Economic Sanctions and the Ethics of Collateral Damage

Mahmoud Rasmi
hello@decafquest.com

Abstract

Economic sanctions are often imposed on governments as a tool to change their behavior, typically in response to human rights violations, support for terrorism, or military aggression. When applied broadly, these sanctions affect the entire economy, including small and medium-sized businesses (SMEs) and the general population. SMEs account for about 90% of businesses and provide over 50% of jobs worldwide (World Bank).

Sanctions disrupt SME activities, isolating them from vital systems, such as banking, financial networks, suppliers, and customers. This often leads to business closures, unemployment, and economic instability. Research indicates that sanctions achieve their political goals only about 34% of the time (Hufbauer et al., 2009) and frequently create unintended hardships, affecting those with no direct control over political decisions.

SMEs lack the resources of larger corporations to comply or adapt, leaving them unable to diversify operations, relocate to, or access new markets. This raises ethical and economic questions about fairness, as sanctions often harm those not directly targeted, causing severe collateral damage.

This paper examines the ethical dilemmas posed by economic sanctions, focusing on their impacts on SMEs. Using moral philosophy frameworks, it highlights the need to balance political objectives with moral responsibility. It contrasts 'blind sanctions' with 'smart sanctions,' which aim to minimize harm by targeting individuals or sectors responsible for objectionable actions. While not without challenges, smart sanctions may offer a more precise approach, reducing harm to SMEs and vulnerable communities.

Finally, the paper provides recommendations for policymakers on designing sanctions that achieve political goals while protecting economic opportunities for SMEs. By addressing these questions within ethical and economic frameworks, the paper aims to develop strategies that align more closely with principles of fairness and justice, lessening the negative impact on innocent businesses, communities, and individuals.

1. Introduction

"It's a very hard choice, but we think the price is worth it." This was Madeleine Albright's response to the question of whether or not the economic sanctions imposed on Iraq to punish Saddam Hussein for invading Kuwait in the 1990s were justified (Albright, 1996). The stringent sanctions were imposed by the United Nations Security Council on August 6, 1990, only four days after Iraq invaded Kuwait on August 2, 1990.

The sanctions included a near-total trade embargo, prohibition of arms sales, and financial sanctions. The sale of staple food was permitted, but only with the approval of the UN (Demarais, 2022). Despite withdrawing from Kuwait in February 1991, the sanctions were maintained due to concerns about Iraq's compliance with the UNSC resolution regarding weapons of mass destruction. The sanctions remained in effect until the US invasion of Iraq in 2003.

The direct and indirect consequences of the sanctions were brutal. The reports and statistics are disputed, but one thing is for sure: many innocent Iraqis suffered from the trade embargoes due to the lack of basic foodstuffs, medicine, and other essential materials (Cortright, 2001). Without getting into the actual numbers, which some argue have been exaggerated by the Iraqi regime, all reports agree that many children and adults died due to malnutrition and lack of medicine.

Unemployment soared, the GDP plummeted by over 75%, salaries became worthless, many professionals like doctors, lawyers, and teachers saw their income devalue to only a few dollars a month, countless businesses were forced to shut down, and many people were driven into poverty (Cortright, 2001).

In 1995, after reports emerged about the devastating humanitarian consequences of the imposed sanctions, the UN established the Oil-for-Food program, which allowed the government to export limited quantities of oil in exchange for food, medicine, and other humanitarian supplies. The program was intended to alleviate the suffering of the civilians.

Despite that, the relief efforts were slow to come. The program did not resolve all the issues caused by the sanctions. In fact, in the interview with *60 Minutes*, Albright admits that the sanctions were not yielding any effective results, explaining that Saddam Hussein had just bought a luxury yacht and 48 palaces since the war started, totaling over $1.5 billion. That is also the reason why sanctions were maintained for 13 years, leading eventually to the US invasion in 2003.

One interesting aspect to consider regarding all that is causality. Despite Albright's admission about the deadly consequences of the sanctions being worth it, a debate was sparked centering around responsibility. Who was to blame for the far-reaching consequences of the sanctions?

Opponents, including humanitarian organizations and activists, argued that restrictions directly caused widespread malnutrition, a medical care crisis, and elevated child mortality.

Supporters, on the other hand, contended that while the sanctions may have indeed led to an unprecedented dire humanitarian crisis, Saddam Hussein and his regime were to blame for the mismanagement of the crisis, as well as for the corruption and the refusal to comply with the UNSC resolutions.

In a 2001 article for The Nation, *A Hard Look at Iraq's Sanctions*, David Cortright noted that the government's mismanagement and obstruction of the relief program exacerbated the worsening conditions in certain regions like Baghdad, in contrast to the UN-administered Kurdish regions which saw an improvement in child mortality rates.

This debate seems to be a futile one, the chicken-or-egg of economic sanctions. Regardless of whether the fault lies with the sanctioning parties or the targeted regime, the outcome remains unchanged. The consequences are in many instances harsh, leading to economic crisis, eroded infrastructure, increased mortality, and rampant poverty.

These impacts are exacerbated when sanctioned governments refuse to comply and revert to survival mode to reinforce their regime.

Effectiveness and Ethical Dilemmas

Sanctions, on the face of it, may seem like a powerful tool, falling somewhere between taking no action against a target and launching full-scale military intervention. They tend to be more popular amongst politicians because they seemingly deliver quick actions and are popular amongst voters, especially in US local politics.

The question regarding their effectiveness is rarely scrutinized. As Agathe Demerais (2022) puts it:

"Few, if any, foreign policy tools have as big an impact as sanctions. Yet the ripple effects of sanctions remain understudied. In fact, only defense experts appear to have an interest in the side effects of sanctions; they are largely ignored by economists and political scientists."

The effectiveness of sanctions remains highly contested. While Hufbauer et al. (2009) suggest that sanctions succeed in only a minority of cases, particularly when objectives are modest and multilateral support is strong, Ahn and Ludema (2019) argue that targeted sanctions can yield measurable short-term results, as seen in their impact on Russian firms. However, their analysis does not extend to the broader or long-term ripple effects.

Critics like Richard Hanania (2020) and Agathe Demarais (2022) emphasize the unintended consequences and ethical dilemmas, including the disproportionate harm sanctions inflict on civilians and SMEs, as well as their tendency to backfire. This paper unpacks these studies, examining their findings with real-world examples and ethical frameworks, to explore the complex and often contradictory nature of economic sanctions.

The discussion around sanctions tends to focus narrowly on their effectiveness and visible results, often sidelining the complex dynamics of the sanctions that make it such a powerful tool potentially causing harmful outcomes.

Over the years, sanctions evolved and took different shapes and forms. As Tom Wilson (2024) put it "*[a] modern sanctions programme is akin to software that needs close monitoring and frequent patching.*" I would go further comparing their complexity to financial derivatives: the more intricate they become, the greater the likelihood of a bubble forming, reminding us that we are edging to a potential disaster, much like the financial crises of the past.

This paper aims to explore the maze of sanctions, focusing on the ethical dilemmas that they present us with. My goal is not to argue for or against sanctions. In theory, sanctions are often imposed on governments as a tool to change their behavior, typically in response to human rights violations, support for terrorism, or military aggression.

It is essential to combat human rights violations, terrorism, or military aggression, especially when they pose a big risk to innocent civilians across different countries.

However, when sanctions are applied haphazardly, they often defy the 'cause no harm' principle. Unlike military action, the impact of sanctions is silent and difficult to track. The ripple effects are unpredictable. Deaths don't take place on the battlefield for the world to witness, and lost jobs and shattered lives rarely create the same outcry as wartime civilian casualties.

This paper acknowledges the complexity of economic sanctions, and argues that despite being viewed as a less violent alternative to military intervention, they pose equally serious moral dilemmas, particularly due to their disproportionate impact on civilians and small businesses. As a result, the paper examines these moral dilemmas, focusing on the effects of broad economic sanctions on populations and particularly on small and medium-sized businesses.

It is important to highlight that this discussion will not focus on whether sanctions are inherently ethical. It is almost self-evident that there is a moral duty to deter a rogue state, a dictator, or a terrorist organization. However, the moral dilemma arises when sanctions directly or indirectly cause harm to others, resulting in dire humanitarian consequences and collateral damage. In this context, the key question we must ask ourselves when designing sanctions is: how can we minimize collateral damage? Are sanctions an effective coercive tool, or should we consider them as something more symbolic? How can we ensure that small and medium-sized businesses, as well as civilians, are not disproportionately affected by sanctions? These are some of the issues that will be examined in what follows.

Section two will provide a brief overview of the history and evolution of sanctions. Section three will analyze their effectiveness and impact on SMEs. Section four will explore the moral dilemmas posed by economic sanctions. Finally, section five will offer policy recommendations based on the discussion of these moral dilemmas.

2. Historical Context and Evolution of Sanctions

Megarian Decree, and Plato's Disillusionment

In documented history, the concept of sanctions can be traced back to Ancient Greece (Zarate, 2013). Around 432 BCE, the Athenian state passed the Megarian Decree, effectively prohibiting the city-state of Megara from accessing their markets and harbors, destroying their economy. While the effectiveness of these measures remains unclear, its consequences were extensive. The decree increased the tensions between Sparta and Athens. As an ally of Sparta, and a member of the Peloponnesian League, Megara's predicament angered Sparta setting them up against Athens, the head of the Delian League coalition.

The Athenian sanctions backfired. Sparta called for a repeal of the sanctions. Athens refused to comply, leading to the eruption of the Peloponnesian War between the two leagues. Athens and the Delian League were defeated, ending a prosperous era of Athenian democracy and concluding the Athenian Golden Age, headed by the prominent statesman Pericles.

In the aftermath, Sparta imposed the rule of the 30 tyrants, among them Plato's uncle Charmides. The term was short-lived and democracy was restored. But this experience left Plato with many unanswered questions regarding just rule, the best forms of governance, education, and good citizenship.

The Continental Blockade

In 1806, Napoleon introduced the first modern sanctions with the Continental System during the Napoleonic Wars (Demarais, 2022). This policy aimed to isolate Britain economically by preventing its ships from docking at French-controlled ports worldwide. This applied to cargo ships and transport vessels.

Initially the blockade disrupted British trade, but the effects were short-lived. The British adapted quickly rerouting its trade to the Americas and establishing smuggling networks into Europe.

Between 1805 and 1810, British exports increased by 20%. The sanctions backfired against France, diminishing its customs revenue and creating shortages of goods like coffee, cocoa, and sugar, which were imported from British colonies. The blockade, ultimately unsuccessful, was lifted after six years.

There are lessons to be learned from the Continental System blockade, both for sanctioning and sanctioned countries:

1. Where there's a will, there's a way to circumvent sanctions.

2. Imposing sanctions causes unintended and unforeseen ripple effects.

The ripple effects are even harder to anticipate in today's interconnected global economy. The global disruptions caused by the cargo ship that got stuck in the Suez Canal in 2021 serve as a recent reminder of the fragility of global supply chains.

An Attempt at Institutionalizing Sanctions

After World War I, the international community sought mechanisms to maintain world peace and security, exploring economic sanctions as a peaceful deterrent. US President Woodrow Wilson (1919) praised economic sanctions stating that:

"A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It does not cost a life outside the nation boycotted, but it brings a pressure upon the nation which, in my judgment, no modern nation could resist."

The League of Nations, established in 1920, formalized sanctions as a diplomatic tool. These were employed on many cases such as Yugoslavia (1921), Japan (1931), and Italy (1935). However, their effectiveness was inconsistent (Morgan, Syropoulos, & Yotov, 2023).

While sanctions against Yugoslavia, coupled with diplomatic pressure, succeeded in forcing a withdrawal from Albanian territories, those against Japan and Italy failed to prevent invasions of Manchuria and Ethiopia, respectively.

In 1940, the US imposed sanctions on Japan restricting their access to aviation fuel, iron, and steel (Zarate, 2013). These measures were escalated in 1941 with Japanese asset freezes and trade licensing requirements. A week before the Pearl Harbor attack, Japan's ambassador to the US remarked that these sanctions posed a greater threat than military action. The ripple effects of sanctions proved devastating once again, failing to deter aggression or prevent World War II.

Post-war, with the establishment of the United Nations in 1945, sanctions became more nuanced and targeted. The UN Security Council, for instance, adopted sanctions to address global security threats, such as arms embargoes against apartheid South Africa and economic restrictions on Rhodesia (Morgan, Syropoulos, & Yotov, 2023).

The Rise of Trade Embargoes and Unilateral Sanctions

In the 1950s, unilateral sanctions gained traction, particularly in the form of general trade embargoes. In 1950, the United States imposed an embargo on North Korea following the

Korean War. In 1960, the US established an embargo on Cuba in response to Fidel Castro's nationalization of American-owned businesses. These sanctions, some of the longest-standing to date, isolated Cuba from the world, especially through secondary sanctions that targeted countries engaging in trade with the nation.

On the Absurdity of Some Rules that Don't Adapt Over Time

As a side note, that we will return to later, the sanctions froze Cuba and were themselves frozen in time, failing to adapt to changing circumstances. For instance, the Office of Foreign Assets Control (OFAC) has made minimal updates to Cuba-related sanctions since their imposition in the 1960s. These sanctions still express concerns about Soviet Union ties, an entity which no longer exists.

Another outdated rule is that of the cash monitoring rule included in the Bank Secrecy Act from 1970. The act mandates financial institutions to report any transactions that exceed $10,000 in a single day. Adjusted for inflation, $10,000 in 1970 would be equivalent to an estimate of $60,000–$80,000. While this threshold was significant at the time, it now seems as outdated as the sanctions on Cuba.

Such antiquated policies highlight the need for continuous review and adaptability when drafting new rules. However, the reality is that the teams drafting them are often understaffed and can't keep up with the pace of constant changes. This is a particularly difficult challenge as sanctions grow increasingly complex, requiring a lot of effort to update, lift, or retract them.

Sanctions Imposed During the Late Cold War (1975–1990)

The late Cold War period saw a strategic shift in the application of sanctions (Morgan, Syropoulos, & Yotov, 2023). These measures increasingly targeted human rights abuses, state-sponsored terrorism, and geopolitical rivalries. The focus began to shift from general trade embargoes to sectoral, financial, and targeted restrictions.

One notable example was the severe sanctions imposed on the Soviet Union after its 1979 invasion of Afghanistan. This included the US grain embargo and a boycott of the 1980 Moscow Olympics. Similarly, the UN enforced arms embargoes and trade restrictions on South Africa and Rhodesia as part of global efforts to combat apartheid.

Libya also faced extensive sanctions during this period. Its oil exports were banned, and assets frozen in response to escalating state-sponsored terrorism and attacks on Western targets. Iran was similarly sanctioned after the 1979 revolution and subsequent hostage crises, facing trade restrictions and asset freezes.

Countries like Nicaragua, Argentina, and others also experienced sanctions for various reasons. This era witnessed a growing reliance on economic sanctions as a less violent alternative to military action in addressing human rights violations, terrorism, and geopolitical conflicts.

Sanctions in the Post-Cold War Era (1990–2000)

The fall of the Soviet Union marked the dawn of a new political era, with the United States emerging as the world's dominant superpower, and the US dollar solidifying its position as the global reserve currency (Morgan, Syropoulos, & Yotov, 2023).

During the 1990s sanctions became more prevalent, evolving to a more complex mix of unilateral as well as multilateral measures. The establishment of the European Union (1993, following the Maastricht Treaty) and the World Trade Organization (1995) made unilateral sanctions more difficult to implement. Consequently, the United States and Europe began coordinating sanctions more closely with the United Nations.

Prominent examples of multilateral sanctions from this period include those imposed on Iraq following its invasion of Kuwait and on Serbia during the Yugoslav wars to curb ethnic violence. Other nations, such as Haiti (after a military coup), Rwanda (following the genocide), and Angola (subjected to an arms embargo to limit rebel factions), also faced varying degrees of sanctions.

These measures often had devastating unintended consequences. For instance, in Iraq, multilateral sanctions disproportionately harmed the civilian population, underscoring the need for more refined approaches.

The 1990s also saw the emergence of new geopolitical threats, including the rise of international terrorism, exemplified by groups such as Al-Qaeda. These developments brought significant changes in the way sanctions were designed and implemented, setting the stage for future policies.

The Era of Financial Sanctions: A New Paradigm

The terrorist attacks of September 11, 2001 represented a pivotal moment for global security. An international war on terrorism was declared. Beyond military response, the US began exploring more strategic alternatives led by a small team at the US Treasury's Office of Terrorism and Financial Intelligence. This team, as Juan Zarate (2013) recounts in his book *The Treasury's War*, fundamentally transformed sanctions from blunt instruments into more 'smart,' precisely targeted tools.

Historically, sanctions relied on general trade embargoes, comprehensive restrictions, arms bans, and asset freezes. These measures targeted entire countries, often causing widespread harm to civilians while proving costly, and difficult to monitor and implement. For instance, freezing financial assets required direct state involvement, making these sanctions overwhelming and inefficient for the sanctioning state (Zarate, 2013).

Juan Zarate and his team revolutionized this approach by leveraging the dominance of the US dollar and the interconnected global financial system. Under Section 311 of the USA PATRIOT

Act, they introduced "smart sanctions," which focused on individuals, specific institutions, or sectors. Tools such as Executive Order 13224 and the Specially Designated Nationals (SDN) list enabled these targeted measures, mandating the private sector to comply, ensuring their enforcement with minimal government effort.

A case in point is the designation of Banco Delta Asia. This Macau-based bank was accused of facilitating illicit financial transactions for North Korea, including their counterfeit $100 bills. What the US Treasury did was simple: they put the bank on the designated sanctions list, sending a clear message to all financial institutions. Dealing with Banco Delta Asia meant that third parties would cease to have any access to the US dollar market.

In today's global economy, losing direct or indirect access to the US dollar market often forces designated banks, companies, or individuals into financial collapse. Now not only were banks and businesses avoiding financial crime, but they were also mitigating reputational risk as well. As a result, major international banks cut ties with Banco Delta Asia to 'de-risk' their exposure to sanctions, triggering a bank run. While BDA didn't collapse, its operations were severely restricted, serving as a cautionary tale about the risk of financial restrictions.

Since the early 2000s, smart financial sanctions have been refined and applied globally, targeting countries like Venezuela, Iran, Syria, Iraq, Lebanon, North Korea, and Russia. Today, a simple designation by the US Treasury can cut off access to the dollar system, with the burden of compliance falling on financial institutions and the private sector to avoid secondary sanctions.

The Evolution of Sanctions

From trade embargoes in Ancient Greece to contemporary financial measures, sanctions have evolved to address human rights violations, terrorism threats, or illicit activities. Whether through trade restrictions, bans on investment, arms embargoes, or diplomatic measures, the goal remains the same: to influence the behavior of target entities.

After 9/11, sanctions increasingly shifted toward targeted or "smart" measures. These focus on isolating individuals, entities, or sectors from the financial system while secondary sanctions target third parties engaging with sanctioned entities. Sectoral sanctions, such as those affecting oil or technology, further refine this approach, minimizing harm to general populations while maintaining effectiveness.

Tech-specific Sanctions: The Case of China

In recent years, sanctions have expanded into the tech sector, with export bans serving as a key strategy (Demarais, 2022). For instance, the US imposed strict export controls on China, limiting their access to advanced semiconductors, which is a highly US-dominated market, and other critical technologies, citing security risks and possible data harvesting and espionage on US entities.

These measures aim to curb the risk posed by Chinese technological and military advancements. Yet, given the importance of Chinese-US trade relations, imposing these sanctions was properly tailored so as not to inflict any serious damage on the recipient country.

China, as a result, could still source semiconductors via indirect channels. These sanctions are carefully designed because, in addition to the highly intertwined economic relationship between the US and China, the latter is the world's largest producer and exporter of rare earth elements, accounting for up to 70% of the global supply.

To reduce its reliance on Chinese resources, the US has been working on developing a new strategy to source these elements elsewhere. However, this process will take a lot of time to implement. Consequently, pushing the US to carefully design sanctions on China with extreme caution.

The Challenges and Ethical Implications of Sanctions

Sanctions are versatile tools serving diverse objectives, yet their complexity often complicates enforcement and measurement. Issued by various bodies, including the US Treasury, UN Security Council, and EU, sanctions have far-reaching effects. However, unintended consequences such as currency depreciation, unemployment, and business closures often disproportionately harm civilians. In some cases, sanctions may even backfire, impacting the sender nation.

These realities raise significant ethical dilemmas. How can policymakers balance the intended goals of sanctions against their collateral damage? To address this, I will next evaluate the effectiveness of sanctions, highlighting their ethical implications and exploring them through established ethical frameworks. While this paper does not advocate for or against sanctions, it aims to introduce moral responsibility as a critical dimension in shaping policy decisions.

3. Effectiveness of Sanctions

The effectiveness of sanctions remains difficult to predict. While they have occasionally forced targeted regimes to change their behavior, they often lead to unintended consequences. Sanctioned countries adapt by leveraging geographical advantages, resources, or trade networks to circumvent restrictions, frequently promoting illicit activities such as counterfeiting, money laundering, drug trafficking, and smuggling. Tragically, innocent civilians are frequently the ones who suffer most, caught between a rock and a hard place.

This section examines empirical findings and critical studies on sanctions, highlighting how their ripple effects can stimulate the formation of new alliances, alternative trade routes, and non-dollar-based commerce, further complicating their effectiveness as a policy tool.

Reconsidering Economic Sanctions

One of the most comprehensive analyses of sanctions is *Economic Sanctions Reconsidered* (2009) by Hufbauer et al. The study assesses 174 cases, focusing on whether sanctions achieve their intended political, economic, or security objectives with minimal collateral damage. It concludes that sanctions are more likely to succeed when:

- Objectives are modest.
- The sender and target have significant economic ties.
- Sanctions are enforced multilaterally.

Even under these conditions, success is not guaranteed. Sanctions were successful in only 34% of cases, particularly when complemented by other forms of pressure, such as diplomacy or military threats. And even that number has been disputed. The difficulties in enforcing sanctions, the resourcefulness of targeted regimes in adapting to restrictions, and the far-reaching unintended consequences often reduce their overall effectiveness.

Ahn and Ludema (2017) examined sanctions' impact on Russian firms, reporting a 30% decline in operating revenue and significant job losses. However, broader economic effects were muted because Russia leveraged energy exports and non-Western trade alliances to adapt. While the study provides valuable insights, its focus on short-term effects limits its scope, ignoring long-term adaptations and unintended consequences.

Richard Hanania (2020), in *Ineffective, Immoral, Politically Convenient: America's Overreliance on Economic Sanctions*, offers a critical perspective. He argues that sanctions are:

- Ineffective: They rarely achieve their intended goals, with failures in Venezuela, Iraq, Iran, and North Korea.
- Immoral: They harm civilians and businesses disproportionately. Humanitarian relief efforts face bureaucratic barriers and de-risking practices, making aid delivery nearly impossible. Even UN employees and relief workers struggle with basic financial services, such as opening bank accounts or transferring money.
- Politically Convenient: Sanctions are easy to implement, avoiding military action while reassuring voters that decisive steps have been taken.

Hanania suggests sanctions should be symbolic, targeting individuals, with relaxed enforcement and congressional approval for long-term measures, similar to the War Powers Resolution.

Agathe Demarais, in her book *Backfire* (2022), highlights the unintended consequences of modern sanctions. Her analysis shows that sanctions often fail to account for the complexities of global economic interdependence, leading to counterproductive outcomes. She provides several compelling examples:

1. The US-EU relations became more tense due to the secondary sanctions targeting third-party entities. This meant that European businesses faced penalties for trading with Iran. This prompted European countries to explore mechanisms to bypass US sanctions, such as the INSTEX (Instrument in Support of Trade Exchanges) system. While it achieved limited success, this indicates that, due to increasing frustration with unilateral sanctions, other parties are forced to look for alternatives to reduce their dependence on the US financial system.

2. In 2018, the sanctions on Rusal, a key global Russian supplier of aluminum, caused a shockwave in the metal markets. Prices soared by 30%, and many manufacturers in Europe and Asia, dependent on Rusal's supply, faced disruptions. Price volatility caused financial losses across different sectors because of the risk and uncertainty. Even though those affected tried to adapt, European governments continued to lobby in an attempt to lift these sanctions. Eventually, the US lifted the sanctions in 2019 under special conditions.

When Sanctions Work

According to Demarais, sanctions can be effective with minimal collateral damage if they are:

- Time-bound. Long-term sanctions without a sunset clause lose effectiveness.
- The objectives are clear, focused, and achievable (e.g., South Africa's sanctions against apartheid).
- The sanctions are backed by multilateral support, ensuring collective enforcement and reducing evasion opportunities (e.g., Libya in the 1990s).
- They target key vulnerabilities and economic dependencies (e.g., North Korea's banking sanctions).
- They are paired with complementary diplomatic efforts and clear incentives for compliance (e.g., Iran's nuclear deal).
- They are accompanied by effective enforcement.

Standalone sanctions often fail, producing severe unintended consequences and potentially backfiring against the sender nation. This highlights the importance of integrating sanctions into a broader strategy involving negotiation, pressure, and well-defined goals. In what follows, I will focus on the effect of sanctions on small and medium-sized businesses, taking as an example the case of Syria.

The Case of Syrian SMEs

In a 2020 study conducted for the Carter Center titled *The Unintended Consequences of U.S. and European Unilateral Measures on Syria's Economy and Its Small and Medium Enterprises*, Samir Aita provides a comprehensive analysis of how sanctions have disrupted Syria's economy, particularly its small and medium enterprises (SMEs). SMEs were once the backbone of Syria's economy, but they, alongside many civilians, were harshly affected by these measures, resulting in a cascading series of unintended consequences across Syria's economic, social, and humanitarian fabric.

Overview of Syrian SMEs

Before the 2011 conflict, small and medium-sized enterprises (SMEs) were the backbone of Syria's economy, accounting for 98% of all economic establishments. Official records indicate that over 579,000 businesses employed fewer than 10 people each. However, Samir Aita suggests that the actual number may have exceeded the 1 million if unregistered businesses and other variables were considered.

These micro, small, and medium-sized businesses played an essential role in crafts, manufacturing, and trade, serving as a major source of production and employment. Despite sanctions imposed since the 1980s, Syria's economy managed to remain self-sufficient. Sanctions during this period primarily focused on US-Syrian relations, yet US exports to Syria still reached $500 million in 2010, comprising goods like corn and soybeans. Following the 2011 conflict and the tightened sanctions, these exports plummeted to less than $20 million, including exempt items, such as seeds and pharmaceuticals.

Post-2011 Sanctions: A Turning Point

The 2011 conflict signaled a dramatic escalation in sanctions. Unilateral measures included stringent financial sanctions with secondary dimensions, penalizing third parties that engaged in trade with Syria. These sanctions had devastating direct and indirect consequences on businesses of all sizes.

Syrian exports, a cornerstone of the economy, dropped sharply after 2011. By 2012, Syria had transitioned from a modest oil exporter to a net importer, with a $4.4 billion deficit. Gradually, Syria became more reliant on neighboring countries for oil and raw materials. Syria saw imports from untracked sources rise from 1% to 40%, with countries like Iran, Iraq, Turkey, and Lebanon stepping in to fill the gaps, according to Aita.

Sanctions severely disrupted SME operations, making it increasingly difficult to access raw materials, spare parts, and essential goods. For example, imports of non-automotive spare parts fell by 91% between 2011 and 2018. These challenges had cascading effects across the entire economy, creating a difficult environment for businesses and civilians alike.

The Ripple Effects on SMEs

The sanctions' indirect effects rippled across the entire population, harming everyone except perhaps the Syrian regime, which was the main target of the sanctions. Key consequences included:

- Currency depreciation: The Syrian pound depreciated significantly, costs increased, and it became more difficult to maintain a business.
- Electricity and fuel shortages: Intermittent cuts severely limited power supply per day, making it challenging for industrial and agricultural SMEs to maintain productivity.
- Pharmaceutical sector collapse: The pharmaceutical sector, which used to produce 93% of domestic demand, suffered from these sanctions, leading to the closure of 30 factories.
- Agricultural decline: Agricultural production dropped by 70% in many areas due to fertilizer and fuel shortages, while in other areas, it was disrupted by displacement.
- Textile industry fallout: The textile sector was heavily affected due to its inability to access foreign markets. By 2018, cotton production had been reduced to a mere 11% of pre-conflict levels.

This economic downturn caused a spike in unemployment, with around 2.2 million jobs lost. Many businesses closed, and others relocated to countries like Turkey, Lebanon, and the Gulf.

For example, Lillian[1], a skilled architect from Syria, had successfully established her own small architecture firm. Her business was running smoothly, with a dependable team and reliable projects. However, the imposition of sanctions drastically changed the landscape. Materials she had once easily sourced became either unavailable or ridiculously expensive. Factories that previously provided essential supplies were unable to repair broken equipment. These disruptions rippled through her business, making it impossible to maintain operations as before. Eventually, Lillian had no choice but to close her firm. She moved to Dubai, where she now works independently.

Her experience mirrors that of countless other professionals and entrepreneurs whose lives and livelihoods were turned upside down.

The Rise of Informal Economies

With small businesses across many sectors shutting down, the general population had limited access to staple foods, either due to scarcity or high prices, despite some exemptions on basic

[1] This example is based on a firsthand description provided during informal discussions with acquaintances directly familiar with Lillian's experience.

foodstuffs and medication. Being completely financially isolated, it became extremely difficult to wire money to families and friends.

This led to the transition to informal markets and black-market activities. For example:

- Hawala money transfers: Informal systems became the primary channel for moving money.
- Black-market channels: Many SMEs resorted to black-market channels, dominated by corruption and inflated costs, to secure their resources.
- Illicit economies: Informal economies emerged due to illicit activities, including smuggling, drug production, and drug trafficking, which became more lucrative for some compared to traditional businesses. This shift was especially evident in the pharmaceutical sector, where production transitioned from legitimate medications to illicit drug manufacturing, notably the stimulant Captagon.

The Impact on Governance and Corruption

Only a fraction of SMEs managed to survive the unintended consequences of the sanctions. Many of those that did survive either absorbed the inflated costs of doing business or navigated the clientelist systems that sanctions had entrenched. Corruption and monopolistic control over resources increased sharply, with both the government and rebel groups exploiting border access and black-market trades. These dynamics created significant barriers for SMEs, undermining their ability to operate sustainably and further fragmenting Syria's already fragile economic framework.

An Ethical dilemma

Syria's example is just one among many others. Aita's report, however, does an excellent job of studying the direct and indirect effects of sanctions, with a particular focus on SMEs. The strict measures intended to pressure the Syrian regime ended up disproportionately harming the entire civilian economy.

According to Demerais, the sanctions were never likely to work because they strengthened the Syrian regime, consolidating its control over resources and increasing reliance on the black market for both the regime and extremist groups. Syria's geography, along with support from Russia, Iran, Iraq, and Hezbollah, made it possible for them to access black markets and create a parallel economy. Humanitarian relief efforts were insufficient due to de-risking and the ongoing conflict. The sanctions were indefinite, with no clear objectives. The result was devastating for civilians and small businesses, who were caught up in a conflict they could do little about.

From our exploration so far, whether or not sanctions prove to be effective, collateral damage is inevitable to varying degrees. However, due to the complex nature of sanctions, such as their types, the stakeholders involved, the degree to which they are implemented, the geographical setting of the country, its geopolitical allies, the type of political regime targeted, among many other factors, they often lead to unintended harmful humanitarian consequences for people and small businesses, which are seen as little more than collateral damage.

These unintended consequences raise critical ethical questions: Can the harm inflicted on civilian populations ever be justified in the pursuit of foreign policy goals? Do sanctions unfairly penalize civilians and amount to collective punishment, even if their intended target is the government? And how should policymakers balance strategic objectives with humanitarian considerations?

These issues call for a deeper exploration of the ethical challenges surrounding sanctions as a policy tool. The next section explores these moral dilemmas, considering both the theoretical foundations and real-world implications of economic sanctions.

4. Ethical Dilemmas and Frameworks

The ethics of economic sanctions is a relatively underexplored subject, often avoided due to the complexity and ambiguity of sanctions themselves. The difficulty lies in directly attributing harm, assessing both short- and long-term consequences, and understanding the silent, long-term nature of their effects. Additionally, the ability of individuals to adapt over time and the political appeal of sanctions as an international policy tool further complicate the discussion.

These complexities make it difficult to establish a clear and actionable framework for drafting sanctions. Several factors contribute to this challenge:

1. Ripple effects: Whether blunt or targeted, sanctions often trigger ripple effects that extend beyond their original scope, amplifying harm across multiple sectors and regions.
2. Short-term vs. long-term effects: While short-term consequences can easily be measured, long-term effects are harder to anticipate or quantify. This uncertainty makes incorporating time into the analysis much harder.
3. Multiplicity of stakeholders: Sanctions, much like warfare, are typically imposed on an external entity or perceived enemy. However, their reach often extends to secondary sanctions, implicating third parties. This interconnected web of stakeholders, including governments, private entities, and civilians, creates a complex system where harm is difficult to assess. In many cases, innocent civilians suffer disproportionately, often even more than the primary target. The involvement of multiple stakeholders makes it nearly impossible to create a clear ethical calculus, raising questions of intent, proportionality, and collective responsibility.

These factors illustrate why the ethics of sanctions remains an under examined subject, deserving careful scrutiny of the challenging terrain it presents.

My goal in what follows is not to propose a definitive argument or provide a conclusive framework to solve the underlying problem. Instead, I will first briefly outline some of the more common ethical frameworks, such as the just war theory, consequentialism, and deontology, that could be useful in assessing the ethics of collateral damage caused by economic sanctions.

Subsequently, I will propose an alternative framework that draws on Henri Bergson's moral theory and Friedrich Hayek's emphasis on the importance of spontaneous order and the limits of government intervention in economic systems. By integrating these perspectives, we can explore a new approach that may guide practical policy solutions in addressing moral responsibility and ethical concerns surrounding collateral damage from economic sanctions.

Are Sanctions Ethical or Unethical? Gordon vs. Lopez

In her 2006 paper, *Peaceful, Silent, Deadly Remedy: The Ethics of Economic Sanctions*, Joy Gordon argues that sanctions are fundamentally unethical. She evaluates their justifiability within several ethical frameworks, including just war theory, Kantian ethics, and utilitarianism.

The Just War Theory: Combatants vs. Civilians

The just war theory, rooted in Augustine and Thomas Aquinas' work, lays out a three-pronged framework to determine when it would be justifiable to go to war and under what conditions. The theory is divided into three key parts:

1. Justice for war: Requires a legitimate authority, a just cause, the right intention, war as a last resort, and a proper assessment of risks.
2. Justice in war: Governs conduct during war, emphasizing proportionality, minimizing unnecessary suffering, and distinguishing between combatants and civilians.
3. Justice after war: Focuses on establishing just peace terms, restoring stability, and ensuring accountability for war crimes.

Gordon centers her argument on the principle distinguishing civilians from combatants. She argues that, unlike war, where sparing civilians may theoretically be possible, sanctions, especially when used bluntly, function more like sieges. They indiscriminately harm both civilians and 'combatants' by isolating the target country, disrupting livelihoods, and inflicting widespread suffering. For this reason, Gordon asserts, economic sanctions are ethically unjustifiable under the just war theory.

Kantian Ethics: Using Civilians as Means to an End

Gordon also evaluates the moral justifiability of economic sanctions through the lens of the German philosopher Immanuel Kant, rooted in deontology, or duty-based ethics. Deontology stipulates that some actions are inherently right, and other actions are inherently wrong. As moral agents we are duty-bound to pursue that which is right and to refrain from engaging in that which is deemed wrong. In a very simple and reductive example, if we determine that lying is wrong, then it is our duty not to lie.

One of Kant's central principles, articulated in the second formulation of his categorical imperative, states:

"Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end, but always at the same time as an end."

This principle emphasizes the inherent moral worth of every individual, insisting that people must never be reduced to mere tools for achieving other goals.

Gordon argues that economic sanctions violate this imperative by using civilians as instruments to pressure governments. Sanctions rely on the suffering of the target population, with the expectation that they will demand change from their leaders. In doing so, they disregard the moral worth of individuals, treating them as mere means to an end.

She acknowledges rare cases, such as South Africa and Haiti, where some populations expressed support for sanctions. However, Gordon highlights the complexity of consent in such situations, given the dire consequences of sanctions, including malnutrition and deaths. She asserts that true consent would require explicit agreement from every individual affected, which is a virtually impossible standard to meet.

Gordon also refutes the argument that citizens implicitly consent to sanctions through their governments' actions. In authoritarian regimes, citizens have no meaningful control over their government's actions and limited means to oppose their decisions.

Ultimately, Gordon argues that the moral responsibility for the harm caused by sanctions lies with the sanctioning country, not the target nation or its civilians. Given the predictable and often devastating effects of sanctions, the burden of ethical responsibility cannot be shifted away from those imposing them.

Utilitarian Justification and the Ineffectiveness of Sanctions

The utilitarian theory is a cornerstone to consequentialist ethics, which essentially focuses on the outcomes of an action. In contrast to deontology, which evaluates the actions themselves, consequentialism deems an action ethical if the outcomes are on balance positive; otherwise, it's unethical.

Utilitarianism seeks to maximize good for the greatest number of people, defining "good" as that which promotes pleasure and well-being. It's beyond the scope of this paper to dig into the different types of utilitarianism and its calculus, but Gordon critiques the common utilitarian defense of sanctions, namely, that the economic hardship they impose is a lesser evil compared to the consequences of unchecked aggression or human rights abuses.

Gordon challenges this argument by highlighting the frequent ineffectiveness of sanctions in achieving their stated goals, citing empirical studies that show how sanctions rarely succeed in changing the behavior of target nations. They may even backfire, reinforcing nationalism and strengthening the targeted regime's resolve. Sanctions also disproportionately affect countries with weak or dependent economies, causing more harm than good, especially given that the targeted nation could rarely retaliate due to its limited resources.

Gordon goes further in her analysis, pushing back against alternative arguments like the claim that sanctions are used to send a message or to punish the target country. In both cases, sanctions would be unjustifiable. It is unacceptable, according to Gordon, to deprive innocent civilians of their basic needs to 'send a message.' It's also unacceptable to punish civilians for wrongdoing committed by a government or a regime.

As a result, sanctions, according to Gordon, are both unethical and ineffective because they violate fundamental ethical principles and fail to achieve their intended objectives. She urges policymakers to reconsider their reliance on sanctions as a tool to achieve political goals and encourages them to explore alternative approaches to addressing international conflicts and human rights violations.

More Ethical than Not

In contrast, George A. Lopez, in his paper *More Ethical than Not: Sanctions as Surgical Tools*, offers a compelling response to Gordon's arguments, asserting that economic sanctions can be ethical under certain conditions.

Sanctions are not inherently immoral, according to Lopez. The problem with sanctions lies in their improper design and implementation. He cites instances where sanctions were, in fact, quite effective, such as in Rhodesia, South Africa, Iraq (to a certain extent), and Libya, where sanctions combined with diplomatic efforts achieved success.

Lopez further argues that, under the just war framework, sanctioning entities can often invoke the "double effect" principle, which absolves them of moral responsibility for negative humanitarian consequences if those outcomes are unintended side effects of pursuing a legitimate goal.

Additionally, Lopez contends that both the sanctioning and sanctioned entities share moral responsibility. The leadership of the sanctioned country plays an equally critical role in exacerbating the suffering of their population. Ignoring this shared responsibility, he argues, would lead to a skewed ethical analysis of economic sanctions.

Lopez suggests that sanctions are more justifiable when they are "smart," targeting individuals and institutions directly responsible for violations. Their objectives should be clear, and they should be properly implemented and monitored. Furthermore, sanctions should include robust humanitarian exemptions and aid programs to minimize harm to civilians and vulnerable populations.

Although little has been written about the ethics of economic sanctions, the arguments from Gordon and Lopez demonstrate how deeply polarized discussions on the topic can be. Gordon’s analysis leads to a rejection of sanctions as categorically unethical, while Lopez introduces nuances that merit consideration in the design and implementation of sanctions, albeit without offering any specific details or mechanisms.

Dynamic Ethical Analysis

The frameworks discussed, just war theory, Kantian ethics, and utilitarianism, offer useful grounds for analysis but remain highly theoretical when examined abstractly, falling short of providing concrete and actionable insights.

This shortfall arises because the ethical issues posed by sanctions often involve serious moral dilemmas that require a more dynamic examination. This, I think, is what Gordon’s analysis overlooks. Ethical dilemmas arise when decision-makers face conflicting moral principles, forcing them to violate one principle in favor of another.

Different moral frameworks and thought experiments, even when abstract, provide tools for evaluating such dilemmas from various perspectives. Disagreements over ethical decisions often stem not from one argument being correct and another wrong but from the use of different moral theories to analyze the same issue. Further complicating matters is the fact that within each moral framework, varying assumptions and definitions can lead to divergent conclusions.

Thought experiments can help clarify these dilemmas. For instance, the trolley problem presents a scenario where a trolley is heading toward five people tied to a track. You can pull a lever to divert the trolley to another track, killing one person but saving five. If you do nothing, the five will die. This scenario captures the essence of moral trade-offs.

- Should harm to a few (e.g., SMEs, civilians) be accepted as a necessary cost to achieve a greater good (e.g., regime change, deterrence)?
- How do we define and measure the greater good?
- How do we weigh the predictability of harm against the uncertainty of achieving strategic objectives?

In the case of sanctions, these dilemmas become more salient when examining their ripple effects, which often lead to unintended harm to civilians and SMEs.

When sanctioning rogue states, terrorists, dictators, drug mafias, or entities involved in human rights violations or illicit activities, the central question becomes:

Is the harm caused to civilians and SMEs justifiable as a byproduct of achieving long-term political or humanitarian goals? What measures should be taken to minimize this harm while ensuring the effectiveness of sanctions?

Based on the earlier analysis of different types of sanctions, their direct and indirect consequences, and the harm inflicted on civilians and SMEs caught in the middle as collateral damage, it is evident that, while the burden of moral responsibility should be shared among all involved stakeholders, the sanctioning entity must address significant ethical concerns, especially regarding the imposition of stringent sanctions.

Balancing Ethics and Efficacy

In an article titled *The Effectiveness and Ethics of Economic Sanctions*, Marcus Boomen (2014) examines the effectiveness and ethics of sanctions, offering a more nuanced approach. I will use his analysis as a foundation, incorporating elements from Hayek's and Bergson's moral philosophies to subsequently derive some policy recommendations.

In his historical, empirical, and ethical analysis, Boomen highlights the contradictory nature of sanctions. Despite the collateral damage and harm they inflict, sanctions are often regarded as more ethical than war. Boomen underscores their dual failure, both in effectiveness and morality.

Boomen's approach is interesting because it considers the evolving nature of sanctions. However, precisely because sanctions are continuously evolving, it becomes increasingly complex to develop a comprehensive moral framework to keep pace. Therefore, it is crucial to adopt a more flexible approach when evaluating the ethics of sanctions.

Boomen demonstrates how both general and smart sanctions harm civilians and businesses, undermining their ethical legitimacy. This perspective aligns with the arguments made by Hanania, Gordon, and Demarais, who seem to share this recurring concern.

Boomen argues that, although sanctions pose significant moral dilemmas, the primary issue is the gap between their intended objectives and how they are implemented in practice.

Sanctions as Symbolic Acts

From a constructivist perspective, Boomen explains that sanctions often serve as symbolic acts to establish internationally acceptable behavior. In this framework, moral norms are not absolute, but are constructed through social processes and collective reasoning. Sanctioning a rogue state or individual sends a signal to others about what will and will not be tolerated.

In this sense, sanctions play an active role in shaping our collective moral framework. Therefore, Boomen argues, we must:

1. Refine our tools to ensure that smart sanctions minimize harm to civilians.
2. Adopt greater scrutiny and transparency regarding the humanitarian impact of sanctions and conduct ethical evaluations during their design and implementation.
3. Recognize the symbolic nature of sanctions as a means to define acceptable behavior rather than solely as coercive measures to change the actions of rogue states or individuals.

While constructivist ethics has limitations in other contexts, the examination of which is beyond the scope of this paper, it offers an intriguing perspective as highlighted by Boomen within the context of sanctions.This perspective can also be further refined by incorporating the moral philosophies of Henri Bergson and Friedrich Hayek.

Insights from Hayek and Bergson

Viewed as a signal of evolving global norms rather than merely a coercive tool, sanctions must accommodate their shifting purposes to avoid falling into the trap of rigid or outdated rules, such as the Cuban sanctions.

This is where the insights of Bergson and Hayek offer a valuable contribution. Both philosophers emphasize the emergent and adaptive nature of ethics, challenging static frameworks that fail to address the complexities of human systems and decision-making.

In *The Two Sources of Morality and Religion*, Bergson (1977) explores morality, highlighting a fundamental tension between static and dynamic morality.

Static morality is rooted in rigid societal rules and traditions, seeking to preserve order. However, over time, many of these rules become inflexible and outdated, unable to adapt to change.

Dynamic morality, on the other hand, is a creative and life-affirming force. It evolves with time and responds to new challenges, driving change.

Bergson’s distinction between static and dynamic morality provides a fresh lens through which to evaluate the ethics of sanctions. As we’ve seen, sanctions have evolved over time from general embargoes to targeted financial measures. The harm they inflict often arises because sanctions fail to account for their dynamic nature and the adaptability of the world, including the sanctioned targets.

Once sanctions are imposed, they tend to become static and rigid, much like legacy software. Although financial sanctions are frequently updated to address loopholes, their structure remains rigid, often becoming outdated. Policymakers, constrained by limited resources, struggle to retract, lift, or amend sanctions once they are in place.

However, if we view sanctions as symbolic measures that reflect the evolving nature of global norms, a more effective approach would be to incorporate a dynamic element within the sanctions themselves, making them more adaptable and life-affirming, as Bergson would advocate. This would mean that sanctions should evolve in tandem with the political and economic landscape. For example, implementing rolling reviews or sunset clauses could ensure that sanctions remain relevant while avoiding the perpetuation of unnecessary harm.

Moreover, integrating life-affirming aspects of morality into the policies themselves would enhance their ethical effectiveness. Actively prioritizing the well-being of affected populations, instead of using sanctions solely as punitive measures, could include compliance incentives, measures to discourage de-risking, or more comprehensive relief efforts targeted at civilians and SMEs. These actions could help minimize collateral damage.

Most importantly, it is essential to collect data and continuously monitor the unintended consequences of sanctions, drafting them in a way that facilitates revisions. Clear and transparent communication, along with accountability when the sanctioning entity fails to comply with the principle of no harm or neglects to actively reduce collateral damage, is paramount.

This is where the work of Friedrich Hayek becomes relevant. Hayek's critique of centralized decision-making provides a compelling lens to examine the unintended consequences of sanctions, as well as his criticism of state overregulation, though the latter falls beyond the scope of this paper (Hayek, 2017).

Hayek was familiar with Bergson's work, citing him in a paper he wrote as a student in 1920 entitled *Contributions to a Theory of How Consciousness Develops*. Like Bergson, Hayek was deeply aware of the tensions between static and dynamic complex systems, a fundamental aspect of his writings and analysis. Hayek argues that ethical systems and societal structures emerge organically from decentralized interactions. Sanctions, being top-down measures, disrupt these systems, particularly when they impact markets and SMEs.

Even if we view sanctions as a vital aspect of a dynamic society striving to develop continuous global ethical norms, we face the knowledge problem. Policymakers designing sanctions often lack localized knowledge of the economies and societies they aim to influence. They are similarly ill-equipped to predict the nature and extent of unintended consequences. This knowledge gap leads to poorly targeted measures that disrupt local, and sometimes global, markets, causing significant collateral damage, undermining the spontaneous order of the economy, and fostering parallel markets and illicit activities.

Sanctions should account for these challenges by incorporating measures such as better exemptions for critical sectors like healthcare and agriculture, with clear reassurance for aid providers that no secondary sanctions will be imposed on. Targeted sanctions that focus on isolating regime elites can reduce harm while maintaining strategic pressure. Moreover, greater efforts should involve local actors and stakeholders in the sanctioning process to ensure that the measures are dynamic, minimize the knowledge problem, and limit disruption to the dynamics of local and global markets.

Sanctions, SMEs, and the Broader Moral Framework

Bergson and Hayek offer valuable insights that help address gaps in the ethical discourse on sanctions, particularly regarding collateral damage and the impact on SMEs. Small businesses are the backbone of most economies, driving innovation, providing employment, and sustaining local communities. As discussed in earlier sections, sanctions often harm SMEs and local populations disproportionately. They fail to account for the dynamic nature of societies and their capacity to adapt, leading to unintended consequences such as the proliferation of black markets and the promotion of illicit activities. Additionally, sanctions often backfire in many instances.

Drawing on Boomen's analysis of sanctions as signals of an evolving moral landscape and incorporating Bergson's and Hayek's moral philosophies, we see the necessity of moving beyond static, one-size-fits all approaches. While often deployed as coercive tools, sanctions must also be understood and implemented, when necessary, as part of a broader, dynamic system of global norms. This shift in perspective highlights the importance of designing sanctions that not only consider the immediate political objectives, but also account for long-term consequences of and their potential to disrupt the spontaneous order of markets.

5. Recommendations for a more malleable ethical framework

To achieve this, policy makers need to adopt a framework that emphasizes adaptability, ethical reflection, and contextual sensitivity. Such an approach ought to ensure that sanctions evolve alongside changing circumstances. Their main goal should be to minimize unintended harm, all the while maintaining their strategic focus and intended objectives. As a result, the following recommendations offer a starting point for crafting more malleable and ethically responsible policies:

1. Continuous Reviews: Sanctions should include mechanisms for periodic reassessments to ensure their effectiveness and minimize harm. This requires proper and transparent monitoring based on real-time data and changing circumstances.

2. Incorporating local expertise: Local stakeholders and experts should be involved in the design of sanctions. This may help mitigate the knowledge problem, taking into account regional specificities and reducing unintended harm.

3. Better exemptions: The measures taken should aim to protect critical sectors like SMEs, healthcare, agriculture, etc., at all costs. This includes ensuring that, in the case of

financial sanctions, de-risking is discouraged, and the implementation of secondary sanctions remains minimal.

4. Life-affirming incentives: In addition to punitive measures, policymakers should offer incentives for compliance that prioritize the well-being of civilians and SMEs, especially those who lack the resources to adapt.

5. Establishing ethics committees: Establish dedicated ethics committees or panels to evaluate the moral implications of proposed sanctions. These committees can serve as an essential platform for integrating ethical considerations into the decision-making process, ensuring that sanctions are designed and implemented with a balanced focus on strategic objectives and minimizing harm.

Conclusion

The ethical challenges posed by sanctions reveal that, while sometimes necessary to deter a serious threat, they are equally a source of unintended harm to civilians and SMEs. Traditional ethical frameworks offer valuable perspectives for evaluating sanctions. They help refine our concepts and examine the different potential scenarios we ought to consider when drafting sanctions. These frameworks provide insights into proportionality, the moral worth of individuals, and risk assessments based on balancing harm versus benefit.

Yet, they can be too static and abstract to offer actionable steps that accommodate the nuanced and evolving realities of sanctions in practice. Each framework brings important considerations but often falls short when applied to real-world contexts.

This paper has explored these traditional approaches and offered a broader alternative by incorporating the perspectives of Henri Bergson and Friedrich Hayek. Bergson's emphasis on accounting for the dynamic aspect of morality reminds us of the importance of adopting a more dynamic approach to sanctions, one that incorporates actions like rolling reviews or sunset clauses from the outset.

On the other hand, Hayek's emphasis on decentralized systems and his examination of the knowledge problem and the risks of top-down measures invite us to consider involving people with local expertise to assess the effects of drafted sanctions on the local economy and other stakeholders. Having lawyers draft sanctions will almost always lead to more problems, as the focus tends to remain on enforcing legal clauses without adequately considering the economic or humanitarian impacts of sanctions.

The goal of this paper is not to offer a definitive application of these frameworks. Applying them to the concrete case of Syrian SMEs would almost be impossible, as it would amount to a hindsight analysis. Instead, the aim here has been to lay out the dire consequences imposed on entities that form the backbone of economies and on civilians, illustrating how far-reaching the effects of sanctions can be, how persistent their long-term consequences often are, and how complicated the multiplicity of stakeholders makes their impact.

Therefore, the examination provided here is far from exhaustive. However, the aim is to highlight that an ethical evaluation must also consider emerging perspectives and the dynamic nature of sanctions and markets. Sanctions, where necessary, must be designed not only as standalone coercive tools but as mechanisms reflecting dynamic, evolving global norms. By incorporating ethical and practical adjustments, policymakers can better balance effectiveness with humanitarian considerations.

Ultimately, as we've seen, each sanctions regime is unique, shaped by a particular geopolitical context, objectives, and the entities it targets. By drawing on diverse ethical frameworks and acknowledging the dilemmas arising from sanctions, we are invited to examine each situation accordingly, always with the aim of minimizing collateral damage. As a result, further refinement of 'smart' sanctions is necessary, but this can only be achieved through the involvement of diverse teams that focus not only on proving that sanctions work but also on ensuring that they operate within specific moral frameworks.

The conversation about the ethics of sanctions will thus remain open-ended if we are to adopt a Bergsonian approach. By integrating a flexible, decentralized, and dynamic analysis focused on long-term impacts, we can move toward a more ethically responsible use of sanctions. While I do not offer a concrete answer as to how this should look, this paper serves as an invitation to continue the discussion, refining our tools and approaches to address the complex challenges of an ever-evolving, intertwined, and connected world.

Acknowledgements:

This paper benefited greatly from the invaluable insights and thoughtful feedback provided by economist Dr. Oussama Himani. I am thankful for his generous assistance.

Bibliography

Ahn, D. P., & Ludema, R. D. (2019). Measuring smartness: The economic impact of targeted sanctions against Russia. In T. Besedeš & V. Nitsch (Eds.), *Disrupted economic relationships: Disasters, sanctions, dissolutions*.

Allen, S. H., & Lektzian, D. J. (2013). Economic sanctions: A blunt instrument? *Journal of Peace Research, 50*(1), 121–135. http://www.jstor.org/stable/23441161

Aita, S. (2020). The unintended consequences of U.S. and European unilateral measures on Syria's economy and its small and medium enterprises. *The Carter Center*.

Bergson, H. (1977). *The two sources of morality and religion*. University of Notre Dame Press.

Boomen, M. (2014, July 16). The effectiveness and ethics of economic sanctions. *Seven Pillars Institute*. https://mail.sevenpillarsinstitute.org/effectiveness-and-ethics-of-economic-sanctions/

(2022, October 5). Human rights commission hearing examines the collateral effects of sanctions. *Charity & Security Network*. https://charityandsecurity.org/news/human-rights-commission-hearing-examines-the-collateral-effects-of-sanctions/

Cipriani, M., Goldberg, L. S., & La Spada, G. (2023). Financial sanctions, SWIFT, and the architecture of the international payment system. *Journal of Economic Perspectives, 37*(1), 31–52. https://doi.org/10.1257/jep.37.1.31

Cortright, D. (2001, November 12). A hard look at Iraq sanctions. *The Nation*. https://www.thenation.com/article/archive/hard-look-iraq-sanctions/

Demarais, A. (2022). *Backfire: How sanctions reshape the world against U.S. interests*. Columbia University Press.

Dodd, D. (2022, March 28). Sanctions fallout spreads far beyond direct targets. *Financial Times*. https://www.ft.com/content/6766a82f-9416-4e43-86c4-27c8dc348db8

Elliott, K. A. (1998). The sanctions glass: Half full or completely empty? *International Security, 23*(1), 50–65. https://doi.org/10.2307/2539262

Ellis, E. (n.d.). *Ethics of economic sanctions*. Internet Encyclopedia of Philosophy. https://iep.utm.edu/ethics-of-economic-sanctions/

Fletcher, L. (2020, January 30). British businesses face disruption if London diverges from EU sanctions. *Financial Times*. https://www.ft.com/content/d3fcb9d2-169b-11ea-b869-0971bffac109

Gordon, J. (1999). A peaceful, silent, deadly remedy: The ethics of economic sanctions. *Ethics & International Affairs, 13*(1), 123–142. https://doi.org/10.1111/j.1747-7093.1999.tb00330.x

Hanania, R. (2020). Ineffective, immoral, politically convenient: America's overreliance on economic sanctions and what to do about it. *Policy Analysis, 884*. https://doi.org/10.36009/PA.884

Hayek, F. A. (2007). *The road to serfdom: Text and documents--The definitive edition* (B. Caldwell, Ed.). University of Chicago Press.

Hayek, F. A. (2011). *The constitution of liberty: The definitive edition* (R. Hamowy, Ed.). University of Chicago Press.

Hayek, F. A. (2017). *The sensory order and other writings on the foundations of theoretical psychology* (V. Vanberg, Ed.). University of Chicago Press.

Hovi, J., Huseby, R., & Sprinz, D. F. (2005). When do (imposed) economic sanctions work? *World Politics, 57*(4), 479–499. http://www.jstor.org/stable/40060115

Hufbauer, G. C., Schott, J., Elliott, K. A., & Oegg, B. (2009). *Economic sanctions reconsidered* (3rd ed.). Peterson Institute for International Economics.

Lopez, G. A. (1999). More ethical than not: Sanctions as surgical tools. *Ethics & International Affairs, 13*(1), 143–148. https://doi.org/10.1111/j.1747-7093.1999.tb00331.x

Morgan, T. C., Syropoulos, C., & Yotov, Y. V. (2023). Economic sanctions: Evolution, consequences, and challenges. *Journal of Economic Perspectives, 37*(1), 3–30. https://doi.org/10.1257/jep.37.1.3

Weiss, T. G. (1999). Sanctions as a foreign policy tool: Weighing humanitarian impulses. *Journal of Peace Research, 36*(5), 499–509. http://www.jstor.org/stable/424530

Wilson, T. (2024, December 14). Niels Troost has a staggering story to tell about how he got sanctioned. *Financial Times*.

Wilson, W. (1919). *Addresses of President Wilson; addresses delivered by President Wilson on his western tour, September 4 to September 25, 1919, on the League of Nations, Treaty of peace with Germany, industrial conditions, high cost of living, race riots, etc.* Washington Govt. Print. Off. http://archive.org/details/addressesofpresi00wilsuoft

Zarate, J. (2013). *Treasury's war: The unleashing of a new era of financial warfare*.