The recent rise in the use of economic sanctions as an instrument of foreign policy in the international arena warrants an in-depth analysis of the effectiveness of sanctions as a tool of modern statecraft. The rise in the use of sanctions over the past few decades suggests an increasing prevalence of the view that sanctions are effective tools for influencing target governments. Recent theories that inform policy makers regarding the utility of sanctions, such as that of Hufbauer, Schott and Elliott (2007), suggest that sanctions are effective 34 percent of the time. In contrast, Pape (1997: 106) challenges the causal logic of Hufbauer et al.’s argument and asserts that sanctions alone have been successful less than 5 percent of the time. He argues that Hufbauer et al.’s methodology is flawed and that in actuality a majority of the cases of reported success included the introduction of decisive military force.

This study makes a theoretical contribution to the sanction literature by analyzing four additional factors that are missing from Hufbauer et al.’s research. It applies an in-depth analysis of the following four factors to the case of the Federal Republic of Yugoslavia (FRY: Serbia and Montenegro): the skill with which sanctions are employed; the effect sanctions have on covert trade and financial assistance; and the effect sanctions have on public perceptions and the struggle among the elite. The FRY is an especially important case to examine since scholars claim it is one of the most effectively implemented instances of United Nations Security Council (UNSC) sanctions. However, this article uses the case of the FRY to demonstrate the inability of the UNSC to discourage conflict by sealing borders and preventing the transshipment of arms and goods to Serbia and Montenegro. As a result of short-sighted foreign policy and a lack of
integration of open source information into the policy making process, the sanctions had a limited impact on shifting the policy of the Milošević regime. The sanctions impeded the development of democracy by providing a scapegoat for Milošević’s terrible economic policies and unintentionally reducing support for the pro-West democratic opposition while failing to shift public opinion against Milošević’s regime. The sanctions established an opportunity structure for financial gain through sanction evasion, which led to the rapid development of black market trade and organized crime. Almost two decades after the sanctions have been lifted, the institutionalization of organized crime continues to impede the transition to democracy in both Serbia and Montenegro.

Economic Sanctions Defined

Economic sanctions “mean the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations” (Hufbauer et al. 2007: 3). In addition to arms embargos, which restrict the import of weaponry, there are two main types of economic sanctions that are readily implemented in the international arena: trade and financial. Trade sanctions impose costs on the target country through “lost export markets, denial of critical imports, lower prices received for embargoed exports, and higher prices paid for substitute imports” (Hufbauer et al. 2007: 45). Financial sanctions imply the reduction or elimination of foreign financial assistance as well as freezing the target’s assets that are held abroad. Hufbauer et al. (2007) argue that financial sanctions may be more effective than trade sanctions because they are easier to impose and to regulate. Sanctions function by pressuring the regime in power to change its policies by sending the message that their policies may not be worth the cost. Sanctions may also inflict economic hardship on the civilian population and hence encourage popular pressure against the regime’s policies or provoke a popular revolt against the regime.
The Dissolution of the Socialist Federal Republic of Yugoslavia

As tensions escalated throughout the Socialist Federal Republic of Yugoslavia (SFRY) in the late 1980s and the country teetered on the brink of war, the United States and the European Community (EC) searched for a way to stabilize the Balkans without the introduction of military force. On 25 June 1991, Croatia and Slovenia declared independence from the Yugoslav federation. Although fighting ended quickly in Slovenia, tensions mounted in Croatia. Yugoslav National Army (YNA) troops, under Serb command, mobilized to prevent secession. In response, the UNSC reinforced measures taken by the European Community and the United States in an attempt to quell tensions between Serbia and Croatia. The UNSC did so by implementing their first set of sanctions, an arms embargo, on all republics of the former Yugoslavia. Although the arms embargo was in effect throughout the entire sanctions episode (1991 to 1996), it was largely seen as ineffective because neighboring countries smuggled arms to each republic, which allowed the war to progress for four years.

The arms embargo was followed by the imposition of comprehensive economic sanctions on the FRY, the party largely seen by the West as responsible for aggression. The UN imposed comprehensive sanctions in May 1992 in response to the escalation of war in Bosnia and Herzegovina, which included a ban on imports and exports, except for food and medicine, as well as restrictions on air travel and on participation in international cultural, sporting, and scientific events. Although the arms embargo was seen as ineffective and critics argued that it shifted the balance of power largely in favor of Serb forces, the second round of sanctions was comprehensive and implemented more effectively. Yet the border remained open to the transshipment of goods and supplies between Serbia and Macedonia, and sanctions failed to pressure the government directly since they did not decisively cause the FRY government to shift
its policies. Furthermore, the imposition and lifting of sanctions did not correlate with trends in public views regarding the Milošević regime, demonstrating that sanctions had no effect on shifting public opinion against its policies.

A slight shift in policy occurred when came to the bargaining table to support the Vance-Owen Peace Plan in 1993. Although many scholars attribute Milošević’s change in policy toward Bosnian Serbs to the United Nations Security Council (UNSC) sanctions, the shift occurred one month after NATO threatened to use force to ensure compliance with the no-fly zone over Bosnia and Herzegovina. Yet, when the Bosnian Serbs refused to sign the Vance-Owen Peace Plan, Milošević continued to support them through 1994. In 1994, he imposed his own embargo against the Bosnian Serbs. Yet it is difficult to assess the exact contribution sanctions made to this decision, and a cease-fire was not signed until NATO used force against the Bosnian Serbs in 1995.

The signing of the first permanent cease-fire in Bosnia and Herzegovina by all republics, the Dayton Peace Agreement, occurred one month after the 1995 NATO bombing campaign on Bosnian Serb enclaves. It is evident that while strict sanctions were imposed by the UNSC from 1991 to 1995, military force was a necessary and decisive factor in achieving policy concessions from the Milošević regime, and, ultimately, peace. Although the state of the Yugoslav economy may have played a role in Milošević’s willingness to bargain and in the regime’s eventual withdrawal of support for the Bosnian Serbs, to attribute this shift in policy solely to the imposition of UNSC sanctions would be a flaw in causal logic since the economy of the FRY was already in decline prior to the imposition of sanctions.
Social Effect of Economic Sanctions

The Rally-Around-The-Flag Effect

One way sanctions function is by inflicting economic hardship upon the civilian population with the expectation that it will cause it to exert popular pressure on the regime to shift its policies in accordance with sender demands. An examination of survey data from the University of Belgrade Center for Political Studies and Public Opinion Research over the period of time in which the sanctions were imposed shows the effect they had on public opinion. The data demonstrate two definitive and identifiable trends. The trend lines in Table 1 show that public approval of Milošević remained stable throughout 1992 to 1995, with almost no fluctuation. The percentage of respondents who viewed their financial situation as worse than the previous year, however, fluctuated significantly between the years 1992 and 1995. It is thus evident that the imposition and tightening of sanctions did not cause the public to pressure the regime to concede to UNSC demands. Furthermore, a vast majority of those who viewed Milošević favorably also viewed the U.S., the primary supporter of the UNSC sanctions, unfavorably.

1 There was not a single question posed in the years between 1992 and 1995 in the University of Belgrade survey that was directly related to sanctions. The question on financial situations was chosen in order to ensure scientific precision when testing the correlation. However, several questions were asked between 1992 and 1995 that revealed the public’s view of themselves as financially worse-off as a result of the UNSC sanctions.
In actuality, the sanctions impeded democracy in the region and prolonged the war in Bosnia and Herzegovina. Milošević used the imposition of sanctions to his advantage since he was able to attribute the dire state of the FRY economy and political scene to the sanctions and their senders and deflect attention away from his own policy failures. Survey data from 1990 to 1996 reflects the unintended consequence of the sanctions as social solidarity remained stable despite the imposition of economic costs.

Source: L. Bacevic, Center for Political Studies and Public Opinion Research, Institute of Social Sciences, University of Belgrad, Yugoslavia-Serbia
**Elite Struggle**

A rise in popular support for Milošević and a lack of popular support for the democratic opposition was caused by three different phenomena. First, Milošević was able to use the sanctions to garner popular support and generate a rally-around-the-flag effect. Second, this phenomenon may have been intensified by the fact that “the few independent media outlets and voices of opposition that remained in Belgrade were further isolated and more easily silenced” due to the scarcity of financial support from international organizations that had helped sustain them prior to the imposition of sanctions (Cortright and Lopez 2000, 75). Third, the absence of a viable democratic opposition, combined with Milošević’s control over the media, allowed Milošević to shift the blame from himself and place responsibility for the catastrophic situation within the former Yugoslavia on the sanctions and their senders (Branković 1998, 3). The sanctions in fact impeded the campaigns of the pro-Western opposition to the Milošević regime. Public opinion reflected a negative view toward Western sanction senders and thus turned against the democratic opposition within the FRY, which wished to concede to sender demands. The same mechanisms that Milošević used to effectively garner popular support for his regime undermined his opposition.

**Short-Term Political and Economic Consequences of Sanctions**

Another unintended consequence of the economic sanctions was the rapid proliferation of black market trade. The symbiotic relationship it fostered between politics and organized crime has outlasted the sanctions for nearly two decades. Although UNSC goals were realized when the Dayton Agreement (1995) was signed one month after the NATO bombardment of Bosnian Serb enclaves, the sanctions had little impact on the achievement of the permanent cease-fire. They did, however, play a clear role in creating a pan-Balkan network of organized crime that
included the trafficking of drugs, arms, oil, weapons, women, and migrants as well as contributing to a major increase in mafia-related murders (Glenny 2008, 33). Not only did the institutionalization of mafia business run counter to UNSC goals of achieving peace and stability in the Balkan region, but its spillover effects have reached Western Europe. Organized crime continues to impede the transition to democracy in Serbia and Montenegro.

Although the arms embargo may have reduced the legal arms trade, “it did nothing to reduce the demand for, and the supply of, arms, and only displaced it onto illegal circuits” (Wiebes 2003: 214). Violations of the arms embargo served to increase instability and the overall hostility among the warring parties within the Balkan region. Analyses of military confrontations throughout the early 1990s demonstrate that the embargo had very limited or no impact on ending the war. The sanctions established an opportunity structure that provided economic incentives for evading the sanctions, thus allowing the conflict to intensify and contributing to the increased cost of obtaining weapons (Devin et al. 1997: 158).

A major supplier of goods to the FRY throughout the duration of the sanctions was neighboring Bulgaria. Casimir Dadak (2003) reports a statistical discrepancy between Bulgarian export and import customs data and bank data during the first half of the 1990s (513). He asserts that the “Bulgarian foreign trade puzzle” can be explained by the large quantities of foreign goods transited through Bulgaria in the mid-1990s, which “entered and left the country without being reported by customs” (Dadak 2003: 522). Since scholars argue that the sanctions imposed on the FRY were the most effective in UNSC history, the implications of the Bulgarian trade phenomenon are three-fold. Considering that in the five-year period prior to the imposition of sanctions, Serbia and Montenegro imported an average of $5 billion in merchandise and “$5.25 billion and $3.15 billion of merchandise went covertly to Yugoslavia through Bulgaria” in 1994
and 1995 respectively, it is evident that Bulgaria itself satisfied many of Serbia's needs in the area of international trade (Dadak 2003: 526). Second, the apparent porousness of the sanctions indicates that the UNSC lacks the adequate resources to effectively seal borders and enforce sanctions. Considering that the economy was already in decline prior to the imposition of sanctions due to the transition from a centralized to a market economy, the sanctions only had a limited impact on changing the policies of the Serbs in Bosnia. The sanctions did, however, have a clear impact on the development of clandestine arms and trade supplies, which has had grave implications for the rapid rise of organized crime in the Balkan region.

**Long-Term Political and Economic Consequences of Sanctions**

If lucrative organized crime flourished due to the imposition of sanctions and the region is still struggling with these criminalized networks almost two decades after the sanctions were lifted, there is something of value to be said for the long-term implications for post-sanction democratization and regional stability. The war was prolonged because the sanctions created an opportunity structure based on economic incentives for sanction evasion, which impeded the immediate effectiveness of the sanctions.

2 Cortright and Lopez (2000) argue that there were many causes of the economic crisis in the 1990s including, “the breakup of interrepublic trade, which previously accounted for 40% of commerce; uneven and half-hearted attempts at market reform; the wars in Croatia and Bosnia; and massive flows of displaced persons and refugees. Any of these factors would have been sufficient to cause economic turmoil” (73). Delević (1998) attributes the poor state of the FRY economy to the following factors: “As a result of the long-term structural factors, the relatively dynamic rates of growth in the sixties and seventies were replaced with the decade of stagnation and, in the first half of 1989, with negative rates of growth. This was further aggravated by the acute factors, including the disintegration and war in Yugoslavia as well as UN sanctions (Stamenković, Posarac et al. 1994: 21). Throughout 1989 the flow of goods between the Yugoslav republics was disturbed, to mention only the Serbian boycott of Slovenian goods and retaliation by Slovenia.”
Deemed “the golden age of organized crime” by Momčilo Grubač (2009), the proliferation of illicit trade throughout the former Yugoslavia in the mid-1990s through black markets and the shadow economy has institutionalized elite dependence on clandestine suppliers. Andreas (2004) argues that “the smuggling networks that proved so essential to the Bosnia war effort have at the same time contributed to the criminalization of the state and economy in the postwar period…. Key players in the covert acquisition and distribution of supplies have emerged as a nouveau riche ‘criminal elite’ with close ties to the government and nationalist political parties” (Andreas 2004: 44). The imposition of economic sanctions by external forces unintentionally institutionalized a symbiotic relationship between government and organized crime whose temporal impact transcended the sanction episode. Often, the political, economic, and social impacts are felt far beyond the target state itself.

The transnational crime wave triggered by the imposition of sanctions is being felt both economically and politically. The Bulgarian Ministry of Interior is tracing down criminal leads of the August 2010 assassination order given by a Serbian organized crime group, “the Killers”, to murder Bulgarian PM, Boyko Borisov, who had associations with "Bulgaria's underground world" during the 1990s. However, the criminal gangs are no longer only targeting those with a legacy attached to the FRY, forcing the International Criminal Police Organization (Interpol) to develop a special project to specifically target the web of strategically organized criminals internationally. With a total value of stolen gems reaching upwards of $340 million from more than 160 robberies, the widely publicized group of approximately 200 jewel thieves, “The Pink Panthers,” is only one example of the ‘unpleasant hangover’ of the Balkan Wars. The most exclusive jewelry stores in countries that upheld the sanctions nearly two decades ago are
suffering tens of millions of dollars in losses at the hands of criminal gangs who developed a set of highly specialized, and now adaptable, skills through sanction busting in the FRY.

Statistics from 2009 demonstrate that thirty percent of the total annual turnover of goods and services within Serbia and Montenegro (forty billion euros) are conducted in the informal economy (Paunović 2009, 2). Considering these figures are fifty percent higher than the average country in the European Union, it is apparent that lost tax revenues in Serbia and Montenegro have had a negative impact that has trickled back down to society in the form of reduced social welfare. It is evident that the emergence of a lucrative black market and shadow economy in the Balkan region has had political and economic implications that have far outlasted the sanction episode temporally and regionally.

Conclusion

An in-depth analysis of the case of the FRY provides valuable insight into the dynamic nature of sanction interaction within the domestic policy arena of the target state. The FRY case adds to our understanding of the inherent structure of sanctions as a tool of modern statecraft that cannot be captured at the aggregate level. Although single-case studies are criticized for their failure to generalize, the present analysis demonstrates the failure of aggregate level research to correctly identify micro-level factors that contribute to the achievement of sender goals. Moreover, aggregate studies have failed to identify the immediate and long-term political, economic, and social impediments sanctions have presented to the realization of sender goals. Thus, studies at the aggregate level, which do not correctly capture the dynamic interaction of sanctions with domestic policy, lead to incorrect conclusions that are then translated into misguided policy recommendations.
Although scholars study the contribution of sanctions in achieving a policy shift by the target regime, the failure to analyze the enduring legacy of sanctions within the target state and its neighboring countries provides an incomplete picture of the utility of economic sanctions as an instrument of foreign policy. While scholars such as Cortright and Lopez (2000) argue that the sanctions imposed upon the FRY were successful and the most effectively implemented in UNSC history, statistical data on clandestine arms supplies and trade do not support these assertions. Rather, it is evident that while sanctions were imposed consistently from 1991 to 1995, policy shifts occurred only after the threat or use of NATO force. While the sanctions did punish the Yugoslav people, this led to resentment toward Western senders rather than disproval of Milošević’s policies toward Bosnia and Croatia. Furthermore, the long-term entrenchment of political and criminal ties as a result of the development of organized crime and sanction busting continues to impede the transition to democracy in Serbia and Montenegro.

Additional Findings

Although it seems that the introduction of NATO force achieved concessions by Milošević, had the state of the economy not been so dire, the use of force may not have been as decisive. The sanctions clearly did not achieve their goals in destroying Slobodan Milošević’s political career since he was elected to the position of president of the Federal Republic of Yugoslavia in 1997. This study does, however, reveal an unexpected phenomenon that deserves further attention. While the democratic opposition to Milošević was fragmented throughout most of the 1990s and Milošević was able to utilize this weakness and drive further cleavages into the oppositions’ deep divisions, it is plausible that a new strategy of Western intervention into FRY domestic politics may have been the decisive factor contributing to the toppling of the Milošević regime in 2000.
When political consultants from the U.S. met with the fractious opposition to Milošević in a luxury hotel in Budapest in October 1999, the seeds for a democratic revolution in the FRY were sown. Utilizing modern election campaign techniques based on scientific research as well as providing $41 million in democracy-building support from the U.S., the cleverly devised and extensively researched revolutionary campaign “may go down in history as the first poll driven, focus group tested revolution” (Dobbs, 2000). During the seminar in Hungary’s capital, the Washington-based National Democratic Institute (NDI) nominated “a moderate Serbian nationalist named Vojislav Koštunica, who had a favorable rating of 49 percent and an unfavorable rating of only 29 percent,” as a viable candidate to challenge Milošević in the 2000 election (Dobbs, 2000). Koštunica’s victory at the polls in 2000 demonstrates the potential of this new liberal instrument of foreign policy. Whereas trade sanctions function by inflicting economic hardship on the vulnerable segments of a target society, this new strategy decreases violence and bloodshed by promoting democracy through scientifically grounded and purely peaceful means.

Considering the increasing dependence on economic sanctions since the mid-1900s as a liberal instrument of foreign policy and an alternative to military intervention, the inherently peaceful character of this new democracy-building strategy should promote optimism and active interest in what could be an effective and valuable new tool of statecraft. The democratic overthrow of an authoritarian leader such as Slobodan Milošević through the channeling of Western intelligence and aid to the FRY should encourage further analysis of the precise strategies invoked by the U.S. and the factors that contributed to their success. Given the increasingly interdependent nature of international relations in the twenty-first century and high levels of international cooperation that characterize the modern world, a thorough understanding
of the structure behind this liberal strategy is important for effective conflict resolution and for the promotion of international security.

Bibliography


