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Sanctions and Their Impact at the Local, State, and Federal Level

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Abstract

Sanctions have been used by governments as one method of forcing compliance on issues related to another country or region. Various aspects of sanctions, mostly federal, and their effects have been studied, but rarely have sub-federal sanctions and their impact on the economy been a major topic. The reason for this investigation is because sub-federal sanctions are rarely discussed, and the impact that they cause not only affects the local economy, but also the entire nation. This paper attempts to gather the constitutional and economic issues surrounding sanctions in a single, comprehensive study. Hopefully people in government, particularly those in local government, will be better informed of the consequences and lack of effectiveness of sanctions. This may, in turn, lead them to be less likely to implement this type of foreign policy.

This paper describes the different types of sanctions, particularly those of a sub-federal nature. It also examines the numerous problems that arise when sanctions are used. The findings of the study suggest that federal, state, and local sanctions, especially when unilaterally imposed, are harmful to the economy, and sub-federal sanctions are constitutionally invalid. When sanctions are used, whether they are imposed sub-federally or by the federal government, the final result most often causes economic damage to the economy of the sponsoring government.

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Introduction

Economic sanctions have frequently been used by the Federal government of the United States to pressure other nations into changing their policies. It had been generally accepted that such actions are the exclusive territory of the Federal government. Recently, however, a few states and localities have begun experimenting with the passage of sanctions of their own.

These state- and locally imposed sanctions are often narrow in scope and not well publicized or well-explained to people in the locations they affect. Many people, in fact, are not even aware of their existence, which appears to hinder their effectiveness. Education about the workings and effects of sanctions is useful in order to examine the wisdom of imposing sanctions below the federal level.

The objective of this paper is to examine the current issues relating to state- and locally imposed sanctions. Different factors in the development and implementation of sanctions will be described, with an emphasis upon why sub-federal sanctions have become more fashionable. Finally, the author will describe any effects these sanctions may have, both on the targeted nation, and on the U.S. at the local, state, and federal levels.

Introduction to Sanctions and Their Effects

A sanction is an action taken by a national government against another to restrict the flow of commerce between the two countries. A sanction may restrict any form of international business, whether it is transactions of goods and services, or the movement of direct and portfolio capital investments. From the perspective of the United States, a sanction is normally in the form of either a presidential order or federal legislation, which seeks to restrict some or all of the international commerce the U.S. conducts with another country.

The restriction of trade that results from a sanction may make all of the economies involved operate less efficiently, resulting from the countries' loss of potential profits. This includes international trade between the countries as well as between local economies within each country. If the trade between the countries involved is very small as a percentage of GNP on either or both sides, the effects may be negligible at the national level, and if the sanction is in place for a short enough period of time, no long-term negative effects may occur for either economy. However, if the sanction is long-lived or particularly harsh, growth in the economy of either or both countries may be adversely affected. The cumulative effects of sanctions cannot be overlooked; the estimated cost to the U.S. of its sanctions in 1995 was $15 to $19 billion dollars (25).

Whether or not sanctions are even effective in the best cases is debatable. For instance, many proponents of sanctions cite those of a multilateral nature placed on South Africa as a primary factor in the end of apartheid in that country. On the other hand, opponents identify many other factors that they believe were the true reason apartheid ended.

Unilateral vs. Multilateral Sanctions

As a diplomatic tool, sanctions can be imposed as either unilateral or multilateral actions. In a unilateral sanction, only one nation implements the economic sanction against the target country. Multilateral sanctions, in contract, involve any number of countries all imposing similar sanctions against the target nation.

Unilateral sanctions can hurt individual U.S. businesses and industries, at least while the economy shifts to take care of the changes that result in the flow of trade. The overall cost to the U.S. economy is usually minimal because any single industry is normally a small percentage of the country's total GNP. At the local level, however, the damage to individual businesses can be a significant negative impact.

> Only in a few cases will a unilateral sanction affect the overall economy of the U.S. One is when the United States is the sole supplier of a sanctioned export or the target country is the sole supplier of a sanctioned import. In that case, multilateral and unilateral actions are equivalent. Another is when the action is against an important trading partner and that country retaliates with its own sanctions, thereby constricting world trade. The other two exceptions relate to long-term costs from the United States' loss of international market power or damage to U.S. businesses' international reputation for reliability (31).

The best case for sanctions is when there is broad support from a number of like-minded nations. These sorts of sanctions are multilateral in nature, and have a better chance for overall success for a number of reasons. Primarily, there are suppliers throughout the world for nearly any product or service. The restriction in trade of any product from American suppliers can generally be ignored by simply going to another country, such as Japan, China, or Germany. Only when a nation is the sole supplier of a product will such a unilateral sanction have any effectiveness at all. On the other hand, if most nations involved in the production of a particular product, such as super-computers, decide to restrict trade in such goods to a certain country, the targeted nation may have no alternate supply available.

The Case for Sanctions

Proponents of sanctions as a foreign policy tool have a number of reasons why they believe that such activities can be useful in diplomatic situations. If the advocates for sanctions are correct in their reasoning, sanctioning other nations is a policy that would be successful and provide real results, changing the behavior of countries to something more acceptable to the United States.

When economic sanctions are being used for foreign policy objectives, they will be categorized in one of three ways: "national security objectives, other foreign policy objectives, and international trade and investment dispute resolutions" (21). Instead of deploying the military in an area, economic sanctions could be used to deter a military dispute or to regain control of a country if it has been taken over. For example, this tactic was used multilaterally in Iraq after the invasion of Kuwait. Two other instances when sanctions are used are when a country is posing a threat to the United States, and when the U.S. is trying to stop a country from receiving military technology.

If the United States decides that the citizens of a country are not being treated justly, or the government is overstepping its bounds, then economic sanctions may also be established. The acknowledgment and watchfulness of human rights around the globe is an important foreign policy objective. The military of Myanmar has disallowed a fair democratic election since 1988, and the U.S. has imposed sanctions because of the failure of the ruling party to abide by democratic results of that election. Attempting to reduce international crime is an important issue to the United States. President Clinton stopped aid to Columbia in March of 1996 because that country could not control drug trafficking.

Sanctions for the purpose of international trade and investment dispute resolutions are rarely used, and when they are enacted the sanction is very limited. Most disagreements among nations are resolved by the World Trade Organization or through other international agreements, such as the North American Free Trade Agreement (NAFTA).

Economic sanctions can be utilized in a manner similar to any other foreign relations tool. However, great care needs to be taken in planning the use of such a mechanism. Benefits to U.S. foreign policy need to be rigorously measured and ought to be greater than any predicted costs to the American economy. In addition, the expected effects of the sanctions should be compared to the effects of alternative policy actions, such as public or private diplomacy, the offering of incentives, military intervention, or even doing nothing. Sanctions should only be used, therefore, if it is concluded that their imposition would result in a favorable outcome.

Why Bother With Sub-Federal Sanctions?

Given that successful sanctions rely on careful planning and execution, why would states and localities attempt to build their own, often contradictory, foreign policies? Most states and localities that have placed or attempted to place various sanctions on foreign countries have done so because their populace has specific conditions or desires that are not being met by the federal government.

For example, the citizens, in particular, the politicians of Berkeley, California believe that their quality of life is affected by the human rights practices in Myanmar, so they "adopted Ordinance No. 5985-N.S. to promote universal respect for human rights and fundamental freedoms, recognize the responsibility of local communities to take positive steps to support the rule of law and to help end injustices and egregious violations of human rights wherever they may occur..." (12). The City Council in Berkeley does not want to contribute or be a party to any of the abuses in Myanmar, so they decided to place a sanction on that country "until the City

Council determines that the people of (Myanmar) have become self-governing" (12).

In another example, government officials in New York City have threatened to place sanctions against Switzerland because Swiss banks have failed to hand over assets belonging to holocaust victims that the Nazi's had stolen during World War II (18). The city not only wants to sanction the Swiss banks, it also does not want to continue doing business with Swiss companies, which will hurt many U.S. subsidiaries (18).

The cities and states that have imposed sanctions believe that it is their constitutional right to do so. They proclaim that "the United States Supreme Court has upheld the power of a municipality to make legitimate economic decisions without being subject to the restraints of the interstate Commerce Clause when it participates in the market place as a corporation or a citizen as opposed to exerting its regulatory powers" (12). In other words states believe that they have a right to choose with whom they will conduct business as long as they are not dictating such purchasing decisions for private corporations. Because the federal government is not following their demands, these areas have decided to take foreign policy matters into their own hands.

Trade between the U.S. and Myanmar is almost non-existent. Imports consist of mostly U.S. transportation and construction materials and exports from the garment industry in Myanmar. Myanmar is also not getting any preferential treatment with its exports to the United States or European Union, imports from other countries, or investments in their country. Commerce is not the issue pushing sub-federal activity. Myanmar's human rights abuses, the government's squashing of the democracy movement since 1988, and the inability of the government to crack down on narcotics in this country have led to the sub-federal sanction movement in the United States (6).

The Case Against Sub-Federal Sanctions

There are a myriad of reasons why sub-federal sanctions should not be considered as viable foreign policy tools. Any single reason should be enough to force policy-makers to think twice about utilizing such plans of action, but the effects of all the negative reasons make sub-federal sanctions particularly unsound.

For years, states have attempted to pass legislation that, had they been successful in any number, would have seriously undermined the Federal government's ability to conduct coherent foreign relations. The states' attempts have been wildly diverse, and recently have begun to impose sanctions against businesses dealing in foreign lands.

One good example of a state encroaching on the national government's sphere of control is Pennsylvania's attempt in 1977 to pass a draconian law creating specific and unfriendly registration requirements on any foreign persons within its borders. One of the more hostile parts of the Pennsylvania law required all non-U.S. citizens to carry special identification cards within the state that demonstrated proof of their registration.

Sub-federal sanctions rarely have any long-term effects on the target country. Instead, the local areas end up losing on other job opportunities as countries look at such localities as risky and undependable (28). "Companies that operate globally, especially U.S. companies with parents abroad, cannot operate in an environment in which the federal government, the 50 states and the thousands of municipalities each pursue independent foreign trade policies. Firms need a stable and predictable environment in which to operate" (19).

Attracting foreign investors to the United States becomes difficult when states or localities create an unfriendly atmosphere, either for foreign citizens or businesses. International investors, having to choose between a country with a positive business climate and another where the climate is uncertain at best, will most likely choose the former. This effect likely causes a state or locality to be hurt more by such sanctions than the country that is targeted. It is very unlikely that an enterprise will stop conducting business with a restricted country where there is money to be made, which leads to a clash between the firm and the state's law. These sanctions reduce the number of companies with which the state and firms within it can conduct business.

State-imposed sanctions can be difficult for business compliance. In addition to restricting a company with direct ties to a sanctioned nation, these laws often restrict every business that has any sort of affiliation with the targeted country. This has an effect on large, multinational corporations and conglomerates that have holdings and subsidiaries around the globe. The problem with this is that the firms that are affected often have absolutely no control over the practices of the subsidiary corporations with which they are affiliated.

For example, Berkeley, California decreed that if a company is even willing to conduct business with Myanmar the government will not contract out to these firms (12). Businesses are not allowed at the bidding table when affiliated, subsidiary, or parent corporations happen to do business with the targeted nation. For example, Ericsson GE was not able to receive a fair chance in bidding for contracts as a result of the activities of a related corporation, located in Europe, over which it had no control. "Ericsson GE denies doing business in (Myanmar). 'It's our parent company, Ericsson LM in Sweden, that's doing business there'" (12).

People and businesses are therefore faced with a difficult choice. Firms could object to sub-federal sanctions and risk the chance of being flagged as a proponent of the targeted countries, or do nothing and be told where to conduct business, certainly losing money in the process.

It can be exceedingly difficult for companies to keep up with foreign policy issues and regulations coming from both the federal government and separate municipalities. The State Department is usually conducting complex foreign relations at all corners of the globe, with situations and relationships with other nations changing daily. It is likely that local governments will be unable to keep track of all foreign policy developments, and in fact will likely not be informed of any sensitive negotiations that might occur between the U.S. and an unfriendly nation. In these cases, a sub-federal sanction may need to be revised, or even dropped, but the state will either refuse or be unable to act. Businesses are then stuck in the middle and are unable to take any action until the locality gets around to making changes.

Sanctions can end up hurting states or localities because they create an unfriendly atmosphere for foreign investors. These sanctions reduce the number of companies with which the state and firms within it can conduct business. Foreign firms would constantly have to be updated on the areas around the globe that are or are not restricted, something all companies would agree is a waste of time and money. Firms might simply choose to locate elsewhere.

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U.S. cities are deciding to implement their own bans on countries for various reasons, such as human rights practices. New York City is thinking about placing a procurement ban on China, banks in Switzerland, and city contractors doing business in Northern Ireland. With so many potential restrictions, foreign investors are left uneasy and less likely to choose New York as a place of business.

Not just commerce is likely to be negatively impacted by sub-federal sanctions. These sanctions also have the significant potential to seriously impair U.S. foreign policy goals. Undersecretary of State Stuart Eizenstat recently testified to Congress that:

> ...while state and local governments should express the democratic will of their citizens, unless sanctions measures are well conceived and coordinated, so that the United States is speaking with one voice and consistent with our international obligations, such uncoordinated responses can put the U.S. on the political defensive and shift attention away from the problem to the issue of sanctions themselves (8).

Many foreign governments oppose sub-federal sanctions because they "violate international free-trade pacts signed by the United States" (25). The European Union filed a brief in federal court opposing the Massachusetts law. Japan and the Association of the Southeast Asian Nations (ASEAN) also filed complaints against the statute with the U.S. government (3).

The EU's brief provides three troubling aspects of the Massachusetts Myanmar law that officials there believe must be resolved immediately. These are that the law damages normal U.S.-EU dealings, makes it appear as though the U.S. is failing to honor the trade agreements it has already signed, and, most complicating, may encourage other sub-federal governing bodies to pass similar statutes, which would only exacerbate the situation. The primary international pact that the EU claims to have been broken is the GATT Agreement on Government

Procurement. U.S. federal officials worry that if the EU wins in the World Trade Organization, other nations may follow their lead, attacking U.S. sub-federal sanctions. At that point, it is likely that the U.S. would retaliate diplomatically, leading to a potential trade war and great unsettling of international relations.

Significantly, the Massachusetts law has damaged the attempts by foreign policy officials in many countries to build a multilateral coalition with our allies to deal with Myanmar (25). However, the existence of the disruptive law is hindering any negotiations the democratic nations have in determining what course of action to take.

Unconstitutionality

A number of obstacles stand in the way of states implementing sanctions at all. The Federal government believes that state and locality-imposed sanctions are unconstitutional for a number of reasons. Primary in the reasoning of the Federal government is the Commerce Clause of the Constitution. This single major provision in the Constitution does grant the Federal government the power to conduct all foreign relations on behalf of the entire country. Article I, Section 8, clause 3 states that the Federal government has the power "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes" (5). The Supreme Court has interpreted this clause to indicate that the Constitution prohibits any state or locality from hindering commerce if the resulting law disturbs interstate or foreign commerce.

The Commerce Clause is not the only constitutional constraint on states and localities passing foreign sanctions. The fact is, according to the Constitution, the Federal government has ultimate control over laws that are passed within the country. If there was ever any question as to whether or not Federal or state law would take precedence over the other, it is put to rest in Article VI of the U.S. Constitution, which simply states that the laws and treaties of the United States as a whole are "the Supreme Law of the Land" (5). Therefore, the Federal government's legislation must prevail over any similar laws passed by states or localities. In most cases, some sort of foreign policy is already in effect toward another nation, and sub-federal sanctions cannot help but go against the federal government's existing laws.

The Supreme Court's view has been unwavering over many decades. The Court has always held that the Federal government's regulatory power concerning foreign trade is absolute, and has made a point of noting that the country must speak with a single voice on matters of commercial foreign relations.

State laws have been ruled to be invalid when they have had more than incidental or indirect effects on other nations. Laws were also struck down when they were found to have the potential to do great harm or cause significant national embarrassment. In many cases, sub-federal sanctions fit in both of these categories.

The tug-of-war between the federal government and the rights of states to govern themselves has been going on since the inception of the country; it is one of the major reasons why the Civil War was fought. While Article VI gives the Federal government the prevailing position whenever conflicting laws come into being, the Constitution also attempts to outline the limits of the laws which the Federal government is allowed to pass. All matters of foreign policy are specifically outlined as being national in scope and control, and therefore any law passed below that level automatically conflicts.

Moreover, the United States participated in the development of, and signed, the General

Agreement on Tariffs and Trade (GATT). One section of this international trade treaty is the Agreement on Government Procurement, which essentially blocks any state or local regulations that might restrict purchasing decisions by government agencies.

"If state action could defeat or alter our foreign policy, serious consequences might ensue. The nation as a whole would be held to answer if a State created difficulties with a foreign power" (12). We are currently seeing consequences at this time, as the European Union and Japan are taking action against the U.S. The United States has to answer to the World Trade Organization about the Massachusetts state sanction against Myanmar as a violation of the Agreement on Government Procurement.

Any usage of sanctions needs to be thoroughly researched and debated; the Executive and Legislative branches of the U.S. government exist to perform these roles. States and local governments are not designed to cope with the complexities of modern foreign policy.

The Constitution (and therefore the federal government) essentially asserts that the nation's interests are more important than any one state. As the conducting of foreign policy is basically the relationship the entire nation will have with the rest of the world, no one state should ever be allowed to conduct adversarial foreign policy such as sanctioning.

Finally, the Constitution does not provide a way for the state and federal governments to comply uniformly on policies. For example in 1991, "the United States softened sanctions on South Africa to encourage President de Klerk's reforms, but that only-one of the 140 local laws, which were mostly far broader than the federal law, was repealed" (12).

This is not to say that states have no control over their own commerce. Trade within a state's borders is untouched by the Federal government. The Court has also held that states can implement trade restrictions on commerce "within the market in which it is a participant" (12). This simply means that the state can decide not to conduct business with companies located in a targeted country, but cannot force private firms to do the same. However, beyond such a single producer-consumer relationship, the state has no power to hinder trade.

The government's position on sub-federal sanctions can be summed up in a simple list of reasons: First, the local measures are preempted by federal legislation. Second, under the Foreign Commerce Clause of the Constitution, state-imposed sanctions constitute an impermissible intrusion into an area reserved for the federal government. Third, the local measures are an impermissible usurpation of the federal authority under the Supremacy Clause of the Constitution (12).

The Case against Federal Sanctions

Sanctions brought on by the federal government are of dubious utility, beyond the undesirable qualities of sub-federal sanctions. The fact is that all sanctions are economically damaging, and are adversarial by their nature. For these reasons, among others, no sanction should ever be a truly desirable policy.

Even when there is great support, little financial risk, and the approval of the public, federal sanctions may not be effective, as the following example illustrates:

> Panama, a small country with an economy based on the U.S. dollar and a tradition of U.S. dependence, successfully resisted extreme U.S. economic sanctions. U.S. military intervention was necessary to remove the Noriega dictatorship. In Haiti, too, economic sanctions failed to remove the ruling dictators, who fled the island only after the commitment of U.S. military forces. The Soviets continued to occupy Afghanistan and to support martial law in Poland, despite U.S. sanctions. Castro still reigns in Cuba, despite a thirty-year embargo against this small island

only 100 miles from our shores (28).

If, in these most favorable of conditions, the sanctions had little to no real effect, questions of whether or not sanctions should ever be bothered with are inevitable.

When not included as part of a broader U.S. trade policy, sanctions implemented unilaterally have been historically ineffectual. For example, in 1979, the United States placed a grain embargo on the Soviet Union because of that country's invasion of Afghanistan. This unilateral sanction did not work in the least. Instead, the USSR went to Argentina, Canada, and Europe, increasing the total grain exports from these countries from 9.4 million to 23 million metric tons. Realizing its failure, President Reagan repealed this sanction in 1981.

Sanctions were again imposed and lifted after a five-month period in the early 1980s on the Soviet Union when the USSR-European gas pipeline was being built through Western Europe. The USSR lost $480 million while the U.S. lost around $2 billion. These sanctions restricted the use of U.S. goods and technology on the project, but the USSR was, as usual, able to go elsewhere for its needs. In the end, this sanction did not even delay the completion of the pipeline.

Once the Cold War was over, the use of sanctions became more widespread and far-reaching, with less multilateral support. President Clinton's administration has enacted 61 sanctions on a total of 35 countries (21). As a comparison, since 1914 there have been a total of 116 economic sanctions imposed. Countries targeted by these sanctions (see Figure 1) "are home to 2.3 billion people, or 42 percent of the world's population, and purchase exports of $790 billion, or 19 percent of the global export market" (21). The resulting loss in economic activity for the U.S. measures in the billions of dollars and hundreds of thousands of jobs over the years (21). Researchers studying the effects of these 116 sanctions have found those placed for economic policy reasons to be quite ineffective: 66 percent of the total cases have failed. From 1973 to 1990 only 24 percent of all sanction cases were successful (21).

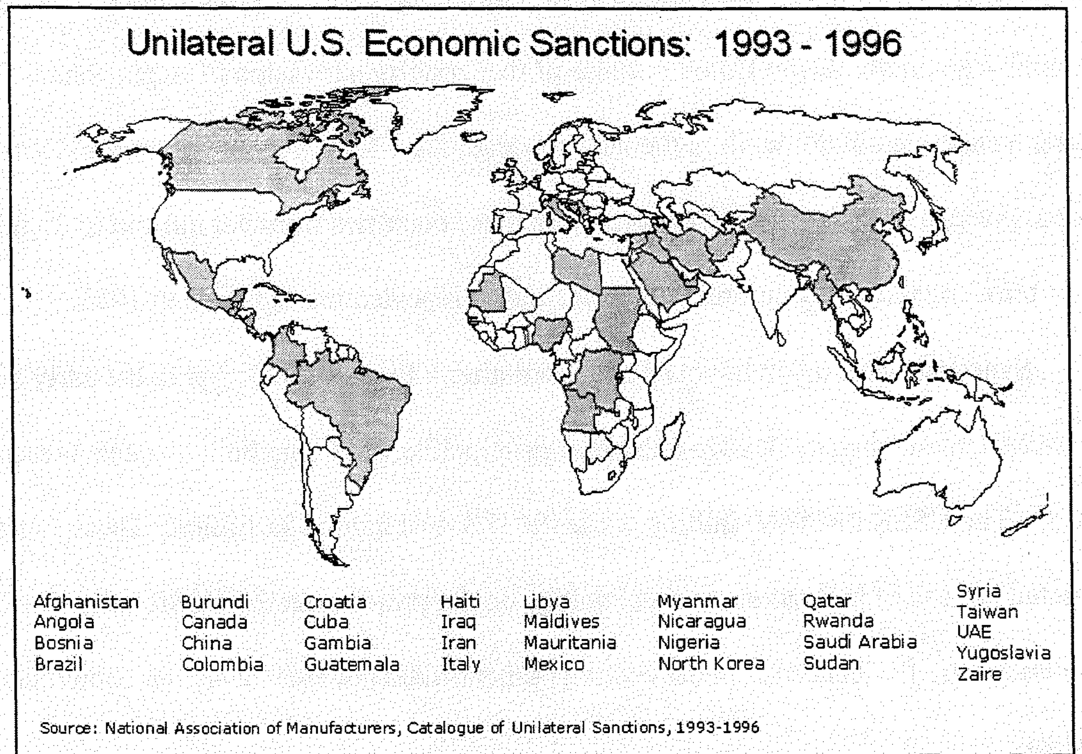

Figure 1

Proponents of the use of sanctions often point to social causes as success stories. In many cases this cannot be proven. Many people claim that sanctions placed on South Africa caused the downfall of apartheid. However, others believe that this is not true and that such arguments diminish the thirty-year struggle that the oppressed people of South Africa fought through (29). It has been stated that the international banking system was a major factor that led to the defeat of apartheid because the banks were hesitant in making and renewing loans in South Africa. Another potential reason that assisted in the collapse was when the Olympics disallowed South African participants. These two major issues degraded the white elite class of South Africa, thus aiding in the downfall of apartheid.

The sanctions enacted upon South Africa were all multilateral. Today, recent sanctions imposed have all been unilateral. Although proponents believed that sanctions led to the collapse of apartheid in South Africa, it is difficult to compare this with the effects of recent sanctions because of the difference in the fundamental nature of multilaterally and unilaterally imposed laws.

More than multilateral sanctions, those of a unilateral nature can cause large, unforseen detrimental economic impacts. Unilateral sanctions imposed by any country will find it very difficult to affect the targeted nation. The nation receiving the sanction will, in all probability, always be able to find another country willing to invest and supply it with needed goods and services. The United States' GDP is more than 30 percent dependent on trade. Twelve million people are employed by trade-related jobs. Unilaterally imposed sanctions may negatively impact many different sectors of the U.S. domestic economy. For example:

- Current restrictions on high technology trade to China cut off the nuclear energy market, worth around $50 billion. As nuclear power fades in popularity within the United States, thousands of jobs that are based in the support and manufacture of nuclear technology are threatened.
- Certain foreign policies have restricted the sale or use of civilian airliners, such as those manufactured by Boeing and McDonnell-Douglas in the targeted countries. These

restrictions have damaged one of the most lucrative U.S. industries by providing an inherent advantage to their European counterparts such as Airbus.

- In the early 1980s, U.S. sanctions involving heavy equipment caused a backlash among our allies and trade partners, doing permanent harm to our manufacturing industry and costing unspecified thousands of jobs.
- Because of the long-lasting Cuba embargo, U.S. businesses have lost an estimated $30 billion (26, 25).

Conclusion

It seems obvious at this point in the history of international relations that employing a sanction against another nation is not a preferable tool in foreign policy. Sanctions can fail in far too many ways. Too many pieces must fit perfectly together in order for any sanction to prove effective.

In this era of economic globalization, truly the only way for unilateral sanctions to achieve their goal is for the United States to be the sole supplier of a particular good or service to the targeted country. However, considering the heterogenous nature of every industry, this is unlikely to occur, except perhaps at the absolute highest reaches of military technology.

Given this fact, in order for sanctions to succeed, many other nations must join in the effort to create a multilateral push for change. Achieving coalitions of this nature has become increasingly difficult as well. For example, sanctions against Myanmar are failing, not merely because the U.S. is the only active sanctioning body. China and other Asian countries that provide the majority of Myanmar's international trade need to participate, yet this is unlikely to happen. In July, 1997 the Association of Southeast Asian Nations, (ASEAN) a major trade organization in the region, invited Myanmar to join.

To gain multilateral support in order to influence a particular country to follow our interests, the U.S. must find support for our interests in other countries. Considering the different cultures and ethnocentric tendencies of all nations, finding those who will simply follow the U.S. lead is difficult. Only a single nation with near-equivalent exporting ability can ruin a well-planned sanctioning effort. For example, because of China's willingness to deal in military technology with nations such as Iran, Iraq, and Pakistan, the U.S. cannot expect complete success in preventing the spread of weapons of mass destruction.

Unilateral efforts can damage a nation's status among its peers even if no money is directly lost. The sanctioning nation becomes undependable in the eyes of other nations, which will logically result in fewer trade opportunities in the long run.

Rather than risk damaging international status and causing immeasurable damage to U.S. global economic interests while achieving only dubious results, many other foreign policy options must be attempted. All other lines of diplomatic options should be pursued aggressively. While these other efforts are underway, rational and honest assessments of a potential sanction's benefits and costs need to be made.

Considering the situation in Myanmar, the economic interests of the United States are minimal at best. There were only five U.S. affiliates in Myanmar in 1996. The net worth of these companies was $109 million. These firms lost $16 million and only sold $2 million worth of goods (8). Looking at this limited information and the lack of current statistics for Myanmar because of the insignificance of U.S. investment shows that companies are not interested in creating an enterprise in the country. Rather than employing sanctions where there is minute economic interest, other foreign policy practices may be more effective.

Engagement has been assessed by many as a more effective way to accomplish goals in unsavory areas because of the influences that can be placed on the targeted country. For example, the possibility exists that there could be an increase in the standard of living by placing U.S. political practices into play. The targeted country's government may not want these influences and may try to keep themselves isolated.

As discussed earlier, sanctions rarely affect the intended countries. They most often harm the country imposing the sanction. In the targeted country, when there are adverse effects, usually the lowest social levels are impacted. In Iraq, for example, the United States has imposed federal sanctions for years, which were supposed to reprimand the ruling class, but instead only the poor lower classes have been affected. These adverse effects may be avoided if another alternative is used.

Engagement can be effective because the nation's economic influence is in the country targeted to be changed. One of the premises behind this foreign policy practice is that there is a good possibility it can positively influence wages and labor standards in a country where these are poor. Dictators or military regimes do not want this type of foreign policy because it can undermine their efforts to rule. This is indirectly another reason why sanctions may end up aiding rulers that are oppressing the targeted country: it allows them to close the door on these 'hazardous' influences that are hurting the lowest classes, and happen to threaten their rulership.

In President Clinton's wide-ranging foreign policy address in April of 1997 in Washington, D.C. he said that he would like to move toward engagement policies because they are more efficient and produce more favorable results (1). He cited how negotiations with Congress over Mexico were encouraging, concerning teaming up with the country and debarring chemical weapons and stopping the flow of narcotics.

The foreign policy practice for China has been engagement for years. The United States wants to avoid isolating the country because of its communist government, and its economic, military, demographic, and geographic enormity in Asia. In order to keep a lasting relationship with all of Asia it would be foolish to sever all ties with China.

Engagement educates a nation by influencing the citizens politically, diplomatically, economically, charitably, religiously, educationally, and culturally (13). Businesses influence the community where they are established. Firms stimulate the cultivation of new ideas and inventions that can be nurtured in a democratic society and usually challenge traditional ways of thinking. Alternatives should be broached before resorting to unilateral sanctions that can ultimately crush this movement. The "invasion" of Hollywood, Coca-Cola, and McDonald's into the USSR during Gorbachev's Glasnost period in the late 1980s exposed Russians to Western choices and freedoms.

Other alternatives other than engagement or sanctioning a country might be necessary. The United States should try to "advance our shared goal of political and religious freedom and economic development" (8). When engagement is not enough the military may need to step forward to create a forced stability. This tactic was used successfully in Bosnia to stop bloodshed. The military succeeded in re-establishing the democratic government in Haiti, while flushing the dictators out of the country (19). The United States was able to persuade North Korea with the aid of South Korea, Japan and China to dismantle its nuclear armaments (19).

Banning weapons and creating coalitions to stop the spread of drug trafficking and terrorism are other foreign policy practices designed to achieve desired goals.

President Clinton believes that protectionism and ungoverned free trade are no longer viable in today's global commerce (2). Closing our doors to competition will not allow the United States to profit on future markets. It will only lead to other nations benefitting while the U.S. loses potential gains. Sanctions, engagement, using military enforcement, and establishing coalitions are all different strategies that need to be implemented in the right situations to achieve our foreign policy goals.

Further Research

Sub-federal sanctions need to be scrutinized to see if they have damaged the local area or state. Businesses have the right to know if state- or locally imposed sanctions have any negative or positive effects on the local economy. In the future, data need to be collected to find out if there is an economic impact on foreign direct investment in the United States from the countries that have local or state-imposed sanctions placed on them. A major difficulty in performing this study is the fact that states and cities do not compile such trade data. The length in time it takes to gather appropriate data is quite extensive. It would be difficult to discover over the short term if an impact has occurred at the sub-national level.

More specific cases need to be examined in greater detail analyzing any adverse affects on the targeted and imposing country. This information would be useful when governments are considering engaging in sanctions. A more difficult research route would be to contact businesses in an attempt to find out if the local firms have been impacted by the sub-federal sanctioning. Companies, though, may be less likely than governments to divulge personal corporate information.

Educating the masses on sub-federal and federal sanctions allows the people a greater awareness of the harm they can cause. Sanctioning does produce negative effects on the local communities that engage in this type of foreign policy, and has the propensity to damage foreign relations with other countries. Perhaps, through education, people will show greater concern. Therefore, some public relations effort should be made to provide this education, so that many of the parties involved will fully understand the ramifications of sanctions.

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