectiveness of an oil embargo. Yet on 26 February Baldwin was still prepared to apply oil sanctions if the other members of the League would do so. Eden, who had succeeded Hoare as Foreign Secretary, argued that oil sanctions could weaken Italian morale. The discussion in the Cabinet epitomized the arguments which ever since have been heard for and against sanctions policies. For others

doubted if an oil embargo could be enforced. The U.S. Administration was unlikely to cooperate. Even if it did, the Italians would probably still be able to obtain supplies through the U.S. companies in Venezuela. Eden and others supporting an oil embargo replied that even if it did not prove completely effective—a point on which, it was agreed, the evidence was inconclusive—it was bound to add to Italy's difficulties. Some Cabinet members who had little faith in the sanction supported it on the grounds that it was "impossible after all that had been said" not to try out such a policy: the world was entitled to know whether sanctions could be made to work. Baldwin by this time was in favor of an oil embargo, essentially because of the domestic pressures which had built up in its favor. The President of the Board of Trade, Walter Runciman, concerned about the effects of sanctions on British exports, asked for his dissent to be recorded, as did the First Lord of the Admiralty "on the ground that no sanction ought to be imposed which was not likely to prove effective."[17]

Eden spoke in support of an oil embargo at the Sanctions Committee on 2 March 1936. But the French Foreign Minister, Flandin, like Laval, was preoccupied with Germany. He wanted a further attempt at a settlement and feared that if oil sanctions were imposed, Mussolini would denounce the Franco-Italian military agreement. On 7 March the debate was cut short. Hitler denounced the Locarno Treaty and German troops occupied the demilitarized areas of the Rhineland. The British government now agonized over when and how to remove sanctions. Eden would have preferred to maintain them for some time. But most of the Cabinet favored cutting their losses. Mussolini, it was argued, was likely to be "more reasonable" if sanctions were removed. Others still hoped that it might be possible to find some *quid pro quo*. Baldwin concluded that keeping sanctions in force was not likely to have any effect on Mussolini "except to make matters worse . . . The difficulty was one of face-saving and public opinion in this country."[18]

The sanctions strategy had been based on the supposition that the Italians in Abyssinia would face a long and difficult campaign. This estimate also proved to be mistaken. The situation of the Abyssinians by this time was desperate. With the collapse of the Emperor's forces the war came to a sudden end. On 5 May Italian troops entered Addis Ababa. The sanctions front quickly disintegrated. The *coup de grace* was administered by Chamberlain. On 10 June, preempting his Cabinet colleagues, he said in a public speech that sanc-

tions had "failed to prevent war, failed to stop war, failed to save the victims of aggression." The idea that the continuance of sanctions could preserve the independence of Abyssinia was "the very midsummer of madness." On 18 June Eden told the House of Commons: "The fact has to be faced that sanctions did not realize the purpose for which they were imposed." They had not prevented Italy conquering Abyssinia: that situation could only be changed by military means. On 4 July the League voted by forty-four to one (the vote of Abyssinia) to discontinue the measures taken under Article 16 of the Charter. Thus ended the first great sanctions experiment. The League's authority was shattered. No further attempt to impose sanctions was ever to be made by it. Nothing of the kind was to be attempted again until the imposition under United Nations' auspices of sanctions against Rhodesia in the 1960s. By the time of the second great sanctions experiment the lessons of the first had been forgotten almost in their entirety.

The politics of the fiasco are well enough known. Mussolini is reported to have told Hitler that if the League had followed Eden's advice and imposed oil sanctions he would have had to withdraw from Abyssinia.[19] This rests on the assumption that oil sanctions would have been effective and that Italy would not have been able with the assistance of countries not applying sanctions—in particular Austria, Switzerland, Hungary, and above all Germany—to organize their evasion. It is impossible to judge whether this would have been so; but Churchill certainly considered that to stop oil to Italy would have involved stopping it also to Germany. The League would again have been confronted by a prospect with which it seemed unable to cope—that of escalation. The estimate of the League experts that oil sanctions would be effective in twelve to fourteen weeks rested on a static assessment of Italian reserves and the highly questionable assumption that there would have been no major leakages. If, however, oil sanctions had been imposed from the outset, the psychological effect and the effect on general confidence in the Italian economy might have been considerable. But even Churchill was not in favor at the time of Britain going much further than she could carry France.[20] Oil sanctions were not applied essentially through fear of precipitating a fresh European war. The attempt to achieve an accommodation with Mussolini through the Hoare-Laval proposals undercut the basis on which sanctions

were imposed. Far from imposing a penalty, they put a premium on aggression. The momentum was never regained.

Less attention has been given to the implementation of sanctions. To the credit of the League, the member states moved very rapidly to declare that a breach of the Covenant had been committed and to impose sanctions against the aggressor. The war was not expected to come to such a sudden end or to be overtaken by events in Europe. While the realization gradually dawned that sanctions by their very nature would take time to have an effect, it was thought that over a period of time they would be effective. Most states did move fairly quickly to implement the sanctions measures in their national legislation.

In the case of arms supplies the embargo was relatively easy to operate: licenses were already required for their export. But the arms embargo could have no real effect: Italy had its own armaments industry. Financial sanctions were intended to contribute to the progressive exhaustion of Italy's purchasing power. The country was already in financial difficulties, exacerbated by Mussolini's policies and the costs of the war. The gold reserves had been falling for some time. The first signs of difficulty soon appeared. The Bank of Italy ceased to publish figures for the reserves. In November the lira was devalued by twenty-five percent. The Italian government had earlier introduced exchange controls and sought to call in privately held foreign securities. The very fact of Italy's vulnerability, however, tended to make sanctions, when applied, little more than a reinforcement of existing tendencies. International bankers had already been restricting credit on the basis of a "prudently business-like" attitude. The sanctions imposed related only to credits and loans and did not amount to a severance of all financial relations. Remittances were not prohibited and Italy continued to derive considerable amounts of foreign exchange from shipping and tourism. There was strong resistance within the international banking community to more drastic action. Italy's large outstanding foreign debt rendered the creditor countries anxious to avoid precipitating a repudiation. It was realized at the time that a complete rupture of financial relations could result for the Italians in savings of foreign exchange which could compensate in the short term for the loss of further financial facilities.

The effects of sanctions on Italy's external trade are shown in

Tables I and II.* In the months before sanctions were imposed, Italy sought to anticipate their effect by stockpiling coal, iron and steel scrap, and manganese. In the event the embargo on exports to Italy was very limited in scope, partly in accordance with the idea that sanctions should be "graduated" in their application and partly because it was considered pointless to embargo items of which the United States already was a major supplier. The limited embargoes which were imposed were designed so far as possible to avoid penalizing the civilian population but to deny Italy imports of some raw materials. In this respect they were largely unsuccessful. So far as the embargoed items were concerned, Italy was able to secure substantially increased supplies of rubber, nickel, and ferro-alloys from the United States. Pig iron and steel were not subject to embargo. Italy obtained increased supplies from Austria and Germany and continuing supplies from the United States. The overall value of U.S. exports to Italy in this period hardly increased. But exports of oil and non-metallic minerals increased by over fifty percent and of metals and manufactures by very nearly as much, while sales of textiles, paper, and so forth declined sharply. While overall trade was thus held (essentially by Italy's shortage of foreign exchange) to "normal peacetime levels," the content of that trade changed in such a way as to make sanctions less effective (Table III).

While the non-participation of some states could make the embargo on the supply of "key products" to Italy largely ineffective, the embargo imposed by League members on imports from Italy did have a serious effect on Italy's capacity to earn foreign exchange. It was possible in the short term only very partially to compensate for the loss of markets of League members by increased exports to the countries not applying sanctions (Germany, the United States, Austria, Hungary, Switzerland, and Argentina). By January 1936 Italian exports had fallen in value by over forty percent. Italian exports to all countries over the whole sanctions period were reduced by about thirty-five percent. Italy was obliged to make drastic economies in "non-essential" imports: Austria reported, for instance, that normal large-scale exports to Italy of timber for the construction industry had virtually ceased. The overall cutback in imports in this period was of the order of forty percent.

*Statistics concerning Italian trade in the sanctions period are summarized in Tables I to V.

In a phenomenon which was to become familiar on a much larger scale in the Rhodesian context, there was some evasion of sanctions through the falsification of certificates of origin. In November the British Government sent a note to the German Government that in view of the application of sanctions against Italy, all German products entering Britain would require German certificates of origin. The Germans replied that this demand was not in accordance with the trade agreement between the two countries, and it had to be withdrawn. The Dutch authorities reported a flood of citrus products believed to be from Italy and purporting to be of Egyptian or Syrian origin. The government of Malta noted that little credit could be placed on certificates issued by many chambers of commerce. The British government tried to arrange for its consular representatives to issue their own certificates in certain doubtful cases. It was suggested that League officials might take on this task; but it was clear that Germany would not permit them on its territory for this purpose. Italy undoubtedly was able to arrange the indirect export of some products to League countries and the fact that this was not done on a much larger scale was probably due mainly to the short time in which sanctions were in effect. Italian exports in transit on 18 November or paid for before 19 October were exempted from the embargo. In another development to become familiar in more recent cases the French government noted that over time the number of claims for exemptions on the grounds that goods had already been "paid for" tended to increase rather than decrease, creating suspicions that many were fraudulent.[21]

The reduction of imports enabled Italy, at a considerable cost, to tide over the difficulties caused by the loss of exports. The cutback was so severe that it actually brought about an *improvement* in Italy's trade deficit as compared with the previous year, though on a greatly reduced volume of trade (Table IV). Nevertheless there was a serious unfavorable balance and the reserves were depleted. The Bank of Italy's gold reserves in October 1935 were 3936 million lire. By February 1937 they were 4026 million lire, but the lira had been devalued by forty percent in the meantime. League questionnaires showed sales of gold by Italy in the first quarter of 1936 totalling 1092 million lire. Over the whole sanctions period Italy sold 4.5 million ounces of gold.*

*On the fall in the Italian gold reserves, see also Table V.

Sanctions were applied against Italy for only eight months. On such a time-scale it is impossible to judge the full extent to which Italy would have been able to evade them through third countries. As has been shown, it is not the case, as is often supposed, that sanctions had no effect. Even in this limited period the effects on Italian exports, the volume of imports, and the reserves were severe. It is tempting to conclude that if sanctions had been maintained over a longer period, Italy would not have been able to withstand these effects. Their prolongation certainly would have increased severely the costs to Italy of the Abyssinian adventure. Over a longer period, however, it is probable that there would have been a substantial increase in indirect and disguised trade; and Italy no doubt would have sought, and probably received, increasingly direct support from Germany.

In relation to those aspects of the Italian economy which were of most direct concern to the Italian people, in this short period sanctions had little impact. They were imposed at a time when Italy, like other countries, was emerging from the recession. Unemployment had been decreasing steadily in response to the public works programs, the war preparations and the general expansion of world trade. There is no indication of any overall fall in employment in this period. There was a slight fall in industrial production, reflecting a decline in textile production and construction. There was no sudden surge in inflation: prices rose by about four percent in the sanctions period. Overall, sanctions had very little effect on the living standards of the Italian population.[22]

Sanctions did result in an intensification of government intervention in the economy. This had already been taken to considerable lengths in the fascist "corporate state." Import and foreign exchange controls were already in force. The Italian government had been trying for several years to control the price of basic food stuffs. Wages were also subject to partial governmental control. Italy, therefore, already had in place much of the governmental apparatus required to help withstand an economic siege. In response to sanctions the Italian authorities intensified import and foreign exchange controls, took additional steps to control food prices and prohibited the export of strategic materials. By the end of the sanctions period the state had assumed complete control over external trade and major credit facilities.

So far as the reactions in the international community were concerned, although it had been understood, in theory, at the outset that the results would be progressive, the fact that it took time for the effects of sanctions to be felt proved to be a serious weakness. It became difficult to maintain a united front. The attempt to apply sanctions in a graduated manner was subjected to attempts at conciliation in such a way that efforts to increase the pressure could be successfully resisted until a change in the political situation in Europe removed it completely. A still more serious weakness lay in the fact that several very important countries were not cooperating in sanctions at all; and so long as that remained the situation it is difficult to see how they could have had a decisive effect. It was, furthermore, already apparent that there were definite limits to which a state could go in using national measures to follow an export shipment to its destination through a number of intermediaries in third countries; or to trace an import shipment from its origin.

Sanctions had been applied to deter aggression. They were removed not because the aggression was terminated, but because it had been successful. One of the conclusions drawn at the time from the failure of this experiment was that the effective enforcement of sanctions against a major power must ultimately depend on the will and the ability to use military force if necessary, i.e., that it was impossible to make sanctions effective without running the risk of war. Baldwin's dilemma was cruelly summarized by Churchill: "First, the Prime Minister had declared that sanctions meant war; secondly, he was resolved that there must be no war; and thirdly, he decided upon sanctions."[23] Baldwin himself stated in May 1936: "Nor is it any good to talk about economic and financial sanctions as if they were things apart, capable by themselves of overcoming the resistance which their very application will bring forth. That is not, of course, to say that such sanctions may not be useful and important in the policy of deterrence . . . but what it does mean is that such sanctions are unlikely to succeed unless the countries concerned are prepared to run the risk of war."[24]

Baldwin's reference to the resistance which the application of sanctions was liable to provoke was significant. For the reaction in Italian opinion was one of indignation at France and Britain's "hypocrisy" in seeking to prevent Italy extending its influence in a continent dominated by them. It was possible to exploit the feeling that Italy was being treated unfairly by her allies of the First World War. The U.S. Ambassador felt that sanctions had done much to

rally the nation behind the government. The authorities sought to maintain patriotic fervor with a campaign to persuade the Italian people "as a sacred duty" to donate gold, silver, and jewelry to the state. Most press correspondents reported that sanctions appeared to have stiffened the Italian resolve, particularly as it became clear that the League was unlikely to take any military action.[25] In government propaganda they were used to foster the cause of political and economic nationalism. A siege mentality, once engendered, became a factor in sustaining the will to resist. These consequences could only have been overcome if sanctions had produced much more dramatic economic effects, sufficient really to cause the Italian people to question the wisdom of the course on which their leaders had embarked. In the event, as the British Ambassador in Rome reported: "In their present mood Signor Mussolini and the Italian people are capable of committing suicide if this seems the only alternative to climbing down."[26] The theory that a nation threatened with or subjected to sanctions would not think it worthwhile to persist had failed its first test.

3

SANCTIONS AGAINST RHODESIA: THE EARLY YEARS

The second and by far the most sustained and ambitious attempt to apply economic sanctions under international auspices was a product of the Rhodesian crisis in 1965. For Britain, Rhodesia posed in an acute form the problem of responsibility without power. Internal self-government, including control over the armed forces and police, had been granted to the settler community in 1923; but Southern Rhodesia remained legally a British dependency. Successive British Governments were not prepared to consider granting legal independence to Rhodesia on the basis of a constitution which left power indefinitely in the hands of the European minority. By October 1964 the British Government was seeking to deter a unilateral declaration of independence (UDI) by the threat of economic penalties. Mr. Harold Wilson, then Prime Minister, stated that such action would inflict disastrous economic damage on Rhodesia: all financial and trade relations with Britain would be jeopardized and access to the London financial market would be denied.[1]

These warnings did not prevent white Rhodesian opinion hardening behind Mr. Ian Smith in a referendum on independence in November 1964 and in the general election in May 1965 in which his party, the Rhodesian Front, won all the white seats. At the Commonwealth Conference in June 1965 Mr. Wilson rejected demands that in the event of a unilateral declaration of independence Britain should use force. No British government was prepared to consider this—though the wisdom of announcing such a decision before UDI was declared has been questioned ever since. In a last-minute attempt to dissuade Mr. Smith and his colleagues from proceeding