International Economic Sanctions

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Abstract

Economic sanctions are coercive measures that withdraw normal trade and financial relations to influence the behavior of target country. Their effectiveness depends on three factors: the ability of senders to impose costs while sustaining their own, credible commitment to remove sanctions upon compliance, and limiting targets' access to alternative markets or technologies. While sanctions inflict economic damage, translating this pressure into political success proves far more difficult. Historical cases from Italy's 1935 invasion of Ethiopia to Russia's 2022 invasion of Ukraine demonstrate that gradual escalation and weak enforcement allow targets to adapt rather than comply. A key challenge for policymakers lies in employing sanctions with realistic expectations about their limitations and careful attention to humanitarian consequences and implications for global economic fragmentation.

Keywords: economic sanctions, multilateral cooperation, sanctions effectiveness, international relations, international trade, geopolitical risk

1 Introduction

Economic sanctions are the withdrawal of normal trade and financial relations by one or more countries to punish another. They are intended to change a target country's behavior by cutting off its access to money, goods, or technology. In theory, this pressure makes the cost of a specific policy—such as an act of territorial aggression—too high to sustain. In practice, however, the gap between the theory of sanctions and their actual results is often quite wide.

Consider a case that is very familiar in modern history. A major power launched an unprovoked invasion of a smaller neighbor. In response, the world's leading democracies moved quickly to punish the aggressor. Working together, they restricted the country's access to global credit, banned the sale of military parts, and limited the state's access to international capital markets. It was one of the most coordinated efforts ever seen, designed to make the war too expensive to continue.

But the plan faced two major hurdles. First, there was a critical gap in the restrictions: they did not touch the country's oil trade. Policymakers worried that restricting energy trade would hurt their own economies and cause a wider war. Second, the aggressor responded to the pressure by moving toward autarky. The government pushed for total self-sufficiency, hardening domestic industries and even calling on citizens to donate personal assets—such as gold wedding rings—to the state to build up national reserves.

The aggressor could still find ways around energy trading restriction and managed to sufficiently sanctions-proof its economy. A combination of export diversion, stockpiling, austerity measures

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and broad social mobilization and lack of resolve of the global economic community failed to stop the invasion, even though it had severe economic repercussions on the aggressor. Eventually, the international coalition lost its resolve and member states abandoned enforcement of the restrictions entirely.

This sequence of events describes the League of Nations' response to Italy's invasion of Ethiopia in 1935 and 1936. This episode captures many of the core challenges that continue to define sanctions policy today: the trade-off between economic impact and domestic political costs, the difficulty of maintaining multilateral coordination over time, the target's ability to adapt through economic restructuring and alternative trade networks, and the fundamental tension between imposing sufficient pressure to change behavior while avoiding escalation. The Ethiopia case thus serves as more than a cautionary tale—it provides a template for understanding why sanctions so often fall short of their stated objectives, even when they impose economic costs. To navigate these dilemmas, this chapter presents an overview of the role of sanctions in international relations, the specific goals they are meant to achieve, and the factors that ultimately determine their effectiveness.

2 Defining Economic Sanctions

Economic sanctions are coercive economic measures employed by states or international organizations to influence the behavior of target countries, entities, or individuals. According to Hufbauer et al. (2007), economic sanctions constitute "the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations" for foreign policy purposes. This definition distinguishes sanctions from ordinary trade, industrial and commercial policy by emphasizing their political rather than economic objectives.

The defining characteristic of sanctions lies in their instrumental purpose: they are not imposed to correct market failures or protect domestic industries, but rather to compel, deter, or punish specific behaviors by foreign actors. As Drezner (1999) emphasizes, sanctions represent an attempt to inflict costs on a target to induce policy changes or signal disapproval of the target's actions.

Economic sanctions differ fundamentally from other instruments of international economic policy. Unlike tariffs or trade barriers, which primarily pursue economic objectives such as protecting domestic industries or raising government revenue, sanctions explicitly subordinate economic considerations to political goals. While both instruments may restrict international commerce, tariffs operate within the framework of normal trade policy and often affect broad categories of goods based on industrial classification. Sanctions, by contrast, target specific countries or actors and may encompass comprehensive restrictions on economic activity with those targets.

Moreover, sanctions differ from embargoes in scope and intent. While an embargo typically denotes a complete prohibition on trade with a country, sanctions encompass a broader range of measures, from asset freezes affecting specific individuals to sectoral restrictions on particular industries. The flexibility of sanctions allows policymakers to calibrate their response to perceived threats or objectionable behavior.

3 A Framework for Analyzing Sanctions

Economic sanctions operate through a straightforward logic: impose costs on a target until the cost of maintaining an objectionable policy exceeds its perceived value. However, translating this simple logic into effective policy requires understanding three critical dimensions that determine sanctions outcomes.

First, sanctions involve a coercion-cost trade-off for both parties. The sender must impose sufficient economic pain on the target to make policy change attractive, while simultaneously bearing its own costs—forgone trade, enforcement expenses, and potential retaliation.

As Eaton and Engers (1992) demonstrate in their game-theoretic framework, sanctions succeed only when the sender can sustain costs longer than the target can resist pressure, a condition they characterize as relative toughness depending on patience and capacity to endure economic pain. This explains why unilateral sanctions by small economies often fail: they impose limited costs on targets while generating disproportionate costs for senders, making them politically unsustainable (Kaempfer and Lowenberg, 1988).

Second, sanctions face a fundamental commitment problem. Targets will only change behavior if they believe compliance will lead to sanctions removal (Eaton and Engers, 1992). When targets perceive sanctions as permanent regardless of their actions, they have no incentive to comply and will instead invest in adaptation and evasion. Similarly, if senders lack credibility—if targets doubt that compliance will actually trigger relief—sanctions become purely punitive rather than coercive. The shift toward viewing sanctions as indefinite tools of strategic competition rather than conditional instruments fundamentally undermines their coercive logic.

Third, sanctions effectiveness depends on the substitution possibilities available to targets. Can the target find alternative trading partners, technologies, or financial channels? The answer determines whether sanctions impose genuine constraints or merely inconvenience. Multilateral coordination matters precisely because it closes substitution margins: when all major economies participate, targets cannot easily replace lost markets or suppliers (Felbermayr et al., 2021). Conversely, the presence of "black knight" countries willing to trade with sanctioned targets—either for profit or strategic advantage—dramatically reduces sanctions impact by preserving substitution options.

These three dimensions interact in complex ways. Gradual sanctions escalation may signal weak sender commitment while simultaneously allowing targets time to develop substitutes, undermining effectiveness on multiple fronts. Conversely, sudden comprehensive measures backed by broad multilateral coordination can maximize impact by foreclosing substitution while demonstrating credible commitment. The historical record of sanctions can largely be understood through the lens of how these factors played out in specific cases.

The case of Italy's 1935 invasion of Ethiopia illustrates these dynamics. The League of Nations imposed sanctions but exempted oil—the one commodity that mattered most—leaving Italy with critical substitution possibilities. The gradual imposition and premature lifting of sanctions signaled weak commitment, encouraging Italy to pursue autarky rather than compliance. Meanwhile, Italy bore costs more easily than the sanctioning coalition, which quickly lost political will. All three dimensions worked against effectiveness: inadequate cost imposition, incredible commitment, and open substitution margins. The failure helped embolden fascist aggression and demonstrated the difficulty of translating economic pressure into political success.

4 A Brief History of Sanctions

The use of economic sanctions has been pervasive throughout history. Historical accounts date the first use of sanctions to the Athenian Megarian Decree of 432 BCE, when Athens imposed trade restrictions against Megara prior to the Peloponnesian War. During the 1800s, sanctions featured prominently in the Napoleonic Wars, with Napoleon's Continental System (1806-1814) attempting to blockade British trade across Europe, while Britain responded with its own naval blockade and Orders in Council that restricted neutral commerce with France.

Sanctions also became prevalent in the aftermath of World War I, when the League of Nations incorporated economic sanctions into its collective security framework. At the 1919 Paris Peace Conference, British and French delegates agreed that the League could and should be equipped with an enforcement instrument that would subject 'aggressor' countries to economic isolation and that, by taking place during times of peace, could become possible in a wide range of situations as a measure to prevent future wars. Even before the League was fully operational, the Allied Powers leveraged their wartime blockade infrastructure in 1919 against the revolutionary governments in Russia and Hungary, providing a blueprint for the economic weapon the League would later adopt. In 1935, sanctions were imposed against Italy following its invasion of Ethiopia, but their extent was too limited to significantly damage the fascist regime.

Sanctions expanded dramatically since the end of World War II. According to the Global Sanctions Database compiled by Felbermayr et al. (2020), there were in 2023 more than 500 active cases of sanctions imposed by one or more countries against another (see Felbermayr et al., 2025). This represents a substantial increase from the immediate post-war period, when sanctions were employed sparingly and primarily through multilateral institutions such as the United Nations.

The trajectory of post-World War II sanctions can be divided into distinct periods. During the Cold War era, the global pattern of rising sanctions began, but many of these measures were unilateral sanctions imposed by either the United States or the Soviet Union against peripheral economies. These unilateral measures typically failed the coercion-cost test: small economies bore disproportionate costs while large targets like Cuba found substitution through Soviet support. The economic impact of these Cold War sanctions on the global economy remained relatively limited, as they typically involved smaller economies with modest integration into international trade networks. Notable examples include the U.S. embargo against Cuba, imposed in 1960 following Fidel Castro's revolution and alignment with the Soviet Union, which became one of the longest-running sanctions regimes in history and exemplified how sanctions could persist for decades even without achieving their stated political objectives. The international sanctions against South Africa's apartheid regime, initiated in the early 1960s and maintained through the mid-1990s, represented a different model where sanctions served both moral and strategic purposes, ultimately contributing to the dismantling of apartheid. In both cases, sanctions served ideological as well as strategic purposes, targeting countries that aligned themselves against Western interests or violated international norms.

The post-Cold War period witnessed a proliferation of sanctions regimes, often authorized by the United Nations Security Council and directed at humanitarian concerns, nonproliferation objectives, or counterterrorism efforts. During this period, sanctions increasingly targeted specific issues such as weapons development programs or human rights violations, reflecting an evolution in their conceptualization and application. Notable examples include the comprehensive UN sanctions against Iraq (1990-2003) following its invasion of Kuwait, which became one of the most severe and controversial sanctions regimes in history. The sanctions imposed against Iran also exemplify this evolution, beginning with UN sanctions in 2006 and dramatically escalating in 2011-2012 when the U.S. and EU imposed stringent measures targeting Iran's oil exports and access to the international financial system. Notably, the Iran sanctions marked a significant shift in enforcement strategy: rather than targeting ships physically transporting oil, they focused on blocking payment channels to the Central Bank of Iran, effectively dissuading the world from conducting business with Iran. The Iran sanctions succeeded in closing substitution margins by targeting payment channels rather than physical shipments, demonstrating how financial measures can foreclose alternatives even when some countries continue trading with targets.

The period since the mid-2010s marks a qualitative shift in the sanctions landscape. Militarized disputes and economic security dilemmas have resulted in substantially larger use of sanctions, with the United States and China playing much more prominent roles. The annexation of Crimea by Russia in 2014 triggered extensive Western sanctions that went beyond traditional targets to affect major economies deeply integrated into global markets. Similarly, escalating strategic competition between the United States and China has spawned numerous sanctions and export controls justified primarily on national security grounds. As of 2023, more than 10 percent of all existing country pairs and about 25 percent of world trade involved at least one country subject to sanctions, though the actual volume of trade directly affected remains much smaller (see Felbermayr et al., 2025). While the United States remained the most frequent initiator—accounting for nearly half of all cases—the diversity of targets has increased significantly, though initiation remained concentrated among the US, EU, and UN.

Recent sanctions increasingly blur the boundary between traditional sanctions policy and industrial policy. Many contemporary measures—particularly those targeting advanced semiconductors, artificial intelligence technologies, and other strategic sectors—represent broader uses of economic statecraft driven primarily by national security concerns and competitive positioning. Unlike traditional sanctions designed to compel specific behavioral changes with the implicit possibility of removal upon compliance, many recent sanctions appear designed for indefinite duration (Drezner, 2024). There is little expectation that measures restricting China's access to advanced chip-making technology, for instance, will be lifted in the foreseeable future, regardless of Chinese policy adjustments.

5 Types of Economic Sanctions

Economic sanctions encompass a diverse array of measures, which can be categorized along several dimensions: scope, target, and mechanism.

5.1 Scope: Comprehensive versus Selective Sanctions

Comprehensive sanctions involve broad restrictions on economic activity with a target country, potentially including prohibitions on trade, investment, and financial transactions. Historical examples include the U.S. embargo against Cuba and international sanctions against Iraq during the 1990s. Such comprehensive measures aim to impose maximum economic pressure but often generate substantial humanitarian costs and may strengthen authoritarian regimes by allowing them to blame external actors for domestic hardship.

Selective or targeted sanctions restrict specific sectors, commodities, or activities. For instance, oil embargoes target a particular industry, while arms embargoes prohibit weapons sales. Selective sanctions allow sender countries to impose costs on targets while limiting collateral damage to civilian populations and preserving channels for humanitarian assistance.

5.2 Target: Smart and Targeted Sanctions

The 21st century has witnessed a pronounced shift toward smart or targeted sanctions, which focus on specific individuals, entities, or narrow sectors rather than entire economies. As documented by Biersteker et al. (2016), smart sanctions emerged in the 1990s as a response to concerns about the humanitarian consequences of comprehensive sanctions regimes, particularly the suffering experienced by Iraqi civilians under broad economic restrictions.

Smart sanctions include asset freezes, travel bans, and restrictions on specific individuals (often government officials, military leaders, or oligarchs associated with objectionable policies). They may also encompass entity-based measures targeting corporations, banks, or other organizations.

The rationale behind targeted sanctions is to impose costs directly on decision-makers and those who benefit from objectionable policies, while minimizing harm to general populations.

The effectiveness of smart sanctions depends critically on several factors: the ability to identify appropriate targets, international cooperation in enforcement, and the target's dependence on access to international financial systems. Financial sanctions targeting specific banks or individuals have proven effective when major financial centers cooperate in enforcement, as exclusion from dollar-denominated transactions or access to SWIFT (the international payment messaging system) can severely constrain targeted actors. However, Keerati (2022) documents an important unintended consequence of financial sanctions: by restricting sanctioned firms' access to international capital markets, the 2014 U.S. sanctions against Russian companies inadvertently created credit rationing for unsanctioned domestic firms, causing these non-targeted peers to shrink more than the sanctioned targets themselves. This highlights a fundamental limitation of targeted sanctions: they can produce spillover effects through domestic financial markets that undermine their intended precision.

5.3 Mechanism: Trade, Financial, and Technological Sanctions

Sanctions operate through different economic channels. Trade sanctions restrict imports from or exports to target countries. These may be commodity-specific (e.g., prohibiting petroleum imports) or more comprehensive. Financial sanctions include asset freezes, restrictions on access to international financial markets, prohibition of transactions with specific banks or financial institutions, and exclusion from international payment systems. As Nephew (2018) argues, financial sanctions have become increasingly central to modern sanctions policy, especially when imposed by countries controlling access to major currencies and financial infrastructure.

Technological sanctions, which have gained prominence recently, restrict access to specific technologies, technical knowledge, or technical assistance. Export controls on semiconductors, telecommunications equipment, or dual-use technologies exemplify this approach. Such measures aim to prevent technological advancement in sensitive sectors or to maintain technological advantages.

Ghironi et al. (2025) present a multi-country dynamic general equilibrium model that illustrates the mechanism of international economic interdependence in the presence of sanctions, especially when the economy that is sanctioned is an energy producer large enough to affect the global economy. They assume that sanctions take two forms: financial sanctions exclude agents in the sanctioned country from international asset trading; trade sanctions impose constraints on the exchange of goods and other commodities. They find that exchange rates, which are often considered a metric for the effectiveness of sanctions, are not an adequate measure of the success of the sanctions, but rather a reflection of the type and scale of measures taken. Additionally, they find that international coordination matters critically for the effectiveness of the sanctions: while uncoordinated sanctions allow the sanctioned country to substitute its trading patterns towards a third country, coordinated sanctions prevent this possibility, thus resulting in large welfare losses for the sanctioned country.

The dynamics of the exchange rate in response to sanctions are often used in real time to evaluate the effectiveness of sanctions and policy responses. The conventional wisdom is that all successful sanctions should weaken the currency of the country they are imposed on, as they limit the demand for that country's goods and financial assets. Indeed, Itskhoki and Mukhin (2025) illustrate theoretically that sanctions limiting a country's exports or freezing its assets depreciate the exchange rate, while sanctions limiting imports appreciate it.

6 Evidence on Sanctions Effectiveness

Assessing sanctions effectiveness requires distinguishing between political success (compelling target countries to change behavior) and economic success (inflicting economic damage on targets). These objectives, while related, are not identical, and sanctions may achieve one without the other.

6.1 Political Effectiveness

Hufbauer et al. (2007) found that sanctions achieved their stated political objectives in approximately one-third of cases examined between 1914 and 2006.

As discussed in Felbermayr et al. (2020), recent analysis suggests that success is highly dependent on the stated objective. Sanctions aimed at defending human rights achieve full or partial success in approximately 40 percent of cases, whereas sanctions intended to destabilize a regime or change specific policies exhibit much higher failure rates. Furthermore, there is evidence of selection bias in the historical data: in earlier decades, large countries often successfully used the mere threat of sanctions to achieve goals, meaning only the most difficult cases (where threats failed) were actually observed as imposed sanctions. When both explicit threats and impositions are considered together, the success rate increases to over 50 percent.

However, subsequent research has challenged these findings as overly optimistic. Pape (1997) argues that careful case analysis reveals substantially lower success rates, with many apparent successes actually reflecting other factors such as military pressure or target country decisions made independently of sanctions. Morgan et al. (2023) use the Global Economic Sanctions Database to show that the share of successful sanctions peaked at the global level in 2016.

More recent evidence suggests that sanctions effectiveness varies considerably based on several factors. Bapat and Morgan (2019) finds that multilateral sanctions—those imposed by multiple countries or through international organizations—demonstrate significantly higher success rates than unilateral sanctions.

The sequence and composition of sanctions also matter. Bayer et al. (2025) show that financial sanctions imposed before trade sanctions prove more effective than trade sanctions alone. Financial measures can quickly impose substantial costs by restricting access to credit, freezing assets, and disrupting payment systems. When financial sanctions precede trade restrictions, they may weaken target economies sufficiently to enhance the impact of subsequent trade measures.

However, political success remains elusive in many prominent cases. Sanctions against North Korea have failed to halt nuclear weapons development. Decades of U.S. sanctions against Cuba did not produce regime change. Western sanctions did not compel Russia to reverse its annexation of Crimea. These failures suggest fundamental limitations to sanctions, especially when target governments view their core interests or survival as at stake.

6.2 Economic Effectiveness

While political success proves difficult to achieve, sanctions consistently demonstrate the capacity to inflict significant economic damage on target countries. Neuenkirch and Neumeier (2015) estimate that comprehensive sanctions reduce target country GDP by approximately 2 percentage points annually, with effects accumulating over time.

However, economic damage to targets often comes with substantial costs—both humanitarian costs to target country populations and economic costs to sender countries. The humanitarian consequences of comprehensive sanctions can be severe, as experienced in Iraq during the 1990s, where sanctions contributed to widespread malnutrition, medical supply shortages, and increased mortality. These humanitarian costs motivated the shift toward targeted sanctions, though concerns persist about whether even targeted measures adequately protect vulnerable populations.

Sender countries also bear costs, particularly when sanctions disrupt established trade relationships or require foregoing profitable economic opportunities. Hufbauer et al. (2007) estimates that sender countries typically incur costs equivalent to 1-2 percent of their trade with target countries. For unilateral sanctions imposed by smaller economies, these costs may undermine domestic political support for maintaining sanctions pressure.

Using historical data on sanctions and exchange rate movements in the interwar period, Eichengreen et al. (2024) find that import restrictions, export restrictions, asset freezes and trade embargoes lead to exchange rate depreciation, though the precision of the measured effects varies across sanction type.

The sanctions imposed on Russia since 2014 reveal critical temporal and enforcement dimensions that are often overlooked in sanction design, as discussed in Itskhoki and Ribakova (2024). First, timing and gradualism matter critically. The sanctions imposed incrementally on Russia from 2014-2022 allowed it to build an "economic fortress" and adapt supply chains, demonstrating how phased approaches can "vaccinate" targets against future measures rather than maximize impact. This pattern echoes historical precedents: the gradual and timid sanctions imposed on Italy after its 1935 invasion of Ethiopia——which excluded oil and other key resources——gave Mussolini time to consolidate his conquest and encouraged autarkic policies. Similarly, the threat of potential League of Nations sanctions led Germany to pursue economic self-sufficiency ("Blockadefestigkeit") throughout the 1930s to insulate itself from future economic pressure. Second, the theory-practice gap in enforcement is decisive. While extensive sanctions existed on paper, weak enforcement and "black knight" circumvention (notably through China, Turkey, and UAE) prevented a collapse in Russian imports and exports in the aftermath of the 2022 invasion of Ukraine. This highlights that sanctions effectiveness depends less on breadth than on rigorous, coordinated implementation with credible secondary sanctions threats. The Russian case demonstrates how gradual escalation undermined commitment credibility while simultaneously allowing substitution development, causing the sanctions to fail on multiple fronts.

6.3 Conditions Affecting Effectiveness

Several conditions enhance sanctions effectiveness. First, as noted earlier, multilateral cooperation substantially increases both political and economic effectiveness. When major economies coordinate sanctions, they eliminate alternative markets and sources of finance that might allow targets to evade restrictions (Morgan et al., 2023).

Second, the political stability and regime type of target countries affect vulnerability to sanctions pressure. Autocratic regimes may prove more resistant to sanctions than democracies, as authoritarian leaders face fewer domestic political constraints and can more easily redirect costs onto subject populations (Allen, 2008). Conversely, some research (see for instance Marinov, 2005) suggests that sanctions targeting autocracies may be effective precisely because these regimes lack democratic legitimacy and thus face greater risks of instability when economic performance deteriorates.

Third, as discussed in Felbermayr et al. (2025), the economic characteristics of target countries matter. Countries with diversified economies, substantial foreign exchange reserves, and limited dependence on international trade prove more resilient to sanctions. Conversely, countries heavily dependent on specific exports or imports, or on access to international financial markets, face greater vulnerability.

Fourth, the credibility and commitment of sender countries affect the impact of sanctions (see

Walentek et al., 2021). When targets believe that sanctions will be maintained regardless of their actions, they may judge compliance pointless. Conversely, when sender countries clearly articulate conditions for sanctions removal and demonstrate willingness to lift sanctions upon compliance, targets may be more responsive.

7 Sanctions and Global Economic Fragmentation

An emerging concern involves the relationship between sanctions and the broader fragmentation of the global economy. The proliferation of sanctions, particularly between major economic powers, may accelerate the development of parallel economic and financial systems and trading blocs, potentially reducing the effectiveness of future sanctions while simultaneously undermining the efficiency gains from global economic integration (see James et al., 2022).

Aiyar et al. (2023) observes that the increasing use of economic interdependence may prompt countries to reduce vulnerabilities to potential sanctions by diversifying trading partners, developing alternative payment systems, and accumulating larger foreign exchange reserves. In the 1930s, as the League of Nations restricted Italy's access to international markets, Italy sought to "sanctions-proof" its economy by strengthening ties with ideologically aligned partners like Spain, effectively bypassing the intended isolation. In the 2020s, China accelerated its efforts to internationalize the renminbi and develop alternatives to Western-dominated financial infrastructure, partly spurred by the extensive sanctions imposed on Russia following its invasion of Ukraine in 2022 (see Amighini and García-Herrero, 2023 and von Beschwitz, 2024). These efforts represent strategic investments in future substitution possibilities, potentially undermining financial sanctions that currently rely on Western infrastructure dominance.

This dynamic creates a potentially vicious circle (see Mulder, 2022). As countries employ sanctions more frequently and more aggressively, target countries (and even countries not currently targeted but concerned about potential future sanctions) adopt measures to reduce their vulnerability. These defensive measures include diversifying away from dollar-denominated trade, developing regional payment systems, and strengthening economic ties with other countries facing similar sanctions pressure. Such actions reduce the leverage that future sanctions might exert, potentially encouraging sanctioning countries to impose even broader restrictions, further accelerating fragmentation.

Moreover, sanctions may promote autarky and economic isolation among targeted countries. When countries face comprehensive economic restrictions, they may respond by pursuing self-sufficiency in strategic sectors, even at substantial economic cost. North Korea represents an extreme example of sanctions-induced autarky, but elements of this dynamic appear in other contexts. Russian efforts to develop import substitution capabilities in response to Western sanctions, or Chinese investments in semiconductor manufacturing following U.S. export controls, illustrate how sanctions can drive targeted countries toward economic self-reliance rather than policy change.

The long-term consequences of sanctions-driven fragmentation remain uncertain. On one hand, reduced economic interdependence might decrease the effectiveness of economic coercion, limiting an important tool for managing international conflicts without military force. On the other hand, some scholars (see for instance Farrell and Newman, 2023) argue that excessive economic interdependence creates vulnerabilities that autocratic states can exploit, and that some degree of economic separation from strategic competitors may be necessary for security reasons. Resolving these tensions represents a central challenge for international economic policy in the coming decades.

8 Conclusion

Economic sanctions constitute one element of a broader toolkit of economic instruments available to states in their conduct of foreign policy. Alongside traditional trade policy, foreign aid, investment agreements, and technology transfer arrangements, sanctions offer policymakers an option for exerting pressure on foreign actors whose behavior they find objectionable.

The historical record and economic research offer several conclusions. First, sanctions can impose substantial economic costs on target countries, particularly when imposed multilaterally and when they include financial restrictions. Second, translating economic pressure into political success—compelling desired behavioral changes—proves considerably more difficult, with more mixed success rates. Third, the effectiveness of sanctions depends on numerous contextual factors, including the economic characteristics of targets, the degree of international cooperation among sender countries, and the sequencing and composition of restrictive measures.

The role of sanctions in international relations faces an uncertain future in an era of rising geopolitical risks (see Caldara and Iacoviello, 2022). The growing use of sanctions in strategic competition among major powers, combined with increasing efforts by target countries to sanctions-proof their economies, may reduce sanctions effectiveness over time. The shift toward viewing sanctions as indefinite tools of strategic competition rather than temporary measures aimed at specific behavioral changes represents a fundamental departure from traditional sanctions doctrine, with implications that remain to be fully understood.

Nevertheless, absent more effective alternatives for responding to international aggression, human rights violations, proliferation threats, and other challenges, economic sanctions will likely remain a prominent feature of international relations. The challenge for policymakers lies in employing sanctions judiciously, with realistic expectations about their limitations, clear communication about conditions for removal, and careful attention to both humanitarian consequences and the long-term implications for the structure of the global economy.

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