Overview and Analysis of Current U.S. Unilateral Economic Sanctions

Investigation No. 332-391

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U.S. International Trade Commission

Washington, DC 20436

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ABSTRACT

On March 23, 1998, the United States International Trade Commission (USITC or the Commission) instituted investigation No. 332-391, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*. The investigation, conducted under section 332(g) of the Tariff Act of 1930, is in response to a request from the Committee on Ways and Means, U.S. House of Representatives (see Appendix A).

The USITC solicited public comment for this investigation by publishing a notice in the *Federal Register* of March 30, 1998 (63 F.R. 15215). Appendix B contains a copy of the notice. A public hearing was held for this investigation on May 14, 1998. Appendix C lists the hearing participants and individuals who provided written submissions.

The purpose of this report is to describe U.S. unilateral economic sanctions currently in effect; to survey affected U.S. industries on the costs and effects of U.S. unilateral economic sanctions; to review the existing literature on the economic effects of sanctions; and to propose a methodology to be used in future studies to analyze the short- and long-term costs of economic sanctions. The request letter provided a specific definition of the term "unilateral economic sanction" to be used for this report.

The Commission identified 42 separate U.S. statutes that authorize or set forth economic sanctions; under these statutes there are a total of 142 federal sanctions-related provisions in such categories as arms proliferation, terrorism, national security, environmental protection, narcotics, expropriation of U.S. property, communism, war crimes, human rights, worker rights, and forced labor. The Commission identified a total of 29 countries subject to U.S. unilateral economic sanctions. The Commission's likely approach in future studies estimating the short- and long-term costs of U.S. unilateral economic sanctions would be to jointly employ a variety of methodologies in an effort to capture fully the effects of economic sanctions. Economic literature was reviewed to identify the methodologies applied to estimate the economic effects of U.S. sanctions.

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Executive Summary

Background

On February 19, 1998, the Committee on Ways and Means, U.S. House of Representatives (the Committee), requested that the U.S. International Trade Commission (the Commission) provide an overview and discussion of current U.S. unilateral economic sanctions.[1] The Committee requested that the Commission's report include (1) a description of U.S. unilateral economic sanctions currently in effect; (2) a review of recent literature on the economic effects of national-level economic sanctions; (3) a survey, to the extent possible, of affected U.S. industries concerning the costs and effects of U.S. unilateral economic sanctions on such industries and their markets; and (4) a proposed methodology to analyze in future studies the short- and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

The Committee defined the term "unilateral economic sanctions" as meaning "any unilateral restriction or condition on economic activity with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security." The Committee also set forth a list of trade measures to be excluded from the present report, such as multilateral sanctions and measures authorized by multilateral or bilateral trade agreements; measures imposed to remedy unfair trade practices, to remedy market disruption, or to respond to injury to a domestic industry; actions taken pursuant to the extension by the United States of most-favored-nation trading status; and measures imposed to protect domestic health or safety.

Approach

The actions taken by the Commission to respond to the Committee's request were (1) compiling a list of U.S. unilateral economic sanctions based on a review of relevant legislation and reference to several existing lists of sanctions compiled by other experts or entities that have conducted research in this area;[2] (2) conducting a telephone survey of nearly 500 U.S. companies and associations, and holding a public hearing to obtain private sector views on unilateral economic sanctions; (3) conducting a review of recent economic literature on the economic effects of national-level economic sanctions; and (4) proposing likely methodologies to estimate the short- and long-term costs of sanctions.

List of U.S. Unilateral Economic Sanctions

The Commission identified 42 separate U.S. laws that authorize economic sanctions. These laws may mandate particular actions, or may serve as the basis of mandatory or discretionary actions by the Executive Branch. Under these laws, a total of 142 statutory provisions pertaining to unilateral

[1] A copy of the request letter appears as Appendix A of this report.

[2] The three primary sources consulted were the President's Export Council, the Congressional Research Service (CRS) of the Library of Congress, and the National Association of Manufacturers. Each of these entities has compiled a list of U.S. economic sanctions using its own definition of the term "economic sanction."

economic sanctions were identified. Twenty percent of the measures concern terrorism. Other sanctions concern nuclear and other arms proliferation, national security, narcotics, expropriation of U.S. property, human rights, environmental protection, and communism.

A summary of major U.S. unilateral economic sanctions (statutes as well as implementing regulations) is provided in table ES-1. The table lists and summarizes the sanctions, the reasons cited for the sanction, and the countries or entities to which each listed sanction applies.[3] The table also indicates the general economic activities– trade, aid, or finance– restricted by the sanctions. Some of the sanctions were implemented as recently as 1998 (for example, the Burmese and the Sudanese Sanctions Regulations and economic sanctions against India and Pakistan), while others have long been in effect (for example, the Trading With the Enemy Act of 1917 continues to provide part of the statutory basis for current U.S. unilateral economic sanctions against Cuba and North Korea).

The Commission identified 27 State, county, and city laws imposing unilateral economic sanctions– 22 directed against Burma, 3 against Nigeria, and 1 each against Cuba and Tibet. All of these measures involved selective purchasing, selective contracting, or selective investment restrictions that disallow procurement or contracts with, or investment in any company that does business with or has investments in the targeted country. The Commission identified 14 additional proposed State and local measures, including two such pending measures against Burma for human rights violations, 10 pending against Switzerland for the possession of funds belonging to Holocaust victims, and two pending measures against any foreign financial institution determined to be in possession of funds belonging to Holocaust victims.

The large number of statutes providing for economic sanctions present several challenges in working with sanctions and make it difficult for both public and private sector entities to catalog these sanctions. For example, differing definitions of the term "economic sanctions" make it difficult to compare the lists of sanctions in this report with lists of sanctions compiled by other sources. In addition to the sheer number of statutes providing for economic sanctions, the statutes themselves may be difficult to interpret, may be subject to varying interpretations, or may vary in impact from year to year because of lapses in funding. Moreover, in some cases there is a significant lag between the time a particular economic sanction is announced and the actual publication of the implementing regulations. These challenges pose significant problems for the private sector in complying with sanctions as well as for all who attempt to examine the impact of sanctions.

Countries Subject to U.S. Unilateral Economic Sanctions

Cuba, Iran, Libya, North Korea, Syria, and Sudan are designated by the United States as terrorism-sponsoring countries and face the broadest range of U.S. unilateral economic sanctions. These countries are subject to U.S. restrictions or prohibitions on trade, aid, and financial transactions. U.S. economic sanctions against Iraq are pursuant to United Nations (UN) multilateral sanctions and thus are beyond the scope of this report as delineated in the request letter. However, Iraq is designated by the United States as a terrorism-sponsoring country, and would be subject to U.S. unilateral economic sanctions were UN sanctions not operative. All of the designated terrorism-sponsoring countries are relatively small markets for U.S. exports. Nevertheless, U.S. industries contacted during the Commission's telephone survey (especially oil and gas, infrastructure-related machinery, and construction services) identified lost exports to some of these countries because of U.S. unilateral economic sanctions.

The Commission identified a total of 29 countries subject to U.S. unilateral economic sanctions. In addition to the 7 designated terrorism-sponsoring countries, 11 other countries are subject to U.S.

[3] More detailed information is provided in table 2-1 and in Appendix D.

Table ES-1
Summary of major U.S. unilateral economic sanctions currently in force[1]

Public Law or Regulation			Unilateral Economic Sanctions[2]		
Law No./ Regulation	**Reasons cited**	**Countries or entities applied to**	**Trade**	**Aid**	**Finance**
Antiterrorism Act of 1987					
100–204	terrorism	Palestinian Liberation Organization			✓
Antiterrorism and Effective Death Penalty Act					
104–132	terrorism	Designated terrorist countries (DTCs),[3] and countries that provide military assistance to DTCs; also general applicability	✓	✓	✓
Arms Export Control Act, as amended					
90–629	national security	general applicability[4]	✓		✓
Arms Export Control Act, as amended (sec. 102)– the Glenn Amendment					
103–236	national security; nuclear proliferation	general applicability; developing countries that divert economic aid to the military; India (1998); Pakistan (1998)	✓	✓	✓
Atomic Energy Act					
83–703	nuclear proliferation	general applicability	✓		
Bretton Woods Agreements Act					
79–171	communism	general applicability			✓
Bretton Woods Agreements Act Amendments					
95–435	terrorism	general applicability			✓
Burmese Sanctions Regulations					
31 C.F.R. 537	implementing regulations for Burma sanctions	Burma			✓
Chemical and Biological Weapons Control and Warfare Elimination Act					
102–182	weapons proliferation	general applicability–countries that use or develop chemical or biological weapons, and countries that assist them in so doing	✓	✓	✓
Cuban Assets Control Regulations					
31 C.F.R. 515	implementing regulations for Cuba sanctions	Cuba	✓		✓
Cuban Liberty and Democratic Solidarity (Libertad) Act (also known as Helms- Burton Act)					
104–114	Cuba sanctions	Cuba; former Soviet republics; general applicability	✓	✓	✓

Table ES- 1– Continued
Summary of major U.S. unilateral economic sanctions currently in force[1]

Public Law or Regulation			Unilateral Economic Sanctions[2]		
Law No./ Regulation	**Reasons cited**	**Countries or entities applied to**	**Trade**	**Aid**	**Finance**
Department of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act of 1990 (sec. 609)					
101–162	environmental protection (certain sea turtles)	general applicability[4]	✓		
Department of Defense Appropriations Act of 1987					
99–500	terrorism	DTCs	✓		
Export Administration Act of 1979, as amended					
96–72	foreign policy; terrorism; weapons proliferation	general applicability	✓		
Export- Import Bank Act					
79–173	child labor; human rights; environmental protection; Communism; national security; nuclear proliferation; terrorism	Afghanistan, Cambodia, Cuba, India (1998), Laos, North Korea, Pakistan (1998), Tibet, China (Three Gorges Dam)			✓
Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Relating to Kosovo					
Executive Order 13088 of June 9, 1998	actions and policies with respect to Kosovo	Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia; Republic of Montenegro listed but excluded by general license effective June 18, 1998			✓
Fisherman's Protective Act of 1967, as amended– the Pelly Amendment					
92–219	environmental protection	general applicability	✓		
Foreign Assistance Act of 1961					
87–195	arms control; debt arrears; human rights; narcotics; expropriation; nuclear proliferation	general applicability, including Saudi Arabia, Qatar, United Arab Emirates (human rights); Cuba (expropriation); India, Pakistan (nuclear proliferation)	✓	✓	✓
Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1997					
105–118	coercive family planning; Communism; debt default; human rights; military coups; nuclear proliferation; sanctuary to war criminals; terrorism; worker rights	general applicability; DTCs	✓	✓	✓

Table ES-1– Continued
Summary of major U.S. unilateral economic sanctions currently in force[1]

Public Law or Regulation			Unilateral Economic Sanctions[2]		
Law No./ Regulation	**Reasons cited**	**Countries or entities applied to**	**Trade**	**Aid**	**Finance**
Foreign Terrorist Organizations Sanctions Regulations					
31 C.F.R. 597	terrorism	designated foreign terrorist organizations	✓		✓
Hickenlooper Amendment and Expansion					
87–565	expropriation	general applicability		✓	✓
India: Presidential Determination No. 98- 22 of May 13, 1998					
	nuclear proliferation	India	✓	✓	✓
International Development Association Act					
86–565	expropriation; narcotics	general applicability			✓
Inter- American Development Bank Act					
86–147	expropriation; narcotics	Western Hemisphere countries			✓
Internal Revenue Act, as amended (sec. 901)					
99–509	terrorism	DTCs			✓
International Emergency Economic Powers Act					
95–223	national security	general applicability			✓
International Financial Institutions Act					
95–118	terrorism	general applicability; DTCs			✓
International Monetary Fund Act					
95–435	terrorism	general applicability			✓
International Security and Development Cooperation Act					
99–83	terrorism	general applicability; Libya	✓		
Iran and Libya Sanctions Act					
104–172	terrorism	general applicability: foreign companies that trade with Iran and Libya	✓		✓
Iran- Iraq Arms Non- Proliferation Act of 1992					
102–484	weapons proliferation	general applicability: countries or individuals contributing to Iranian efforts to acquire advanced conventional weapons	✓	✓	✓
Iranian Transactions Regulations					
31 C.F.R. 560	implementing regulations for Iran sanctions	Iran	✓		✓

Table ES- 1– Continued
Summary of major U.S. unilateral economic sanctions currently in force[1]

Public Law or Regulation			Unilateral Economic Sanctions[2]		
Law No./ Regulation	**Reasons cited**	**Countries or entities applied to**	**Trade**	**Aid**	**Finance**
Lacey Act Amendments of 1981					
97–79, as amended	environmental protection	general applicability	✓		
Libya Sanctions Regulations					
31 C.F.R. 550	implementing regulations	Libya	✓		✓
Magnuson- Stevens Fishery Conservation and Management Act					
94–265	environmental protection	general applicability	✓		
Marine Mammal Protection Act					
92–522 re- authorized in 1994 as P.L. 103–238	environmental protection (dolphins)	general applicability–countries that harvest tuna in the Eastern Tropical Pacific Ocean[4]	✓		
Narcotics Control Trade Act					
99–570	narcotics	general applicability–uncooperative major drug producing or drug transit countries	✓		
Narcotics Trafficking Sanctions Regulations					
31 C.F.R. 536	narcotics	designated narcotics traffickers in the Cali (Colombia) drug cartel, and entities controlled by, acting for, or owned by them	✓		✓
National Defense Authorization Act					
104–106	terrorism	DTCs and general applicability		✓	
North Korea: Relevant Foreign Assets Control Regulations					
31 C.F.R. 500	implementing regulations for North Korea sanctions	North Korea	✓		✓
Nuclear Non- Proliferation Act of 1978, as amended					
95–242	nuclear proliferation	general applicability; India (1998), Pakistan (1998)	✓		✓
Nuclear Proliferation Prevention Act					
103–236	human rights; nuclear proliferation; terrorism	general applicability	✓	✓	✓
Pakistan: Presidential Determination No. 98- 25 of May 30, 1998					
	nuclear proliferation	Pakistan	✓	✓	✓
Spoils of War Act					
103- 236	terrorism	DTCs	✓		

Table ES-1– Continued
Summary of major U.S. unilateral economic sanctions currently in force[1]

Public Law or Regulation			Unilateral Economic Sanctions[2]		
Law No./ Regulation	**Reasons cited**	**Countries or entities applied to**	**Trade**	**Aid**	**Finance**
Sudanese Sanctions Regulations					
31 C.F.R. 538	terrorism	Sudan	✓		✓
Tariff Act of 1930 (sec. 307)					
71–361	forced labor	general applicability	✓		
Terrorism List Governments Sanctions Regulations					
31 C.F.R. 596	terrorism	DTCs			✓
Terrorism Sanctions Regulations					
31 C.F.R. 595	terrorism	Middle East terrorist organizations			✓
Trade Act of 1974 (sec. 403)					
93–618	foreign policy; national security	general applicability			✓
Trade Expansion Act of 1962					
87–794	national security	general applicability	✓		
Trading With the Enemy Act of 1917					
65–91	national security	Cuba, North Korea	✓		

[1] This table summarizes major U.S. unilateral economic sanctions-related legislation and regulations, and the countries or entities subject to those sanctions. More comprehensive information is provided in table 2-1 and Appendix D.
[2] Definition for the term "unilateral economic sanctions" as used in this report, and as delineated in the request letter, is provided in ch. 1. Empty boxes indicate that no relevant sanctions were identified.
[3] DTCs are countries designated under sec. 6(j) of the Export Administration Act as supporting international terrorism. Countries currently so designated are: Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria.
[4] See notes to table 2-1 for list of designated countries.
Sources: Prepared by the U.S. International Trade Commission in consultation with lists of sanctions compiled by the President's Export Council, the Congressional Research Service, and the National Association of Manufacturers, cited elsewhere in this report.

unilateral economic sanctions for foreign policy or national security reasons– Afghanistan, Burma, Cambodia, China, the Democratic Republic of the Congo, the Federal Republic of Yugoslavia (Serbia and Montenegro), India, Niger, Nigeria, Pakistan, and the Republic of Serbia. An additional 11 countries were identified as subject to U.S. unilateral economic sanctions that prohibit certain imports from these countries for environmental protection objectives.

Potential Impact of U.S. Unilateral Economic Sanctions

The Commission was not requested to undertake a quantitative assessment of the effects of U.S. unilateral economic sanctions in this investigation, but nonetheless there are some estimates available on the impact of sanctions from the economic literature reviewed for this report. The Commission's telephone survey and public hearing also obtained input from the U.S. private sector on the effects of sanctions.

Both costs and benefits were reported among the effects of U.S. unilateral economic sanctions. Costs to U.S. businesses and the U.S. economy as a whole include direct effects, which tend to be quantifiable, such as lower U.S. exports, lower U.S. imports, reduced investment, and fewer export- and import-related jobs. In addition, economic sanctions also may have indirect effects that are harder to quantify, such as reduced U.S. trade opportunities in global markets, loss of consumer and industrial user choice, less competitive U.S. businesses, and a "chilling effect" on long-term commercial relationships as some foreign partners become reluctant to do business with U.S. companies. This is out of concern that U.S. companies are not reliable suppliers due to the threat of future U.S. unilateral economic sanctions, or that assets in possession of U.S. entities may be seized under future U.S. sanctions. This study did not attempt to examine political costs and benefits of U.S. unilateral economic sanctions.

In terms of benefits, some import-sensitive U.S. businesses (especially in the agricultural sector, as discussed below) may experience higher production and employment while sanctions are in force because import restrictions imposed by sanctions may reduce the available supply of competing foreign products in the U.S. market, or otherwise affect the prices of such foreign goods.

Costs and Effects of U.S. Unilateral Economic Sanctions: U.S. Industry Perspectives

General Findings

The Commission contacted 492 U.S. firms and professional or trade associations in a telephone survey to obtain their views and information on U.S. unilateral economic sanctions. The survey was not based on a statistical sampling due to the short-term nature of this report; nevertheless, an attempt was made to include firms of all sizes representing a wide cross-section of manufacturing and service sectors. The selection of these firms relied on the judgement and expertise of USITC staff in specific manufacturing and service sectors. Consumer groups were not contacted, as Congress directed the Commission to focus on the effects of U.S. unilateral economic sanctions on U.S. industries. The Commission received a total of 174 responses of varying depth and quality– an overall response rate of 35 percent. Respondents were asked to identify the effects of sanctions as "minimal" (0 to 5 percent effect), "modest" (6 to 10 percent), or "substantial" (over 10 percent).

No responding firm indicated that it directly benefits from U.S. unilateral sanctions in terms of additional business, profits, or employment; however, some fresh vegetable producers in Florida expressed concerns about potential economic losses if U.S. unilateral economic sanctions against Cuba were to be lifted (see "agriculture" below). Energy producers, especially oil and gas, were reported as being the most adversely affected by U.S. unilateral economic sanctions (see "energy and chemicals" below).

Most other respondents indicated that the economic effects of U.S. unilateral economic sanctions are small because many of the countries targeted for sanctions are mainly low-income countries with relatively small markets. However, in May 1998, after the Commission's industry survey ended, the United States implemented economic sanctions against India and Pakistan following nuclear test explosions by those countries. Under these sanctions, the United States was statutorily required to prohibit economic and military aid as well as terminate financial assistance; the sanctions also required that the extension of agricultural export credit guarantees also be terminated for these two countries. As a result of concerns expressed by the U.S. agricultural sector, the United States amended the relevant sanctions statute to retroactively authorize the extension of agricultural export credits.

Survey respondents stated that it was difficult for them to quantify the economic effects of sanctions. Particularly difficult to quantify were: (1) the business losses experienced, compared to the returns expected if sanctions had not been in place; (2) the effects of delayed entrance into a market because of sanctions; and (3) the business losses incurred because sanctions may cause U.S. firms to be perceived as unreliable suppliers, due to the threat of future U.S. unilateral economic sanctions. Many respondents stated that identification of, and compliance with, the large number of U.S. unilateral economic sanctions is difficult and expensive. They cited the large number of economic sanctions imposed by State and local governments as a further hindrance to their business operations– adding to the expense and the administrative complications of doing business abroad.

Sectoral Findings

Agriculture

Overall, the costs and effects of U.S. unilateral economic sanctions were reported to be minimal both in terms of access to foreign markets and competition from imports. Some fresh vegetable producers in Florida expressed concerns about possible adverse effects on their businesses if Cuban products were allowed to re-enter the U.S. market. These firms believe that Cuban products would underprice Florida-grown vegetables. U.S. cigar producers also expressed the concern that lifting the sanctions against Cuba could disrupt the U.S. cigar industry.

Energy and chemicals

Respondents indicated that U.S. unilateral economic sanctions impede their ability to export to some markets. One large multinational chemical company reported that U.S. unilateral economic sanctions have harmed its reputation as a reliable supplier and caused a loss of international competitiveness in such markets as Iran, Sudan, and Cuba. That company also reported that the effects of sanctions can linger even after the sanctions are lifted, stating that its current market opportunities in Vietnam are limited because foreign competitors were able to secure most of that market during the period when U.S. companies were prohibited from doing business in Vietnam. One large multinational energy company reported that its operations in the Middle East, Vietnam, and Cuba have been adversely affected because of U.S. economic sanctions. In contrast, one large international pharmaceutical company reported a minimal impact on its operations as a result of U.S. sanctions.

Minerals, metals, machinery, and miscellaneous manufactures

Most respondents reported that U.S. unilateral economic sanctions have a minimal to modest impact overall on their business operations, although several said that the effects could be significant with respect to certain business activities (such as infrastructure-related machinery and parts) and to certain countries, such as Sudan. Two companies estimated that sanctions caused aggregate lost exports valued at $250,000, and total lost export earnings plus follow-on sales and service of approximately $45 million. Some firms reported that they had some difficulty re-entering markets that had previously been prohibited by U.S. unilateral economic sanctions, and where re-entry was possible the firms incurred high costs for developing new distribution channels and marketing.

Electronic technology and transportation

Respondents reported that economic sanctions most likely affected not more than 1 percent of total sales, or 5 percent of export earnings; however, several noted that such losses, especially foregone export sales, could be significant when accrued over several years. Several respondents reported the difficulties of re-entering markets after sanctions are lifted, and noted that the costs of re-establishing distribution networks are especially high. One U.S. motor vehicle producer noted that State and local sanctions have particularly disruptive effects on business operations, because such economic sanctions affect procurement and divestiture of stock, are easier to enact, and have more immediate effects.

Service industries

Respondents indicated that U.S. unilateral economic sanctions close off new market opportunities and increase the level of uncertainty for business operations. Construction firms reported being adversely affected when submitting bids for certain long-term infrastructure projects because the threat or potential threat of U.S. unilateral sanctions contributes to the perception that U.S. firms may be less reliable than their European or Japanese competitors. Major multinational financial service firms indicated that they are vulnerable to U.S. unilateral economic sanctions if their overseas affiliates are located in countries that are targets for sanctions. Moreover, investors may be reluctant to deposit funds in U.S. banks worldwide for fear of having their accounts monitored or frozen under U.S. sanctions. Telecommunications services firms also reported foregone business opportunities in such markets as Colombia, Cuba, Iran, and Libya as a result of U.S. unilateral economic sanctions.

Review of Literature

Research that specifically examines the cost of sanctions to the sender or imposing country is relatively limited. Much of the academic economic literature treats economic sanctions as a theoretical problem. Game theory is a commonly used framework in which countries that impose economic sanctions (senders) and countries against which the sanctions are directed (targets) are treated as two opponents, each weighing the outcomes of various policy options in view of the strategy of the other. The studies that examined the costs of sanctions focused on the costs of sanctions to the target countries or estimated the degree of success of the sanctions in relation to the sender's stated policy goal or objective. These studies relate the degree of success to such factors as the costs of the sanctions to the sender and target countries, the size of the countries or trade flows involved, the objectives of the sanctions, the duration of the sanctions, the extent of international cooperation in implementing or enforcing the sanctions, and other factors.

Survey of Methodologies and Cost Estimates

Researchers have used a variety of approaches to evaluate the costs of sanctions to senders, leading to results on several different types of costs and a wide range of dollar estimates of these costs. The most readily available estimates of the sender costs of sanctions take the form of aggregate lost U.S. export sales to target countries due to all sanctions imposed by the United States. In this research, which covers all U.S. sanctions including multilateral sanctions, these estimates range from $5 billion to $20 billion in foregone export sales to the target countries for the early to mid-1990s.[4]

Other types of direct costs discussed in the literature include job losses, compliance costs, lost sales from intermediate suppliers for goods placed under sanctions, and lost follow-on sales and market share. In addition, business representatives have identified a number of indirect, less easily quantifiable costs, including damage to their reputation as reliable suppliers, lost opportunities for forming critical business relationships or participating in joint ventures and lost competitiveness as these opportunities are taken up by firms from other countries. Evaluating any of these costs for the United States from the imposition of U.S. unilateral sanctions is difficult, but estimating the indirect costs is especially challenging.

Direct costs of sanctions, such as lost export sales, are typically estimated econometrically with a gravity model– that is, a model of bilateral trade flows that detects shortfalls in trade flows below what would be expected given the economic conditions prevailing among trade partners and provides means for estimating the role of sanctions in causing such shortfalls. Other approaches have also been used to estimate the costs generated by the imposition of sanctions. These approaches include partial equilibrium models, which can examine the impact of restrictions of proposed sanctions on the economic welfare of participants in the relevant markets, and general equilibrium models, which connect the restricted markets to a full representation of all markets in an economy. Multi-country variations connect several single-country general equilibrium models together through international trade flows.

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[4] These estimates reflect sales to countries targeted by U.S. unilateral sanctions, and do not attempt to measure whether such sales were diverted to other markets or lost entirely.

Industry surveys and questionnaires have been used to elicit from affected businesses the different types of costs they have experienced as a result of sanctions and the extent of these costs. Information obtained from surveys and questionnaires is especially valuable in assessing the indirect costs of economic sanctions. Case studies can also help identify the full spectrum of costs to senders of economic sanctions.

Methodology Proposal

The request letter asks that the USITC propose a methodology to be used to analyze in future studies the short and long-term costs of U.S. unilateral sanctions to the U.S. economy. The request letter refers to draft legislation that would ask the USITC on a recurring basis to report on the costs of all actual and proposed U.S. unilateral economic sanctions, and to assess the impact these sanctions have on the reliability of the United States as a supplier of products, agricultural commodities, technology, and services, and on the international competitive position of U.S. industries, firms, workers, farmers, and communities.

The analytical approaches used by the Commission to provide such an assessment of existing and/or proposed unilateral sanctions will need to address three basic concerns. First, the analysis should include both aggregate and sector-specific effects of the sanctions under review. Second, the analysis should provide measures of the costs of sanctions that, to the extent possible, can be provided on a consistent basis over time. Finally, the analysis should account for the total net costs of the sanctions, including both the direct, more easily quantified costs as well as the indirect costs that are difficult to quantify. The Commission's likely approach would be to jointly employ a variety of the methodologies described above to capture the effects of economic sanctions. In addition to economic methodologies, the Commission would seek industry and interested party views through hearings, questionnaires, and other survey forms.

For example, partial equilibrium and gravity models have been used most often to assess the impact of economic sanctions. Partial equilibrium models can provide estimates of the direct costs of proposed sanctions borne by both producers and consumers. This type of model can be constructed to allow for varying degrees of imperfect competition, multiple suppliers, and multiple buyers. Moreover, such models can account for varying degrees of substitutability between tradeable products and can be used to assess the impact of different types of sanctions, such as export embargoes and restrictions on export financing. Given the abundance of information produced, the ability to account for the impact of policy changes on narrowly defined sectors, the limited data requirements and simplicity of operation, the partial equilibrium approach compares favorably in most cases to the use of a general equilibrium model. A general equilibrium approach would be a more likely choice for sanctions imposed on large trading partners (where the economy-wide effects of the sanctions may be significant) or on those who can influence the world prices of products in major, broadly-defined sectors such as oil.

In order to evaluate the economic impact of U.S. unilateral sanctions on an ongoing basis, it will be valuable to have a modeling framework that captures more of the dynamic aspects of that impact. These aspects include the long-term costs, the impact on the international reputation of the United States as a reliable supplier of goods and technologies, and the impact on the international competitiveness of U.S. industries and firms. Gravity models fill this need in that they can be applied to test for persistence of the effects of sanctions after they have been removed. Such a test for persistence can help indicate how temporary loss of market share or supplier relationships may affect reputation for reliability or competitiveness in the long run. In addition, gravity modeling can help estimate the effects of sanctions on capital flows.

Each of these methodologies has its own advantages and trade-offs, such as the initial data requirements for the analysis and the level of detail of the results. Depending on the specific request as well as the length of time available for analysis, partial or general equilibrium analysis or gravity models or a combination of these methodologies could be applied appropriately to estimate the direct costs such as lost export sales associated with economic sanctions. Industry input would be sought via surveys and questionnaires to obtain information on the indirect as well as the direct costs of sanctions. Integrating the analysis of estimates of direct and indirect costs from several appropriate methodologies, in conjunction with industry surveys, would provide a more comprehensive assessment and understanding of the short-and long term costs of sanctions on the U.S. economy.

CHAPTER 1
Introduction

Purpose of the Report

The purpose of this report is to provide an overview and discussion of current U.S. unilateral economic sanctions. The U.S. International Trade Commission (USITC or the Commission) initiated work on this fact-finding investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) following receipt of a letter of request from the Committee on Ways and Means, U.S. House of Representatives (the Committee), on February 19, 1998.[1] In its letter, the Committee requested that the Commission provide in its report:

- a description of U.S. unilateral economic sanctions in effect;
- a review of recent literature on the economic effects of national-level economic sanctions;
- a survey, to the extent possible, of affected U.S. industries on the costs and effects of U.S. unilateral economic sanctions; and
- a proposed methodology to analyze in future studies the short- and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

In its request letter, the Committee referenced pending bills in the House and Senate, "The Enhancement of Trade, Security, and Human Rights through Sanctions Reform Act," introduced in the House of Representatives on October 23, 1997 (H.R. 2708) and the Senate on November 7, 1997 (S. 1413), which have been referred to relevant committees for consideration. The Committee said that the request for this report was in anticipation of Congressional action on these bills during 1998. Among other things, these bills would require that the President, before imposing a unilateral economic sanction, request that the USITC report on the likely short-term and long-term costs of the proposed sanction to the U.S. economy, including the potential impact on U.S. trade performance, employment, and growth; the international reputation of the United States as a reliable supplier; and the economic well-being and international competitive position of U.S. industries, firms, workers, farmers, and communities. Furthermore, the bills would require that the Commission report annually on the costs of all unilateral economic sanctions in effect, including an assessment of the impact of such measures on the international reputation of the United States as a reliable supplier of products, agricultural commodities, technology, and services.

[1] A copy of the request letter appears as Appendix A of this report.

Scope of the Report

Definition of "Unilateral Economic Sanctions"

In its request letter, the Committee defined the term "unilateral economic sanctions" to mean "any unilateral restriction or condition on economic activity with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security." This report largely focuses on unilateral economic sanctions implemented at the national level; however, at the request of the Committee, this report also includes a list of current economic sanctions imposed by States and localities.

Trade Measures Excluded

The Committee specifically requested that the Commission exclude from this report:

- U.S. economic sanctions imposed pursuant to a multilateral regime when the other members of that regime have agreed to impose substantially equivalent measures;
- U.S. measures imposed to remedy unfair trade practices or to enforce U.S. rights under a trade agreement, including under section 337 of the Tariff Act of 1930, title VII of that Act, title III of the Trade Act of 1974, sections 1374 and 1377 of the Omnibus Trade and Competitiveness Act of 1988, and section 3 of the Act of March 3, 1933;

- any measure imposed to remedy market disruption or to respond to injury to a domestic industry for which increased imports are a substantial cause or threat thereof, including remedies under sections 201 and 406 of the Trade Act of 1974, and textile import restrictions, including those imposed under section 204 of the Agricultural Act of 1956;

- any action taken under title IV of the Trade Act of 1974, including the enactment of a joint resolution under section 402(d)(2) of that Act;[2]

- any measure imposed to restrict imports of agricultural commodities to protect food safety or to ensure the orderly marketing of commodities in the United States, including actions taken under section 22 of the Agricultural Adjustment Act;

- any measures imposed to restrict imports of any other products in order to protect domestic health or safety;

- any measure authorized by, or imposed under, a multilateral or bilateral trade agreement to which the United States is a signatory, including the Uruguay Round Agreements, the North American Free Trade Agreement, the United States-Israel Free Trade Agreement, and the United States-Canada Free Trade Agreement; and

- any export control[3] imposed on any item on the U.S. Munitions List.[4]

The Commission was not able to fully incorporate certain contemporaneous events into its analysis either because the events occurred after the hearing and opportunity for public comment for this investigation, or because implementing regulations for the economic sanctions had not been published. These include:

- On June 9, 1998, President Clinton issued Executive Order 13088 imposing new U.S. unilateral economic sanctions against the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia for their actions and policies with respect to the Kosovo region of the former Yugoslavia.[5]

- On May 13, 1998, President Clinton reported to Congress that he had imposed unilateral economic sanctions against India, terminating loans, credits, and military and non-humanitarian economic assistance as required under section 102 of the Arms Export Control Act (AECA),[6] after India detonated nuclear explosive devices on May 11, 1998; identical economic sanctions against Pakistan were announced on May 30, 1998 after that country detonated a nuclear explosive device on May 28, 1998. Final implementing regulations for these sanctions against India and Pakistan, however, were not drafted in time to be reflected in this report.[7] Moreover, on July 15, 1998,

[2] Refers to the extension by the United States of most-favored-nation (MFN), or nondiscriminatory, trading status.

[3] "Export control" is a broad term that refers to the provisions of any of several U.S. laws that prohibit or restrict certain exports or re-exports of U.S.-origin items for reasons including national security, foreign policy, and short supply of certain commodities (for example, some crude oil and petroleum products). Exports of controlled items require licenses from the appropriate administering agencies. The United States applies export controls to, among other things: (1) "dual use" technologies that have both military and civilian applications (such as certain computers, electronics, and telecommunications equipment), administered by the Bureau of Export Administration, U.S. Department of Commerce; (2) defense articles and services, administered by the Office of Defense Trade Controls (ODTC), U.S. Department of State; and (3) trade with certain countries for foreign policy purposes, namely Cuba, Iran, Iraq, Libya, North Korea, and Sudan, administered by the U.S. Department of Commerce, the Office of Foreign Assets Control of the U.S. Department of the Treasury, and other agencies.

[4] The U.S. Munitions List defines which defense articles and services require export licenses from ODTC. Items on the list include aircraft, ammunition, chemical agents, explosives and propellants, firearms, military vessels, and other implements of war; the list also includes a missile technology control annex.

[5] The U.S. sanctions were announced in response to "the ongoing use of excessive military force in Kosovo by the police and armed forces of the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia." 63 F.R. 32109. Sanctions were to be implemented by the six-nation Contact Group countries concerned with developments in the Balkans, consisting of the United States, France, Germany, Italy, Russia, and the United Kingdom. As of this writing, Russia has chosen not to implement the Contact Group sanctions, and the European Union (EU) has not adopted implementing regulations, although draft EU regulations are narrower in scope than the U.S. sanctions. "Transmittal to Congress on Sanctions in Kosovo," news release, The White House, Office of the Press Secretary, June 11, 1998. These sanctions are summarized in table 2-1.

[6] Sec. 102 of the AECA also is known as the Glenn Amendment. These sanctions are summarized in table 2-1.

[7] For a statement of the U.S. Administration policy at that time, see U.S. Department of State, Bureau of Economic and Agricultural Affairs, "Fact Sheet: India and Pakistan Sanctions," June 18, 1998, found at the U.S. Department of State website, http://www.state.gov/www/regions/sa/fs_980618_india_pak.html, downloaded July 30, 1998.

President Clinton signed into law a bill (Public Law 105-194) that exempts agricultural credits from economic sanctions implemented pursuant to section 102(b) of the AECA, including the sanctions imposed against India and Pakistan.[8]

- Implementing regulations for U.S. unilateral economic sanctions against Burma (Myanmar)[9] and Sudan were published after the Commission's hearing for this investigation.[10] This delay in the publication of implementing regulations is reported to be a significant problem for the private sector.[11]

This report covers current U.S. unilateral economic sanctions only, as delineated in the request letter. It does not directly address multilateral sanctions or multilateral sanctions that may have some unilateral aspects to them because of differences in the ways they are interpreted and implemented, as well as because of uneven or selective enforcement of multilateral sanctions. Consequently, this report does not cover sanctions in compliance with United Nations (UN) Security Council Resolutions, such as measures undertaken against Liberia, Rwanda, Somalia,[12] the National Union for the Total Independence of Angola (known as UNITA),[13] and certain sanctions that remain in force against the Federal Republic of Yugoslavia (Serbia and Montenegro) and Bosnian-Serb controlled areas of the Republic of Bosnia and Herzegovina.[14] Iraq is subject to comprehensive UN multilateral sanctions, but is discussed in this report in a limited context because Iraq also is subject to identical U.S. unilateral sanctions.[15] Libya is subject to UN multilateral sanctions of a limited scope;[16] however, Libya is discussed in this report because the Commission identified U.S. unilateral economic sanctions against Libya that are significantly more comprehensive than the UN multilateral sanctions.

This report also does not directly address measures to prohibit U.S. citizens and companies from complying with economic sanctions imposed by other countries (such as U.S. antiboycott compliance regulations that, among other things, prohibits

[8] "Statement by the President," news release, The White House, Office of the Press Secretary, July 15, 1998.

[9] Burma was renamed Myanmar by the current ruling military regime. The United States officially recognizes the name Burma, which is the country name used in this report. For further information, see Central Intelligence Agency (CIA), "Burma," *1997 World Factbook*, http://www.odci.gov/cia/publications/factbook.

[10] U.S. economic sanctions against Burma were announced on May 20, 1997; implementing regulations were published May 21, 1998 in 63 F.R. 27846. U.S. economic sanctions against Sudan were announced on Nov. 3, 1997; implementing regulations were published July 1, 1998 in 63 F.R. 35809.

[11] This lag in drafting implementing regulations for economic sanctions was cited during the Commission's hearing for this investigation as being problematic for U.S. businesses. Arthur Downey, hearing testimony, May 14, 1998, transcript, p. 44. This and other U.S. private sector concerns are discussed in more detail in ch. 3.

[12] The UN Security Council imposed an embargo on deliveries of weapons and military equipment to Liberia in 1992, to Rwanda in 1994, and to Somalia in 1992. U.S. compliance with these embargoes is implemented by the U.S. Department of State under regulations set forth at 22 C.F.R. 126.1(c).

[13] The UN Security Council imposed economic sanctions against UNITA in 1993. U.S. sanctions are implemented under the UNITA (Angola) Sanctions Regulations set forth at 31 C.F.R. 590.

[14] UN Security Council sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) date back to 1992. Most of these sanctions, as well as most sanctions against Bosnian Serb-controlled areas of the Republic of Bosnia and Herzegovina, were lifted beginning in 1996, although certain assets in U.S. possession or control remain blocked. U.S. sanctions are implemented under the Federal Republic of Yugoslavia Sanctions Regulations set forth at 31 C.F.R. 585. As discussed above, however, U.S. economic sanctions implemented in June 1998 against the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia for their actions in Kosovo are included in the report because as of this writing comparable multilateral sanctions have not been implemented by other nations.

[15] UN Security Council Resolution 661 and subsequent resolutions directed all UN members to apply a complete embargo on trade with Iraq and to apply other economic sanctions until such time as the Government of Iraq comes into compliance with that country's obligations under the 1991 Persian Gulf War cease-fire arrangements. Resolution 986 authorized UN members, as of Dec. 10, 1996, to permit imports of petroleum and petroleum products originating in Iraq, subject to certain restrictions, and to sell to Iraq authorized food and humanitarian goods under a supervised distribution plan–the so-called "oil-for-food" provision. Multilateral sanctions against Iraq reportedly are unevenly enforced, as Russia allows its companies to enter into executory contracts in Iraq. Iraq also is among the countries designated under section 6(j) of the Export Administration Act of 1979 as supporting international terrorism. Were UN multilateral economic sanctions with respect to Iraq not in force, Iraq would face the same U.S. unilateral economic sanctions as other countries designated by the United States as supporting terrorism. U.S. sanctions are implemented under the Iraq Sanctions Regulations set forth at 31 C.F.R. 575.

[16] UN Security Council Resolution 748 of Mar. 31, 1992 directed UN members to deny aircraft landing rights to Libyan aircraft or aircraft serving Libya; to prohibit the supply of aircraft or aircraft components to Libya; to prohibit the provision of engineering and maintenance servicing of Libyan aircraft; to prohibit the sale of weapons and ammunition to Libya; to prohibit any provision of technical advice, assistance, or training to Libya; and to reduce significantly the level of the staff at Libyan diplomatic missions. Resolution 883 of Nov. 11, 1993 directed UN members to block all Libyan assets subject to their jurisdiction and to prohibit sales to Libya of certain oil sector machinery and equipment.

U.S. citizens and companies from complying with the Arab League boycott of Israel).[17] The extraterritorial reach of some U.S. unilateral economic sanctions–extending the application of U.S. sanctions to actions in third countries, such as sales of goods and services to countries subject to U.S. sanctions by foreign companies or by foreign subsidiaries of U.S. companies–also is not examined directly in this report; however, U.S. industry views on the extraterritorial application of U.S. economic sanctions (sometimes referred to as "secondary boycotts") are discussed in chapter 3.[18] Export controls for foreign policy purposes, applied to trade with specific countries, are addressed in this report. However, not addressed in this report are export controls for defense articles and services on the U.S. Munitions List, as delineated in the request letter, as well as export controls for dual use technologies and high performance computers.

While this report uses the term "economic sanction," it is noted that the terms "economic embargo," "economic boycott," and "blacklisting" often are used interchangeably with "economic sanction" in the economic literature on sanctions.[19] In chapter 4 of this report, following conventional usage in the economic literature on sanctions, the term "sender" indicates the country that implements an economic sanction (thus, for purposes of this report, the "sender country" is the United States), and the term "target" indicates the country or entity against which the sanction is directed.[20]

Finally, it is not possible to compare directly the number and types of U.S. unilateral economic sanctions reported in this study with lists of sanctions compiled by other experts or entities because each study defines the term "economic sanctions" differently, as is discussed in more detail in the literature review presented in chapter 4.

Approach

The USITC compiled a list of U.S. unilateral economic sanctions based on a review of relevant legislation and implementing measures and reference to lists of sanctions compiled by others–namely , the President's Export Council, the Congressional Research Service, and the National Association of Manufacturers–to ensure a comprehensive coverage of sanctions. A wide range of U.S. private sector views on unilateral economic sanctions and their effects, as well as input from individuals who have conducted research on this topic, were obtained from: (1) an informal telephone survey conducted by USITC staff of nearly 500 companies and associations;[21] (2) a public hearing held on May 14, 1998; and (3) written submissions to the Commission received in response to a *Federal Register* notice of the institution of this investigation.[22] The telephone survey and the hearing provided anecdotal information from the U.S. private sector that also has been incorporated. A review of relevant economic literature on the effects of national-level economic sanctions also was conducted. That literature review provided information on the range of methodologies that have been used to analyze the economic effects of sanctions; such information could be of use should the Commission be requested to conduct such an analysis in the future.

Organization of the Report

The remainder of chapter 1 provides an overview of the history, use, and potential impact of U.S. unilateral economic sanctions. Chapter 2 lists and describes current U.S. unilateral economic sanctions as well as State and local sanctions in effect and pending. Chapter 3 provides the results of the Commission's telephone survey of U.S. industries on the costs and effects of U.S. unilateral economic

[17] U.S. antiboycott compliance regulations are provided by the 1977 amendments to the Export Administration Act and the Ribicoff Amendment to the 1976 Tax Reform Act, found in sec. 999 of the Internal Revenue Code. For information on the Arab League boycott, see USITC, *Effects of the Arab League Boycott of Israel on U.S. Businesses*, publication No. 2827, November 1994. Antiboycott compliance is administered by the Bureau of Export Administration (BXA) of the U.S. Department of Commerce; information is available from the BXA Website, found at http://www.bxa.doc.gov/Enforcement/oacprogr.htm.

[18] For a discussion of secondary boycotts, as well as a broader analysis of U.S. economic sanctions in the context of international trade law, see Raj Bhala, "Fighting Bad Guys with International Trade Law," *University of California Davis Law Review*, vol. 31, No. 1 (Fall 1997).

[19] Barry E. Carter, *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime* (New York: Cambridge University Press, 1988), p. 4. See also Peter L. Fitzgerald, "Pierre Goes Online: Blacklisting and Secondary Boycotts in U.S. Trade Policy," *Vanderbilt Journal of Transnational Law*, vol. 31, No. 1 (Jan. 1998).

[20] For an example of such an analysis, see Gary C. Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, vol. 1 (Washington, DC: Institute for International Economics, 1990).

[21] A survey of U.S. industry views using standard statistical sampling techniques was not feasible due to time constraints. The methodology employed, and the Commission's findings from its informal telephone survey, are discussed in ch. 3.

[22] A copy of that *Federal Register* notice appears as Appendix B of this report. A list of individuals who appeared at the hearing or who made written submissions in response to the *Federal Register* notice appears as Appendix C.

sanctions. That chapter also summarizes both the testimony of witnesses who appeared at the public hearing and the written submissions received by the Commission with regard to this investigation. Chapter 4 reviews the economic literature on the analysis of the effects of economic sanctions. That chapter also presents the Commission's initial assessment regarding those methodologies that may be most appropriate in analyzing the short- and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

Overview

Several authors have documented the history of the use of unilateral economic sanctions by the United States.[23] In pre-Revolutionary America, unilateral economic sanctions were used in 1765 to boycott British goods in response to the Stamp Act, and in 1767 to boycott British luxury goods such as tea in response to the Townshend Act, which ultimately led to the Boston Tea Party. The United States implemented unilateral economic sanctions to prohibit trade with England and France during the period leading up to the War of 1812, but used sanctions relatively infrequently during the remainder of the 19th century. The United States used economic sanctions more frequently during the 20th century as the global economic leverage of the U.S. economy expanded.[24] Sanctions were used during World Wars I and II to support Allied military objectives.[25] Indeed, the statutory basis for current U.S. unilateral economic sanctions against Cuba and North Korea resides in part in the Presidential authority to declare a "national emergency" under the wartime-era Trading With the Enemy Act (TWEA) of 1917.[26]

[23] See Carter, *International Economic Sanctions*, pp. 8–11; Hufbauer, Schott, Elliott, *Economic Sanctions Reconsidered*, pp. 4–9; and Michael P. Malloy, *Economic Sanctions and U.S. Trade* (Boston: Little, Brown and Co., 1990), pp. 4 and 29.

[24] Malloy, *Economic Sanctions and U.S. Trade*, p. 187, and Fitzgerald, "Blacklisting and Secondary Boycotts," p. 15.

[25] Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, p. 5. For a detailed account of sanctions enacted during World War II, see Michael P. Malloy, *Economic Sanctions and U.S. Trade*, pp. 192–193.

[26] 50 U.S.C. app. sec. 1 et seq. The "national emergency" language was added to TWEA retroactively in 1933, and was removed except with regard to pre-existing programs and certain other exemptions in 1976 with the passage of the National Emergencies Act, 50 U.S.C. sec. 1601 et seq. Currently under TWEA, Presidential authority to impose economic sanctions is limited to use during declared war, except with respect to certain "grandfathered" programs. TWEA and other laws pertaining to economic sanctions are summarized in table 2-1.

In the postwar period, the United States turned to unilateral economic sanctions to support a broad range of nonmilitary foreign policy goals[27] and, more recently, to enforce U.S. environmental conservation and protection laws.[28] Literature on the more recent history of economic sanctions generally has found that the use of unilateral economic sanctions by the United States expanded significantly following the end of the Cold War.[29] This increased use of sanctions, it has been noted, occurred much more slowly than the growth in overall world trade.[30] One study reported an increase in the number of national emergencies declared under the International Emergency Economic Powers Act (IEEPA)[31] since that Act was passed in 1977, over the number of national emergencies declared under the TWEA before 1977.[32] In testimony before the Commission, Kimberly Elliott, a research fellow of the Institute for International Economics, indicated that the frequency of use of unilateral economic sanctions by the United States has not significantly increased. She stated, "Contrary to the conventional wisdom, however, we have not found a large increase in the number of unilateral U.S. sanctions in the 1990s."[33] This mixed assessment of the frequency of economic sanctions could be due to the different definitions of "economic sanctions." These definitions, as stated above, make it difficult to undertake cross-study comparisons of the number and frequency of use of sanctions and their impact.

[27] Malloy, *Economic Sanctions and U.S. Trade*, p. 10, and Carter, *International Economic Sanctions*, p. 11.

[28] Jonathan Eaton and Alan Sykes, "International Sanctions," *New Palgrave Dictionary of Economics and the Law*, ed. Peter Newman, forthcoming (MacMillan).

[29] For a discussion of the increased use of economic sanctions worldwide following the end of the Cold War, see Peter A.G. van Bergeijk, "The Impact of Economic Sanctions in the 1990s," *The World Economy*, vol. 18, No. 3, May 1995, pp. 443–455. For a discussion of the increased use of U.S. unilateral economic sanctions during the 1990s, see National Association of Manufacturers (NAM), *A Catalog of New U.S. Unilateral Economic Sanctions for Foreign Policy Purposes, 1993–96: With Analysis and Recommendations*, March 1997.

[30] Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, p. 9.

[31] Public Law 95–223, title II (50 U.S.C. 1701 et seq.). As of its enactment, this Act makes declarations of national emergency in response to a foreign threat to the United States subject to the IEEPA, rather than the TWEA.

[32] Fitzgerald, "Blacklisting and Secondary Boycotts," p. 39.

[33] Kimberly Elliott, hearing testimony, May 14, 1998, transcript, p. 108.

Potential Impact of U.S. Unilateral Economic Sanctions

Table 1-1 provides an aggregated list of U.S. programs or activities most likely affected by unilateral economic sanctions, based on a survey of the general literature on economic sanctions conducted by the Commission as well as testimony presented at the Commission's hearing for this investigation. The table shows the measures typically undertaken by the United States to enforce sanctions on those programs or activities, as well as the potential effects of the sanctions on U.S. industries, labor, and consumers. Possible costs to U.S. businesses and the U.S. economy as a whole include the direct, quantifiable costs of reduced U.S. exports and imports, investment, and export-related jobs, as well as the costs of establishing policies and procedures to comply with sanctions and to avoid payment of penalties. Other less quantifiable, indirect costs to the U.S. private sector include reduced U.S. trade opportunities in global markets; less competitive U.S. businesses lacking access to credits, guarantees, grants, loans, or other assistance from the U.S. Export-Import Bank (Eximbank), the Overseas Private Investment Insurance Corporation (OPIC), and other U.S. Government agencies; lost business opportunities due to delays in receiving export licenses; foregone business opportunities as some firms refuse to engage in even permitted business when implementing regulations have not been published or when sanction laws are unclearly written; supply reductions and higher prices for U.S. consumers and industrial users if substitutes for prohibited imports are unavailable; and a "chilling effect" on long-term commercial relationships as some foreign partners grow reluctant to do business with U.S. companies out of concern about future U.S. unilateral economic sanctions.

Table 1-1 also indicates that some import-competing U.S. businesses may experience higher production and employment because import restrictions imposed by sanctions may reduce the available supply of competing foreign products in the U.S. market. This result may be occurring for some specialty agricultural crops in the case of U.S. economic sanctions against Cuba, according to information reviewed by the Commission.[34] One study found that restrictions on certain U.S. military or high-technology trade may result in economy-wide benefits by reducing national defense spending,[35] although contrasting arguments also have been made.[36] There also may be intangible societal benefits from improved environmental conditions that come about as a result of economic sanctions to enforce U.S. environmental protection policies (for example, to protect endangered species).[37]

Testimony from the hearing for this investigation provided further insight into the likely effects of U.S. unilateral sanctions. One witness reported that the impact of U.S. unilateral economic sanctions also depends on the nature of the sanction and the company or business involved; for example, sanctions prohibiting export financing may be particularly debilitating to major exporting companies that typically rely on such financing, but such sanctions may not significantly affect companies that do not

[34] For example, Florida vegetable, citrus fruit, and tropical fruit producers may be insulated from import competition from Cuba by U.S. unilateral economic sanctions against that country. For additional information, see the discussion of specialty crops in ch. 3, and the summary of the written submission from the Florida Citrus Mutual in ch. 3.

[35] A 1986 U.S. Defense Department study found net economic benefits to the United States from the denial of high-technology exports to the former Soviet Union because such sanctions reduced U.S. spending on measures to counter foreign military developments. Carter, *International Economic Sanctions*, p. 21. This issue is discussed in greater detail in ch. 4 in the context of estimating the costs of sanctions.

[36] In a recent article, Laura D'Andrea Tyson, dean of the Haas School of Business at the University of California at Berkeley and formerly President Clinton's chief economic adviser, makes the case that U.S. unilateral export controls on dual-use articles or technology (i.e., articles or technology that can be used for either civilian or military purposes) restrict the global market for U.S. producers of military equipment, consequently reducing the "benefits from the lower prices and technological innovations fostered by commercial competition." Laura D'Andrea Tyson, "Washington Can't Keep High Tech to Itself, So Why Try?" *Business Week*, July 6, 1998, p. 18. This issue is discussed in greater detail in ch. 4 in the context of examples in the economic literature using partial equilibrium estimates of the effects of sanctions.

[37] The Sierra Club environmental interest group has stated that "[n]ations should be able to restrict imports into and exports from their national territory on a non-discriminatory basis in order to . . . protect endangered species and habitats anywhere . . . and to enforce international environmental conventions." Sierra Club, *Sierra Club Policy: International Trade*, found at the Sierra Club website, http://www.sierraclub.org/trade/policy.html, downloaded June 23, 1998. A similar discussion supporting the use of unilateral economic sanctions to enforce U.S. environmental protection policies is presented in a letter to President Clinton of April 21, 1998, from the Center for International Environmental Law, Center for Marine Conservation, Community Nutrition Institute, Defenders of Wildlife, Earth Island Institute, Earthjustice Legal Defense Fund, Friends of the Earth, Humane Society of the United States, National Audubon Society, National Wildlife Federation, Natural Resources Defense Council, and Sierra Club, found at the Sierra Club website, http://www.sierraclub.org/trade/turtles.htm, downloaded June 23, 1998.

Table 1-1
Potential effects of U.S. unilateral economic sanctions

U.S. programs or activities affected	Measures taken by the United States	Potential effects on U.S. economy, businesses, labor, and consumers

Trade	Exports:
	$ restrict exports of goods, services, and technology
	$ impose export licensing regime
	$ impose controls on re-exports of U.S.-origin technology and parts
	Imports:
	$ prohibit imports of goods and services
	$ prohibit imports of endangered species
		$ Lower U.S. exports; fewer export-related jobs; some sectors particularly hit, including U.S. military equipment producers and petroleum drilling and exploration equipment producers
		$ Reduced opportunities for follow-on sales and service; lost opportunities due to delays in receiving export licenses
		$ Reduced imports
		$ Less access to foreign products for U.S. consumers and industries
		$ Severed supply relationships for U.S. businesses dependent on foreign suppliers
		$ Higher compliance-related business costs
		$ Increased likelihood that United States perceived as an unreliable supplier
		$ Reduced domestic supply and/or higher prices if substitutes for prohibited imports unavailable
		$ Higher U.S. production and employment in import-competing sectors
		$ Reduced defense spending as a result of restrictions on technology sales

Aid	Restrict bilateral economic and military assistance	$ Less investment outside United States $ Fewer trade and follow-on sales opportunities $ U.S. businesses less competitive in global markets
Investment	$ Freeze/block foreign assets in United States or subject to U.S. control $ Prohibit banking and financial transactions $ Prohibit risk insurance, credits, loans, and trade financing $ Prohibit new investment and contributions or commitments of funds or assets	$ Restricted ability to do business abroad; chilling effect on long-term commercial relationships $ Higher insurance costs and interest rates for U.S. exporters and investors $ Less investment outside United States $ Fewer joint ventures $ Higher compliance-related business costs
Financial institutions	$ Require that the U.S. director of an international financial institution (such as the IMF and World Bank) oppose or loans other assistance $ Prohibit loan guarantees and other activities by agencies such as Eximbank, OPIC, and the Commodity Credit Corporation $ Prohibit U.S. banks from extending loans and engaging in other financial transactions	$ Reduced U.S. trade and investment opportunities, and can have all of the potential effects as both the trade and the investment measures described above. $ Chilling effect on long-term commercial relationships with foreign countries
Other	$ Restrict/deny passports and visas $ Sever diplomatic relations $ Restrict fishing rights, port access, and aircraft landing rights	$ Impeded business travel $ Restricted ability to do business abroad $ Chilling effect on long-term commercial relationships with foreign countries $ U.S. businesses less competitive

Source: Compiled by the U.S. International Trade Commission.

rely on export financing.[38] U.S. industry views on the effects of sanctions are presented in greater detail in chapter 3.

Countries Subject to U.S. Unilateral Economic Sanctions

The number of countries subject to U.S. unilateral economic sanctions can not be easily or definitively determined. In large part, this is because (1) definitions of the term "economic sanctions" often vary, as discussed above, and (2) there are complications associated with deriving a comprehensive list of U.S. economic sanctions, as is discussed in chapter 2. Moreover, many U.S. trade- and investment-related sanctions apply only to specific products (for example, the prohibition of imports of articles made from forced labor) and sectors (for example, the prohibition of U.S. investment in the petroleum sector of Iran and Libya). Sanctions may permit economic activity subject to certain conditions (for example, that transactions not result in a U.S. person's acquisition of an equity or income interest in a specified country). In addition, sanctions may vary from year to year based on annual country certifications of compliance made by the U.S. Government (for example, certification of compliance with U.S. counternarcotics efforts, or certification that certain non-nuclear countries do not possess a nuclear explosive device).

Table 1-2 lists the countries identified by the Commission that each are subject to a broad range of U.S. unilateral economic sanctions. These countries, which are all designated on the U.S. "Terrorism list,"[39] are Cuba,[40] Iran, Libya, North Korea, Syria, and Sudan; Iraq also is listed.[41] For each of these countries, the Commission identified U.S. unilateral sanctions in each of the three major categories shown in the table–trade (including exports and imports of goods and services, but generally excluding exports of certain humanitarian goods),[42] aid (bilateral non-humanitarian U.S. economic and military aid), and finance (including investment, financial transaction, blocked assets,[43] and credits, grants, loans, or other assistance from U.S. Government agencies). Profiles of the U.S. laws imposing these sanctions are presented in chapter 2 (table 2-1). Economic profiles of these countries are provided in Appendix E.

The United States generally prohibits trade, bilateral economic and military aid, and financial transactions with Cuba, Iran, Libya, North Korea, and Sudan unless that trade is licensed by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury or other appropriate U.S. licensing authority. These countries also are subject to foreign policy export controls pursuant to section 6 of the Export Administration Act (EAA).[44] Although foreign policy export controls are not applied to Syria, the United States restricts certain exports to Syria pursuant to other laws. In the cases of Cuba, Iran, and Libya, comprehensive economic sanctions were applied over time by a tightening of product-oriented export controls (typically beginning with restrictions

[38] Arthur Downey, Vice President, Government Affairs, Baker-Hughes, Inc., hearing testimony, May 14, 1998, transcript, p. 60.

[39] The terrorism list comprises those countries designated under section 6(j) of the Export Administration Act of 1979 (50 U.S.C. App. 2405) as supporting international terrorism. Implementing regulations and other relevant laws are listed in table 2-1. These countries also are referred to as designated terrorism countries (DTCs).

[40] The Organization of American States (OAS), a forum for dialogue on political, economic, and social issues comprising all of the nations in the Western Hemisphere, suspended Cuba's membership in that organization in January 1962. In July 1964, the OAS directed its members collectively to apply economic sanctions and to break diplomatic links with Cuba. In July 1975, the OAS lifted its collective sanctions against Cuba, and permitted OAS members to conduct their policies toward Cuba independently. U.S. Department of State, Bureau of Inter-American Affairs, "Chronology of Cuban Affairs, 1958–1998," found at U.S. Department of State website, http://www.state.gov/www/regions/ara/cuba_chronology.html, retrieved June 29, 1998.

[41] As indicated above, the discussion of Iraq in this report is limited because economic sanctions against that country are pursuant to UN multilateral sanctions. However, Iraq also is designated by the United States as a terrorism-supporting country. Were UN multilateral sanctions with respect to Iraq not in force, Iraq would face U.S. unilateral economic sanctions applied to other DTCs.

[42] Included among humanitarian goods are sales or donations of clothing, food, medicines, and medical supplies to relieve human suffering. Also included is trade in informational materials such as artwork, compact disks, CD ROMs, film, microfilm, news wire feeds, photographs, publications, and recordings, although certain Commerce Department restrictions may apply. Also authorized is the importation of certain gifts or goods brought back into the United States as accompanied baggage by authorized travelers.

[43] Blocking, also called "freezing," is a form of controlling assets under U.S. jurisdiction. While title to blocked property remains with the designated country or national, the exercise of the powers and privileges normally associated with ownership is prohibited without authorization from OFAC. For more detailed information, see OFAC, "Foreign Assets Control Regulations for the Financial Community," June 18, 1998, found at the OFAC website, http://www.fedworld.gov/pub/tel/t11facbk.pdf, downloaded Aug. 4, 1998.

[44] Public Law 96-72. These export controls are administered by the U.S. Department of Commerce. For further information on the EAA, see table 2-1.

Table 1-2
U.S. unilateral economic sanctions: leading countries currently subject to the broadest range of U.S. sanctions, and affected economic activities

Country	Year[1]	Sanctions (see Legend)								
		I. Trade		*II. Aid*	*III. Finance*				*IV. Other Sanctions*	
		Exports	Imports		Investment	Financial transactions	Assets blocked	Access to credits, loans, and guarantees from U.S. Government	Business travel	Unites States has diplomatic relations
Cuba	1963[2]	**1,2**	**1,2**	**1[3]**	**1,2**	**1,2**	**Yes[4]**	**1**	**3[5]**	No[5]
Iran	1987[6]	**1,2**	**1,2**	**1**	**1,2**	**1,2**	**No[7]**	**1**	**3[8]**	No[8]
Iraq[9]	1990	**1,2**	**1,2**	**1**	**1,2**	**1,2**	**Yes**	**1**	**1[10]**	No[10]
Libya	1986[11]	**1,2**	**1,2**	**1**	**1,2**	**1,2**	**Yes[12]**	**1**	**1[13]**	No[13]
North Korea	1950[14]	**1,2**	**1,2**	**1**	**1,2**	**1,2**	**Yes[4]**	**1**	**0**	No[15]
Sudan	1997[16]	**1,2**	**1,2**	**1**	**1,2**	**1,2**	**Yes[11]**	**1**	**0**	No[17]
Syria	1996[18]	**3**	**0**	**1**	**0**	**3**	**No**	**1**	**0**	Yes

Legend:
0 = No sanctions identified.
1 = Sanctions prohibit activity; certain exceptions apply, primarily for exports of U.S. humanitarian goods or the provision of U.S. humanitarian assistance; exceptions typically require a licence from OFAC.
2 = Transaction may not be conducted by a U.S. person or entity wherever located (including outside the United States).
3 = Sanctions impose certain restrictions.

See notes on following page.

Table 1-2—Continued
U.S. unilateral economic sanctions: leading countries currently subject to the broadest range of U.S. sanctions, and affected economic activities

[1] Unless otherwise noted, year indicates the year when comprehensive U.S. trade sanctions identified by the USITC were imposed.

[2] U.S. controls on certain trade with Cuba were implemented beginning in October 1960 in response to the nationalization and expropriation of U.S.-owned property by the Cuban Government; comprehensive sanctions were enacted in 1963. More recently, the 1996 Cuban Liberty and Democratic Solidarity (Libertad) Act was enacted following the downing of two unarmed U.S. civilian aircraft over international waters, taking the lives of four U.S. citizens and residents, by the Cuban government in February 1996.

[3] On Mar. 20, 1998, President Clinton announced a number of steps to increase the flow of U.S. humanitarian aid to Cuba, including expediting the procedures for sale of medicines, medical equipment, and supplies. Office of the Press Secretary, the White House, "PressBriefing by Mike McCurry, Mar. 20, 1998, and BXA, "Cuba:Guidelines on Sales and Donations of Medicines and Medical Equipment to Cuba," found at U.S. Department of Commerce website, http://www.bxa.doc.gov/factsheets/medsht.htm, downloaded June 11, 1998.

[4] Government and private assets in the United States or subject to U.S. jurisdiction are blocked.

[5] U.S. Interests section located in the Swiss Embassy in Havana, Cuba. Persons subject to U.S. jurisdiction must have a license from OFAC to engage in travel to, from, or within Cuba.

[6] U.S. imports of Iranian petroleum were banned in 1979 after the U.S. Embassy in Tehran was seized and U.S. hostages taken; a freeze on Iranian assets and a trade embargo followed. U.S. economic controls were lifted in 1981 after the hostages were released, but re-imposed in 1987 due to Iran's support for international terrorism. In 1995, sanctions were implement prohibiting U.S. involvement with petroleum development in Iran due to that country's sponsorship of international terrorism and active pursuit of weapons of mass destruction. Sanctions were further tightened in 1996 by the Iran and Libya Sanctions Act (ILSA), and again in 1997.

[7] Most Iranian assets, except for diplomatic property and some military property in the United States or subject to U.S. jurisdiction, were unblocked or transferred to escrow accounts in third countries pursuant to the 1981 Algiers Accords and release of U.S. hostages. USITC staff telephone interview with OFAC official, Aug. 4, 1998.

[8] Switzerland, acting through its Embassy in Tehran, serves as protecting power for U.S. interests in Iran. In January 1998, Iranian president Khatami called for a "dialogueof civilizations" and in increase in private exchanges between Iranians and Americans.

[9] Iraq generally is not discussed in this report because U.S. economic sanctions against that country are pursuant to UN multilateral economic sanctions. However, Iraq is among the countries designated under section 6(j) of the Export Administration Act of 1979 as supporting international terrorism. Were UN multilateral economic sanctions with respect to Iraq not in force, Iraq would face the same U.S. unilateral economic sanctions applied to other designated terrorist countries.

[10] U.S. passports are not valid for travel to Iraq due to security concerns, unless special validation is obtained from the U.S. Department of State. U.S. interests in Iraq are represented by the Embassy of Poland in Baghdad.

[11] The United States suspended military sales to Libya in 1978 because of that country's support for international terrorism, and gradually expanded the trade controls until comprehensive sanctions were implemented in 1986 in response to terrorist attacks against the Rome and Vienna airports and other acts of terrorism. Sanctions against Libya were further tightened in 1996 by ILSA.

[12] Only government assets in the United States or subject to U.S. jurisdiction are blocked.

[13] U.S. passports are not valid for travel to Libya due to security concerns, unless special validation is obtained from the U.S. Department of State. U.S. interests in Libya are represented by the Embassy of Belgium.

[14] Economic sanctions against North Korea remain in force, although implementing regulations have been modified in recent years as a result of commitments made to begin the normalization of relations.

[15] Negotiations are on-going to implement a provision of the 1994 Agreed Framework between the United States and North Korea for an exchange of diplomatic missions, although no timetable for completion has been announced. The Swedish Embassy in Pyongyang provides consular services for U.S. citizens traveling in North Korea.

[16] Sanctions against Sudan are in response to Sudan's "continuedsupport for international terrorism, ongoing efforts to destabilize neighboring governments, and the prevalence of human rights violations, including slavery and the denial of religious freedom." President Clinton, "BlockingSudanese Government Property and Prohibiting Transactions With Sudan," Executive Order 13067 of Nov. 3, 1997.

[17] The U.S. diplomatic presence in Sudan was suspended in 1996 because of that country's deteriorating security situation.

[18] Implementing regulations for U.S. economic sanctions against Syria have not been published.

Sources: Compiled by the U.S. International Trade Commission.

on U.S. military sales) or by a withdrawal of U.S. bilateral military or economic assistance, as indicated in the notes to the table.[45]

None of the countries listed in table 1-2 is eligible for credits, grants, loans, or other assistance from Eximbank, OPIC, the U.S. Department of Agriculture, and other similar U.S. Government agencies. In addition, the United States must vote to oppose the extension of any loan for financial or technical assistance to the listed countries by any international financial institution.[46] In addition, the United States currently blocks assets subject to U.S. jurisdiction of the governments of Cuba, Libya, North Korea, and Sudan, and blocks the private assets of Cuban and North Korean nationals.

The Commission identified a total of 29 countries that are subject to U.S. unilateral economic sanctions as defined in this report (table 1-3). Table 1-3 includes the 7 terrorism list countries shown in table 1-2, 11 other countries subject to unilateral economic sanctions, and 11 countries identified as subject to U.S. unilateral sanctions for environmental protection. As indicated above, all of the terrorism list countries (Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria) face U.S. unilateral economic sanctions prohibiting or restricting trade, aid, and financial relations with the United States. In addition, Burma, the Democratic Republic of Congo (formerly Zaire), India, Nigeria, and Pakistan also face unilateral economic sanctions prohibiting or restricting trade, aid, and financial relations with the United States.

The United States announced or published implementing regulations for unilateral economic sanctions against four countries during 1998–Sudan (discussed above), Burma, India, and Pakistan. Pursuant to the Burmese Sanctions Regulations, U.S. trade with Burma is subject to the condition that transactions not result in a U.S. person's acquisition of an equity or income interest in Burma, and new U.S. investment is prohibited in that country.[47] Burma is prohibited from receiving U.S. bilateral aid, and the United States must vote to oppose multilateral assistance for Burma in international financial institutions, until the President determines and certifies to Congress that Burma has made measurable and substantial progress in improving human rights practices and implementing democratic government.[48]

The United States imposed unilateral economic sanctions against India,[49] and expanded economic sanctions against Pakistan,[50] following the May 1998 nuclear tests by those countries. These sanctions enacted certain restrictions on exports of military equipment and services,[51] and require the United States to terminate bilateral economic and military aid; to deny credits, grants, loans, or other assistance from U.S. Government agencies (except credits, credit guarantees, or financial assistance provided by the U.S. Department of Agriculture to support the purchase of food or other agricultural commodities); and to vote to oppose multilateral assistance for India and Pakistan in international financial institutions.

[45] DTCs are prohibited from receiving U.S. bilateral economic and military aid pursuant to a number of the laws listed in table 2-1. Certain U.S. military joint training programs may continue to operate pursuant to 10 U.S.C. 2011.

[46] Pursuant to a number of the laws listed in table 2-1. The voting systems of the International Monetary Fund, the World Bank, and the regional development banks are similar. Members receive an equal, small allocation of basic votes, plus additional weighted votes allocated according to the member's subscription (contributions or quotas). Approvals of financial requests by a member generally require a simple majority of the votes cast, although concessional loans from the Inter-American Development Bank require a two-thirds vote. The United States lacks unilateral voting clout to stop most multilateral assistance. Carter, *International Economic Sanctions*, pp. 163-164.

[47] U.S. economic sanctions against Burma are in response to the "large-scale repression of the democratic opposition" in that country. President Clinton, "Prohibiting New Investment in Burma," Executive Order 13047 of May 20, 1997. Implementing regulations, the Burmese Sanctions Regions, are found at 31 C.F.R. 537, and are listed in table 2-1.

[48] Pursuant to sec. 570 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, Fiscal Year 1997, Public Law 104-208. Bilateral U.S. aid to Burma has been partially suspended since 1989, as the United States has not certified that Burma has cooperated in efforts against narcotics pursuant to sec. 490 of the Foreign Assistance Act of 1961, as amended.

[49] Sec. 102 of the AECA (the Glenn Amendment) required that the United States impose economic sanctions against India as a consequence of that country's May 11, 1998, nuclear test explosions. This Act is summarized in table 2-1.

[50] U.S. military and economic assistance to Pakistan was suspended in 1990 pursuant to sec. 620e(e) of the Foreign Assistance Act, which requires that such assistance be denied during any fiscal year in which the President does not certify that Pakistan does not possess a nuclear explosive device. Certain U.S. economic assistance was resumed in March 1998 (see OPIC, "New Bilateral Agreement Re-Opens OPIC Programs for U.S. Investment in Pakistan," press release 8-17, Mar. 24, 1998). Sec. 102 of the AECA required that the United States impose additional economic sanctions against Pakistan as a consequence of that country's May 28, 1998, nuclear test explosions. This Act is summarized in table 2-1.

[51] These export restrictions involve items on the U.S. Munitions list or other U.S. export controls generally not discussed in this report. BXA, "Interim Guidance on Indian and Pakistan Export Control Licensing Policy," June 3, 1998.

Table 1-3
U.S. unilateral economic sanctions currently in effect worldwide: summary of sanctions for foreign policy or national security reasons, by country[1]

Country	Reasons cited for sanctions	Trade	Aid	Finance[2]
		(See Legend at end of table)		
Afghanistan	Narcotics National security Terrorism[3]		**F**	`
Burma	Narcotics Political repression	`	**F**	`
Cambodia	National security		`	`
China	National security Political repression Worker rights Other: Environmental protection[4]	`		`
Cuba	Communism Expropriation Foreign policy export controls Terrorism	**F**	**F**	**F**
Democratic Republic of the Congo (formerly Zaire)	National security	`	`	`
Federal Republic of Yugoslavia (Serbia and Montenegro)	National security Promoting ethnic conflict		**F**	**F**
India	National security Nuclear proliferation Other: Environmental protection[5]	`	**F**	`
Iran	Foreign policy export controls Narcotics Terrorism Weapons proliferation	**F**	**F**	**F**
Iraq[6]	Foreign policy export controls Terrorism Weapons proliferation	**F**	**F**	**F**
Libya	Foreign policy export controls Terrorism	**F**	**F**	**F**
Niger	Military coup		`	
Nigeria	Narcotics National security	`	**F**	`
North Korea	Communism Foreign policy export controls Terrorism	**F**	**F**	**F**
Pakistan	Nuclear proliferation Other: Environmental protection[5]	`	**F**	`

Table 1-3—Continued
U.S. unilateral economic sanctions currently in effect worldwide: summary of sanctions for foreign policy or national security reasons, by country[1]

Country	Reasons cited for sanctions	Trade	Aid	Finance[2]
		(See Legend at end of table)		
Republic of Serbia	Promoting ethnic conflict			**F**
Sudan	Foreign policy export controls Human rights Terrorism	**F**	**F**	**F**
Syria	Terrorism	`	**F**	`
Economic sanctions for environmental protection				
Countries not certified to export shrimp, including India, Malaysia, Pakistan, and Thailand[5]	Environmental protection: to prohibit certain shrimp imports[5]	`		
Belize, Colombia, Costa Rica, Italy, Japan, Mexico, Panama, Vanuatu, and Venezuela[7]	Environmental protection: to prohibit imports of tuna[7]	`		

Legend:
F = Prohibited
` = Some restrictions
Blank indicates that no U.S. unilateral sanctions were identified.

Notes:

[1] The definition of the term "unilateraleconomic sanctions" used in this report is provided above. This list may not be comprehensive because of the complexities of this topic as discussed in ch. 2.

[2] Includes investment, financial transactions, blocked assets, and access to credits, loans, and guarantees from the U.S. Government.

[3] On May 14, 1998, Afghanistan was added to the list of countries determined as not cooperating fully with the United States on antiterrorism efforts; also listed were Cuba, Iran Iraq, Libya, North Korea, Sudan, and Syria. 63 F.R. 26838.

[4] Sanctions prohibit the U.S. Export-Import Bank from providing financing for China's Three Gorges Dam on the Yangtze River because of U.S. concerns about the project's environmental impact.

[5] Applies to wild-harvested shrimp caught using a fishing technology that harms sea turtles, pursuant to sec. 609 of Public Law 101-162

[6] Iraq generally is not discussed in this report because U.S. economic sanctions against that country are pursuant to UN multilateral economic sanctions. However, Iraq is among the countries designated under section 6(j) of the Export Administration Act of 1979 as supporting international terrorism. Were UN multilateral economic sanctions with respect to Iraq not in force, Iraq would face the same U.S. unilateral economic sanctions applied to other designated terrorist countries.

[7] Refers to imports of tuna from countries that do not have a marine mammal regulatory program comparable to that of the United States or have not implement regulations to prohibit the killing of marine mammals (dolphins), pursuant to the Marine Mammal Protection Act. On May 21, 1998, the United States became a signatory to the International Dolphin Conservation Program, a multilateral dolphin protection agreement. Once ratified, this agreement would replace national unilateral trade restrictions on tuna imports with binding international commitments by signatories to reduce the number of dolphins killed.

Note.–As discussed above in this chapter, the economic sanctions addressed in this report include export controls for foreign policy purposes applied to trade with specific countries; export controls on specific items or technologies generally are not addressed, including export controls on defense articles and services on the U.S. Munitions List and export controls for dual use technologies.

Source: Compiled by the U.S. International Trade Commission.

CHAPTER 2
U.S. Unilateral Economic Sanctions

This chapter lists and describes current U.S. unilateral economic sanctions. Tables 2-1 and 2-2 provide an overview of economic sanctions at the national level, the primary focus of this report. Tables 2-3 and 2-4 describe State and local sanctions that are in effect and those that are pending, respectively. The methodology used to compile the Commission's database on sanctions also is explained below.

U.S. Unilateral Economic Sanctions

Overview

In accordance with the guidance provided by the request letter for this investigation,[1] the Commission compiled a list of U.S. economic sanctions with the use of the sources and methodology described below. The list covers 42 major U.S. laws that define the economic sanctions covered in this study. These laws may mandate particular actions, or may serve as the basis of mandatory or discretionary actions by the Executive Branch. A summary of key sanctions legislation is provided in table 2-1. The Commission's complete list, which contains a total of 142 separate entries, is provided in Appendix D.

In compiling the list for this report, the Commission has made every effort to ensure that its list of U.S. economic sanctions is comprehensive within the scope of the request and the limited time available to conduct exhaustive legislative research for this investigation. The development of a comprehensive list on U.S. unilateral economic sanctions, however, was neither a straightforward nor a simple undertaking. The complexities in performing such a task, as it also was reported by the U.S. private sector (industry views are presented in chapter 3), included the following:

- U.S. unilateral economic sanctions authority is often contained in complex legislation, such as the Foreign Operations, Export Financing, and Related Programs Appropriations Act, which addresses a wide variety of issues.
- Provisions can overlap and serve multiple goals, such as numerous provisions pertaining to terrorism, designated terrorist countries, and countries that provide assistance to designated terrorist countries.
- No single U.S. Government agency or department is responsible for administering and monitoring all U.S. economic sanctions, and no national sanctions database or clearinghouse exists– making the identification and assessment of sanctions all the more difficult.

Administration and Enforcement of U.S. Economic Sanctions

On the basis of U.S. foreign policy and national security goals, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury administers and enforces economic and trade sanctions against foreign countries, organizations sponsoring terrorism, and international narcotics traffickers. OFAC acts under Presidential wartime and national emergency powers (the International Emergency Economic Powers Act, IEEPA), as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction.[2] The Office of Defense Trade Controls (ODTC) of the U.S. Department of State regulates the exportation and temporary importation of military articles and services on the U.S. Munitions List by taking final action on license applications and other requests for approval for trade in military goods and services.[3] The Bureau of Export Administration

[1] A copy of the request letter appears as Appendix A of this report.

[2] Additional information on OFAC can be found at the OFAC Internet site, located at: http://www.ustreas.gov/treasury/services/fac/fac.html.

[3] Additional information on ODTC can be found at the ODTC Internet site, located at: http://www.pmdtc.org/about.html. As discussed in ch. 1, export controls for defense articles and services on the U.S. Munitions List are not addressed in this report as delineated in the request letter.

Table 2-1
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Antiterrorism Act of 1987					
P.L. 100–204 Dec. 22, 1987	terrorism	PLO[3]			Prohibits expending funds received from the PLO.
Antiterrorism and Effective Death Penalty Act (AEDPA)					
P.L. 104–132 Apr. 24, 1996	terrorism	DTCs[4] and countries that provide them assistance; general applicability		Authorizes President to withhold economic aid to countries that provide assistance or military equipment to DTCs. Prohibits economic aid to countries not cooperating with antiterrorism efforts.	Prohibits U.S. persons from engaging in financial transactions with DTCs. Requires U.S. financial institutions to freeze assets and block financial transactions. Requires U.S. opposition to assistance to DTCs by international financial institutions (IFIs).[5]
Arms Export Control Act, as amended (AECA)					
P.L. 90–629 Oct. 22, 1968 major amendments: P.L. 103-236 P.L. 94-239 P.L. 99-399 P.L. 104-132 P.L. 101-510 P.L. 102-182 (See also following entry)	national security; terrorism	general applicability; designated countries[6]	Prohibits sales of defense articles or services to countries not cooperating with U.S. antiterrorism efforts.		Prohibits financing of goods and services to developing countries that direct economic development funds to military expenditures. Authorizes President to cancel credits for arms sales.
Arms Export Control Act, as amended (sec. 102)–the Glenn Amendment					
P.L. 103–236 Apr. 30, 1994	chemical, biological, missile, and nuclear proliferation	general applicability; India (1998), Pakistan (1998)	Prohibits military sales and exports of other specified items.	Denies economic and military assistance.	Prohibits financing of military sales. Denies financial assistance from any U.S. Government agency. Prohibits U.S. banks from extending loans to listed governments or government-owned enterprises. Requires U.S. opposition to assistance by IFIs.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
***Arms Export Control Act, as amended (sec. 102)–the Glenn Amendment*–Continued**					
					Sec. 102(b)(2)(D) retroactively amended by P.L. 105-194 (Jul. 15, 1998) to exempt the denial of credits, credit guarantees, or financial assistance provided by the U.S. Department of Agriculture to support the purchase of food or other agricultural commodities.
Atomic Energy Act					
P.L. 83–703 Aug. 30, 1954	nuclear proliferation	general applicability	Prohibits exports of nuclear material and equipment to any non-nuclear country that detonates a nuclear explosive device or otherwise violates IAEA safeguards after Mar. 10, 1978.		
Bretton Woods Agreements Act					
P.L. 79–171 July 31, 1945	communist dictatorships	general applicability			Requires U.S. opposition to use of any IMF credit by any communist dictatorship.
Bretton Woods Agreements Act Amendments					
P.L. 95–435 Mar. 10, 1978	terrorism	general applicability			Requires U.S. opposition to any extension of IMF financial or technical assistance to any country that harbors international terrorists.
Burmese Sanctions Regulations					
31 C.F.R. 537 effective May 20, 1997; implementing regulations May 21, 1998[7] issued under authority of FOEF sec. 570 (b) and IEEPA	political repression	Burma	Trade permitted provided that it does not result in a U.S. person's acquisition of an equity or income interest in a project for the development of resources located in Burma.		Prohibits new investment by U.S. persons on or after May 21, 1997. Provision of financial services (such as funds transfers, letters of credit, and financing contracts) permitted provided that the instrument is not collateralized by a project for the development of resources located in Burma.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Chemical and Biological Weapons Control and Warfare Elimination Act					
P.L. 102–182 Dec. 4, 1991	chemical and biological weapons proliferation	general applicability: countries that use or develop chemical or biological weapons and countries that assist them in so doing	Terminates military sales to countries that use chemical or biological weapons. For countries that have aided them, prohibits U.S. imports and procurement of goods and services.	Terminates foreign assistance for countries that use chemical or biological weapons.	For countries that use chemical or biological weapons: requires U.S. opposition to assistance by IFIs; terminates military financing; denies credit or other financial assistance by U.S. Government including Eximbank; prohibits U.S. banks from making loans or providing any credits.
Cuban Assets Control Regulations					
31 C.F.R. 515 July 8, 1963 issued under authority of TWEA	economic isolation of Cuba	Cuba	Prohibits trade in goods and services, directly or through third countries.		Prohibits all financial dealings with Cuba. Blocks Cuban governmental and private assets subject to U.S. jurisdiction.
Cuban Democracy Act of 1992					
P.L. 102–484 Oct. 23, 1992	promotion of democracy	general applicability; countries that assist Cuba; vessels using Cuban ports	Prohibits military sales to any country that provides assistance to Cuba.	Prohibits economic and military assistance to any country that provides assistance to Cuba.	Prohibits debt forgiveness or reduction of debt owed to the United States by any country that provides assistance to Cuba.
			Other: Prohibits any vessel that enters a port or place in Cuba to engage in the trade of goods or services from loading or unloading any freight in the United States within 180 days after departure from Cuba, except pursuant to a license issued by the Secretary of the Treasury. Also prohibits a vessel carrying goods or passengers to or from Cuba or carrying goods in which Cuba or a Cuban national has any interest from entering a United States port.		
Cuban Liberty and Democratic Solidarity (Libertad) Act (also known as Helms-Burton Act)					
P.L. 104–114 Mar. 12, 1996	promotion of democracy	Cuba; former Soviet republics; general applicability	Codifies the comprehensive U.S. trade embargo against Cuba.	Denies economic assistance to any former Soviet republic that assists Cuba or engages in nonmarket-based trade with Cuba.	Requires U.S. representatives to IFIs to oppose Cuban membership, and restricts U.S. payments to any IFI that approves assistance to Cuba over U.S. objections.
			Other: Title III of the Act permits U.S. nationals whose property was confiscated by Cuba to sue Cuban governmental entities or foreign investors who use or profit in any way from these properties. President Clinton has waived title III, temporarily preventing it from entering into force, since March 1996. Title IV of the Act denies visas and entry into the United States of individuals who traffic in U.S.-claimed properties in Cuba after Mar. 3, 1996.		

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Department of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act of 1990 (sec. 609)[8]					
P.L. 101–162 Nov. 21, 1989	environmental protection	general applicability[9]	Prohibits imports of certain wild shrimp caught using a fishing technology that hurts sea turtles.		
Department of Defense Appropriations Act of 1987					
P.L. 99–500 Oct. 18, 1986	terrorism	DTCs	Prohibits U.S. procurement from government-owned firms of DTCs.		
Export Administration Act of 1979, as amended (EAA)[10]					
P.L. 96–72 Sept. 29, 1979 and under continued authority of IEEPA[10]	foreign policy; communism; terrorism; weapons proliferation	general applicability; DTCs	Authorizes President to control exports and re-exports for reasons specified. Imposes foreign policy export controls; authorizes President to further restrict exports for foreign policy reasons. Prohibits cooperation with foreign boycotts.		
Export-Import Bank Act, as amended					
P.L. 79–173 July 31, 1945	child labor; environmental protection; human rights; communism; national security; nuclear proliferation; terrorism	Afghanistan, Cambodia, China (Three Gorges Dam), Cuba, India (1998), Laos, North Korea, Pakistan (1998), Tibet			Prohibits Eximbank transactions with countries for specified reasons.
Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Relating to Kosovo					
Executive Order 13088 of June 9, 1998	actions and policies with respect to Kosovo	Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia; Republic of Montenegro listed but excluded by general license effective June 18, 1998			Effective June 10, 1998, blocks all property and interests in property in the United States or within the possession or control of U.S. persons and any property which comes into the possession or control of U.S. persons including overseas branches. As a result of the blocking of property, financial transactions, including trade financing and any new investment, are prohibited.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Fisherman's Protective Act of 1967, as amended–the Pelly Amendment					
P.L. 90–482 Amended as: P.L. 92–219 Dec. 23, 1971	environmental protection	general applicability	Authorizes the President to restrict imports from any country that undermines international programs for fishery conservation or international programs for endangered or threatened species.		
Foreign Assistance Act of 1961, as amended					
P.L. 87–195 Sept. 4, 1961 recent amendments: P.L. 104-208 P.L. 104-132 P.L. 104-164 P.L. 102-583 P.L. 102-511 P.L. 100-690	arms control; coercive family planning; debt arrears; diplomatic; expropriation; human rights; narcotics; nuclear proliferation	general applicability; Cuba (expropriation); Burma, Saudi Arabia, Qatar, UAE (human rights); Pakistan (nuclear proliferation); countries denied certification as fully cooperating in combating narcotics[11]	Prohibits sales under the Agricultural Trade Development and Assistance Act of 1954 to any country that has severed diplomatic relations with the United States or with which the United States has severed diplomatic relations. Sanctions under sec. 802 of the Narcotics Control Trade Act also apply.	Prohibits economic assistance to countries that engage in specified practices, including: coercive family planning programs; human rights violations; deforestation; failed arms control obligations; transfer of weapons of mass destruction; debt arrears on obligations to the United States; expropriation of U.S. property; and trade in nuclear processing equipment. Prohibits economic assistance to any country that has severed diplomatic relations with the United States or with which the United States has severed diplomatic relations.	Human rights: Prohibits OPIC operations; requires OPIC to consider human rights practices in its policies. Narcotics: Prohibits Eximbank and OPIC operations and arms financing. Requires U.S. opposition to assistance by IFIs.[4]
				Prohibits economic assistance unless the President certifies that Pakistan has no nuclear device. Prohibits foreign aid, nonfood assistance, and narcotics control aid for countries denied certification for cooperation in counternarcotics operations.	

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1997 (FOEF)					
P.L. 105–118 Nov. 26, 1997	communist countries; debt default; nuclear proliferation; terrorism; compliance with UN sanctions; worker rights; sanctuary to war criminals; military coups; coercive family planning	general applicability; DTCs; Burma and Democratic Republic of Congo (human rights); PLO/West Bank-Gaza; Guatemala; Haiti (requires report that extrajudicial and political killings are being investigated) In fiscal year 1998, does not apply to Liberia and Nicaragua for foreign aid, and Bolivia, Colombia, and Peru for counternarcotics aid. Expenditures for Colombia, Haiti, Liberia, Pakistan, Panama, Peru, Serbia, Sudan, Democratic Republic of Congo subject to regular notification of the Committees on Appropriations.	Authorizes President to impose import sanctions.	Prohibits economic aid to DTCs and restricts or prohibits economic aid to countries that support international terrorism, fail to comply with UN sanctions against Iraq or Libya, provide lethal military equipment to DTCs, and provide sanctuary to indicted war criminals; and to any country whose duly elected head of government is deposed by a military coup or decree. Prohibits economic or counternarcotics assistance to countries in default on loans extended by the United States. Prohibits economic aid to foreign government security forces that violate human rights. Prohibits economic aid to projects that contribute to a violation of worker rights or for coercive family planning programs. Prohibits certain economic aid to PLO.	Prohibits Eximbank funding to other than non-nuclear-weapon nations if that nation detonates nuclear weapons after Nov. 26, 1997. Prohibits Eximbank funding to DTCs. Prohibits OPIC assistance to countries not in compliance with UN sanctions against Iraq. Requires U.S. opposition in IFIs to countries that provide assistance to indicted war criminals. For countries denied certification of cooperation for counternarcotics: Prohibits Eximbank and OPIC assistance to countries denied counternarcotics certification of cooperation, and requires U.S. opposition to assistance by IFIs.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Foreign Terrorist Organizations Sanctions Regulations					
31 C.F.R. 597 pursuant to sec. 302 of AEDPA	terrorism	entities designated by the Secretary of State as foreign terrorist organizations (FTOs)	Makes it a criminal offense for U.S. persons to provide material support or resources to FTOs.		Also requires U.S. financial institutions to block all funds in which FTOs or their agents have an interest. Financial institutions defined as including banks; securities and commodities brokers and dealers; investment companies; currency exchanges; dealers in traveler's checks, checks, and money orders; credit card system operators; insurance companies; dealers in precious metals, stones, or jewels; pawnbrokers; loan and finance companies; travel agencies; licensed money transmitters; telegraph companies; automobile, airplane, and boat dealers; persons involved in real estate closings or settlements; and casinos.
Hickenlooper Amendment and Expansion to the Foreign Assistance Act of 1962 (sec. 301)					
P.L. 87–565 Aug. 1, 1962, Expanded Apr. 30, 1994	expropriation	general applicability		Prohibits economic aid to any country that expropriates property of U.S. citizens without compensation.	Requires U.S. opposition to assistance by IFIs.
India: Presidential Determination No. 98-22 (pursuant to sec. 102 of the AECA–the Glenn Amendment)					
May 13, 1998	nuclear proliferation	India	See AECA (sec. 102)–the Glenn Amendment.		
Inter-American Development Bank Act					
P.L. 86–147 Aug. 7, 1959	expropriation; narcotics				Requires U.S. executive director of IADB to oppose loans for countries that expropriate U.S. property without compensation, or that fail to counter narcotics trafficking.
Internal Revenue Act (sec. 901)					
P.L. 86–780 Oct. 21, 1986	terrorism	DTCs			Denies foreign tax credit for taxes paid to DTCs.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
International Development Association Act					
P.L. 86–565 June 30, 1960	expropriation; narcotics	general applicability			Requires U.S. executive director of World Bank and IDA to oppose loans for countries that expropriate U.S. property without compensation and that fail to counter narcotics traffic.
International Emergency Economic Powers Act (IEEPA)					
P.L. 95–223 Oct. 28, 1977	national security; terrorism	general applicability; Burma, Iran, Iraq, Libya, Sudan			Authorizes control or prohibition of financial transactions and assets when a national emergency is declared by the President.
International Financial Institutions Act					
P.L. 95–118 Oct. 3, 1977	human rights; terrorism; weapons proliferation	general applicability; DTCs			Requires U.S. opposition to assistance by IFIs[4] to DTCs and to countries for reasons specified.
International Security and Development Cooperation Act (ISDCA)					
P.L. 99–83 Aug. 8, 1985	terrorism	general applicability; Iran, Libya	Authorizes President to restrict or ban imports from countries supporting terrorism. Prohibits imports from and exports to Libya.		
Iran and Libya Sanctions Act (ILSA)					
P.L. 104–172 Aug. 5, 1996	terrorism	general applicability: foreign companies that trade with Iran and Libya	Authorizes President to prohibit certain imports, and to deny licenses for controlled U.S. exports.		Prohibits Eximbank assistance, certain export licenses, and loans from U.S. financial institutions. Tightens existing U.S. sanctions against Iran and Libya by authorizing the President to impose sanctions on any U.S. or foreign person or company that directly and significantly contributes to the enhancement of the ability of Iran or Libya to develop their petroleum resources.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Iran-Iraq Arms Non-Proliferation Act of 1992					
P.L. 102–484 Oct. 23, 1992	weapons proliferation	general applicability: countries or individuals contributing to Iranian efforts to acquire advanced conventional weapons	Prohibits procurement of goods or services from the sanctioned individual or country; prohibits issuance of licenses for exports by or to the sanctioned individual or country; and suspends technical exchange agreements on military and dual-use technology for 1 year.	Suspends U.S. economic assistance for 1 year.	Requires U.S. opposition to assistance by IFIs for the sanctioned country for a period of 1 year.
Iranian Transactions Regulations (and Iranian Assets Control Regulations[12])					
31 C.F.R. 560[12] Sept. 11, 1995 issued under authority of IEEPA and ISDCA	terrorism; weapons proliferation	Iran	Prohibits all trade by U.S. persons, wherever located. Prohibits trade in Iranian oil.		Prohibits all investment and financial dealings, including transactions involving foreign affiliates of U.S. firms.
Iraqi Sanctions Regulations					
31 C.F.R. 575 Jan. 18, 1991 issued under authority of IEEPA and NEA	terrorism; weapons proliferation	Iraq	Prohibits all trade by U.S. persons, wherever located.		Prohibits all U.S. investment and financial dealings, including offshore transactions, with Iraq. Blocks Iraqi Government assets subject to U.S. jurisdiction; also blocks assets of Iraqi "front" organizations that may be operating in third countries.
Lacey Act Amendments of 1981					
P.L. 97–79, as amended	environmental protection	general applicability	Prohibits trade of fish, wildlife, or plants taken in violation of any U.S. or Indian tribal law, treaty, or regulation.		
Libya Sanctions Regulations					
31 C.F.R. 550 Jan. 10, 1986 issued under authority of IEEPA and ISDCA	terrorism	Libya	Prohibits all trade in goods and services and exports of technology by U.S. persons, wherever located.		Prohibits all investment and financial dealings. Blocks assets of the Libyan Government subject to U.S. jurisdiction.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Magnuson-Stevens Fishery Conservation and Management Act, as amended					
P.L. 94–265 Apr. 13, 1976	environmental protection	general applicability	Prohibits imports of fish and fish products from any nation that has not concluded a fishery agreement with the United States granting U.S. fishing vessels equitable access to fisheries of that nation.		
Marine Mammal Protection Act					
P.L. 92–522 Oct. 21, 1972 Re-authorized in 1994 as P.L. 103–238	environmental protection	general applicability: countries that harvest tuna in the Eastern Tropical Pacific Ocean[13]	Prohibits imports of yellowfin tuna from countries that do not have a marine mammal regulatory program comparable to that of the United States or have not implemented regulations to prohibit the killing of marine mammals.[14]		
Narcotics Control Trade Act					
P.L. 99–570 Oct. 27, 1986	narcotics	general applicability: uncooperative major drug producing or drug transit countries	Prohibits allocations of sugar import quotas. Authorizes President to impose duties of up to 50 percent of the value of the products.		
Narcotics Trafficking Sanctions Regulations					
31 C.F.R. 536 Mar. 5, 1997 Pursuant to Executive Order 12978 of Oct. 21, 1995	narcotics	designated narcotics traffickers in the Cali (Colombia) drug cartel, and entities or individuals controlled by, acting for, or owned by them	Prohibits trade or dealing by U.S. persons or in the United States in property or interests in property of designated narcotics traffickers.		Blocks property and interests in property subject to U.S. jurisdiction of designated narcotics traffickers, as well as of foreign persons determined to play a significant role in international narcotics trafficking centered in Colombia or who materially assist in or provide support of designated persons. Prohibits financial transactions by U.S. persons or within the United States that evade, avoid, or violate the prohibitions in these regulations.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
National Defense Authorization Act of 1996					
P.L. 104–106 Feb. 10, 1996	terrorism	DTCs and general applicability		Prohibits military assistance to DTCs and countries that provide sanctuary to terrorists or otherwise support international terrorism.	
National Emergencies Act (NEA)					
P.L. 94–412 Sept. 14, 1976	national security	general applicability	Other: Authorizes declaration, administration of national emergencies; required to administer IEEPA authority.		
North Korea: Foreign Assets Control Regulations					
31 C.F.R. 500 Dec. 19, 1950 issued under authority of TWEA[15]	communism	North Korea	Prohibits all trade in goods and services and exports of technology by U.S. persons, wherever located, unless licensed.		Prohibits investments and financial dealings with North Korea, unless licensed. Blocks North Korean governmental and private assets subject to U.S. jurisdiction.
Nuclear Non-Proliferation Act of 1978, as amended					
P.L. 95–242 Mar. 10, 1978	nuclear proliferation	general applicability; India (1998), Pakistan (1998)	Authorizes Dept. of Commerce to regulate exports significant to nuclear explosion purposes. Prohibits exports of nuclear equipment and material to any non-nuclear-weapon state that is found by the President to have, among other things, at any time after Mar. 10, 1978, detonated a nuclear explosive device or violated IAEA safeguards.		Requires U.S. opposition to assistance by IFIs[4] for countries that violate IAEA.
Nuclear Proliferation Prevention Act					
P.L. 103–236 Apr. 30, 1996	nuclear proliferation; terrorism; human rights	general applicability	Prohibits entry into U.S. Government procurement contracts with foreign persons contributing to the efforts on behalf of a non-nuclear-weapon nation to acquire certain nuclear material or devices.	Prohibits economic aid to non-nuclear-weapons nations that violate IAEA or U.S. bilateral nuclear agreements, and to countries that provide sanctuary to indicted war criminals. Prohibits aid to countries providing military equipment to DTCs.	Prohibits Eximbank funding to countries that aid or abet a non-nuclear-weapon nation in acquiring certain nuclear devices or materials.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
Pakistan: Presidential Determination No. 98-25 (pursuant to sec. 102 of the AECA–the Glenn Amendment)					
May 30, 1998	nuclear proliferation	Pakistan	See AECA (sec. 102)–the Glenn Amendment.		
Sudanese Sanctions Regulations					
31 C.F.R. 538 effective Nov. 3, 1997; implementing regulations July 1, 1998[16] issued under authority of IEEPA and NEA	terrorism	Sudan	Prohibits all trade by U.S. persons, wherever located.		Prohibits all financial dealings with Sudan, except transfers of personal remittances that are not processed through a bank owned or controlled by the Government of Sudan. Freezes all assets of Sudanese Government. Prohibits grants, credits, or loans.
Tariff Act of 1930 (sec. 307)					
P.L. 71–361 June 17, 1930	forced labor	general applicability	Prohibits imports of goods made with prison or forced labor.		
Terrorism List Governments Sanctions Regulations					
31 C.F.R. 596 Aug. 23, 1996 pursuant to sec. 321 of AEDPA	terrorism	DTCs			Makes it a criminal offense for U.S. persons to engage in unauthorized financial transactions with the governments of DTCs. Applies to U.S. banks wherever located.
Terrorism Sanctions Regulations					
31 C.F.R. 595 Feb. 2, 1996 pursuant to IEEPA and Executive Order 12947 of Jan. 23, 1995	terrorism	Middle East terrorist organizations and property and interests owned or controlled by them			Blocks all property subject to U.S. jurisdiction in which there is any interest of 12 Middle East terrorist organizations. Blocks all property and interests in property of designated persons who pose a significant risk of disrupting the Middle East peace process or who assist in, sponsor, or provide financial or material support for such acts of violence.

Table 2-1–Continued
Overview of current U.S. unilateral economic sanctions, alphabetical listing

Public Law or Regulation			Summary of Unilateral Economic Sanctions[1]		
Law No. or Regulation, and Date	Reasons cited	Countries or entities subject to sanctions	Trade	Aid[2]	Finance
***Terrorism Sanctions Regulations*– Continued**					
31 C.F.R. 595 Feb. 2, 1996 pursuant to IEEPA and Executive Order 12947 of Jan. 23, 1995	terrorism	Middle East terrorist organizations and property and interests owned or controlled by them			Blocks all property subject to U.S. jurisdiction in which there is any interest of 12 Middle East terrorist organizations. Blocks all property and interests in property of designated persons who pose a significant risk of disrupting the Middle East peace process or who assist in, sponsor, or provide financial or material support for such acts of violence. Blocks all property and interests in property in which there is any interest of persons determined to be owned or controlled by, or to act for or on the behalf of, any other person designed pursuant to this Order.
Trade Act of 1974 (sec. 403)					
P.L. 93–618 Jan. 3, 1975	national security	general applicability			Authorizes President to deny trade credits, investment guarantees.
Trade Expansion Act of 1962 (sec. 232-233)					
P.L. 87–794 Oct. 11, 1962	national security	general applicability; Libya (petroleum)	Authorizes President to set duties or impose import restrictions.		
Trading With the Enemy Act (TWEA)					
P.L. 65–91 Oct. 6, 1917	national security	Cuba, North Korea	Authorizes President to regulate and prohibit trade.		Authorizes President to regulate and prohibit transactions and to freeze assets.

[1] Definition for the term "unilateraleconomic sanctions" as used in this report is provided in ch. 1. Export controls on items on the U.S. Munitions List and on dual use technology items are not listed, as noted in ch. 1. Empty box indicates no relevant sanctions were identified. See Appendix D for additional legal citations.

[2] Excludes humanitarian aid (such as sales or donations of clothing, food, and medicines to relieve human suffering); aid for the development of a democratic political system, the rule of law, and a free-market system; and certain educational exchange programs.

[3] Refers to the Palestine Liberation Organization (PLO) or any of its constituent groups, any successor to any of those, or any agents thereof.

[4] DTCs are countries designated under sec. 6(j) of the Export Administration Act of 1979, amended (EAA) as supporting international terrorism. Countries currently so designated are: Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria. See the discussion of the EAA for further information about the status of this Act.

Table 2-1–Footnotes–Continued

[5] IFIs include: the International Bank for Reconstruction and Development (or World Bank), the International Development Association, and the International Monetary Fund (IMF); also included, when applicable, are the Inter-American Bank (IADB), the Asian Development Bank, the European Bank for Reconstruction and Development, the African Development Bank, the African Development Fund, the Multilateral Investment Guarantee Agency, and any other similar institutions. U.S. opposition means that the Secretary of the Treasury shall instruct the U.S. executive director of each IFI to use the voice and vote of the United States to oppose any loan or other use of the funds of the respective institution to or for the sanctioned country.

[6] Countries currently designated for sanctions under secs. 38, 40, 42, and 71 of AECA are: Afghanistan, Armenia, Azerbaijan, Belarus, Burma, China, Cyprus, DTCs, Federal Republic of Yugoslavia (Serbia and Montenegro), Georgia, Haiti, India, Liberia, Nigeria, Rwanda, Somalia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Vietnam, Yemen, and Zaire. U.S. Department of State Reference Chart, U.S. Department of State Internet site, found at http://www.pmdtc.org/country.html.

[7] Sanctions announced by Executive Order 13047 of May 20, 1997.

[8] Sec. 609 amends the Endangered Species Act (16 USC 1537).

[9] On May 1, 1998, 39 nations were certified under P.L. 101-162 and can export all categories of shrimp to the United States in the coming year. Wild-harvested shrimp from nations not certified will be embargoed if exported after May 1. Certified countries are: Argentina, Belgium, Belize, Canada, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, El Salvador, Fiji, Finland, Germany, Guatemala, Guyana, Haiti, Honduras, Iceland, Indonesia, Ireland, Jamaica, Mexico, the Netherlands, New Zealand, Nicaragua, Norway, Oman, Panama, Peru, Russia, Sri Lanka, Suriname, Sweden, Thailand, Trinidad And Tobago, the United Kingdom, and Uruguay. U.S. Department of State, "PressStatement by James B. Foley, Deputy Spokesman," May 4, 1998.

[10] The EAA lapsed on Aug. 20, 1994. The U.S. Department of Commerce, which has primary responsibility for administering and enforcing the EAA, is currently acting under the authority conferred by Executive Order 12924 of Aug. 19, 1994, in which the President invoked his authority, including authority under the IEEPA, to continue in effect a system of export controls.

[11] Sec. 490 of the Foreign Assistance Act requires the President to certify annually to Congress on the cooperation of 32 major drug producing and drug transit countries. Countries denied certification in 1998 are: Afghanistan, Burma, Iran, and Nigeria. Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State, "DrugControl Fact Sheet–Overview," March 3, 1998, found at U.S. Department of State Internet site, http://www.state.gov/www/global/narcotics_law/1997_narc_report/fs_overview.html.

[12] Incorporates Executive Orders 12957 (Mar. 16, 1995), 12959 (May 6, 1995), and 13059 (Aug. 19, 1997). Although greatly modified in scope, the old Iranian Assets Control Regulations (31 C.F.R. 535) remain in effect, primarily with regard to claims still in litigation by U.S. nationals against Iran or Iranian assets for actions that occurred before 1981.

[13] Imports of tuna are prohibited from the following countries: Belize, Colombia, Costa Rica, Italy, Japan, Mexico, Panama, Vanuatu, and Venezuela.

[14] On May 21, 1998, the United States became a signatory to the International Dolphin Conservation Program, a multilateral dolphin protection agreement. This agreement, once it is ratified by signatories, would replace national trade restrictions on tuna imports with binding commitments by signatories to reduce the number of dolphins killed by tuna boats. U.S. Department of State, "PressStatement by James P. Rubin, Spokesman," May 21, 1998.

[15] Economic sanctions against North Korea remain in force, although implementing regulations have been modified in recent years as a result of commitments made to begin the normalization of relations.

[16] Sanctions announced by Executive Order 13067 of Nov. 3, 1997.

Note.–The legislation described in this table is currently in effect, unless noted otherwise. See Appendix D for legal citation. Table 2-1 aims to present much of the information that is found in Appendix D, as well as more recent information as available, for ease of reference. The table is drawn from the same as well as additional materials as Appendix D, but may not accord precisely with Appendix D, which can be referenced for more consistent and precise legal citation.

Sources: Prepared by the U.S. International Trade Commission in consultation with sanctions lists compiled by the President's Export Council, the Congressional Research Service, and the National Association of Manufacturers, cited elsewhere in this report.

Table 2- 2
Current U.S. unilateral economic sanctions, by category

	Policy Basis for Imposition of Sanctions	Percent
1	Terrorism	20
2	Nuclear and other arms proliferation	8
3	National security	6
4	Narcotics	5
5	Expropriation	5
6	Human rights	4
7	Environment	4
8	Communism	4
9	War crimes	3
10	International organizations	3
11	Economic disruption	2
12	Worker rights	2
13	Other (including categories such as chemical and biological weapons or forced labor, as well as uncategorized sanctions legislation)	7
	Total	100

Source: Prepared by the U.S. International Trade Commission.

(BXA) of the U.S. Department of Commerce, administers and enforces a comprehensive system of U.S. export controls over a wide range of “dual use” (i..e. military and civilian applications) equipment, software, and technology.[4] Other U.S. Government agencies also have a role in regulating U.S. foreign trade, foreign economic assistance, and military assistance and sales. These agencies include the U.S. Department of Agriculture, Department of Defense, Department of Energy, Department of the Interior, Department of Justice, other offices of the Department of State, and the Nuclear Regulatory Commission.

Major Categories of Sanctions

Legislation and reference sources consulted by the Commission typically grouped economic sanctions into notional descriptive categories relating to the type of behavior that the sanction is intended to discourage. Most of the Commission’s entries were so categorized, although sanctions pursuant to some of the laws pertained to 2 or more categories or could even be grouped differently. Table 2-2 (at the end of this chapter) lists the categories, along with the percentage of entries in each.

List of U.S. Sanctions

Sources and Methodology

To develop its list of U.S. unilateral economic sanctions, the Commission examined three primary sources that provided perspectives by the Executive Branch, Legislative Branch, and private sector. They were:

- the President’s Export Council, *Unilateral Economic Sanctions: A Review of Existing Sanctions and Their Impacts on U.S. Economic Interests with Recommendations for Policy and Process Improvement*, June 1997, based on documentation by the U.S. Department of Commerce, Bureau of Export Administration;

- the Congressional Research Service of the Library of Congress, *Economic Sanctions to Achieve U.S. Foreign Policy Goals: Discussion and Guide to Current Law*, January 22, 1998; and

[4] Additional information on BXA can be found at the BXA Internet site, located at: http://www.bxa.doc.gov/. As discussed in ch. 1, export controls for dual use technologies are not addressed in this report.

- the National Association of Manufacturers, *A Catalog of New U.S. Unilateral Economic Sanctions for Foreign Policy Purposes*, 1993–96, March 1997.

To ensure comprehensive coverage of economic sanctions, the Commission reviewed certain recently enacted sanctions-related legislation. The Commission also consulted a number of additional sources,[5] but information from these sources overlapped to a large extent with information obtained from the three primary sources cited above. To compile the list for this report, material from the three primary sources as well as additional Commission research was assembled, structured into a consistent format, and reviewed to eliminate duplicate references.

Observations

Descriptive summaries and other key elements of the sanctions provisions are found in table 2-1. A list of federal statutes and Executive Orders in Appendix D provides more precise legal citations where such information is available, covering: (1) the Public Law and section number; (2) the U.S. Code citation; (3) the country, countries, or entities targeted for the sanction; and (4) the reasons given for the sanctions (for example, for national security, to prevent terrorism, or to prevent weapons proliferation). In addition, table 2-1 includes a number of implementing regulations regarding particular targets.

Although the principal Executive Orders concerning current U.S. unilateral economic sanctions are included in the list, most subsequent Executive Branch actions are not. Thus, executive actions by various agencies– such as the Departments of the Treasury, State, or Commerce– to implement an Executive Order are not included. Thus, for example, an Executive Order to freeze financial assets would be included in the Commission's list, but further Executive Branch action– such as a *Federal Register* notice by OFAC implementing regulations to fulfill the intent of the Executive Order– would not be included.

The Commission's list represents as accurately as possible the information given in the primary sources that were consulted; however, much of the scope, summaries, characterizations, or other information originally contained in these materials remains as represented in those primary sources. It is difficult, however, for public and private sector entities to catalog these sanctions. The Commission's list attempts to present the information given in these sources in a common and consistent manner. The Commission reviewed the actual legislation when conflicts were encountered among the sources. (Conflicts may have arisen because of, as discussed in chapter 1, different definitions of the term "economic sanctions" used by each of the sources.) The actual legislation was not reviewed for all of the entries in the Commission's list, however, because of the time constraints of this investigation.

The Commission has made every effort to ensure that the lists of U.S. economic sanctions in table 2-1 and Appendix D are comprehensive within the bounds of the definition of the term "unilateral economic sanctions" provided in the request letter. While the vast majority of U.S. unilateral economic sanctions typically referred to in public discourse is included in the Commission's list, compilation of a comprehensive list of economic sanctions is complicated by several factors, including the following:

First, as discussed in more detail in chapter 1, the Committee directed the Commission to consider a specific definition of "unilateral economic sanctions" that excludes certain sanctions, including those sanctions imposed pursuant to a multilateral regime when the other members of the regime have agreed to impose substantially equivalent measures; measures to remedy market disruption or to respond to injury to a domestic industry; measures related to the extension by the United States of most-favored-nation (MFN) trading status; and any measure authorized by, or imposed under, a multilateral or bilateral agreement to which the United States is a signatory. This definition required review of numerous bilateral and multilateral agreements, as well as their amendments, in an effort to determine whether or not their focus is the same as that of the statutes in question. The fact that some fairly recent treaties have not been published or are not readily available compounds this difficulty.

Second, Congressional legislation often addresses multiple goals in a single piece of legislation– covering matters such as nuclear weapons proliferation, foreign aid addressing family planning in developing countries, worker rights, international war crimes, or the Palestine Liberation Organization all in one statute– with the result that a particular economic sanction provision may be buried in a larger provision and not prominently identified in the text.

[5] Gary C. Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, vol. 1 (Washington, DC: Institute for International Economics, 1990); Michael P. Malloy, *Economic Sanctions and U.S. Trade Policy* (Boston: Little, Brown and Co, 1990); Robert P. O'Quinn, "A User's Guide to Economic Sanctions," The Heritage Foundation, Roe Backgrounder No. 1126, June 25, 1997; and United States Information Service, "Fact Sheet: U.S. Sanctions Laws Related to Foreign Policy," September 1997. Current information from the U.S. Government on a number of U.S. economic sanctions is available from the OFAC website,http://www.ustreas.gov/treasury/services/fac/fac.html.

Or, sanction authority in legislation may have been modified or superseded by subsequent legislation.[6] Moreover, a single law may effectively expire or be suspended after 1 year when the funds appropriated for its implementation have expired. That law may then be revived (or re-enacted) with subsequent appropriations. As summarized in chapter 3, some of the individuals who responded to the Commission's telephone survey or who testified at the Commission's May 14, 1998, public hearing for this investigation also discussed the complexities of U.S. sanctions statutes, as well as the administrative and financial burdens imposed by the measures U.S. businesses must undertake to comply with these laws.[7]

Moreover, while it would have been useful to organize the list according to the intent and/or effect of each law, as was suggested during testimony at the public hearing held for this investigation,[8] the time constraints prohibited such actions as differentiating: (1) those laws clearly directed at named or obvious targets from more general laws; (2) mandatory measures from those that may be discretionary; and/or (3) laws directing administrative action from those providing for Presidential action. It is noted, however, that a number of the laws included in the list provide for a large degree of discretion on the part of the President or agency charged with the responsibility of determining whether or how to effect the sanctions. Such discretion may lead to either inaction on certain sanctions, or introduce uncertainties into the sanctions decisionmaking process.

State and Local Sanctions in Effect

The Committee requested that the Commission identify and describe, to the extent possible, economic sanctions imposed by State and local governments. Because there exists no central repository for State and local legislation, USITC staff compiled information on State and local sanctions primarily with the assistance of the "State and Municipal Sanctions Report," which is regularly updated by the Organization for International Investment (OFII).[9] In addition, the USITC staff consulted relevant published articles and reports on economic sanctions in preparing the information and data on State and local sanctions. Several of the State, county, and city sanction laws are subject to legal challenges both in the United States as well as in international fora; those challenges are not discussed in this report.[10]

The Commission identified 27 State, county, and city sanction laws currently in effect, including 19 directed against Burma, 2 directed against Nigeria, and 1 each directed against Cuba, and Tibet (table 2-3, at the end of this chapter). All of the sanctions involved a selective purchasing, selective contracting, or selective investment mechanism, or two or more of these mechanisms. Under such mechanisms, trade and investment in the country targeted for sanctions generally are not prohibited outright, but strong measures are taken to discourage the State or local government from doing business with the targeted country. Typically, State or local procurement, contracts, or investment is disallowed in or with any company– regardless of that company's location– that does business with or has investments in the targeted country. In some instances, the State or local government establishes a blacklist of companies that do business with or have investments in the targeted country, and prohibits any State or local government business with such blacklisted companies.

The Commission identified 14 State and local sanctions "in committee" and not yet in force, including 2 pending sanctions against Burma for human rights violations, 10 against Switzerland for the possession by Swiss banks of assets belonging to Holocaust victims, and 2 sanctions against foreign financial institutions determined to be in possession of assets belonging to Holocaust victims (table 2-4, at

[6] For example, the President's Export Council stated in its survey of sanctions cited above, "The survey reflects a significant body of law authorizing or mandating unilateral economic sanctions. Of particular concern are the apparent ad hoc processes followed in enacting and implementing the laws."

[7] For example, see the discussion of the telephone survey findings in the energy and services sectors, and the testimony of Arthur Downey, Vice President of Baker-Hughes, Inc., on behalf of USA-Engage, in ch. 3.

[8] Arthur Downey, Vice President, Baker-Hughes, Inc., on behalf of USA-Engage, testimony before the Commission, May 14, 1998, transcript, p. 40. In his testimony, Mr. Downey requested that the Commission include in its report a comprehensive presentation of how each of the unilateral economic sanctions came into effect and to indicate if it was by legislation, by Executive Branch action exclusively, or by Executive Branch action under threat of legislation.

[9] OFII is a Washington, D.C.-based business association representing U.S. subsidiaries of parent companies based abroad. More information about OFII is available from its website, http://ofii.org/.

[10] For an analysis of State and local economic sanctions and the state-of-play of legal challenges to them, see William H. Lash, III, "State and Local Trade Sanctions: A Threat to U.S. Interests," *Center for the Study of American Business: Contemporary Issues Series 91* (July 1998) and David R. Schmahmann and James S. Finch, "State and Local Sanctions Fail Constitutional Test," CATO Institute, Center for Trade Policy Studies Trade Briefing Paper No. 3 (Aug. 6, 1998).

the end of this chapter).[11] Sources contacted by the Commission identified 14 failed or inactive State and local initiatives to impose economic sanctions, including 7 failed or inactive initiatives against Burma, 2 each against Indonesia and Switzerland, and 1 against Nigeria.[12]

[11] Sanctions against Switzerland evolved during the course of this investigation. In October 1996, a class action lawsuit to recover those assets was filed in United States District Court for the Eastern District of New York against Swiss banks and others on behalf of Holocaust survivors and their heirs. Claimants estimated the value of looted assets to be in excess of $20 billion. In an effort to achieve an out of court settlement, the World Jewish Congress (WJC) was designated by the Israeli Government to lead negotiations with three leading Swiss banks (Union Bank of Switzerland, Swiss Bank Corp., and Credit Suisse) for a plan to compensate Holocaust victims and their heirs for the stolen assets. In November 1997, the WJC requested State and local officials to postpone their sanctions against Switzerland pending the outcome of the negotiations. On June 19, 1998, the Swiss banks offered $600 million to settle all of the WJC claims; WJC, which sought $1.5 billion in compensation, rejected that offer. On July 1, 1998, in the absence of a WJC settlement with the Swiss banks, an alliance of some 800 State and local governments announced its intention to implement economic sanctions against Swiss banks– beginning in September 1998, state and local U.S. governments would halt overnight deposits in Swiss banks, in mid-November State and city pension funds would keep new money-management contracts from Swiss banks and prohibit money managers from trading through Swiss banks, in January 1999 they would cancel existing fund-management contracts and ask legislators to exclude Swiss companies from state and city purchasing bids, and by mid-1999 public pension funds would dump all of their Swiss stock. On August 12, 1998, an agreement was announced between Jewish organizations including the WJC and the Swiss banks. This agreement, which settles the class action lawsuit out of court, provides a total of $1.2 billion in compensation. Sources: Organization for International Investment, "State and Municipal Sanctions Report," as of May 1998, found at http://ofii.org/issues/sanction.html, June 2, 1998. See also Christopher Michaud, "New York Announces Steps Against Swiss Banks," Reuters, July 2, 1998; "Swiss Banks: The Noose Tightens," Business Week, July 27, 1998, p. 66; and John M. Goshko, "Swiss Banks Agree to Holocaust Pact," Washington Post, Aug. 13, 1998, p. A1.

[12] OFII, found at Internet address http://ofii.org/issues/sanction.html, retrieved July 6, 1998.

Table 2-3
State and local sanctions laws in effect

State, City, or County	Country	Type of Sanction	Date Enacted
Alameda County, CA	Burma	Selective purchasing and investment	December 1996
Almeda, County, CA	Nigeria	Selective purchasing and investment	October 1997
Amherst, MA	Burma	Selective purchasing	April 1996
Ann Arbor, MI	Burma	Selective purchasing	April 1996
Berkeley, CA	Burma	Selective purchasing	March 1995
Berkeley, CA	Nigeria	Selective purchasing	July 1997
Berkeley, CA	Tibet	Selective purchasing	June 1997
Boulder, CO	Burma	Selective purchasing	December 1996
Brookline, MA	Burma	Selective purchasing	November 1997
Cambridge, MA	Burma	Selective purchasing	May 1997
Carrboro, NC	Burma	Selective purchasing	October 1996
Chapel Hill, NC	Burma	Selective purchasing	January 1997
Dade County, Fl	Cuba	Selective purchasing and investment	July 1992. Broadened in June 1993 to include companies violating the Cuban Liberty and Democracy Act.
Madison, WI	Burma	Selective purchasing	August 1996
Massachusetts	Burma	Selective purchasing	July 1996
New York City, NY	Burma	Selective purchasing and investment	May 1997
Newton, MA	Burma	Selective purchasing	November 1997
Oakland, CA	Nigeria	Selective purchasing and investment	May 1997
Oakland, CA	Burma	Selective purchasing and investment	May 1996
Palo Alto, CA	Burma	Selective purchasing and investment	October 1997
Quincy, MA	Burma	Selective purchasing	November 1997
San Francisco, CA	Burma	Selective purchasing and investment	April 1995
Santa Cruz, CA	Burma	Selective purchasing and investment	July 1997
Santa Monica, CA	Burma	Selective purchasing	November 1995
Somerville, MA	Burma	Selective purchasing	February 1998
Takoma Park, MD	Burma	Selective purchasing	October 1996
West Hollywood, CA	Burma	Selective purchasing	October 1997

Source: Organization for International Investment, "State and Municipal Sanctions Report," as of May 1998, found at http://offii.org/issues/sanction.html, June 2, 1998.

Table 2-4
State and local sanctions laws pending

State, City or County	Target Country	Description
Chicago, IL	Switzerland	Ordinance 97- 314 Selective investment
Los Angeles, CA	Burma	Motion 97- 18- 61 Selective purchasing
New Jersey	Switzerland	AB 917 Selective investment
New Jersey	Switzerland	SB 340 (formerly SB 2034) Selective investment
New Jersey	Switzerland	AB 288 (formerly AB 2822) Selective purchasing and investment
New York	Burma	AB 9147 Selective purchasing
New York	Multiple (targets foreign financial institutions determined to be in illegal possession of funds belonging to Holocaust victims).	SB 3513 Selective licensing
New York	Switzerland	SB 4185 Selective purchasing and investment
New York	Switzerland	SB 4763 Selective purchasing and investment
New York	Switzerland	SB 4276 Selective purchasing and investment
New York	Switzerland	Intro 905 Selective investment
Pennsylvania	Multiple (targets foreign financial institutions determined to be uncooperative in the distribution of dormant accounts belonging to Holocaust victims).	HB 1855 Selective licensing
Pennsylvania	Switzerland	HB 1854 Selective investment

Source: Organization for International Investment, "State and Municipal Sanctions Report," as of May 1998, found at http://ofii.org/issues/sanction.html, June 2, 1998.

CHAPTER 3
U.S. Industry Perspectives Costs and Effects of U.S. Unilateral Economic Sanctions

This chapter has two parts. The first part summarizes the findings from a telephone survey of U.S. industry undertaken by the Commission on the costs and effects of U.S. unilateral economic sanctions. Following an overview of the telephone survey findings, industry views are presented under each of five major industry categories– agriculture and forest products; energy and chemicals; minerals, metals, machinery, and miscellaneous manufactures; electronics and transportation; and services. The second part summarizes testimony from a public hearing held for this investigation and written submissions from interested parties received by the Commission.

Results of the Telephone Survey

Methodology

To obtain industry views on the effects of economic sanctions, the Commission conducted a telephone survey.[1] In addition, the Commission obtained industry views from a public hearing for this investigation held on May 14, 1998, as well as from written submissions received in response to the *Federal Register* notice for this investigation.[2] The views expressed in this chapter represent the opinions of the firms and associations that responded to the Commission's survey or who appeared at the hearing, and do not represent the views of the Commission.

[1] The list of companies and associations contacted appears as Appendix G. Consumer groups were not contacted, as Congress directed the Commission to focus on the effects of U.S. unilateral economic sanctions on U.S. industries.

[2] A copy of that *Federal Register* notice appears as Appendix B of this report.

Approach

The short-term nature of this study precluded the use of statistical sampling for this survey.[3] USITC staff contacted 492 U.S. firms and professional/trade associations[4] between April 8 and May 8, 1998, to obtain their views and information on U.S. unilateral economic sanctions.[5] The firms and associations contacted were selected on the basis of USITC staff expertise and knowledge of their operations.[6] An attempt was made to include both large and small firms from a cross-section of manufacturing and service sectors. Responses from large firms with major international trade concerns were tabulated with responses from smaller firms, which tend to be less export-oriented, without weightings to compensate for these differences.[7] For analytical purposes, the

[3] In its request letter, the Committee on Ways and Means directed the Commission to conduct an industry survey only to the extent that such a survey was possible. A copy of that request letter can be found in Appendix A.

[4] The telephone survey was formulated by the USITC staff, approved by the Commission on Mar. 31, 1998, and approved by the Office of Management and Budget (authorization 3117-0186, dated Apr.7, 1998). A copy of the questions asked in the survey appears as Appendix F of this report. USITC staff familiar with each industry contacted companies and associations by telephone to ask the survey questions. Copies of the survey questions were forwarded to firms upon request, and an electronic copy was posted on the USITC website, which is www.usitc.gov.

[5] These dates precluded inclusion of several events affecting imposition of U.S. unilateral economic sanctions that occurred after the survey closed, including nuclear test explosions by India and Pakistan and the Presidential agreement granting waivers to certain foreign firms in regard to investment in Iran.

[6] Of the firms/associations contacted, 167 (34 percent) were members of USA-Engage, a Washington, D.C.-based association that opposes the imposition of U.S. unilateral sanctions. USA-Engage is an organization composed of certain members of the National Foreign Trade Council, Washington, D.C.

[7] Findings from this telephone survey thus represent a cross-section of U.S. industry opinion, but should not be construed as a random scientific sampling of business views on this question.

Commission divided the firms and associations contacted into five major categories: (1) agriculture and forest products; (2) energy, chemicals, and textiles; (3) minerals, metals, machinery, and miscellaneous manufactures; (4) electronics and transportation; and (5) services.

Scope of the Survey

In the telephone survey, respondents were requested to provide information on the effects of U.S. unilateral economic sanctions on the firm's exports, imports, investment, production, general business conditions, and other items. Respondents were asked to identify the effects of sanctions as "minimal" (0 to 5 percent effect), "modest" (6 to 10 percent), or "substantial" (over 10 percent). Given the short duration of this study, it was not possible to quantify various factors relating to sanctions– such as what new business, over what duration, might have resulted in a given market if sanctions had not been imposed; the effect of late-entry by U.S. firms in a new market; or business lost because a firm is considered subject to sanctions and thus is an unreliable supplier. Similarly, it was not possible to quantify reliably the effect of allowing foreign firms to obtain business in a sector previously dominated by U.S. expertise, or the effects of the U.S. firms' re-entry into markets subsequent to the termination of U.S. unilateral sanctions.[8]

Of the 492 firms contacted, 264 (54 percent) did not respond at all to repeated phone and facsimile messages regarding the survey. Another 54 firms, or approximately 11 percent of those contacted, indicated that they would respond to the Commission's survey, but did not do so by the time this report went to print. USITC staff received a total of 174 responses of varying detail, a response rate of 35 percent (table 3-1). However, 92 of the firms that responded (19 percent) explicitly indicated that they would make no comment, largely because of the sensitivity of the topic, but in some cases also because of a lack of experience with sanctions. Of the 82 remaining firms that responded, 21 indicated opposition to sanctions on principle, but provided no further detail.

Principal Findings of the Survey[9]

Two responding firms indicated that they benefit from U.S. unilateral sanctions in terms of additional business, profits, or employment.[10] Some fresh vegetable producers in Florida viewed Cuba as a potential significant competitor and expressed concerns about possible adverse effects on their businesses if Cuba were allowed to re-enter the U.S. market. These firms believe that Cuba could be competitive in underpricing Florida-grown vegetables. Conversely, many more firms responding to the survey, covering all industry sectors and types of production, indicated opposition to U.S. unilateral sanctions.

On the basis of responses received, firms dealing with agriculture[11] and energy production, especially oil and gas, were reported as being most affected by U.S. unilateral sanctions.[12] In the agricultural sector, grain exporters reported that U.S. unilateral economic sanctions have reduced U.S. grain exports and injured U.S. wheat growers.[13] In the energy sector, the export markets most frequently cited as constrained by sanctions are Iran and Iraq.[14] Other markets reported in the survey as affected by unilateral sanctions tend to be relatively small in size, with the notable exceptions of India and the potentially large market of China. Because of the relatively small size of many of the markets involved (some of the cited countries

[8] The difficulties of obtaining quantitative estimates of the cumulative effects of U.S. unilateral economic sanctions was noted by most speakers giving testimony at the hearing held by the Commission on May 14, 1998, and is discussed in further detail in ch. 4. It is possible that a longer-term study would be able to develop and apply a more comprehensive questionnaire instrument designed to better discern these quantitative measures.

[9] Views expressed in this chapter, including reported economic data, reflect the views of respondents to the telephone survey, and not the views of the Commission.

[10] These two firms, representing vegetable growers and shippers, accounted for less than 1 percent of survey respondents.

[11] Agricultural firms currently reported only small adverse effects from sanctions, but frequently recalled past actions that had adversely affected the industry, particularly the embargo of U.S. grain exports to the former Soviet Union in the 1980s.

[12] See, for example, Harold A. Wagner, Chairman of the Board and Chief Executive Officer, Air Products and Chemicals, Inc.; Arthur Downey, Vice President, Baker-Hughes, Inc.; and Ed Wiederstein, President, Iowa Farm Bureau (on behalf of the American Farm Bureau Federation), testimony before the Commission, May 14, 1998.

[13] The National Association of Wheat Growers attributes dim prospects for U.S. wheat exports to U.S. unilateral economic sanctions, and advocated that U.S. economic sanctions against India and Pakistan be implemented so as to exempt the prohibition of export credit guarantees by the U.S. Department of Agriculture. National Association of Wheat Growers, "Economic Sanctions Imposed on India and Pakistan Will Seriously Hurt U.S. Wheat Growers," press release, June 19, 1998.

[14] As discussed in ch. 1, economic sanctions against Iraq are multilateral and are pursuant to UN Security Council Resolutions. Information on Iraq in this chapter is provided only as it was reported by respondents.

include Azerbaijan, Burma, Colombia, Cuba, Laos, Libya, Nigeria, North Korea, Sudan, Syria, and Vietnam),[15] the perceived economic effects of current U.S. unilateral economic sanctions generally were reported as being small in terms of exports, investments, and consumption. However, exceptions– indicating that the effects are significant– were reported by construction firms in the infrastructure development market. Overall, however, respondents to the survey reported minimal economic impact from sanctions.[16]

In general, few of the firms questioned were knowledgeable about specific U.S. unilateral economic sanctions, and most were unable to readily cite a specific legal prohibition such as those listed in table 2-1. Many firms stated that they opposed the imposition of unilateral sanctions on the broader grounds of principle. A few firms, especially service companies, reported having to leave certain foreign markets because of the imposition of U.S. unilateral economic sanctions.[17] A few others, especially agricultural companies formerly in Cuba, noted that the prohibition on U.S. investment in some countries quite probably hurt their firms' longer term interests. Other survey respondents indicated that foreign companies were sometimes reluctant to enter into joint ventures with U.S. partners because of concern about possible future U.S. unilateral economic sanctions.[18]

Respondents reported that identification of and compliance with the myriad number of U.S. unilateral sanctions is often complex, difficult, and expensive.[19] They said that many months may pass after the announcement of a sanction before implementing regulations are issued and disseminated, as was the case with U.S. sanctions against Burma and Sudan. Such regulations are, they said, too often subject to confusing interpretations, with the result that U.S. firms are reluctant to undertake even apparently permitted business activity for fear of violating the law.[20]

According to the responses to the USITC survey and to hearing testimony, quantitative estimates of the overall economic effects of sanctions are difficult to obtain for numerous reasons.[21] It was reported that some firms may not be willing to admit that economic sanctions are the real cause for withdrawing from a competitive bid or investment– such an admission could brand the firm as an unreliable global business partner in the future. In contrast, one association reported that even when U.S. companies withdraw from certain markets on purely economic grounds, U.S. unilateral economic sanctions may be cited as the cause, thereby adding to doubts about the reliability of U.S. firms as global suppliers.[22]

Several firms reported that they faced significant economic costs in their efforts to re-establish a market presence in countries after sanctions were lifted, but a few noted they had returned to such markets without major difficulty. A few companies also reported that, while economic sanctions may prohibit their ability to enter or remain in a foreign market, any number of production factors (such as labor costs or subsidies) actually determines the company's ability to be competitive with other suppliers in that market. Other respondents, especially in some agricultural sectors, noted that even if U.S. unilateral economic sanctions were lifted with respect to specific countries, U.S. exports still would be constrained by tariff and non-tariff barriers many of these countries apply to imports.[23] Respondents also indicated that the prohibition of U.S. Government financial assistance, such as credits, loans, and guarantees by the Export-Import Bank (Eximbank), Overseas Private Investment Corporation (OPIC), and other agencies under some sanctions, effectively prohibits U.S. firms from engaging in trade and investment in many less-developed economies or in countries with a history of political instability.[24]

Finally, respondents also indicated that unilateral economic sanctions enacted by States and localities disrupt business and add to their expenses. Such sanctions reportedly are not yet an economically significant obstacle for most U.S. businesses, but it was reported that the proliferation of State and local

[15] Economic profiles of selected countries are presented in Appendix E.

[16] As stated above, the Commission's telephone survey asked companies to identify the effects of sanctions as "minimal" (0 to 5 percent effect), "modest" (6 to 10 percent), or "substantial" (over 10 percent).

[17] Responses to USITC telephone survey, May 1998.

[18] Ibid.

[19] The difficulties of identifying all of the U.S. unilateral economic sanctions are discussed in more detail in ch. 2.

[20] For further discussion, see the remarks by Arthur Downey, Vice President, Baker-Hughes, Inc.; Willard M. Berry, President of the European-American Business Council (EABC); Patricia Davis, President, Washington Council on International Trade (Seattle); and Robert L. Muse, General Counsel, on behalf of the National Council on International Trade Development, testimony before the Commission, May 14, 1998.

[21] For further discussion, see the remarks by Jonathan Eaton, Professor of Economics, Boston University Institute for Economic Development, and Kimberly Elliott, Institute for International Economics, testimony before the Commission, May 14, 1998. This issue is examined in further detail in ch. 4.

[22] Tony Albrect, U.S.-ASEAN Business Council, telephone interview by USITC staff, May 13, 1998.

[23] Based on industry responses to USITC telephone survey, May 1998.

[24] Willard M. Berry, President, EABC, testimony before the Commission, May 14, 1998.

sanctions adds to the administrative burden of companies that do business abroad.[25]

Effects of U.S. Unilateral Sanctions by Broad Economic Sectors

Agriculture and Forest Products

Overall, the survey of the agriculture and forest products industries found the costs and effects of U.S. unilateral economic sanctions on the U.S. agricultural sector to be minimal, both in terms of access to export markets and competition from imports. This is largely because the countries subject to sanctions on agricultural trade– namely Cuba, Iran, Libya, North Korea, and Sudan– are mainly small, low-income economies and therefore import and export relatively small volumes of agricultural and forest products such as sugar, fruits, vegetables, forest products, meat, and dairy products.[26] Survey respondents also indicated that if sanctions were removed, U.S. exports of certain goods, such as pork, dairy products, and paper, would be hindered by the significant, possibly prohibitive, tariff and non-tariff barriers that countries currently subject to U.S. sanctions apply to imports. Further, with sanctions lifted, U.S. exports of some commodities, including sheep meat and dairy products, reportedly would not be competitive with other world suppliers in these markets.[27] In sum, the survey and discussions with industry representatives indicated that U.S. unilateral economic sanctions generally have minimal impact on U.S. producers of soybeans, alcoholic beverages, leaf tobacco, seeds, meat, dairy, fish, and forest products, although the survey did indicate that sanctions may affect trade in some products, in some markets, and during some time periods. The remainder of this section documents reported instances where U.S. unilateral economic sanctions may have an impact on the U.S. agricultural sector.

Grains

The U.S. Wheat Associates (Wheat Export Trade Committee), a nonprofit trade association that promotes U.S. exports of wheat, estimated that U.S. wheat exporters lose access to about 11 percent of the world wheat market as a direct result of U.S. unilateral economic sanctions. Most of the trade loss occurs in Iran, Libya, Cuba, North Korea, and Sudan. In 1997-98, these five countries imported wheat valued at $1.2 billion, which could be used as a measure of potential U.S. wheat sales.[28] U.S. Wheat Associates also estimated sanction-induced losses in wheat product exports at $353 million in 1997–98, and at $320 million annually over the past 10 years. In a slightly different view, the North American Export Grain Association, a trade association representing the interests of grain trading companies (both importers and exporters), estimates that unilateral sanctions have reduced U.S. (grain) exports of corn and wheat by about $200 million annually.[29] Foreign competitors reportedly replace sales of U.S. grain exports in the embargoed markets. According to the U.S. Department of Agriculture (USDA), the effect of sanctions on U.S. competitiveness is to allow third-country exporters to obtain much higher prices in affected markets, and potentially to use the resulting additional revenues against U.S. exporters in other open markets.[30] USDA also indicated that these foregone U.S. exports reduce U.S. employment, and lead to a diversion of production and employment to third countries.[31]

The North American Export Grain Association reported that the lifting of U.S. unilateral economic sanctions would not affect U.S. grain exports to any great extent[32] and that even if sanctions were to be lifted, relationships with foreign buyers must be re-built.[33] U.S. wheat exporters express concern about the commercial risks associated with re-entering markets previously prohibited because of sanctions, including possible penalties for breach of previous contractual provisions for the delivery of goods. It was reported that sanctions also undermine U.S. wheat exporters' efforts to be viewed as reliable suppliers. For example, the American Farm Bureau Federation indicated that Russia still appears to restrict purchases of American wheat, fearing the United States may again use food exports as a "foreign policy

[25] Based on industry responses to USITC telephone survey, May 1998. See also Frank Kittredge, President, National Foreign Trade Council; Arthur Downey, Vice President, Government Affairs, Baker-Hughes, Inc.; and others, testimony before the Commission, May 14, 1998.

[26] For example, countries subject to U.S. unilateral economic sanctions account for less than 1 percent of world imports of soybeans, cotton, beef, pork, poultry, milk, cheese, butter, wood and paper products, based on USITC estimates.

[27] According to USITC estimates, the United States is generally a higher-cost producer for these products; low-cost producers include Australia, New Zealand and, increasingly, Argentina.

[28] U.S. Wheat Association, Inc., response to USITC survey, May 11, 1998.

[29] North American Grain Export Association, Inc., response to USITC survey, Apr. 22, 1998.

[30] USDA, Foreign Agriculture Service (FAS), *Grain: World Markets and Trade*, Sept. 1997, p. 10.

[31] Ibid.

[32] North American Grain Export Association, Inc., response to USITC survey, Apr. 22, 1998.

[33] U.S. Wheat Associates, Inc., response to USITC survey, May 11, 1998.

weapon."[34] It also was reported that U.S. wheat exporters have, under license, supplied wheat to Iraq under the UN oil-for-food program,[35] and some wheat flour was donated under license for nutrition programs in Cuba.[36]

Specialty crops

Most of the countries against which sanctions currently apply are not major U.S. competitors; however, Cuba is a possible exception in tropical agricultural markets. Cuba has the potential to produce significant quantities of low-cost vegetables, fruits, sugar, and some tobacco products. Thus, for the most part, the sanctions prohibiting trade with Cuba have had a beneficial effect on some U.S. agricultural industries. On the other hand, sanctions also limit the ability of U.S. companies to make potentially profitable agricultural investments in Cuba, as well as to export certain other agricultural products to Cuba.

Winter vegetables.– According to some analysts, vegetable producers in Florida may have been protected from import competition from Cuba, and removing current U.S. unilateral economic sanctions could create serious challenges for the Florida winter vegetable market.[37] However, industry sources noted that vegetable producers in Cuba currently are constrained by outdated infrastructure, a lack of current production technology and equipment, and unfamiliarity with current U.S. market demand.[38] Thus, in the short run, the effect of lifting U.S. economic sanctions on trade with Cuba may hold few competitive implications for U.S. winter vegetable producers. The long-term effects of lifting the sanctions, however, could be disadvantageous to Florida fresh vegetable producers and, to a lesser extent, to producers in other States as well.[39]

Citrus.– According to some reports, U.S. unilateral economic sanctions on trade with Cuba also have had a beneficial effect on domestic producers of citrus and tropical fruit such as grapefruits, oranges, mangoes, pineapples, bananas, guavas, and avocados.[40] At the same time, U.S. economic sanctions likely have had a negative effect on large multinational growers, processors, and distributors that could invest in Cuban production and processing facilities in the absence of sanctions.[41] Cuba has a large and growing citrus industry that benefits from low-wage labor and substantial foreign investment (largely by Brazil, Chile, Greece, and Israel) in production and processing infrastructure. Cuba is now the world's third largest producer of grapefruit (after the United States and Israel) and a substantial world exporter of grapefruit juice. While Europe is the primary market for Cuban grapefruit juice, lifting U.S. economic sanctions could increase competition in the U.S. market and adversely affect grapefruit producers in Florida.[42] Likewise Cuba's potential to produce substantial amounts of mangoes, pineapples, bananas, guavas, and avocados would concern some U.S. producers of these products if the sanctions were terminated.[43]

Sugar.– Prior to the imposition of U.S. unilateral economic sanctions, Cuba was a major supplier of sugar to the United States. Much has changed since then, with domestically-produced corn sweeteners supplying most of the U.S. sweetener market, and domestically-produced beet and cane sugar supplying most of the remainder. Furthermore, U.S. imports of sugar into the United States are controlled through a system of tariff-rate quotas (TRQs), and the in-quota quantities are allocated country-by-country; a high duty rate applies to over-quota shipments. Consequently, lifting the U.S. sanctions on trade with Cuba with no change in the TRQ would have little

[34] Ed Wiederstein, American Farm Bureau Federation, testimony before the Commission, May 14, 1998. However, according to an extensive USDA study in 1986, U.S. grain exporters were able to re-enter the embargoed markets fairly rapidly after the grain and oilseed embargoes of the 1970s and early 1980s were lifted. Economic Research Service, USDA, *Embargoes, Surplus Disposal, and U.S. Agriculture: A Summary,* Nov. 1986, p. 1.

[35] Pursuant to UN Security Council Resolution 986, discussed in ch. 1.

[36] Dan Gerdes, Chairman, U.S. Wheat Associates, testimony before the Subcommittee on Trade, Committee on Ways and Means, U.S. Congress, May 7, 1998.

[37] Comments of Bill Messina in "Lifting Embargo on Cuba May Hurt Florida Farmers," *Orlando Sentinel,* Mar. 26, 1998, p. B-1. In the same article, Mr. Paul Di Mare, owner of one of South Florida's largest winter vegetable farms, stated that Cuba could "take the winter vegetable market out of Florida completely."

[38] Industry responses to USITC telephone survey, May 1998.

[39] It is probable that Cuba's re-entry into the U.S. market would also affect other suppliers, such as Mexico and Caribbean Basin producers.

[40] Armando Nova González, Maria Antonia Fernandez Mayo, Anne E. Moseley, John VanSickle, Carlos Jauregui and Douglas E. Smith, "Cuban Vegetable and Tropical Fruit Industries," excerpted section from *The Vegetable and Tropical Fruit Industries in Cuba and Florida*, University of Florida, Department of Food and Resource Economics, International Working Paper No. IW96-7, Apr. 1996.

[41] Industry responses to USITC telephone survey, May 1998.

[42] Florida Citrus Mutual in written comments submitted to the USITC, May 8, 1998.

[43] Industry responses to USITC telephone survey, May 1998.

effect on trade or the U.S. domestic sugar industry.[44] Beyond this, if sanctions were lifted, it is estimated that a capital investment of $1 billion or more would be required to repair the aging infrastructure of the Cuban sugar industry for it to become a viable competitor in world markets.[45]

Cigars.– Although Cuban and U.S. cigars are not regarded by the U.S. industry as directly substitutable, U.S. cigar industry sources have stated in the past that lifting the U.S. unilateral sanctions against Cuba would be "highly disruptive and damaging to the U.S. industry."[46] A trade association representing the U.S. cigar industry indicated that lifting sanctions would allow Cuban cigars into the U.S. market but may not allow U.S. domestic producers into the Cuban tobacco market, which is controlled by a Cuban state monopoly. This may place the U.S. domestic industry at a competitive disadvantage given the prestige of "Havana tobaccos."[47] The cost to consumers of limited choices was not examined.[48] It is also reported, however, that opening the U.S. market to Cuban cigars could increase consumer interest in cigars in general, thus benefitting U.S. cigar producers.[49]

Fish

At various times since the 1980s, the United States has imposed bans on imports of tuna (fresh, frozen, or canned) from Mexico and other trading partners that have been harvested in ways that endanger dolphins.[50] The effect of the bans has been to limit the availability of fresh or frozen tuna used as raw material by canneries, and thereby limit the availability of canned tuna to supermarkets and other seafood retailers.[51] U.S. competitiveness vis-à-vis foreign firms was virtually unchanged because the prohibition on the specified harvesting techniques applied equally to both domestic and foreign suppliers to the U.S. market. The sanctions have been relaxed, but not lifted, in recent years,[52] with no measurable effects on prices or production reported by U.S. firms.

Beginning in the early 1990s, domestic shrimp fishermen were required to use turtle excluder devices (TEDs) in order to preclude the accidental killing of sea turtles.[53] U.S. regulations issued to enforce the law have led to a number of legal actions,[54] court rulings, and appeals that have had varying real and potential impacts on the U.S. shrimp sector. Changes in regulations and court rulings have reportedly caused market disruptions and uncertainty in recent years. On the basis of USITC staff estimates of the value of trade being precluded, however, it appears that current U.S. unilateral economic sanctions are having little effect on the U.S. shrimp sector.

Forest products

Historically, exports of U.S. wood products to countries subject to U.S. unilateral economic sanctions have been small. In addition, exports by the U.S. paper and pulp industry are globally competitive; the United States is the world's dominant exporter of certain grades of paper.[55] While industry exports are constrained by the imposition of economic sanctions, the major countries subject to unilateral economic sanctions are minor markets for U.S. paper and pulp products. Importers of tropical wood products reported that State and local sanctions had some negative effect on their operations, but they were not able to quantify sales lost due to sanctions– although it was estimated that these losses are small.[56]

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[44] The effect would be the same if Cuba were given a share of the overall TRQ, but the overall quantity permitted was left unchanged.

[45] Industry responses to USITC telephone survey, May 1998.

[46] Cigar Association of America, Inc., in a letter to the U.S. Trade Representative, Sept. 15, 1994.

[47] U.S. producers argue that they were compelled to develop, at great cost, alternative sources for cigar tobacco, because at the time of the imposition of the embargo, U.S. cigars were produced using significant amounts of Cuban tobacco.

[48] These costs were not examined because of the difficulty in measuring the cost to cigar smokers prevented from purchasing Cuban cigars.

[49] Industry responses to USITC telephone survey, May 14, 1998.

[50] These bans were imposed under the authority of the Marine Mammal Protection Act, which is summarized in table 2-1.

[51] This effect of U.S. unilateral economic sanctions on U.S. consumers is described in ch. 1 and in table 1-1.

[52] As discussed in note 12 to table 2-1, the United States became a signatory to the International Dolphin Conservation Program in May 1998. Once ratified by signatories, this program will replace national trade restrictions with multilateral commitments.

[53] Table 2-1 and Richard E. Gutting, Jr., *The U.S. Shrimp Embargo– An Update*, National Fisheries Institute, Apr. 15, 1997.

[54] Table 2-1 and USTR, "USTR to Challenge Draft Shrimp-Turtle Report at WTO," press release 98-29, Mar. 17, 1998.

[55] U.S. exports of packaging papers, such as kraft liner board and solid bleached sulfate board, dominate global trade. The United States also ships about one-half of all waste paper on the global market. U.S. exports of wood pulp, the high-quality papermaking input, are globally competitive.

[56] Elizabeth Pease, Government Affairs Director, International Wood Products Association, telephone interview with USITC staff, Apr. 22, 1998, and Don Schramm, General Manager, Georgia Pacific Corporation, telephone interview with USITC staff, May 1, 1998. See also the written submission from Dean Hardwoods, Inc., summarized later in this chapter.

Chemicals and Energy

Chemicals

One large U.S. pharmaceutical company official reported minimal impact on the firm during the past 5 years as a result of U.S. unilateral economic sanctions.[57] Conversely, a spokesperson for a large, U.S. multinational chemical company reported that, as a result of sanctions, it experienced a loss of reputation as a reliable supplier and a decline in competitiveness relative to foreign companies unrestricted by sanctions. In Iran, this company reportedly experienced lost sales of $5 million per year. In Sudan, U.S. unilateral economic sanctions reportedly prevented this company from bidding on a $1 million contract for agricultural chemicals, and in Cuba, the company estimated a loss of $1 million in annual sales of agricultural chemicals.[58]

Another representative of a large chemical company stated that U.S. unilateral economic sanctions have interfered with its expansion plans by prohibiting investment in certain countries, such as Burma.[59] During the period the sanctions against Vietnam were in place, another chemical company received two licenses from the U.S. Department of the Treasury to send small samples of agricultural chemicals to Vietnam.[60] No sales were ever made under either license, but sales have been recorded since the sanctions against Vietnam were lifted. This firm also stated that, after the lifting of sanctions against Vietnam, it was nearly impossible for this company to compete in Vietnam because foreign companies were already well established there.[61]

Energy[62]

According to respondents, the most significant U.S. unilateral economic sanctions include the Iran-Libya Sanctions Act (ILSA), the Cuban Assets Control Regulations, and the Iranian Assets Control Regulations.[63] Also, selective purchasing ordinances enacted in Massachusetts; Oakland, California; and New York City were reported as having adversely affected one large, multinational energy company interviewed by USITC staff.[64]

One company reported that U.S. unilateral economic sanctions have had a modest to substantial adverse impact on its operations, particularly in the Middle East, Vietnam, and Cuba.[65] Foreign companies reportedly are less likely to enter into joint venture projects with this company in certain regions of the world for fear that new economic sanctions could be imposed. Also, this company reported that it has been forced to invest in more expensive and less desirable upstream projects in remote areas (such as deep water and jungles) that, without sanctions, it otherwise might not have considered. Officials of this company also reported that the compliance costs associated with U.S. unilateral economic sanctions puts U.S. companies at a disadvantage vis-à-vis foreign competitors. This company reported that it has lost contracts to foreign competitors because of the prohibitions associated with U.S. economic sanctions.[66] The company estimated the costs in lost opportunities for a global company to be in the billions of dollars.[67]

This same company reported that a firm could re-enter markets after the lifting of sanctions only after making many concessions. For example, in South Africa,[68] this firm reportedly said it incurred high costs to re-enter the market and will never achieve the level of asset ownership and business activity in South Africa that it had prior to the imposition of economic sanctions against that country. Other large, multinational energy companies surmised that they will continue to lose contracts to competing foreign companies, to lose technology and assets, and to face increased marketing costs as a direct result of U.S. unilateral economic sanctions.[69]

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57 Industry response to USITC telephone survey, May 8, 1998.

58 Industry response to USITC telephone survey, May 11, 1998.

59 Industry response to USITC telephone survey, May 7, 1998.

60 Industry response to USITC telephone survey, May 11, 1998.

61 Industry response to USITC telephone survey, May 7, 1998.

62 This survey was completed prior to the Presidential modification and waivers to the Iran-Libya Sanctions Act granted to some foreign investors in Iran, May 19, 1998.

63 ILSA is summarized in table 2-1. The Cuban and the Iranian Assets Control Regulations are summarized in table 2-1.

64 Industry response to USITC telephone survey, May 1998.

65 Ibid.

66 Ibid.

67 Ibid.

68 Ibid. USITC staff note that economic sanctions against South Africa were multilateral and have been terminated, thus are outside the scope of this report. The UN Security Council called for all countries to break diplomatic relations with South Africa in 1961; subsequently, many countries independently implemented various economic sanctions against South Africa. As a result of the establishment of "homelands" by the South African government in 1974, the UN Security Council called for all international business relations with South Africa to be stopped. Although sanctions against South Africa were multilateral, many countries implemented them differently and permitted varying degrees of business relations to be conducted with South Africa. The UN called for economic sanctions against South Africa to be lifted in 1993, after the South African government announced a timetable for majority rule and all-race democratic elections.

69 Ibid.

It was reported that foreign petroleum companies with activities in countries subject to U.S. unilateral economic sanctions tend to avoid substantial investment in the United States because such investment would make them vulnerable to "secondary boycott" provisions of U.S. economic sanctions. For example, one foreign energy company reportedly will not invest in U.S. projects because of penalties it would incur under ILSA.[70]

Minerals, Metals, Machinery, and Miscellaneous Manufactures

A number of countries targeted or threatened with U.S. unilateral economic sanctions are among export destinations for U.S. minerals, primary and fabricated metals, machinery, and various manufactures. These countries include Angola, Azerbaijan, Burma, China, Colombia, Cuba, Iran, Libya, North Korea, Russia, Sudan, Syria, and the Federal Republic of Yugoslavia. Products and services exports broadly affected by sanctions include infrastructure development, such as machinery and equipment for power generation, power transmission, and distribution; refrigeration; and machine parts, including bearings, valves, and certain castings and forgings.[71]

Respondents' views toward sanctions[72] ranged from trusting U.S. Government institutions to make sound judgments pertaining to sanctions, to opposing all sanctions on principle.[73] Those firms opposing sanctions indicate that these measures create uncertainty, increase business risks, and impose significant compliance costs.[74] Several respondents indicated that their companies have formal export programs designed to ensure compliance with all U.S. restrictions.[75] Most respondents indicated that sanctions have a minimal to modest economic impact overall; several said that effects could be significant with respect to certain areas of business activity, such as exports of infrastructure-related machinery and parts, and certain countries, such as Sudan. While most respondents (14 associations and 32 companies) stated that U.S. economic sanctions have no direct effects on their operations because they do not export, several firms and associations stated there are minimal indirect effects in the form of diminished sales of components or other material inputs to consumers whose exports of goods actually or potentially are subject to economic sanctions. Some respondents stated that the potential U.S. economic sanctions against Mexico,[76] which is a principal trading partner, could be significant.[77]

An equipment manufacturer and an engineering design firm offered quantitative estimates of the effects of sanctions on their operations, which ranged from $250,000 to $45 million.[78] The first figure represents sales lost due to the imposition of sanctions against client countries; the second, the total amount of sales revenues expected from a large-scale project plus follow-on sales and service. Respondents stated that the effect of sanctions on their total global exports,[79] sales (including prospective sales), and production ranged from minimal to modest, with responses about evenly split between the two ranges. Most companies reported minimal or no effect on their imports, investment,[80] employment, exports, and research and development. Two companies stated that sanctions have a minimal effect on spending for research and development,[81] while another 14 companies reported sanctions have no impact. The majority of companies responded that sanctions do not generally lead to a diversion of exports, imports, production, or employment to third countries.

Company responses were mixed regarding the effect of U.S. unilateral economic sanctions on competitiveness, access to foreign materials, relationships with foreign suppliers, and each firm's reliability as a supplier. Only half of the respondents indicated that sanctions have an effect on their firm's competitiveness. Among those responding that sanctions do affect competitiveness, some stated that

[70] Ibid.

[71] A number of domestic manufacturers and their associations in this sector produce specific product lines and are engaged in specific industry sectors; hence, product and industry designations have been withheld to avoid revealing identities of individual respondents providing attributable remarks.

[72] Based on industry responses to USITC telephone survey, May 1998.

[73] Industry representative, written correspondence to USITC staff, Apr. 29, 1998.

[74] Arthur Downey, Vice President, Government Affairs, Baker-Hughes, Inc., testimony before the Commission, May 14, 1998.

[75] Industry representatives, survey response via facsimile to USITC staff, Apr. 28, 1998; and written correspondence to USITC staff, Apr. 29, 1998.

[76] Mexico is reviewed annually pursuant to sec. 490(b)(1)(A) of the Foreign Assistance Act of 1961, as amended, regarding its efforts to reduce illicit drug production and distribution.

[77] Industry representative, written correspondence to USITC staff, May 7, 1998.

[78] Industry representatives, survey responses via facsimile to USITC staff, Apr. 28 and May 14, 1998.

[79] Reporting companies are those believed to be active exporters. As noted earlier, products affected by sanctions tend to be infrastructure-related machinery and equipment. However, most U.S. minerals- and metal-producing and fabricating companies' sales are domestically oriented.

[80] One company reported the effect of sanctions on its foreign investment was modest, while two firms reported the effects were signigicant. In one of these cases, the firm closed its company-owned operation in the foreign market.

[81] Industry representatives, survey responses via facsimile to USITC staff, May 20, 1998.

they were forced to exit sanctioned markets entirely. Consequently, in one case, a company closed its foreign subsidiary,[82] while another firm relinquished distribution channels.[83] Market exits by U.S. firms enhanced the ability of competing foreign firms to enter relinquished markets. For example, respondents reported that companies headquartered in Mexico, Indonesia, and Singapore entered markets that were targeted by U.S. unilateral sanctions. Five companies stated that sanctions limit their ability to obtain export financing through various government agencies,[84] with one specifying the Eximbank.[85] No respondents specified OPIC or other U.S. Government entities as sources of export assistance that were denied due to sanctions.

Where sanctions have been lifted, some firms have indicated that they may re-enter markets only with difficulty or by making concessions; others indicated that such markets will remain closed to U.S. companies for the foreseeable future. Where U.S. firms have re-entered markets, they reportedly have incurred high costs for the development of new distribution channels and marketing.[86]

Electronic Technology and Transportation

The U.S. unilateral economic sanctions identified as being most harmful by firms in the electronics and transportation industries were those prohibiting exports, although respondents found the effects of these sanctions to be minimal, not affecting more than 1 percent of total sales or 5 percent of export sales. Even so, such losses may reach significant levels; one firm in the electronic and physical security industry affected by sanctions claimed losses of less than 1 percent of the company's annual sales, but that still amounted to a $10 million sales loss. Another company in the electronic sector estimated that it had lost $60 million to $100 million in export sales over the course of 5 years as a result of sanctions.[87] A company in the automotive products industry noted a lost opportunity to export goods valued between $6 million and $10 million, accounting for as much as 10 percent of the company's production. In addition to current monetary losses, respondents also reported lost contracts to Asian and European competitors, who established long-term relationships precluding U.S. respondents from winning future contracts.[88]

One U.S. motor vehicle producer noted that State and local sanctions have potentially greater effects than national-level sanctions, affecting procurement and the divestiture of stock. In addition, State and local sanctions are easier to enact and have a more immediate effect. Yet, despite this, the firm noted that the effects of State and local sanctions on the firm's imports, exports, foreign investment, and sales were minimal. The effect on prospective sales was presumed to be minimal, but the respondent noted that what was lost is not really known. Another U.S. motor vehicle manufacturer noted that it had not been affected by sanctions.[89]

Several respondents stated that they would not object to sanctions if the tool was effective in changing the policies of the target countries, but that sanctions seemed only to penalize U.S. companies and benefit non-U.S. competitors. One company noted that it re-entered a market only with difficulty after a sanction was lifted. Other firms identified the need to re-establish costly distribution networks once sanctions were lifted.[90]

Service Industries

None of the entities contacted could provide any quantitative information concerning the effects of sanctions on trade, employment, investment, or other operational factors. Given the size and development stage of the markets in question, however, the quantitative effect of economic sanctions on U.S. service industries is not likely to be substantial.[91]

In terms of qualitative responses, service industries reported that they generally opposed sanctions on principle, as sanctions foreclose new market opportunities and increase the level of uncertainty. For many, State and local sanctions are viewed as being more problematic than national-level sanctions because the former introduce even greater uncertainty and compound compliance costs. While many service firm respondents were opposed to sanctions, only very large firms in the major infrastructure industries of construction, financial services, and telecommunications appear to be significantly affected. Construction firms report that sanctions affect them particularly when bidding for long-term foreign infrastructure projects, as U.S. firms may be perceived as less reliable in comparison with European or Japanese competitors.[92]

[82] Industry representative, survey response via facsimile to USITC staff, May 7, 1998.
[83] Industry representative, survey response via facsimile to USITC staff, May 6, 1998.
[84] Industry representative, survey response via facsimile to USITC staff, May 6, 1998.
[85] Industry representative, survey response via facsimile to USITC staff, Apr. 28, 1998.
[86] Based on responses to USITC telephone survey, May 1998.
[87] Industry response to USITC telephone survey. May 1998.
[88] Ibid.
[89] Ibid.
[90] Motor vehicle manufacturer representatives, telephone interview with USITC staff, May 13, 1998.
[91] Based on industry responses to USITC telephone survey, Apr.-May 1998.
[92] Ibid.

Major multinational financial service firms indicated that they are particularly vulnerable to U.S. unilateral economic sanctions because they often operate through affiliates in overseas markets. As direct market participants, they may receive political pressure to influence either the foreign or U.S. Government when sanctions are imposed. In addition, a U.S. company or affiliate in a foreign market may become an easy and visible target for popular protests or retaliatory actions, which can place staff in danger and impose additional costs. Sanctions also have a direct effect on the operations of financial service firms. In response to the threat of sanctions, targeted countries often withdraw all funds from U.S. banks to ensure that their funds will not be frozen. For similar reasons, even third countries may become reluctant to deposit money in U.S. banks. Also, while banks use costly electronic filtering software to monitor compliance with sanctions, the software is not perfect and is not available for all transactions, necessitating manually intensive verifications that delay service delivery.[93]

With respect to telecommunication services, U.S. firms reported that they are affected by sanctions and are concerned by the frequency with which sanctions are being applied. Countries cited as being the target of relevant sanctions include Colombia, Cuba, Iran, Libya, and Vietnam. The effects of sanctions include foregone business opportunities as well as political and operational difficulties encountered by foreign-based affiliates.[94]

Concerning the effects of sanctions even after their removal, respondents stated that their reputation is weakened while foreign competitors are strengthened by the market opportunity afforded as a result of U.S. withdrawal. In particular, construction service firms reported that the imposition of U.S. unilateral economic sanctions brands them as unreliable providers, and such a reputation may persist long after a particular sanction has terminated. In addition, when a U.S. firm drops out of a particular project or market, firms from other countries gain an opportunity to demonstrate their capabilities; this may translate into increased market share and a stronger competitive position for the foreign firms. Financial service firms similarly reported that, in cases where services are provided in cooperation with contracting third parties, such as credit card services, the imposition of economic sanctions may force the termination of these contracts and allow them to be taken over by competitors from other nations. Once sanctions are no longer in effect, U.S. firms would likely find their foreign competitors in a stronger competitive position, and their former partners would have little incentive to re-establish their original contracts.[95]

[93] Ibid.
[94] Ibid.
[95] Ibid.

Summary of Hearing Testimony and Written Submissions[96]

The Commission held a public hearing for this investigation on May 14, 1998. A copy of the *Federal Register* notice for that hearing and request for written submissions appears as Appendix B. A total of 11 individuals testified at the hearing, including 1 representative of agricultural interests; 2 industry representatives; 2 individuals who testified on behalf of USA-Engage, a coalition representing U.S. industries and associations opposed to U.S. unilateral economic sanctions; 4 representatives of private sector associations; and 2 economists who have conducted research on the topic of economic sanctions. In addition, written submissions were received from one citrus growing association, one hardwood lumber manufacturer, and one individual in academia.

All of the industry and association representatives testified that U.S. unilateral economic sanctions adversely affect the ability of U.S. businesses to operate competitively in world markets. Among the consequences of U.S. unilateral economic sanctions most typically encountered, they cited foregone exports and lost export-related jobs. The industry and association representatives also testified that unilateral economic sanctions have indirect costs, such as the reduced reliability of U.S. firms as international suppliers. Throughout the testimony and in response to questions posed by the Commission, witnesses made numerous references to “opportunity costs” (i.e., the costs of foregone export sales and the costs of foregone market presence), but none was able to provide formal quantitative estimates of such costs.

Nearly all of the witnesses testified, or indicated in their responses to questions from the Commission, that it is difficult to measure all of the costs or quantify all of the effects of economic sanctions. The two economists who testified discussed in their testimony and in response to questions from the Commission, the relative strengths and weaknesses of a variety of quantitative methods that have been or could be used to analyze the costs and effects of economic sanctions. They stated that research to date has not investigated the effects of economic sanctions on trade in services or on foreign investment; however, they noted that services and investment can be factored into most quantitative techniques. Both of the economists indicated that surveys and anecdotal information can contribute significantly toward understanding the nonquantifiable effects of sanctions.

[96] See transcript of the public hearing of the USITC, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*. Inv. No. 332-391, May 14, 1998.

Several witnesses discussed the complexity of U.S. laws regarding economic sanctions, and the administrative and financial burdens imposed by the measures that the private sector must undertake to comply with these laws. Most of the witnesses presented their views on the effectiveness of U.S. unilateral economic sanctions as a policy instrument. Many stated that, if sanctions are to achieve their stated goals, they should be applied multilaterally rather than unilaterally; that unilateral sanctions are too often imposed without adequate evaluation of either their likely effectiveness or economic consequences; and that U.S. unilateral economic sanctions sometimes have unintended consequences that reinforce or permit the continuation of practices that the sanctions were intended to change. Additional highlights of the hearing testimony follow.

Ed Wiederstein, American Farm Bureau Federation (AFBF)

Mr. Ed Wiederstein testified on behalf of the American Farm Bureau Federation.[97] AFBF was the only agricultural organization that provided testimony at the hearing. The AFBF is an independent, nongovernmental, voluntary organization, reportedly representing 4.7 million farming families in the United States and Puerto Rico, with members from all sectors of U.S. agriculture.

With trade accounting for over 30 percent of U.S. agricultural production, the AFBF, a member of USA-Engage, has a longstanding policy opposing trade restraints, including U.S. unilateral economic sanctions. Mr. Wiederstein argued that unilateral trade sanctions are sanctions against U.S. firms and destroy these firms' reputation as reliable suppliers. The AFBF believes that trade should not be tied to social reforms or labor or environmental standards in other countries; that all agricultural products should be exempt from all U.S. trade sanctions except in the case of armed conflict; that if trade restrictions should be declared in case of armed conflict, the restrictions should apply to all trade, technology, and exchanges; that trade sanctions should not be declared without the consent of Congress; that the threat of trade sanctions adversely affects markets and is an inappropriate tool in the implementation of foreign policy; that if trade sanctions are enacted, U.S. farmers should be compensated by direct payment for any resulting loss; and that all export contracts calling for delivery of agricultural commodities or products within 9 months of date of sale should never be interfered with by the U.S. Government, except following an embargo consented to by Congress.

According to the AFBF, the growth of soybean production in South America, primarily Brazil, was a direct result of the trade sanctions in the 1970s and 1980s. Similarly, the U.S. restrictions against sales of grain to the former Soviet Union in the 1980s cost the United States about $2.8 billion in lost agricultural export earnings, according to AFBF. When the United States cut off sales of wheat to protest the Soviet invasion of Afghanistan, other suppliers, such as France, Canada, Australia, and Argentina, stepped in. Russia still appears to restrict purchases of American wheat, fearing the United States may again use food exports as a foreign policy weapon, Mr. Wiederstein testified. He stated that when any type of trade sanction is threatened or imposed, U.S. agriculture is the first industry to be hit in retaliation. For instance, during the U.S.-Japan automobile parts debate, when Japan released its proposed retaliation list in response to the U.S. threat of imposed sanctions on Japanese automakers– agricultural products were at the top of the list. Thus, according to the AFBF, merely the threat of sanctions puts American agricultural exports at risk.

Harold A. Wagner, Air Products and Chemicals, Inc.

Mr. Harold A. Wagner of Air Products and Chemicals, Inc., testified[98] that as a result of U.S. sanctions, U.S. companies cannot compete in– and indeed are forced to withdraw from– certain markets, thus putting them at a competitive disadvantage vis-à-vis foreign companies. Mr. Wagner testified that the competitiveness of U.S. companies is further harmed by extraterritorial U.S. sanctions laws that apply to foreign companies doing business in the target country.

The extraterritorial component of ILSA, according to Mr. Wagner, has created a rift with our European allies,[99] which adversely affects his company. Mr. Wagner cited the examples of three foreign oil and

[97] Ed Wiederstein, President, Iowa Farm Bureau, testimony before the Commission, May 14, 1998.

[98] Harold A. Wagner, Chairman of the Board and Chief Executive Officer, Air Products and Chemicals, Inc., testimony before the Commission, May 14, 1998, Washington, DC.

[99] The European Union (EU) has voiced strong opposition to ILSA, and has enacted blocking legislation that is designed to prevent companies in the EU from complying with ILSA. An April 1997 U.S.-EU statement on an "Understanding on the Libertad Act" reiterated the U.S. commitment to implement ILSA, and committed both the United States and the EU to work together toward the objective of reaching terms that would warrant the granting of waivers to companies in the EU under section 4(c) of ILSA. Assistant Secretary Alan Larson, Bureau of Economic and Business Affairs, U.S. Department of State, testimony in hearing before the Committee on International Relations, House of Representatives, Congress, July 23, 1997.

gas companies, based in France, Russia, and Malaysia, seeking to enter into contracts to develop Iran's South Pars gas field. These three companies are important customers for liquefied natural gas (LNG) heat exchangers manufactured by Air Products and Chemicals in its Wilkes-Barre, PA, facility. Mr. Wagner expressed the concern that if the three companies enter into contracts with Iran, they would become subject to ILSA sanctions; in retaliation for the U.S. sanctions, the three companies could refuse to purchase the LNG heat exchangers from U.S. firms such as Air Products and Chemicals.[100] While ILSA and other sanctions were reported to have no major direct impact on Air Products and Chemicals, the greatest concern expressed by Mr. Wagner was that foreign companies may be less likely to enter into joint venture projects with U.S. firms for fear that U.S. unilateral economic sanctions might be imposed at any time during the 20- to 30-year lifetime of the typical gas liquefaction project.

William C. Lane, Caterpillar, Inc.

Mr. William C. Lane, representing Caterpillar, Inc., spoke in opposition to the unilateral imposition of economic sanctions.[101] Caterpillar is one of the founding members of USA-Engage and currently chairs the organization. Caterpillar produces a broad range of agricultural, mining, construction, and petroleum-related machinery, and related parts. The company also designs, manufactures, and markets engines for these and other types of earthmoving and construction machines, on-highway trucks, and locomotives. Its manufacturing activities are integrated worldwide and conducted in 40 plants in North America, the European Union, China, Australia, Brazil, Hungary, Indonesia, Poland, Russia, and Sweden.

Mr. Lane provided qualitative information at the hearing on the sanctions-related effects of lost export sales, lost revenues, and the enhanced position of its competitors. He mentioned that the company's sales in Russia currently suffer from the lingering effects from the U.S. embargo of exports of pipelaying equipment for the Soviet gas pipeline project in the early 1980s, and then provided several more recent examples of the effects of unilateral economic sanctions:

- The prohibition of U.S. Export-Import Bank (Eximbank) financing for projects in Colombia caused Caterpillar[102] to lose sales of mining equipment to the coal industry in Colombia during 1996-97.[103] Withdrawal of export financing during that period also enhanced the competitiveness of European suppliers of mining equipment, enabling these manufacturers to enter the Colombian market for the first time.

- The prohibition of Eximbank financing for sales of construction equipment for the Yangtze Three Gorges Dam project in China.[104] Caterpillar reported that the unavailability of Eximbank financing gives foreign companies a competitive edge.

- Additional U.S. export restrictions imposed on Iran in 1995[105] caused all of Caterpillar's exports to Iran to cease, to the advantage of European competitors.

- Caterpillar reportedly lost a sale of diesel engines to a Canadian customer in 1997 because the customer feared possible sanctions-related penalties on equipment destined for the Middle East.

[100] Subsequent to the Commission's hearing, the United States announced a decision waiving the penalties on these three firms. Secretary of State Albright stated that "granting waivers will prevent retaliation against U.S. firms.. Secretary of State Madeleine K. Albright, "Statement on Iran and Libya Sanctions Act: Decision in the South Pars Case," May 18, 1998.

[101] William C. Lane, President, Caterpillar, Inc., testimony before the Commission, May 14, 1998, transcript, pp. 50–51.

[102] According to officials at Caterpillar, Eximbank financing is critical in sales of capital equipment. USITC staff conversation with official from Caterpillar, Inc., on May 27, 1998.

[103] In 1996 and 1997, Colombia was denied certification pursuant to sec. 490 of the Foreign Assistance Act of 1961 (FAA) for its failure to take steps to reduce illegal narcotics production. Consequently, Colombia was prohibited from receiving U.S. economic assistance and denied eligibility for certain U.S. Government programs, including Eximbank financing. In 1998, Colombia again was denied full certification under sec. 490 of the FAA; however, Colombia was granted a "vital national interests justification," making Colombia currently eligible for U.S. economic assistance and Eximbank programs. The FAA is summarized in table 2-1.

[104] Although Eximbank public sector project financing is generally available for China (China is Eximbank's largest customer in Asia), statutory environmental procedures and guidelines under the Export-Import Bank Act, as amended, prohibit Eximbank financing for projects that do not meet certain environmental guidelines. Martin A. Kamarck, President and Chairman, Eximbank, press conference on the Three Gorges Dam in China, May 30, 1996, transcript. The Export-Import Bank Act is summarized in table 2-1.

[105] President Clinton issued Executive Order 12957 on Mar. 16, 1995, prohibiting U.S. involvement with petroleum development in Iran, and Executive Order 12959 on May 6, 1995, further tightening U.S. unilateral economic sanctions against Iran.

- U.S. unilateral economic sanctions against Sudan imposed in November 1997 reportedly caused Caterpillar to lose export sales. One of its long-term distributors there may have to purchase from the Japanese in order to stay in business. Caterpillar is currently unable to obtain the necessary waiver from OFAC for exports of parts for agricultural machinery.

Frank Kittredge, National Foreign Trade Council, on Behalf of USA-Engage

Mr. Frank Kittredge[106] testified that the U.S. business community does not disagree with many of the goals of U.S. sanctions– to promote democracy and to discourage unacceptable practices– but that unilateral economic sanctions are an ineffective tool that imposes costs on U.S. businesses while diminishing U.S. influence and presence abroad. He stated that the extraterritorial component of some U.S. economic sanctions disrupts relations with our allies, and the proliferation of U.S. economic sanctions– by the Federal government and by States and localities– is problematic. Moreover, U.S. unilateral economic sanctions have an unsuccessful track record in affecting economic activities in the global marketplace. Indeed, according to Mr. Kittredge, "[t]he U.S. does not enjoy the ability to affect activities in the marketplace by withdrawing its products from the marketplace."[107]

Acknowledging the difficulties in estimating the total costs to U.S. businesses of economic sanctions, USA-Engage reported that the Institute for International Economics (IIE) estimates that U.S. exports valued at $15 to 20 billion annually are lost because of U.S. economic sanctions, resulting in a consequent loss of 200,000 to 250,000 export-related U.S. jobs.[108] Mr. Kittredge stated that lost export sales are an increasingly important issue as the United States becomes more reliant on exports to promote and maintain economic growth. In addition to the direct costs of lost exports and lost jobs, sanctions cost U.S. business entry into important developing markets, "with opportunities for business that once lost are very hard to recover."[109] U.S. unilateral economic sanctions, or the possibility that the United States might some day enact sanctions against a country, contribute to the perception that U.S. businesses are unreliable suppliers– and foreign competitors often use this possibility to their own advantage to disparage U.S. suppliers.

Mr. Kittredge stated that unilateral economic sanctions force U.S. firms to become disengaged from foreign markets. This disengagement is another source of costs for U.S. businesses and for U.S. security interests. Such costs were explored using an example of U.S. economic sanctions against China. U.S. economic sanctions, imposed after the July 1989 military suppression of student-led protesters at Tiananmen Square prevented U.S. firms from participating in the bids for China's purchase of nuclear equipment despite China's desire to purchase from the United States. Not only were U.S. businesses prevented from participating in this $15.8 billion project, which went instead to Canadian, German, and Japanese companies, but the United States lost an important opportunity for engagement with China on the Chinese nuclear program.

Arthur Downey, Baker-Hughes, Inc., on Behalf of USA-Engage

Mr. Arthur Downey[110] offered several comments on the process by which unilateral economic sanctions are enacted in the United States. He stated that certain legislative procedures lack transparency and ultimately entail costs and harm the competition of U.S. businesses. According to Mr. Downey, in some instances sanctions have been implemented without a public hearing– which means that Congress lacked perspectives of the U.S. business community. Mr. Downey also stated that the lag in drafting U.S. implementing legislation for sanctions that have been announced is particularly onerous for U.S. businesses. He noted that implementing regulations for U.S. unilateral economic sanctions against Sudan and Burma had not been drafted as of the date of the Commission's hearing,[111] and, as a result, U.S. businesses are forced to interpret Executive Orders on their own. Mr. Downey stated that the uncertainty created by the absence of implementing regulations may mean that some companies avoid doing business that in fact might be permitted, rather than risk the penalties of violating sanctions. Mr. Downey also criticized the shift of some of the sanctions implementation functions away from the U.S. Department of Commerce, which is set up to deal with the U.S. business community of importers and

[106] Frank Kittredge, President, National Foreign Trade Council and Vice President, USA-Engage, on behalf of USA-Engage, testimony before the Commission, May 14, 1998.

[107] Ibid., testimony, pp. 34-35.

[108] See the testimony of Kimberly Elliott, research fellow of the IIE, summarized later in this chapter.

[109] Kittredge, testimony, p. 37.

[110] Arthur Downey, Vice President, Government Affairs, Baker Hughes, on behalf of USA-Engage, testimony before the Commission, May 14, 1998.

[111] Implementing regulations for the Burma and Sudan sanctions were published on May 21, 1998 and July 1, 1998, respectively– after the Commission's hearing for this investigation.

exporters, to the U.S. Department of the Treasury, which traditionally has focused more narrowly on the banking community.

Mr. Downey also addressed the topic of State and local sanctions. He reported that State and local sanctions can be at odds with national foreign policy, and he cited the example of U.S. unilateral economic sanctions against Burma. According to Mr. Downey's testimony, compliance with federal law, which prohibits only new investment in Burma and transactions that do not entail the acquisition of assets in Burma, does not guarantee compliance with the more restrictive State or local sanctions against Burma.[112] As a result, some U.S. companies may forego business opportunities or investments in specific States or local communities that have sanctions against Burma rather than forego permitted business activities in Burma.

Mr. Downey also indicated that the proliferation of State and local sanctions makes the process of removing sanctions cumbersome. Whereas Federal sanctions laws need only be repealed one time, each State or locality must repeal its own sanction– a process that can take a long time. To this, Mr. Downey added, the compliance-related legal costs of monitoring U.S. unilateral economic sanctions and compliance with those sanctions creates financial and organizational burdens for U.S. businesses. Companies are forced to set up internal compliance programs; for large, multinational companies with many foreign subsidiaries, such costs can add up to hundreds of thousands of dollars.

Mr. Downey also spoke about some of the more indirect costs of unilateral economic sanctions. He reported that specific sanctions may have differential effects on U.S. businesses. For example, sanctions prohibiting Eximbank financing may be especially debilitating for major exporting companies, but may not be important to companies that do not rely on export financing. Mr. Downey also stated that the forced absence of U.S. businesses in foreign markets as a result of U.S. unilateral economic sanctions means that smaller, less reliable foreign competitors have an opportunity to enter markets and gain experience at the expense of U.S. firms. Moreover, Mr. Downey concluded, by imposing economic sanctions, the U.S. Government puts U.S. businesses at a disadvantage in global markets– instead of encouraging U.S. firms to be engaged in foreign markets, sanctions strengthen foreign competitors by keeping U.S. companies out of markets.

[112] State and local sanctions against Burma are described in ch. 2.

Willard M. Berry, European-American Business Council (EABC)

The European-American Business Council is an organization of 80 European- and U.S.-owned companies that seeks to secure a more open trade and investment climate. Mr. William M. Berry testified[113] that EABC strongly opposes the use of unilateral economic sanctions for foreign policy purposes because such sanctions disrupt trade flows, stifle progress on multilateral trade and investment initiatives, and place a strain on bilateral trade relations– especially U.S.-EU relations.

EABC conducted a survey (mailed questionnaires) of European and U.S. companies engaged in transatlantic business to obtain business estimates of the economic impact of U.S. sanctions.[114] The EABC survey focused on nine types of U.S. sanctions drawn from current or proposed U.S. law. Those nine sanctions were provisions that: (1) deny U.S. visas to foreign executives; (2) deny U.S. bank loans and credits; (3) ban U.S. imports; (4) deny U.S. export licenses; (5) deny most-favored-nation (MFN) trading status to a particular country; (6) allow lawsuits against foreign investments; (7) deny Eximbank assistance; (8) deny OPIC assistance; and (9) deny procurement opportunities.

Of the 42 companies that responded to the EABC questionnaires, 23 were European-owned and 19 were U.S.-owned. According to EABC, 80 percent of the respondents reported that U.S. economic sanctions had harmed their global operations. Sanctions had a negative effect on the U.S. operations of 65 percent of the companies that responded. Respondents provided anecdotal information in 18 cases in which cumulative estimated lost business opportunities totaled $1.9 billion. U.S. companies accounted for almost 87 percent of this total, averaging a reported $130 million in lost business for each of the 18 cases cited.

Another finding of the EABC study was that the most common negative effects of sanctions were lost joint venture opportunities, fewer U.S. jobs, and severed supply relationships. Denial of U.S. entry visas to overseas executives was found to be of greater harm than any other sanction. Other

[113] William M. Berry, President, European-American Business Council, testimony before the Commission, May 14, 1998.

[114] As discussed in ch. 1, studies often use different definitions of the term "economic sanctions.. The EABC survey was designed with a focus on U.S. economic sanctions with extraterritorial application. EABC, *Is the Price Too High? The Cost of U.S. Sanctions Policies*, October 1997, p. 1. The EABC study was partially funded by a grant from the European Commission.

sanctions that were found to be particularly harmful were those denying U.S. bank loans and credits, import bans from overseas companies, and denial of U.S. export licenses. For U.S.-owned firms, denying MFN status to strategic countries imposed the greatest hardship. In examining existing sanctions laws, State and local sanctions affected 70 percent of the surveyed companies. ILSA had affected 66 percent of the respondents. The Cuban Liberty and Democracy Act (also known as the Libertad Act or the Helms-Burton Act)[115] adversely affected 64 percent of responding companies. U.S. export controls had harmed 61 percent of those that responded.

According to EABC, U.S. sanctions have blocked market-opening initiatives, disrupted trade and investment flows between the United States and Europe, and undermined the credibility of U.S. leadership in advancing stronger and more effective international trade and investment rules. U.S. efforts to gather multilateral cooperation to deal with Cuba, Iran, and other nations are constrained by sanctions policies. EABC noted that the EU has enacted legislation to prevent companies in the EU from complying with the Libertad Act and ILSA– thus making some multinational companies subject to conflicting national laws.

Ernest Z. Bower, U.S.-ASEAN Business Council, Inc.

According to the testimony of Mr. Ernest Z. Bower,[116] a top priority of the U.S.-ASEAN[117] Business Council is to oppose U.S. unilateral economic sanctions. Mr. Bower testified that unilateral economic sanctions damage U.S. companies' reputation as reliable suppliers and the U.S. Government as a reliable partner. State and local sanctions undermine the credibility and effectiveness of U.S. negotiators, according to Mr. Bower, and "depict U.S. companies as part of the problem rather than realizing that U.S. companies advance worker rights and welfare" in countries where they do business. Mr. Bower stated that engagement with Asian economies through "best practices" policies (i.e., promoting democratic values, fair pay, safe working conditions, and health and education benefits), rather than economic sanctions, is the best way to promote human rights and worker rights in Southeast Asia. He noted specifically that U.S. economic sanctions against Burma have created resentment among the ASEAN members, and have harmed U.S.-ASEAN relations.

Mr. Bower reported that U.S. economic sanctions undermine U.S. credibility in ongoing efforts to support the economic recovery of ASEAN countries. He noted that, at a time when the Asian economies are lowering trade barriers and are being encouraged to introduce greater transparency in their trade policies, "the image of an uncontrolled U.S. drift toward sanctions undermines our credibility." Moreover, Mr. Bower stated that prohibiting certain U.S. investment, such as the Burma sanctions, undermines economic development prospects in Asia by undercutting the ability of U.S. companies to compete for regional infrastructure projects. He reported that, in the case of Burma, cutting off U.S. aid and prohibiting new U.S. investment has actually enlarged the role of the military regime and slowed the benefits of trade and investment for average citizens of that country.

Patricia Davis, Washington Council on International Trade

The Washington Council on International Trade is a private, nonprofit association representing a diverse group of companies– including aerospace and manufacturing, agriculture, services, forest products, education, high technology and biotechnology, apparel, and fisheries– in the State of Washington. Ms. Patricia Davis testified[118] that U.S. unilateral economic sanctions damage the State's trading relationships and the State's 800,000 jobs directly dependent on exports. Some examples of the effects of sanctions are as follows:

- Ederer Crane, a crane manufacturing company in Seattle lost $10 million in sales because of U.S. economic sanctions against China.

- PACCAR, a heavy truck manufacturer, and Ederer were unable to bid on millions of dollars of equipment sales for China's Three Gorges Dam project because U.S. unilateral economic sanctions prohibited the use of Eximbank loans for China.

[115] The Libertad Act is summarized in table 2-1.

[116] Ernest Z. Bower, President, U.S.-ASEAN Business Council, Inc., testimony before the Commission, May 14, 1998.

[117] The Association of South East Asian Nations, or ASEAN, comprises the countries of Brunei, China, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Taiwan, Thailand, and Vietnam.

[118] Patricia Davis, President, Washington Council on International Trade, testimony before the Commission, May 14, 1998.

- The apple and wheat industries face closure of markets because of U.S. unilateral sanctions that would be imposed under the proposed Wolf-Specter Religious Persecution Act.

- The Port of Seattle's reputation as a reliable port has been affected by sanctions because Vancouver, British Columbia, advertises that, unlike Seattle, Vancouver is not affected by the annual U.S. MFN renewal process for China. Moreover, U.S. unilateral economic sanctions (and the threat of possible future sanctions) may encourage the China Ocean Shipping Company, China's primary ocean carrier, to use the Port of Vancouver as its main northwest port of entry, rather than the Port of Seattle.

- Boeing is affected by MFN renewal for China because Airbus informs Chinese airlines that Boeing is not reliable. The claim is made that it is not certain that Boeing will be able to fulfill its contracts for new aircraft or for supplies and parts.

- An indirect effect of sanctions is that fewer trains and trucks move through the State of Washington because of diminished trade flows. Agriculture is affected as a result because there are fewer opportunities to take advantage of low-cost transportation costs from the back-haul of empty containers returning from the east.

Ms. Davis testified that unilateral economic sanctions are an ineffective tool in achieving U.S. foreign policy goals, and that only "a strong and engaged America can promote democratic freedoms." U.S. unilateral economic sanctions hurt U.S. companies and workers. Furthermore, she stated that national-level sanctions and support for boycotts, and selective purchasing ordinances at the State and local levels– such as those being considered for the second time by the Seattle City Council– make the United States appear unreliable.

Robert L. Muse, National Council on International Trade Development

The National Council on International Trade and Development is a private, nonprofit association representing a number of Fortune 500 companies, importers, exporters, bankers, carriers, forwarders, trade organizations, manufacturers and individuals with a common interest in trade facilitation. Mr. Robert L. Muse testified[119] primarily about U.S. unilateral economic sanctions as they apply to Cuba, and on the emerging tendency of other nations to retaliate against such U.S. extraterritorial laws. According to Mr. Muse, the Libertad Act marked a fundamental shift in U.S. policy because it is extraterritorial in its application and applies to the conduct of foreign companies in foreign countries.

Concerning the economic effects of U.S. unilateral sanctions against Cuba, Mr. Muse stated that the effects were difficult to fully quantify, but that there were indeed costs to the U.S. economy. He cited an example of the Spanish hotel group, Sol Melia, which is selling its properties in Miami in order to avoid liability under the Libertad Act for its activities in Cuba.

Further elaboration by Mr. Muse was provided in a written submission to the Commission.[120] In that article, Mr. Muse states that title III of the Libertad Act violates international law, while title II is not a legitimate exercise of State protection by the United States on behalf of Cuban Americans because Cuba did not breach any international legal obligation owed to the United States when it expropriated properties of Cuban nationals. Hence, Cuba incurred no state responsibility vis-à-vis the United States as a result of those expropriations. Mr. Muse indicated that it is difficult to quantify the impact of the Libertad Act on investment in the United States when companies do not invest in order to avoid being sued for activities in Cuba.

Bobby F. McKown, Florida Citrus Mutual

The Florida Citrus Mutual (FCM) is a cooperative association of 11,637 growers of citrus for processing and fresh consumption. FCM's membership accounts for as much as 90 percent of all grapefruit grown in the United States for processing and fresh consumption, and 80 percent of the oranges grown in the United States for processing into juice and other citrus products. FCM provided a written submission to the Commission.[121] FCM reported its members' concerns about the possible impact of future removal

[119] Robert L. Muse, General Counsel, Muse & Associates, on behalf of the National Council on International Trade Development, testimony before the Commission, May 14, 1998.

[120] Robert L. Muse, "A Public International Law Critique of the Extraterritorial Jurisdiction of the Helms-Burton Act (Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996)," *George Washington Journal of International Law and Economics* (1998).

[121] Bobby F. McKown, Executive Vice President and CEO, Florida Citrus Mutual, written submission to the Commission, received May 11, 1998.

of U.S. unilateral economic sanctions against Cuba. FCM stated:

> *While any unilateral trade restriction may have the effect of restraining U.S. exports to potentially important markets, or affording our trading partners a competitive advantage in such markets, it must also be recognized that some sanctions have beneficial effects on U.S. industry whether or not those effects arespecific goals of the U.S. foreign policy rationale for such sanctions. One such instance—and the example which remains critical to the future health of the Florida and overall U.S. citrus industry—is the Cuba trade embargo.*

While most of Cuba's exports currently are directed toward Europe, FCM members are concerned that "in the event of a dramatic change in U.S.-Cuban trading relations and the lifting of current sanctions, Cuba's export focus would undoubtedly shift to the United States, and the impact on the U.S. industry would be severe, especially in light of the very weak condition of Florida grapefruit growers in recent years." FCM reported that it was for this reason that the U.S. Trade Representative assured the U.S. citrus industry that citrus products from Cuba would not be accorded duty-free entry under the Caribbean Basin Economic Recovery Act if and when relations between the United States and Cuba normalize. Moreover, FCM members are concerned that large-scale foreign investment in Cuba's citrus industry and in Cuban shipping lines would present an even greater threat to the U.S. citrus industry in general, and to the fresh grapefruit and grapefruit juice sector in particular.

FCM provided economic information about Cuba's citrus production. Cuba ranked as the world's third largest grapefruit producer in 1995 (most recent year for which data were provided), after the United States and Israel, and currently has approximately 200,000 acres planted in citrus, oranges, and grapefruit. Cuba's largest citrus cooperative, Victoria de Giron, in southern Matanzas Province, harvested an estimated 280,000 tons of citrus in 1996. FCM also reported that this fruit is harvested by, among others, members of the Cuban Army of Working Youth and civilian employees of the Cuban armed forces.

Charles D. Dean, Jr., Dean Hardwoods, Inc.

Dean Hardwoods, the leading U.S. importer of teak wood from Burma, provided a written submission discussing its concerns with U.S. unilateral economic sanctions against Burma.[122] In its submission, Dean Hardwoods stated that U.S. unilateral economic sanctions prohibit that company from entering into a joint venture with Burma, and expressed the concern that foreign competitors (notably European and Asian companies) are able to establish a market presence in Burma while U.S. companies are not. The submission from Dean Hardwoods also reported that economic engagement would be more likely to encourage improvements in the protection of human rights in Burma than a policy of economic isolation by the United States.

Peter L. Fitzgerald, Stetson University, College of Law

The written submission from Mr. Peter L. Fitzgerald[123] focused primarily on the extraterritorial application of U.S. economic sanctions against Cuba. His article discusses the evolution of U.S. sanctions laws, and extends the discussion of the effects of economic sanctions on trade in goods to the effects on electronic commerce done online and over the Internet.

Jonathan Eaton, Professor of Economics, Boston University, Institute for Economic Development

Testimony and publications by Dr. Jonathan Eaton, as well as the economic methodologies noted below, are discussed in greater detail in the context of chapter 4. In his testimony, Dr. Eaton provided an outline of economic research and literature on sanctions, which he identified as falling into one of two categories—abstract application of game theory, or statistical analysis of situations in which sanctions actually have been imposed. Dr. Eaton discussed how the conceptional issue of threats of the use of sanctions also influences the analysis, noting that the empirical work on sanctions to date has focused mainly on episodes in which sanctions were actually used.

Despite the vastly different methodologies reviewed, Dr. Eaton reported that the results are fairly consistent. Namely, that in appropriate circumstances, sanctions can and do influence behavior, but are most

[122] Charles D. Dean, Jr., President, Dean Hardwoods, Inc., written submission to the Commission, received May 22, 1998.

[123] Peter L. Fitzgerald, "Pierre Goes Online: Blacklisting and Secondary Boycotts in U.S. Trade Policy," *Vanderbilt Journal of Transnational Law*, vol. 31 (Jan. 1998).

effective when they seek only relatively modest changes in the target country's behavior. Moreover, sanctions "seem to work best when they impose a small cost on the sender relative to the benefit of changing the behavior overseas that it is seeking."

In response to questions by the Commission, Dr. Eaton also provided information on the application of various methodologies to analyze the costs and effects of economic sanctions. He stated that gravity modeling[124] has been used to model foreign direct investment, but that such modeling has not been used to measure the effects of sanctions on foreign direct investment– although models could be constructed to do so. Dr. Eaton indicated that gravity modeling has not been used to measure "opportunity costs" (foregone exports and the costs of a foregone market presence). He also stated that an analysis solely of the effects of sanctions on U.S. exports will overstate the true costs of sanctions to the U.S. economy because import-competing U.S. sectors may benefit from the sanctions, as noted by Florida Citrus Mutual, above, and as is reported in the section on agriculture in chapter 3. Dr. Eaton stated that ongoing preliminary economic research to integrate gravity modeling into a general equilibrium framework eventually may allow for a full-fledged welfare analysis of the effects of sanctions to be performed.

Kimberly Elliott, Research Fellow, Institute for International Economics (IIE)

Testimony and publications by Ms. Kimberly Elliott regarding economic models of the effects of sanctions are discussed in the context of chapter 4. Ms. Elliott provided an overview of the empirical research that the Institute for International Economics has been doing on economic sanctions for the past 15 years.

IIE's second edition of its research on economic sanctions was released in 1990, and contained 115 cases of economic sanctions dating back to World War I; approximately two-thirds of those cases involved the United States as the leading sender nation. Of the 115 cases, 55 U.S. unilateral economic sanctions were identified as operative between 1945 and 1990. IIE is preparing a third edition of its research in which it anticipates adding another 41 cases of sanctions, of which 33 involve the United States. In reviewing the overall number of instances of U.S. unilateral economic sanctions, Ms. Elliott stated that, "[c]ontrary to the conventional wisdom . . . we have not found a large increase in the number of unilateral U.S. sanctions in the 1990s." However, Ms. Elliott noted the difficulties in compiling and comparing lists of sanctions because, among other things, of the manner in which sanctions statutes evolve and are modified over time. On the basis of its preliminary results, IIE found that the effectiveness of U.S. unilateral sanctions has not improved over time and that "[w]hile the benefits of economic sanctions, especially in recent years, appear to be elusive, the costs are more tangible."

IIE estimates that in 1995, U.S. economic sanctions against 26 target countries reduced U.S. exports by $15 to $19 billion, translating into a loss of 200,000 export jobs. IIE obtained these findings using a gravity model, which Ms. Elliott described; she noted that the model did not include trade in services or investment. The model was extended by the use of lagged sanctions variables to determine if the effects of sanctions linger even after the sanctions have been lifted (as was reported by several U.S. companies in the Commission's telephone survey, as discussed in chapter 3, and in testimony by Mr. William Lane of Caterpillar, Inc., summarized above), but there was no evidence of such lagged effects. Ms. Elliott also noted that the variables in the model for long-term and reliable supplier effects, also reported by several U.S. companies in the Commission's telephone survey, were not statistically significant.[125]

Ms. Elliott discussed the advantages and the shortcomings of several methodologies for analyzing the effects of sanctions. She stated that gravity models are helpful for estimating the broad order of magnitude of the impact of sanctions on exports, "but may well underestimate the burden on the sectors hardest hit by economic sanctions." According to Ms. Elliott, surveys and anecdotal information from the U.S. private sector stand to provide important information on the effects of sanctions in addition to the information obtained from the use of economic models.

[124] Gravity models are among the class of models that use country data to test for the statistical relation between bilateral trade flows and the factors that may account for them. Gravity models, in particular, include as explanatory factors the GDP of the two partners in a bilateral trade flow and the geographic distance between them. Gravity models hypothesize that total trade between any two countries will be positively related to the size of their economies and negatively related to the distance between them. Applications of gravity models to estimate the effects of economic sanctions are discussed in further detail in ch. 4.

[125] The term "statistically significant" means that there is a relatively large chance that variables representing sanctions do have an effect on the bilateral trade flows being examined.

CHAPTER 4
Literature Review and Assessment of Methodologies

This chapter has two parts. The first part summarizes recent literature on the economic effects of U.S. unilateral economic sanctions and discusses methodologies used to estimate these effects. The second part of the chapter then proposes, from among these methodologies, means for analyzing in future studies the short- and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

Review of Literature on the Costs of Economic Sanctions

Types of Costs Associated with Sanctions

The economic effects of sanctions are typically enumerated as costs imposed by the disruption of trade and other business activities restricted by the sanctions. The costs of economic sanctions to the sender country[1] can take a number of forms, as was discussed in chapters 1 and 3. The most direct costs, which tend to be more easily quantifiable, include lost export sales, job losses, compliance costs, lost sales from suppliers of inputs to goods placed under sanctions, and lost follow-on sales and market share. In addition, business representatives have identified a number of indirect, less easily quantifiable costs, including damage to their reputation as reliable suppliers,[2] lost opportunities for forming critical business relationships or participating in joint ventures,[3] and lost competitiveness as these opportunities are taken up by firms from other countries.[4] Evaluating any of these costs for the United States from the imposition of U.S. unilateral sanctions is difficult, but estimating the indirect costs is especially challenging. One witness who testified at the Commission's May 14, 1998 hearing for this investigation described as "daunting" the Commission's proposed task of estimating the effects of U.S. unilateral economic sanctions.[5]

There is only a limited range of literature that specifically examines the costs of economic sanctions to the sender. Most of the literature in this area focuses on the costs of sanctions to the target, or estimates of the degree of success of the sanctions in relation to the sender's stated policy goal or objective. Hufbauer et al. (1990)[6] note that the plain difficulty involved is one reason why estimates of the economic costs of sanctions to the sender are scarce. "If the green eyeshade staff of the Office of Management and Budget were ever asked to calculate the costs of imposing sanctions, they would be aghast." (p. 76) Not only are data scarce on the direct costs of U.S. unilateral economic sanctions, it is even more difficult to estimate such indirect costs as lost sales opportunities due to the diminished reputation of U.S. firms as reliable suppliers.

[1] As discussed in ch. 1, and following conventional usage in the literature, the term "sender" indicates the country that implements or imposes an economic sanction, and the term "target" indicates the country or entity against which the sanction is directed.

[2] William Lane, President of Caterpillar, Inc., reported that Russians still question the reliability of supplies from his firm following U.S. sanctions on the former Soviet gas pipeline to Western Europe. See USITC hearing transcript of May 14, 1998, p. 49.

[3] Frank Kittredge, of the National Foreign Trade Council and on behalf of USA-Engage, cites lost opportunities for sales under China's nuclear energy program and Three Gorges Dam project, and Ed Wiederstein of the American Farm Bureau Federation cites lost market share for soy beans in Japan, all following the imposition of U.S. economic sanctions. See USITC hearing transcript of May 14, 1998, pp. 39 and 91.

[4] Such losses in competitiveness were cited by Frank Kittredge of USA-Engage and the National Foreign Trade Council, William Lane of Caterpillar, Inc., William Berry of the European-American Business Council, and Patricia Davis of the Washington Council on International Trade. See USITC hearing transcript of May 14, 1998, pp. 38, 49–50, 52, 131, 148, 150.

[5] William Lane, President, Caterpillar, Inc., USITC hearing transcript of May 14, 1998, p. 49.

[6] Sources referred to in this chapter are fully cited in the Bibliography at the end of this chapter.

Even when firms affected by U.S. unilateral economic sanctions are asked directly, they report that it is difficult to assess such costs, as was attested to in testimony at the Commission's hearing.[7] Moreover, Hufbauer et al. provide another reason for the dearth of cost estimates– that such estimates may be politically sensitive. Cost estimates are likely to be small in most individual cases. Carter (1988) adds that cost estimates may inconveniently highlight the economic sectors most likely to be harmed.

Researchers have used a variety of approaches to evaluate the more direct costs of sanctions for sender countries, leading to a wide range of dollar estimates of these costs. The most readily available estimates of the economic costs of sanctions to the sender are in the form of lost U.S. export sales due to all sanctions imposed by the United States. Summing up over all U.S. sanctions, including multilateral sanctions, these estimates range from $5 billion to $20 billion in foregone export sales to the target countries for the early to mid-1990s.[8]

Lost export sales are typically estimated econometrically with a gravity model, a model of bilateral trade flows that detects shortfalls in trade flows below what would be expected given economic conditions prevailing among trade partners and provides means for estimating the role of sanctions in causing such shortfalls. Other approaches have been used to estimate the costs generated by the imposition of sanctions. These approaches, discussed below, include partial equilibrium models, which can examine the impact of restrictions of proposed sanctions on the economic welfare of participants in the relevant markets, and general equilibrium models, which connect the restricted markets to a full representation of all markets in an economy. Multi-country variations connect several single-country general equilibrium models together through international trade flows.

Industry surveys and questionnaires have been used to elicit from affected businesses the different types of costs they have experienced as a result of economic sanctions and the extent of these costs. Information obtained from surveys and questionnaires is especially valuable in assessing the indirect costs of sanctions and can be used to complement the results of other methodologies. Specific empirical applications of these approaches will be examined below in the review of literature. In the second part of the chapter, the general characteristics of these methodologies will be discussed in the context of a proposal for future work on the evaluation on the sender costs of economic sanctions.

Overview of Traditional Sanctions Analysis

Much of the literature evaluating economic sanctions considers past sanctions episodes and estimates the degree of success of the sanctions in relation to various aspects of the case. These studies relate the degree of success to such factors as the cost to the target and sender countries, the size of the countries or trade flows involved, the objective of the sanction, length of the sanction, the extent of international cooperation, and other factors. The studies by Hufbauer et al. (1983 and 1990) are of this type. Bergeijk (1994a) explores a variation of the analysis in Hufbauer et al. that includes additional factors for explaining the degree of success, such as the length of time the sanction was imposed. Carter (1988), Eaton (1992 and forthcoming), and Miyagawa (1992) all consider various sanctions episodes and evaluate their relative degree of success against possible explanatory factors, including cost to the sender country. Martin (1992) gathers data on a similar set of factors and estimates the likelihood of gaining cooperation from other countries for particular types of sanctions. Of note here is that for most analysts, the cost of sanctions to the sender country is one small part of a complex analytic framework.

Much of the academic economic literature treats economic sanctions as a theoretical problem. Game theory is a commonly used framework.[9] Eaton (1992 and forthcoming), Bergeijk (1994a and 1994b), Bonetti (1994), Gaisford and Sood (1996), and Barrett (1998) all consider sanctions questions in theoretical or game-theoretical models. Although they do not generate empirical cost estimates, the value of such approaches is that they help place sender country costs in the context of an overall sanctions strategy. It is this perspective that helps Eaton (forthcoming)[10] observe that the sender's cost of sanctions cannot be measured by examining only cases where sanctions have actually been imposed. As he points out, data on actual sanctions episodes leave out cases where just the threat of sanctions succeeds in influencing targets

[7] Almost everyone who testified at this hearing made this point. See, for example, USITC hearing transcript of May 14, 1998, pp. 37, 40, 62–63, 83, 125–126, 168.

[8] These estimates reflect sales to countries targeted by U.S. unilateral sanctions, and do not attempt tp measure whether such were diverted to other markets of lost entirely.

[9] Game theory, an analytical framework with many applications, would, in the case of sanctions, treat the sender and target as two opposing countries, each weighing the outcomes of various policy options in view of the strategy of the other.NO TAGThese estimates reflect sales to countries targeted by U.S. unilateral sanctions, and do not attempt to measure whether such sales were diverted to other markets or lost entirely.

[10] See also Dr. Jonathan Eaton, USITC hearing transcript of May 14, 1998.

without any cost from imposing them, and it leaves out cases where sanctions were avoided or lessened because the cost was expected to be too high.[11] This limitation in the data sample can lead to bias in the measurement of any factors, including sender country costs, based on data drawn only from actual sanctions episodes.

Thus, an evaluation of costs to the United States from unilateral economic sanctions relating to nuclear nonproliferation should consider not only, for example, the economic sanctions imposed after the May 1998 nuclear weapons testing by India and Pakistan, [12] but also the countries that were deterred from such testing by fear of incurring similar sanctions, as well as instances where economic sanctions against a country like China may have been avoided or reduced because of expected high costs. As Eaton explains, economic sanctions most likely will be imposed when the outcome of the episode is uncertain– i.e., when the sender and target countries have different perceptions of the costs and chances for success.

Empirical Estimates

It is noted at the outset that all of the empirical studies of costs to the United States from imposing economic sanctions described below define the term "economic sanction" differently from the way it is defined in chapter 1 of this report. Many of the empirical studies reviewed in this chapter include both unilateral and multilateral sanctions with U.S. participation (as discussed in chapter 1, the focus of this report is on U.S. unilateral economic sanctions), and some of the reviewed studies analyze sanctions that are no longer in force (for example, sanctions against the former Soviet Union).

Cost Index from Case Studies

Hufbauer et al. (1983, 1990) estimated costs to senders as part of their analysis of 116 cases of economic sanctions. The cases include unilateral sanctions imposed by a number of different countries as well as multilateral sanctions. Their metric for indicating costs of sanctions to the sender is a four-point scale ranking the relative costs to the sender country for each case. Each case is assigned a score of (1) net gain to sender, usually by withholding aid; (2) little effect on sender; (3) modest cost to sender with some trade losses; or (4) major cost to sender, large trade volumes affected. Histories on all cases used are included in the study, showing the basis for the authors' judgments on the cost-to-sender index. The study reports averages of the cost index for specific types of sanctions, dividing each type into groups of successful and unsuccessful cases. For example, the average index score for successful sanctions aimed at disrupting military undertakings was 1.7, and the index average was 1.9 for failures in that category. The average cost for failed cases was around 2.3 for many types of objectives, but it was higher, around 3.0, for attempts to impair military potential. The average cost indices for successful cases were almost always lower than those for failures in the same category.

This index is a valuable data series used by other researchers in this field (Bergeijk, 1994; and Martin, 1992). Nonetheless, the consideration mentioned above– that including only actual sanctions episodes does not cover all instances where sanctions may have a role– is relevant here. Moreover, the definition of costs as deriving from lost export sales is essential for interpreting the index. Carter (1988) describes a case of competing interpretations of the economic impact of sanctions on exports of military equipment. He reports that Hufbauer et al. assign a high-cost score to sanctions intended to impair military potential, while according to Carter, a U.S. Defense Department study found net economic benefits to the United States from these sanctions and export controls, since they reduce U.S. spending on measures to counter foreign military developments.

Finally, calculation of direct lost export sales may not always give a complete measure of the trade impact of sanctions. Paarlberg (1987), in a case history of the Soviet grain embargo of the 1980s, reports that U.S. farmers found other markets for their grain exports while other countries switched to supplying the Soviets. Whereas the embargo is routinely described as especially harmful to farmers, Paarlberg says the impact on total U.S. grain exports was negligible, as was the impact on Soviet grain imports, because the U.S. and other grain exporters largely switched trading partners.[13] The issues of business adjustments that can offset the costs of sanctions for the sender, and correctly identifying trade diversion that occurs during sanctions but may have other causes, are continual concerns of researchers in this field and are important considerations when evaluating empirical estimates of the costs of sanctions to the sender.

[11] A U.S. Government Accounting Office study on sanctions (GAO, 1992) emphasizes the role of the threat of sanctions that may not ultimately be imposed.

[12] The May 1998 sanctions against India and Pakistan, implemented pursuant to sec. 102 of the Arms Export Control Act, as amended (the Glenn Amendment) are discussed in ch. 1. The Arms Export Control Act is summarized in table 2-1.

[13] While Paarlberg views this outcome as rendering these sanctions ineffective, the GAO (GAO, 1992) offers a contrasting interpretation, emphasizing a broader objective and symbolic role of the sanctions.

Market Share Analysis and Lost Export Sales

In a study for the National Foreign Trade Council (NFTC), Hufbauer (1990) uses business surveys and typical relative market shares in unrestricted trade to estimate dollar amounts of U.S. export losses due to sanctions. Industry questionnaires were sent to 58 NFTC members; 19 replies were received. The responding firms reported actual lost export sales of $2.5 billion as a result of economic sanctions, and potential lost export sales of $4.0 billion. Potential lost sales arise in situations when U.S. firms are not allowed to conduct business abroad or when foreign entities refuse to do business with U.S. suppliers to avoid the risk of future U.S. sanctions.[14] Across sectors, the petrochemical industry experienced the greatest losses, followed by other manufactures. It should be noted that the survey represents a small sample of U.S. exporters, and further that they were reporting on U.S.-imposed sanctions, though not necessarily unilateral ones.

In a separate analysis within the same study, Hufbauer estimates total lost U.S. export sales due to U.S. economic sanctions[15] against Comecon,[16] North Korea, Vietnam, Cuba, South Africa, Angola, Cambodia, Libya, Iran, Nicaragua, and Panama in 1987.[17] As a rough approximation, he estimates what U.S. exports to these countries would have been that year had the U.S. maintained its traditional share of exports from the countries of the Organization for Economic Cooperation and Development (OECD) to the relevant regions. He subtracts actual U.S. exports to these countries from the counterfactual estimate levels and finds a shortfall of $7 billion in 1987 exports to these countries subject to U.S. sanctions.

Gravity Model Estimates

In a later study, Hufbauer et al. (1997) use a gravity model to estimate the shortfall in U.S. exports to countries under sanctions. Gravity models are among the class of models that use country data to test for the statistical relation between bilateral trade flows and the factors that may account for them. Gravity models, in particular, include as explanatory factors the GDP of the two partners in a bilateral trade flow and the geographic distance between them. Hufbauer et al. test a gravity model that includes dummy (binary) variables representing limited, moderate, and extensive sanctions affecting bilateral trade flows.[18] They estimate their gravity model with data on merchandise trade[19] among 88 countries for three different years: 1985, 1990, and 1995. Then they estimate the model with data on OECD exports only, and finally, for U.S. exports only.

Estimation of the model shows a good fit with country data. The model's coefficients for the different types of sanctions indicate the average percentage shortfall in bilateral trade between sender and target countries for the respective types of sanctions. The authors then apply these average shortfall rates, derived from model estimation using U.S. and OECD exports only, to U.S. exports to target countries. Summing these shortfalls over all listed target countries, they estimate that economic sanctions caused a shortfall in U.S. exports of $15 to $19 billion in 1995. They further estimate that these lost exports would have supported 200,000 jobs in the export sector,[20] which has been shown to pay more than other sectors.[21] Again, these results represent U.S.-imposed, though not necessarily unilateral, sanctions. Thus the estimated coefficients reflect the influence of both multilateral and unilateral sanctions. Further, any countries included in the list of sanctions targets that are not subject to unique U.S. unilateral sanctions would lead to an overestimate of the impact of U.S. unilateral sanctions alone.

The authors further test for persistence of the trade effects of sanctions into the time period after

[14] Specific concerns of U.S. industries, based on responses to the Commission's telephone survey, are discussed in more detail in ch. 3.

[15] Again, these are economic sanctions in which the United States participated, though not necessarily unilateral sanctions.

[16] Comecon refers to the Council for Mutual Economic Aid– Economic Union, an alliance of the Former Soviet Union and its East bloc partners. Comecon disbanded in 1991.

[17] Of the countries listed, the United States currently maintains unilateral economic sanctions against only Cuba, Iran, Libya, and North Korea.

[18] For example, the dummy variable for limited sanctions takes on the value of one if limited sanctions are imposed on a bilateral trade flow and the value of zero if limited sanctions are not imposed. Limited sanctions include minor financial, trade, or travel restrictions; moderate sanctions refer to broader trade and financial restrictions; and extensive sanctions include comprehensive trade and financial restrictions.

[19] The study did not include trade in services. Because of a lack of data and research in this area, it cannot be determined how the inclusion of services trade might affect the results of this study, although trade in services could be incorporated into the model if the relevant data were available. Kim Elliott, Institute for International Economics, USITC hearing transcript of May 14, 1998, p. 117.

[20] This estimate is based on a U.S. Commerce Department study (USDOC, 1996) showing that $1 billion of goods exported supported 15,500 jobs, including both exporters and their suppliers.

[21] This conclusion was based on a study by Richardson and Rindal that estimates the export wage premium to be about 16 percent for workers employed in producing manufactured exports.

they have been removed. Unfortunately, there are not enough observations to support firm conclusions on this question. Nevertheless, their results are suggestive that the effects of sanctions may persist after they are removed as a factor in explaining bilateral trade flows, one worth exploring further in future work. Indeed, the American Farm Bureau Federation reported that Russia still is restricting purchases of American wheat long after the Soviet-era U.S. grain export embargo was terminated.[22]

These results are a significant contribution to quantifying the costs to the United States of unilateral economic sanctions. As the authors point out, however, the variables representing sanctions in the analysis indicate only the average export shortfall generated by a number of different sanctions. Thus, this model does not allow the distinction of results for particular sanctions or particular targets.[23]

Richardson (1993) also uses a gravity model to estimate typical U.S. trade shares with the use of data on 130 U.S. trade partners for 1989. The model is specified in two forms to permit separate examination of aggregate and sectoral exports. Coefficients estimated by the model for aggregate exports allow the construction of typical levels of exports to all trade partners on the basis of their size, distance, and wealth.[24] Richardson then compares these typical export levels with actual exports to the same countries, and lists those exhibiting the greatest shortfalls. He finds a high concentration of countries subject to U.S. sanctions, especially former Soviet bloc countries, among those with apparent shortfalls in U.S. exports. For the former Soviet Union, the former East bloc countries, and China, he finds total 1989 U.S. exports of $11 billion, representing a shortfall of $25 to $37 billion, of which some $5 to $20 billion could be attributed to U.S. economic sanctions (export controls), and at least $2 to $9 billion attributable to U.S. unilateral export controls.[25] His results show a particular shortfall to these countries in U.S. exports of goods in SIC 28 and 35–38, including chemicals, industrial machinery, electronic equipment, transportation equipment, and instruments. This confirms results in Hufbauer (1990) mentioned above. Richardson points out that these sectors are among the most important contributors to technological advances and productivity improve- ments in the U.S. economy.

Partial Equilibrium Estimates[26]

Richardson (1993) focuses on sizing up export disincentives of all types. His evidence suggests that economic sanctions, including embargoes and export controls, are the most important export disincentives compared with other hindrances such as regulatory burdens.[27] Richardson uses computable partial equilibrium modeling to represent the markets for exports in sender-country and unrestricted suppliers and in target and nontarget buyers. The imposition of sanctions on certain bilateral exports, as well as reductions in export financing, can be represented as changes in the demand conditions in the respective markets. The partial equilibrium analysis generates outcomes for changes in export sales, profits, and number of exporting firms, both for the U.S. and for unrestricted competitors, as a result of the sanctions. The analysis allows for varying degrees of market power, numbers of competing firms, and options for allowing entry and exit of firms in the market. Richardson uses the analysis to compare the relationship between the extent of the sanctions and the size of the impact on sender country firms across different types of sanctions. For example, he finds that export embargoes reduce export revenues more significantly than do cost shocks such as the reduction of export financing.

The results of Richardson's partial equilibrium modeling depend on some assumptions about initial U.S. market share and demand elasticities, (i.e., the responsiveness of demand to changes in price). The

22 Testimony of Ed Wiederstein, American Farm Bureau Federation, USITC hearing, May 14, 1998. For additional information, see the discussion of grains in ch. 3.

23 Another econometric approach was used by Hines (1995) to study specifically the impact of U.S. antibribery laws passed in 1977. These laws did not restrict or prohibit trade itself, but rather the practice of soliciting business abroad with bribes. Hines hypothesizes that from 1977 on, U.S. firms would show reduced rates of foreign direct investment, joint venture formation, and aircraft sales in countries deemed "corrupt" according to the *Business International* survey. Using data on U.S. business activities since 1977, Hines finds in all these dimensions a significant effect of U.S. antibribery laws on business operations in corrupt countries, while controlling for other factors that may influence these operations. He finds these results by examining trends over time in the relevant variables and by using statistical regressions which show that the corruption level of a foreign country is statistically significant in explaining the levels of foreign direct investment, joint venture formation, and aircraft sales by U.S. businesses and majority-owned affiliates in that country.

24 Wealth is measured by gross domestic product (GDP) per capita. Income per person indicates the standard of living of the population.

25 Richardson points out that import controls in the buying countries account for some of the U.S. export shortfall, and he provides a full description of data and methods used to estimate the share due to U.S. export controls.

26 The main features of partial equilibrium models are described below in the section "Partial Equilibrium Models."

27 Richardson's book also considers the impact on exports of inadequate official support for export finance, environmental controls, inadequate export promotion, and direct taxes.

model does not provide results on a sectoral basis. It does allow for substitution of alternate export destinations for firms faced with export sanctions, but by this means it also reveals how limited such possibilities are for many high technology sectors. It also demonstrates how the cutoff of one market due to sanctions can lead to a less competitive position in other markets if costs are constant or declining with output, since firms then have less ability to reduce their prices. Moreover, some firms may be squeezed out of the export market because the impact of limitations from sanctions on their scale of operation can deprive them of the price flexibility they need to compete in the export market.[28]

Richardson reports a core estimate of $21 to $27 billion in foregone exports in the mid 1990s from all U.S. export disincentives. Analysis from the gravity modeling, partial equilibrium simulation modeling, and other methods indicated that export controls for national security or antiproliferation purposes accounted for two-thirds to three-quarters of this total. He further estimates that $4 billion to $14 billion of the core estimate can be ascribed to multilateral export restraints rather than U.S. unilateral controls.

General Equilibrium Estimates[29]

The American Petroleum Institute (API) has sponsored the construction of a dynamic multi-country computable general equilibrium (CGE) model for the analysis of energy policy and its application to the study of sanctions. (See Canes, 1998.) As discussed in chapter 3, representatives of the U.S. oil and gas sector who responded to the Commission's telephone survey and who testified at the hearing for this investigation reported adverse economic effects of U.S. unilateral sanctions. The model, built by Charles River Associates, represents each specified country with an economy-wide model that distinguishes several sectors of energy products, a nonenergy sector, and an investment good. All of these goods are traded in a section of the model that divides the world into five trading regions. Prices of these goods are determined within the model and investment is forward-looking, based on current and future prices.

The model was applied to the analysis of the global impact of multilateral sanctions on Iraqi oil exports and generates results for both oil importers and exporters. The study emphasizes that the results are sensitive to a number of model parameters, including the responsiveness of both supply and demand for energy to changes in price. Model results indicate a potential increase in the world price of oil leading to a mild net negative impact (0 to -0.25 percent) on U.S. GDP. Thus, a critical component of this analysis of costs for oil importers is the capacity of supplies from the target country to affect the world price of a major product.

Surveys, Questionnaires, and Case Studies

A number of assessments of the impact of sanctions focus not on quantitative estimates, but on evidence from case studies that can help identify the full spectrum of costs to senders and the channels through which they affect sender country businesses. One example is the study based on a survey by the European-American Business Council (EABC, 1997). The EABC sent questionnaires to member businesses to elicit responses on the ways they had been affected by economic sanctions. The EABC received responses from 42 firms, 19 of them U.S.-owned. The respondents reported on specific instances where U.S. sanctions forced them to forgo $1.9 billion in business opportunities. More importantly, the survey provides a portrait of the different ways firms are affected by sanctions and the means by which the direct effects lead to other indirect costs.

The survey asked EABC members how they would be affected if certain forms of sanctions were imposed.[30] Prominent among the effects most frequently cited were the loss of joint venture opportunities and the loss of supply relationships. The study goes on to detail how joint ventures and supply relationships are vital mechanisms for conducting international business and how their loss leads to downstream consequences of reduced investment and further reductions in sales and employment. The EABC reports that, across both European and U.S. ownership, the sectors most affected by sanctions include autos, high tech, telecommunications, and energy. Seventy percent of the survey respondents said they had been affected by State and local sanctions.

One other important phenomenon described in the EABC report is sales losses due to the "chilling effect" sanctions can have on some trade and investment opportunities by portending future sanctions. Such effects arise when business

[28] The impact of sanctions on scale of operations and competitiveness was the subject of testimony by William Lane of Caterpillar, Inc. See USITC hearing transcript of May 14, 1998, p. 52.

[29] The main features of general equilibrium models are described below in the section "General Equilibrium Models."

[30] The sanctions examined include: denying foreign executives U.S. visas, denying U.S. bank loans and credit, banning U.S. imports from sanctioned firms, denying U.S. export licenses, denying MFN to a particular country, allowing lawsuits against overseas investments, denying Eximbank assistance, denying OPIC assistance, and denying procurement opportunities.

opportunities are foregone in order to avoid the risk of potential sanctions. This type of cost, along with damage from lost supply relationships, is noted in Hufbauer (1990), Richardson (1993), and Wolf (1987). Richardson devotes an entire chapter to the results of surveys, interviews, and discussion groups including business representatives on the impact of sanctions. He notes:

> *"When long-term contracts had to be broken unexpectedly, there were not only uninsured losses to write off, but the loss of reputation as a reliable supplier and hence of future contracts. One commentator said that his company, a defense contractor and exporter of dual-use equipment, chose not even to consider doing business with countries such as India. While India is not a target of any current sanctions, the company viewed the risk of future sanctions to be high enough that the contingent liabilities were unacceptable." (p. 57)*

Richardson further notes business reports of costs from lost follow-on sales after losing initial sales due to export controls; such costs were estimated by the National Association of Manufacturers at 15 percent of an original large order. Business representatives portrayed a dynamic marketplace, with competition based on technology and reliability, and where failure to get established in the initial supplying technology could foreclose future opportunities, as buyers continue in the path of competing technologies.

Wolf (1987) describes a similar dynamic in his case study of 1981–82 U.S. unilateral sanctions prohibiting U.S. firms from engaging in work on the Soviet natural gas pipeline to supply Western Europe. He concludes that attempts to control the sales of U.S.- technology-based products from U.S. subsidiaries in Europe had the effect of steering potential customers away from U.S. technology. He also sees the pipeline sanctions as undermining the reputation for reliability among U.S. firms, and as making it more difficult for U.S. firms to license their technology to foreign firms.

Freeman (1993) focuses on the expense and time required to build up market presence in a new market and the implied costs of allowing sanctions to cut off business relationships built up over several years. Taking up the case of U.S. sanctions on Vietnam, he points out the sizable U.S. market presence before the sanctions, and considers the cost imposed by first losing and then rebuilding U.S. market share in Vietnam. One large, multinational chemical company interviewed by the USITC reported problems resuming operations in Vietnam for the same reason.[31]

As chapter 3 notes, the negative impact of sanctions on U.S. competitiveness and market share was mentioned frequently during the hearing related to this study. In addition, industry representatives stressed the importance of the legal costs of compliance with complex sanctions laws.[32] Such costs are seldom estimated in a systematic way because they vary according to the nature of the sanction and the number of firms affected.

Bergeijk (1995) focuses on the costs sanctions can impose on the global trading system. By disrupting trade flows and increasing uncertainty, economic sanctions can reduce the gains that derive from expansion of global trade. He does not, however, discuss improvements to the trading system that may be brought about through behavior disciplined by threat or use of sanctions. He presents several reasons for the recent increase in the use of sanctions, including the end of the Cold War and decreased legitimacy of using force; the increase in environmental agreements enforced by sanctions; and the proliferation of nuclear, chemical, and biological weapons technologies. He argues for weighing the option of sanctions against other options, such as formal protests at high political levels, the recalling of ambassadors, and other noneconomic sanctions. Elsewhere (Bergeijk, 1994), he calls for greater use of "positive sanctions" to reward countries undertaking more favorable policies.

Methodologies for Evaluating Costs of Sanctions to the Sender

The preceding sections discussed several analytical approaches in the process of describing empirical estimates of the sender costs of sanctions. These approaches will be revisited here as a means to develop a proposal for evaluating in future studies the sender costs of existing and potential sanctions. The request letter indicates that cost evaluations may be needed for all U.S. unilateral sanctions in effect, and for each new unilateral sanction that is proposed. The main conclusion is that while all of the approaches

[31] For further discussion, see the section on energy and chemicals in ch. 3.

[32] Arthur Downey of Baker-Hughes, Inc., a petroleum industry company, testified that compliance with sanctions on Iran required reporting on the transactions of 200 foreign subsidiaries and cost hundreds of thousands of dollars. He further testified that great legal expenses are required to interpret unclear restrictions. See USITC hearing transcript of May 14, 1998, pp. 46–47, 65.

provide useful measures of the sender costs of sanctions, the strength of gravity models is in estimating the costs of the broad spectrum of sanctions in effect and in tracking long-term effects, whereas partial equilibrium or general equilibrium models are more likely choices for estimating the costs of individual or proposed economic sanctions. In all cases, the use of formal industry questionnaires can supply essential industry information, especially on aspects of the costs of sanctions which are difficult to quantify, such as the loss of opportunities to form certain business relationships.

Gravity Models

Gravity models seek to explain bilateral trade flows by testing for their statistical relationship with various factors, including the GDP of trade partners and their geographic distance. Gravity models hypothesize that total trade between any two countries will be positively related to the size of their economies and negatively related to the distance between them. In the pursuit of various research questions, modelers often add other variables to the model, such as population or trade bloc membership. Gravity models can be estimated using data on a sample of bilateral trade flows for a given year. Such estimation shows that these models provide a close fit with the data. A history of gravity models is given in Frankel (1997), and their relation to economic trade theory is discussed in Deardorff (1995). Bergstrand (1989) develops and tests a sectoral version of the model.

Since gravity models can estimate the typical level of trade between two countries on the basis of their economic size, distance, and other factors, they also can be used to identify bilateral trade flows that are less than what would be expected, given the respective GDPs and distances involved. The residuals from a gravity model, the amount of trade that cannot be explained by GDP and distance, represent surpluses or shortfalls in trade flows that need to be explained by other factors. Economic sanctions are one possible explanation for shortfalls in bilateral trade below expected or typical levels.

As described above, Hufbauer et al. explicitly test for the role of sanctions by including dummy variables representing the presence of sanctions between countries in their gravity model. Estimation of their model shows a good fit with the data, and the variables representing sanctions are statistically significant.[33] As mentioned before, the estimated values for variables representing sanctions reflect the average impact of sanctions and allow calculation of the total U.S. export shortfall due to all sanctions with U.S. participation. This analysis does not distinguish effects by individual sanction or target. Richardson tests a more basic gravity model and then checks for the incidence of sanctions among countries showing shortfalls in their purchase of U.S. exports.

Gravity models also have been applied to the estimation of bilateral flows of foreign direct investment (FDI) and technology payments. (See Brainard, 1997, and Ferrantino, 1993.) Such a model could be used to examine the impact of sanctions on FDI.

Partial Equilibrium Models

The solutions to partial equilibrium models are designated "partial" equilibria because the models portray solutions for particular markets while leaving out the connection between those markets and other related markets in an economy. In effect, partial equilibrium models assume that outcomes in related but unrepresented markets will hold constant, regardless of changes in the specified markets. For example, partial equilibrium models typically assume that the overall level of economic activity and employment remain constant, even though adjustments in the specified markets may affect aggregate income and in turn be affected by it. There is a productive trade-off in such models, because the feedback through these general equilibrium channels may be quite small, while the useful detail that can be gained through focus on a particular market may be significant.

As discussed above, Richardson (1993) uses a partial equilibrium framework to estimate the costs of sanctions to the sender. The model represents supply and demand conditions facing producers in the sender country. The model can be calibrated with actual data on exports and estimated price elasticities of demand, and tested with actual levels of sanctions coverage.

Richardson's model can accommodate varying degrees of imperfect competition, varying cost structures, and varying numbers of countries and firms. It also can portray different types of sanctions (i.e., those directly affecting demand, such as export controls, and those affecting price or production cost, such as trade finance restrictions). However, the market modeled for each country apparently represents all goods, so the model does not allow the distinction of particular sectors. Thus, like most partial equilibrium frameworks, it does not allow for interaction between sectors, such as when changes in demand for one product cause changes in demand for other goods as intermediate inputs.

33 The term "statistically significant" means that there is a relatively large chance that variables representing sanctions do have an effect on the bilateral trade flows being examined.

Hufbauer et al. (1983, 1990) also use a partial equilibrium model to evaluate the costs of sanctions for 116 case studies, but only for the target countries. As they indicate, however, the method could be applied analogously to the sender country. Their framework does not include the features of multiple suppliers, multiple demanders, and varying degrees of imperfect competition that were incorporated in Richardson's model. Rather, it portrays the exchange between sender and target country in a single market where the sender country is represented as the supply side and the target country as the demand side of the market. Sanctions impose a reduction in the supply of exports from the sender country and constrict trade with the target. The costs to the sender country are thus a function of the size of the initial deprivation of trade and the price elasticities of the supply and demand schedules. The model allows the calculation of lost producer surplus, the surplus of actual sales prices over the minimum price acceptable to the supplier, when trade with the target is reduced.

The approach in Hufbauer et al. does not vary according to whether the sanctions restrict trade or export financing. However, the authors present full information on the various measures imposed under each of the case studies and apparently combine these components to estimate a summary impact representing the initial deprivation of trade. Further, the results of the model are rendered in the form of welfare costs based on loss of consumer (for the target) or producer (for the sender) surplus. This helps to express lost export sales in the form of a metric that more systematically measures the degree to which producers and consumers involved are worse off than before the sanctions.

As in Richardson (1993), Hufbauer et al. model the market for all goods collectively, so they do not specify particular sectors, nor intermediate demands between goods. Francois and Hall (1997) present a partial equilibrium framework specified at the sectoral level. Their model is oriented toward analysis of import rather than export controls, but it could be adapted to examine the costs of sanctions to the sender. The model can incorporate multiple sellers with varying degrees of substitutability among the competing products. Further, the model generates a sector-level estimate of welfare costs that can be adjusted to account for the level of trade distortions in other sectors, or that are not due to the sanctions. Moreover, a multisector version of this partial equilibrium model can be constructed to capture the impact of sanctions on the interaction between restricted products and intermediate inputs. As in the other partial equilibrium models discussed above, the results depend on elasticities of supply, demand, and substitution, which must be estimated separately.

Various types of partial equilibrium modeling have been applied to the analysis of trade policies in several USITC studies, USITC (1994a, 1997b, 1997c, and 1997d). This approach would be especially useful in estimating likely welfare costs from proposed sanctions that apply to narrowly defined sectors.[34]

General Equilibrium Models

In contrast to partial equilibrium models, Computable General Equilibrium (CGE) models include the complete set of interactive flows representing output, income, and consumption across an entire economy. They portray the structure of production, trade, and trade policy measures, such as taxes and quotas, for each sector specified in the model. Prices of goods and of productive factors, such as capital and labor, are determined within the model, as are the levels of output, sectoral employment, and trade. Changes in trade taxes or quotas cause prices and product markets to adjust to a new equilibrium. Changes in the outcome for one sector affect other sectors through interindustry flows of intermediate goods. CGE models can then generate the welfare costs of moving from an equilibrium without sanctions to one that includes them. The foundations of trade-focused CGE models are described in Robinson (1989). A basic description of CGE models, along with applications to particular trade policy questions can be found in USITC (1995).

The underlying database for a CGE model is a Social Accounting Matrix (SAM), which represents the complete sectoral and aggregate flows for an economy for a given year. A SAM-based general equilibrium framework for South Africa was used to estimate the target country costs of sanctions on South Africa. (See Becker et al., 1990.) For estimating sender country costs, one option would be to use a multicountry CGE model and try to include all relevant target and nontarget countries and all relevant sectors for modeling a particular set of sanctions. This option would allow the model to generate new world prices facing the sender country on the basis of the sanctions and the degree to which competing suppliers provide substitutes for the sanctioned goods. An example of this approach for sanctions targeting a major oil supplier is given in Canes (1998) mentioned above.

When world prices are less likely to be affected, much though not all relevant detail can be more easily obtained by making a common adjustment to a single-country CGE model that splits the trade flows into separate categories. Then restricted and unrestricted trade flows can be modeled distinctly.

[34] For example, a partial equilibrium approach was used to estimate the welfare costs of the Arab boycott on the Israeli auto market in Fershtman and Gandal, 1998.

Moreover, only results for the sender country are needed, so little is lost by not fully representing the entirety of partner country economies. Such partitioning of trade flows in a single country model was originally developed for models of former East bloc countries where dollar trade and ruble trade had to be designated separately. An example of this approach in the case of Hungary is given in Tesche (1995).

The USITC staff maintain a CGE model of the United States that has the capacity to partition trade flows from target and nontarget countries that is based on a SAM with over 500 sectors available for detailed representation and disaggregation. Compared with the partial equilibrium models discussed above, CGE models have greater data requirements (in terms of updating the SAM) and may be less readily structured to assess the effects of policy changes on vary narrowly defined sectors of the economy,[35] but they may provide more reasonable cost estimates in situations where the effects of sanctions are likely to be experienced by many sectors of the economy (Kokoski and Smith, 1987). In instances where a small number of sectors are affected (by large policy changes), partial equilibrium models have been shown to adequately represent the effects on an economy (Kokoski and Smith, 1987).

In their basic versions, neither partial nor general equilibrium models are designed for capturing restrictions on trade financing or on foreign direct investment. The approach of Hufbauer et al. in a partial equilibrium setting is to estimate outside the model the impact of capital flow sanctions on trade flows, and then introduce the trade flow changes into the model. Richardson estimates the impact of capital flow sanctions on the price of sender country exports, and uses the model to estimate the implications of the price change. CGE models, with their full representation of income, saving, and investment flows, have the capacity to specify restrictions on international capital flows. To capture fully the impact of financial market restrictions, however, the behavior underlying this market in the model should be specified in a dynamic framework, since investment is an inherently time-based decision. (See Canes, 1998.) Investments are made at one point in time with the expectation of returns in the future. Adding a time dimension to CGE modeling entails a further set of complications. (See USITC, 1997, chapter 4.)[36]

[35] For example, the evaluation of economic sanctions that particularly affect specific products such as military equipment could require further refinement of the SAM.

[36] For examples, modelers have found it difficult to define model functions that track recent time periods and that also yield stable dynamic equilibria.

Industry Surveys

Surveys of businesses affected by sanctions have been used several times to assess the impact of sanctions. Hufbauer (1990) and the EABC (1997), discussed above, are examples of the use of industry questionnaires on the costs of sanctions to the sender. Formal industry questionnaires also were used by the USITC in a study of the impact of the Arab boycott of Israel on U.S. businesses (USITC, 1994b). A more informal telephone survey was used in chapter 3 of the current study on U.S. unilateral sanctions. The advantage of these surveys is that they report first-hand evidence of the impact of sanctions on those businesses that are directly affected. This type of information, along with interviews and hearings like the one conducted in conjunction with this study, reveals much about the details of market dynamics and business relationships in particular industries, and the ways they are affected by different types of sanctions.

One difficulty with industry surveys and interpreting survey results is that, even when surveys and questionnaires are well-designed, not all of the firms surveyed will respond, and those responding may not be representative of all the businesses concerned. Another difficulty is that even those who respond may have difficulty quantifying the effects of sanctions, especially regarding issues of market uncertainty, lost opportunities, and reputation as a reliable supplier. Thus while detailed industry information is illuminating, it needs to be used in conjunction with a model that will impose some generalizations in order to generate some form of summary estimate of costs of sanctions to the sender. For this reason, a formal industry questionnaire would likely be used to complement any modeling estimates undertaken in the proposal discussed below.

Methodology Proposal

The request letter asks that the USITC propose a methodology to be used in future studies to analyze the short and long-term costs of U.S. unilateral sanctions to the U.S. economy.[37] As discussed in chapter 1, the request letter refers to draft legislation that would ask the USITC on a recurring basis to report on the costs of all current and proposed U.S. unilateral economic sanctions and to assess the impact these sanctions have on the reliability of the United States as a supplier of products, agricultural commodities, technology, and services, and on the international competitive position of U.S. industries, firms, workers, farmers, and communities.

[37] A copy of the request letter appears as Appendix A of this report.

The draft legislation as introduced in the House of Representatives (H.R. 2708) and the Senate (S. 1413) does not specify a time frame in which the Commission is to complete its report to the President under section 7(g) of those bills. Fact-finding reports conducted by the Commission (under sec. 332(g) of the Tariff Act of 1930) generally require 9-12 months to complete. Such investigations include research design, data collection, industry survey, a public hearing, opportunity for the public to provide written comments, analysis, field travel, review, and production. The time required to complete an analysis of a proposed economic sanction under section 7(g) of the pending bills will depend in the first instance upon the complexity of the economic sanction involved and data availability. Where the proposed economic sanction is limited in scope and comprehensive data are readily available, an analysis of the proposed sanction could be completed within 6 months. Where, however, the proposed sanction is broad-based and data are not readily available, it might be appropriate and necessary for the Commission to conduct formal industry surveys and to hold a public hearing before producing an analysis. In that case, an analysis likely would take 12 months to complete.

The analytical approaches used by the Commission to provide such an assessment of existing and/or proposed unilateral sanctions will need to address three basic concerns. First, the analysis should include both aggregate and sector-specific effects of the sanctions under review. Second, the analysis should provide measures of the costs of sanctions that, to the extent possible, can be provided on a consistent basis over time. Finally, the analysis should account for the total net costs of the sanctions, including both the direct, more easily quantified costs as well as the indirect costs that are difficult to quantify. As in past research on economic sanctions, the Commission's assessments will benefit from the integration of information collected from industry surveys with other methodological approaches.

As discussed above, partial equilibrium and gravity models have been used most often to assess the impact of economic sanctions. Partial equilibrium models can provide estimates of the costs of proposed sanctions borne by both producers and consumers. This type of model can be constructed to allow for varying degrees of imperfect competition, multiple suppliers, and multiple buyers. Moreover, such models can account for varying degrees of substitutability between tradeable products. As demonstrated by Richardson (1993), the models can be used to assess the impact of different types of sanctions, such as export embargoes and restrictions on export financing. Given the abundance of information produced, the ability to account for the impact of policy changes on narrowly defined sectors, the limited data requirements and simplicity of operation, the partial equilibrium approach compares favorably to the use of a general equilibrium model. A general equilibrium approach would be a more likely choice for sanctions imposed on large trading partners (where the economy-wide effects of the sanctions may be significant) or on those who can influence the world prices of products in major, broadly-defined sectors such as oil.

In order to evaluate the economic impact of U.S. unilateral sanctions on an ongoing basis, it will be valuable to have a modeling framework that captures more of the dynamic aspects of that impact. These aspects include the long-term costs, the impact on the international reputation of the United States as a reliable supplier of goods and technologies, and the impact on the international competitiveness of U.S. industries and firms. Hufbauer et al. (1997) show the beginnings of an approach to these questions when they use their gravity model to test for persistence of the effects of sanctions after they have been removed. Such a test for persistence can help indicate how temporary loss of market share or supplier relationships may affect reputation for reliability or competitiveness in the long run.

Gravity models of bilateral trade flows have demonstrated the statistical explanatory power of colonial ties between countries and initial trade volumes from distant historical years. This would indicate the influence of long-term historical trends in bilateral trade. It would be useful to find out how much, and for how long, a temporary sanctions episode could disrupt these trends. Unfortunately, neither Hufbauer et al. nor Richardson had a long enough data series on enough concluded sanctions episodes to develop firm results on this point. By extending their analysis to include more recent data, further gravity modeling could generate useful information on the question of persistence. For example, including more recent data would capture more years since the relaxation of Cold War era sanctions. Boisso and Ferrantino (1997) have estimated a gravity model for each of 26 years separately. This approach can give an instructive portrait of how sanctions episodes may affect bilateral trade flows over time.

Gravity models can be specified at the sectoral level, as Richardson (1993) has demonstrated. The results in Bergstrand (1989) suggest, however, that more factors may need to be included in a multi-sectoral gravity model, such as the labor or capital intensity of production, thus raising the data requirements. Another consideration is that the application of gravity models to economic sanctions produces results in the form of foregone export sales, rather than welfare losses, which more closely measure economic well-being. However, researchers recently have begun integrating gravity models with general equilibrium frameworks that can generate welfare numbers. (See Frankel, 1997, and Eaton and Kortum, 1997, for examples.)

In addition, gravity modeling can help estimate the effects of economic sanctions on capital flows. As mentioned above, gravity modeling has been applied to bilateral FDI flows. Such a framework could be applied to FDI sanctions questions in the same way as gravity models of bilateral trade flows.

The strength of the gravity model approach lies in providing statistical information regarding the trade impact of sanctions on the basis of the full spectrum of cases in effect. For evaluating the likely net U.S. costs associated with individual or proposed sanctions, partial or general equilibrium models are more likely choices. Nevertheless, the results from gravity models, particularly sectoral gravity models, can help guide the design of experiments for partial or general equilibrium models.

The great difficulty in estimating the costs of economic sanctions to the sender needs to be factored into judgments on the applicability of any methodological approach, as noted by Hufbauer et al. (1990) and as expressed repeatedly by industry representatives at the Commission's hearing for this investigation.[38] The draft legislation cited in the request letter asks for an analysis of the impact of U.S. unilateral economic sanctions on U.S. economic growth, reputation as a reliable supplier, and the international competitiveness of U.S. firms, workers, farmers, and communities. The appropriateness of the methodologies discussed in this chapter for measuring the effects of economic sanctions on all of these variables is largely untested. Nevertheless, industry surveys can provide information on costs not easily quantified, such as the different types of costs and the extent of those costs, as well as provide first-hand evidence of the impact of sanctions on those businesses that are directly affected. Further, innovations in these and other methodologies may improve the capacity for capturing more of the channels generating economic impact from sanctions. The Commission will examine the latest innovations in the most appropriate models and build on past modeling experience to respond to any future request to estimate the sender costs of U.S. economic sanctions.

[38] See USITC hearing transcript of May 14, 1998.

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(denotes author is currently an employee of the U.S. International Trade Commission)*

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APPENDIX A
Request Letter

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

February 18, 1998

'98 FEB 19 AM 10:12

1980

Office of the Secretary
Int'l Trade Commission

The Honorable Marcia E. Miller
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Dear Chairman Miller:

The "Enhancement of Trade, Security, and Human Rights through Sanctions Reform Act" was introduced in the House of Representatives on October 23, 1997 (H.R. 2708) and in the Senate on November 7, 1997 (S. 1413), and has been referred to relevant Committees for consideration.

Among other things, these bills would require that the President, before imposing a unilateral economic sanction, request that the U.S. International Trade Commission:

> report on the likely short-term and long-term costs of the proposed sanction to the United States economy, including the potential impact on United States trade performance, employment, and growth, the international reputation of the United States as a reliable supplier of products, agricultural commodities, technology, and services, and the economic well-being and international competitive position of Unites States industries, firms, workers, farmers, and communities.

Furthermore, the bills would require that the Commission:

> not later than 6 months after the date of the enactment of th[e] Act, and annually thereafter... shall report to the appropriate committees on the costs, individually and in the aggregate, of all unilateral economic sanctions in effect under United States law, regulation, or Executive order.... includ[ing] an assessment of the impact of such measures on the international reputation of the United States as a reliable supplier of products, agricultural commodities, technology, and services.

In anticipation of Congressional action on these bills during 1998, I request that the Commission conduct a fact-finding investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide an overview and analysis of current U.S. unilateral economic sanctions. Specifically, the study should provide:

(1) a description of U.S. unilateral economic sanctions in effect;

(2) a review of recent literature on the economic effects of national-level economic sanctions;

(3) to the extent possible, a survey of affected U.S. industries on the costs and effects of U.S. unilateral economic sanctions; and

(4) a proposed methodology to analyze in future studies the short-and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

For the purposes of the Commission's investigation, the term "unilateral economic sanctions" should be interpreted as any unilateral restriction or condition on economic activity with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security. The Commission should exclude from its report (1) U.S. economic sanctions imposed pursuant to a multilateral regime when the other members of that regime have agreed to impose substantially equivalent measures; (2) U.S. measures imposed to remedy unfair trade practices or to enforce United States rights under a trade agreement, including under section 337 of the Tariff Act of 1930, title VII of that Act, title III of the Trade Act of 1974, sections 1374 and 1377 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 3103 and 3106), and section 3 of the Act of March 3, 1933 (41 U.S.C. 10b-1); (3) any measure imposed to remedy market disruption or to respond to injury to a domestic industry for which increased imports are a substantial cause or threat thereof, including remedies under sections 201 and 406 of the Trade Act of 1974, and textile import restrictions including those imposed under section 204 of the Agricultural Act of 1956 (7 U.S.C. 1784); (4) any action taken under title IV of the Trade Act of 1974, including the enactment of a joint resolution under section 402(d)(2) of that Act; (5) any measure imposed to restrict imports of agricultural commodities to protect food safety or to ensure the orderly marketing of commodities in the United States, including actions taken under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624); (6) any measures imposed to restrict imports of any other products in order to protect domestic health or safety; (7) any measure authorized by, or imposed under, a multilateral or bilateral trade agreement to which the United States is a signatory, including the Uruguay Round Agreements, the North American Free Trade Agreement, the United States-Israel Free Trade Agreement, and the United States-Canada Free Trade Agreement; and (8) any export control imposed on any item on the United States Munitions List.

The Commission should formulate a list of sanctions to be included based on research, review of relevant legislation, and consultations with knowledgeable sources. In addition, the Commission should attempt to identify and describe economic sanctions imposed by U.S. states and localities, to the extent possible. Such sanctions, however, should not be included in the Commission's analysis. The report should be transmitted by the Commission not later than six months following the receipt of this request.

Thank you for your cooperation.

Sincerely,

Bill Archer
Chairman

APPENDIX B
Federal Register Notice

contained in USITC Publication 3092 (March 1998), entitled "Butter Cookies in Tins from Denmark: Investigations Nos. 701–TA–374 & 731–TA–780 (Preliminary)."

Issued: March 24, 1998.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 98–8149 Filed 3–27–98; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation 332–391]

Overview and Analysis of Current U.S. Unilateral Economic Sanctions

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation, scheduling of public hearing, and notice of opportunity to submit comments.

EFFECTIVE DATE: March 23, 1998.

SUMMARY: Following receipt on February 19, 1998, of a request under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) from the Committee on Ways and Means (the Committee) of the U.S. House of Representatives, the U.S. International Trade Commission (the Commission) instituted investigation No. 332–391, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*. The Commission plans to submit its report to the Committee by August 19, 1998.

FURTHER INFORMATION CONTACT: James Stamps, Office of Economics (202–205–3227 or e-mail to jstamps@usitc.gov). The media should contact Margaret O'Laughlin, Office of External Relations (202–205–1819). Hearing-impaired persons are advised that information on this investigation can be obtained by contacting the Commission's TDD terminal on 202–205–1810. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov).

Background

As requested by the Committee, the Commission in its report on the investigation will provide:

(1) A description of U.S. unilateral economic sanctions in effect including, to the extent possible, a description of economic sanctions imposed by states and localities;

(2) To the extent possible, a survey of affected U.S. industries on the costs and effects of U.S. unilateral economic sanctions;

(3) A review of recent literature on the economic effects of national-level economic sanctions; and

(4) A proposed methodology to analyze in future studies the short-and long-term costs of U.S. unilateral sanctions and their impact on the U.S. economy.

In its request, the Committee defined the term "unilateral economic sanctions" to mean any unilateral restriction or condition on economic activity with respect to a foreign country or foreign entity that is imposed by the United States for reasons of foreign policy or national security. The Committee said that the Commission should exclude from this definition: (1) U.S. economic sanctions imposed pursuant to a multilateral regime when the other members of that regime have agreed to impose substantially equivalent measures; (2) U.S. measures imposed to remedy unfair trade practices or to enforce United States rights under a trade agreement, including under section 337 of the Tariff Act of 1930, title VII of that Act, title III of the Trade Act of 1974, sections 1374 and 1377 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 3103 and 3106), and section 3 of the Act of March 3, 1933 (41 U.S.C. 10b–1); (3) any measure imposed to remedy market disruption or to respond to injury to a domestic injury for which increased imports are a substantial cause or threat thereof, including remedies under sections 201 and 406 of the Trade Act of 1974, and textile import restrictions including those imposed under section 204 of the Agricultural Act of 1956 (7 U.S.C. 1784); (4) any action taken under title IV of the Trade Act of 1974, including the enactment of a joint resolution under section 402(d)(2) of that Act; (5) any measure imposed to restrict imports of agricultural commodities to protect food safety or to ensure the orderly marketing of commodities in the United States, including actions taken under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624); (6) any measures imposed to restrict imports of any other products in order to protect domestic health or safety; (7) any measure authorized by, or imposed under, a multilateral or bilateral trade agreement to which the United States is a signatory, including the Uruguay Round Agreements, the North American Free Trade Agreement, the United States-Israel Free Trade Agreement, and the United States-Canada Free Trade Agreement; and (8) any export control imposed on any item on the United States Munitions List.

Public Hearing

A public hearing in connection with this investigation will be held in the Commission Hearing Room, 500 E Street, SW, Washington, DC 20436, beginning at 9:30 am on May 14 (and May 15 if needed), 1998. All persons will have the right to appear by counsel or in person, to present testimony, and to be heard. Requests to appear at the public hearing should be filed in writing with the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436, on or before April 30, 1998. Persons testifying at the hearing are encouraged to file prehearing briefs or statements; the deadline for filing such briefs or statements (a signed original and 14 copies) is April 30, 1998. The deadline for filing posthearing briefs or statements is May 22, 1998. Any confidential business information included in such briefs or statements or to be submitted at the hearing must be submitted in accordance with the procedures set forth in § 201.6 of the Commission's rules of practice and procedure (19 CFR 201.6).

In the event that, as of COB April 30, 1998, no witnesses have filed a request to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary to the Commission (202–205–1816) after April 30, 1998, to determine whether the hearing will be held.

Written Submissions

In lieu of or in addition to participating in the hearing, interested persons are invited to submit written statements concerning the matters to be addressed in the report. Commercial or financial information that a party desires the Commission to treat a confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of § 201.6 of the Commission's rules of practice and procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons in the Office of the Secretary to the Commission. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted at the earliest practical date and should be received not later than COB May 22, 1998. All submissions should be addressed to the Secretary, United States International Trade

Commission. 500 E Street SW. Washington, DC 20436.

Accessibility

Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

Issued: March 24, 1998.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 98–8150 Filed 3–27–98: 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF LABOR

Employment and Training Administration

Job Training Program Act, Disability Grant Program Funded Under Title III, Section 323 and Title IV, Part D, Section 452

AGENCY: Employment and Training Administration. Labor.

ACTION: Notice of Availability of Funds and Solicitation for Grant Application (SGA).

SUMMARY: All information required to submit a grant application is contained in this announcement. The U.S. Department of Labor, Employment and Training Administration (DOL/ETA). announces the availability of approximately $4.17 million to award competitive grants for multi-state employment and training projects serving people with disabilities. This grant program is funded using Job Training and Partnership Act (JTPA) Title IV Research and Demonstration funds and Title III National Reserve funds.

DATES: Applications for this SGA will be accepted commencing April 29. 1998. The closing date for receipt of proposals is 2:00 (Eastern Standard Time) May 14. 1998.

ADDRESSES: Applications should be mailed to: Division of Acquisition and Assistance. Attention: Dr. David Houston. Reference SGA/DAA 98–007. 200 Constitution Avenue. N.W.. Rooms S–4203. Washington. D.C. 20210.

FOR FURTHER INFORMATION CONTACT: Dr. David Houston. Division of Acquisition and Assistance. Telephone (202) 219–7300 (not a toll-free number). This solicitation will also be published on the Internet at http://www.doleta.gov.

SUPPLEMENTARY INFORMATION: This announcement consists of five parts: Part I—Application Process. Part II—Background and Purpose. Part III—Statement of Work. Part IV–Government Requirements. and Part V—Selection Criteria.

Part I. Application Process

A. Submission of Proposal

A proposal shall consist of two (2) separate and distinct sections: Section I. the Technical Proposal and Section II. the Financial Proposal. An original and three copies of the proposal shall be submitted. The Catalog of Federal Domestic Assistance number is 17.249.

Section I shall contain a Technical Proposal that demonstrates the applicant's capabilities in accordance with the Statement of Work in Part III of this solicitation. No cost data or reference to costs shall be included in the Technical Proposal. In addition. the Technical Proposal shall be limited to 50 double-spaced. single-side. 8.5 inch x 11 inch pages with 1 inch margins. Appendices shall not exceed 20 pages. Text type shall be 12 point or larger. Applications not meeting these requirements may not be considered. The *Technical Proposal* must also contain participant. activity and outcome information.

Section II. the Financial Proposal shall contain the SF–424. "Application for Federal Assistance", and Budget Information Sheet (Attachments A & B). In addition. the budget shall include on a separate page a detailed cost analysis of each line item. *Administrative costs should not exceed 15 percent of total proposed costs.* Justification must be provided on the need for administrative costs that exceed this limit. Approval of a budget by DOL is not the same as approval of actual costs.

Hand Delivered Proposals

Proposals may be mailed or delivered by hand. A mailed proposal should be mailed no later than five (5) days prior to the closing date for the receipt of applications. Hand delivered grant applications must be received at the designated place by 2:00 p.m. (Eastern Standard Time) on May 29. 1998. All overnight mail will be considered to be hand-delivered and must be received at the designated place by the specified time on the closing date. Grant applications transmitted by electronic mail. telegraph or facsimile will not be considered.

Late Proposals

Any proposals received at the Office designated in the solicitation, after the exact time specified for receipt. will not be considered unless it is received before the award is made or was either:

(1) Sent by U.S. Postal Service registered or Certified mail not late than the fifth (5th) calendar day bef the date specified for receipt of application, or

(2) Sent by U.S. Postal Express M Next Day Service—Post Office to Addressee. not later than 5 p.m. at t place of mailing two working days p to the date specified for receipt of proposals. The term "working days" excludes weekends and U.S. Federal holidays. The only acceptable evider to establish the date of mailing of a l proposal sent by either Express Mail U.S. Postal Service Registered. Certifi Mail is the U.S. Postmark both on the envelope or wrapper and on the origi receipt from the U.S. Postal Service. Both postmarks must show a legible date or the proposal shall be processe as if mailed late. "Postmark" means a printed. stamped, or otherwise placed impression (exclusive of a postage me machine impression) that is readily identifiable without further action as having been supplied and affixed by employees of the U.S. Postal Service o the date of mailing.

Therefore. applicants should request the postal clerk to place a legible hand cancellation "bull's eye" postmark on both the receipt and the envelope or wrapper.

B. Eligible Applicants

Private non-profit entities are eligible to receive grant funds under this award. Entities described in Section 501(c)(4) o the Internal Revenue Code that engage in lobbying activities are not eligible to receive funds under this SGA. The Lobbying Disclosure Act of 1995. 2 U.S.C. 1601 *et seq.* prohibits the award of federal funds to 501(c)(4) entities engaged in lobbying activities.

Applicants must operate or propose to operate in two or more states. Applicants should provide documentation of knowledge and/or experience in the following areas:

—Overcoming barriers to employment experienced by individuals with disabilities:

—Ability to conduct training. placement. and follow-up services: and

—Management and accountability structure necessary to ensure the integrity of the funds requested (by meeting the standards for financial management and participant data systems as specified in 29 CFR. Part 95).

Only the proposal per applicant/organization(s) is permitted. A proposal submitted by a consortium of two or more organizations will be accepted.

APPENDIX C
List of Submissions and Hearing Participants

List of Submissions and Hearing Participants

Willard M. Berry, President
European-American Business Council

Ernest Z. Bower, President
U.S. ASEAN Business Council, Inc.

Patricia Davis, President
Washington Council on International Trade

Arthur Downey, Vice President, Government Affairs, Baker Hughes, Inc.
on behalf of USA-Engage

Jonathan Eaton, Professor of Economics, Boston University, Institute for Economic Development

Kimberly Elliott, Research Fellow, Institute for International Economics

Frank Kittredge, President, National Foreign Trade Council and Vice President, USA Engage
on behalf of USA-Engage

William C. Lane, Washington Director, Governmental Affairs
Caterpillar, Inc.

Robert L. Muse, General Counsel, Muse & Associateson
behalf of National Council on International Trade Developent

Harold A. Wagner, Chairman and Chief Executive Officer
Air Products and Chemicals, Inc.

Ed Wiederstein, President, Iowa Farm Bureau
on behalf of American Farm Bureau Federation

Charles D. Dean, Jr., President
Dean Hardwoods, Inc. (written submission only)

Peter L. Fitzgerald
Stetson University, College of Law (written submission only)

Florida Citrus Mutual (written submission only)

APPENDIX D
List of Current U.S. Unilateral Economic Sanctions

Overview

Table D-1 presents the Commission's list of U.S. unilateral economic sanctions, providing a more detailed perspective to that presented in table 2-1. The list includes, in addition to the Public Law number and relevant section, statute-at-large citations, the date of enactment, U.S. Code citations if codified, reason for the sanction as characterized in the source materials and the countries or entities subject to the sanction, and comments.

Sources and methodology used to compile this list are discussed in chapter 2. Many of the laws cited in Table D-1 have been amended multiple times. Consequently, the format for legal citations used in Table D-1 was selected to provide a consistent and readable framework for the statutes, rather than to emphasize more precise legal citations. Reasons cited for the sanctions reflect characterizations found in the source materials, which may or may not be comprehensive. The countries or entities to which sanctions apply were not always readily evident from the source materials, and could also be subject to different interpretations.

Recent Executive Orders and Presidential Determinations concerning U.S. unilateral economic sanctions are presented in table D-2. Tables D-1 and D-2 are not intended to represent an exhaustive, legally definitive compilation of U.S. unilateral economic sanctions.

Table D-1
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws		Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Law No.	Section					
Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 1998						
105-118	Title I	111 Stat. 2386	Nov. 26, 1997		weapons proliferation	
105-118	508	111 Stat. 2407	Nov. 26, 1997		military coups	
105-118	512	111 Stat. 2408	Nov. 26, 1997		debt default: in fiscal year 1998 excludes Nicaragua, Liberia for foreign aid, and Colombia, Bolivia, Peru for narcotics aid	
105-118	516	111 Stat. 2410	Nov. 26, 1997		terrorism: Libya, Iran	
105-118	518	111 Stat. 2411	Nov. 26, 1997		coercive family planning	
105-118	527	111 Stat. 2413	Nov. 26, 1997		terrorism	
105-118	538	111 Stat. 2417	Nov. 26, 1997		worker rights	
105-118	550	111 Stat. 2421	Nov. 26, 1997		terrorism: general applicability; designated terrorist countries (DTCs)	
105-118	551	111 Stat. 2421	Nov. 26, 1997		parking fines	
105-118	552	111 Stat. 2422	Nov. 26, 1997		terrorism: PLO	
105-118	561	111 Stat. 2426	Nov. 26, 1997		war crimes	
105-118	566	111 Stat. 2428	Nov. 26, 1997		terrorism: PLO	
105-118	570	111 Stat. 2429	Nov. 26, 1997		human rights: Burma	
105-118	573	111 Stat. 2430	Nov. 26, 1997		war crimes: general applicability	
105-118	582	111 Stat. 2435	Nov. 26, 1997		terrorism	

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws							
	Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 1997[2]							
	104-208	507	110 Stat. 3009-141	Sept. 30, 1996		terrorism: DTCs	
	104-208	523	110 Stat. 3009-148	Sept. 30, 1996		DTCs, China	
	104-208	527	110 Stat. 3009-149	Sept. 30, 1996		terrorism: general applicability	
	104-208	551	110 Stat. 3009-159	Sept. 30, 1996		terrorism: general applicability; DTCs	
	104-208	553	110 Stat. 3009-160	Sept. 30, 1996		PLO	
	104-208	567	110 Stat. 3009-165	Sept. 30, 1996		Guatemala	
	104-208	568	110 Stat. 3009-165	Sept. 30, 1996		war crimes: general applicability	
	104-208	569	110 Stat. 3009-165	Sept. 30, 1996		Haiti	
	104-208	570	110 Stat. 3009-166	Sept. 30, 1996		Burma	
	104-208	579	110 Stat. 3009-170	Sept. 30, 1996	22 U.S.C. 262k-2	human rights	
	104-208	587	110 Stat. 3009-172	Sept. 30, 1996		narcotics	
Iran and Libya Sanctions Act of 1996							
	104-172		110 Stat. 1541	Aug. 5, 1996		terrorism: general applicability, end-target: Libya, Iran	
Antiterrorism and Effective Death Penalty Act of 1996							
	104-132	301-303, 321-330	110 Stat. 1214	Apr. 24, 1996		terrorism: DTCs	
	104-132	321	110 Stat. 1214	Apr. 24, 1996		terrorism: DTCs	
	104-132	323	110 Stat. 1255	Apr. 24, 1996	18 U.S.C. 2339A	terrorism: DTCs	
	104-132	521	110 Stat. 1286	Apr. 24, 1996	18 U.S.C. 2332c	chemical and biological weapons	
	104-132	702(a)	110 Stat. 1291	Apr. 24, 1996	18 U.S.C. 2332b	terrorism: DTCs	

Table D-1– ***Continued***
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws						
Law No.	**Section**	**Statute**	**Date Enacted**	**U.S. Code**	**Reasons cited and countries or entities subject to sanctions**[1]	**Comments**
Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (also known as the Helms-Burton Act)						
104-114		110 Stat. 785	Mar. 12, 1996	22 U.S.C. 6021	promotion of democracy	
Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 1996[2]						
104-107	527A	110 Stat. 730	Feb. 12, 1996		terrorism: general applicability	
104-107	563	110 Stat. 745	Feb. 12, 1996		General applicability	
104-107	564	110 Stat. 746	Feb. 12, 1996		Haiti	
104-107	567	110 Stat. 746	Feb. 12, 1996		Burma	
104-107	578	110 Stat. 750	Feb. 12, 1996		Guatemala	
104-107	582	110 Stat. 751	Feb. 12, 1996		war crimes: general applicability	
National Defense Authorization Act of 1996						
104-106	1341a	110 Stat. 485	Feb. 10, 1996	10 U.S.C. 2249a	terrorism: DTCs	
Foreign Operations, Export Financing, and Related Programs Appropriations Act, fiscal year 1995[2]						
103-306	Title II	108 Stat. 1611	Aug. 23, 1994		Russia, former Soviet republics	
103-306	538	108 Stat. 1639	Aug. 23, 1994	50 U.S.C. 1701 note		
103-306	565	108 Stat. 1650	Aug. 23, 1994		General applicability, West Bank-Gaza	
Foreign Relations Authorization Act, fiscal year 1994[2]						
103-236	527	108 Stat. 475	Apr. 30, 1994	22 U.S.C. 2370a	expropriation	
103-236	530	108 Stat. 479	Apr. 30, 1994	22 U.S.C. 2429a-2	nuclear proliferation	
103-236	551-556	108 Stat. 482	Apr. 30, 1994	50 U.S.C. 2201-2204	terrorism: DTCs	Included in the Spoils of War Act, which comprises a portion of this Act.
103-236	564	108 Stat. 483	Apr. 30, 1994	22 U.S.C. 2751 note	boycotts: Iran, Iraq, Libya, Sudan, Syria, Yemen, Arab League countries	Included in the Anti-Economic Discrimination Act of 1994, which comprises a portion of this Act.

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws							
	Law No.	**Section**	**Statute**	**Date Enacted**	**U.S. Code**	**Reasons cited and countries or entities subject to sanctions**[1]	**Comments**
Foreign Relations Authorization Act, fiscal year 1994[2]–Continued							
	103-236	823(a)	108 Stat. 512	Apr. 30, 1994	22 U.S.C. 6302	nuclear proliferation	Included in the Nuclear Proliferation Prevention Act of 1994, which comprises a portion of this Act.
	103-236	824	108 Stat. 512	Apr. 30, 1994	22 U.S.C. 6303	nuclear proliferation: general applicability	Included in the Nuclear Proliferation Prevention Act of 1994, which comprises a portion of this Act.
	103-236	825	108 Stat. 514	Apr. 30, 1994	22 U.S.C. 3201 note	nuclear proliferation: general applicability	Included in the Nuclear Proliferation Prevention Act of 1994, which comprises a portion of this Act.
Cuban Democracy Act of 1992							
	102-484	1704(b)	106 Stat. 2576	Oct. 23, 1992	22 U.S.C. 6003(b)	promotion of democracy	
	102-484	1705	106 Stat. 2577	Oct. 23, 1992	22 U.S.C. 6004	promotion of democracy	
	102-484	1706	106 Stat. 2578	Oct. 23, 1992	22 U.S.C. 6005	promotion of democracy	
Chemical and Biological Weapons Control and Warfare Elimination Act of 1991							
	102-182	306	105 Stat. 1252	Dec. 4, 1991	22 U.S.C. 5604	chemical and biological weapons proliferation	
Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991[2]							
	101-513		104 Stat. 1979	Nov. 5, 1990		environment: China	
Foreign Relations Authorization Act, fiscal year 1990-91 [2]							
	101-246			Feb. 16, 1990		China	
	101-246	414	104 Stat. 70	Feb. 16, 1990	22 U.S.C. 287e note	terrorism	
Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriations Act of 1990[2]							
	101-162	609	103 Stat. 1037	Nov. 21, 1989	16 U.S.C. 1537	environment: Brazil and 24 others including Thailand, India, Malaysia, Pakistan, Honduras	
Antiterrorism Act of 1987							
	100-204	1003	101 Stat. 1406	Dec. 22, 1987	22 U.S.C. 5202	terrorism	PLO
Narcotics Control Trade Act							
	99-570	803	100 Stat. 3207-165	Oct. 27, 1986	19 U.S.C. 2493	narcotics: general applicability	Amends the Trade Act of 1974.

Table D-1– ***Continued***
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws: Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Department of Defense Appropriations Act of 1987						
99-500	101c	100 Stat. 1783	Oct. 18, 1986	10 U.S.C. 2327	terrorism: DTCs	
International Security and Development Cooperation Act of 1985						
99-83	504	99 Stat. 221	Aug. 8, 1985	22 U.S.C. 2349aa-8	terrorism: Libya	
99-83	505	99 Stat. 221	Aug. 8, 1985	22 U.S.C. 2349aa-9	terrorism: DTCs	
State Department Authorization Act, fiscal year 1984-85						
98-164	114a	97 Stat. 1020	Nov. 22, 1983	22 U.S.C. 287e note	terrorism: PLO	
Lacey Act Amendments of 1981						
97-79	4	95 Stat. 1074	Nov. 16, 1981	16 U.S.C. 3373		
Export Administration Act of 1979						The authority granted under this Act terminated on Aug. 20, 1994.
96-72	5	93 Stat. 506	Sept. 29, 1979	50 U.S.C. App. 2404	communism, proliferation, national security	
96-72	6	93 Stat. 513	Sept. 29, 1979	50 U.S.C. App. 2405	national security: DTCs	
96-72	6(a)	93 Stat. 513	Sept. 29, 1979	50 U.S.C. App. 2405	Iran, Sudan, Syria	
96-72	6(j)	93 Stat. 513	Sept. 29, 1979	50 U.S.C. App. 2405	terrorism: DTCs	Also known as the Fenwick Amendment.
96-72	6(k)-(n)	93 Stat. 513	Sept. 29, 1979	50 U.S.C. App. 2405(k)-(n)	proliferation	
96-72	11(a)	93 Stat. 529	Sept. 29, 1979	50 U.S.C. App. 2410(a)	national security	
Bretton Woods Agreements Act Amendments of 1978						
95-435	6	92 Stat. 1052	Oct. 10, 1978	22 U.S.C. 286e-1 1	terrorism: DTCs	
Nuclear Non-Proliferation Act of 1978						
95-242	304(b)	92 Stat. 135	Mar. 10, 1978	42 U.S.C. 2155a	proliferation	
International Emergency Economic Powers Act						
95-223		91 Stat. 1626	Oct. 28, 1977	50 U.S.C. 1701-1706	terrorism, narcotics, national security: Iran, Iraq, Libya	

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws							
	Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
International Financial Institutions Act							
	95-118	701	91 Stat. 1069	Oct. 3, 1977	22 U.S.C. 262d	terrorism, human rights, proliferation, missing in action	
	104-132	1621	110 Stat. 1257	Apr. 24, 1996	22 U.S.C. 262p-4q	terrorism: DTCs	Added by PL 104-132, sec. 327.
National Emergencies Act							
	94-412		90 Stat. 1255	Sept. 14, 1976	50 U.S.C. 1621-1622	national security	
Magnuson-Stevens Fishery Conservation and Management Act, as amended							
	94-265	205	90 Stat. 331	Apr. 13, 1976	16 U.S.C. 1825	environment: general applicability	
Trade Act of 1974							
	93-618	125	88 Stat. 1991	Jan. 3, 1975	19 U.S.C. 2135		
	93-618	126	88 Stat. 1992	Jan. 3, 1975	19 U.S.C. 2136		
	93-618	502(b)	88 Stat. 2067	Jan. 3, 1975	19 U.S.C. 2462	communism, economic disruption, expropriation, terrorism	
	93-618	504	88 Stat. 2070	Jan. 3, 1975	19 U.S.C. 2464	worker rights	Amended by PL 104-188, sec. 1952(a).
	93-618	604	88 Stat. 2073	Jan. 3, 1975	19 U.S.C. 2483		
	99-570 [2]	802	100 Stat. 3207-164	Oct. 27, 1986	19 U.S.C. 2492	narcotics	Added by PL 99-570, sec. 9001.
	99-570 [2]	803	100 Stat. 3207-165	Oct. 27, 1986	19 U.S.C. 2493	narcotics	Added by PL 99-570, sec. 9001.
Marine Mammal Protection Act of 1972							
	92-522	101-102; 305	86 Stat. 1027	Oct. 21, 1972	16 U.S.C. 1371-1372, 1415	environment: designated countries	
Fisherman's Protective Act of 1967							
	92-219	8	85 Stat. 786	Dec. 23, 1971	22 U.S.C. 1978	environment: general applicability	Also known as the Pelly Amendment.

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws							
	Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Arms Export Control Act[3]							
	90-629	35	82 Stat. 1325	Oct. 22, 1968	22 U.S.C. 2775	certain developing countries	
	104-132	40A	110 Stat. 1258	Apr. 24, 1996	22 U.S.C. 2781	terrorism	Added by PL 104-132, sec. 330.
	90-629	42	82 Stat. 1326	Oct. 22, 1968	22 U.S.C. 2791	national security	
	103-236	102		Apr. 30, 1994		chemical, biological, missile, and nuclear proliferation: India; Pakistan	Also known as the Glenn Amendment.
Trade Expansion Act of 1962							
	87-794	232	76 Stat. 877	Oct. 11, 1962	19 U.S.C. 1862		
	99-64 [2]	233	99 Stat. 155	Jul. 12, 1985	19 U.S.C. 1864	national security	Added by PL 99-64, sec. 121
Hickenlooper Amendment and Expansion to the Foreign Assistance Act of 1962							
	87-565	301	76 Stat. 260	Aug. 1, 1962	22 U.S.C. 2370(e)(1)	expropriation	
Foreign Assistance Act of 1961 (PL 87-195)							
	93-189	104(f)	87 Stat. 715	Dec. 17, 1973	22 U.S.C. 2151b(f)	coercive family planning	Added by PL 93-189, sec. 2(3).
	94-161	116	89 Stat. 860	Dec. 20, 1975	22 U.S.C. 2151n	human rights	Added by PL 94-161, sec. 310.
	99-529	118	100 Stat. 3014	Oct. 24, 1986	22 U.S.C. 2151p-1	environment	Added by PL 99-529, sec. 301.
	99-204	231A	99 Stat. 1670	Dec. 23, 1985	22 U.S.C. 2191a	worker rights: Saudi Arabia, Qatar, United Arab Emirates	Added by PL 99-204, sec. 5(a).
	91-175	239(i)	83 Stat. 816	Dec. 30, 1969	22 U.S.C. 2199	human rights: Saudi Arabia, Qatar, United Arab Emirates	Added by PL 91-175, sec. 105.
	99-83	307	99 Stat. 219	Aug. 8, 1985	22 U.S.C. 2227	terrorism: Burma, Iraq, North Korea, Syria, Libya, Iran, Cuba	Added by PL 99-83, sec. 403.
		481					Added by PL 92-352, sec. 503.
	100-690	486, 487	102 Stat. 4270, 4285	Nov. 18, 1988	22 U.S.C. 2291e, 2291f	narcotics	Added by PL 100-690, sec. 4206(a), 4503. Sec. 487 was repealed by PL 102-583, sec. 6(b)(2).
	102-583	490[2]	106 Stat. 4924	Nov. 2, 1992	22 U.S.C. 2291j	narcotics	
	102-511	498A	106 Stat. 3326	Oct. 24, 1992	22 U.S.C. 2295a	Russia	Added by PL 102-511, sec. 201.

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws		Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Law No.	Section					
93-559	502B	88 Stat. 1815	Dec. 30, 1974	22 U.S.C. 2304	human rights	Added by PL 93-559, sec. 46.
87-195	620	75 Stat. 494	Sept. 4, 1961	22 U.S.C. 2370	Cuba, countries expropriating US property	
87-195 and 89-583 [2]	620(c), (q)	75 Stat. 494	Sept. 4, 1961 and Sept. 19, 1966	22 U.S.C. 2370(c), (q)	debt default; not Nicaragua, Liberia for foreign aid; for narcotics aid: not Colombia, Bolivia, Peru	
87-195	620(d)	75 Stat. 494	Sept. 4, 1961	22 U.S.C. 2370(d)		
87-565	620(e)	76 Stat. 260	Aug.. 1, 1962	22 U.S.C. 2370(e)	expropriation: general applicability	Added by PL 87-565, sec. 301.
87-565	620(f), (h)	76 Stat. 261	Aug. 1, 1962	22 U.S.C. 2370(f), (h)	communism	Added by PL 87-565, sec. 301.
87-565	620(g)	76 Stat. 260	Aug. 1, 1962	22 U.S.C. 2370(g)	expropriation	Added by PL 87-565, sec. 301(d)(3).
88-205	620(j)	77 Stat. 386	Dec. 16, 1963	22 U.S.C. 2370(j)	expropriation	Added by PL 88-205, sec. 301.
88-205	620(l)	77 Stat. 386	Dec. 16, 1963	22 U.S.C. 2370(l)	expropriation	Added by PL 88-205, sec. 301.
89-171	620(o)	79 Stat. 659	Sept. 6, 1965	22 U.S.C. 2370(o)	expropriation	Added by PL 89-171, sec. 301(d).
90-137	620(s)	81 Stat. 459	Nov. 14, 1967	22 U.S.C. 2370(s)	proliferation	Added by PL 90-137, sec. 301.
90-137	620(t)	81 Stat. 459	Nov. 14, 1967	22 U.S.C. 2370(t)	diplomatic	Added by PL 90-137, sec. 301.
90-137	620(u)	81 Stat. 459	Nov. 14, 1967	22 U.S.C. 2370(u)	international organizations	Added by PL 90-137, sec. 301.
94-329	620A	90 Stat. 753	Jun. 30, 1976	22 U.S.C. 2371	terrorism	Added by PL 94-329, sec. 303.
97-113	620E	95 Stat. 1561	Dec. 29, 1981	22 U.S.C. 2375	Pakistan	Added by PL 97-113, sec. 736.
104-132 and 104-164	620G, H	110 Stat. 1256, 1436	Apr. 24, 1996 and Jul. 21, 1996	22 U.S.C. 2377, 2378a	proliferation, terrorism	Sec. 620(G) added by PL 104-132, sec. 325 and PL 104-164, sec. 149. Sec. 620H added by PL 104-132, sec. 326.
104-208	620I	110 Stat. 3009-162	Sept. 30, 1996	22 U.S.C. 2378-1	humanitarian aid	Added by PL 104-208, sec. 559.
87-195	621	75 Stat. 494	Sept. 4, 1961	22 U.S.C. 2381	national security	

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws							
	Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
	95-424	633A	92 Stat. 957	Oct. 6, 1978	22 U.S.C. 2393a	national security	Added by PL 95-424, sec. 502(a)(1).
	94-329	669	90 Stat. 755	Jun. 30, 1976	22 U.S.C. 2429	nuclear proliferation: Pakistan	Added by PL 94-329, sec. 305. Repealed on Apr. 30, 1994 by PL 103-236, sec. 826(b).
	95-92	670	91 Stat. 620	Aug. 4, 1977	22 U.S.C. 2429a	nuclear proliferation	Added by PL 95-92, sec. 12. Repealed on Apr. 30, 1994 by PL 103-236, sec. 826(b).
Internal Revenue Act of 1954 (PL 86-780)							
	99-509	901	100 Stat. 1962	Oct. 21, 1986	26 U.S.C. 901(j)	terrorism: DTCs	Added by PL 99-509, sec. 8041(a).
International Development Association Act							
	86-565	12	74 Stat. 293	June 30, 1960	22 U.S.C. 284j	expropriation: general applicability	
	86-565	13	74 Stat. 293	June 30, 1960	22 U.S.C. 284k	narcotics: general applicability	
Inter-American Development Bank Act							
	86-147	21	73 Stat. 299	Aug. 7, 1959	22 U.S.C. 283r	narcotics: general applicability	
	86-147	22	73 Stat. 299	Aug. 7, 1959	22 U.S.C. 283s	narcotics: general applicability	
Atomic Energy Act							
	83-703	123	68 Stat. 940	Aug. 30, 1954	42 U.S.C. 2153	nuclear proliferation	
Export-Import Bank Act of 1945 (PL 79-173)							
	93-646	2(b)(1)(B)	88 Stat. 2334	Jan. 4, 1975	12 U.S.C. 635(b)(1)(B)	human rights, terrorism, weapons proliferation	Added by PL 93-646, sec. 3.
	90-267	2(b)(2)	82 Stat. 48	Mar. 13, 1968	12 U.S.C. 635(b)(2)	Marxist-Leninist states	Added by PL 90-267, sec. 1(c)(2). China has received a national interest waiver under this Act since 1980.
	95-143	2(b)(4), 2(b)(5)(C)	91 Stat. 1210	Oct. 26, 1977	12 U.S.C. 635(b)(4)	weapons proliferation	Added by PL 95-143, sec. 3(b).
	101-240	11	103 Stat. 2495	Dec. 19, 1989	12 U.S.C. 635i-5	China	Added by PL 101-240, sec. 102.
Bretton Woods Agreements Act (PL 79-171)							
	96-389	37	94 Stat. 1554	Oct. 1, 1980	22 U.S.C. 286w	terrorism: PLO	Added by PL 96-389, sec. 7.
	98-181	43	97 Stat. 1270	Nov. 30, 1983	22 U.S.C. 286aa	communism	Added by PL 98-181, sec. 804.

Table D-1– *Continued*
U.S. unilateral economic sanctions: Federal statutes, by Public Law No.

Public Laws						
Law No.	Section	Statute	Date Enacted	U.S. Code	Reasons cited and countries or entities subject to sanctions[1]	Comments
Tariff Act of 1930						
71-361	307	46 Stat. 689	June 17, 1930	19 U.S.C. 1307	forced labor	
Trading with the Enemy Act						
65-91	5	40 Stat. 411	Oct. 6, 1917	50 U.S.C. App. 5	national security: general applicability; Cuba, North Korea	

Note.–The legislation described in this appendix encompasses sanctions legislation found in the source materials, structured into a common format that favored consistent readability over legal precision. See Table 2-1 in chapter 2 for an abbreviated version for greater ease of reference. While drawn largely from the same materials, Appendix D and Table 2-1 may not always accord precisely because the table encompasses updated information where available. This table is not intended to represent an exhaustive, legally definitive compilation of U.S. unilateral economic sanctions.

Note.–Blanks indicate "notapplicable" or that information was not available.

[1] Reasons cited for the sanctions reflect characterizations found in the source materials, which may or may not be comprehensive. The countries or entities to which sanctions apply were not always readily evident from the source materials, and could also be subject to different interpretations.
[2] Legal authority for sanctions in indicated legislation may have been modified or superseded by subsequent legislation.
[3] Other AECA sections include: sec. 3(f), added by PL 103-236, sec. 822(a)(1); sec. 38, added by PL 94-329, sec. 212; sec. 40, added by PL 99-399, sec. 509; sec. 72-73, added by PL 101-510, sec. 1703; sec. 81, added and amended by PL 102-182, sec. 305(b), 309(b)(2); and sec. 101-102, added by PL 103-236, sec. 826(a).

Sources: Compiled by the U.S. International Trade Commission from the following: the President's Export Council, *Unilateral Economic Sanctions: A Review of Existing Sanctions and Their Impacts on U.S. Economic Interests with Recommendations for Policy and Process Improvement*, June 1997, based on documentation by the U.S. Department of Commerce, Bureau of Export Administration; the Congressional Research Service of the Library of Congress, *Economic Sanctions to Achieve U.S. Foreign Policy Goals: Discussion and Guide to Current Law*, Jan. 22, 1998; and the National Association of Manufacturers, *A Catalog of New U.S. Unilateral Economic Sanctions for Foreign Policy Purposes, 1993–96*, Mar. 1997.

Table D-2
U.S. unilateral economic sanctions: Recent Executive Orders and Presidential Determinations

Executive Order (E.O.) or Determination (Det.) No.	Date	Summary
E.O. 13088	June 9, 1998	Blocks property and prohibits financial transactions with the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro) an d the Republic of Serbia.
Det. 98-22	May 13, 1998	In accordance with sec. 102(b)(1) of the Arms Export Control Act, determines that India, a non-nuclear-weapon nation, detonated a nuclear explosive device on May 11, 1998.
Det. 98-25	May 30, 1998	In accordance with sec. 102(b)(1) of the Arms Export Control Act, determines that Pakistan, a non-nuclear-weapon nation, detonated a nuclear explosive device on May 29, 1998.
E.O. 13067	Nov. 3, 1997	Imposes a trade embargo against Sudan and a total asset freeze against the Government of Sudan.
E.O. 13047	May 20, 1997	Prohibits new investment in Burma by U.S. persons, and their facilitation of new investment.
E.O. 12978	Oct. 21, 1995	Blocks property and prohibits transactions in property interests of designated narcotics traffickers in Colombia.
E.O. 12959	May 6, 1995	Controls U.S. exports and re-exports to Iran, new U.S. investment in Iran, and imports of goods and services of Iranian origin.
E.O. 12957	Mar. 15, 1995	Limits ability of U.S. persons to contract for performance, guarantees, or financing the development of Iranian petroleum resources.
E.O. 12947	Jan. 23, 1995	Blocks assets of those who committed, or present a significant risk of committing, acts of violence that would disrupt the Middle East peace process, and blocks transactions by U.S. persons with such persons.

Note–This table is not intended to represent an exhaustive, legally definitive compilation of U.S. unilateral economic sanctions.

Source: Compiled by the U.S. International Trade Commission.

APPENDIX E
Summary of Economic Conditions in Selected Countries Subject to U.S. Unilateral Economic Sanctions

Table E-1
Summary of economic conditions in selected countries subject to unilateral economic sanctions

Country	Economic conditions (see notes at end of table)
Cuba	GDP: $16.2 billion (1996); GDP per capita: $1,480 (1996); Population: 11.0 million (1997) Economy: The Cuban Government plays the primary role in the economy and controls practically all foreign trade. National economic output declined by 35 percent during 1989-1993 as a result of lost Soviet aid and domestic inefficiencies. Since 1994, the government has undertaken several reforms in recent years to improve labor productivity and alleviate serious shortages of food, consumer goods, and services. Decades of neglect of physical and economic infrastructure create many investment opportunities, which are being pursued by Canadian, European, and Latin American investors. Selective sectors of the economy have been opened to foreign investment and joint ventures, namely nickel mining and tourism. Industries: sugar, petroleum, food, tobacco, textiles, chemicals, paper and wood products, metals (particularly nickel), cement, fertilizers, consumer goods, and tourism. Exports: sugar, nickel, tobacco, shellfish, medical products, citrus, and coffee. Imports: petroleum, food, machinery, and chemicals. Leading trade partners: Canada, Russia, China, Spain, and Mexico. U.S. trade: Licenses are required for most exports (including humanitarian donations) and re-exports of U.S.-origin commodities, technology, and software to Cuba. The Bureau of Export Administration (BXA) of the U.S. Department of Commerce reported that in fiscal year 1997 it approved 87 license applications (85 exports and 2 re-exports), valued at $493 million, for shipments to Cuba– most of which (82 export licenses valued at $483 million) comprising humanitarian aid in the form of food, medicine, and medical supplies; five export license applications valued at $2.5 million were denied. U.S. exports: $9.3 million (1997) U.S. imports: $0
Iran	GDP: $343.5 billion (1996); GDP per capita: $5,200 (1996); Population: 67.5 million (1997) Economy: Iran is a mixture of central planning, government ownership of petroleum resources and other large enterprises, village agriculture, and small-scale private trading and service ventures. Many sectors closed to foreign investors. The Iranian Government recently has adopted a number of market reforms to deregulate the economy, but most of these reforms are moving slowly or have been reversed because of political opposition. Foreign investment interest remains particularly strong in the petroleum sector and in developing offshore natural gas fields. Industries: petroleum, petrochemicals, textiles, cement and other construction materials, food processing (particularly sugar refining and vegetable oil production), and metal fabricating. Exports: petroleum, carpets, fruits, nuts, hides, iron, and steel. Imports: machinery, military supplies, metal works, foodstuffs, pharmaceuticals, technical services, and refined oil products. Leading trade partners: Japan, Italy, France, and Germany. U.S. exports: $ 1.1 million (1997) U.S. imports: $ 0.1 million (1997)

Table E-1– Continued
Summary of economic conditions in selected countries subject to unilateral economic sanctions

Libya	GDP: $34.5 billion (1995); GDP per capita: $6,570 (1995); Population: 5.6 million (1997) Economy: Libya's socialist-oriented economy is heavily dependent upon revenues from the petroleum sector– which contributes practically all export earnings and about one-third of GDP. Oil export earnings generate sufficient foreign exchange (estimated at $9 billion annually) to sustain imports of food, consumer goods, and equipment for the petroleum industry and ongoing development projects. Economic growth has slowed in recent years and has fluctuated sharply in response to changes in the world oil market. Import restrictions and inefficient resource allocations lead to periodic shortages of basic goods and food in Libya. European companies have filled gaps left by U.S. firms forced to withdraw because of U.S. sanctions. Industries: petroleum, food processing, textiles, handicrafts, and cement Exports: crude oil, refined petroleum products, and natural gas. Imports: machinery, transport equipment, food, and manufactured goods. Leading trade partners: Italy, Germany, Spain, France, and the United Kingdom. U.S. exports: $ 0 (1997) U.S. imports: $ 0 (1997)
North Korea	GDP: $20.9 billion (1996); GDP per capita: $900 (1996); Population: 24.3 million (1997) Economy: More than 90 percent of this command economy is socialized; agricultural land is collectivized; and government-owned industries produce 95 percent of manufactured goods. Manufacturing is centered on heavy industry, including military industry, with light industry lagging far behind. Despite the use of improved seed varieties, expansion of irrigation, and the heavy use of fertilizers, North Korea has not yet become self-sufficient in food production and has suffered serious recurring food shortages. Industries: military products; machine building, electric power, chemicals; mining (coal, iron ore, magnesite, graphite, copper, zinc, lead, and precious metals), metallurgy; textiles, and food processing. Exports: minerals, metallurgical products, agricultural and fish products, civilian and military manufacturers. Imports: petroleum, grain, coking coal, machinery and equipment, and consumer goods. Leading trade partners: China, Japan, Germany, Hong Kong, and Russia. U.S. exports: $ 2.4 million (1997) U.S. imports: $ 0 (1997)

Table E-1– Continued
Summary of economic conditions in selected countries subject to unilateral economic sanctions

Sudan	GDP: $26.6 billion (1996); GDP per capita: $860 (1996); Population: 32.6 million (1997) Economy: The largest country in geographic size in Africa, Sudan has been buffeted by civil war and chronic political instability throughout its modern history, especially since 1983. Agriculture employs 80 percent of the work force; industry mainly processes agricultural items. Sluggish economic performance over the past decade, attributable largely to declining annual rainfall, has kept agricultural production and overall economic output at low levels. The government's continued prosecution of the civil war and its growing international isolation continued to inhibit growth in the nonagricultural sectors of the economy. Cumbersome bureaucratic procedures and foreign investment approval process discourage foreign investment. Industries: cotton ginning, textiles, cement, edible oils, sugar, soap distilling, shoes, and petroleum refining. Exports: cotton, livestock, gum arabic, and sesame. Approximately one-half of exports to the United States are gum arabic, a key emulsifier ingredient in soft drinks, candy, and other products. Imports: foodstuffs, petroleum products, manufactured goods, machinery and equipment, medicines, chemicals, and textiles. Leading trade partners: Egypt, Saudi Arabia, Italy, the United States, and Japan. U.S. exports: $ 37.2 million (1997) U.S. imports: $ 12.1 million (1997)
Syria	GDP: $98.3 billion (1996); GDP per capita: $6,300 (1996); Population: 16.1 million (1997) Economy: Syria's economy remains highly regulated despite a 1991 investment law designed to encourage foreigners and expatriate Syrians to invest in exchange for duty exemptions, tax holidays, and freedom from foreign exchange regulations. Liberalization and deregulation have stalled and further reforms, such as unification of multiple exchange rates, were promised but have not materialized. Industries: petroleum, textiles, food processing, beverages, tobacco, phosphate rock mining. Exports: petroleum, food and live animals, and textiles. Imports: machinery, food and live animals, transport equipment, and chemicals. Leading trade partners: Germany, Italy, France, Lebanon, Saudi Arabia, and the United States. U.S. exports: $ 120.3 million (1997) U.S. imports: $ 27.3 million (1997)

Note.– GDP and GDP per capita expressed in purchasing power parity for years indicated.

Sources: CIA World Factbook, 1997, found at CIA website, http://www.odci.gov/cia/publications/factbook/ and U.S. Department of Commerce and U.S. Department of State, *Country Commercial Guide* (various countries), 1997. Trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

APPENDIX F
Telephone Survey Worksheet

OMB Authorization: 3117-0186 of April 7, 1998

U.S. International Trade Commission Survey Worksheets
Inv. No. 332-391: Overview and Analysis of Current U.S. Unilateral Economic Sanctions

Analyst conducting this interview: ____________________ Division: ____________________

Today's date and time: ____

Company name: ____

Headquarters location: ____

Main Products/Services: ____

Contact Name and Title: ____

Contact Phone: ____________ Fax: __________ Email: ____________________

Introduction:

a. Does your company export, invest, or otherwise operate in a foreign country?

___ yes (*continue*) ___ no (*terminate, but complete contact information above*)

b. Is your company a member of USAEngage? ___ yes ___ no

c. In the past 5 years, has your company been affected by one or more economic sanctions imposed unilaterally on a foreign country by the U.S. government or by a State or local municipality?

___ yes ___ no (*skip to questions 9-12*)

(*if "yes", ask*): ___ one sanction
___ more than one (*if checked, do separate worksheet for each sanction*)

(1) In what year was the sanction implemented? ________

(2) Which entity imposed the economic sanction -- the U.S. government or a State/local municipality?

_______ U.S. government: (*If U.S. Gov., ask*) Do you recall if it was initiated by Congress or the Executive Branch?

_____ Congress _____ Executive Branch _____ don't know

(*Then ask*) Do you happen to know the name or number of the statute, regulation, or executive order for the sanction?_______________

_______ State or local municipality (*specify*)_______________

(*Then ask*) Did this State- or locally-imposed sanction __: (*Read each*)

1. Restrict or prohibit procurement from your firm by the State or municipality? ____yes ___no ___don't know
2. Affect the equity holdings in your firm? ___yes ____no ___don't know
3. Cause you to switch suppliers? ____yes ____no ____don't know
4. Cause customers to switch from your firm? ___yes ____no ___don't know
5. Any other effect?____yes ____no (*If Yes, specify*_______________

____

(3) Which product or service is or was affected by the sanction? (*List all that apply*) _______________

____

(4) Which countries are or were targeted or threatened with the sanction:

Angola	___	Laos	___	Russia	___
Azerbaijan	___	Libya	___	South Africa	___
China	___	Mexico	___	Sudan	___
Colombia	___	Myanmar (Burma)	___	Syria	___
Cuba	___	Nigeria	___	Vietnam	___
Iran	___	North Korea	___	Other (*specify*)	___
Iraq	___				

(5) Overall, does/did the sanction limit or enhance your firm's ability to obtain government assistance or financing, e.g., through the Export-Import Bank, Overseas Private Investment Corp. (OPIC), Trade and Development Agency, etc.?

(6) The Treasury Department's Office of Foreign Assets Control (OFAC) enforces sanctions and grants waivers for them. Has your firm been licensed by OFAC or other U.S. Government entity to do business with an embargoed country? ______yes _____no (*If yes*) How much licensed business has occurred?

____

In what year? ______ Has such a license been denied? ___________ In what year? _____

(7) How did the unilateral economic sanction affect your firm over the past five years? (*Where possible and applicable, obtain precise quantification of dollar amounts. If this is infeasible, obtain estimates phrased in the following terminology, (a) minimal impact (i.e., 0-5 percent), (b) modest impact (6-10 percent), or (c) substantial impact (over 10 percent). If no quantification is possible, anecdotal or qualitative information is acceptable.*)

A. Effect on firm's exports______________________________

B. Effect on firm's imports______________________________

C. Effect on firm's investment in another country (target country or third country)________

D. Effect on sales______________________________

E. Effect on prospective sales______________________________

F. Effect on your firm's employment______________________________

a. More workers hired attributable to sanction (# of workers)____________

b. Workforce reduced attributable to sanction (# of workers)____________

c. Wages increased/decreased attributable to sanction____________

G. Effect on your firm's production (percent increase/decrease)____________

H. Effect on firm's reputation as a reliable supplier____________________

I. Foreign competitor used sanctions to disparage your firm's efforts to sell a U.S. product or participate in a foreign project____________________

J. Effect on access to foreign materials____________________

K. Effect on relationship with foreign suppliers____________________

L. Effect on technology export and development

M. Diversion of exports to third countries

N. Diversion of imports to third countries

O. Diversion of production to third countries

P. Diversion of employment to third countries

Q. Increased production costs

R. Effect on competitiveness compared to foreign companies unrestricted by sanctions

S. Redesign of product to minimize U.S. components

T. Effects on upstream industries

U. Effects on R & D spending

V. Effects on firm's ability to make or receive payment

W. Effects on your firm's ability to travel to a foreign country to conduct business, or to have foreign contacts visit the United States?____________________

X. Other____________________

(8) Has the imposition of the sanction affected your firm even after it was lifted? ____yes ___no
(*if yes, ask*): How has your firm been affected after the sanction was lifted? (*Read list*)

A. ____Firm could *not* re-enter market
B. ____Firm could re-enter foreign market easily
C. ____Firm could re-enter market with difficulty or concessions
(*If C, ask*) What difficulty or concession did your firm face?
a. ___Lost contracts or concessions to a competing company of non-U.S. nationality? (*If so*) What nationality?____________
b.___ Had to reduce prices (*If so*) What proportion?____________
c.___ Had to transfer technology
d.___ Had to make extra-ordinary business concessions (*If so*) Explain____________
e.___ Increased marketing costs
f.___ Other____________

(9) Do you know of U.S. companies that have benefitted from unilateral sanctions?
____yes (*If yes*) Who? ____________
____no

(10) Are you aware of instances where companies have declined to invest in the United States because of the threat of unilateral economic sanctions?
___yes (*If yes*) Please explain ____________
___no

(11) A. Has your company or industry made any quantitative estimates or other studies of the effects of sanctions? ___yes
___no
(*If yes*) Could you provide USITC staff with a copy, if necessary on a confidential basis? ___yes ____no

B. Would your company/association wish to submit oral or written testimony to the ITC for this study (Hearing on May 14 and 15)?
____yes (*If yes*) Whom should the ITC contact?____________
____no

(12) Any other comments?

APPENDIX G
List of Companies and Associations Contacted

Companies and Associations Contacted
(OMB Authorization 3117-0186, dated April 7, 1998)

ABB Inc.
Acker Drill
Acme Abrasive Corporation
Adobe
Adolph Coors
Advanced Tank & Construction corporation
Advanced Technology Services
Advanced Technology Laboratory
Aetna Life and Casualty
Agribusiness Association of Iowa
Air Products
AirTouch Communications
Alcatel
Allegheny-Ludlum
Allied Signal Inc.
Alltel
Alpine Electronics
Aluminum Association
American Association of Exporters & Importers
American Beet Growers Association
American Brush Manufacturers Association
American Copper Council
American Council on Life Insurance
American Electronics Association
American Express Company
American Farm Bureau Federation
American Foods Group
American Forest & Paper Association
American Frozen Food Institute
American Gem Trade Association
American Hand Tool Coalition
American Institute of Architects
American Institute for International Steel
American Insurance Association
American International Group
American Iron and Steel Institute
American Meat Institute
American Petroleum Institute
American Pipe Fittings Association
American Refrigeration Institute
American Sheep Industry Association
American Soybean Association
American Stores
American Tunaboat Association
American Wire Producers Association

Americold
Ameritech
Amoco Corporation
AMO, Inc.
Andersen Worldwide Industries
Andrew Corporation
Anheuser-Busch
Applied Signal
ARCO Chemical Company
Armstrong World Industries
Ashland Oil
Ashhtech
Association of North American Tile Manufacturers
AT&T
Audiovox
Automatic Data Processing
Avon Products
Baltimore Aircoil Corporation
Bank America Corporation
Bank of Boston Corporation
Bank of New York
Bank One Corporation
Bankers Trust New York Corporation
Barrick Goldstrike Mines, Inc.
Baxter International
BDM International
Bear Stearns
Bechtel Group
Bell Atlantic
Bell South
Bender Shipbuilding
Berg Connectors
Best Buy
Bethlehem Steel Corporation
BIW Connector Systems, Inc.
Black & Veatch
Blackhawk Foundry & Machine Corporation
Boeing Company
Boston Acoustics
Boston Scientific
Bozell, Jacobs, Kenyon & Eckhardt
Breed Technologies
British Petroleum
Broken Hill Proprietary corporation
Brother
Brown and Root
Brown-Forman Corporation
Brown & Williamson Tobacco Corporation
Brunswick Corporation
Bullen Pump & Equipment
Cable Television Association

Cablevision
California Avocado Commission
California Council for International Trade
California Pear Advisory Board
Calix Oil Corporation
Cane Refiners Association
Canon USA
Carboline Corporation
Cargill, Inc.
Carlson Marketing Group
Carrier Corporation
Carter Paper & Packaging, Inc.
Case Corporation
Caterpillar Inc.
Cavalier Homes, Inc.
Cessna
Central Soya Company & Cerestar USA
CH2M-Hill
Chase Manhattan Bank
Chemical Manufacturers' Association
Chevron Corporation
Chiquita Brands International, Inc.
Chrysler Corporation
Chubb
Cigna
Circuit City Group
Cisco
Citibank
Cly-Del Manufacturing Company
Coalition for Sugar Reform
Coastal Corporation
Coastal Lumber
Coca-Cola
Cold Finished Steel Bar Institute
Colgate-Palmolive Company
Columbia Broadcasting System
Columbia Steel Tank Corporation
Comcast
Commercial Bank of San Francisco
Commercial Forged Products, a Division of Wozniak Industries, Inc.
Computer & Communications Industry Association
Computer Sciences Corporation
ConAGra Inc.
Confederate Steel Corporation
Conoco Inc.
Coopers & Lybrand
Coors Brewing Company
Copper Development Association
Corning
Costco
Crispaire

Crown
CVS
Dade Papers
Dal-Tile International
Dana Corporation
David R. Webb, Inc.
Dean Foods Company
Dean Hardwoods
Deere & Company
Dekalb Genetics Corporation
Del Monte Fresh Produce Corporation
Dell Computers
Desert Aire Corporation
Diamond Chain Company
Diamond Registry
Diebold, Inc.
Disney-ABC
Dole Food Company, Inc.
Domino Sugars
Dorma Door Controls, Inc.
Dow Chemical Company
Dresser Industries
DSC Communications Corporations
E&J Gallo
Eagle Crusher
Easten
Eaton Bank
Edison Price Lighting, Inc.
EDS Corporation
Edwards Valves, Inc.
E.I. du Pont de Nemours and Company
Electronic Industries Association
Electronic Arts
Eli Lilly
Enron Corporation
Environmental Export Council
Ericsson Inc.
Estee Lauder
European-American Business Council
Export Procedures Company
Exxon Corporation
Fairfield Chair Company
Farmland Industries
Federal-Mogul Corporation
Federated Department Stores
Feed Grains Council
Ferroalloys Association
First Data
First Union Corporation
Fleet Financial Group
Florida Citrus Mutual

Florida Citrus Processors Association
Florida Department of Agriculture
Florida Farm Bureau
Florida Fruit and Vegetable Association
Florida Tomato Committee
Flo Sun
Flour Corporation
FNW Valve Corporation
Ford
Forging Industry Association
Fort James Paper
French Oil Mill Machinery Corporation
Fulfillment Systems International
Fuller Company
Gemological Institute of America
General Cable Corporation
General Electric
General Motors
Genmar Industries
GenRad
Georgetown Industries
Georgia-Pacific Corporation
Gold and Silver Institute
Grey Advertising
Grocery Manufacturers of America
GTE Corporation
Gulf Valve Corporation
Halter Machines
Harris Corporation
Harris & Ellsworth
Harrison Steel Castings corporation
Hasbro, Inc.
Hawiian Coffee Associationi
Heatex
Hewlett-Packard Company
Hogan & Hartson
Honeywell Inc.
Houston Center Valve & Fitting Corporation
Hunt
Hussey Seating Company
IBM Corporation
IBP
IDT
Ice-O-Matic/Mile High Equipment Corporation
Illinois Corn Growers Association
Illumination Engineering Society of North America
Independent Petroleum Association of America
Industrial Fasteners Institute
Ingalls Shipbuilding
Ingersoll-Rand Ccompany
Inland Steel Industries

International Association of Drilling contractors
International Colored Gemstone Association
International Comfort Products
International Dairy Foods Association
International Hardwood Products Association
International Pearl Association
International Insurance Council
Interpublic Group
Iomega Computers
ITT Cannon
ITT Hartford
J.C. Penney
Jim Beam
Johns Controls
Johnston America
J.P. Morgan & Company
Kauai Coffee Company
Keithly Instruments
Kennametal Inc.
Kerr-McGee Corporation
Kmart
Kodak
Kraft
L & M Cabinet Factory
Ladish Company, Inc.
Lafarge
Laguna Clay Corporation
Lake Erie Screw Corporation
Land O'Lakes
Leaf Tobacco Exporters Association
Lehman Brothers Holdings
Leica
Leo Burnett
Lexmark
Lieberman-Appalucci Advertising
Limited
Linkbeld Construction Company
Lockheed-Martin
Lone Star Steel
Longview fibre company
LTV Corporation
Lucent Technologies
MacManus Group
Mar-Mac Wire, Inc.
Marathon Oil
Masoneilan-Dresser Valve & Controls
Matsushita
Mattel, Inc.
Mauritius Sugar Syndicate
McAfee
McDonald's

MCI Communications
MCI Systemhouse
Medtronics
Merrill Lynch
Mesa
Mestek Inc.
Micron
Midland
Miller Brewing Corporation
Millers National Federation
Milwaukee Forge
Mobile Corporation
Monomoy Coffee Company
Monsanto Company
Mooney
Morgan Stanley Dean Witter Discover
Motion Picture Association of America
Motorola Inc.
Murphy Oil Corporation
National Association of Insurance Brokers
National Association of Manufacturers
National Broadcasting Company
National Cabinet Lock
National Cattlemen's Beef Association
National Fisheries Institute
National Foreign Trade Council
National Grocers Association
National Juice Products Association
National Mining Association
National Oilseed Processors Association
National Petroleum Refiners; Association
National Pork Producers Council
National Potato Council
National Shellfisheries Association
Nations Bank Corporation
Navistar
NCR
Nestle USA
New Mexico Trujillo Foods
Newport Corporation
Nippon Oil Exploration
Nortel
North American Export Grain Association
Northwest Fruit Exporters Association
Northwest Horticultural Council
Norwest Corporation
Nucor
Occidental Petroleum Corporation
Office Depot
Omnicom Group
Oracle

Oregon Steel Mills
Paine Weber Group
Pan Pacific Seafoods
Panel Processing, Inc.
Parsons
Peanut Butter and Nut Processors Association
Pennzoil
PepsiCo, Inc.
Peterson Manufacturing company, Inc.
Pfizer
Pharmacia/Upjohn
Phelps Dodge International Corporation
Phelps Dodge Mining Corporation
Philip Morris
Phillips Petroleum Corporation
Picker International Inc.
Pioneer Hi-Bred International
Pistachio Commission
Pitt-DesMoines, Inc.
Plymouth Tube
Portland Cement Association
Powell Goldstein
Precision Metalforming Association
Procter & Gamble Company
Produce Marketing Association
Purafil, Inc.
Qualcomm
Quantegy
Queen City Supply Corporation
R.J. Reynolds
Reinsurance Association of America
Rice Company
Rockwell
Rohm & Haas
Sandvik, Inc.
SBC Communications
Scot forge
Seagate
Semco Inc.
Service Merchandise
Shafer Valve Operating Systems
Shell
Shelter Systems
SKF USA, Inc.
SKW Alloys
Soloman Smith Barney
Sony
Southdown Inc.
Southwire
Spancrete Industries, Inc.
Specialty Steel Industry of North America, Inc.

Sporting Goods Manufacturers Association
Spring Manufacturers Institute
Sprint Corporation
Spuncast, Inc.
Stainless Steel Flatware Association
Stanley Works
StarKist Foods
Steel Manufacturers Association
Steel Service Center Institute
Steel Tube Industry of North America
Steel Warehouse Corporation, Inc.
Sterling Diagnostic
Stone Equipment
Storage Technology
Sullivan, Inc.
Sullzer Bingham Pumps, Inc.
Sun Microsystems
Sweetner Users Association
Sysco
TDK
Tech Data
Tecumseh Products Company
Tektronix Inc.
Tele-Communications
Telect Telecom Inc.
Tenneco Inc.
Texas Instruments
Texas Steam Company
Texas Steel Corporation
Thyssen Steel
Tile Council of America, Inc.
Time Warner
Timken Corporation
TMP Worldwide
Torrington Corporation
Toys 'R' Us
TradeCom International
Trimble
Tropical Fruit Growers of South Florida, Inc.
True North Communications
TRW Inc.
Union Camp
Union Carbide Corporation
Unisys Corporation
Unit Drop Forge Corporation, Inc.
United Fresh Fruit and Vegetable Association
U.S.-ASEAN Council for Business
U.S. Bancorp
U.S. Beef Processors Association
U.S. Chamber of Commerce
U.S. Dairy Export Council

U.S. Office Products
U.S. Rice Federation
U.S. Steel Group
U.S. Sugar Corporation
U.S. Tuna Foundation
U.S. WEST Inc.
U.S.A. Wire & Cable, Inc.
United Sugars Corporation
Universal Stainless, Inc.
Univision
UNOCAL Corporation
UNUM
USX Corporation
Valmont Industries, Inc.
Valve Manufacturers Association
Valve Systems and Controls
Van Camp Seafoods
Viacom
Viking Range Corporation
Vulcan Industries, Inc.
Vulcan Materials, Inc.
Wal-Mart Stores
Walgreen
Washington Apple Commission
Washington State Potato Commission
Weldbend
Wells Fargo
Western Forge Corporation/Emerson Electric
Western Growers Association
Westinghouse Electric Corporation
Wheat Export Trade Committee
Whirlpool Corporation
Winn-Dixie
WorldCom
W.R. Grace
Wyman-Gordon
Xerox
YKK Inc.
Young & Rubicam