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IMPACT OF TRADE SANCTION ON DEVELOPING ECONOMY: A REVIEW OF LITERATURE

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Abstract

Sanctions are a type of government action against specific trading partners to make sure that the targeted country suffers more from the sanctions than the country imposing them. The goal of sanctions is to prevent certain types of commerce or investment with the target country. A trade sanction can be imposed unilaterally or multilaterally or by an international organization. The major impact of a sanction is the trade decline of the target country, while the additional impacts include negative pressure on investment, foreign currency reserves, exchange rate and cost of credit. Economic sanctions may also adversely affect the imposing country through loss of trust in the firms of the home economy. The review of literature suggests that the recent sanctions are more political rather than neutralizing monopoly power. However, the burden of sanction generally falls on the citizens who are not responsible for the government policies.

Keywords: Sanctions; Trade Sanctions; Economic Sanctions.

Introduction

Sanctions are generally a type of government action against specific trading partners (Avetisyan & Lektzian, 2018). The goal of economic sanctions is to prevent certain types of commerce or investment with the target country. Countries that impose sanctions try to make sure that the targeted country suffers more from the sanctions than the country imposing them. When sanctions effectively limit the supply of goods to the target, the prices of those goods increase in that country. As the prices become higher than the global prices, the targeted trade disruption is achieved by the imposing country (Hufbauer et al. 2007).

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Numerous limitations put in place by certain nations to exert pressure on others on behalf of their interests are known as international sanctions. According to Tokar (2022), foreign sanctions have an adverse effect on the economy by lowering GDP, restricting access to foreign markets, and impeding advancements in the power and energy sectors. Afesorgbor and Mahadevan (2016) report that economic sanctions are linked to increased economic inequality, with trade and financial sanctions having the strongest impact. Importantly, these rises in poverty and inequality persist, and informal economic activities do not provide a mitigating effect.

The topic of the paper appears to be very important in the context of changing geo-political backdrop. Trade and economic sanctions are frequently practiced by developed economies against some of their political counterparts. Hence, understanding the impact of past sanctions is important for politicians and business leaders of the developing economies to face the challenges of current and future sanctions of this integrated global economy.

What is Trade Sanction?

Economic sanction is generally a broader term indicating economic penalties on a country for achieving some targeted policy goal.[2] Trade sanction is a subcategory of economic sanction, which mostly refers to legal trade restrictions with a country. Such a sanction is aimed at controlling certain policies or behaviors through increasing costs.[3] A trade sanction can be imposed unilaterally (by one Country) or multilaterally (by a group of countries) or by an international organization (For example, the United Nations Security Council). The burden of sanction generally falls on the citizens who are not responsible for government policies.[4]

Ezzati (2016) has classified sanctions into two categories; firstly, it is imposed to limit imports and exports and secondly, they are imposed to limit financial connections. He also classified economic sanctions into strategic and nonstrategic categories. Sanctions are further divided into non-economic and economic categories. Prior to economic sanctions,

[2]U.S. Department of the Treasury. "Sanctions Programs and Country Information." https://ofac.treasury.gov/sanctions-programs-and-country-information The Britannica Dictionary. "Definition of 'Sanction'." https://www.britannica.com/dictionary/sanction

[3]United Nations Security Council. "Sanctions." https://www.un.org/securitycouncil/sanctions/information

[4]Human Rights Watch. "Iran: Sanctions Threatening Health."

noneconomic ones are imposed with the intention of incentivizing policy changes within the targeted nation. Non-economic punishments vary based on the nation and the circumstances.

Several tariff and non-tariff tools are used for sanction purposes. Non-tariff sanctions include embargo, import restriction and export restriction. Embargoes are the most severe practice, where almost all trades are prohibited except for some special licensed authorization. The USA is currently practicing such sanctions against Cuba, Iran, and North Korea.[5]

Export sanctions, such as export taxes or quotas, can have different effects on trade. Such sanctions are generally done through licensing requirements and outright bans with a specific target to restrict advanced technology transfer. While they may decrease the overall volume of trade, they can also raise the export price of the sanctioned product, leading to fewer exports. These restrictions typically bring down the domestic price of the sanctioned product because there's more supply in the local market. However, this can distort market prices, causing losses in both domestic and foreign markets. Locally, the consumption of the sanctioned product is likely to increase, reducing the prices of other goods produced domestically. Besides the direct impact, the reduction in export volumes is expected to have spillover effects in various sectors of the targeted state's economy in the short term (Avetisyan & Lektzian, 2018). Besides export sanctions, import sanctions are also practiced restricting the import of certain products or services. A recent example of import restriction includes Russian crude oil (following Russia's invasion of Ukraine), Syrian weapons and Somalian charcoal.[6]

Tariffs and quotas are generally applied to curb the trade flow instead of restricting trade since these tools cannot entirely ban trade. Tariffs are more commonly used to protect domestic industries, while quotas are often used by developed economies to strengthen their position in global politics. For example, the USA influenced the internal politics of Nicaragua by restricting 90% of the allocated quota for Sugar imports.[7]

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[5]University of Pittsburgh, Office of Trade Compliance. "Embargoed and Sanctioned Countries." https://www.tradecompliance.pitt.edu/embargoed-and-sanctioned-countries

[6]European Commission. "Restrictive Measures (Sanctions) in Force," pp. 55, 60. https://eeas.europa.eu/archives/docs/cfsp/sanctions/docs/measures_en.pdf

[7]UC Santa Barbara, The American Presidency Project. "Proclamation 6120 - Restoring the Country Allocation to Nicaragua for Quotas on Certain Sugars, Syrups and

Impact of Sanction

The major impact of a sanction is certainly the trade decline of the target country – export or import or both. The additional impacts may include negative pressure on investment, foreign currency reserve, exchange rate and cost of credit (Hufbauer *et.al.*, 1997). Threatened sanctions positively impact bilateral trade by 17% to 29%, while imposed sanctions, irrespective of prior threats, result in a substantial 16% to 32% average reduction in trade during sanction periods (Avetisyan & Lektzian, 2018). Sanctions threats more significantly affect exports than imports, with the negative impact of imposed sanctions on imports being less pronounced when preceded by explicit threats. Threats of import restrictions and cutting foreign aid notably increase bilateral trade.

Comprehensive sanctions, like total economic embargoes, lead to an 80% reduction in exports and a 91% reduction in imports (Afesorgbor, 2019). The termination of foreign aid also negatively impacts trade. Import and export restrictions, though detrimental, lack statistical significance, suggesting that financial sanctions may be necessary for a substantial reduction in trade flows. Afesorgbor (2019) examines the impact of sanctions on essential goods, including food, animal products, medicinal, and pharmaceutical items and observes that imposed sanctions, without explicit threats, adversely affect the exports of essential products, especially food and animal products. Importantly, there are no significant effects on the imports of essential products, indicating a higher dependence of target states on senders for these goods (Afesorgbor, 2019).

Economic sanctions, as studied by various researchers, demonstrate uneven distribution of costs in target countries. Neuenkirch and Neumeier (2016) find that US sanctions particularly impact those in or near poverty, leading to a 28% increase in the poverty gap. Parker et al. (2016) examines the consequences of sanctions under the United States Dodd-Frank Act and discover that mineral purchase boycotts intended to disrupt finances led to a significant increase in infant deaths near targeted mines in Congo. Gutmann et al. (2021) focus on sanctions imposed by the UN and the US, revealing an average decrease in life expectancy of about 1.2 to 1.4 years and 0.4 to 0.5 years, respectively. Women are shown to be more severely

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Molasses." https://www.presidency.ucsb.edu/documents/proclamation-6120-restoring-the-country-allocation-nicaragua-for-quotas-certain-sugars

affected, aligning with the pattern observed in violent conflicts and natural disasters.

Economic sanctions adversely impact life expectancy through increased child mortality, cholera deaths, and reduced public spending on healthcare. In terms of education, Moeeni (2022) demonstrates that sanctions imposed on Iran in 2006 resulted in decreased time spent in school, lowered probability of attending college, and a significant reduction in household education spending, particularly for children exposed to sanctions for an extended period.

Economic sanctions may adversely affect the imposing country besides the target economy (Hufbauer *et.al.*, 1997). In particular, the trading partners of the target economy lose trust in the firms of the home economy and explore alternative sources of business. The situation may persist even after the sanction is withdrawn. However, the evidence indicates that the long-term effect of sanctions on home country business would be sector specific, notably the sectors that were directly targeted for sanctions (Hufbauer *et.al.*, 1997).

Impact of Sanctions on Global Economy

Sanctions have significant and far-reaching effects that go beyond the targeted countries, changing international trade and political dynamics, especially when they target significant economic players. They adversely affect global markets and supply chains.

Russia has been a major supplier of various metals, chemical gases used in the manufacturing of semiconductors, wheat, fertilizers, and other commodities in addition to its exports of natural gas and oil. Global supply chain disruptions, rising commodity prices, and a slowdown in global economic growth are all likely results of the sanctions. According to IMF forecasts, global economic growth was expected to decrease from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023 (U.S. Congressional Research Service, 2025). To determine the true effect of the sanctions on Russia, Crozet and Hinz (2017) examine firm-level data and monthly trade data from 78 nations. According to the authors, the sanctions have resulted in a US$114 billion trade loss overall, of which US$44 billion has been borne by the sanctioning Western nations. EU member states bear 90 percent of the loss incurred by the sanctioning nations. While the US, which has been the primary diplomatic force advocating for the sanctions, only pays a small

portion of the price, Germany is particularly negatively impacted. In percentage terms, Germany is responsible for nearly 40% of the loss in Western trade, while the US only bears 0.6%.

On the other hand, it was seen that a lift in Iran's sanctions will benefit other economies largely. The EU and the US gain 0.5 and 0.3 percent in per capita welfare, respectively, while Israel is the second-largest beneficiary of the lifting of Iran's economic sanctions, gaining nearly 0.5 percent (Ianchovichina et al., 2016).

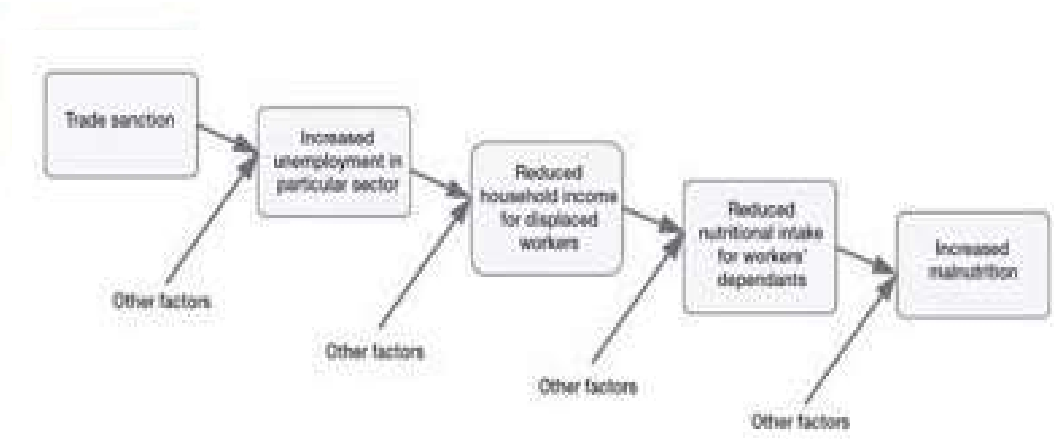


Figure 1: An illustration of the procedure and subsequent stages that connect sanctions to effects on humanitarian conditions. Source: *Bessler et al. (2004)*

Lessons from Iran

The United States levied several sanctions against Iran, including boycotting businesses with Iran and prohibiting the import of weapons. Iran's assets in US institutions were frozen and imports were forbidden under the first sanctions, which were put in place in the early months of the Iranian revolution in 1979 (Vardanjani, 2020). Each US president followed the imposed restrictions on the Iranian military, economy, and foreign policy, among other areas. After first slamming sanctions on Iran's whole economy, the Obama administration turned its attention to the nation's nuclear program. The focus on anti-Iranian measures persisted during the Trump administration, with sanctions on Iran's economy being extended and evasion routes being restricted. Iran has been subject to severe international sanctions since the revolution of 1979, which has had a major effect on trade, economic expansion, crude oil exports, and currency depreciation (Tokar, 2022).

Ghomi (2022) notes that sanctions on Iran in 2012 disproportionately affected the young, illiterate, and rural population, sparing the educated and those employed in the public sector. The sanctions on Iran had little impact on oil exports but did cut capital goods imports and non-oil exports. Lenders' estimated interest rates increased because of the stronger impact of financial sanctions. By reducing consumer excess, the overall impact on the Iranian economy was calculated to be 1.1 percent of the yearly GDP. According to Tokar (2022), Iran had a record GDP growth of 12.3% - a daily output of 3.8 million barrels of crude oil, and less than 9% unemployment after the sanctions were lifted. However, as the world community placed limits once more in 2018 and 2019, growth fell to 4.7% and inflation reached double digits, shooting up to 17%.

Torbat (2005) conducted a statistical analysis to determine the impact of US trade and financial sanctions against Iran. The study has attempted to quantify the direct financial costs associated with these restrictions in three areas: expenses associated with financial sanctions, financing oil project finance, and foreign borrowing. In 2000, these expenses were projected to account for 2.1% to 3.6% of Iran's GDP and 23.4 to 40.5 USD per person. The sanctions' impact has exceeded 17 billion dollars (Devarjan and Mottaghi, 2015). In addition, the health of Iranians was negatively impacted by sanctions that resulted in a reduction in medicine availability.

The US re-imposed sanctions on Iran, causing significant disruptions in key economic sectors. Only a small number of aircraft deliveries were made prior to the imposition of sanctions, and contracts totaling $39.5 billion for aircraft. The carpet business, which employs over two million people, lost $424 million a year as a result of the total suspension of shipments to the United States. In agriculture, Iran’s pistachio industry, which accounts for 85% of the global supply, lost $852 million in export earnings. The sanctions prohibited the trading of 64.5 ton of gold, a vital resource that Iran uses to get around financial limitations. Likewise, the $1.37 million caviar exports that had just been resumed were stopped. The vehicle sector also had serious consequences, with sanctions disrupting 34% of the market and leading companies, such as PSA, to halt operations, despite Iran accounting for 18% of the company's global sales. Together, these sanctions severely damaged Iran's commerce, manufacturing, and agricultural industries, making the country's economic problems worse (Al Jazeera, 2018).



Figure 2: US Sanction against Iran. Source: Aljazeera, 2018[8]

According to Shirazi et al. (2016), the findings indicate that the sanctions have caused an approximate yearly decline of 33 percent in Iran's exports, resulting in an annual trade loss of $104 billion. With an emphasis on the foreign sector, Ezzati (2016) looked at both the direct and indirect effects of sanctions on the Iranian economy. Two models were created, one concentrating on capital, intermediate, and primary product imports and the other on imports. The research found no evidence of a direct correlation between sanctions and Iran's economic development. Rather, by limiting all imports, including capital, intermediate, and primary products, the sanctions

[8] Retrieve from https://www.aljazeera.com/news/2018/8/6/what-sanctions-will-the-us-reimpose-against-iran-on-tuesday

had an indirect impact on growth and caused the economy to expand more slowly. Imports of capital goods were more susceptible to restrictions than other factors.

Iran's economy depends heavily on its oil production, which has been significantly impacted by international sanctions, particularly those imposed by the United States. Iran's oil production was indexed at 100 in January 2007, but after several sanctions, it started to fall. The first significant blow was the imposition of sanctions by the United States in July 2010, which started a downward trend. Further production cuts resulted from the European Union's imposition of sanctions in January 2012, which were exacerbated by fresh U.S. actions. However, when sanctions were removed in January 2016, there was a brief recovery that allowed production to increase. This rebound was short-lived, as sanctions were reinstated in May 2018 after the United States declared its exit from the Iran Nuclear Deal. When full U.S. sanctions were reinstated in November 2018, oil production plummeted. By June 2019, output had dropped to about half of its 2007 level, with an indexed value of 58.21. Their frequent implementation and removal have had a serious impact on sanctions, as seen by the notable declines in oil production during sanctioned times (Weisbrot & Sachs, 2020).

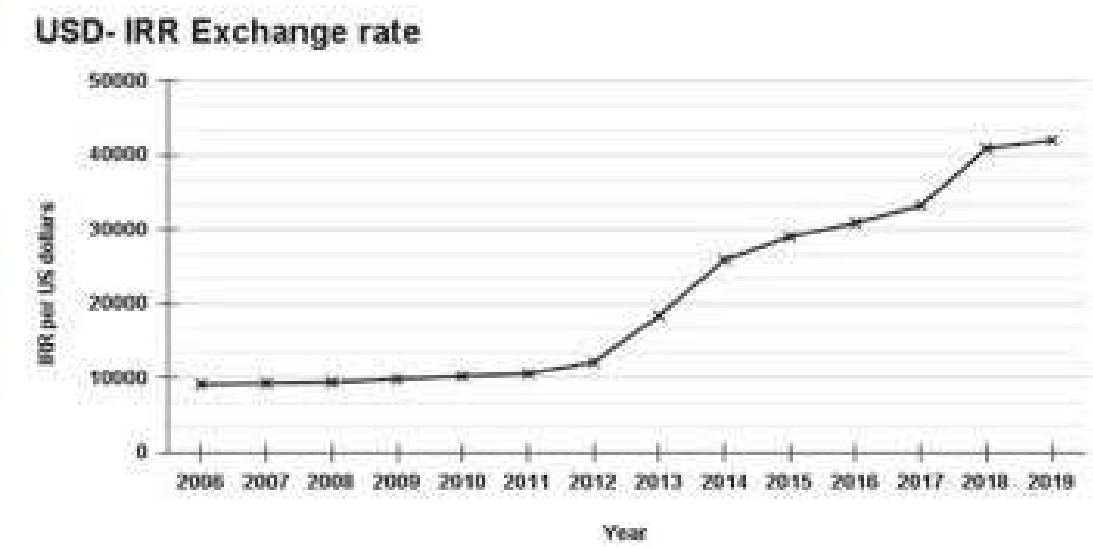


Figure 3: Exchange Rate (market+estimated) for Islamic Republic of Iran, National Currency Units per US Dollar, Annual, Not Seasonally Adjusted. Source: FRED, 2019[9]

[9] Retrieve from https://fred.stlouisfed.org/series/XRNCUSIRA618NRUG

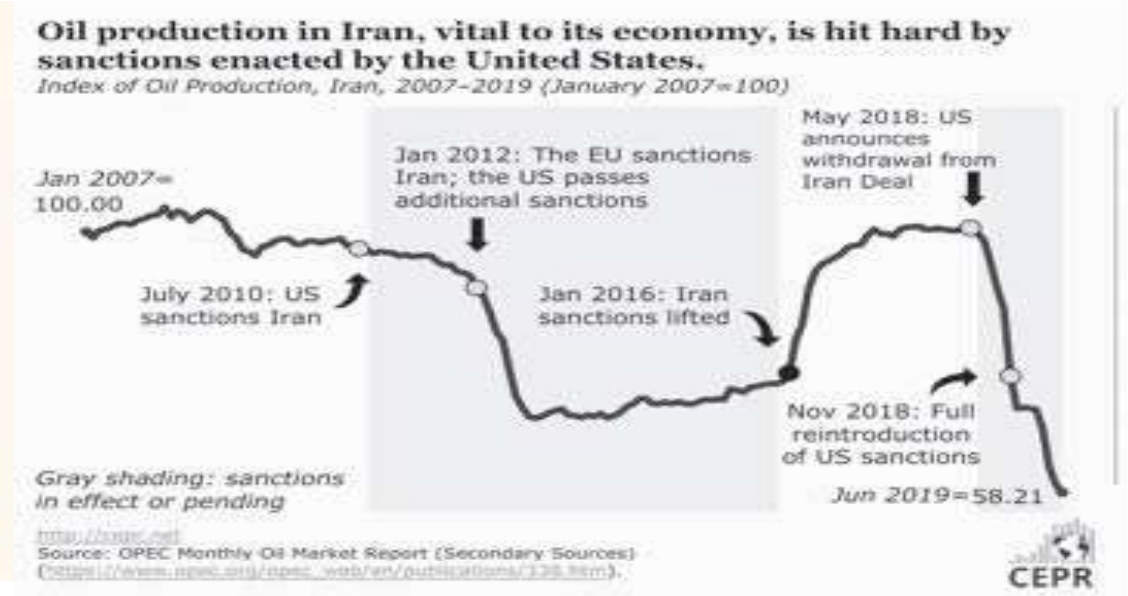


Figure 4: Industry-specific effects of US Sanction on Iran (a) – Oil industry. Source: CEPR, 2019[10]

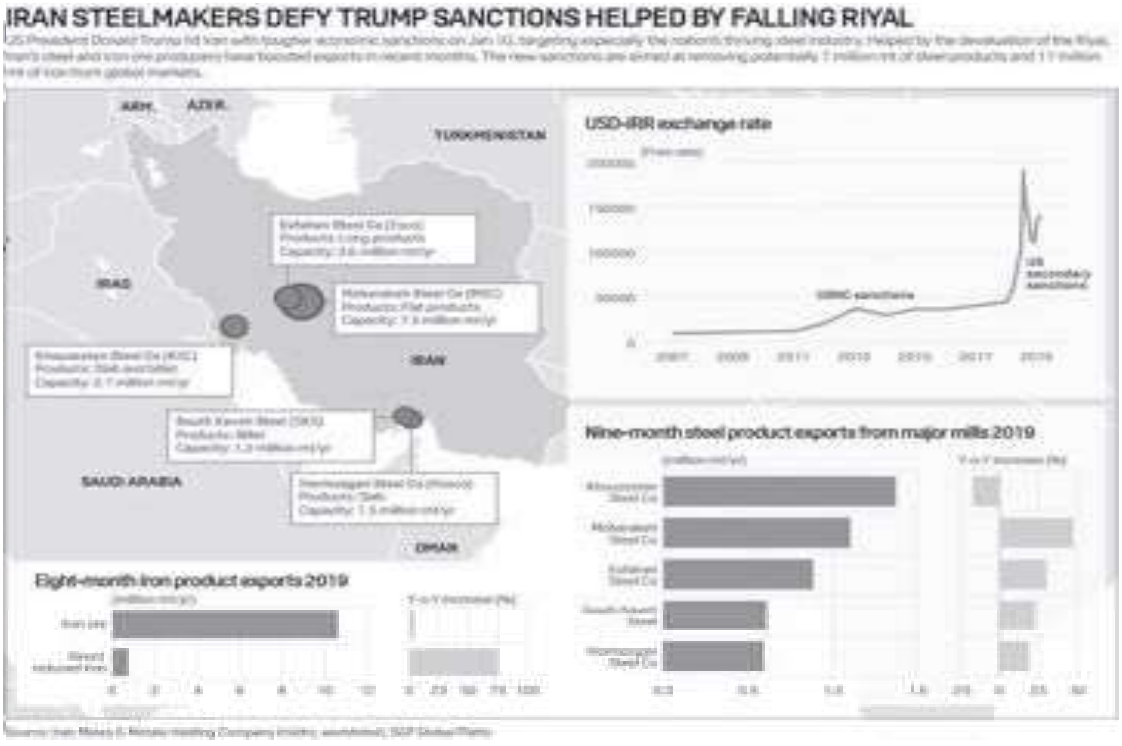


Figure 5: Steel and Iron industry. Source: S&P Global, 2020[11]

[10] US Sanctions Are Designed to Kill. https://cepr.net/us-sanctions-are-designed-to-kill/

[11] Impact of US sanctions on Iran steel, iron exports seen limited: sources https://www.spglobal.com/commodityinsights/en/market-insights/latest-

On the other hand, Ghasseminejad & Jahan-Parvar (2021) reveal that both direct and industry-wide sanctions result in significant short-term and long-term negative returns for firms, especially those with deep-state connections. The first sanction in a series is found to be the most effective. There is no evidence against the consensus that multilateral sanctions are more successful than unilateral ones. The removal of sanctions leads to positive abnormal returns, but this effect is weaker for deep-state firms. Targeted firms respond to sanctions by reducing leverage, increasing cash holdings, and experiencing worsened return ratios. Overall, sanctions significantly adversely affect the profitability of targeted firms.

Lessons from Russia

Following Russia's unprovoked invasion of Ukraine in February 2022, the European Council has enforced 10 rounds of sanctions against Russia and Belarus. These measures targeted the political, military, and economic elite responsible for the invasion, aiming to weaken Russia's ability to finance the war. The World Bank, IMF, and OECD report a challenging year for the Russian economy in 2022, with a 2.1% GDP decline. The sanctions include restrictions on the import of certain Russian goods and the export of specific goods to Russia, strategically chosen to impact the Russian economy while minimizing consequences for the EU.

news/metals/011420-impact-of-us-sanctions-on-iran-steel-iron-exports-seen-limited-sources

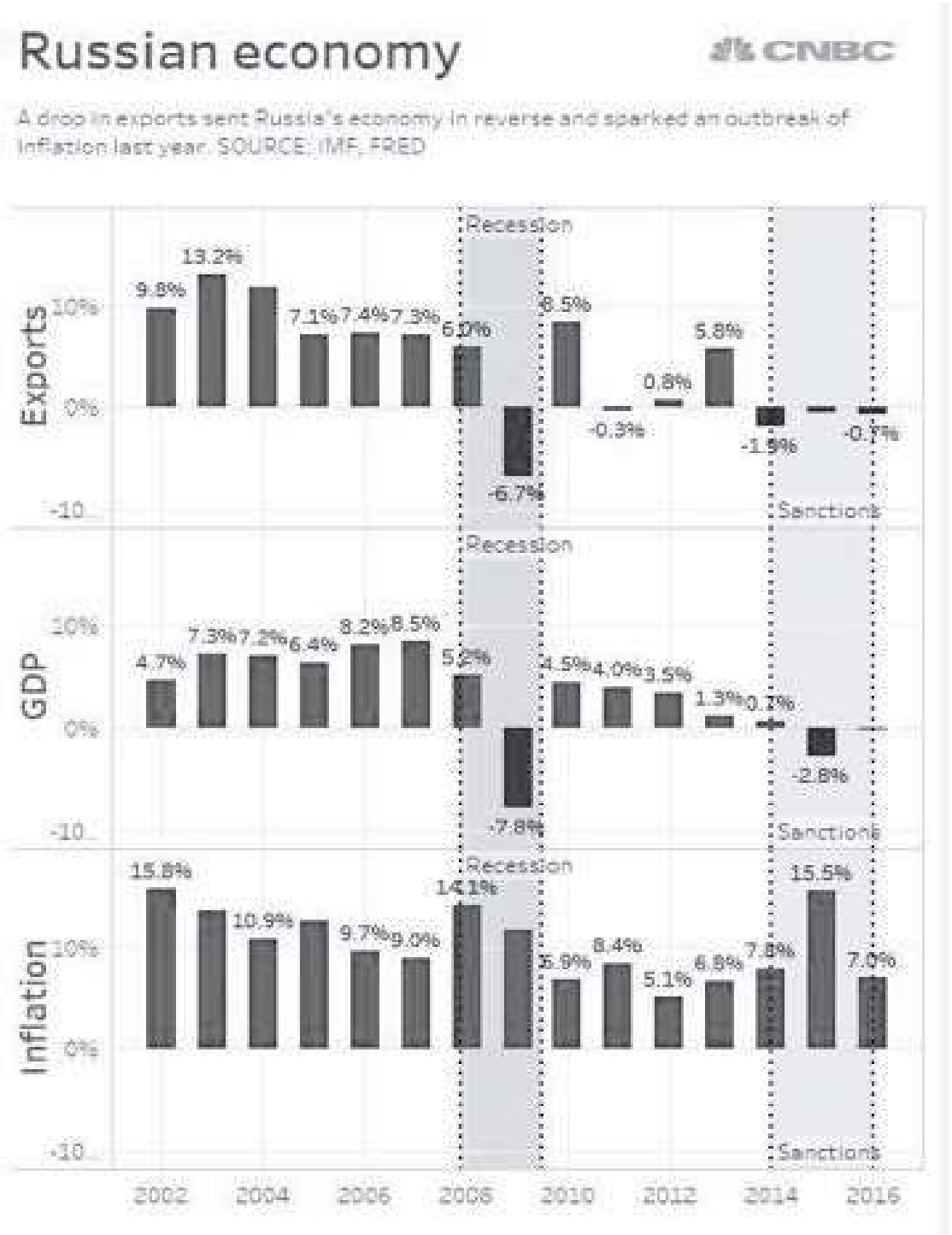


Figure 6: Effect of past US Sanction on Russian economy. Source: CNBC, 2017[12]

[12] US sanctions have taken a big bite out of Russia's economy https://www.cnbc.com/2017/07/25/us-sanctions-have-taken-a-big-bite-out-of-russias-economy.html

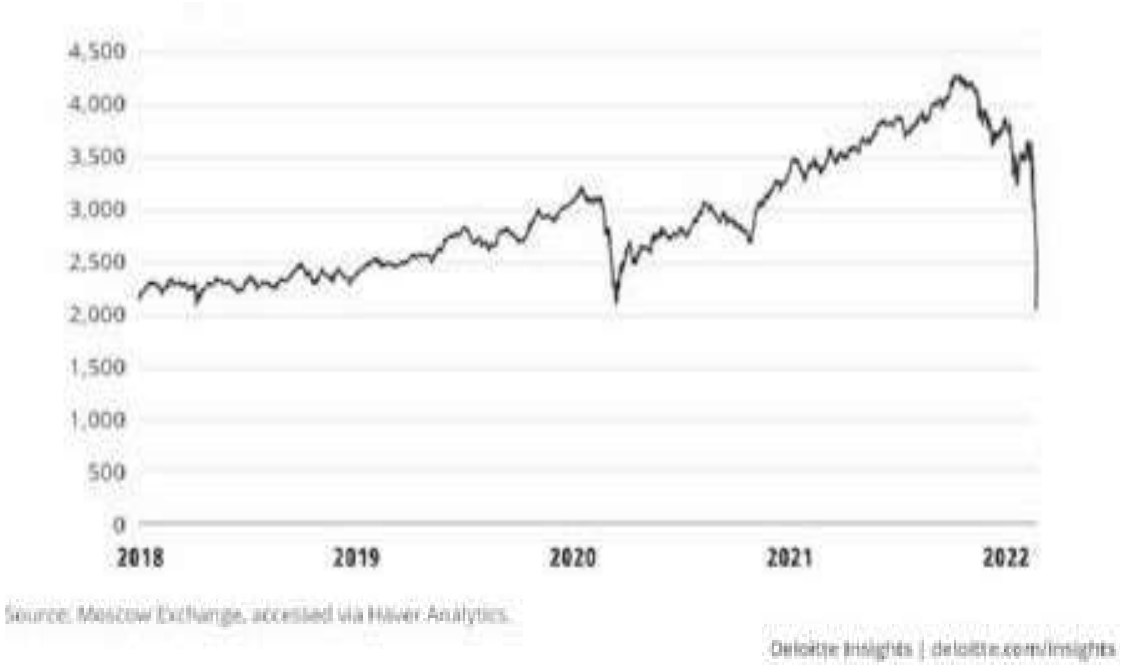


Figure 7: Effect of recent Western Sanction on Russian Equity. Source: Deloitte, 2022[13]

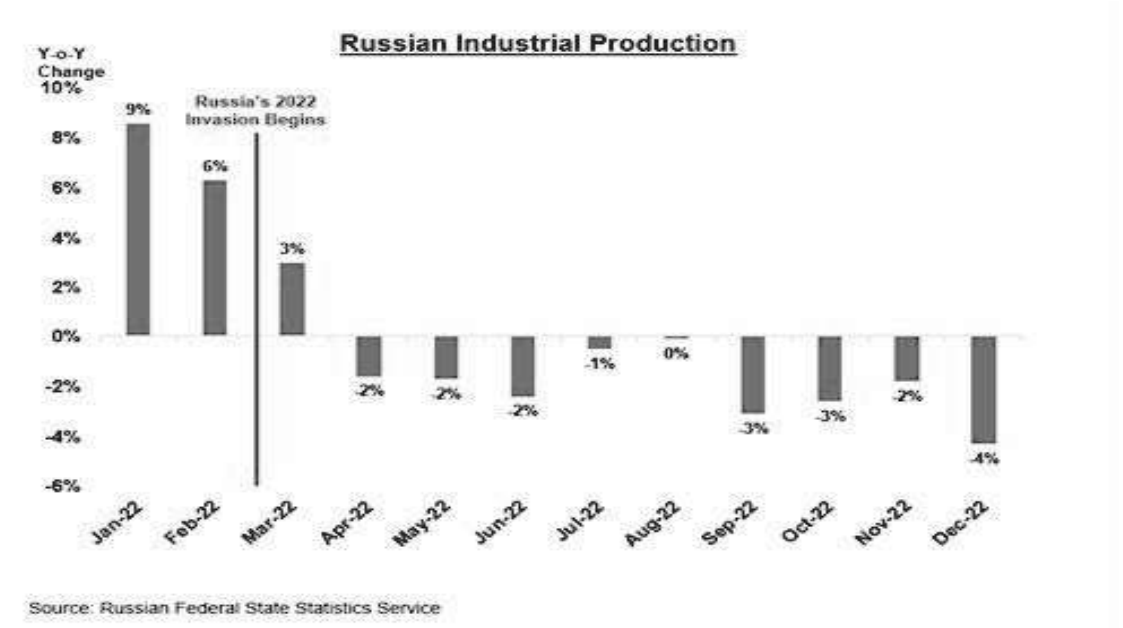


Figure 8: Russian Industrial Production. Source: U.S. Department of the Treasury, 2023[14]

[13] How sanctions impact Russia and the global economy, https://www2.deloitte.com/us/en/insights/economy/global-economic-impact-of sanctions-on-russia.html

[14] Fact Sheet: Disrupting and Degrading – One Year of U.S. Sanctions on Russia and Its Enablers https://home.treasury.gov/news/press-releases/jy1298

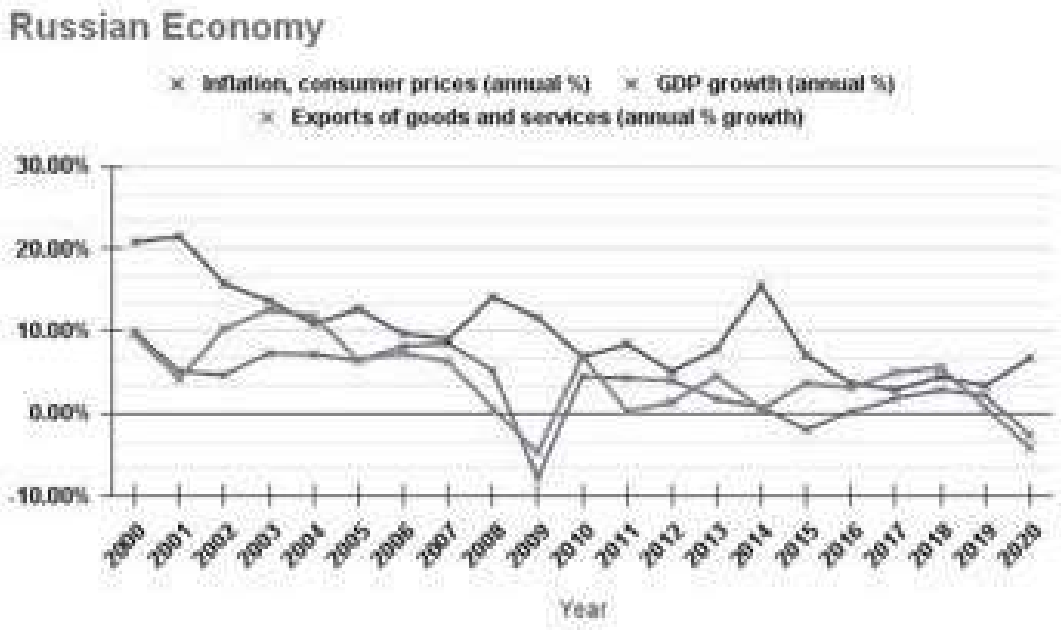


Figure 9: Effect of past US Sanction on Russian economy, Source: World Bank, 2023

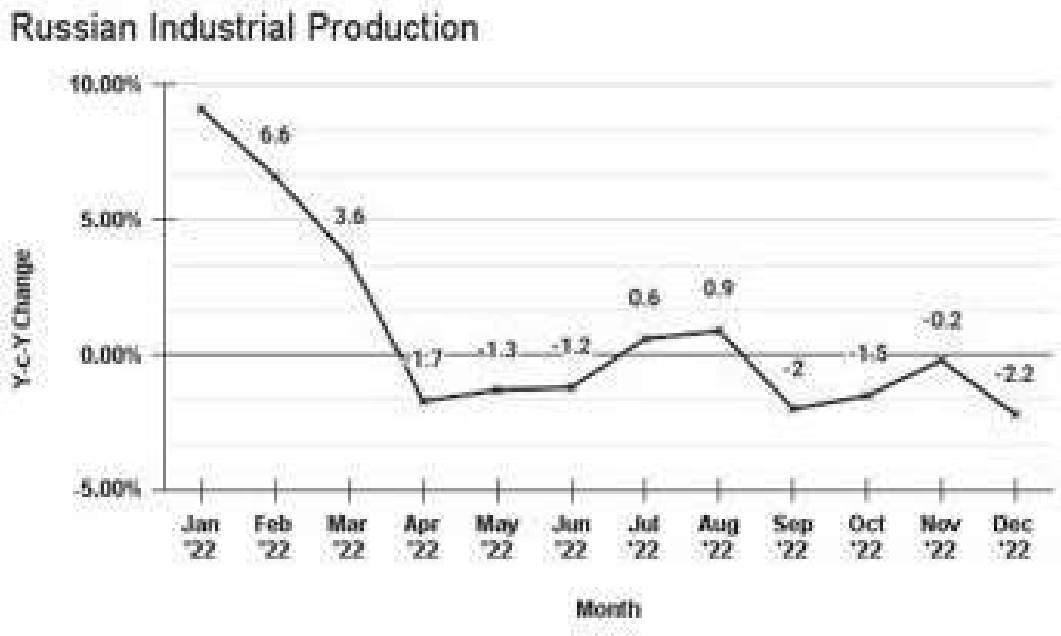


Figure 10: Effect of recent Western Sanction on Russian Industrial Production. Source: CEIC Data, 2023

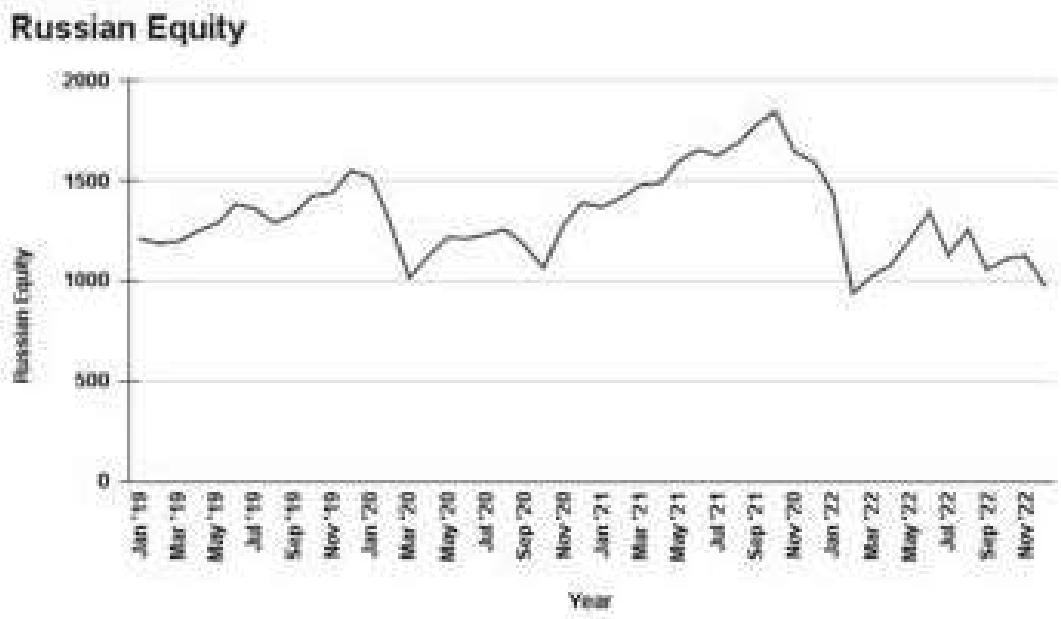


Figure 11: Effect of recent Western Sanction on Russian Equity. Source: CEIC Data, 2023

Projections from the World Bank and IMF indicate a significant decline in Russia's trade, with a 15.01% drop in imports and an 8.7% decrease in exports in 2022 compared to 2021. Despite Russia benefiting from higher global fossil fuel prices in H1 2022, sanctions on oil imports since December 2022 have led to a substantial reduction in Russia's oil revenues. According to the International Energy Agency, Russia experienced a more than 25% decline in oil revenues in January 2023 compared to January 2022, with an even more significant drop of over 40% in February (European Council, 2023).

Lessons from Venezuela

On August 25, 2017, President Donald Trump imposed extensive economic sanctions on Venezuela (Krauss, 2017). The government of Venezuela was unable to borrow money on US financial markets because of these sanctions. This made it impossible for the government to restructure its foreign debt because doing so necessitates issuing new bonds in return for the current debt. Sanctions hindered the economy's recovery from a deep recession, affecting the population and making them more vulnerable to subsequent sanctions. Real GDP had declined by 24.7 percent from 2013 to 2016, and consumer price inflation ranged between 758 percent and 1,350 percent annually from January to August 2017 (Weisbrot et al., 2019).

The sanctions in 2017 and 2019 also affected the oil production in the country. Figure 12 below shows oil production in Venezuela in thousands of barrels per day, from 2015 to 2024. As shown, production began to fall from 2016, and a more downward trajectory followed till after 2020.

Venezuela's oil industry was affected by these sanctions in several ways. The first and most obvious effect of losing credit is that it prevents one from accessing funds that may have been used for maintenance or investments (Rodríguez, 2018). The decline in oil production implies to A loss of about $8.4 billion in foreign exchange, which was increasingly needed for necessities like food and medicine. Venezuela's foreign exchange is mainly used for imports like medicine, food, medical equipment, spare parts, electricity generation, water systems, and transportation through oil export revenue. Sanctions that decrease export earnings and government revenue can decrease imports of essential goods, potentially lifesaving (Weisbrot et al., 2019). The textbook definition of hyperinflation in the economic literature is 50 percent per month, or about 13,000 percent annually according to Cagan (1956). Between December 2017 and May 2020, hyperinflation reached 49.9 million percent, and poverty rates tripled (Rodríguez, 2018).

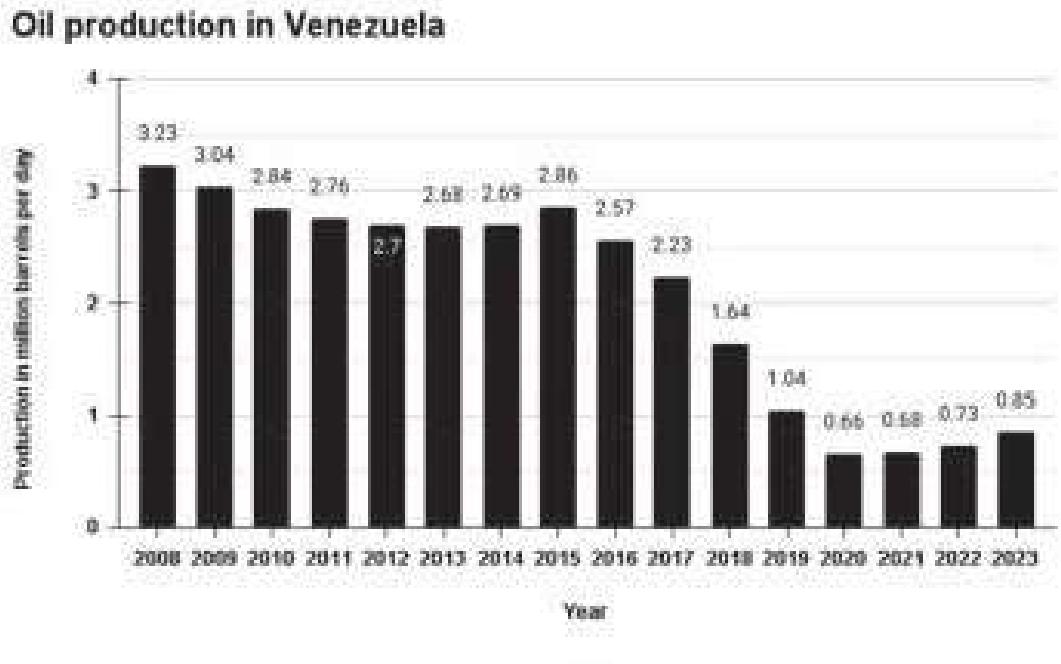


Figure 12: Oil production in Venezuela in thousands of barrels per day, from 2008 to 2023. Source: Statista, 2023

Lessons from Syria

The sanctions on Syria were imposed during 2011 to 2016 by both the United States and European Union. These sanctions included trade and financial sanctions, oil embargo and many other indirect sanctions (Andronik, 2018). Figure 13 illustrates GDP's yearly growth rate where it's shown that the GDP grew at an average yearly rate of 5% from 2006 to 2010, reaching a peak in 2009. The rate was comparatively steady and positive between 2006 and 2010, but it was negative from 2011 and 2016 during the sanction period. According to the World Bank (2017) The economic sanctions placed on Syria had a disastrous impact on the country's economy. Targeted trade sanctions on crude oil had the biggest effect on economic growth out of all the sanctions that were placed on Syria between 2011 and 2016. Both the US and the EU imposed targeted trade sanctions and crude oil import embargoes against Syria in 2011 (UNCRC, 2017). Among the direct effects of targeted trade and commodity sanctions include restrictions on the production, availability, import, and export of some goods as well as restrictions on activity in the targeted industry or service sector. Among the indirect effects, the decrease in lawful trade because of misinterpretations of new restrictions and adjustments to local currency exchange rates and market pricing in anticipation of commodities shortages were most pronounced. These led to effects on other unsanctioned industries and decreased purchasing power for a variety of products, including "unsanctioned" ones (Bessler et al., 2004). Before 2011, many Syrian workers were employed in the oil sector. Crude oil exports were Syria's main source of income, accounting for more than 25% of the country's total government income (Almohamad and Dittman, 2016). Following sanctions, oil production started to decline sharply, and the unemployment rate rose noticeably at the same pace. The unemployment rate was 8.9% on average between 2006 and 2010, before the civil conflict and sanctions. From 2010 to 2011, the unemployment rate increased from 8.4% to 14.9%, and it stayed above 14% between 2011 and 2016 (World Bank, 2017). Furthermore, the EU and US economic sanctions against Syria prohibited the export of medical devices without a license. The trade sanctions' licensing requirements hindered relief organizations' capacity to offer aid and caused delays in the supply of commodities connected to aid. One of the biggest issues aid organizations dealt with was that, frequently, the legal fees needed to secure a license to export an item were greater than the good's worth (Walker, 2016). UNICEF claims that during the 2011–

2015 sanction period, vaccination programs were not easily accessible, and that sanctions on medical supplies like syringes, freezers, and refrigerators that were necessary for vaccination programs led to fewer children getting immunizations (UNICEF, 2015). From 2011 to 2016, most of the civilian population was unable to access medication needed to fight diseases including diabetes, cancer, allergies and asthma, and various other diseases (Walker, 2016). Sanctions imposed on Syria also had adverse effects on food production and caused inflation. According to Andronik (2018) Syria became increasingly dependent on food imports when agricultural production began to drop in 2011. Following the imposition of sanctions, Syria was unable to import enough food to meet its population's nutritional needs. The 2011 oil industry sanctions from the US and the EU fueled inflation in the Syrian economy, leading to higher unemployment rates, lower wages, and a reduction in purchasing power.

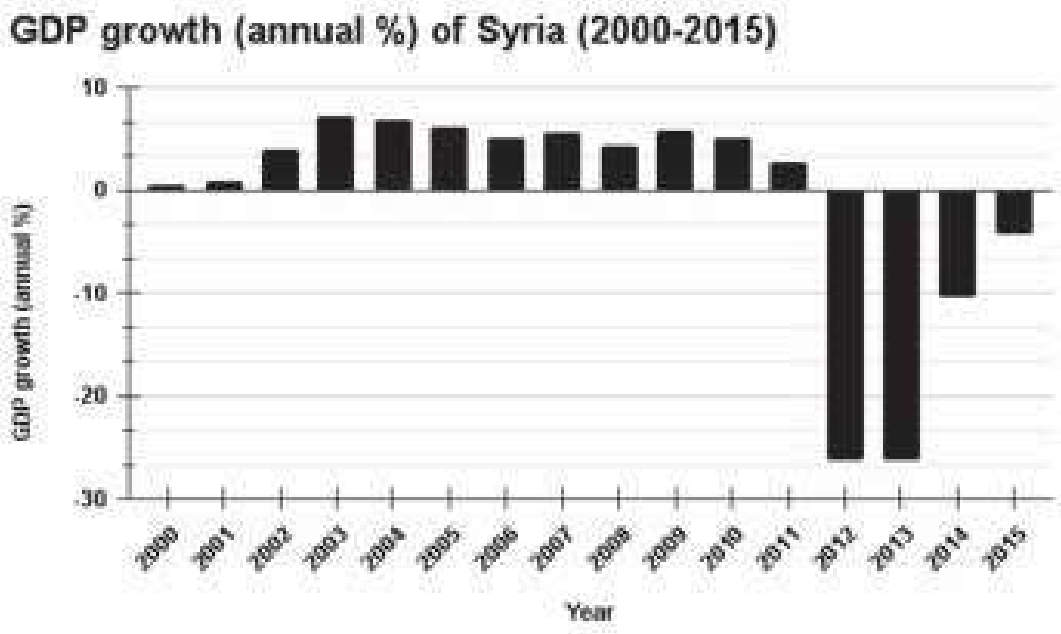


Figure 13: Annual GDP growth rate of Syria from 2000 to 2015. Source: World Bank, 2023

Ethical Implications of trade sanctions

According to Hafner-Burton (2014), the economic pressure on citizens results in pressure on the government to alter its policies. But debates that arise to this assertion is that economic sanctions usually don't result in the desired policy changes, while continuing to cause harm to civilians (de Waart 2015).

Under Chapter VII of the UN Charter, the Security Council can take enforcement measures to maintain or restore international peace and security. Additionally, Chapter VII grants the Security Council the sole authority to impose economic sanctions in circumstances that jeopardize such global peace and security. The international community's prevailing opinion is that economic sanctions imposed outside of this framework are "unilateral" and illegal (Jazairy, 2019). Unilateral economic sanctions have been characterized as "one of the least developed areas of international law" when it comes to enforcement. Iran has brought a case against U.S. sanctions to the International Court of Justice (ICJ), while Venezuela has filed a similar challenge with the World Trade Organization (WTO). These proceedings offer both institutions a chance to clarify the legal frameworks governing the use of unilateral sanctions (Hovell, 2019). UN authorized sanctions are autonomous sanctions. Venezuela and Iran have been subject to unilateral sanctions by the US and several other Western nations that target its financial institutions, government officials, and oil industry. Since the UN Security Council has not authorized these sanctions, they are regarded as unilateral.

Thus, there is much discussion regarding the legality of unilateral sanctions under international law, even though they are frequently presented as acceptable means of upholding international standards. They run the risk of compromising the fundamental tenets of the international legal order—sovereign equality and non-intervention—in the absence of unambiguous multilateral support.

Moreover, according to Bossuyt (2000), President of the Constitutional Court of Belgium the theory behind economic sanctions is flawed, as it assumes that civilian pressure will lead to government change. It is important to note that, in non-democratic regimes, civilian pressure cannot lead to government change. Sanctions are often imposed on countries without free and transparent elections. Additionally, it is improbable that those leaders will change their policy after realizing the hardship it causes their people.

Path to Mitigation and Alternatives

Up until now, literature has shown that most economic sanctions have been blunt tools that strike the target economy with little to no discriminatory measures to mitigate the harm to civilians (Baldwin, 1985). Moreover, there are negative repercussions on the most vulnerable group.

The effectiveness of sanctions in producing the intended outcomes and their effects on the targeted states remain contentious topics among academics. In a substantial body of empirical studies on penalties, there isn't much proof that they ever work. A quantitative study by Hufbauer, Schott, and Elliot (2007) looked at the efficacy of sanctions looked at 115 instances where sanctions were applied between 1900 and 1990. According to the analysis, there was only a 24% likelihood of achieving the stated aims when using economic sanctions as a foreign policy weapon (Hufbauer et al., 2007). Pape (1997) discovered that sanctions only work 5% of the time in a related study. Regarding Iraq, academics claim that trade embargoes and sanctions that limited the country's access to food and aid directly affected the civilian populace, resulting in famine, malnourishment, and fatalities (Buck et al., 1998). It is argued that sanctions ought to be more effective and humane. Positive incentives that encourage compliance should be used in conjunctions. Additionally, they must be carefully crafted to target the ruling class of the targeted regimes with the least amount of damage to the defenseless populace, domestic opposition movements, and foreign parties impacted by the sanctions (Cortright & Lopez, 2002). Targeting political leadership may be accomplished through sanctions such as travel bans for officials of the target nation, reductions or suspensions in military aid and arms sales, and freezing on financial assets. These targeted sanctions are significant because, because they are directed specifically at the elites, the political leadership is more likely to be negatively impacted. Additionally, these sanctions may lessen the harm done to civilians and the adverse effect on the normal operation of domestic economies. Political elites should then be more accommodating to the sender nation's demands for greater respect for democratic freedoms and human rights since they will be paying the price of coercion more instantly through targeted sanctions (Peksen, & Drury, 2010). This mechanism is often regarded as smart sanction by different literature.

Conclusion

Trade sanctions are generally a tool for minimizing the unexpected dominance of one or few trading partners in the international trading system. The tool, however, has been practiced in recent decades by the Western economies against many counterparts to establish balances in international politics. The initial impact of sanctions is adverse on the target economy, in terms of trade industry and finance. This has been evidenced

in many historical cases of sanctions. However, in the case of long-term continued sanctions, the adverse effect of sanctions is more on social (including health, education, etc.) and financial sectors compared to industry-specific production and trade. According to the findings of this paper, nearly every nation has demonstrated the detrimental impact of sanctions on the economy, which has resulted in the suffering of the most marginalized populations. This has been evidenced in the case of Iran's (non-declining) oil export. In addition, long-term trade sanctions may extend the adverse impact to the imposing countries' specific industries. Moreover, sanctions that are imposed on the Iranian petroleum industry and other financial institutions brought severe damage to the economy. These include deterioration of living standards and increased inflation. In a similar vein, due to sanctions against crucial exports such as oil, Venezuela's economy shrunk, and significant earnings were forfeited. Due to sanctions, Syria's infrastructure and healthcare have deteriorated. For similar reasons, it can be expected that if a trade sanction was placed on Bangladesh's economy, which is comparable to other developing countries analyzed in the study, there will be very significant negative economic and social consequences. Trade sanctions would impact the most marginalized and vulnerable communities the most.

Overall, trade sanctions are becoming more of a political tool nowadays for negotiation in international politics instead of being used as an international trade negotiation tool to neutralize the monopoly power. This practice can be useful for political negotiation between the Western economy and the developing economy; however, at a high cost of adverse suffering by the citizens of developing nations.

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