Sanctions as a Nonproliferation Tool? Lessons from Libya

Miriam M. Barnum
Undergraduate Research Assistant, National Security Office

Bryan L. Fearey
Director, National Security Office

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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
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
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
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
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
Added Benefits of UN Sanctions

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

**Foreign Direct Investment, net inflows**

![Chart showing Foreign Direct Investment, net inflows](Source: World DataBank)

**Inflation, average prices**

![Chart showing Inflation, average prices](Source: IMF World Economic Outlook)
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

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

Libyan leader Mommar Gadhafi
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