Center for Strategic and International Studies

“Are Sanctions Working?”

Sanctions and Foreign Policy

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MATTHEW P. GOODMAN: Am I on? Yes, good. Well, good morning. As Sarah said, I’m Matt Goodman. I run the Global Economics Program here at CSIS. And delighted to join Sarah and her team in participating in this event, which has already been very educational for me. I’ve learned some things. And that’s the point of the best of CSIS programs. So I’m delighted you could be here with us today. Hello to online viewers as well. I know there are a lot of people are watching from home, as it were.

So I’ve got – there are two kinds of panels at CSIS. There are hard panels and then there are kind of the county fair panels, I call them, which are like when you walk up to the – you know, sort of the machine, and you put a quarter in, and a prize comes out. And that’s this kind of panel, where I just put in a quarter and these guys do the hard work. Delighted to be joined by four of my colleagues here at CSIS who cover many of the key countries that are the subject of sanctions, or the target of sanctions, and have real expertise in how those are being applied, and where they’re working and not.

So to my immediate left, your right, is Heather Conley, who runs our Europe program here and, among other countries on this list, covers Russia, Turkey, and probably several other bad actors that are on the list. Next to Heather is Jeff Mankoff, who’s with our Russia Eurasia Program. Also an expert in Russia sanctions. And delighted to have Jeff with us as well. Next to him is Jon Alterman, who runs our Middle East Program. I think Iran is in the Middle East – at least the way we define it here. So Iran –

JON B. ALTERMAN: Turkey isn’t, but Iran is.

MR. GOODMAN: Turkey isn’t, but Iran is. So we’ll, I’m sure, hear from John about Iran shortly. And then Moises Rendon, from our Americas Program. Again, among others, Venezuela is within his geographic reach. So we’ve got a great swath of expertise here that can cover a lot of these issues.

So I’m going to jump in. And I’m going to first just do a round asking everybody to give us a sense of how sanctions fit into U.S. foreign policy towards your respective country or region. And with – and I’ll start with Heather, to maybe step back a little further from that in terms of your sense, because you followed sanctions from many directions, sort of how sanctions overall are part of U.S. foreign policy, what they’re aimed to achieve from your perspective, and, you know, talk about Russia and Turkey as well.

HEATHER A. CONLEY: Sure. Of course, well, Matt, thank you. Good morning, everyone.

You know, I think it just bears repeating: Sanctions are a tool as part of a larger policy framework. And the challenge has been that we have used sanctions so much they have become a substitute for our policy, because we are unable to articulate a policy that looks at the long-term desired change – whether that’s Russia, whether you can look at other broader issues, Iran, et cetera. So now we have used this very powerful sanctions tool in lieu of policy. And sometimes we just simply turn to sanctions because we want to do something. We want to express our policy, you know, discontent with an actor. There are different reasons that compel the role of sanctions. Violations of international law. So when Russia violated the Chemical Weapons Convention in the United Kingdom with the Skripal poisonings, that requires a response, or illegally annexes Crimea, or invades Ukraine. But there are other sanctions that we just want to simply change behavior. We don’t want a country to pursue a specific path. That could be the example of the S-400s in Turkey, for sure.
But, again, we need an overarching policy framework for which the sanction tool moves us in that policy. And that is really – and then I will step back into my portfolio – sanctions can be powerful, if we coordinate, as the undersecretary mentioned, our allies to support our interests. And this is where Europe plays an absolutely vital role. If we don’t bring our partners along in our sanctioning policy, yes, we can – we have a powerful economic tool. And we can certainly force European countries and companies to make some decisions.

But I think – what I hope we can spend a little time on is that there are consequences for the overuse of U.S. sanctions. And I think we are now fully entering that space because, yes, we can – we can make and force companies and countries to make some choices. But what we are increasingly seeing is the antibodies being developed to these sanctions. So certainly the European Union, its creation of the special purpose vehicle INSTEX to try to carve out a path which would be immune from U.S. sanctions is a powerful indicator that that separation is happening.

Russia, as it has now had – you know, since 2011, a series of U.S., European, other sanctions on it, it is now decoupling or starting the process of decoupling from the international financial system, creating that separation so it won’t be impacted by future sanctions. So we also have to think about consequences of overuse. But, again, if I can leave everyone with one thought: Sanctions as a tool is no substitute for overarching policy. And we have been missing in action on policy frameworks for a very long time. And now sanctions is become the substitute for our policy, which is why we’re spending so much of our time focusing on it.

MR. GOODMAN: Great. OK, excellent overview and a very clear point that I think is very important to continue to frame this conversation. So I appreciate that. And I’m going to come back and ask you more about the consequences. But let me ask Jeff to dive in a little more on Russia. I think we’re – there are at least 60 different ways we’re hitting Russia over about 15 different things. I’ve lost count.

MS. CONLEY: (Laughs.) You have a spreadsheet, though, that’s really good.

MR. GOODMAN: And so maybe if you could just actually quickly just talk about what the most important of those are, and what they’re intended to achieve.

JEFFREY MANKOFF: Yeah. Well, I would start maybe where Heather stopped, which is that our Russia sanctions suffer from a lack of clarity about the ultimate goals. Because we have so many different packages of sanctions that have been imposed on Russian entities, it’s kind of a mishmash of objectives that in some ways are not congruent with one another. So we really started this push for sanctions with the invasion and annexation of Crimea in 2014. And the first push for sanctions was very clearly linked to Russian actions in Ukraine and was linked to the signing of the Minsk ceasefire agreement, which effectively meant that if the Minsk Agreement was going to be implemented, there was a path to removing the sanctions and moving back to a kind of normalized economic relationship.

What we’ve seen over the last couple of years though, on instances from the Skripal case, to the 2016 election interference, to Russian involvement in other conflicts around the world, has been a push to use sanctions as a way of imposing costs without linking those costs to specific policy changes that we would like the Russian government to undertake. And so I think what’s happening is that there’s an increased perception in Moscow that sanctions are effectively the new normal, and that Russia’s –
MR. GOODMAN: Jeff, not sure we can hear you. So go ahead.

MR. MANKOFF: Oh, sorry. I think they stuck the microphone up under my chin.

And so I think that in Russia there’s an increasing perception that sanctions are now part of the landscape, that this is the new normal, and that Russia’s strategic survival as an independent greater power requires increased decoupling from the U.S.-led international economic order and deepening of ties with particularly China, but other countries that want to similarly build up alternatives to that order. And so I think we’ve gotten ourselves in a position where sanctions have become the go-to tool when we want to impose costs on Russia. And to be sure, we’ve succeeded in imposing costs. But at the same time, whether those costs are linked to anything that could be considered a U.S. strategic objective over the longer term is a more complicated question.

And I think Russia’s desire to decouple itself from the United States and from the West, to build up its financial or economic sovereignty, to partner with China, suggests that we may have reached a point where relying on sanctions, absent some kind of diplomatic vision for how we end this confrontation or what some kind of new normal status quo looks like, is difficult.

MR. GOODMAN: OK. Thanks, Jeff. And I will follow up on a couple of points you made in a second. But, Jon, so Undersecretary Mandelker started and ended her presentation by talking about Iran. So it seems as though that’s a high priority target here. What are we trying to achieve with Iran? Or what do you think the administration is trying to achieve?

MR. ALTERMAN: Thank you very much, Matt. Good morning.

I’m afraid in Matt’s country fair analogy I represent another very small prize, and certainly not the big stuffed animal you all really want, because in fact I agree with my colleagues. There has been an effort to use sanctions. And when you’re not really sure what to do you come up with different sanctions. And you come up with sanctions against different people. It seems to me that the – there are four basic purposes for sanctions against Iran. And it’s interesting how we got here. But let me first talk about the four purposes, right?

One, as Undersecretary Mandelker said, you want to limit funds for malign activities. The hard thing about using sanctions to limit funds for malign activities is sovereign governments tend to have fairly large budgets and the malign activities Iran does are fairly cheap to do. So whether you’re – how much you’re actually able to do to limit the activities by limiting the funding for an activity – when you’re talking about a State rather than an organization or an individual – I think is a harder case to make. One is if you just, as Jeff said, if you just want to punish somebody, impose costs, send a message. OK. We certainly do that with Iran.

One idea is that you’re trying to bring about the collapse of your adversary. I think it’s hard to collapse Iran through sanctions, but that may be – and it’s certainly been rumored to be – an objective of the administration. And the last is the way the Obama administration used sanctions on Iran, which is how do you prepare for negotiations? You want to increase your leverage so that you’re not going to fix the problem through sanctions. You’re going to fix the problems through negotiations. And the way you prepare yourself for the negotiations is to impose sanctions, impose costs that make the counterpart more willing to compromise.
You could argue that that’s the administration’s policy. And you would have evidence for it. And the evidence for the other side is a tweet by real Donald J. Trump on Monday that says: The Iranians never won a war, but never lost a negotiation. So frankly, if you’re on the Iranian side, and you’re trying to figure out what does America intend through the sanctions, it’s hard to say we’re preparing for a negotiation. The president goes hot and cold about whether he wants to negotiate with the Iranians or not. But it feels like it may be – may be for the collapse argument. The punishment argument I think is irrelevant. The limiting funds I think is irrelevant for a sovereign state.

The fact is, Iran as a regime has been under sanctions for 40 years. They expect to be under sanctions for the next 40 years. Their normal is not what we consider normal. Their normal is not a free and open economy that’s integrated with the world. Their normal is we deal with a hostile environment and we try to block what we can block. It feels to me, like as Heather pointed out, that sanctions, rather than providing us a pathway to somewhere different, are a tool we use to say we’re going to do something, and don’t move us.

The interesting thing about the Iran sanctions – I just want to touch on this briefly – the original kind of good cop/bad cop was that Congress would sanction Iran and the president would waive the sanctions to enhance the president’s negotiating position against the Iranians. That all seemed fine until you had a president who was much more eager than Congress to sanction the Iranians. And part of the challenge we have calibrating sanctions, using them in a constructive way, is Congress hasn’t quite figured out both practically and politically how to shift from being the bad cop to even being an even-handed cop. The law is to sanction the heck out of Iran, and the president’s taking advantage of the way the law is constructed.

MR. GOODMAN: Interesting. I do a lot of work on trade, and there’s a sort of similar dynamic, where the traditional role of Congress is the bad guy and the administration as the more reasonable has been flipped. And that’s made all this challenging.

OK, I’m going to come back to you as well, Jon. But, Moises, Venezuela. A problem for some time, but relatively – compared to these other places, a sort of newer and fresher problem. Why are we sanctioning Venezuela? What are we trying to achieve?

MOISES RENDON: Yeah. Thank you, Matt. This is a fascinating discussion.

I feel like Venezuela is a bit of a different case now, because the country has been sanctioned only within four years, and I think is one of those countries that the amount of sanctions and the diversity of sanctions has ramped up very rapidly, right? So, first, we have about six type of sanctions on Venezuela. And I apologize to my Treasury colleagues if they define those sanctions differently, but the way I see it is first we have individual sanctions. And the U.S. has imposed over 120 individual sanctions on Venezuela. The first one came in in 2015. And those – during the Trump administration that number went up rapidly.

Canada, the European Union, Panama followed. There are many other countries who have not sanctioned Venezuela, yet – but it’s important to keep in mind that it’s more multilateral than we think. And I want to come back to the multilateral issue too. Then we have, like, sectoral sanctions that are touching into different industries, right? And the first sanction we have was the credit sanction, which is limiting the Maduro regime access to U.S. financial markets. And also it’s limited to issue new debt, which is a tool that the Maduro and his predecessor Chavez used to finance his illicit activities, right?
The second sectoral sanction is the cryptocurrency sanction. We talk about that a little bit. Venezuela was the first nation-state to issue – or, to try to issue a cryptocurrency to circumvent the U.S. sanctions, right? That was an unsuccessful attempt. I think as for now that cryptocurrency does not exist. You can’t buy it. You can’t sell it. So therefore, I don’t think it’s playing a role right now on behalf of Maduro. That being said, there are many other tools that he may be using, but not on the petro.

Then we have banking sanctions too that came in 2018. The banking is literally cutting off the banking system in Venezuela from the banking system in the world. And it’s also targeting specific banks, including Russian and other banks that are deeply connected to the Maduro regime. And this is making it more difficult for Maduro issue payments and receive payments from abroad, which is also very important in that sense. And then two more. Gold sanctions, which is limiting the Maduro regime to sell gold to actors. This set of sanctions by the U.S. has been more limited, because the U.S. doesn’t engage – has not engaged on the gold sector in Venezuela. But it kind of deterring other actors, like Turkey and Iran, to engage on gold at some extent, right? Although that’s still happening.

And then finally we have the oil sanctions, which is kind of the hammer. And this really has created an impact, undeniable, on Maduro’s capacity to receive oil revenues and use that for anything. So in a way, Venezuela has been – we also have different packages of sanctions and it’s been in the very short term that we have seen those developments.

MR. GOODMAN: Great. OK. Well, a lot more to pursue here, but let me do a round on the sort of costs and benefits. You’ve all touched on this directly or indirectly. But let me sort of dive into that a little more and ask about whether it’s working and, you know, in what ways it is creating unintended consequences as well.

And let me start with Jon, actually, because you laid out the sort of four potential objectives. You know, Russia – I’m sorry – Iran, malign acts – malign activities still seem to be going on. So I’m not sure it’s working there. Regime change, the regime’s still there. Leverage, doesn’t seem as though we’re using that. Economic cost, there does seem to be pretty significant, as the undersecretary said, and as you’re just reading the papers, it feels like it is real economic cost on the country. You know, is it working? And on the flipside, what price are we paying for this with Iran?

MR. ALTERMAN: Well, as I said, you know, part of working is what your desired outcome is. And if your desired outcome is Iran has a foreign policy that looks like Switzerland, the answer is not working, no prospect of working. If your outcome is Iran’s paramilitary activity will diminish, in fact Iran’s paramilitary activity seems to be increasing. You could argue, and there’s some ambiguity – not a huge amount of ambiguity, but some ambiguity – about Iranian responsibility for attacks on shipping in the Gulf and nearby. As it’s been portrayed to me by journalists, Iran is hoping that the unsustainable economic costs on Iran are matched by an unsustainable military cost on the United States, and we’ll get toward a negotiation.

I still – where I think the president is right is I think the Iranians are trying to find a way to get into a negotiation not because they have an interest in completely changing their understanding of foreign policy, their strategy, but because they are terrified of wasting away in the corner while the world ignores them and feels there’s no urgency to deal with Iran. So the proximate consequence of sanctions on Iran will be to increase Iranian malign activity, not diminish it. Then the question is, what are the cost then to the United States? What are the costs to the U.S. alliance? What are the costs to other economic partners of the Iranians?
There was an Emirati military delegation reportedly in Iran this week to talk about reducing tensions. We have been talking about creating a multilateral security force in the Gulf. That’s going nowhere. It seems to me that if one of the Iranian goals is how do we split up this anti-Iran alliance and keep the United States from leading a broad multilateral coalition, and just have a conflict with the United States and try to skirt around it, the Iranian strategy is working pretty well. To my mind, the consistent oversight in U.S. strategy toward Iran is an understanding of Iranian strategy. And I understand the Iranians lie about what their strategy is. I understand the Iranians say all kinds of things to throw up smoke and mirrors, and everything else.

But if you think about what the world looks like from an Iranian perspective, the Iranians come across as a whole bunch more rational – still hostile – but a whole bunch more rational than I think a lot of American policymakers would like the Iranians to be. This is a hostile, rational power, which has a GDP with all of its oil, 80 million people, a GDP the size of the state of Maryland. So let’s right size the nature of the threat. Let’s right size our means. And let’s have a strategy to deal with their legitimate security needs, and also deal with their illegitimate security desires.

MR. GOODMAN: OK. I mean, the administration – continuing with you, Jon, just for one second. The administration points out that in terms of the cost side of this, that it hasn’t led – what we’re doing with Iran – it hasn’t created, you know, a sort of a spike in oil prices or – I’m getting into dangerous territory here. This is Sarah’s domain and they’re going to talk about it in the next panel. But some of the bad effects, and the Europeans are unhappy, OK, but that’s – you know, that’s a cost, but who cares? You know what are some of the other –

MR. ALTERMAN: I suspect some in the administration would think it’s a benefit, but that’s a separate issue.

MR. GOODMAN: Right. Maybe even a benefit. So what other costs are there here that – you know, how do you see the price that we’re paying for –

MR. ALTERMAN: I mean, there’s a military cost. We’re deploying more troops to the Gulf. I had a piece in Defense One in May that argued that China benefits tremendously from increased U.S.-Iran tensions. And if you think that the real U.S. strategic challenge is in Asia this, A) draws us away from Asia militarily; and, B) breaks apart a multilateral or multinational coalition that would try to consolidate American leadership and consolidate the kind of economic, political, and security world that the U.S. has been advancing for more than 75 years.

Oil prices are low. The Iranians – or, relatively low. The Iranians have been suffering not just from oil at $65 a barrel but also the fact that their exports have plummeted. And even if you put in smuggling, they’re still exporting well under a million barrels a day. That’s much less than half of what they had been doing. Are they suffering? Yes. But, first, Iran has a genuine diversified economy. They have an industrial base. They have an agricultural sector. It’s not like some of the other states in the region. And they have been used to sanctions for decades.

So it may seem crushing to us. It may seem sort of unsatisfactory. But from an Iranian perspective, this is also about national defense. And people are – people have not been taking to the streets in the last six months, to my knowledge, to protest the government’s invitation of American economic constraints. Instead, the government says we’re going to resist, and people are resisting.
MR. GOODMAN: OK. Let me ask both Jeff and Heather, maybe in that order, about the Russia – same question. I mean, Putin’s still there. He still seems to have the same amount of swagger. But there have been protests in Moscow. And I don’t know if that’s related to any of what we’re doing to them, but it may be indirectly. You know, there may be having problems in Ukraine. They may be having other challenges. But is that because of what we’re doing? Are we having any impact on Putin’s behavior, or any other metric? And, again, what price are we paying? And this is really maybe more for Heather about with – in our diplomatic relations with Europe. And, you know, does that matter, seriously? Despite my earlier joke. Go ahead.

MR. MANKOFF: OK. On the – on the Russian protests, I think these – the proximate cause was the refusal of the government to register opposition candidates for local elections in Moscow. And even though the proximate cause may be this single political issue, I think there is an underlying tension that’s growing in Russia that has to do with economic stagnation, declining living standards. And sanctions play a role in that.

Now, certainly the way that the middle class in Moscow responds to the stagnation of living standards – which has something but not everything to do with sanctions – I think is very different from how people in other parts of the country – in the industrial belt and the far east – respond to the same challenges. And Putin has shown in the past, going back to the protests in 2011 when he first announced he was coming back to the presidency, that he doesn’t need the Moscow middle class.

He doesn’t need the middle class in the – in the main cities in the West in order to have a strong political base. And that there’s not a huge domestic political cost for cracking down on those forces. Now, his popularity ratings are lower than they’ve been pretty much at any point since he came back to the presidency. And I think the perception of declining living standards has something to do with that.

Now, one of the things that the Kremlin hasn’t done, for the most part, so far, is blame the sanctions for the decline in living standards. This hasn’t really been one of the main talking points. Now, Putin raised it recently during his annual call-in show, when people were asking him questions about, you know, why has my salary stagnated? He pointed out that we’re facing these sanctions. They’ve got us $50 billion over the course of the last five years. So I think there’s starting to be a turn towards trying to blame the West, trying to blame the United States for some of these economic challenges.

And this idea of Russia as a besieged fortress, whether in military terms or economic terms, has been a powerful talking point for Putin for a long, long time. And it’s something that went away from a little while, and I think we saw it come back after the protests, and the invasion of Ukraine. And it’s waned again. But I think what we’re starting to see now is a turn back to this kind of anti-Western rhetoric, this blaming the West for our problems as a kind of patriotic mobilization strategy.

Now, whether it’ll be successful, whether the protests that we’ve seen break out in Moscow really begin to spread and to cross economic – or, socioeconomic and cultural lines in a way that the protests in 2011 and 2012 did not, that remains to be seen. But I think so far the Kremlin is banking on the fact that it has reasonably – done reasonably well in macroeconomic terms, even if growth has slowed. And that it has reserves that it can splash around if it needs to. And on the ability to mobilize people around this idea that the West is the source of your problems, as a means of diffusing the political pressure that this is causing.
MR. GOODMAN: Does that mean it’s working, Heather, that in a way – I’m sorry – that it’s counterproductive. That he’s actually using this to bolster his political position? And then the European question as well.

MS. CONLEY: Yeah, Jeff’s absolutely right. I mean, in the beginning when the U.S. really imposed sanctions on Ukraine, I mean, President Putin was very clear: This had nothing – no impact, and in fact, imposed countersanctions. And now that is turning because, I think, very similar to what Jon mentioned for Iran, certainly sanctions have caused challenges. I don’t mean to say that. But really the drop in energy prices, chronic mismanagement, corruption, lack of diversification of the economy has made as much of a contribution to the reduction in living standards as certainly the sanctions has. Complicated but, you’re right, we’re now starting to – I think we’ll hear a more anti-Western perspective.

But I’ll go back again to something Jeff said in his first response. What are they supposed to correct? Or, how are we prioritizing I call it the hierarchy of purpose? What are we trying to correct here? Because we have so many sanctions against so many bad actions that the Kremlin has done. What do we want to fix first? What are we trying to accomplish? It gets back to that lack of understanding. We’re whacking them across the board, but are we trying to produce something? And that’s what absolutely unclear.

And the longer this goes on – and, I think, again, the cautionary tale here, as length of time goes on and there’s not a clear policy framework, it is harder and harder to get allies to understand, OK, what exactly are we trying to accomplish? And on Russia, historically, we have always had a different perspective vis-à-vis Europe. This goes back to – I was reading, again, today the Senate Foreign Relations Committee is reviewing the ESCAPE Act, the energy security act that looks at possibly putting sanctions on those European companies that are involved in Nord Stream 2, as well as individuals.

I mean, you could put your mind back in 1981-1982 in the Reagan administration on the Friendship pipeline. We were doing the exact same thing. We did not want Russian energy to be in Europe. We wanted to punish the Soviet Union for involvement in Poland and crushing the – martial law, and crushing the Solidarity Movement, or attempting to. So this is very historic. We have always been very muscular with Europe vis-à-vis this effort. But the question is what are we trying to accomplish? How do we work with our allies to accomplish that? And it’s absolutely unclear to me.

Now we are increasingly becoming very uneven in consistency with our sanctions policy vis-à-vis Russia and Europe’s sanctions. Lots of grandfathering. We have different individuals sanctioned. It does create confusion. I mean, the European Union has held on and rolled over their existing sanctions, which I think we should recognize, although there’s lots of workarounds and grandfathers. It’s a bit of a leaky ship. But they’re not clear where this is driving, what are we trying to accomplish. And it will make maintaining or even enhancing those sanctions that much more difficult.

And then I want to pull one question that you framed. I know this is tariff apples and sanctions oranges, but we cannot underestimate that while we’re trying to work with our allies and partners to develop robust maximum pressure campaigns, sanctions policies – whether that’s Russia, Iran, other actors – we are also initiating a trade and tariff war with same partners, whether that’s steel and aluminum, potential auto tariffs. Right now, you know, digital services tax, wine tax. We are now – you know, and that does not endear the conditions for us to impose sanctions, which do create self-harm for European companies, for U.S. companies, and individuals.
So we have to again – hierarchy of purpose. We have to make sure we are focusing on the maximum pressure. Is it Iran today? Venezuela tomorrow? North Korea? It – there’s such confusion, what are we supposed to do first? And will there be consistency? And that’s what’s missing in the U.S. approach.

MR. GOODMAN: Although, I must say, in the right light, American wine does look better than French wine. (Laughter.) So, seriously, Moises. Maduro’s still there. Maybe there have been some signs of shakiness, though? I mean, are we having any impact?

MR. RENDON: Yeah. Yeah, definitely. I mean, there are a couple of very strategic and important impact that sanction has made on Maduro. One is that it’s increasing pressure, right, and the objective to increase pressure is important because it’s kind of the only leverage that opposition has when it comes to demand anything to Maduro. And perhaps sanctions is the only reason that Maduro is seeking any type of dialogue or negotiation with opposition. So in that front it’s definitely playing an important role. And also, it’s limiting Maduro. It’s restricting Maduro to steal the natural resources of the Venezuelan people. And this is an issue that has been going for a while. And we’re talking about billions and billions of dollars being stolen in massive corruption, economic mismanagement, money laundering, narcotrafficking. And so it’s a very important strategic objective.

Now, it’s – I think it’s important to emphasize too that sanctions have not caused the economic crisis in Venezuela. Sanctions have not caused the humanitarian crisis in Venezuela either. Just to give you an example, in 2016 the bolivar – the Venezuelan currency – hit 200 percent of inflation already – one year before any sectoral sanctions hit the country. And the same year we had food and medicine shortage. We have migrants and refugees fleeing. The numbers today are, of course, much higher. But even one year before the sanctions hit, the economic and humanitarian picture in Venezuela was already very bad.

That being said, I think that the oil sanctions are limiting the Maduro regime to import any commodities, any food, any medicine. Is the solution to give Maduro access to financial services and oil revenues again? I don’t think so. And I think there’s three main reasons for that. One is that, I mean, given the regime history, they haven’t provided food or medicine to the Venezuelan people for a good time now. And the purpose of sanctions is to kind of shorten the lifetime of Maduro in power so we can shorten the lifetime – the time for the Venezuelan people to restore their democracy and stop their suffering. So that’s a very important reason.

Second reason is that we do not recognize Maduro – or, 54 countries do not recognize Maduro as the legitimate government anymore. So in a way if we give Maduro access again to all this state-owned revenues, we are against our own policies. So in a way we need to think creatively how to redirect those resources to the new legitimate government led by Juan Guaido. And then thirdly, yes, if we want to aim to limit the suffering and tackle the humanitarian crisis, we need – we’re force to think creatively and seek alternative.

The first program that comes to mind is this oil for food program. And I’m sure people in the room have different expectations and different opinions on it. But in a way, we need to think of how can we redirect Venezuelan natural resources to limit the suffering by providing humanitarian aid directly to the Venezuelan people? So in a way, we’re forced to think that direction instead of coming – going back to giving access to Maduro, again, to all this very rich natural resources.
MR. ALTERMAN: Just Moises’ description of Venezuela reminds me that compared to Iran, creating the collapse of an oppressive government is infinitely easier in Venezuela than it is in Iran. I mean, the government is much weaker. The economy is much weaker. Their neighborhood is much more support of a governmental change. I mean, if you sort of look across the spectrum, Venezuela is, like, a gimme putt. It should be really easy and it’s proving really hard. And the idea that we’re going to be able to collapse the government of Iran through our sanctions, because we want to, because we think they’re nasty and we think what will come later will be better, I think is – it’s far harder to collapse the government at all, let alone get a better outcome at the end than Venezuela. And Venezuela – easy as it seems it should be – is really hard. Why do we think Iran is going to be easy?

MR. GOODMAN: OK. I want to bring the audience in, so I’m just going to do one more quick lightning round. If you were God, or at least president, what would you do differently? I mean, you’ve all been critical in one way or another of the current approach. However you define the objective of what we’re trying to achieve in our foreign policy vis-à-vis – or country, or region. You know, what would you do different? And how would sanctions potentially be part of that solution in some way? And how would you modify those or target them? Maybe Moises, coming back down the line.

MR. RENDON: Sure. Yeah, I mentioned earlier the multilateral approach. I think the more the U.S. engages its partners in the region and in the world, especially the European Union, to also sanction Venezuela – especially individual sanctions, right? We have very clearly who are stealing the money from the Venezuelan people. We know who they are. It’s very public now. And so I think the Lima Group hasn’t come along with sanctions. I think they should. And the European Union also. And again, it’s all part of the U.S. foreign policy more broadly. So we should be working with the partners to this end.

There’s a couple of more things that the U.S. should probably be thinking on. Targeting family members of the Maduro regime is important. I mean, in a way, the government officials under Maduro, yes, they’re involved in stealing those assets, but they usually use their family members to enjoy, to travel, and to – as part of this criminal enterprise in Venezuela. So targeting those family members is also very important. And I think – I mean, again, the sanctions policy is only a tool, as we have been discussed. The more we engage Venezuela in a more comprehensive, more broad ways, is very important. Sanctions is not going to solve the problem in Venezuela, but it’s very important – it’s a very important tool to increase pressure and to get Maduro – to convince Maduro for some exit, so we can stop the suffering of the people there. Yeah.

MR. GOODMAN: Thanks.

Jon.

MR. ALTERMAN: In the Middle East there’ve had a number of regimes that have been sanctioned. Not only the Iranians, the Iraqis, the Libyans, others. I think generally unity and focus of effort. The broader the international coalition, the more directed it is toward a specific outcome. So people on the target government can make a clear decision. That helps. You find that sometimes it doesn’t work. We tried to do it with Saddam Hussein. Saddam Hussein played a game with sanctions. And I think one of the things that we have to appreciate is the extent to which governments do adapt to sanctions. And it is like immunizations. It is like antibiotics. If you do it, you keep doing it, little bit, little bit, little bit, people develop workarounds and immunities. And I think we are in danger of getting into that space. And I think the Chinese will chuckle as we get into that space.
MR. GOODMAN: That whole subject matter that I wanted to talk about as well is others taking advantage of all this, but we won’t have time, I think, unless a question comes on that point.

Jeff.

MR. MANKOFF: Yeah. I would say that we need to be really clear about what the ultimate aim of our sanctions policy is. And when I say “we,” I think it also helps – it would be extremely important in terms of dealing with Russia to have unity both from the transatlantic space and within Washington. And that’s been lacking very, very badly. Heather mentioned the transatlantic piece of this already, but especially as the U.S. starts proposing new rounds of sanctions targeting energy, things like Nord Stream 2, what we’re seeing is an increasing decoupling not only of the specific sanctions packages, but even of the basic objectives of U.S. sanctions policy from EU sanctions policy. And Russia is seeking to arbitrage those differences. It’s seeking to peel away individual members of the EU. And this is contributing to a weakening of transatlantic unity that has larger implications that go beyond sanctions and go beyond the U.S.-Russia relationship.

We haven’t talked much about the U.S. domestic politics of sanctions, but especially on Russia this is a big problem as well because right now you have a Congress that’s driving the car when it comes to thinking about where sanctions need to go. And in part, that’s because there is bipartisan mistrust on the Hill of the administration’s relationship with Moscow. And there’s been a willingness to push for sanctions packages that leave this administration or any future administration very little – very little wiggle room when it comes to determining when and under what circumstances to apply sanctions.

And so this approach really does risk becoming the new normal, one which is going to be part of the way that the United States engages with Russia, even under a future administration, even when the basic landscape has changed. As we saw when the U.S. imposed the Jackson-Vanik sanctions back in the 1970s on the Soviet Union, once Congress gets involved it’s very hard to unwind that kind of congressional action. And Jackson-Vanik lasted after – long after the Soviet Union was gone. And it was a long-standing issue in U.S.-Russian relations. And I think we’re risking having a similar problem with the approach to sanctions that we’re taking right now.

MR. GOODMAN: Again, did want to get into that question of unwinding and the challenges there, but we won’t have time.

But, Heather.

MS. CONLEY: No, I mean, clear prioritized policy for ourselves, within the U.S. government, a whole of government, Congress, the administration – that we all understand what the policy is, but what it isn’t. We can’t get everything we want. We have to prioritize. I have a sort of radical, provocative thought. Our policy on sanctions is the slow ramp up. You know, it’s that turning the dial and getting it. It creates, in some ways, the conditions where now adversaries have the workarounds. And so maybe we should think about fast and devastating to start getting the attention, getting them to the table. I mean, this is a radical approach. We’d have to be prepared for that. But it’s an idea, rather than the slow burn. Maybe if it’s this important, really to focus that very quickly.

And then finally, it is – we have to start talking, as we are thinking about sanctions, the consequences. So the consequences of a devastating sanctions regime vis-à-vis Russia is that Russia is now seeking Beijing as an alternative financing mechanism, technology transfer mechanism. We are
seeing where, you know, Turkey is increasingly looking towards Russia and others. We are now starting to look at a very new strategic picture. And sanctions policies is contributing to it. It’s not completely, but it contributing to it. We have to develop the second, third, fourth, movement on the chessboard here. And what we’re doing is doing the quick, easy, we’re going to do something. I feel better about myself. But we’re really changing the strategic picture. And we have to really recognize that as part of this conversation.

MR. GOODMAN: Unintended consequences. OK.

Great start. There’s more to be discussed. And I already see a bunch of hands. If you have a question, please wait for the microphone, identify yourself, and ask a question. There’s a woman there to the far stage left, and then a gentleman in the far back. I’m going to take three, and then I’ll take this gentleman right in the front row.

Q: Thank you. Mira Eaton (sp).

My question is about the EU blocking statute, how that has been – ha affected, if at all, American assets in Europe dealing with Iran? And then I think you all alluded to it, that are Russian sanctions actually working, given that we have these long downsizing periods with such entities such as Gazprom, and how that’s all being played out?

MR. GOODMAN: OK, did you understand that –

MS. CONLEY: Was it the special purpose vehicle?

MR. GOODMAN: Yeah, I think it was the special purpose vehicle. Is that what you were asking about in the beginning?

Q: Yes, the EU blocking statute with the special purpose vehicle, yes.

MS. CONLEY: Just wanted to make sure I got it. Thank you.

MR. GOODMAN: Go ahead.

MS. CONLEY: Oh, we’re going to take them one at a time. OK. Sorry.

MR. GOODMAN: Oh, I’m sorry. You’re right. I said I’d take three. Let’s do it that way. We don’t have much time. Gentleman back there.

MS. CONLEY: Got it.

Q: Hello. My name is Dr. Jacob Atem. I’m one of the lost boys of Sudan back in the day. So I’m going to play devil’s advocate here as a victim. And also I’ve a medical background with public health. So I’m a coordinator for MedGlobal, which we provide health services to the refugees, IDPs.

So for me, the problem is you go with the small fish. You always sanction the little general somewhere. And that general has no impact. That general will never come to the U.S. or somewhere. So what happened? Why don’t you go for the big fish? Would cause person like me, who grew up in the refugee camp – and you always go for the little guy and you leave the big fish. Why is that? And
as you – I’ll take it back from what madam said earlier. It was a slow start. But as a victim, we don’t need slow start. We need the quick action now so that IDPs could go back, refugees could go back. So why is it so slow?

MR. GOODMAN: OK. Good question. And this gentleman.

Q: Hi. Thank you. Piotr (sp) from the to-be little England. (Laughter.)

Basically –


Q: Well, yes, that’s the intention.

MR. GOODMAN: Global Britain, right.

Q: But, yeah, my question. I was taught by Adam Szubin last year, who is the predecessor to the undersecretary. And I came away understanding that sanctions are about behavioral change. However, when I was at the managing Gulf discussion at the Atlantic Council yesterday all they were talking about is how the escalation in the Gulf is just worsening, and sanctions – they do work, as is the case with the Apartheid. But in the case of Iran, it’s just completely regressing. And the re-imposition of certain broad sanctions is completely, for me, counterproductive at this stage. And generally – so what should the United States do to encourage others to engage with sanctions? Because it seems to be a very unilateral device. And equally, just another sub-question. If sanctions are to be part of a great toolbox, do we not need a greater U.S. grand strategy for the 21st century? Thank you.

MR. GOODMAN: OK. We won’t have time to lay out the grand strategy, but we can maybe make a first cut at that. So do you want to do the SPV one first? And then if you want to address the others, like the good question about big fish, small fish and moving quickly, or about – or about, you know, grand strategy and –

MS. CONLEY: Sure. Well, very briefly on the SPV, I mean, the fact that it was a very clear attempt to build a second track from U.S. policy. It’s – the vehicle itself I think is not a robust tool. But it was the fact that it was created. And now that it’s created, even now the U.S. is trying to end its creation and INSTEX. And the question that even Russia is thinking, well, maybe I’ll join that SPV, INSTEX. It’s absolutely to divide the U.S. from its allies. But we should not let our adversaries – or we should be helping our own policy with that division. We need to get back to a place where our allies are supporting the U.S. policy vision. But they have to know the U.S. policy vision.

And this, again, more in Jon’s department, we have now asked our European allies to help us with the convoys and maritime protection in the Straits of Hormuz. They don’t – they are so concerned about joining it, because they don’t know what they’re joining. Is this a military campaign? Is this regime change?

MR. ALTERMAN: And we’ve said we won’t protect them.

MS. CONLEY: And we won’t protect them. So there’s so much confusion. But this separation can be used by adversaries to enhance that separation. So it is – it is a worrisome sign. And I’ll just make a – maybe loop that into the grand strategy question. Again, this gets back to, we – the
United States has to articulate its policy desires and be very clear with ourselves what we’re trying to accomplish, and then be very clear with our allies how their help and support will accomplish that. But we have not done that in a very long time. And that’s a bipartisan comment. It is easy to react and be able to sanction something.

To do something, that’s good. That’s reactive. But that’s not saying how do we want this region to be? What are we willing to sacrifice, either our men and women in uniform, our economic prosperity? Some things we have to sacrifice for greater principles. Have we prepared the American people for that? Are they prepared to support that? Are our allies prepared to support that vision? And we just haven’t done that work, unfortunately. And it’s – a lot of that’s coming home to roost, whether that’s in the Middle East, the Indo-Pacific, or Europe, or even Latin America.

MR. GOODMAN: OK. Jeff?

MR. MANKOFF: Let me ask – let me take a stab at the question about big fish, because I think it’s really important. We have tried to do this on different occasions with regard to Russia. The most notable was when sanctions were imposed on Oleg Deripaska, who’s one of the major oligarchs who controls the world’s largest aluminum company and is very much in Putin’s inner circle. That effort was walked back because of the unanticipated consequences that cutting off the world’s largest aluminum producer from global finance had on aluminum markets.

So I think one of the challenges when it comes to going after the big fish is that a lot of these big fish are globally integrated. And targeting them has second- and third-order consequences that we may not be prepared to deal with, and that our allies may not be prepared to deal with. And that’s – when you’re talking about economic actors, when you talk about going after political actors, heads of state, that kind of thing, of course the second- and third-order effects can be even worse. But I’m very – I’m sympathetic to the point.

On U.S. grand strategy, the only thing I would add is we have to think about what targeted countries and targeted individuals are going to do in response. They’re not passive recipients of U.S. action. They have a vote. And as we’ve seen with the turn – the Russian turn towards China, as we’ve seen with the Europeans adoption of blocking sanctions, countries that feel their interests are being negatively affected by U.S. sanctions policy are going to do things in response. Now, some of these may be directly focused on sanctions, responding to them. Some of them may be completely outside the economic space. They may involve kinetic or other kinds of escalation. And I think we have to have a better understanding of what those steps might be, under what circumstances they might be taken, and what the implications for our own interests might be.

MR. GOODMAN: OK. Thanks. Jon.

MR. ALTERMAN: So the other piece of that is what our allies will do in response to our vigorous sanctions policy. The fact is, our vigorous sanctions policy is largely complied with by partners around the world. I think Americans sort of on the one hand are very proud of U.S. power and influence, and on the other hand don’t understand the U.S. operates at a scale that is unlike any other country in the world. When the U.S. imposes secondary sanctions, as it’s done on Iran, it severely inhibits anybody’s willingness to do business with Iran. Brian Hook, the Iran envoy, is very fond of saying that INSTEX is a supply for which there is no demand, because European companies don’t want to cross the United States.
But it seems to me as well that there’s a cost among partners when they feel the U.S. is acting in a high-handed manner, when they feel that the U.S. is asking them to take risks without protecting them from the consequences of the risks – as I think we’re seeing in the Gulf. When people feel U.S. policy is even wrongheaded, or reckless, or something else. Then on the one hand they try to create alternative policies, they try to hedge against U.S. action, they act in different ways. I don’t think we’ve thought through how those things work. There is certainly a problem of freeloaders among partners and allies. I think we’ve seen a lot of that. But there’s no obvious solution to it. And it seems to me that simply pulling back means you lose partnership, and you lose partners.

I find, as I travel, that people really do want U.S. leadership because when the U.S. government is functioning well, our ability for unity of effort across the spectrum of government action, our ability to generate strategies, to give everybody a role, to have things move – we can move the international community like no other country in the world – no other country. And in many ways we’re foregoing that. That has consequences. We do need to rethink how we think about leadership. We’re no longer the leaders of the free world, in the absence of an Iron Curtain and all those things. I don’t think we’ve quite thought it through. But it seems to me that we do have a choice about how we lead and what the nature of American leadership is, and how we work with partners and allies.

And it feels to me like we need to have a much more thoughtful discussion – it’s not binary. It’s not you’re leading/you’re not leading. But it feels to me like we’re not considering the second- and third-order consequences of different approaches – sanctions are a part of this – which people in the headlines will basically comply with. But beneath the headlines, will work to isolate, hedge, find other alternatives to American leadership. And that will have consequences for decades to come.

MR. GOODMAN: Great. Thanks.

Moises.

MR. RENDON: Yeah. Briefly, just going back to the big fish question, on Venezuela we have sanctioned most if not all big fishes, including Maduro himself. In fact, Maduro is one of the four presidents in the world that has been sanctioned – besides Bashar al-Assad and Kim Jong-un, and Mugabe – former president Mugabe in Zimbabwe. So it’s a symbolic way. And we do have sanctioned most of the generals, vice president, foreign ministers. So in a way we do have sanctions.

However, as Jeff mentioned, Jon as well, and all of my colleagues, is that this is a more globally integrated criminal enterprise. And they always find a way to circumvent those sanctions and use their family members, and use other countries – including in Europe, and Hong Kong, and Latin America and in the U.S. – to – you know, to keep doing corruption and money laundering. So it’s a global issue more than a domestic Venezuelan, Latin American issue.

And lastly, yes, I mean, the quick result – the quick action and quick result issue is an issue in Venezuela, because everyone wants to stop this suffering of the Venezuelan people. But unfortunately, the sanctions that just came into play in Venezuela have a short life period. And the effects really take a little bit more of time in a way to restrict Maduro to maneuver with the natural resources of the country. So that – its’ going to take more time, that’s what I want to say.

MR. GOODMAN: Excellent. OK. I think we’ve set the table well. We have no more time to do the main course. But I think after the break – and there is a break? No. There is no break. OK. I didn’t get my instructions right. We’re going to move straight into the next panel. They’re going to
get into some of the meat – the meat and potatoes in the energy space in particular. So if you would, for now, join me in thanking these great panelists for their presentation. Thank you. (Applause.) And stay where you are. Stay where you are. We’re just shifting people.

(END)