

Sanctions as a Nonproliferation Tool? Lessons from Libya

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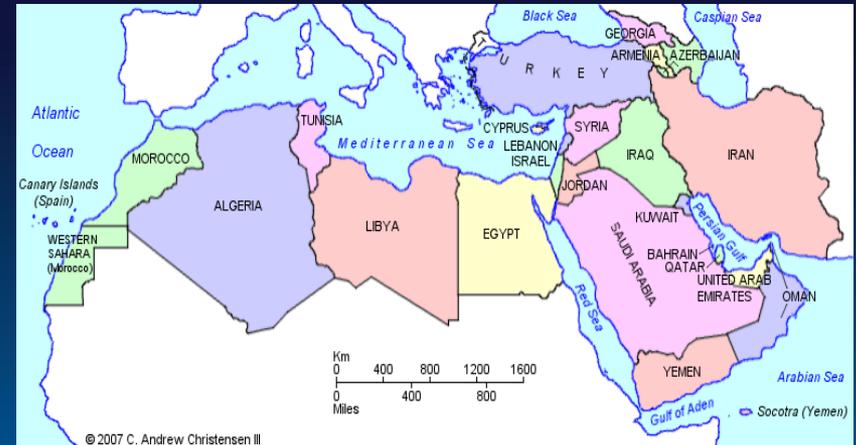
Why Libya?

- “closed case” for analysis of nonproliferation efforts
- Case of a state voluntarily giving up WMD programs without regime change
- Sanctions from 1979 - 2004 (terrorism, WMD programs)
- December 19, 2003 – publicly announce end to covert WMD programs

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Were sanctions effective?

- UN sanctions: 1992 - 1999
- U.S. sanctions:
 - 1979 - 2006: for support of terrorism
 - Iran-Libya Sanctions Act: 1996 - 2004
 - First sanctions specifically tied to WMD programs
- Arms embargoes, travel restrictions, import and export bans, asset freezes, investment limits, and diplomatic isolation



Middle East and North Africa (2007)

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What other tools were applied?

- Invasion of Iraq (March 2003)
 - Demonstration effect
- Proliferation Security Initiative
 - Interdiction of the BBC China, bound for Libya (October 2003)
- Negotiation Structure
 - Secret, quick timeframe

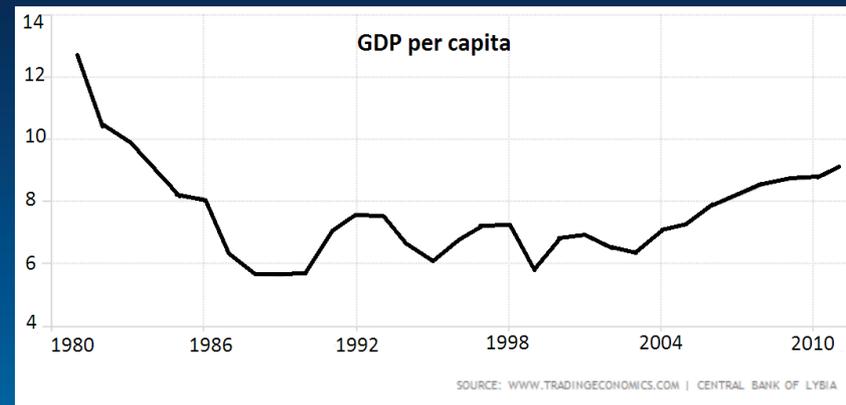


Gas centrifuge components recovered from the BBC China

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Economic Consequences

- Severe economic problems
 - Drop in GDP
 - High inflation
 - Drop in financial reserves
 - Difficulty attracting international investment
 - Drop in oil revenues
 - Growing population
 - Decreased standard of living

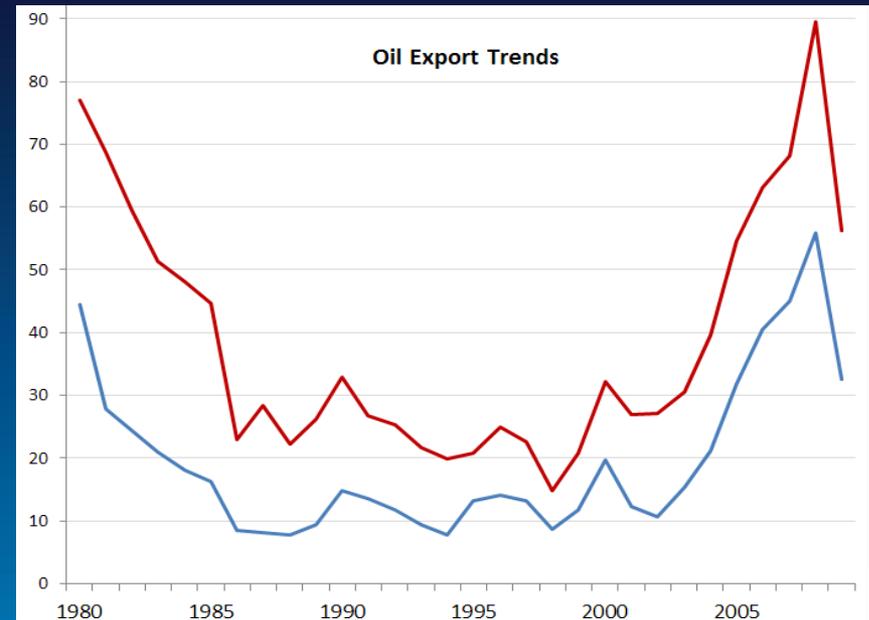


Thousands 2005 USD
Source: Central Bank of Libya, World DataBank

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Can these problems be attributed to sanctions?

- Problems mainly resulted from:
 - Drop in oil prices
 - Domestic economic mismanagement



Red – oil price (USD)

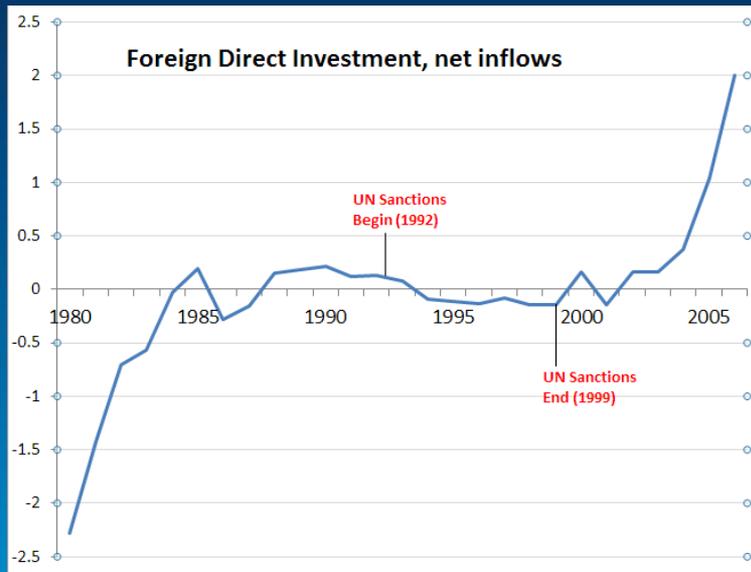
Blue – total value of Libyan oil exports (USD bn)

Source: IMF World Economic Outlook, BP Statistical Review

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Added Benefits of UN Sanctions

- Prevented other countries from compensating for lost US trade and investment
- Increased inflation
- Increased uncertainty



Billions 2005 USD
 Source: World DataBank



Source: IMF World Economic Outlook

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Impact of Sanctions

Economic:

- 'Magnifier effect'
- Most direct damage when targeted at specific oil recovery and refinement technology
- Prevented growth and access to new opportunities



Libyan leader Mommar Gadhafi

Political:

- Created vulnerabilities:
 - Hardliners vs. reformers
 - Popular unrest
 - Elite dissatisfaction
 - Fragility of political and economic system
- Shifts in international environment:
 - Gadhafi's desire for international prestige
 - Loss of USSR support
 - Lack of Arab solidarity
 - Globalization

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Lessons for Effective Use

- Create vulnerabilities that can be exploited
 - Don't expect dramatic economic effects
- Combine with other tools
 - e.g. willingness to use military force
- Build multilateral support
- Perception matters
 - Even if socioeconomic problems aren't caused by sanctions, removal can be a powerful incentive
 - Leaders sensitive to consequences of sanctions for their image internationally
- Sanctions work best when targeted at specific weaknesses in a country's political and economic systems
 - Rentier state
 - 'Personalist' authoritarian regime

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