SANCTIONS INTENSITY AND STATE RESPONSE: AN ANALYSIS OF THE EFFECTS OF PARTIAL AND FULL SANCTIONS REGIMES

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By

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ABSTRACT

How does the intensity of a sanctions regime impact the strength of a state’s response to sanctions? This thesis explores the relationship between these variables by examining the cases of Iraq and Libya, which represent states under full and partial sanctions regimes, respectively. My analysis finds that sanctions lead to three specific state responses: state involvement in illicit activity, increased state repression, and changes in state welfare spending. The degree to which a state engages in these responses correlates with the intensity of its sanctions regime. Thus, Iraq developed expansive illicit networks and increased state repression. Libya, by contrast, was involved in less extensive illicit activity and initially refrained from repressing its populace until the imposition of more stringent UN sanctions in 1992. Though I find that both Iraq and Libya cut state spending, due to insufficient data, I am ultimately unable to compare relative state spending patterns between the two states. I conclude by testing my hypothesis about state reactions to sanctions against the cases of Yugoslavia and Myanmar and I find that my hypothesis holds against the geographic and temporal variation that these countries introduce. Ultimately, my analysis shows that there is a significant association between the intensity of a sanctions regime and the extent to which a sanctioned state pursues illicit activity and repression of its populace.
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INTRODUCTION

Economic sanctions have been hotly debated in recent years. The increasing willingness of the United States and other actors to impose economic sanctions, such as those imposed on Russia, Iran, and North Korea, and the uncertainty over sanctions’ efficacy has expanded interest in the topic and created a pressing need to understand their implications. Jack Lew, the US Treasury Secretary, recently remarked that “[e]conomic sanctions have become a powerful force in service of clear and coordinated foreign policy objectives - smart power for situations where diplomacy alone is insufficient, but military force is not the right response.” At the same time, Lew warned that “overuse of sanctions could undermine our leadership position within the global economy, and the effectiveness of our sanctions themselves.” Debates over the effectiveness of sanctions as a policy tool, however, have been inconclusive; it is still uncertain, for example, whether sanctions are an effective means of encouraging a sanctioned state’s compliance. Furthermore, the secondary effects that sanctions can have on a target state’s actions have been understudied in these debates. As such, this study seeks to further investigate state responses to sanctions, and specifically seeks to understand how the intensity of a sanctions regime (namely, whether it is a partial or full sanctions regime) affects the magnitude of state responses. Determining the association between the magnitude of states’ responses to sanctions and the intensity of a sanctions regime will prove useful for future policymakers as it can illustrate the utility and consequences of implementing international sanctions.

2 Burns and Lew, “U.S. Treasury Secretary Jacob J. Lew.”
It is useful here to first define partial and full sanctions regimes. Under a partial-sanctions regime, foreign trade by the sanctioned state is still permissible, though parts of the state’s trade may be impaired. Partially-sanctioned states may lack access to certain financial mechanisms or may be unable to sell their goods in certain markets. These sanctions can be imposed by the UN or unilateral actors. Under a full sanctions regime, by contrast, almost all foreign trade is proscribed by UN mandate except for the trade of humanitarian goods and other critical necessities. This trade ban is enforced through naval or aerial embargos, and strict financial oversight. As a result of the restrictions imposed by a full sanctions regime, the economies of fully-sanctioned states often suffer due to a lack of critical goods and foreign investment.

What might the relationship between sanctions intensity and state responses be? I hypothesize that while most sanctioned states react similarly to sanctions, the intensity of a sanctions regime imposed on a state correlates with the magnitude of the state’s response. There are limited responses available to states that are subject to sanctions; when a state’s revenues are targeted by sanctions, there only so many ways that it can mitigate economic troubles and stabilize political structures. This study will focus on three common state responses to sanctions: state involvement in illicit economic activities, state repression, and reductions in state welfare spending in favor of political initiatives. Any variation between states is likely a product of the severity of the sanctions that are levied. Thus, a full sanctions regime will encourage extensive state action, while a partial sanctions regime will likely lead to less drastic state responses.

To determine how state responses vary with the intensity of a sanctions regime, this thesis examines two historical cases: the comprehensive international sanctions regime against Iraq from 1990 to 2003 and the partial, US-led isolation of Mu’amar al-Qadhāfi’s Libya from 1979 to 2003. As the focus of this thesis is to identify differences in state responses to sanctions,
the period of analysis is restricted to years in which sanctions were active. Iraq and Libya are excellent case studies in the effects of sanctions as these states had similar economic structures (both based on oil dependency and rentier-like institutions) and similar political systems (both were personalized authoritarian political systems). According to the Central Intelligence Agency (CIA), “oil comprised approximately 61 percent of [Iraq’s] economy”\textsuperscript{3} in 1989. In 1990, oil exports reportedly comprised 75\% of Iraqi GDP.\textsuperscript{4} Libya was similarly dependent on oil revenues; during the mid-to-late 1980s, oil accounted for more than 95\% of Libya’s exports.\textsuperscript{5} One could argue that Iran offers a better comparison with Iraq due to their shared history and geographic proximity, but Iraqi and Iranian political systems were markedly different during the 1990s.\textsuperscript{6} As scholars Mehran Kamrava and Houchang Hassan-Yari note, over the course of the 1990s, “Iran’s post-revolutionary state… [had] become institutionally ‘Balkanized.’”\textsuperscript{7} Iran’s factional competition contrasts starkly with the personalized authoritarian systems that had developed around Saddam Hussein in Iraq and Mu‘amar al-Qadhāfi in Libya.\textsuperscript{8} Though Iran was subject to a partial sanctions regime during the 1990s (similar to that of Libya), the country was not nearly as dependent as Iraq or Libya on its oil exports during this period.\textsuperscript{9} In addition, Libya


\textsuperscript{5}Tim Niblock, “Pariah States” and Sanctions in the Middle East (Boulder: Lynne Rienner Publishers, 2001), 61.


\textsuperscript{8}The lack of a personalized authoritarian state in Iran is a product of the death of Ayatollah Ruhollah Khomeini in 1989 and the initial weakness of his chosen successor Ali Khamenei.

\textsuperscript{9}For instance, Iran’s ratio of oil export revenues to real output was consistently lower than Libya’s. See Figure 7 in Kamiar Mohaddes and M. Hashem Pesaran, “One Hundred Years of Oil Income and the Iranian Economy: A Curse
and Iraq experienced international isolation during overlapping time periods, though official sanctions against Libya began earlier than those against Iraq.\textsuperscript{10} Iraq and Libya’s similar economic systems, political structures, and the temporal overlap of their sanctions acts as a control, albeit a limited one, against the other factors that might have affected these countries’ engagement with international markets and their subsequent domestic responses.

The nature of the sanctions levied on Iraq varied significantly from those levied on Libya. The sanctions regime against Iraq was far more restrictive than that imposed on Libya, and it has frequently been described as “unprecedented in terms of [its] rigour and duration.”\textsuperscript{11} Iraq was almost entirely blocked from world markets for nearly a decade. International sanctions against the country prevented it from exporting oil and most other goods unless they were approved by a United Nations Security Council (UNSC)-mandated Sanctions Committee. These extreme trade limitations fit with my definition of a full sanctions regime. International sanctions against Libya, by contrast, did not directly limit Libyan oil production, though the UNSC did forbid the export of certain petroleum and natural gas related machinery to the country.\textsuperscript{12} The sanctions regime imposed on Libya was thus a partial one, even at its most stringent. By comparing Iraq’s full sanctions regime to Libya’s partial sanctions regime, I derive general lessons about the relationship between the intensity of a sanctions regime and the magnitude of state responses to sanctions.

\textsuperscript{10} Though the official sanctions regime against Iraq did not begin until the 1990s, the country was in many respects isolated from international energy markets starting in the early 1980s, as war with Iran limited its export capacity through the Persian Gulf.


\textsuperscript{12} Niblock, “Pariah States”, 40-41.
Methodology

To illustrate the effect of sanctions on Iraq and Libya during this period, I use archival Iraqi government documents, news articles, investigative reports, and country specific financial and economic data from organizations such as the World Bank, the CIA, and the United Nations (UN), among other sources. The availability of primary source materials from Iraq is exceptional due to the seizure of Iraqi government and Ba‘th party documents after the US invasion in 2003. It is rare to have access to such large quantities of internal government documents in any state, especially within the last 20 years. Given the unprecedented access to Iraqi primary source materials, more of my analysis focuses on Iraq. A portion of these records was made available to researchers at the Conflict Records Research Center (CRRC), which at the time of my visit in May 2015 was headquartered at the National Defense University in Washington, DC and consisted predominantly of security and intelligence reports, presidential diwan minutes, and foreign affairs documents. Recently, however, the CRRC closed due to budgetary constraints.\(^{13}\) I recognize that there is controversy around the ethics of using these records\(^{14}\), especially given that they were seized by military force. However, I believe that the great academic and public utility of these records for understanding critical issues such as sanctions justifies their use.

Though the CRRC contained Iraqi government documents dating to the 1970s, I chose to examine documents from 1990 to 2003, when Iraq was subject to international sanctions. I accessed scanned copies of the original documents, in Arabic, along with their English


\(^{14}\) See Michelle Caswell, “\(^{4}\{\text{“Thank You Very Much, Now Give Them Back’}:\text{ Cultural Property and the Fight over the Iraqi Baath Party Records,}\text{ The American Archivist 74 (Spring/Summer 2011): 211-240}\) for a detailed discussion of the public and ethical debate surrounding these records.
translations and my research evaluated both the original Arabic and translated English content. Using key word searches in English, I identified documents that contained information about sanctions, the Iraqi economy, oil, and smuggling. This yielded notes from the presidential diwan and reports by Iraqi intelligence services on the state of Iraq’s economy and the effect of sanctions on the country’s populace. These documents provide valuable insight into the Iraqi state’s perspective on sanctions, and the strategies that it contemplated to ease its domestic challenges. Unfortunately, the CRRC collections lacked substantive economic data insofar as most of the documents at the CRRC address sanctions from a political and security perspective. The collection contains few finance or trade ministry documents and as a result, my analysis of sanctions’ political effects is stronger than my analysis of sanctions’ economic effects.

I also collected primary source materials from online archives and libraries. Much of my primary source information for Libya was drawn from Foreign Broadcast Information Service (FBIS) daily reports. The FBIS was created by presidential directive during World War II, and its original mission was “to monitor, record, transcribe and translate intercepted radio broadcasts from foreign governments, official news services, and clandestine broadcasts from occupied territories.” The FBIS expanded its mission after the war to collect publicly-broadcast information from around the world. Using keyword searches for terms of interest (such as ‘black market’), I obtained transcripts of Qadhāfi’s speeches, public reports, and articles produced by Libya’s state news agency Jamahiriya News Agency (JANA). I also used archival news articles from major Western papers, and historical financial and economic data to characterize the

pressures that faced the Libyan and Iraqi states. These sources are particularly important for my analysis of Libya as, unlike Iraq, there are limited accessible archival government documents from Libya. Libya’s government records remain, like those of most authoritarian states in the region, inaccessible. As such, archival news articles, speeches, and reports are key to my chapter about sanctions in Libya. My sources include both Arabic and English material and where needed I have translated the Arabic to English, in adherence with the IJMES guide regarding the transliteration of Arabic.

**Outline of Discussion**

This study is divided into three chapters. The first chapter explores the impact of sanctions on the Iraqi state’s economic and political behavior, detailing how the state resorted to illicit behavior to sustain itself and the effect of the sanctions regime on state spending patterns. The first chapter also discusses how the state increased repression on non-state actors and civilians alike. The second chapter examines the impact of US and UN sanctions on Libya and explores the nature of the partial sanctions regime. Of particular focus is how the predominantly-financial sanctions levied against the Libyan state affected its economy, as well as how the state coped with these sanctions. The third chapter compares the sanctions experiences of Iraq and Libya to draw general lessons about the association between the intensity of a sanctions regime and the magnitude of state responses. It tests the robustness of my thesis by analyzing the cases of Yugoslavia and Myanmar to see how well the association holds in different geographic and temporal circumstances.

International actors are increasingly using sanctions and as such, it is important to understand the potential consequences of levying comprehensive or partial sanctions regimes. Ultimately, I hope that this work can provide insight into the complications that can arise from
full and partial sanctions regimes and that this work can thus contribute to more informed, future policy responses.

**Literature Review**

To understand how state responses vary when subject to sanctions regimes of different intensities, it is useful to situate the discussion in the scholarly literature. While much has been written about sanctions and their effectiveness, there has been limited discussion on the secondary effects of sanctions on state actions, particularly domestically. Many academics focus on the large-scale policy implications of sanctions; I aim to look beyond issues of success and compliance to investigate other implications of sanctions on state actions. This thesis thus aims to fill a gap in the literature by examining an under-addressed aspect of sanctions policy.

Scholars have written extensively about the sanctions on Iraq; relatively little has been written about sanctions on Libya by comparison. The literature on the Iraq sanctions tends to focus on the efficacy and ethics of the sanctions regime. Joseph Sassoon, for instance, has detailed how Saddam Hussein exploited the sanctions to increase support for the state and to strengthen his grip on power.16 Joy Gordon has similarly analyzed the sanctions regime in depth, providing a thorough examination of the ethics of the sanctions and highlighting how “the humanitarian disaster that was brought about through the demands and devices of a superpower… can not only be legitimated but can be made invisible.”17 Still, much of the literature on sanctions in Iraq and Libya tends to focus on whether sanctions were successful in compelling these states to adhere to international demands. Analyzing the broader scholarly

debate regarding sanctions thus helps to inform my analysis and strengthen my understanding of intervening factors that might have impacted Iraq and Libya’s economic and political strategies during the period in which they were sanctioned.

A prevailing theme in the literature is the question of whether or not sanctions encourage compliance with international norms. Before engaging with this debate, however, it is important to define sanctions. Hufbauer, Schott, and Elliot define economic sanctions as “the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations.”18 In a separate work, Elliott expands this definition by arguing that the three main uses of sanctions are to “signal disapproval… to deny or contain… [and] to coerce.”19 This study will define sanctions as economic policy tools meant to coerce target governments toward a specific course of action, to prevent a state from pursuing a course of action, or to express a sanctioning actor’s displeasure with another actor.

Many scholars have attempted to define what constitutes the success of a sanctions regime. Hufbauer et al. determined whether sanctions were successful by examining “the extent to which the policy result sought by the sender country [the sanctioning state] was in fact achieved and the contribution to success made by sanctions.”20 The scholars measured sanctions’ contribution to success by interviewing policy analysts and examining external and internal documents in which political actors of sanctioning and sanctioned states discussed the effects of sanctions. By contrast, Robert Pape argues that “economic sanctions should be credited with success if they meet three criteria: (1) the target state conceded to a significant part of the

20 Hufbauer, Schott, and Elliott, Economic Sanctions Reconsidered, 49.
coercer’s demands; (2) economic sanctions were threatened or actually applied before the target changed its behavior; and (3) no more-credible explanation exists for the target’s change of behavior.”

Pape further notes that it is difficult to distinguish the proximate cause of changes in a sanctioned state’s actions, and as such one should defer to credible statements made by decision makers in the sanctioned state. This study will follow Pape’s recommendations and defer to the statements of decision makers when possible in attributing changes in state actions to sanctions. In addition, it is interesting to note that when applying Robert Pape’s definition of successful sanctions to Iraq and Libya, Libya’s partial sanctions regime appears to be successful, while Iraq’s full sanctions regime appears to have failed. Libya ultimately acceded to UN demands after the imposition of UN sanctions. Iraq, by contrast, resisted UN pressure and actively subverted its sanctions regime. It is difficult, however, to extrapolate about the likely success of partial or full sanctions based on these examples.

Indeed, there is considerable disagreement over the effectiveness of sanctions as a policy tool. Hufbauer et al. found that economic sanctions were at least partially effective in 34% of cases, and significantly effective in 30% of cases. Hovi, Huseby, and Sprinz, by contrast, argue that “[t]he dominant view historically has been that sanctions do not work.” According to the authors, sanctions fail for several reasons, most significantly that “it is difficult to ensure that sanctions hurt where they are supposed to” and that “while sanctions might cause protest against the political leadership... they might also conversely arouse defiance, patriotism, and popular support for the regime.”

Tostensen and Bull support this claim, noting that when sanctions are

applied broadly, the “damage inflicted on civilian populations may easily be exploited by the targeted government to argue that the sanctions regime is inhumane.”\textsuperscript{25} This narrative of victimhood is used by governments to generate a ‘rally-around-the-flag’ effect, where patriotism is encouraged in the face of outside oppression. Adding to the debate, Chesterman and Pouligny suggest that sanctions are not necessarily meant to succeed. They highlight Kofi Annan’s statement that “‘getting sanctions right has [often] been a less compelling goal than getting sanctions adopted.’”\textsuperscript{26} While Hovi et al., may be right that sanctions rarely work, there can be other motivations for enacting sanctions. Sanctions can be used as declarations of displeasure or serve as a manifestation of the international community’s desire to be reactive after a crisis.

Given that broad-based sanctions have the potential to strengthen a sanctioned state, policy-makers have developed targeted sanctions. Hufbauer and Oegg define targeted sanctions as tools “meant to focus their impact on leaders, political elites and segments of society believed responsible for objectionable behavior, while reducing collateral damage to the general population and third countries.”\textsuperscript{27} Portela further adds that “[b]ecause they [targeted sanctions] do not presume to affect the economy as a whole, they are not expected to bear significant humanitarian consequences, impoverishing the population and criminalising society.”\textsuperscript{28} Targeted sanctions include such tools as arms embargoes, financial sanctions on companies, and trade sanctions. Despite their growing popularity, it is unclear whether targeted sanctions are more

\footnotesize{\textsuperscript{25} Arne Tostensen and Beate Bull, “Are Smart Sanctions Feasible?,” World Politics 54, no. 3 (2002): 376.  
successful than broad-based sanctions. As Dan Drezner notes, targeted sanctions have an inconsistent track record, impose a steep cost on a sanctioned state’s populace, and are too time-intense to enforce to be effective.

Partial sanctions regimes encompass targeted sanctions, which are a more specific subset of sanctions activity. For instance, the most recent partial sanctions regime levied on Iran included multiple types of targeted sanctions, such as targeted financial, trade, and insurance sanctions, as well as broader sanctions. The standard dichotomy of targeted versus broad-based sanctions is insufficient to describe the effects or intensity of sanctions. Hufbauer and Oegg separate the initial imposition of targeted sanctions from the imposition of broader sanctions and as such evaluate the two events independently. Viewing these successive events as independent, however, fails to account for the conditional effect that earlier sanctions can have on later sanctions. Instead, it is more useful to expand the level of analysis from targeted sanctions to the partial sanctions regime, as this designation can allow for more holistic analysis. Doing so also differentiates states that have been economically isolated from those that still maintain significant levels of foreign trade.

Prior to discussing the literature on sanctions’ impact on state actions, it is necessary to explain this study’s focus on the effects of sanctions rather than the effectiveness of sanctions. The decision to focus on the effects of sanctions rather than their effectiveness stems from the

32 Hufbauer and Oegg, “Targeted Sanctions: A Policy Alternative?”
difficulty of defining the success of a sanctions regime. Robert Pape’s three criteria for determining the success of sanctions provides a framework for analyzing sanctions’ success, but there is significant room for disagreement. For example, Pape assumes that sanctions are only successful if the targeted state accedes to a significant part of the targeting state’s demands, but this ignores beneficial outcomes that were not directly demanded by the targeting state. Additionally, to assess the success of a sanctions regime, it is necessary to define the goals of the sanctions regime. This can be difficult, however, as goals frequently change over time or due to transitions in political leadership. It is unsurprising then that the issue of sanctions’ effectiveness has been discussed extensively in the scholarly literature without resolution. There is more opportunity to contribute to the literature on sanctions by examining the effects of sanctions on state actions due to the relative dearth of literature on the subject. Nonetheless, I do briefly discuss the perceived effectiveness of the sanctions regime on each case included in this study, as it contributes to an overall understanding of the effects of sanctions on state responses.

The literature on sanctions includes some analysis of the effects of sanctions on state actions that are unrelated to compliance. For instance, some scholarly literature supports the idea that sanctions can encourage a sanctioned regime towards criminal behavior. Specifically, Peter Andreas finds that under sanctions a “targeted regime may go into the business of organized crime to generate revenue, secure supplies, and strengthen its hold on power… the most profound criminalizing result of sanctions can be to push economic activity underground and… inflate the profitability of illicit commerce.”

33 Examining Yugoslavia in the 1990s, Andreas found that smuggling and other illicit economic activities became normalized as ties between the

state and smugglers deepened due to sanctions. The Yugoslav regime encouraged illicit activities to secure vital rents and to ensure that its people were placated with sufficient resources and would not try to overthrow the regime.

Other scholars have identified additional effects that sanctions have on state activities. Escriba-Folch, for instance, finds that under personalist authoritarian regimes, sanctions are associated with a sharp reduction in public spending and with higher levels of domestic repression. These responses are a product of personalist regimes’ dependency on revenue sources, such as foreign aid and natural resources, which are very vulnerable to disruption by external actors. Escriba-Folch also finds that under single-party regimes, both repression levels and state spending on support groups increase. Wood argues that “this increase in repression results from incumbent efforts to prevent the defection of core supporters and to stifle dissent in the face of declining economic conditions or growing opposition support.” Wood also argues that UN sanctions are more likely to lead to increased repression than are unilateral sanctions. This is consistent with my expectation that more intense sanctions are likely to elicit more intense state responses; multilateral sanctions are frequently more severe than unilateral sanctions. I support the arguments of Andreas, Escriba-Folch, and Wood, and I build on their work. Only Wood directly addresses the impact that the intensity of a sanctions regime has on state actions. Andreas and Escriba-Folch, by contrast, ignore the relationship between the

34 Andreas, 341-344.
36 Escriba-Folch, “Authoritarian Responses to Foreign Pressure,” 705.
intensity of a sanctions regime and its effects on the magnitude of state responses. As such, I examine how the intensity of sanctions affects a state’s actions, including illicit activity and repression.

It is important to define repression to illustrate the indicators that are used to assess changes in state repression. While increases in illicit state behavior and changes in state spending patterns are more clearly defined, the concept of repression is rather nebulous. Christian Davenport defines repression as involving “the actual or threatened use of physical sanctions against an individual or organization… for the purpose of imposing a cost on the target as well as deterring specific activities… perceived to be challenging to government personnel, practices or institutions.” 39 At the same time, Davenport acknowledges that this understanding of repression “does not consider what are referred to as second-generation (economic, social, and cultural privileges) and third-generation rights (the right to peace and a clean environment).” 40 Depending on one’s perspective, the denial of access to clean water or the refusal to establish basic levels of security could constitute repression. State formation and governance necessitates the exertion or threat of violence, yet this is distinct from repression as repression “deals with applications of state power that violate First Amendment–type rights, due process in the enforcement and adjudication of law, and personal integrity or security.” 41

Levitsky and Way further expand this notion of state repression by distinguishing between what they describe as high- and low-intensity coercion. According to Levitsky and Way, high-intensity coercion is composed of “high-visibility acts that target large numbers of

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people, well-known individuals, or major institutions. An example is the violent repression—often involving security forces firing on crowds—of mass demonstrations.”42 State use of low-intensity coercion, by contrast, does not “involve high-profile targets and thus rarely make[s] headlines.”43 The state instead focuses its efforts on such activities as state surveillance, low profile physical harassment, and non-violent harassment to maintain state control over its citizens. Levitsky and Way’s differentiation between categories of repression is important, as it highlights the many ways states can use force or the threat of force to shape citizens’ behavior. While discussions of repression tend to evoke notions of state actions closer to high-intensity coercion, state repression frequently seems to fall in the category of low-intensity coercion.

While Davenport’s definition of repression entails certain assumptions about basic human rights, his notion of repression as deviating from previously established legal norms and directly threatening citizens’ personal security is, I believe, a useful framework for understanding repression. As such, I ultimately agree with his definition of repression as an actual use or threat of force intended to prevent perceived challenges to the state. I assess whether Libya and Iraq’s levels of repression increased by looking at actual or threatened state infringement on citizens’ legal rights and the cultivation of an atmosphere of personal insecurity, in addition to general increases in state willingness to use force.

It is clear from the literature that sanctions often fail in changing the behavior of rogue states. What, then, might be concluded from the literature as it relates to the association between sanctions intensity and state responses? First, it is inconclusive whether either broad or targeted

43 Levitsky and Way, Competitive Authoritarianism, 58.
sanctions can encourage sanctioned states to comply with the demands of their sanctioning actor. Second, both broad-based and targeted sanctions can encourage an authoritarian state’s public to support the regime, rather than oppose it. Third, sanctions can lead states to pursue illegal activities to ensure flows of rents and other vital economic goods. Finally, sanctions can lead states to increasingly repress their citizens and to cut their public spending.
CHAPTER 1: IRAQ UNDER SIEGE

During the 1990s and early 2000s, Iraq was under siege. The sanctions regime imposed on Iraq by the international community after the First Gulf War severed Iraq’s connections with global markets for nearly 13 years. The country was deprived of basic necessities and key industrial equipment and, for a time, was prevented from selling its crude oil abroad. The intensity of the sanctions regime was driven by a desire to prevent Iraq from rebuilding its military. As Joy Gordon notes, “it was the consistent policy of all three U.S. administrations, from 1990 to 2003, to inflict the most extreme economic damage possible on Iraq,” with the aim of denying the Iraqi government the resources to rearm its armed forces. Of less concern to those who initially crafted the sanctions were the potential consequences that these sanctions might have on the actions of the Iraqi state.

The secondary effects of sanctions on Iraqi state strategy ultimately undermined efforts by the international community to gain Iraq’s compliance. Sanctions led the state to seek new, illicit sources of revenue while dismantling broader welfare protections. Additionally, the state became more repressive, as it sought to repress non-state actors involved in smuggling, and to reassert its control over the Iraqi people. The intensity with which the state pursued these policies is directly tied to the severity of the sanctions regime. Due to the highly deleterious impact of international sanctions on the Iraqi economy, the state was forced to earnestly pursue the aforementioned policy responses. In doing so, the Iraqi state managed to forestall its collapse.

44 Gordon, Invisible War, 3.
This chapter will discuss the full sanctions regime imposed on Iraq and its effect on Iraqi strategy and policies from 1990 to 2003. Ultimately, lessons drawn from the Iraqi experience will help illustrate the effect that a full sanctions regime can have on state actions.

**Historical Background**

Iraq’s path to international censure and isolation arguably began in 1980, when Iraq invaded Iran. In 1975, Iraq rescinded its claims to the entire Shaṭ al-‘Arab, a key means of transportation for trade and military ships that fed into the Persian Gulf claimed by both Iraq and Iran, and agreed to demarcate its territory at the thalweg of the river. In return, Iran agreed to end its support for the Kurdish movement in Iraq, allowing Iraq to suppress Kurdish efforts for greater autonomy and independence. In the years after the agreement, Iraq sought to reassert its authority over the entire Shaṭ al-‘Arab waterway. In 1979, the Shah of Iran was overthrown by a coordinated popular protest movement. Saddam Hussein, recognizing the disoriented state of Iranian affairs, sought to use the revolution to reassert Iraqi authority over the Shaṭ al-‘Arab. After a series of border skirmishes with Iran, Iraqi ground forces invaded the Iranian border province of Khuzestan in September 1980, starting eight years of bloody conflict between the two countries.

The Iran-Iraq war ended in 1988 after significant human and economic cost to both sides. Economically, the war was a disaster for Iraq. In 1980, Iraq’s real GDP per capita was $1,674;

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by 1989, it was $1,273.\textsuperscript{48} Iraqi oil revenues fell dramatically as a result of Iranian attacks on Iraqi export facilities and the fall of oil prices in both 1982 and 1986. In 1980, Iraq earned approximately $2,000 per capita in oil revenues, but by 1989 oil revenues had fallen to just $792 per capita.\textsuperscript{49} Furthermore, Iraq had financed the war by assuming more than $37 billion in debt from wealthy Gulf Arab states.\textsuperscript{50} Ultimately, the war cost Iraq an estimated $453 billion in damages and lost oil revenues\textsuperscript{51}, and this loss is reflected by the steep decline in Iraqi oil production, as shown in Figure 1. By the end of the war, it was unclear if the country would be able to repay its debts or rebuild its economy.

After the war, Iraq sought debt relief from its creditors, including Kuwait, but was rebuffed. Additionally, Kuwait refused to limit its production of oil to OPEC quotas, which depressed global oil prices.\textsuperscript{52} In 1988, Kuwait opposed OPEC’s position by insisting that “lower prices are in the best interest of consumers and producers of oil.”\textsuperscript{53} By June 1990, the price of oil had fallen to $13.67 per barrel, a direct result Kuwait’s overproduction.\textsuperscript{54} For comparison, in 1980 Brent Crude oil was priced at $36.83 per barrel.\textsuperscript{55} A more detailed presentation of the fluctuation in oil prices is presented in Figure 2. These depressed oil prices limited Iraq’s ability to rebuild its economy, as oil was integral to the country’s economy. In 1990, for instance, Iraqi

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\begin{footnotesize}
\textsuperscript{49} Alnasrawi, “Iraq: Economic Consequences of the 1991 Gulf War,” 343.
\textsuperscript{54} Alnasrawi, 341.
\end{footnotesize}
\end{flushright}
officials estimated that oil exports accounted for 96.5% of the country’s total exports.\textsuperscript{56} The financial pressures on the country and Kuwait’s violation of OPEC production quotas encouraged Iraq to secure its interests. Tensions between the two countries escalated correspondingly until, on August 2, 1990, Iraqi forces invaded Kuwait.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig1}
\caption{Iraqi Oil Production, 1980-2003}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig2}
\caption{Brent Crude Oil Spot Price, 1980-2003}
\end{figure}

The International Sanctions Regime

Only six days after the Iraqi invasion of Kuwait, the UNSC passed Resolution 661, which imposed economic sanctions on Iraq after its refusal to withdraw from Kuwait. The resolution called on all states to stop Iraqi goods from entering their territories, to forbid their nationals from facilitating Iraqi exports, and to cease supplying “any commodities or products… to any person or body in Iraq.”57 Additionally, the resolution imposed a financial hold on Iraq’s foreign reserves, prevented the movement of currency in and out of the country, and created a Security Council committee to oversee states’ efforts to sanction Iraq. Resolution 661 was shortly followed by a number of other UNSC resolutions intended to strengthen the sanctions regime on Iraq, which refused to withdraw from Kuwait. On August 25, 1990, the UNSC passed Resolution 665, which imposed a maritime blockade on the illegal import or export of goods from Iraq.58 The maritime blockade, later expanded to include air traffic, was primarily enforced by the United States and “[a]ll shipping on the Shatt-al-Arab waterway in the south of Iraq was intercepted and all vessels approaching the Jordanian port of Aqaba were boarded and inspected.”59 In September, the UNSC passed Resolution 666, which empowered the Security Council committee to determine if humanitarian circumstances warranted an easing of the

economic sanctions.\textsuperscript{60} This resolution allowed America and its allies to prevent states that objected to the sanctions regime from delivering supplies to Iraq under humanitarian grounds.

These initial resolutions set the tone for the sanctions regime. The international community was to isolate the Iraqi economy and subsequent resolutions ensured that Iraq could not import materials to expand its economy or military. The almost complete severance of foreign trade and proscription of Iraq’s interactions with international markets fits with this study’s definition of a full sanctions regime. Interestingly, international sanctions were not immediately debilitating to the Iraqi state. The Iraqi government responded quickly to the threat of food shortages by instituting a ration system, which Gazdar and Hussein note was successful at preventing starvation.\textsuperscript{61} Indeed, Iraq might have outlasted the sanctions regime by increasing its agricultural and industrial production, despite the economic blockade. However, the destruction wrought by the First Gulf War on Iraqi industrial and agricultural production precluded this possibility. On January 17, 1991, two days after Iraq failed to abide by the UN deadline to withdraw from Kuwait, US and Coalition forces began to engage the Iraqi military. The conflict ended a few weeks later when Iraqi forces were summarily defeated by the international coalition.

In April 1991, two months after the end of active hostilities between Coalition and Iraqi forces, the UNSC passed Resolution 687, which officially enshrined the ceasefire, subject to a number of conditions.\textsuperscript{62} Under the resolution, Iraq was obligated to destroy its chemical and biological weapons, as well as its nuclear weapons usable material under UN or International

\textsuperscript{60} UNSC, Resolution 666, September 13, 1990, accessed December 12, 2015, \texttt{http://fas.org/news/un/iraq/sres/sres0666.htm}.
\textsuperscript{61} Gazdar and Hussain, “Crisis and Response,” 48.
Atomic Energy Agency (IAEA) supervision.\(^63\) The resolution also empowered the UN to create a special commission (UNSCOM) to supervise, in cooperation with the IAEA, the destruction of Iraq’s weapons of mass destruction (WMD) program. In addition, Iraq was to stop its support international terrorism, to recognize Kuwait’s territorial integrity, and to assume liability for war damage and its prior debts.\(^64\) After the adoption of the resolution, Iraq had 15 days to declare its banned materials and to accept on-site inspections and future facilities monitoring from the IAEA and UNSCOM, or else face renewed conflict.\(^65\) Upon compliance with these conditions, sanctions on Iraq’s economy would be lifted. Iraq initially protested the violation of its sovereignty, but faced with renewed threats of war, the state acceded to the resolution’s demands. Throughout the next decade, Resolution 687 provided the pretext for continuing sanctions, to which Iraq responded by seeking to cheat UNSCOM and the inspections regime.

Despite its support of the sanctions regime, the UN attempted to limit the impact of the sanctions regime on Iraq’s civilian population. In August 1991, the UNSC passed Resolution 706, which laid out a mechanism by which Iraq could export oil in return for currency to buy humanitarian goods. According to the resolution, Iraq would be allowed to export up to $1.6 billion worth of oil.\(^66\) This oil revenue would then be deposited into an escrow account supervised by the UN and would be used to pay for humanitarian goods, UN overhead expenses for supplying and administering humanitarian aid, and the cost of the UN WMD inspections mission. Later known as the Oil for Food Program (OFFP), Resolution 706 was never

\(^64\) United Nations Security Council (SC), Resolution 687.
successfully implemented. Iraq viewed UN supervision of its oil revenues as a significant violation of its sovereignty. It would take nearly five years for the Iraqi state to accept oil for food provisions, during which time the Iraqi economy and civilian population suffered tremendously.

In 1995, US President Bill Clinton re-introduced the idea of a new OFFP in response to international critiques of the humanitarian impact of international sanctions on Iraq. The UN adopted this push and the UNSC passed Resolution 986 in April. Similar to Resolution 706, Resolution 986 allowed states to seek UNSC approval to buy Iraqi oil. Iraq could export up to $2 billion in oil and oil products over a six-month period, the majority of which were to be shipped through Turkey via the Kirkuk-Yumurtalik Pipeline.\(^\text{67}\) Revenues gained from the sale of Iraqi oil would be sent to a UN-controlled escrow account and humanitarian exports would be allowed into Iraq subject to UN inspection and Sanctions Committee approval.\(^\text{68}\) Iraq initially disapproved of the program, but was eventually convinced to support it and signed a memorandum of understanding in May 1996. Resolution 986 went into effect in December 1996 and subsequent resolutions expanded Iraq’s oil export capacity. Tim Niblock notes that during the “first six phases of the Oil for Food program… [roughly December 1996 to December 1999] [t]he value of [Iraq’s] actual oil exports came to $20.7 billion,” or about $6.9 billion per year.\(^\text{69}\) This was still a fraction of the Iraqi government’s income prior to the sanctions regime and was far less than the state might have made had it been able to sell its oil freely. Nonetheless, it was an important financial lifeline for the country.

\(^\text{68}\) Ibid.,
\(^\text{69}\) Niblock, “Pariah States”, 130.
The full sanctions regime had a tremendous impact on the Iraqi economy. The comprehensive trade embargo and inspections regime imposed on Iraq severely inhibited economic growth. While damage caused during the Gulf War certainly imposed significant costs on the Iraqi economy, it was the comprehensive nature of the sanctions regime that prevented the Iraqi economy from growing during most of the sanctions period. Between 1990 and 2000, sanctions cost Iraq approximately $200 billion in foregone trade income that would have come from oil and other exports. Real GDP growth was estimated to be negative or zero between 1993 and 1996. After the implementation of the OFFP in 1997 the Iraqi economy began to grow, but year-over-year real GDP growth declined every year from 1998 to 2001. This decline in growth rates occurred even as Iraq’s oil exports increased and oil prices rose, highlighting the magnitude of the structural constraints imposed on the economy by the sanctions regime.

Further evidence of the effects of the full sanctions regime can be seen at the microeconomic level. As Boone, Gazdar, and Hussain reported in 1997, there were “clear signs that sanctions have put the economy ‘on hold’ while households, government and enterprise wait for a return of oil revenues… This impression of temporary change was most visible in terms of the exchange rate movement. Whenever there were signs that the sanctions might be relaxed, the Iraqi Dinar appreciated sharply.” The intense sanctions regime imposed on Iraq thus resulted in a freezing of daily economic activity, as citizens were forced to focus on subsistence rather than

long-term economic planning. The extent of the economic damage caused by the intense sanctions regime thus offers an explanation as to why the Iraqi state’s responses to sanctions were so intense. Given the sanctions’ severe disruption of extant economic and political structures, the state had to do whatever it could to survive.

The Impact of Sanctions on State Responses

Faced with such intense sanctions, how did the Iraqi state respond? First, sanctions forced the state to seek alternative forms of revenue, particularly through illicit means. Second, in response to reduced state revenue, the state cut public welfare spending while maintaining its spending on political endeavors seen as important to state security. Third, the state intensely repressed non-state actors involved in smuggling, and increased repression overall. The rest of this chapter will analyze these three responses more fully.

Illicit Behavior

Throughout the sanctions regime, the Iraqi state sought to evade sanctions to sell oil and other goods abroad. As previously discussed, the Iraqi economy was heavily dependent on the sale of oil. The full sanctions regime initially forbid any Iraqi oil exports. As a result, the state was forced to turn to illegal avenues to export its oil and accrue revenue. Through these illicit activities, Iraq earned approximately $10.9 billion, according to the Iraq Survey Group (who published their findings in a document known as the Duelfer Report). The US Government Accountability Office (GAO) summarized other estimates of Iraq’s illicit income, including assessments from the Duelfer Report, the Independent Inquiry Committee (also known as the

Volcker Committee), and the GAO itself, with the lowest estimate putting Iraq’s illicit income at $7.43 billion and the highest estimate putting it at $12.8 billion. The GAO’s estimate placed Iraq’s illicit income at $10.1 billion. Figure 3 below presents the Duelfer Report’s estimate of Iraq’s illicit income over the sanctions period.

![Graph](image_url)

Figure 3: Illicit Iraqi Government Revenue, 1991-2003

After the first UNSC resolutions were passed, the Iraqi state began to plot how to evade them. The primary method Iraq developed was to smuggle or illegally export oil to Iraq’s neighbors. At first, much of the country’s exports and imports flowed illegally through Jordan. Between 1991 and 1995, Iraq is estimated to have accrued nearly $2 billion from oil and other product sales to Jordan. Jordan imported oil at below-market prices in exchange for civilian

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goods, credit, and write-offs of Iraqi debt.\textsuperscript{78} This trade continued despite UNSC resolutions forbidding such action. In fact, Jordan informed the UNSC of this trade, but the UNSC and the United States ignored the illicit trade between the two countries as it was considered vital for the Jordanian economy.\textsuperscript{79} News reports from the era confirm America’s tacit acceptance of Iraqi-Jordanian oil trade. A \textit{Christian Science Monitor} article from 1994 noted that “Washington is increasingly tolerant of [Jordanian] embargo violations that provide Iraq access not only to defense materials but also to international financing.”\textsuperscript{80} A significant number of oil sales between the two countries went unreported,\textsuperscript{81} and this illicit trade ultimately generated billions in revenue and prevented the collapse of the Ba’thist state in the first years of the sanctions regime. As the Duelfer Report notes, “Jordan was the key to Iraq’s financial survival from the imposition of UN sanctions in August 1990 until the implementation of the UN’s OFF program.”\textsuperscript{82} Over time, however, the Clinton administration pressured Jordan to stymie the illegal oil trade. By the mid-1990s, relations between the two countries had grown tenser and Iraqi cabinet officials reported to Saddam in 1994 that “the Jordanians… [were] getting tougher on inspections,”\textsuperscript{83} and attributed this crackdown to greater US pressure on the kingdom. Official smuggling between the two countries decreased further after Hussein Kamil’s (son-in-law and second cousin to Saddam)

\textsuperscript{79} Katzman and Blanchard, \textit{Iraq: Oil-For-Food Program}, 16-17.
\textsuperscript{81} O’Sullivan, \textit{Shrewd Sanctions}, 132.
\textsuperscript{82} Duelfer, “Regime Finance and Procurement,” 24.
defection to Jordan in 1995, though Iraq accrued about $2.4 billion in illegal oil sales from 1996 to 2003.84

As relations between Jordan and Iraq deteriorated, illegal trade between Iraq and Syria expanded. Syria had relinquished ties with Iraq after Iraq invaded Kuwait in 1990, but economic relations between the two countries slowly improved in the years following the First Gulf War. A 1998 Iraqi intelligence report highlights the improved relations between the two countries. The memo notes that after the partial reopening of borders between the two countries, “Iraq and Syria are obtaining benefits from smuggling goods,” and that this trade allowed “Iraq… [to surpass] the strict Jordanian procedures of exporting… Jordanian goods to Iraq.”85 The Syrian relationship was important to Iraq after illegal trade with Jordan became more difficult. As such, in 2000 the countries began to rapidly normalize relations and soon signed bilateral trade agreements despite UN censure. Between 2000 and 2003, analysts estimate that Iraq gained nearly $2.8 billion from hydrocarbon sales to Syria, far more than it was earning from trade with Jordan.86 The profits from illicit sales to Jordan and Syria, as well as with Turkey and Iran, were ultimately directed to foreign bank accounts and provided state elites with unrestricted resources.

The OFFP proved to be another source of illegal funds for Iraq. Established to lessen the humanitarian impact of sanctions on the Iraqi people, the OFFP was ultimately distorted to serve Saddam’s interests. The Iraqi government initially opposed the OFFP, as the revenues from the government’s oil would be controlled by the UN. The Ba’thist government was highly concerned

with raising enough currency to subsidize its supporters. As David Welch, a former State Department official notes, the OFFP “locked up his [Saddam’s] treasury completely… the [sanctions] program worked with integrity to deny Saddam billions of dollars,” and from his perspective “[t]he most effective sanctions consisted of the denial of hard currency to the regime.” The state, however, ultimately found ways to obtain revenue through the OFFP system. First, the Iraqi government provided vouchers to individuals, companies, and states that helped Iraq undermine international resolve to enforce UNSC resolutions. These vouchers promised amounts of oil in return for services rendered. As the Duelfer Report highlights, the Iraqi government provided billions-of-dollars-worth of oil vouchers to prominent individuals, including allegedly the head of the UN OFFP program Benon Sevan, who ultimately weakened the sanctions regime against Iraq. The Independent Inquiry Committee into the United Nations Oil for Food Programme, established by the UN to verify “information relating to the administration and management of the Oil-for-Food Programme, including allegations of fraud and corruption on the part of United Nations officials,” found similar indications of fraud. For instance, the Committee noted that “over 18 million barrels of oil were allocated either directly in the name of George Galloway, a member of the British parliament, or in the name of one of his associates, Fawaz Abdullah Zureikat… to support Mr. Galloway’s campaign against the sanctions.” The committee assessed that MP Galloway, who became a critic of the sanctions

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87 Gordon, Invisible War, 11.
88 See Figure 17 in Duelfer, “Regime Finance and Procurement,” 32.
90 Paul Volcker, Richard J. Goldstone, and Mark Pieth, “Manipulation Of The Oil For Food Programme By The Iraqi Regime,” Independent Inquiry Committee into the United Nations Oil For Food Programme, October 27, 2005, 79.
regime in the late 1990s, received this oil compensation in return for his work lobbying against the sanctions regime. Russia was also a prominent recipients of oil vouchers.

In addition to these vouchers, Iraq received millions from kickbacks and surcharges. Iraq was able to impose surcharges on companies who wished to buy its oil, as it retained the ability to determine which companies received UN-supervised oil contracts. While some companies refused to pay the surcharge, most others paid to continue to win contracts to export Iraqi oil. The Iraqi government was thus able to earn $228.8 million in illicit income between 2000 and 2002 through oil surcharges. Kickbacks followed a similar pattern, whereby Iraq would charge states and foreign companies a slightly higher rate to buy its oil (typically 10%, which was still far below market price), and then the buyer would deposit that extra rate into a foreign account secretly controlled by the Iraqi state. Kickbacks were estimated to have provided the government with more than $1.5 billion in income over the life of the OFFP.

The legitimate proceeds from the OFFP strengthened the state. Under the terms of the agreement, Iraq controlled the distribution of food in all but the Kurdish regions. This role as a food provider allowed the state to strengthen dependency networks that were critical to its security. The state also was able to direct much of the humanitarian spending and reconstruction

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91 See Volcker, Goldstone, and Pieth, “Manipulation Of The Oil For Food Programme,” 80-87, for a detailed account of the payments associated with MP Galloway.
92 Katzman and Blanchard, Iraq: Oil-For-Food Program, 23. See also SH-SHTP-A-001-567, “Saddam Hussein meeting with Revolutionary Command Council (Sadi Mandi Salah and Minister of Education) 1995,” 1995, Conflict Records Research Center, Washington, DC, for a revealing discussion between Saddam and members of the Revolutionary Command Council that highlights how they believed Russia would improve their situation in return for oil payments.
93 Volcker, Goldstone, and Pieth, “Manipulation Of The Oil For Food Programme,” 2.
95 Volcker, Goldstone, and Pieth, “Manipulation Of The Oil For Food Programme,” 2.
97 Volcker, Goldstone, and Pieth, “Manipulation Of The Oil For Food Programme,” 4.
money to friendly elites. As a working group established by the Independent Inquiry Committee of the United Nations noted in 2005, “[a] new business group emerged as a result of new supply channels… During the entire OFFP the Government continued to extend preferential treatment to these powerful groups in the import trade business and those engaged in reconstruction.”

Sanctions and the OFFP thus led to the enrichment of certain groups close to the state, including members of the Ba‘th party, commercial elites, and security forces, by restricting the distribution of goods and empowering the state with the ability to grant contracts to those it deemed friendly.

The intense sanctions regime in Iraq was thus associated with a large state effort to subvert sanctions through illicit means. The development of illicit trade protocols with Jordan, Turkey, and Syria, in addition to the kickbacks and voucher schemes, highlights the large role of the state in supporting this illicit behavior. Notes from a government meeting in 1994 further illustrate the involvement of the state in illegal activities. As one unidentified cabinet official commented to Saddam:

Sir, I have to admit that we forged some of the documents to get the trucks through. The embassy and the Directorate Office in Jordan used to produce counterfeit permit authorizations that allowed us to get things through. The Finance Minister was our friend; we used to slip some of the flour to some of the bakeries and to the flour mills and he used to sign some of them… and laugh. We would go visit him with the ambassador and the Trade Ministry Advisor, show him some of the papers and he would sign them.

As the official notes, the Iraqi embassy in Jordan was actively involved in the forging of documents to facilitate trade between Iraq and Jordan. Such active state involvement in illicit


activity is likely a product of the state’s desperate economic conditions. This contrasts with the more informal illicit activities prevalent in Libya during its partial sanctions regime.

**Repression**

Repression also expanded under the full sanctions regime. Sanctions and war had weakened the state’s coercive apparatus, leaving it open to challengers. In response, Iraq embarked on intensive efforts to repress threatening non-state actors such as the Kurds and religious groups, as well as ordinary citizens. Over the course of the sanctions period, the state took a number of steps to manage the threat posed by these groups. These steps included the undermining of previous legal protections afforded to citizens and the expansion of potential punishments, which created a constantly threatening atmosphere to citizens’ personal security. The state also used physical force and violence force to seize lands in the southern marshes, displace people, and destroy their way of life, as the southern marshes and their inhabitants were perceived as a threat to state control. Ultimately, these and other measures improved Iraq’s control over its population, allowing the state to survive various internal challenges, and constitute an increase in overall state repression.

The Iraqi state was not the only actor that sought to evade the international sanctions regime. After the First Gulf War, the Iraqi state lost control over much of its territory, particularly in Kurdistan in the north, and smugglers exploited the gaps in Iraqi border security to import vast quantities of goods. Internally, black markets selling illegally-imported goods thrived. As Joseph Sassoon notes, when shortages of goods intensified due to the strict sanctions regime, “so did smuggling, which yielded wide profit margins.”

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101 Sassoon, *Saddam Hussein’s Ba‘th Party*, 244.
sanctions regime, there was significant demand for the goods that smugglers trafficked into Iraq. In this way, smugglers served a vital role in keeping the country running during the early years of the sanctions regime.

Despite the benefit derived from illicit activity, smugglers and other non-state actors preoccupied the state. From the outset, government officials recognized that they lacked the resources to control the smugglers. In a 1992 meeting between Tariq Aziz (Deputy Iraqi Prime Minister and former Foreign Minister) and Saddam Hussein, Aziz informed Saddam that “[t]he [illegal] commodities that we outlawed last year… hindered the Ministry of the Interior. It was not able to control them… That caused an increase in the number of people dealing with illegal goods. Their numbers are very large in Iraq.”

Throughout the sanctions regime, the volume of illegally imported goods, such as cigarettes, clothes, food, and alcohol, overwhelmed the state’s capacity to interdict them. Of greater concern was that many smugglers came from groups opposed to the state. A 1996 intelligence report noted that many Kurds “have resorted… to smuggling operations like the smuggling of copper and aluminum from the interior to Kifri through their dealings with the saboteurs inside… Kifri.” The northern border particularly concerned the state since Iraq had lost control of Kurdistan after the war. In a 1994 cabinet meeting, one unidentified individual stressed to Saddam that “we should also look into the northern area. It is wide open and there are a lot of forbidden substances that come through

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103 SH-PDWN-D-000-720, “Intelligence reports and correspondence including a directive from Saddam Hussein to canvas the public to determine the overall reaction to the embargo,” January 1996, Conflict Records Research Center, Washington, DC, 11.
Smugglers thus exploited these and other geographic openings to move goods and to accrue substantial sums of wealth.

The porousness of Iraq’s borders was of significant concern to the state. In the south of the country, for instance, large stretches of marshland had long provided shelter to those resisting the authority of the state. The permeable nature of the southern marshes ultimately led them to be perceived by the government as a threat, particularly after the outbreak of the Iran-Iraq war. As Ariel Ahram notes, “[i]n the context of war, the marshes were no longer just a provincial backwater, but a dangerous frontier.” Iranian troops infiltrated Iraqi territory through the marshes, encouraging local uprisings against Saddam, and deserters and saboteurs found safe haven in the marshes as well. Over time, the government developed both a better understanding of the marshes’ geology and techniques to penetrate the marshes. After the end of the First Gulf War, the marshes would reassume importance in the context of a larger rebellion against the regime. In March 1991, unrest broke out against the state, starting in Basra but quickly spreading across the country. The unrest ultimately morphed into a full-scale uprising. Saddam brutally put down the uprising; as Dina Khoury notes, “[i]n Najaf and Karbala, the indiscriminate shelling of Shi’i holy sites was accompanied by the killing of large numbers of rebels and their families. Altogether, in much of the south… the rebels were only able to

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maintain their control of major cities for no more than nine days.”

Rebels were able to hold out longer against the government in the southern marshes. In response, the government undertook the large-scale draining of the marshes. A 1992 document from the CRRC highlights the logic behind this decision, noting that “[i]n spite of what the marshes represent as a national treasure to the country, the area still remains a hideout for the evil and hateful individuals… The favorable way to eliminate the sabotage is draining the area of the marshes and transforming it into arable lands.”

As the report notes, the impenetrability of the marshes led the marshes to be a site of substantial smuggling, as well as anti-state activities. The decision to drain the marshes in 1992 thus represented an attempt by the state to strengthen its authority in regions that it could not otherwise control. It was less a response to a direct military threat than an attempt to preclude potential future threats and reassert control over its own territory. Indeed, as Ahram notes “by late 1992 and 1993, when the marsh destruction measures were being fully implemented, the rebellion was capable of little more than hit-and-run operations and posed little real danger to the regime individuals that threatened its authority.”

Still, the marsh example highlights the lengths to which Iraq went to suppress potential security threats in the aftermath of sanctions. This is consistent with the state’s crackdown on non-state actors in other parts of the country.

Indeed, the state’s response to other non-state actors involved in smuggling was similarly severe. As Sassoon notes, “[s]pecial committees were set up to deal with smuggling… Convicted smugglers faced life imprisonment or the death penalty if their activities were connected to

groups… considered anti-regime… The definition of smuggling was widened to include those suspected of intending to smuggle.”

This harsh response seems unwarranted considering the state’s own widespread involvement in smuggling. Indeed, one might think that the state would encourage smugglers, as occurred in Yugoslavia, since they provided needed goods to large sections of the country. Instead, the state attempted to repress smugglers and black marketeers by resorting to physical violence and the threat of violence to scare smugglers into falling in line with state control. As one state official commented in a meeting, referring to merchants involved in illicit trade, “[w]e want to tell the rest of the merchants, ‘The executed merchants are gone. In order for you not to pretend that we did not protect you, and in order not to accuse you of violation, let us make an agreement in advance so that we can be honest with you and you will be honest with us.’”

From a security perspective, the state’s crackdown on non-state actors involved in smuggling makes sense. Non-state actors could take advantage of the state’s weakness to generate significant income from smuggling and build power bases to rival the Iraqi state. Indeed, as one Iraqi intelligence report notes, Kurdish elites “dispatched armed elements from the group [Peshmerga] to accompany the smugglers to provide protection for the smugglers and to gain financial benefit and profit from this action.”

Repression was similarly intense for other groups. The government, for instance, monitored and repressed suspect religious organizations during the 1990s and early 2000s, and increased repression of the Shi‘i. Dina Khoury similarly describes how the state cultivated an

112 Sassoon, *Saddam Hussein’s Ba’th Party*, 244.
114 SH-PDWN-D-000-720, “Intelligence reports and correspondence,” 11.
115 Sassoon, 260.
atmosphere of guilt by dramatically expanding the range and severity of punishable offenses. This expansion of guilt implicated large sections of Iraqi society, and the regime played off this by pressuring citizens to confess to their crimes, inform on their fellow citizens, or ask for mercy. Those who failed to do so found themselves banned from many aspects of public life. As Sassoon notes, “[a]fter the 1991 uprising the regime understood that it must extend its control of both the civilian and military populations to anticipate such events and… to crush any nascent opposition.” Repression during the sanctions period thus expanded to allow the state greater control of its people. By repressing non-state actors involved in smuggling such as the Kurds and marsh Arabs, as well as by creating state apparatuses to monitor religious institutions and cultivating an atmosphere of fear and paranoia, the state attempted to redress the impacts of the war and sanctions on its internal authority.

These state actions fit within this study’s definition of repression as they represented a significant infringement on the personal security and integrity of the Iraqi people. The state did not need to resort to physical violence to control much of its populace during this period. By increasing the range of punishable offenses and the severity of punishments for certain crimes, the Iraqi state created an atmosphere where the implied threat of violence was constant. When taken together with the mass state effort to drain the southern marshes and to relocate the marsh Arabs into areas under state control, as well as with the broadening of implied and enforced punishment for smugglers, these state actions would appear to constitute a broadening of repression under the full sanctions regime. As will be discussed, this expansion of implied and

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116 Khoury, 151.
117 Khoury, 151.
118 Sassoon, 5.
actual repressive activities is distinct from that of Libya’s, and indicates that there is an association between the intensity of a sanctions regime and the strength of state responses.

**Retrenchment of the Welfare State**

Sanctions also forced Iraq to reduce the welfare benefits that it provided to the general public. The comprehensive nature of the sanctions regime almost immediately halted the external revenue on which the state depended to maintain its economy and ensure political stability. As a result, Iraq elected to reduce broader public subsidies. At the same time, it continued to fund other political initiatives, highlighting the self-interested behavior of the state.

The Iraqi state initially responded to the imposition of sanctions in 1990 by instituting food rations.\(^{119}\) These rations were deemed successful in avoiding starvation in Iraq during the sanctions period.\(^{120}\) The damage caused during the war, however, dramatically undermined Iraq’s industrial and agricultural capacity. Additionally, the economic blockade caused by the sanctions prevented the state from accruing enough resources to rebuild and to maintain its welfare subsidies. By 1995, the state had reduced food rations by a third.\(^{121}\) The state also reduced broader public spending, particularly for public sector employees. This led to mass unemployment, as nearly a quarter of Iraqis were employed by the government.\(^{122}\) While the state attempted to periodically adjust public-sector salaries, the adjustments could not keep up with inflation.\(^{123}\) As illustrated in Figure 4, the restrictions on imports and currency flows led to a dramatic rise in inflation between 1992 and 1994. This spike in consumer prices forced many

\(^{119}\) Gordon, 10.
\(^{120}\) Gazdar and Hussain, 48.
\(^{121}\) Gordon, 135.
\(^{122}\) Gordon, 135.
\(^{123}\) Gazdar and Hussain, 46.
public sector employees to take multiple jobs to make ends meet. Additionally, the defeat of the Iraqi army and the sanctions regime led to large-scale demobilization and reduction in military spending. Some estimates place Iraqi military expenditures in the years after the Gulf war at as low as one-tenth or one-thirtieth of what military expenditures were after the Iran-Iraq war.\textsuperscript{124} Overall, it is estimated that governmental spending in most sectors was cut by 90 percent.\textsuperscript{125}

![Figure 4: Iraqi Inflation, 1991-2003](image)

State efforts to improve citizens' education, health, and well-being also slowed. Mortality rates for children and the elderly, for instance, increased as proper medical supplies became hard to obtain.\textsuperscript{126} Between 1989 and 2000, the number of children under five that died due to diarrhea increased 1224\%, the number that died due to pneumonia and other respiratory infections increased 1800\%, and the number that died from malnutrition increased 2623\%.\textsuperscript{127} Put another way, “at least 500,000 children under age five who died during the sanctions period would not

\textsuperscript{124}O'Sullivan, \textit{Shrewd Sanctions}, 139.
\textsuperscript{125}Gordon, 135.
\textsuperscript{126}Niblock, \textit{“Pariah States”}, 145-146.
\textsuperscript{127}Niblock, \textit{“Pariah States”}, 145.
have died under the Iraqi regime prior to sanctions.”

Iraqi educational achievement also suffered. As a 1997 UNICEF report notes, “[t]he number of students per school, on average has decreased from 1990 to 1994. Reflecting decreased enrollment…” Niblock also notes that adult illiteracy increased from 20% in 1989 to 40% in 1998.

As Iraqis’ living standards declined, the state continued to spend millions on its own political initiatives. The government, for instance, created a new militia called the Fida’iyyu Saddam, which was nominally independent of the army and commanded by Saddam’s son Uday. The government also developed a much larger militia known as the Jaysh al-Quds (Jerusalem Army). The state also pursued large-scale infrastructure projects that arguably did little to help Iraqi citizens. For instance, the government poured resources into efforts to drain the southern marshes by building a 350 mile canal to divert waters to agricultural land, known as the Saddam River or the Third River project (finished in 1992). This was quickly followed by the construction of another large canal in 1994. Though the ostensible justification for these projects was to expand Iraq’s cultivable land to survive crippling food import sanctions, the main impetus of these efforts was to destroy the marshlands and incorporate their inhabitants into a more easily controlled way of life. Together, all of these projects allocated valuable resources to endeavors that did little to ameliorate the living situation of the Iraqi people. Rather, these spending patterns were designed to strengthen the position of the state at a time when the power

128 Gordon, 87.
130 Niblock, “Pariah States”, 152.
132 Kubba, Iraqi Marshlands and the Marsh Arab, 15.
133 Ibid.,
of non-state actors was increasing. Redirection of resources from welfare programs to militias and large-scale infrastructure projects helped the state to consolidate power and maintain its legitimacy.

While the state did not actively choose to increase its citizens’ mortality rates or worsen their educational achievement, the fact that the state continued to supply state elites with illegally-imported luxury goods\(^\text{134}\) and spent millions on other initiatives likely indicates that the state could have smuggled more life-saving goods. This is not to diminish the effect of the international sanctions regime on the Iraqi people, nor is it an attempt to support the oft-proclaimed notion that Saddam was primarily responsible for the suffering of his people, as propounded by each of the three US administrations responsible for overseeing the sanctions regime.\(^\text{135}\) Rather, it is to note that certain detrimental effects caused by the sanctions regime could have been better mitigated had the Iraqi government prioritized differently. As the Independent Inquiry Committee of the United Nations noted, “since medications in the OFFP were imported preferentially from countries considered politically friendly to Iraq, the quality of medications was often inferior to that of medications that had been purchased from U.S., Swiss, and German… firms prior to 1991.”\(^\text{136}\) Indeed, the notion that the government could have done more but chose not to is reflected in the opinions of some members of the Iraqi public. For instance, Dr. Mohammed al-Alwan, head of surgery at a leading Baghdad hospital, noted in 2003, “I don't know what you Americans intended by these sanctions, but I do know that


\(^{135}\) See Gordon, 125-126 for a discussion of the debate over the Iraqi state’s responsibility for its people’s suffering during the sanctions regime.

\(^{136}\) Working Group established by the Independent Inquiry Committee, “The Impact of the Oil-for-Food Programme,” 46.
catastrophic effects were intended by Saddam Hussein’s regime. The government wanted to say, ‘Look, the Iraqi people are suffering so terribly.’ But in reality, there were more than enough drugs for 'special' people.”\(^\text{137}\)

Despite the stark difference in living circumstances between state elites and the newly impoverished Iraqi people, the retrenchment of state welfare spending and the effects of sanctions strengthened the state. The poor living conditions of average Iraqis, as well as the frequent coalition bombing raids, gave credence to Saddam’s statements that Iraq was under siege. The government took every opportunity to remind its citizens that it was responsible for their survival, reportedly creating a mural on the Ministry of Trade headquarters depicting Saddam Hussein “holding up a ration book -- his ‘gift’ to the Iraqi people.”\(^\text{138}\) Together, the poor living conditions and the state propaganda created a ‘siege mentality’ and generated a mild rally-around-the-flag effect in Iraq, which the state “exploited to deflect criticism from its rule and justify its own repressive behavior.”\(^\text{139}\) This in turn helped the state survive despite significant declines in its support base and resources.

**Conclusion**

The intensity of the sanctions regime imposed on Iraq contributed to specific state responses to sanctions. Iraq’s dependence on oil rents for the majority of government revenues prior to the war likely inclined the state to pursue illegal activities such as oil smuggling to continue its flow of external rents after the start of sanctions. These illicit rents were necessary to prevent the collapse of the state. The scale of the criminal behavior that the state engaged in thus


\(^{138}\) Rieff, “Were Sanctions Right?”

\(^{139}\) O'Sullivan, 137.
appears proportionate to the extent of the sanctions regime; severe economic sanctions led to aggressive efforts to subvert these sanctions.

At the same time as Iraq developed a large-scale smuggling network, it also repressed various non-state actors such as the marsh Arabs and the Kurds, who were involved in smuggling. Iraq did so out of fear that these actors might accrue sufficient wealth to build rival patronage networks and to undermine the control of the state over the flow of rents into the country. Here too, Iraq’s response seems proportionate to the sanctions regime. The severity of the sanctions and the destruction caused by the Gulf War weakened the state. Non-state actors took advantage of the state’s weakness to expand their authority. As such, the state acted severely to repress these actors, going so far as to destroy one of Iraq’s natural treasures in the name of increased control. Finally, in response to the full sanctions regime, the Iraqi state retrenched its welfare benefits. This occurred concurrently with continued state spending on projects that did little to directly improve the living standards of average Iraqis, but were deemed important to the security of the state. The retrenchment of welfare benefits ultimately aided the state, as the suffering of the Iraqi people could be blamed on sanctions and fed into the country’s victimhood and siege narrative.
CHAPTER 2: LIBYA IN THE CROSSHAIRS

In August 1988, opening a meeting of the Revolutionary Committee Movement, Mu‘amar al-Qadhāfi bombastically declared victory against the United States and its allies:

> We say that the battle was won against many fronts on which the United States, France, Britain, and the whole of Europe fought us. Facilities in the Mediterranean were used in favor of the direct military aggression. The revolution did not collapse. It was not shaken. It became firmer.  

Nine years after the United States designated Libya as a state sponsor of terror and two years after the United States and European allies imposed severe sanctions against Libya\textsuperscript{141}, Qadhāfi was still standing. American and European sanctions had failed to remove Qadhāfi from power or to substantially temper his radicalism. Qadhāfi’s bombast was short lived, however. Only four years later, the UN imposed sanctions on Libya for its failure to cooperate with the Lockerbie and Union de Transports Ariens (UTA) bombing investigations. In 1994, the FBIS reported Qadhāfi as stating that “Libya has lost a great deal because it was accused [of being involved in the Lockerbie and UTA bombings].” FBIS further noted that Qadhāfi “stressed that there is no longer any justification for any further escalation in this issue… and that the oil embargo was an unhuman and decadent method.”\textsuperscript{142} Under the weight of multilateral sanctions, Libya caved to international pressure by handing over the Lockerbie and UTA suspects and, at least publicly, moderated much of its foreign policy.

While Libya’s state responses to sanctions were similar to those pursued by Iraq, Libya’s sanctions themselves varied significantly from those of Iraq. The United States and the international community slowly imposed a partial sanctions regime on Libya over the course of

\textsuperscript{141} O’Sullivan, \textit{Shrewd Sanctions}, 178.
two decades, which contrasts with the swift imposition of all-encompassing sanctions on Iraq. Due to the influence of European countries with lucrative ties to the Libyan oil industry, Libya was never officially barred from international oil markets, as was Iraq. Instead, Libya experienced targeted financial sanctions and trade embargoes on arms and technical equipment, which undermined its productive capacity. Over time, the partial sanctions regime undermined the economic productivity of the Libyan state and likely led Libya to pursue coping strategies similar to those of Iraq. For example, Libya reduced public welfare spending, engaged in illicit trade and financial activities, and increased repression. Nonetheless, these policy responses were pursued less aggressively by the state than in Iraq.

This chapter will discuss the sanctions regime imposed on Libya and its effect on Libyan state behavior from 1979 to 2003. It will provide background on the Libyan sanctions regime and discuss the political and economic strategies that Libya pursued in response to sanctions. As with Iraq, Libya’s experience with sanctions provides valuable insights into the association between sanctions intensity and the magnitude of state responses.

**Historical Background**

Relations between the United States and Libya were not always tense; under the Senussi monarchy in the 1950s and 1960s, Libya allied with the United States and allowed American bases on its soil. Even after Mu'ammar al-Qadhāfi’s overthrow of the monarchy in 1969, “[r]elations between Libya and the United States, in particular, remained initially cordial…” Washington hoped that Libya could be kept outside the Soviet orbit, and that Libya’s close
business ties to the United States… could be maintained.”143 These hopes were dashed, however, when Qadhāfi, considering himself a successor to Gamal Abdel Nasser, chose to pursue a revolutionary foreign policy by promoting Arab nationalism and global revolutionary movements in opposition to perceived Western imperialism. Between 1969 and 1984, Libya pursued seven attempts to unify with other Arab states, none of which was successful.144 Qadhāfi’s enthusiasm for Arab unity was quickly transformed into an antipathy towards other Arab leaders, who rejected his entreaties. As Alison Pargeter notes, “Qaddafi was not content to accept the realities of the world around him. If others were not going to come round to his way of thinking, he was going to force change in whatever way he could – even if that meant doing so in an underhand manner.”145 The Libyan government thus attempted to destabilize neighboring states, providing support for rebel movements and funding assassination attempts on other leaders. Libya’s attack on the status quo in the Middle East and Africa, and its subsequent alignment with the Soviet Union, ultimately led to more combative relations with the United States throughout the 1970s.146

**US Sanctions**

American sanctions against Libya began in 1979. In December of that year, the US government included Libya on its inaugural list of state sponsors of terror.147 This designation meant that the United States banned economic assistance for Libya and limited dual-use items

144 Vandewalle, *Modern Libya*, 86.
147 O’Sullivan, *Shrewd Sanctions*, 178
exported to the country. The designation also led some international financial organizations to cease providing loans and aid to Libya.\textsuperscript{148} The decision for the United States to label Libya as a state sponsor of terror came after direct aggression between the two countries. In 1977, the Carter administration uncovered evidence of a planned assassination attempt on the American ambassador to Egypt and in 1979 Libyans sacked and burned the American embassy in Tripoli in support of the Iranian revolutionaries who had taken over the American embassy in Tehran.\textsuperscript{149}

Relations between the United States and Libya strained further under the Reagan administration. President Ronald Reagan prioritized confronting Libya and presided over a National Security Council meeting about Libya the day after his inauguration.\textsuperscript{150} In May 1981, the US government closed the Libyan embassy in Washington, DC in response to continued Libyan support for international terrorism and alleged attempts to assassinate Libyan dissidents in the United States.\textsuperscript{151} Steps to sever diplomatic relations between the two countries continued in March 1982, when the US government banned imports of Libyan oil and curtailed licenses for exports of oil and gas equipment.\textsuperscript{152} This was a drastic measure, as only a few years earlier oil imports from Libya constituted 10\% of all US oil imports.\textsuperscript{153} American officials cited Libya’s revolutionary foreign policy and continued support for international rebel and terror groups as the motivation for the tightened sanctions. Government officials also acknowledged, however,

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\textsuperscript{148} O’Sullivan, 178.
\textsuperscript{149} St. John, \textit{Libya and the United States}, 110 and 112.
\textsuperscript{153} Niblock, 28.
\end{flushright}
that these tightened sanctions were unlikely to significantly impact Libya.\textsuperscript{154} Indeed, after the embargo, European importers increased their imports of Libyan oil\textsuperscript{155}, as the quality and location of Libyan crude made it highly desirable for European countries. Thus, the Reagan administration’s sanctions proved mostly symbolic of the administration’s desire to publicly denounce Libyan foreign policy. Still, US sanctions encouraged other oil operators to rethink their investments in Libya. Mobil, for instance, withdrew its operations in Libya in January 1983 after unsuccessful negotiations with the Libyan National Oil Company (LNOC).\textsuperscript{156}

The conflict between Libya and the United States intensified in the years after the oil import ban as Libyan adventurism continued. In 1985, the United States banned refined petroleum products from Libya. The following January, after terror attacks on the Rome and Vienna airports linked to the Libyan-backed Abu Nidal Organization\textsuperscript{157}, the Reagan administration declared that “the policies and actions of the government of Libya constitute an unusual and extraordinary threat” to the United States.\textsuperscript{158} The Reagan administration issued Executive Order 12543 in 1986, which banned almost all economic activities between the two countries and froze Libya’s assets in the United States.\textsuperscript{159} The economic ban, however, did not immediately impact Libya’s finances, as European countries continued to import Libyan oil at aggressive rates. European Economic Community (EEC) member states’ imports of petroleum from Libya rose by 5.6% in the first half of 1986 as compared to the same period during the

\textsuperscript{155} Pargeter, 139.
\textsuperscript{156} Vandewalle, 133.
\textsuperscript{157} St. John, 132.
\textsuperscript{159} See Executive Order 12543 for a full list of the activities banned under the order.
previous year.\textsuperscript{160} The United Kingdom, in fact, imported more Libyan oil than any other EEC member, despite the fact that the two countries had severed diplomatic relations after the Libyan-directed killing of British police officer Yvonne Fletcher in 1984.\textsuperscript{161} Despite their commitment to the United States, America’s European allies refused to impose an effective, multilateral sanctions regime on Libya.

The US government’s decision to sever economic relations with Libya did little in the short-term to temper Libyan involvement with rebel groups or terrorist organizations. Indeed, Libya further strained relations with the United States by bombing a German discotheque in April 1986 that was popular with American servicemen.\textsuperscript{162} This attack was a step too far for the Regan administration. Ten days after the bombing of the German discotheque, “eighteen US F-111 bombers… dropped sixty tons of munitions on a range of Libyan targets… A number of civilians were killed in the attack – supposedly including Qaddafi’s four-year-old adopted daughter… The Colonel himself narrowly escaped death.”\textsuperscript{163} According to the journalist Seymour Hersh, the aim of this bombing raid was to assassinate Qadhāfi and his family.\textsuperscript{164} The intensity of the US response encouraged European allies to also take action against Libya. Though it did not impose economic sanctions, the EEC agreed to limit the number of Libyan diplomats on European soil and to impose stricter visa requirements for Libyan citizens.\textsuperscript{165} The 1986 US

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\textsuperscript{160} “EC Imports of Petroleum from Libya up 5.6% in 1986,”\textit{ Middle East Economic Survey (MEES)} 30, no. 5, November 10, 1986, accessed March 5, 2016, \url{http://archives.mees.com/issues/1255/articles/43843}. \\
\textsuperscript{163} Parгерет, 140. \\
\textsuperscript{165} O’Sullivan, 178. 
\end{flushright}
bombings marked the beginning of a period of significant political and economic difficulties for Libya, effectively demarcating the country as a pariah state. In response to this growing isolation, Libya redoubled its support for terror activities and, interestingly, pursued certain economic and political reforms. For example, Qadhāfi issued political directives freeing hundreds of political prisoners in 1987 and 1988, and removed restrictions on Libyan’s freedom of travel.\textsuperscript{166} It is difficult to establish causality between the US sanctions regime and Libya’s rhetorical embrace of economic and political diversification during the late 1980s and early 1990s, as diversification was adopted by many authoritarian regimes around this time. Nonetheless, US sanctions, in combination with depressed global oil prices, created the economic pre-conditions necessary in Libya for the success of later multilateral sanctions.

\textbf{Multilateral Sanctions}

The multilateral sanctions regime imposed on Libya by the international community became more robust in the late 1980s. Despite Libya’s long history of meddling in the affairs of other Arab and African countries, the international community was reticent to address these transgressions. The United States actively sought to isolate Libya during the 1970s and 1980s through sanctions and military action, but European allies of the United States were reluctant to break their lucrative commercial ties with Libya. The turning point was the bombings of UTA flight 772 and Pan Am flight 103 (later known as the Lockerbie bombing). For two years after, international suspicions fell on Palestinian terrorist organizations\textsuperscript{167}, but in 1990, evidence arose

\textsuperscript{167} For an example of news coverage during this period, see David Black, “The Lockerbie Disaster: Swedish trial forms strand in hunt for - Four are facing bomb charges in Scandinavia as Pan Am Flight 103 investigators follow a trail in Malta,” \textit{The Independent}, October 31, 1989, 3.
that connected the Libyan government to both bombings. Ultimately, six Libyans were connected with the bombings, including Abdul-Basat al Magrahi and Khalifah Fheimah, the latter of whom was identified as a Libyan intelligence officer. In light of the evidence and after conducting thorough investigations, the United States and the United Kingdom indicted Abdul-Basat al Magrahi and Khalifah Fheimah in November 1991. At the time, White House press secretary Marlin Fitzwater stated, “[I]t’s impossible for us to believe that the [Libyan] government was not involved and that this is not a case of state-sponsored terrorism.” In response to these accusations, the Libyan government vehemently denied its involvement in the bombings and insisted that the matter be reviewed by the International Court of Justice.

Following Libya’s denial of involvement, the countries most affected by the bombings, France, the United Kingdom, and the United States, issued a joint statement demanding that Libya turn over those suspected of orchestrating the attacks. The Libyan government refused, claiming that this would be a violation of its sovereignty. In response, the UNSC passed Resolution 731, which strongly denounced the Libyan government’s refusal to cooperate “fully in establishing responsibility for the terrorist acts… against Pan Am flight 103 and UTA flight 772,” and urged “all States individually and collectively to encourage the Libyan Government to respond fully and effectively to [cooperation] requests.”

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169 Niblock, 35-36.
173 Niblock, 37.
resolution did not incite action. The Libyan government continued to refuse extradition of the suspects to US or UK custody, though Qadhāfi suggested to UN Secretary General Boutros Boutros-Ghali that the suspects might be tried in a neutral, third-party country such as Malta if the General People’s Congress adjusted Libya’s extradition laws.\(^{175}\) Libya’s proposals were rejected by the UN and its continued intransigence ultimately inspired further UN action.

By March 1992, sufficient international support had gathered to pass UNSC Resolution 748. This resolution determined that Libya had failed to comply with Resolution 731 and required Libya to turn over the suspected Lockerbie and UTA bombers and to cease any and all terrorist activities.\(^{176}\) Until Libya complied with these new requirements, all UN member states were to ban Libyan aviation activity, prohibit the sale of arms and aviation equipment to Libya, restrict the travel of Libyan nationals suspected of terrorism, and reduce personnel at Libyan diplomatic missions abroad.\(^{177}\) The resolution also established a UNSC-supervised committee to manage the sanctions regime.\(^{178}\) In response to the resolution, Libya attempted to settle the dispute. In June 1992, Libya called for improved relations with Western countries, officially denounced terrorism, and proposed that the bombing suspects be tried in a court monitored by the Arab League or the UN.\(^{179}\) The United States and the United Kingdom rebuffed this half-measure, however, and pushed for tighter sanctions.

Continued Western pressure for increased sanctions led the UNSC to pass Resolution 883 in November 1993. This resolution stated that Libya’s inability to comply with previous

\(^{175}\) Niblock, 39.


\(^{177}\) UNSC, Resolution 748.

\(^{178}\) UNSC, Resolution 748.

resolutions constituted “a threat to international peace and security”\textsuperscript{180} and as a result, the UNSC imposed further sanctions on Libya, including freezing most Libyan assets overseas, tightening aviation sanctions, and banning the sale of most oil and refining equipment to Libya.\textsuperscript{181} Notably missing from the list of sanctioned goods were Libya’s oil and natural gas exports, which remained protected due to pressure from a number of European consumer companies and countries, which in turn mitigated the effect of the multilateral sanctions imposed on the country. With these products still freely traded, Libya, unlike Iraq, was ultimately never officially blocked from international oil markets and the effect of multilateral sanctions on Libya was thus mitigated. Still, the UN sanctions regime significantly impacted Libya’s economy and likely encouraged the regime to actions that will be discussed in more depth in the coming sections.

The final component of the multilateral sanctions regime imposed on Libya was the US Congress’ Iran-Libya Sanctions Act (ILSA). Passed in 1995, the ILSA enabled the US president to take action against any non-US company that invested over $40 million in a single year in Libya’s oil, aviation, or gas sectors, or that “contributed to Libya's ability to acquire chemical, biological, or nuclear weapons or destabilizing numbers and types of advanced conventional weapons or enhanced Libya's military or paramilitary capabilities.”\textsuperscript{182} The effect of the act was softened, however, by waivers that the US president granted to foreign companies that operated in Libya so as to not anger its European allies. Despite these waivers, the ILSA proved highly contentious between the United States and its European allies. As O’Sullivan notes, “the European Union passed a statute barring compliance with extraterritorial sanctions and

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\textsuperscript{181} UNSC, Resolution 883.
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threatened to take the issue to the World Trade Organization if the United States imposed sanctions [on its companies] under ILSA.” Interestingly, the US government openly acknowledged Europe’s antipathy to the ILSA. David Welch, Assistant Secretary of State, testified to Congress in 1996 that “[o]ur major trading partners, chiefly Canada, Europe, and Japan, are strongly opposed to this sanctions legislation… although the EU expresses concern about Libyan behavior, European countries have been reluctant to increase UN sanctions against Libya.” Still, the American administration held fast to the ILSA with the intent of furthering Libya’s pariah status and undermining its oil and gas industries.

**Libya’s Economy Pre- and Post-Sanctions**

Under Qadhāfi, and even before under the Senussi monarchy, Libya’s economy was heavily dependent on oil. Oil was Libya’s lifeblood, and given the country’s geostrategic location, small population, and high-quality crude, Libya enjoyed oil rents that created some of the highest living standards in the region. A brief review of economic data at the start of this study’s period of analysis highlights the extent to which the Libyan state and its people depended on oil. In the late 1970s, for instance, oil rents accounted for 99.9% of total government income. High oil prices from the mid-1970s through the mid-1980s ensured that there were substantial revenues which were distributed to Libyan citizens. Even Libya’s non-oil sectors grew rapidly during this period; between 1975 and 1980, Libyan non-oil GDP growth averaged approximately 17%. By the late 1970s, the state used its centralized power to essentially

183 O’Sullivan, 183.
eliminate the private sector. As Pargeter notes, starting in 1979 “private traders and small
merchants were squeezed out through a series of measures culminating in Law No. 4 of 1984,
which abolished all private commerce and trade… the state took over all import and export
distribution networks and became solely responsible for the sale of goods.”

The dramatic expansion of Libya’s public sector was reflected in both public and private
investment patterns, and also in the government budget. Between 1973 and 1975, public sector
investment constituted on average 79.1% of all economic investment in the country while private
sector investment accounted for 20.9%. From 1976 to 1980, private sector investment began to
decline, and by 1981, private sector investment accounted for only 8.3% of total economic
investment in Libya. The government budget, which covered salaries and wages, increased
from 583 million Libyan dinars in 1977 to 1.52 billion Libyan dinars in 1983. In 1977, Libya’s
budget for welfare and development projects was four times larger, on a per capita basis, than
that of all other Arab states combined. However, the expansion of the public sector did not
directly correlate with Libyans’ involvement in the production of rents; rather, expatriate labor
constituted a significant portion of the Libyan workforce. In 1980, 34% of the Libyan workforce
was comprised of expatriates and by 1982 that proportion had increased to 45%. Employment of expatriates in the oil sector increased throughout the 1970s, further

187 Pargeter, 108.
188 Niblock, 63.
189 Niblock, 63.
190 Pargeter, 108.
191 Wanderwalle, 113.
disconnecting Libyan citizens from the most productive industries of the state.\(^{195}\) Taken together, these figures illustrate the preeminent role of the oil sector in the Libyan economy prior to the imposition of substantive US or multilateral sanctions; these figures also illustrate the extent to which the Libyan government inserted itself into its citizens’ lives while simultaneously insulating itself from potential political opposition.

Libya’s elimination of the private sector through legal and extralegal means, coupled with the dramatic expansion of the public sector and government involvement in the economy, made the Libyan people dependent on government welfare and services for their well-being. Though the government ensured that its citizens had relatively high living standards, oil revenues allowed the state to act as it pleased and the high percentage of expatriates involved in the oil sector insulated the state’s revenues from internal political disturbances. During the late 1970s, Qadhāfi articulated a radical new vision for the Libyan state by having the state appropriate all land and requiring individuals to lease back portions of it for subsistence farming.\(^{196}\) Private professional activities were banned and the regime froze all public sector wages in 1981.\(^{197}\) Through these measures and others, Qadhāfi articulated a vision in which the Libyan people could own and operate the means of production, but not the enterprises that ‘exploited’ the work of other citizens for profit. Though ostensibly Marxist in its leanings, Qadhāfi’s ideology only served to further his power. The oil and banking sectors, which were key to Qadhāfi’s wealth, were spared radical changes. Thus, while redistributing wealth between the country’s landowners, businessman, and workers, Qadhāfi ultimately undercut groups such as the

\(^{195}\) One recent estimate noted that the oil sector employed a mere 1% of the Libyan work force during the 1970s. See Andrei Netto, *Bringing Down Gaddafi: On the Ground with the Libyan Rebels* (New York: Palgrave Macmillan, 2014), 40.

\(^{196}\) Pargeter, 106.

\(^{197}\) Pargeter, 108-109.
country’s merchant class that might have had the resources to challenge his rule. Still, while oil prices were high, such radical reforms left most Libyans quiescent.

The partial sanctions regime did impact the Libyan economy, though it is difficult to discern the direct impact of early US and European sanctions due to the steep drop in oil prices in the middle of the 1980s. As Figures 5 and 6 illustrate, Libya’s oil exports and export revenues were significantly impacted by the drop in oil prices. This was especially consequential for Libya, as by the mid-1980s oil export revenues comprised 95% of the country’s overall revenues.\(^{198}\) At the same time, US sanctions hampered Libyan productive capacity, which cut government oil revenues. While Libya was quick to shift its US oil exports to European and Latin American markets after the US oil embargo in 1982, American technical expertise and equipment were vital to the health of Libya’s oil fields.\(^{199}\) As O’Sullivan notes, “[d]espite its best efforts, Libya was unable to stem the natural decline in production of these fields as the 1980s wore on. Not only did difficulties in securing spare parts create uncertainties, but Libyan oil workers did not possess the needed technological knowledge.”\(^{200}\) As shown by Figure 7, Libyan production rapidly declined in the years preceding the 1982 US oil embargo and throughout the sanctions period production never returned to its previous levels. Figures 6 and 8 illustrate, however, that Libyan oil revenues began to fall steeply before the global price collapse.

\(^{198}\) Vandewalle, *Modern Libya*, 150.

\(^{199}\) O’Sullivan, 193.

\(^{200}\) O’Sullivan, 193.
Figure 5: Oil Prices vs. Libyan Oil Exports, 1980-1996
Sources: Libyan Oil Exports from Niblock, 64. Brent Crude from “Statistical Review of World Energy 2015,” BP.

Figure 6: Libyan Export Revenues vs. Oil Prices, 1980-1996
The declining oil production, exports, and revenues significantly impacted the country’s economic stability. The Libyan economy contracted every year between 1980 and 1986,²⁰¹ with the government particularly hard pressed in 1986 after the precipitous drop in the price of oil and

the complete severing of economic relations with the United States. Reports detailing the country’s economy during this period highlight both Libyan dissatisfaction with their government and the extent to which falling oil revenues impacted average Libyans. A September 1986 *New York Times* article, for instance, stated that “[o]ne official’s wife drew her finger across her throat to signal her wish for Colonel Qaddafi,” and that “the mutilated body of a prominent revolutionary committee leader was found on public display… apparently the work of dissidents.”

Shortages of food added to the increasing signs of stress and dissent in the country, creating an atmosphere that Qadhāfi could not ignore. In 1988, he responded with Law No. 8, which ended the government’s monopoly on exports and imports and enabled Libyans to establish private enterprises under the purview of the state. Qa[dhāfi also] rhetoric[ally] pushed forward a series of economic reforms, but these reforms failed to encourage the development of the private sector or to alleviate shortages of public goods. Many Libyans were unwilling to open businesses for fear of losing them, as had happened in the late 1970s and early 1980s.

The impact of the partial sanctions regime on Libya’s economy is more directly apparent in the 1990s, particularly after the imposition of UN sanctions in 1992. Estimates of Libyan economic growth found that Libya’s real GDP growth fell or barely grew between 1992 and 2000. As illustrated in Figure 9, Libya witnessed double-digit inflation in the years prior to

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204 Pargeter, 150-151.
and after the imposition of UN sanctions. Alternate sources suggest that the country had annual inflation rates averaging around 35% between 1993 and 1997.206 Internal assessments by the Libyan foreign affairs ministry in 1998 found that “UN sanctions… cost Libya more than $24bn since… 1992,”207 or approximately $4 billion annually. This is far less than the $200 billion in income that Iraq lost between 1990 and 2000, or approximately $20 billion annually. Ultimately, the limited impact of the partial sanctions regime meant that the Libyan state had less immediate financial pressure than did Iraq. This impacted the magnitude of the state’s response to sanctions.

Figure 9: Libyan Inflation, 1980-2003
Source: World Bank, “World Development Indicators.”

The Impact of Sanctions on State Responses

The Libyan state’s overwhelming dependence on oil for economic prosperity and political cohesiveness made it vulnerable to sanctions. Though US and UN sanctions never


206 Niblock, 68.

entirely severed Libya from international markets, they did significantly impact the flow of revenue to the state. These sanctions led Libya to seek alternative, including illicit, forms of revenue to support the economy. The combination of low oil prices and sanctions significantly reduced state revenues, and as a result the regime curtailed public welfare spending in favor of other political priorities. Finally, sanctions led the state to increase repression, particularly of non-state actors involved in smuggling, to secure the political standing of the state amidst external and internal pressures. The rest of this chapter analyzes these responses more fully.

**Illicit Behavior and Alternative Forms of Rent**

In light of the country’s continued economic troubles due to sanctions and low oil prices, Libya turned to the black market to fill shortages of consumer goods. As Pargeter notes, turning a blind eye “to black-market activities as a vent for public pressure may not have been that unusual for an authoritarian regime facing tough times.”\(^{208}\) While the Iraqi government, for instance, publicly opposed the black markets and introduced draconian punishments for smuggling during Iraq’s sanctions period, it privately encouraged its own smuggling networks. Libya’s attitude toward black markets was unusual in that the country moved beyond tacit acceptance and in fact praised and embraced black markets. In an August 1988 speech to the Revolutionary Committee Movement on the 19\(^{th}\) anniversary of the overthrow of the Senussi monarchy, Qadhāfi commented:

> If spare parts for refrigerators disappeared in Libya, Libyans would search for them. They would get them through middlemen, through robbery, through traveling abroad, or from the black market—they will establish black-markets—they look at the people's initiatives. You may think that black markets are bad; on the contrary. As far as we are concerned—as revolutionaries—they show that the people spontaneously made a decision and without the government made

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\(^{208}\) Pargeter, 151.
something that they needed—they establish a black market because they need it. We said establish people’s markets; they did not do that. Although the latter are in their own interest, they are against such markets. As for the black markets, they establish them immediately. What are black markets? They are people’s markets.209

For Qadhāfi, the black markets served as a vital channel through which the population could secure consumer goods and these markets operated in tandem with the state-run markets. Smugglers and black market operatives thus satisfied the needs that had previously been covered by government welfare programs. Qadhāfi further acknowledged the quasi-institutionalized nature of black markets later in his speech when he commented, “[i]f the people maintain the black markets, that means they want them to be there because they meets their needs. There is no problem. We should adopt it as revolutionaries and regard it as a popular and administrative action, exercising power.”210 Black markets, and the reintroduction of the private sector, ultimately provided Libya with a measure of financial relief, as it no longer needed to spend as much on consumer goods.

The privatization and acceptance of black markets also benefited those with connections to the state. One of the distinguishing features of the Libyan economy prior to liberalization measures in the late 1980s was its egalitarianism. At least officially, the wage difference between the richest and poorest Libyans during this period was about five to one211, though it is difficult to corroborate these figures. After the liberalization measures of the late 1980s, opportunities emerged for those with the ability to import goods to make a lot of money. Inequality soared and the corruption of public officials and companies became so blatant that Qadhāfi publicly

211 Niblock, 77.
lambasted these practices in a nationally televised broadcast.\footnote{FBIS Daily Reports, “Al-Qadhdhafi Attacks Corruption at Congress,” FBIS-NES-90-046, \textit{Tripoli Television Service}, March 6, 1990.} Despite this denunciation, however, corruption persisted and in 1996 Libyan authorities launched a wave of corruption investigations that targeted even the oil ministry.\footnote{“Libyan Oil Industry Under Investigation,” \textit{MEES} 39, no. 51, September 16, 1996, accessed March 11, 2016, \url{http://archives.mees.com/issues/823/articles/31638}.}

It should be noted that despite the government’s rhetorical commitment to reform, the liberalization of the late 1980s did not ultimately diversify the Libyan economy. Throughout the sanctions period, Libya could still export oil and oil revenues comprised the majority of the state’s revenues. Reform measures, including the expansion of black market activity, merely provided the state with a temporary refuge against public discontent over inequality and declining living standards. The specific reforms were “were not meant to be truly transformative; the Colonel had simply made space for the private sector to step in and plug the consumer shortages. This whole reformist effort was just the Colonel’s way of extricating himself from an immediate socio-economic crisis.”\footnote{Pargeter, 152.} The state strategically sacrificed some of its economic and political authority, as will be discussed further, to ride out public resentment and the difficult economic conditions.

Additionally, due to the partial nature of the sanctions regime, Libya was still able to accrue revenue from oil and gas sales to European and Asian companies. In 1996, for instance, Libya exported $10.13 billion in oil, gas, and other goods.\footnote{“Country Report: Libya,” Economist Intelligence Unit, November 2000, 5.} This is roughly equivalent to all of the illicit revenue that Iraq accrued during its entire time under sanctions. As such, Libya did not need, and there is no public evidence that Libya developed, expansive, centralized illicit revenue.
networks. Rather, the slow imposition of the partial sanctions regime appears to have been accompanied by a slow, but shallow development of illicit networks.

Retrenchment of the Welfare State

During the US and UN sanctions period, the Libyan people experienced a significant drop in their living standards. As previously discussed, during the late 1970s and early 1980s, Libya provided extensive welfare benefits and state subsidies to citizens, as the state assumed almost the entire role of the private sector. The government provided subsidies for the construction of houses, raised the minimum wage, and increased spending on literacy, health care, and education.\(^{216}\) As oil revenues declined and sanctions tightened, however, the Libyan government slowly withdrew from this role and reduced public welfare spending in favor of other initiatives deemed vital to the regime, such as the purchase of foreign arms.\(^{217}\) As shown in Figure 10, the proportion of the budget allocated to foreign trade expanded over the 1980s, while the proportion allocated to development (namely, social welfare programs) decreased substantially. The administrative budget remained roughly unchanged, indicating an active regime priority to expand arms purchases at the expense of its people’s well-being. At the height of Libya’s economic struggles in the 1980s, the government “rubber-stamped a Qaddafi proposal not to cut spending on arms or financing of revolutionary causes” and Western diplomats estimated that Libya spent more than 40% of the country’s entire 1986 projected oil income on

\(^{216}\) Vandewalle, Modern Libya, 87.

the military. Overall, Libyan public expenditures accounted for only 75% of economic investment between 1991 and 1997, as compared to 90% between 1986 and 1990.219

Figure 10: Libyan Budget, 1981-1988

While data on military spending is scarce for much of the 1990s, the World Bank estimates that Libyan military expenditures accounted for 4.1% of GDP in 1997 and that this proportion increased to 5.3% in 1998.220 Similarly, the Libyan government actively pursued costly chemical and nuclear weapons programs during the 1990s. In 1993, US intelligence agencies reported that Libya was building a large, subterranean chemical weapons facility near Tarhuna.221 Work on the facility continued through 1996, when the United States publicly

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219 Niblock, 63.
221 St. John, 171.
accused the Libyan government of constructing a chemical weapons plant at the site. 222
Expanded arms purchases were, to some extent, a product of Libya’s war in Chad, but much of
the government’s arms spending was also motivated by a fear of future confrontation with the
US military and by a desire to sponsor terrorist organizations and revolutionary movements to
undermine Western interests. In 1987, for instance, the Libyan government was accused of
smuggling weapons in a shipping freighter to the Irish Republican Army (IRA). At the time, the
Libyan government declared that it had “nothing to do with this freighter”223, but years later its
involvement was confirmed.224 These spending patterns reflect the state’s focus on security and
defense against external threats, rather than on the welfare of its people, and is consistent with
Escriba-Folch’s argument.

As in Iraq, the Libyan government did respond when dire economic circumstances posed
a threat to its citizens’ food supply. UN sanctions caused rapid inflation between 1993 and 1997,
with reported inflation rates running at 35% annually on average.225 Given that most Libyan
salaries were still frozen at 1982 rates due to previous legislation, inflation posed a serious threat
to citizens’ abilities to afford daily foodstuffs. In response, the Libyan government began
subsidizing food and other key goods. The government issued ration books to families that had
registered with the government, which in turn provided another means of social control during
this period of unrest.226 In 1994 the government introduced a split exchange rate to curb the

222 St. John, 174.
224 Toby Harnden, “Libyan arms helped the IRA to wage war,” The Telegraph, April 4, 2011, accessed March 11, 2016,
225 Niblock, 74.
226 Niblock, 75.
appeal of black-market currency trading and to prevent the devaluation of the Libyan dinar.\textsuperscript{227} These measures were taken despite the government’s efforts to shrink welfare spending, indicating that there were limits to how much the state would cut welfare support under a sanctions regime. At the same time, however, government officials took advantage of subsidies to enrich themselves. As Pargeter notes, “the subsidy system became a victim of corruption. Those controlling the system were accused of selling only a fraction of the subsidized goods, flogging the rest on the black market for a substantial profit.”\textsuperscript{228} This fits with other government spending decisions aimed at strengthening the state, often at the expense of its citizens.

State welfare efforts during the sanctions period thus served to strengthen the state and connected elites. The intentional reduction of government welfare spending created, as in Iraq, a siege narrative that was used by the state to enhance its image and to blame the international community for its people’s suffering; the state consistently presented itself as the victim. In 1991, for instance, the Libyan government issued a statement condemning the US renewal of the 1986 economic sanctions and arguing that America was deliberately attempting “to harm the Libyan Arab people and its economic and social development,” and further urged “the peoples of the world to stand in solidarity with this small country with limited means and which harnesses all its resources to increase its living standard and realise welfare and prosperity for its people.”\textsuperscript{229} In June of 1992 the Libyan Minister of Children’s Welfare claimed that UN sanctions were endangered the lives of children by denying them vital medicine and food services.\textsuperscript{230} A

\textsuperscript{227} “Libya Introduces Split Exchange Rate,”\textit{ MEES} 38, no. 8, November 21, 1994, accessed on March 11, 2016, \url{http://archives.mees.com/issues/845/articles/32279}.
\textsuperscript{228} Pargeter, 172.
similar statement was made by the secretary of the General People’s Congress in 1995, claiming that “the unfair sanctions have damaged Libya and the neighboring countries and resulted in substantial human and material damages.”\textsuperscript{231} The government’s use of such victimhood rhetoric helped to reinforce its credibility in the eyes of its citizens. The suffering of Iraqi citizens under Iraq’s sanctions regime likely contributed to Libya’s narrative of resistance against international aggressors. At the same time, the Libyan government continued to spend large sums on its revolutionary foreign policy goals while cutting welfare spending. This retrenchment of welfare spending in favor of projects deemed critical to state security aligns with this study’s expectations of state responses to sanctions.

Repression

The Libyan state’s repression of non-state actors appears to have varied significantly. As previously discussed, in the late 1980s after the implementation of more intense US and European sanctions and the oil price collapse, Libya turned toward political liberalization. In 1988, Qadhāfi published the \textit{The Great Green Charter on Human Rights}. The charter called for the eventual abolition of the death penalty, the freedom of association, the right to a guaranteed trial, and other political reforms.\textsuperscript{232} In March 1989, the General People’s Congress passed a law calling for the independence of Libya’s judiciary.\textsuperscript{233} Qadhāfi also openly embraced the informal economy and the role of non-state actors in addressing consumer goods shortages.

\textsuperscript{233} Vandewalle, “Qadhafi’s ‘Perestroika’,” 225.
Government rhetoric and actions against non-state actors involved in smuggling, however, became far more aggressive over the course of the 1990s after the imposition of UN sanctions. For instance, in a 1994 speech to local Zintani tribes, Qadhāfi contended:

the traitors…we are determined to get rid of them from now on—the heretic, the traitor, the smuggler, the black marketer, the trader in dollars. [crowd chants: Hang them in the square] I have heard these shouts from every place in Libya…What is required is that treachery should be contained… the black market should be contained.234

Black marketeers and smugglers had become, to Qadhāfi, traitors to the republic, despite the fact that the state still relied on these non-state actors to supply needed commodities to the public.

The state’s attitude toward smugglers further hardened during 1995 and 1996. The General People’s Congress passed a draft law on combating smuggling and speculation in essential goods in 1995.235 In a 1996 speech near Sirte, Qadhāfi declared that “[a]nyone who traffics in foreign currency and creates a black market for currency, he is harming the economy and thus exposes himself to execution.” He later stated that “the punishments to be applied to those dealing in the foreign currency black market, commercial agents, speculation, smuggling, drugs, and intoxicants… it has to be the death penalty so that these evils are eliminated.”236 This represented a complete reversal from the ideas articulated in The Great Green Charter on Human Rights.

This reversal in Libya’s attitude toward smuggling and the corresponding call for draconian punishments is especially interesting given that many of those who had benefited from smuggling had been connected to the state.237 The Libyan state also attempted to re-impose some

237 Niblock, 78.
measures of control over the population that were eliminated as part of political liberalization efforts. Revolutionary committees, weakened during the period of political reform, were re-empowered to monitor and direct public behavior.\textsuperscript{238}

What drove Libya to abandon its liberalization efforts and increase repression? While a complete assessment of state strategy would require access to internal archival government documents, it is possible to infer a likely cause of the state’s change of opinion. Following the imposition of UN sanctions in 1992, the Libyan government faced a series of challenging insurrections. In 1993, a group of young army officers from the Warfella tribe met with exiled opposition members in Zurich and conspired to overthrow the Libyan regime. The officers returned to Libya with opposition support and initiated a rebellion against Qadhāfi, though they were quickly defeated.\textsuperscript{239} More threatening to the state was the rise of an Islamic militant movement that established itself on the Green Mountain in eastern Libya. The movement, whose members included a significant number of returning fighters from Afghanistan, engaged in sporadic clashes with Libyan forces between 1995 and 1997.\textsuperscript{240} These internal threats to the regime took advantage of smuggling networks and black markets to supply themselves.

Smugglers, by supplying militant movements, thus became a threat to the state’s power. As such, it is not surprising that Libya would harshen its attitude toward non-state actors involved in smuggling while largely ignoring its own illicit behavior. Re-empowering revolutionary committees to oversee the public’s behavior also makes sense in light of the expanded internal rebellions generated by the sanctions.

\textsuperscript{238} Niblock, 89.
\textsuperscript{239} Pargeter, 158-159.
\textsuperscript{240} Niblock, 90.
Interestingly, while the state cracked down on non-state actors involved in smuggling and fought various militant movements, the state also devolved some power and freedom to traditional Libyan tribal authorities. The government resolved to restore some authority to traditional tribal leaders as a means by which to secure their loyalty. At the same time, Qadhafi noted that “[w]hen traitors are discovered within a tribe, the Libyan people will automatically qualify the whole tribe as traitors… Such a tribe should defend its honor… look for treason, detect it, contain it, disown any clans from it which are not involved in treason and say to the Libyan people: We are not traitors.” In this way, Qadhāfi tied the tribes’ honor to their ability to maintain their members’ loyalty to the state. If a member of a tribe rebelled against the state and the tribe failed to act quickly enough, that entire tribe would be considered to be against the state. This devolution of power, in the midst of other repression, is intriguing. It perhaps reflects that while the state felt threatened by various non-state groups, the partial sanctions regime was not so intense that the state needed to impose broadly repressive policies.

State repression of non-state actors and civilians thus varied tremendously under the sanctions regime, but the general pattern of repression in Libya appears to be associated with the intensity of the sanctions regime. The Libyan state responded to initial US and European sanctions by turning to political liberalization, increasing Libyans’ political rights. In response to stronger multilateral sanctions imposed by the UN, however, Libya appears to have reversed its decision to politically liberalize, eliminating political and social freedoms established during the liberalization period. This pattern of state behavior fits within our definition of repression, particularly the state’s infringement upon the recently granted first-amendment style rights

241 FBIS Daily Reports, “Al-Qadhdhafi Warns No Leniency for ‘Traitors’.”
guaranteed in the late 1980s and its violation of Libyans’ personal integrity and security through the re-empowerment of revolutionary committees.

**Conclusion**

The intensity of Libya’s sanctions regime appears to have contributed to its responses to sanctions. The Libyan state’s dependence on oil for the majority of government revenues put the state in a vulnerable position. Coupled with low oil prices, sanctions significantly reduced available government revenues and limited other economic activities. This reduction in revenue inclined the state to pursue alternative means of revenue generation such as black markets. Still, sanctions did not prevent the state from selling most of its oil overseas; European countries were happy to buy Libya’s oil and gas when America severed economic relations. As such, the state did not need to develop extensive illicit networks nor fully embrace economic reform. Rather, limited smuggling activities and liberalization measures such as the return of private property allowed the state to alleviate economic pressure caused by sanctions.

State responses toward non-state actors were also mixed. The government initially freed political prisoners and promoted other political freedoms in response to domestic pressure generated by sanctions. As the sanctions regime intensified, however, the state began to severely repress non-state actors involved in smuggling in response to the growing relationship between internal militant movements and smugglers, and increased overall repression. This variation in repression appears roughly consistent with this study’s hypothesis that the intensity of the sanctions regime is associated with the intensity of state responses, though further analysis is needed.

Finally, the Libyan government reduced its welfare benefits to the broader public in favor of patronage to key parts of its power base and spending on political initiatives. This
retrenchment of benefits arguably benefited state security, as the decline in the living standards of the Libyan people could be blamed on sanctions and contributed to the country’s victimhood and siege narrative.
CHAPTER 3: COMPARATIVE ANALYSIS AND CONCLUSION

The experiences of Libya and Iraq underscore the ways in which international sanctions regimes can shape state behavior. As discussed in previous chapters, both Iraq and Libya turned to illegal activities such as smuggling in order to survive while under sanctions. At the same time, the scope of each state’s illicit behavior varied based on the intensity of their respective sanctions regime. Libya’s continued ability to export oil during the sanctions period limited its need to accrue revenue from alternative sources. By comparison, Iraq’s complete seclusion from international markets made it more reliant on illicit rents. Both states’ sponsorship of illicit activity was coupled with the repression of non-state actors involved with smuggling, as well as increased levels of overall repression. Additionally, sanctions had an inordinately negative impact on the civilian populations of both states. While multiple factors contributed to citizens’ poor living conditions, sanctions played an undeniable role in both countries’ economic destabilization. In the face of declining living standards, both Iraq and Libya chose to prioritize government spending for their own political programs instead of for social welfare. When money was spent on welfare, it was apportioned such that it expanded the reach of each state’s respective security apparatus, further strengthening these states in the face of external and internal threats.

This chapter will address how the magnitude of state responses to sanctions regimes varies based on the intensity of a sanctions regime, looking specifically at the criminalization of state behavior, state repression, and changes in state spending patterns. It first compares the cases of Iraq and Libya. It then applies this study’s thesis to the sanctions experiences of Yugoslavia and Myanmar to determine whether the thesis has explanatory power beyond the cases of Iraq and Libya. Overall, the analysis of this chapter will highlight the relationship between sanctions
intensity and state responses and ultimately provide some policy recommendations to minimize the consequences associated with these responses.

**Iraq vs. Libya**

Based on the cases of Libya and Iraq, it appears that the intensity of a sanctions regime impacts the extent to which states pursue certain policy responses. Both Libya and Iraq turned to illicit behavior, repressed non-state actors involved in smuggling, and reduced welfare benefits while continuing spending on important political initiatives. These state responses are consistent with the findings of Andreas, Wood, and Escriba-Folch. Yet, while Libya and Iraq’s responses to sanctions were similar, the extent to which these states pursued these responses is directly related to the intensity of their respective sanctions regime. More severe sanctions resulted in greater economic and political pressure on the state to take action.

Take, for instance, both states’ involvement in illicit activities. The cases of Iraq and Libya both support Andreas’ argument that sanctions can lead to state involvement in illegal activities. Iraq was almost completely cut off from international markets by its full sanctions regime, and as such it cultivated highly extensive illicit networks to ensure that the state received revenues from its oil production. As Andreas notes, and as is supported by the conversations of top Iraqi officials in government documents, the state played a central role in running these illicit networks. Strong state involvement was likely necessary to meet the challenges created by the sanctions regime, such as the international naval embargo on Iraqi exports. Libya, by contrast, was involved in less extensive and less centralized illicit activity. Under its partial-

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243 Andreas, 355.
sanctions regime, Libya had less need for illicit networks than Iraq; Libya could still sell its oil in international markets. As Figure 11 illustrates, Libya’s export earnings were much more closely tied to the international market price of oil, indicating the relatively smaller extent of its economic isolation as compared to Iraq. The primary purpose of black markets in Libya was merely to ensure the supply of goods to the Libyan people, reducing welfare spending for the state. Overall, sanctions drove both Iraq and Libya to illegal activities, but the scale of each state’s respective sanctions regime likely determined the extent to which they developed illicit networks.

Figure 11: Official Libyan and Iraqi Oil Exports, 1997-2003


State repression levels varied based on sanctions intensity. In Iraq, economic crises caused by the sanctions forced the state to impose draconian measures to reign in non-state actors involved in smuggling. This was coupled with various measures to shore up state control over Iraqi society, which had been weakened by both the war and sanctions. Dina Khoury, for
instance, notes that after the war “the list of possible of infractions was widened to include larger sections of the population,” creating a “perpetual threat of punishment.” This constant threat of punishment allowed the state to better control its citizens despite its weakness. In contrast to Iraq, Libya initially responded to the increasing impact of sanctions by adopting political liberalization measures. It was only after the imposition of further UN sanctions that Libya adopted more repressive policies toward non-state actors and citizens generally. The timing and intensity of Libya’s partial sanctions regime and Iraq’s full sanctions regime, I posit, explains this shift in state repression policies. The swift imposition of intense sanctions on Iraq made it difficult for the state to adapt to lessen the impact of the sanctions. While the state initially managed to establish an effective rations system to prevent starvation, the Iraqi economy was set back significantly by the Gulf War and then frozen for the rest of the sanctions period. This generated significant social unrest, and in response the state resorted to more repressive means of social control. In Libya, by contrast, the slow imposition of sanctions allowed the state to adapt. Sanctions’ effects on Libya’s economy were initially felt only in certain sectors of the economy, such as the oil and gas industries where US expertise had helped modernize Libyan oil practices. The limited direct impact of sanctions meant that the Libyan state had more breathing room to change its political systems to fend off potential unrest. As sanctions were tightened, however, the state was forced to respond more fiercely to fend off challenges from non-state actors. Libya’s volte-face on issues such as the death penalty and the acceptability of smuggling highlight the swing in regime repressiveness. This is consistent with the work of scholars such as Wood, who predicted that more stringent sanctions would be positively associated with state

244 Khoury, 151.
repression. Still, the fact that Libya also devolved authority to local tribes during the height of its attempt to suppress non-state actors involved in smuggling indicates that the association between sanctions intensity and the magnitude of state responses is not always predictive.

Changes in public spending patterns are another predicted area where sanctions affect state actions. As discussed in previous chapters, anecdotal evidence from both Iraq and Libya supports Escriba-Folch’s supposition that sanctions are associated with steep state welfare cuts and redirection of resources toward groups that support state security. In both cases, however, the state maintained basic levels of welfare spending, particularly on food. This seems to indicate that there is a baseline level of government welfare spending (relative to the needs of a specific state) that persists despite variations in the intensity of a sanctions regime. There thus does not appear to be a perfectly linear association between sanctions intensity and state welfare spending; a full sanctions regime does not appear to lead to a complete retrenchment of state welfare spending. There is likely a limit past which states do not cut, lest it lead to the overthrow of the state. The absence of consistent budgetary data for Libya and Iraq, however, makes it difficult to assess the relative effect of sanctions intensity on state welfare spending between these two states.

Based on analysis of Libya and Iraq, the magnitude of state responses to sanctions thus appears to be strongly associated with the intensity of the sanctions regime, which supports my thesis. Additionally, looking exclusively at these two cases, partial sanctions regimes appear to be more effective than full sanctions regimes in encouraging the sanctioned state’s compliance. Libya ultimately acceded to the UN’s demands to hand over the Lockerbie and UTA bombers

245 Wood, 505.
and tamped down its support for terrorism. Iraq, by contrast, engaged in a cat-and-mouse battle with UN inspectors over its nuclear, chemical, and biological weapons programs and refused to end its support for certain terrorist organizations. As previously discussed, however, it is difficult to generalize about the effectiveness of sanctions given the particular nature of each sanctions regime. The success of Libya’s partial sanctions regime, for instance, appears inconsistent with some scholarly perspectives on the utility of targeted sanctions to encourage state compliance.

**Control Cases: Yugoslavia and Myanmar**

To avoid selection bias, and to understand the explanatory power of this study’s thesis, it is critical to assess its robustness against cases that appear quite dissimilar to that of Iraq and Libya. Specifically, it is important to see if the thesis holds up against both temporal and geographic differences, especially given that these factors were taken into account during the selection of Iraq and Libya. As such, I briefly examine the impact of varying sanctions regimes on the cases of Yugoslavia during the period from 1991-1995 and Myanmar from 1988 to 2012. Yugoslavia’s sanctions regime was contemporaneous with that of Iraq and Libya, while Myanmar’s extended well into the 2000s. In addition, Yugoslavia’s sanctions regime fits with our definition of a full sanctions regime, as it was cut off officially by the UN from international markets for a time, though this trade embargo was not immediate. Myanmar, by contrast, was subject to US and European sanctions for decades, but still was able to trade with China, India, and other East Asian states. Analysis of these cases will focus on state involvement in illicit activity and repression, as these responses showed strong links to sanctions intensity. State spending patterns, by contrast, appeared to be less informative in the cases of Iraq and Libya and as such will not be considered for Yugoslavia and Myanmar. Ultimately, these cases should provide more information about the validity of my thesis.
The UN and other actors imposed international sanctions on Yugoslavia in response to a series of bloody conflicts that emerged as the country’s political system dissolved. In 1991, the UNSC imposed an arms embargo on the country in the midst of the Serbian-Croatian conflict.\(^{246}\) In 1992, when conflict arose in Bosnia between Serbian, Croatian, Bosnian Serb, and Bosnian Croat forces, the UN imposed a strict economic embargo intended to end hostilities between the warring parties. UNSC Resolutions 757 and 787, passed at this time, banned international air travel with Yugoslavia, blocked Yugoslav exports, prevented foreign investment and commercial activity, and prohibited the transshipment of strategic goods through Yugoslavia.\(^{247}\) The sanctions were intended to stop Yugoslavia from militarily supporting Bosnian Serbs, in hopes of making the Bosnian Serb government more willing to negotiate a peace treaty. These sanctions were enforced by the deployment of numerous Sanctions Assistance Mission (SAM) teams, which monitored Yugoslavia’s borders and shipments on the Danube to ensure that illegal trade did not persist. As Cortright and Lopez note, “[t]he SAMs system and other enforcement efforts effectively blocked most riparian and seagoing commerce with Yugoslavia.”\(^{248}\) By 1993, Yugoslavia was, at least officially, cut off from international trade as a result of its support for the Bosnian Serbs.

Yugoslavia’s reaction to sanctions is relevant to this study both for the intended consequences and for the unintended. As desired by the international community, the sanctions regime encouraged Yugoslavia to withdraw its support for Bosnian Serbs, which ultimately


\(^{248}\) Cortright and Lopez, 70.
ended the war. Along the way, however, sanctions drove the Yugoslav Republic to turn to illicit behavior as a coping mechanism for its troubled economy. This turn to illicit behavior is similar to that of Iraq and Libya’s. As Peter Andreas notes, “[s]anctions were central to both the rapid growth of the underground economy and its state-directed restructuring toward organized smuggling and clandestine financial transactions. Milosevic was able to command loyalty and collect sanctions rents by providing preferential access to the sanctions-busting trade, which in turn helped to prop up the regime.”

Interestingly, some of the most extensive smuggling networks emerged around oil. Yugoslavia relied on imported oil as an energy source and was eventually able to secure new oil supplies through smugglers with connections to the regime. A 1992 *Economist* article noted that “[t]he [regime’s] interest in selling petrol has also grown since 40% of Serbia’s petrol stations were linked to Serbia’s president, Slobodan Milosevic. Other petrol stations belong to investors with close links to the ruling Socialist Party, and to Serbian military leaders laundering money from the sack of Croatian and Bosnian towns.” The central role of oil in the Yugoslav economy and the ease with which it could be smuggled incentivized the state to promote illicit behavior for economic and political gain. As Andreas notes, smuggling “became ‘normal’—that is, the expected and accepted method of trade… in the FRY it was elevated to the status of a patriotic duty,” and the government “publicly praised those who became ‘entrepreneurial’ under the sanctions.” At the same time, while the extent of smuggling and illegal activities in Yugoslavia was comparable to that of Iraq, state relations with

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249 Andreas, “Criminalizing Consequences,” 341.
250 In the summer following the oil embargo, petrol shortages caused the halting of most road traffic. See Andreas, 341.
252 Andreas, 344.
illicit networks were ‘flatter’ than those in Iraq.\textsuperscript{253} The government facilitated the activities of those involved in smuggling and ran its own smuggling routes, but it did not actively manage the trade of illegal goods in as centralized a manner as occurred in Iraq. Thus, while in both Iraq and Yugoslavia intense sanctions led to intense state involvement in smuggling efforts, there are differences in how both states cultivated these illicit networks.

What about state repression? Repression certainly seems to have increased during the sanctions period. Initially, this repression targeted minority ethnic groups such as the Albanian Kosovars. As a US government report noted in 1994 “[t]he Milosevic regime will continue repressive political and administrative measures to suppress Kosovar ‘shadow’ institutions.”\textsuperscript{254} News reports from the era report similar repression of the Kosovars, noting that the “Serbian authorities have denied the Albanians livelihoods, education, medical attention, news organs and political rights.”\textsuperscript{255} Repression also seems to have broadened over the course of the sanctions. A 1995 New York Times article reported that the government had “embarked on a ferocious attempt to stifle the remaining independent news outlets,” and politicians and businessman noted that the government increased “harassment of opposition parties and private companies,” in addition to the continued repression of Albanian Kosovars.\textsuperscript{256} The extension of state repression from its focus on ethnic minorities to broader sections of Yugoslav society is consistent with the increasing intensification of sanctions on the country from a partial sanctions regime in 1991 and

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\textsuperscript{253} Andreas, 355.
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1992 to a full sanctions regime by 1993 due to international enforcement mechanisms such as the SAMs. Still, without access to government records it is difficult to assess the extent that sanctions played in motivating this increased repression.

Interestingly, severe sanctions appeared to also be successful in encouraging state compliance. This is quite different from Iraq. Despite financial incentives to do otherwise, the Yugoslav state ultimately capitulated to international sanctions and supported a peace agreement. As Cortright and Lopez note, “evidence suggests that sanctions were nonetheless effective as a bargaining instrument… [a]ccording to David Owen, Milosevic’s support for the Vance-Owen [peace] plan in the spring of 1993 was motivated by his desire to achieve a lifting of the ‘economic millstone’ of sanctions.” Richard Holbrooke, the chief US negotiator with Yugoslavia, describes sanctions as the “main bargaining chip with Milosevic.” Sanctions were particularly influential for Milosevic due to their deleterious effect on the Yugoslav economy. While regime-connected actors benefited from illicit oil smuggling, Yugoslavia’s overall economy suffered dramatically while under sanctions. In 1993, Yugoslavia’s GDP fell by more than 30%, unemployment exceeded 40%, and the Yugoslav Dinar was essentially worthless. As the conflict turned against the Bosnian Serbs, Milosevic sought a deal to relieve the economy; he ultimately supported the Vance-Owen peace initiative. A report from the Center for a New American Security notes that “none of the fighting had spread to Serbia…

257 Cortright and Lopez, 77.
Serbia was under no direct military threat. The only real pressure on Milosevic was the sanctions, and he needed to make a deal. Sanctions, as much if not more than any other factor, brought Milosevic to Dayton.”\textsuperscript{261} Holbrooke confirms Milosevic’s intense focus on sanctions relief and recounts a meeting following the beginning of the 1995 NATO bombing campaign in Bosnia where Holbrooke was surprised by Milosevic’s disinterest in the bombing in comparison to “his passion on the subject of lifting the economic sanctions.”\textsuperscript{262} Thus in the case of Yugoslavia, the full sanctions regime was an important factor in encouraging state compliance with sanctions. This, however, is likely not generalizable; unique domestic circumstances pushed Yugoslavia to comply with sanctions. As discussed in the literature review, state compliance is not typically a product of broad-based sanctions. Overall, the Yugoslav case appears to align with my thesis, as state involvement in illicit activity and repression both increased significantly under the sanctions regime.

Myanmar offers the opportunity to compare my thesis to a modern, partial sanctions regime. Sanctions against Myanmar were imposed starting in 1988, in response to the military junta’s brutal crackdown on popular protests against the military government.\textsuperscript{263} The United States imposed an arms embargo on the country and ended non-humanitarian aid.\textsuperscript{264} After elections in 1990, which resulted in a massive victory for the opposition National League for Democracy (NLD) party led by Aung San Suu Kyi, the military refused to respect the results of the election.\textsuperscript{265} The United States and European countries in response imposed a series of

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\item \textsuperscript{261} Comras, \textit{Pressuring Milosevic}, 73.
\item \textsuperscript{262} Holbrooke, \textit{To End a War}, 106.
\item \textsuperscript{265} Martin “U.S. Sanctions on Burma,” 12.
\end{itemize}
\end{footnotesize}
political and economic sanctions that limited foreign investment and economic activity within Myanmar. Piecemeal sanctions continued to be applied over the course of the 1990s and 2000s, strengthening the sanctions regime. For instance, in 1997, President Clinton prohibited new American investment in the country after continued human rights abuses.\textsuperscript{266} The sanctions regime on Myanmar in many ways mirrors that of Libya. Initial sanctions were limited, but slowly strengthened over time. Sanctions against Myanmar were limited for the most part to the United States and European countries. Myanmar retained trade ties with its Asian neighbors, and European sanctions did not apply to the country’s energy sector. In contrast to Libya, however, UN economic sanctions were never imposed on the country. How then did these sanctions impact Myanmar’s involvement in illicit activity and state repression?

Myanmar has been and continues to be a hotbed of illicit activity. Multiple insurgencies and separatist movements in border provinces have created an environment where human trafficking, illegal jade and timber sales, and drug trafficking prevail. Given the prevalence of illicit activity and corruption, it is difficult to distinguish the state’s involvement in illicit activities. There is indication of organized state involvement in these activities. Global Witness, for instance, recently published a comprehensive report detailing the illicit jade trade. As noted in their report, “the Nay Pyi Taw authorities have full control of the major jade mines in the Hpakant area. They decide who has access to valuable concessions and on what basis. Evidence collected by Global Witness strongly suggests that the licensing process is weighted heavily in “favour of a powerful elite connected… to the ruling Union Solidarity and Development

Party.”\footnote{267} The scale of theft and corruption in the jade industry, Global Witness estimates that the military earns hundreds of millions in unofficial revenue from Jade mines in Kachin\footnote{268}, implies a level of state control over the process. Similarly, US authorities attributed a level of responsibility to Burmese authorities as regards illegal drug sales. The Burmese Freedom and Democracy Act of 2003 notes that the Burmese government provided “safety, security, and engages in business dealings with narcotics traffickers under indictment by United States authorities,”\footnote{269} as part of its justification for intensifying sanctions. Nonetheless, the opacity and isolated nature of the state prior to recent liberalization measures makes it difficult to assess whether the sanctions regime increased regime involvement in illicit trade and activities. This too would require an analysis of internal state documents, which are unfortunately unavailable. Still, the fact that Myanmar continued to trade with other nations despite US and European sanctions, and the fact that it maintained high growth rates throughout most of its sanctions period\footnote{270}, indicates that the state likely did not need to develop significant illicit networks to alleviate economic pressures.

There is an association between the imposition of sanctions and state repression in Myanmar. In 1997, after seven years during which the US and European countries slowly imposed targeted sanctions on Myanmar, Amnesty International reported that repression in the country was the worst it had been since the late 1980s.\footnote{271} Similarly, increased US sanctions in
the early 2000s led to increased economic pressure on the country’s energy sector.\textsuperscript{272} Fuel shortages caused by sanctions led Myanmar to increase fuel prices in 2007, which in turn generated large domestic protests.\textsuperscript{273} The government responded to these protests by brutally suppressing protesters and arresting thousands. Increased sanctions thus appear associated with increased repression in the country. As in Libya, however, the slow imposition of sanctions allowed the state to attempt other policy options to deal with growing internal pressure besides repression. At multiple points throughout the sanctions period the state opened talks with the NLD, released political prisoners, and allowed for greater political freedoms.\textsuperscript{274} This back and forth in political repression is similar to that which occurred in Libya and contrasts from the steady expansion of repression under the full sanctions regimes of Yugoslavia and Iraq.

Unlike Libya, it is uncertain whether partial US and European sanctions led Myanmar to ultimately comply with their demands. Indeed, sanctions against Myanmar consistently failed to cause democratization in Myanmar, the intended goal of the sanctions regime, for nearly 20 years. Myanmar’s decision to democratize is frequently attributed to increasing Chinese economic domination and to threats of UN war crimes prosecution\textsuperscript{275}, rather than anything specific to the US and EU sanctions themselves. As such, it is difficult to attribute Myanmar’s decision to democratize to sanctions.

\textsuperscript{272} Anguelov, 34.
\textsuperscript{273} Anguelov, 34.
Conclusion

Based on the control cases, it appears that there is some robustness to this study’s thesis that there is an association between the intensity of a sanctions regime and the magnitude of certain state responses to sanctions. As the cases illustrate, the greater the intensity of the sanctions regime, the more likely it is to observe extensive state involvement in criminal activities or illicit networks. Iraq and Yugoslavia faced intense sanctions regimes, and unsurprisingly these states also developed extensive criminal networks. Based on available archival data, Libya, by contrast, engaged in limited illicit activities due to its continued ability to trade with other countries. Insufficient data from Myanmar prevents direct comparison, but the state was certainly involved in illegal activities as well.

There also appears to be compelling evidence for an association between state repression and the intensity of a sanctions regime. Under the slow, multiyear sanctions regimes of Libya and Myanmar, both governments appeared to alternate between repression and political liberalization, though repression noticeably increased in both cases after tougher sanctions were imposed. In Iraq, by contrast, the swift imposition of sanctions precipitated economic and political crises, which led the state to dramatically expand repression to increase state control. In all cases, repression increased after the imposition of sanctions, and by relatively proportional amounts. As previously mentioned, insufficient data prevents an appropriate analysis of relative state spending patterns under different sanctions regimes. Iraq and Libya witnessed significant reductions in public welfare programs, but this study is unable to determine whether the sanctions forced Iraq to cut its budget more than Libya during similar periods. Similarly, the particular nature of each case’s domestic circumstances makes it difficult to extrapolate about the broader efficacy of sanctions in encouraging a sanctioned state’s compliance.
Ultimately, this thesis’ hypothesis that the intensity of a sanctions regime is positively associated with state responses seems likely to hold for most states. Further research is needed, however, to determine if there are other factors at play. For scholars who wish to investigate this further, I would recommend gathering more state budgetary data and creating a metric to compare levels of repression across countries. Large-N analyses of sanctioned states could also supply valuable insight and provide more basis for assertions of causality.

**Policy Recommendations**

Given this study’s conclusions, what steps should US and UN policy makers take to ensure that sanctions support their policy goals? First, policymakers need to establish mechanisms to tackle illicit activity during the sanctions drafting and implementation phase. Given the strong link between sanctions intensity and illicit state activities, sanctions pose the threat of creating environments that are conducive to transnational crime and terrorism. More resources should be directed to state and multinational crime-fighting organizations to help prevent the criminalization of sanctioned states. Second, given the link between sanctions intensity and state repression, policymakers need to consider employing other measures in place of sanctions to express their disapproval of state-directed violence or repression. Coordinated international shame campaigns, rather than coercive economic sanctions, might create normative pressure for sanctioned regimes to moderate their repressive activities. Similar initiatives, such as the World Bank’s *Ease of Doing Business Index*, have incentivized states to improve their economic performance by publicly shaming poor performers. Finally, policymakers should create integrated communication strategies designed to inform the citizens of a sanctioned state about the aims of their sanctions regime. Sanctioned states excel at creating a narrative of victimhood that allows them to generate rally-around-the-flag effects. By promoting counter-
messaging in sanctioned states, policymakers might be able to prevent sanctions from strengthening the sanctioned state.


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