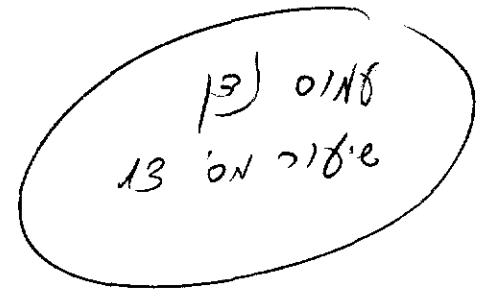


GARY CLYDE HUFBAUER and JEFFREY J. SCHOTT  
assisted by KIMBERLY ANN ELLIOTT

# Economic Sanctions Reconsidered:

# History and Current Policy



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## CASE

# Case 46-1 Arab League v. Israel

(1946- : Palestine)

### CHRONOLOGY OF KEY EVENTS

- 1920s-30s Arab leaders call for boycott of Jewish businesses in Palestine. (Dewitt 1; Stanislawski 1-2)
- 1944 Arab League founded; among its stated objectives is "to frustrate Jewish economic development by means of a boycott against Zionist produce." (Losman 47)
- 1946 Arab League forms Permanent Boycott Council; establishes Central Boycott Office (CBO); endorses laws prohibiting sale of Arab lands to Zionists. (Losman 49; Stanislawski 2)
- May 1948 State of Israel created; Arab states attack Israel; Egypt closes Suez Canal to Israeli ships and vessels of all other flags carrying goods to or from Israel; Egypt maintains restrictions despite UN Security Council resolution calling for their termination. (Doxey 21)
- 1949 CBO moved from Cairo to Damascus with branches in individual Arab states. Over next three years, CBO widens boycott from primary to secondary and tertiary boycotts, covering dealings with firms and individuals that do business with, or sympathize with, Israel. (Steiner 1367-70; Stanislawski 2; Dewitt 1)
- December 1963 Boycott list names 605 firms including 167 in US. By 1976, 1,500 American firms and individuals are on list. "Since the upsurge in oil prices began in late 1973, the number of boycott requests and the general vigor of the boycott has increased substantially." (Losman 60)
- 1967 Six Day War; Israel substantially enlarges her territory at expense of neighboring Arab states. (Keesing's 22099-22103)
- 1973 October 1973 war, ensuing OPEC success in raising oil prices strengthens hand of Arab League, opening new phase in boycott, with increasing "voluntary" compliance by business firms. (Dewitt 2, 4)

March 1979 Following President Jimmy Carter's initiatives at Camp David, Israel and Egypt sign peace treaty; Arab League imposes economic sanctions against Egypt. Also see Case 78-6 Arab League v. Egypt (1978-83: Peace Treaty with Israel). (Doxey 23)

### GOALS OF SENDER COUNTRIES

1944

Arab League is established via Protocol of Alexandria signed by Egypt, Jordan, Syria, Lebanon, Saudi Arabia, Iraq, Yemen, and delegates from Palestinian Arabs. One stated objective: "To frustrate further Jewish economic development in Palestine by means of a boycott against Zionist produce." (Losman 47)

1946

Arab League establishes Permanent Boycott Committee, adopts Resolution No. 16: "Products of Palestinian Jews are to be considered undesirable in Arab countries. They should be prohibited and refused as long as their production in Palestine might lead to the realization of Zionist political aims." (Losman 49)

1954

"The interpretation given by the League is that the boycott will bring about the eventual economic collapse of the state of Israel and will reveal that it is not economically viable in the midst of a hostile world." (Boutros-Ghali 421)

June 1966

King Faisal of Saudi Arabia: "Unfortunately Jews support Israel and we consider those who provide assistance to our enemies as our own enemies." This rationale is invoked to justify worldwide boycott of Jewish firms. (Losman 60)

### RESPONSE OF TARGET COUNTRY

1960

Israel opens antiboycott office. (Doxey 22)

January 1965

Israel announces that firms complying with Arab demands will be subject to discriminatory treatment. (Losman 65)

1966

Israel warns seven companies to stop doing business through dummy firms. All seven accede. "Of considerably greater significance however, have been the efforts of various domestic groups in non-Arab nations that have aroused a negative public reaction against firms acceding or appearing to accede to the boycott." (Losman 65)

1971

Israel closes antiboycott office on ground that boycott is ineffective. (Doxey 22)

September 1975

Israel reestablishes antiboycott office as the Authority Against Economic Warfare. (Doxey 22; Dewitt 4)

## ATTITUDE OF OTHER COUNTRIES

### *United States*

Beginning in 1965, Congress in legislation often enacted over administration protests, takes progressively more critical view of US firms' cooperation with boycott. Also see Case 65-4 US v. Arab League (1965- :Antiboycott Measures).

### *Canada*

Beginning with statement by Prime Minister Pierre Trudeau before House of Commons on 8 May 1975, Canadian government takes an increasingly critical attitude toward Canadian business compliance with boycott. (Stanislawski 26-44; Doxey 22)

### *European Community*

Israel requests associated state status with EC; EC rejects request for fear that associated status would harm cordial European relations with Arab world. As substitute, EC grants tariff, quota concessions to Israel. (Losman 71)

## LEGAL NOTES

Paraphrased text of Unified Law in Boycott of Israel, adopted by Council of Arab League, Resolution No. 849, 11 December 1954:

- All persons within the enacting country are forbidden to conclude any agreement or transaction, directly or indirectly, with any person or organization situated in Israel; affiliated with Israel through nationality; or working for or on behalf of Israel, regardless of place of business or residence.
- Importation into the enacting country is forbidden for all Israeli goods, including goods manufactured elsewhere containing ingredients or components of Israeli origin or manufacture.
- Foreign companies with offices, branches, or general agencies in Israel shall be considered prohibited corporations for purposes of the prohibition on agreements or transactions.
- All goods destined for Israel, directly or indirectly or for persons prohibited by the preceding paragraphs, are considered Israeli goods and therefore subject to the ban on exports as well as transit.
- The Central Boycott Office shall maintain blacklists of firms that license their trademarks or patents in Israel; banks that finance Israeli projects; and ships that call at an Arab and Israeli port on the same voyage. Prohibition against dealing with blacklisted firms is enforced by a self-certification process by firms doing business in the Arab League countries. (Lowenfeld 26-27)

## ECONOMIC IMPACT

### **Observed Economic Statistics**

Some 20 percent of Palestine imports in period 1936-39 come from Middle East, 12 percent of exports are sold to Middle East. (Losman 54)

Between 1957 and 1960, US Navy uses "Haifa clause" in oil tanker contracts: Navy could cancel contract if vessel was denied access to Arab ports because it had called on

Haifa. US Army Corps of Engineers excludes Jewish personnel from Saudi Arabian projects. (Losman 62)

Between 1948 and 1956, Egypt blockades Gulf of Aqaba. Beginning in 1956, Egypt excludes Israeli-bound goods from Suez Canal. (Losman 62)

Lebanon, Jordan each sell more than 60 percent of their exports in 1957-62 to other Middle Eastern countries; Israel sells only 5 percent (to Cyprus and Turkey); Israel obtains from Middle East only 1 percent of her total imports; Jordan and Lebanon import 27 percent and 22 percent, respectively. (Losman 69)

In 1967, Israel pays \$100 million more for oil supplies than from its previous source, Iraq. For many years, Haifa refinery is operated at under 50 percent of capacity because high-cost petroleum precludes export markets. (Losman 67-68)

Various highly publicized boycott compliance and refusal cases occur from late 1950s to mid-1970s; for example:

### *1957-59*

Air France is blacklisted by Arab League for planned lease arrangement with El Al. (Doxey 21-22)

### *1961*

Renault is threatened with boycott if it establishes assembly plant in Israel. (Doxey 21)

### *1961*

Norwich Union, British insurance firm, is threatened with boycott because it has a Jewish director, Lord Mancroft (who subsequently resigns). (Doxey 21)

### *1965*

Imperial Chemical Industries (ICI) and its subsidiaries are boycotted for three months for alleged dealings with Israel. (Doxey 21)

### *1966*

Ford Motor is blacklisted for negotiating with Israeli dealer for assembly of trucks and tractors. (Losman 58)

### *1966*

Coca-Cola refuses to franchise Israeli bottler; following storm of protest in US, awards Israel franchise to Arab banker; Central Boycott Office blacklists Coca-Cola, Arab sales dry up. (Losman 59)

### *1969*

Of US firms surveyed, 57 percent report little or no boycott effect; 20 percent, insignificant effect; 1.5 percent, moderately or highly significant effects. (Losman 65)

## Calculated Economic Impact

	<i>Annual cost to target country</i>
Reduction in Israeli exports resulting from Arab boycott; welfare loss valued at 15 percent of estimated lost sales.*	

## Calculated Economic Impact (continued)

	Annual cost to target country
1951-60 \$25 million	
1961-72 \$69 million	
1973-80 \$667 million	
Annual average, 1951-80	\$214 million
Reduction in Israeli imports caused by Arab boycott; welfare loss valued at 15 percent of estimated lost trade. <sup>†</sup>	
1951-60 \$16 million	
1961-72 \$12 million	
1973-80 \$127 million	
Annual average, 1951-80	\$44 million
Total annual average 1951-80	\$258 million

Note: In 1953, Gardner Patterson estimates boycott cost to Israel at \$25 million-\$30 million annually. (Patterson 321) In 1957, Harry Ellis estimates cost to Israel at \$40 million annually. (Ellis 162)

<sup>†</sup> Assumes potential Israeli trade with Arab League would be same share of total trade as Lebanon once enjoyed. In 1957-62, Lebanon sells about 60 percent of exports, takes 22 percent of imports from other Mideast countries; in 1968-72, figures are 44 percent and 6 percent, respectively.

## Relative Magnitudes

### Gross indicators of Israeli economy

Israeli GNP (average 1951-60)	\$1,796 million
Israeli population (average 1951-60)	1.6 million
Israeli GNP (average 1973-80)	\$13,415 million
Israeli population (average 1973-80)	3.6 million

Annual effect of sanctions (1951-60) related to gross indicators	
Percentage of GNP	2.3
Per capita	\$25.62

Annual effect of sanctions (1973-80) related to gross indicators	
Percentage of GNP	5.9
Per capita	\$220.56

Israeli trade relations with Arab League as percentage of total trade	
Exports (1951)	1
Imports (1951)	4

Ratio of Arab League GNP (1951: \$3.3 billion*) to Israeli GNP (1951: \$1.94 billion)	2
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Ratio of Arab League GNP (1973: \$58.3 billion**) to Israeli GNP (1973: \$8.9 billion)	7
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\* Lebanon, Iraq, Egypt.

\*\* Based on OAPEC membership.

## ASSESSMENT

David B. Dewitt

"In summary, Israel's domestic economic development continues, while economic exchanges expand in both dollar value and diversity of partner. This is not to say that the Arab boycott efforts have not had effect on Israeli development. There is no doubt that they have introduced additional constraints, impeded the free flow of goods and services, and placed in jeopardy Israel's ability to gain secure access to strategic resources and markets. But the record seems to indicate a resiliency and adaptability that has undercut the intent of the boycott leaders." (Dewitt 9)

Ephraim Davrath, deputy director general for international affairs of Israeli Ministry of Finance  
"[T]here is no doubt that trade and other fields of economic cooperation would have expanded at a much faster pace, and that Israel's chronic deficit would have been lower, had it not been for the effect of the Arab boycott." (Ministry of Finance, Government of Israel, press release, 11 January 1982)

## AUTHORS' SUMMARY

Overall assessment	Assigned scores
□ Policy result, scaled from 1 (failed) to 4 (success)	2
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	2
□ Success score (policy result times sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	4
<i>Political and economic variables</i>	
□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	R
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	3
□ International assistance to target: A (if present)	A
□ Sanctions period (years)	38+
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	1
□ Type of sanction: X (export), M (import), F (financial)	F, X, M
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	4

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## CASE

### Case 48-1 *US v. Netherlands* (1948-49: Indonesian Federation)

#### CHRONOLOGY OF KEY EVENTS

- 17 August 1945 President Ahmed Sukarno and Vice President Mohammad Hatta proclaim Republic of Indonesia. (Taylor xxiii)
- November-December 1945 Netherlands, Republic begin talks, with encouragement from US, UK. (Taylor xxiii)
- February-March 1946 Netherlands calls for "Commonwealth of Indonesia"; lands nine battalions; envisages Republic rule in Java, separate governments in other islands. (Taylor xxiii)
- June 1946 Republic calls for international recognition of its *de facto* authority over Java, Madura, and Sumatra. (Taylor xxiv)
- 15 November 1946 Republic, Netherlands initial Linggadjati agreement under which Dutch agree to recognize *de facto* Republic authority over Java, Sumatra; Indonesians agree to federal form of government for proposed United States of Indonesia. (McMahon 133-34)
- Early February 1947 Netherlands promulgates new export-import laws that "imposed a virtual embargo on all Republican trade." (McMahon 153)
- March-April 1947 US, UK accord *de facto* recognition to Republic following ratification of Linggadjati agreement. (Taylor xxiv; McMahon 151-52)
- 20 July 1947 Netherlands launches first "police action" in Java, Sumatra. (Taylor xxiv)
- August 1947 UN Security Council calls for cease-fire and peaceful settlement; establishes Good Offices Committee (GOC) composed of Belgium, Australia, US. Netherlands ceases operations only when its major military objectives have been attained. (Taylor xxiv-xxv; McMahon 190)
- 10-17 January 1948 US Secretary of State George C. Marshall pressures Netherlands to accept so-called "six principles" advanced by GOC as integral part of political settlement. (Taylor 316)

## CASE

### *Case 56-1 US v. Israel*

#### *(1956-83: Palestinian and Border Questions)*

#### CHRONOLOGY OF KEY EVENTS

- 1948 Creation of State of Israel leads to first diaspora of Palestinian people. (Ball 238)
- October-November 1956 Israel, in collaboration with French and British forces, attacks Suez. Following occupation of Sinai, Prime Minister David Ben-Gurion asserts that Sinai is historically part of Israel and 1949 armistice boundaries are "dead and buried and will never be resurrected." Ben-Gurion grudgingly retreats from most of Sinai but stands fast on Gaza, Sharm-el-Shaikh. (Ball 232)
- Early 1957 President Dwight D. Eisenhower privately threatens to suspend economic aid, tax incentives for investment in Israel unless Israel withdraws. Attempts of American Jewish community to sway Eisenhower fail. (Ball 232-33)
- 16 March 1957 Ben-Gurion angrily yields to Eisenhower's threats; withdraws all Sinai troops. (Ball 233)
- Early 1960s President John F. Kennedy embraces Israel as ally, approves Israeli purchase of Hawk missiles in response to growing reliance by President Gamal Abdel Nasser of Egypt on Soviet arms. (Ball 234)
- Mid-1960s President Lyndon B. Johnson seeks to rectify military balance between Israel, Arab states. US becomes Israel's sole source of arms after Six Day War. (Ball 235)
- Spring 1967 Nasser occupies Sinai, closes Gulf of Aqaba; Israel launches Six Day War without consulting US. King Hussein of Jordan enters war as Nasser ally, enabling Israel to seize East Jerusalem, occupy West Bank, make territorial gains in Sinai, Gaza, Golan Heights. As result, Israel controls 1.2 million Palestinians, leading to second diaspora. (Ball 236)
- December 1967 UN Security Council passes Resolution 242, requiring Israeli withdrawal from occupied territories. Arabs refuse to negotiate with Israel,

which hardens attitude toward retention of occupied territories. (Ball 236)

- 1969-70 On two occasions, administration of President Richard M. Nixon delays shipments of military equipment to Israel as means of exerting leverage but administration ultimately yields to domestic pressure to support Israel. (Ball 237)
- October 1973 Egypt attacks in Sinai; massive US airlift aids Israel in thwarting advances. (Ball 237-38)
- 1974-75 US Secretary of State Henry A. Kissinger focuses on negotiating separate peace between Israel and Egypt dealing with Sinai; puts Jerusalem, Gaza, Palestinian issues on back burner. (Ball 240)
- March 1975 Israeli-Egyptian negotiations over Sinai break down, in Kissinger's view owing to Israeli intransigence. President Gerald R. Ford slows delivery of arms to Israel. (Ball 240)
- 21 May 1975 Pro-Israeli lobby mobilizes 76 senators to urge that Ford reconsider his tactics, "be responsive to Israel's urgent military and economic needs." In summer of 1975, Senate, again at urging of Israeli lobby, blocks Ford-Kissinger attempt to sell Hawk missiles to Jordan. (Ball 240)
- September 1975 US, Egypt, and Israel conclude Sinai agreement entailing massive US military, financial aid to Israel and commitment that US not deal directly with Palestine Liberation Organization (PLO): "In a sense, the Sinai II agreement of September 1975 amounted to a vast real estate deal in which the United States bought a slice of the Sinai Desert from Israel for a huge financial and political consideration and then paid Egypt for accepting it." (Ball 241)
- September 1978 Camp David accord secures peace between Egypt and Israel but makes little progress toward Palestinian solution. Subsequently, Israel narrows scope of promised "autonomy plan." (Ball 242-43)
- 5 June 1982 Israel invades Lebanon; US considers various means of retaliation. (*Washington Post*, 9 June 1982, A23)
- 18 November 1982 *New York Times* editorial asserts that Israeli opponents of Prime Minister Menachem Begin's West Bank and Gaza policies urge "sharp cuts" in US nonmilitary aid to Israel as means to "topple the Begin Government." Israeli government denounces suggestion as "a satanic act." (*New York Times*, 18 November 1982, A10)
- 1 December 1982 US Secretary of State George P. Shultz attempts to discourage Senate Appropriations Committee from exceeding recommended administration levels of aid to Israel. Nevertheless, committee votes (without dissent) \$910 million of FY 1983 economic aid (\$125 million more than administration request) and conversion of \$350 million of military loans to grants. Total aid package to Israel is \$2.6 billion, of

1 December 1982 which \$1.7 billion is military grants and loans. (*Washington Post*, 4 December 1982, A1, A17) (continued)

4 December 1982 Israeli Foreign Minister Yitzhak Shamir accuses administration of President Ronald Reagan of "clearly violating" past pledge not to link economic and military aid to Israel to political issues. Deputy Foreign Minister Yehuda Ben-Meir accuses US of "trying to appease the Arabs." (*Washington Post*, 4 December 1982, A1, A17)

1 April 1983 Reagan publicly announces that he is withholding formal approval of sale of 75 F-16 fighters to Israel until all its troops are out of Lebanon. Administration aides point out that release of planes would be against "spirit of the law," not letter of the law. Shamir terms Reagan statement "regrettable pronouncement." (*New York Times*, 2 April 1983, A2)

6 May 1983 Israel, Lebanon reach peace agreement along lines proposed by Shultz, with withdrawal of Israeli forces contingent on parallel withdrawal by Syria and PLO. (*Washington Post*, 7 May 1983, A1; *New York Times*, 17 May 1983, A12)

19 May 1983 Reagan releases 75 F-16 jet fighters withheld since Israel's invasion of Lebanon. (*Washington Post*, 20 May 1983, A1)

25 May 1983 Reagan administration switches positions, announces support for increased military and economic grants to Israel totaling some \$400 million. (*New York Times*, 26 May 1983, A13)

## GOALS OF SENDER COUNTRY

### Fall 1956

Eisenhower declares Israeli refusal to withdraw would "impair the friendly cooperation between our two countries." (Ball 232)

### 1960s and later

During Johnson administration and after Six Day War, "the issues in American-Israeli relations were largely conditioned by the American objective—largely derived, in turn, from a preoccupation with Soviet policy in the region—of a political settlement of that conflict. This very objective made it difficult for the United States, despite substantial differences with Israel, to use arms transfers to influence Israeli policy." (Pollock 19)

### 1973 and later

During and after 1973 Middle East War: "Already during the war itself, Kissinger took the initiative in delaying supplies in order to secure Israeli acceptance of two proposed cease-fires in place. Then, in the two years of shuttle diplomacy which followed, Kissinger again used a carrot-and-stick approach to arms supplies in extracting Israeli territorial concessions for disengagements in Sinai and on the Syrian front." (Pollock 298)

### Late 1970s

US policy vis-à-vis Israel in later years of administration of President Jimmy Carter is

concerned primarily with restraining Israeli military operations in Lebanon, expansion of settlements in West Bank. (Pollock 302)

### April 1983

In explaining his position on sale of F-16s to Israel, Reagan says, "we are forbidden by law to release those planes" while Israeli troops occupy Lebanon. Aides clarify explaining it would be against "spirit" rather than "letter" of law to release aircraft. (*New York Times*, 2 April 1983, A2)

## RESPONSE OF TARGET COUNTRY

### 1958–present

Mindful of Suez episode, Israel builds powerful lobby in US. "Not only do Israel's American supporters have powerful influence with many members of the Congress, but practically no actions touching Israel's interests can be taken, or even discussed, within the executive branch without it being quickly known to the Israeli government." (Ball 233)

### Following Six Day War

"On these procedural issues [getting Arab-Israeli negotiations started], the Israeli government did indeed respond [to 'high level American requests'] with a number of small diplomatic gestures involving increasingly explicit, though still qualified acceptance of both Resolution 242 and indirect negotiations." (Pollock 439)

### 1968, 1971–72

"[T]here were several occasions on which Israeli gestures of diplomatic flexibility were linked, in one form or another, with American approval of a pending Israeli request to purchase arms." (Pollock 294)

### 1978

"Even when the [Carter] administration proposed selling Israel only about one half the requested F-16s and F-15s in February 1978, Israeli government protests on that score were few and muted. . . . Of greater concern to the Israeli government and its American supporters were the long-run political-military implications of the package, in which the above sales to Israel were tied to sales of F-15s to Saudi Arabia and F-5s to Egypt." (Pollock 301)

### August 1982

Senior Israeli official warns that US sanctions against Israel would backfire and that reaction would make siege of Beirut "look like peanuts." (*Washington Post*, 7 August 1982, A1)

## ATTITUDE OF OTHER COUNTRIES

### Palestine Liberation Organization and Soviet Union

In August–September 1982, PLO and USSR call for UN sanctions against Israel. (*Washington Post*, 17 August 1982, A13; *Financial Times* [London], 20 September 1982, 3)

### European Community

In November 1982, EC delays \$40 million concessionary credit to Israel in response to Israeli occupation of Lebanon, intransigence toward PLO. (*Wall Street Journal*, 16 November 1982, 32)

### France

From 1950 to 1967, France provides bulk of military aid to Israel and nuclear reactor at Dimona. Following 1967 war, however, President Charles de Gaulle, mindful of oil and other French interests, halts flow of arms to Israel. (Ball 234)

## ECONOMIC IMPACT

### Observed Economic Statistics

US aid to Israel (million dollars)

<i>Fiscal year</i>	<i>Economic</i>	<i>Military</i>
1953-61 av.	56.4	0.1
1962-68 av.	47.7	23.1
1969	36.7	85.0
1970	41.1	30.0
1971	55.8	545.0
1972	104.2	300.0
1973	109.8	307.5
1974	51.5	2,482.7 <sup>††</sup>
1975	353.1	300.0
1976 + TQ <sup>†</sup>	793.0	1,700.0
1977	742.0	1,000.0
1978	791.8	1,000.0
1979	790.1	4,000.0
1980	786.0	1,000.0
1981	764.0	1,400.0
1982	785.0	1,400.0

<sup>†</sup> Transitional quarter: beginning of US fiscal year changed from June to October.

<sup>††</sup> Yom Kippur War.

Source: AID.

### Calculated Economic Impact

	<i>Annual cost to target country</i>
Welfare loss associated with slowdown in military, economic flows; estimated as time cost of 5 percent of	\$16 million

### Calculated Economic Impact (continued)

	<i>Annual cost to target country</i>
transfers, namely in 1956 and 1957, \$56 million; 1969, \$85 million (military only); 1970, \$30 million (military only); in 1975, \$200 million (military only); in 1982, \$1,400 million (military only). Total figure thus derived is divided by six to average it over number of occasions involving slowdowns.	

Note: Sometimes delay resulted in loans being forgiven and turned into outright grants; moreover, each year after threatening to withhold shipments, US increased economic, military aid.

### Relative Magnitudes

#### Gross indicators of Israeli economy

Israeli GNP (1956)	\$1.4 billion
Israeli population (1956)	1.8 million
Israeli GNP (1980)	\$19.6 billion
Israeli population (1980)	3.87 million

#### Annual effect of sanctions related to gross indicators

Percentage of GNP (1980)	0.1
Per capita (1980)	\$4.13

#### Israeli trade with US as percentage of total trade

Exports (1956)	18
Imports (1956)	31
Exports (1980)	18
Imports (1980)	21

Ratio of US GNP (1956: \$422 billion) to Israeli GNP (1956: \$1.4 billion) 301

Ratio of US GNP (1980: \$2,633 billion) to Israeli GNP (1980: \$19.6 billion) 134

## ASSESSMENT

### 1980

George Ball calls for economic sanctions in event that Israel fails to move toward self-determination for Palestine: "In short . . . Israeli-American relations must either become much closer—with Israel accepting the essential changes in its present position—or they must become much looser, with the United States resuming its freedom of action on all forms of aid to Israel, so long as Israel sticks to its present course." (Ball 255)



#### Authors' note

By implication, apart from 1956–57 episode, US attempts at using economic sanctions to modify Israeli policy had failed up to 1980. However, 1982–83 sanctions apparently helped achieve Israeli agreement on conditional withdrawal from Lebanon.

#### AUTHORS' SUMMARY

Overall assessment	Assigned scores
□ Policy result, scaled from 1 (failed) to 4 (success)	2
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	1
□ Success score (policy result <i>times</i> sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	2
<i>Political and economic variables</i>	
□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	1
□ International assistance to target: A (if present)	—
□ Sanctions period (years) <sup>†</sup>	4
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3
□ Type of sanction: X (export), M (import), F (financial)	F, X
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

<sup>†</sup> Due to intermittent imposition of sanctions, only the "active" period when sanctions were in force is counted.

#### Comments

US may have influenced Israeli policy at various times over past 30 years. But it appears that whatever degree of influence US achieved resulted more from overall importance of relationship than from specific threats concerning aid, arms sales.

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## CASE

### Case 56–2 US, UK, and France v. Egypt (1956: Nationalization of Suez Canal)

#### CHRONOLOGY OF KEY EVENTS

- 26 July 1956 Egyptian President Gamal Abdel Nasser issues decree nationalizing Suez Canal (Law 285 of 1956). Nasser's announced reasons: to end Western imperialist exploitation and domination; to collect full revenues from canal. Nasser asserts additional revenues would be used to finance Aswan Dam without Western aid. (Note: US Secretary of State John Foster Dulles had announced week earlier that US was withdrawing its offer to assist in financing Aswan Dam. Dulles announcement appears to have triggered nationalization move. According to Anthony Nutting, minister of state in British Foreign Office, Nasser wanted "to show Egypt was not going to be pushed around by the West.") (Bowie 1, 13; Nutting 45)
- 28 July–1 August 1956 UK, France, US freeze Egyptian assets under their respective jurisdictions. On 30 July, UK bans export of war matériel to Egypt. French, British also order shipping companies under their respective flags to pay canal dues "to the former company's account in London or Paris and refuse to pay anything to the new Egyptian Canal Authority." British Prime Minister Anthony Eden telegraphs President Dwight D. Eisenhower "that economic pressures alone were 'unlikely to attain our objectives' and that he and his colleagues were 'convinced that we must be ready, in the last resort to use force to bring Nasser to his senses.'" (Nutting 48–50)
- 2 August 1956 Anglo-French military organizations begin planning for invasion of Egypt, reinforce troop concentrations in Mediterranean. Eisenhower expresses grave misgivings. (Bowie xvi; Nutting 48)
- Early August 1956 After three days of talks, UK, France, US agree to call conference in London of 24 "concerned maritime powers" to devise international arrangement that will ensure continuity of canal operation. Egypt, Greece refuse to attend. Of the nations present, 18 agree on proposal for international use (USSR, India oppose it) which is submitted to Egypt by committee of five (Australia, Ethiopia, Iran, Sweden, US) headed by Australian Prime Minister Sir Robert Menzies. Nasser

<i>Political and economic variables (continued)</i>	<i>Assigned scores</i>
<input type="checkbox"/> Sanctions period (years)	1
<input type="checkbox"/> Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
<input type="checkbox"/> Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3
<input type="checkbox"/> Type of sanction: X (export), M (import), F (financial)	—
<input type="checkbox"/> Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

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## CASE

# Case 63-1 US v. UAR (1963-65: Yemen and Congo)

## CHRONOLOGY OF KEY EVENTS

- 1963 UAR intervention in Yemen arouses US concern that subversion of Saudi Arabia might be goal. President John F. Kennedy threatens to terminate US aid unless UAR begins troop withdrawals by December 1963. (Kleeman 107)
- Early 1964 UAR begins troop withdrawals; US suspends new development loans but leaves PL 480 (food aid) intact. President Gamal Abdel Nasser of Egypt denounces Libya for permitting US bases. Egyptian press criticizes assorted US "misdeeds." (Kleeman 107)
- 26 November 1964 John F. Kennedy Memorial Library in Cairo is burned. (Kleeman 110)
- 20 December 1964 Private US airplane is downed over UAR; US Ambassador Lucius Battle tells Egypt that aid discussions are not appropriate under circumstances. (Kleeman 110-11)
- 23 December 1964 Nasser confirms Egyptian assistance to Congolese rebels. (Kleeman 103, 111)
- January 1965 US House passes Michel amendment (Congressman Robert Michel, R-Ill.) blocking PL 480 shipments to Egypt. After intense lobbying, Congress in October 1965 drops the Michel amendment, allows President Lyndon B. Johnson to continue aid with "national interest" finding. Meanwhile, administration withholds last \$37 million of three-year PL 480 agreement. (Kleeman 103, 112)
- January-April 1965 Nasser stops anti-US attacks in Egyptian press, halts aid to Congo rebels who in any event were losing. (Kleeman 112)
- June 1965 Nasser withdraws military support from Arab Jordan River Project; US releases \$37 million PL 480 shipment. (Kleeman 112)
- July 1965 Johnson permits Egypt to purchase Commodity Credit Corporation (CCC) wheat (knowing that requisite bank guarantees cannot be

July 1965 (continued) obtained). Nasser refuses Chinese request for North Vietnamese office in Cairo. Nasser offers peace proposal to Saudi Arabia on Yemen. (Kleeman 114)

August 1965 Nasser appoints moderate prime minister, Zakaric Mohieddin. (Kleeman 114)

December 1965 US announces six-month PL 480 package worth \$55 million. UAR settles private claims, pays \$500,000 for damage to Kennedy library; however, Jeddah agreement for end of Yemen civil war breaks down. (Kleeman 115)

March 1966 Nasser requests \$150 million PL 480 aid; Johnson instead offers \$50 million CCC credit. (Kleeman 122)

Spring-Fall 1966 Nasser renews attacks on US role in Vietnam; announces end of "Arab coexistence" (i.e., between monarchies, republics); dismisses Prime Minister Mohieddin. (Kleeman 122)

## GOALS OF SENDER COUNTRY

December 1964

US goals are enunciated in State Department cable to Egypt: end aid to Congolese rebels, disengage from Yemen, stop pressure on Libya; halt Arab Jordan River Project, keep Israel-Palestine questions in "ice box," stop anti-US campaign in UAR press. (Kleeman 117)

25 August 1965

Secretary of State Dean Rusk cautions President Johnson against explicit linkage between US aid, US political goals; suggests modification of UAR tactics is most that can be achieved. Short-lived settlement is reached in December 1965. (Kleeman 116)

## RESPONSE OF TARGET COUNTRY

Robert Kleeman

Following downing of US civilian airplane and Ambassador Battle's comment that discussions on aid would "not be appropriate at that time," Nasser essentially says US can "jump in the lake" with its aid. A few weeks later, however, he stops anti-US attacks in press. They are resumed after release of PL 480 aid in June, "but the U.S. embassy in Cairo interpreted the attack[s] as due to 'pent up frustration for being forced to beg a full six months.'" (Kleeman 111-13)

## ATTITUDE OF OTHER COUNTRIES

Soviet Union

From 1955 to 1965, Soviet Union gave about same amount of aid to Egypt as did US. Most of Soviet aid was for Aswan Dam, other development projects. In June 1965, when

Egyptians had only three-week supply of grain left and before US resumed PL 480 shipments, USSR diverted several shipments of Canadian wheat, intended for Soviet consumption, to Egypt. (Kleeman 104, 113)

## ECONOMIC IMPACT

### Observed Economic Statistics

Between 1955 and 1965, UAR saved about \$1 billion between market value, cost of PL 480 food. By 1964, PL 480 supplied 15 percent of UAR food requirements, 50 percent of wheat; and UAR faced acute food shortages. (Kleeman 104)

Egypt had poor cotton harvests in 1961, 1964, 1965; this plus intervention in Yemen led to foreign exchange shortages. (Kleeman 105)

### Calculated Economic Impact

	<i>Annual cost to target country</i>
Suspension of US development loans (excluding PL 480); welfare loss estimated at 90 percent of reduced transfers.	\$39 million
Withholding of PL 480 aid; welfare loss estimated at 80 percent of value of shipments.	15 million
Total	\$54 million

### Relative Magnitudes

#### *Gross indicators of Egyptian economy*

Egyptian GNP (1963)	\$3.9 billion
Egyptian population (1963)	28.0 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP	1.4
Per capita	\$1.93
Egyptian trade with US as percentage of total trade	
Exports (1963)	4
Imports (1963)	25
Ratio of US GNP (1963: \$596.7 billion) to Egyptian GNP (1963: \$3.9 billion)	153

## ASSESSMENT

Robert Kleeman

"The Johnson administration policies did work in 1965. . . . [But] Nasser had other reasons besides the food aid suspension to alter his policy. The Congolese aid program suffered from large inefficiencies, and the rebels themselves became relatively ineffective in their struggle. . . .

"The occasional and ephemeral reductions in anti-US attacks do seem to have been the result of the food aid suspension, as Nasser's actions during the Michel amendment incident in February indicate. . . . [However] [i]n less than one year, the gains of 1965 had been lost." (Kleeman 120-22)

## AUTHORS' SUMMARY

Overall assessment	Assigned scores
□ Policy result, scaled from 1 (failed) to 4 (success)	4
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	4
□ Success score (policy result times sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	16
<i>Political and economic variables</i>	
□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	1
□ International assistance to target: A (if present)	—
□ Sanctions period (years)	2
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	2
□ Type of sanction: X (export), M (import), F (financial)	F
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	1

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## CASE

# Case 63-2 Indonesia v. Malaysia (1963-66: "Crush Malaysia" Campaign)

## CHRONOLOGY OF KEY EVENTS

Also see Case 63-3 US v. Indonesia (1963-66: Cease "Crush Malaysia")

1956	Malaya grants asylum to Indonesian rebels; Indonesia obstructs Malayan shipping in Strait of Malacca. ( <i>Area Handbook</i> 260)
1961-62	Malayan Prime Minister Abdul Rahman proposes Federation of Malaya, Singapore, and three Borneo States of Brunei, Sabah, and Sarawak. In August 1962, Malayan, British officials set 31 August 1963 as date for formation of Malaysia. Initial Indonesian reaction is "cool but correct." Opposition grows more intense during 1962 under leadership of Indonesian Communist party (PKI). ( <i>Area Handbook</i> 261; Jones 266-67)
December 1962	Revolt breaks out in Brunei against joining Malaysian Federation. Indonesian President Ahmed Sukarno uses revolt as excuse to further oppose formation of federation by claiming that it is not desire of people. (Jones 268)
13 February 1963	Sukarno announces at mass meeting in Djakarta, "I now declare officially that Indonesia opposes Malaysia." Following day, President John F. Kennedy reaffirms US support for Malaysia. (Jones 269)
26 July 1963	US Ambassador to Indonesia Howard Jones warns Sukarno that his failure to attend meeting in Manila with heads of state of Malaysia and Philippines to formulate compromise on Malaysia dispute may jeopardize US economic assistance. Sukarno attends meeting 30 July but in mass rally on 27 July he says, "If God wills it, I will leave for Manila the day after tomorrow to carry on our confrontation to oppose and eliminate the neocolonialist Malaysia." (Jones 281)
5 August 1963	Agreement reached in Manila is released to public. "Its key point was that Indonesia and the Philippines would welcome the formation of Malaysia if the UN Secretary General ascertained that the peoples of Sabah and Sarawak desired to be incorporated into Malaysia."

## CASE

# Case 65-4 US v. Arab League (1965- : Antiboycott Measures)

### CHRONOLOGY OF KEY EVENTS

Also see Case 46-1 Arab League v. Israel (1946- : Palestine)

- 1965 US Under Secretary of State George Ball: "In our judgment [S. 948, an antiboycott amendment to the Export Control Act] could interfere seriously with the programs of economic denial that we are now conducting against several communist countries." (Lowenfeld 34)
- 30 June 1965 Amendment to Export Control Act of 1949 calls for US firms to report boycott requests to secretary of commerce "for such action as he may deem appropriate." (Lowenfeld 34)
- 30 December 1969 Congress approves Export Administration Act of 1969 that extends *inter alia* antiboycott provisions of Export Control Act. (Commerce Report 1977, 15)
- 1975 US secretary of commerce, in response to congressional pressure, modifies regulations to require reporting as to whether the exporter had complied with boycott request. Previously, exporter merely reported request. (Lowenfeld 36)
- President Gerald R. Ford, quoting President Washington, said the Ford administration would give "to bigotry no sanction." Subsequently, secretary of commerce issues new regulations prohibiting discrimination, as among US citizens, on basis of race, color, religion, sex, or national origin. (Lowenfeld 36-37; *Fed. Reg.* 54770)
- January 1976 *US v. Bechtel Corp.* Civ. No. C-76-99 (N.D. Calif.) filed by US Justice Department, alleges antitrust violation by Bechtel on account of discrimination; settled by consent decree 10 January 1977. (*New York Times*, 17 January 1976, A5)
- 1976 Tax Reform Act of 1976 enacted with antiboycott provision (amendment by Senator Abraham Ribicoff, D-Conn.) providing that foreign tax credits, tax deferral on earnings of foreign subsidies, and Domestic

International Sales Corporation (DISC) benefits be denied to firms that comply with foreign boycott not sanctioned by US government. (Sec. 999, Internal Revenue Code). (*New York Times*, 17 September 1976, A1; 5 October 1976, A24).

- 22 June 1977 Amendments to Export Administration Act of 1977 (PL 95-52) prohibit compliance with most foreign boycott requirements—including those involving handling of letters of credit by US banks—and provide substantial penalties for violations. (Commerce Report 1977, 16)
- 1979 Export Administration Act of 1979 enacted with antiboycott provision. (Commerce Report 1980, 1)

### GOALS OF SENDER COUNTRY

Howard Stanislawski

Antiboycott amendments attached to EAA passed on 22 June 1977, "implemented by detailed Department of Commerce regulations, prohibit compliance by US persons with secondary and tertiary boycott conditions, both discriminatory and restrictive trade in nature. A compulsory comprehensive reporting mechanism was established, requiring that all cases of boycott requests be reported to the Secretary of Commerce, together with information regarding the disposition of those requests, and that the information thus compiled would be available to the public. The EAA amendments of 1977 constitute the most extensive set of antiboycott provisions enacted in any jurisdiction in the world." (Stanislawski 19)

### RESPONSE OF TARGET COUNTRIES

Howard Stanislawski

"The American-Arab relationship has grown dramatically since 1973, notwithstanding the enactment and implementation in 1976 and 1977 of rigorous antiboycott legislation by the Congress. . . . Substantial alterations in boycott clause terminology have been provided by Arab boycotting states so as to make compliance with the American law simpler and much less problematic." (Stanislawski 25-26)

### ATTITUDE OF OTHER COUNTRIES

Canada

Donald Jamieson, minister of industry, trade and commerce, during debate on 21 October 1976, in House of Commons: "The government has clarified its position in relation to international boycotts and has strongly affirmed its opposition to discrimination and boycotts based on race, national or ethnic origin, or religion. Accordingly, the government will take measures to deny its support of facilities for various kinds of trade transactions in order to combat any discriminatory effects which such boycotts may have on Canadian firms and individuals." (Turck 714-15)

## France

French pass antiboycott law in 1977, but its application is hamstrung by ministerial decree issued shortly thereafter that excludes government-guaranteed contracts in Middle East. "Practically, because of the ambiguity of the law and because of the Prime Minister's [Raymond Barre] decree, the law appears to have had little if any effect on French-Mideast trade." (Turk 726)

## United Kingdom

"In Britain, the House of Lords conducted an extensive investigation of the Arab boycott but thereafter the British government did little or nothing, while professing its opposition to the boycott." (6 *Boycott Report*, January 1982: 1)

From letter from British Foreign Secretary Lord Carrington to British Arab Boycott Coordination Committee: "We firmly believe that it would be wrong to interfere with the commercial judgment of firms, and we leave it to individual firms to decide whether or not to comply with the boycott. We believe that the introduction of legislation on this matter could seriously damage British commercial and political interests. We see it as our first priority to help resolve the Arab-Israel conflict which gives rise to the boycott." (6 *Boycott Report*, March 1982: 9)

## ECONOMIC IMPACT

### Observed Economic Statistics

Tax benefits denied to US companies complying with boycott (thousand dollars)

	Foreign tax credit	DISC benefits	Deferral	Total
1976	57	25	200	282
1977	734	657	1,254	2,645
1978	5,298	472	5,559	11,329
1979	3,898	688	5,376	9,962

Source: US Treasury 4.

### Calculated Economic Impact

	Annual cost to target country
Increased import costs estimated at 1977-79 average of forgone tax benefits of reporting companies under US antiboycott regulations.	\$8 million

## Relative Magnitudes

### Gross indicators of Arab League economies

Arab League GNP (1965)	\$22.1 billion
Arab League population (1965)	136.6 million

### Annual effect of sanctions related to gross indicators

Percentage of GNP	negl.
Per capita	\$0.06

### Arab League trade with US as percentage of total trade

Exports (1965)	4
Imports (1965)	15

Ratio of US GNP (1965: \$691.1 billion) to Arab League GNP (1965: \$22.1 billion)	31
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## ASSESSMENT

### Commerce Department official (anonymous)

Commenting on Export Administration Act: "Business on the whole has complied with the boycott. The law allows the boycott to go forward." (New York Times, 22 October 1981, D1)

### Treasury Department lawyer (anonymous)

Commenting on Tax Reform Act of 1976: "There are probably many people out there in flagrant violation of the law, and they never get caught. A lot of people are simply ignorant of the law. I suspect there are people falling through the cracks. And a lot of people are just not filing." (New York Times, 22 October 1981, D1)

## AUTHORS' SUMMARY

Overall assessment	Assigned scores
□ Policy result, scaled from 1 (failed) to 4 (success)	2
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	3
□ Success score (policy result times sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	6

### Political and economic variables

□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	2
□ International assistance to target: A (if present)	—
□ Sanctions period (years)	19+

<i>Political and economic variables (continued)</i>	<i>Assigned scores</i>
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	2
□ Type of sanction: X (export), M (import), F (financial)	F, X
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

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## CASE

# Case 67-1 Nigeria v. Biafra (1967-70: Civil War)

## CHRONOLOGY OF KEY EVENTS

- 1 October 1960 Following independence, Federation of Nigeria is made up of five major regions—the East, North, West, South (Lagos), and Midwest. Eastern Ibo tribe dominates many top civil, military posts. (Nwankwo 1)
- 15-18 January 1966 Young military officers wipe out most of political, military leadership in coup attempt but are themselves quickly toppled. Countercoup is led by Major General Aguiyi Ironsi who, with assistance of Lieutenant Colonel Yakubu Gowon, rallies loyal troops to defeat plotters. Ironsi becomes head of new federal military government in Lagos, appoints military governors in four other regions who are directly responsible to him. Lieutenant Colonel C. Odumegwu Ojukwu is appointed in East. (St. Jorre 32-39)
- 29-31 July 1966 While Ironsi is on tour of country, another coup is initiated by group of Northern officers, and many Ibo officers, soldiers are killed. Gowon, from North, is chosen to become supreme commander. Coup "succeeded in every region but the East" where Ojukwu refuses to recognize Gowon as supreme commander. (St. Jorre 67-75)
- 9 August 1966 Because of continuing hostility between soldiers from northern and eastern regions, Gowon orders all troops back to regions of their origin. (St. Jorre 80)
- September-October 1966 Conference in Lagos, held to determine future of Nigerian federation, is interrupted on 29 September by rioting in North that leads to massacre of thousands of Ibos and exodus of nearly a million Ibos to East. (St. Jorre 82-88)
- 4-5 January 1967 Military governors of each of regions in Nigeria meet with Gowon in Aburi, Ghana. Aburi agreement essentially converts Nigeria into confederation, with more autonomy for regions. (St. Jorre 95)
- 20 February 1967 Ojukwu announces that, unless Aburi agreements are fully implemented by 31 March, he will implement them unilaterally. "Most

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## CASE

### Case 74-1 US v. Turkey (1974-78: Cyprus)

#### CHRONOLOGY OF KEY EVENTS

- June 1964 President Lyndon B. Johnson warns Turkish Prime Minister Ismet Inonu that Turkey is not permitted to use US military equipment against Cyprus. (Karaosmanoglu 158)
- 15 July 1974 With collaboration from Greek military government, coup overthrows government of Archbishop Makarios in Cyprus. (Legg 108-9)
- 20 July 1974 Turkish troops invade northern part of Cyprus, justifying intervention under 1960 treaty with Cyprus. (Legg 108-9)
- 22 July 1974 Cease-fire reached between Greek, Turkish troops on Cyprus. Greek military government collapses next day; former Prime Minister Constantine Karamanlis heads new civilian government. (Legg 108-9)
- 8 August 1974 President Richard M. Nixon resigns. (Legg 108-9)
- 14 August 1974 Turks occupy nearly 40 percent of Cyprus. Congressman John D. Brademas (D-Ind.) proposes ban on military assistance to Turkey. (Legg 108-9)
- September-October 1974 US Congress decisively votes to cut off military aid to Turkey. President Gerald R. Ford vetoes two cut-off bills, but ultimately consents to postponing aid cut-off until 10 December 1974. (Legg 108-9)
- 31 December 1974 Ford signs military, economic assistance bill that defers aid cut-off until 5 February 1975. (Legg 108-9)
- February 1975 Immediately before cut-off date, Defense Department announces plan to sell \$230 million of tank equipment to Turkey. (Legg 120)
- 5 February 1975 US Secretary of State Henry A. Kissinger tries to broker concessions from Turkey for congressional relaxation of embargo; Congress refuses to play. Embargo on military aid to Turkey goes into effect. (Legg 108-9; 120)



- May 1975* US Senate votes to resume all military aid to Turkey after American military activity there had been limited by Turkish government. (Legg 121)
- August 1975* US House votes to permit sale to Turkey of military goods already contracted for under aid program plus new outright purchases, but continues prohibition on new military grants. (Legg 121)
- Early 1976* Ford administration unveils new US-Turkey joint defense program calling for \$1 billion in grants over four years, reopening of 26 US bases; simultaneously discusses bases with Greece. (Legg 121)
- September 1976* Ford administration announces plan to sell \$125 million in military equipment to Turkey; because of embargo on use of credit under Foreign Military Sales program, encourages Turkey to buy direct from military suppliers. (Legg 122)
- January 1977* Administration of President Jimmy Carter abandons attempt to enact bases agreement; instead, obtains legislation imposing \$175 million ceiling on FY 1978 arms sales to Turkey. (Legg 122)
- 2 April 1978* Carter, reversing previous position, makes repeal of military aid restrictions "highest foreign policy" priority. (Legg 108-9, 122)
- July-August 1978* Congress repeals military aid restrictions. (Legg 123)
- 27 September 1978* Pursuant to legislation, Carter certifies Turkey is acting in good faith to resolve Cyprus question; Turkey agrees to reopen four bases used for intelligence operations; president lifts restrictions on arms aid to Turkey. (Legg 123)

## GOALS OF SENDER COUNTRY

*Fall of 1974*

Pro-Greek members of Congress introduce, finally win passage of, legislation limiting US military assistance to Turkey as means of persuading Turkey to reach agreement on Cyprus. Contemplated agreement would entail some withdrawal of Turkish troops from occupied territory. (Legg 119-20)

## RESPONSE OF TARGET COUNTRY

*February-March 1975*

Turkey limits US military activity; many of 26 US bases in Turkey are closed. (Legg 121)

*1976*

Under Turkish prodding, Ford administration proposes new joint defense agreement coupled with \$1 billion in grants. (Legg 121)

*1977*

Turkish government pressures Carter administration to win congressional approval of new bases agreement; opens contacts with USSR, Arab countries; circulates rumors of possible withdrawal from NATO; requests departure of US troops. (Legg 122)

*Late 1978*

Following repeal of embargo, Turkey allows US to reopen four intelligence bases. (Legg 123)

## ATTITUDE OF OTHER COUNTRIES

*Western Europe*

Throughout embargo, Turkey obtains military goods from Italy, Federal Republic of Germany, NATO maintenance and supply agency. (Legg 123)

## ECONOMIC IMPACT

### Observed Economic Statistics

Turkish military budget increases in constant dollars from \$1,270 million (1974) to \$1,640 million (1975) to \$2,230 million (1976). (Legg 131)

Turkish arms imports (million dollars)

1974	232	1977	140
1975	238	1978	220
1976	291		

Source: ACDA.

US military aid to Turkey (million dollars)

1970	181.6	1974	190.8
1971	214.4	1975	109.1
1972	223.2	1976-77	250.0
1973	245.1	1978	175.4

Source: Legg 131.

### Calculated Economic Impact

	Annual cost to target country
Reduction in US military aid from FY 1975-78; welfare loss estimated at 90 percent of reduced transfers from earlier aid levels.	\$69 million
Increased cost of non-US military purchases to cover reduction in sales of US military equipment; welfare loss estimated at 10 percent of reduced trade 1975-78.	8 million
Total	\$77 million

## Relative Magnitudes

<i>Gross indicators of Turkish economy</i>	
Turkish GNP (1975)	\$37.1 billion
Turkish population (1975)	40.0 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP	0.2
Per capita	\$1.92
Turkish trade with US as percentage of total trade	
Exports (1975)	11
Imports (1975)	13
Ratio of US GNP (1975: \$1,549.2 billion) to Turkish GNP (1975: \$37.1 billion)	
	42

## ASSESSMENT

*Keith Legg*

"Clearly, the embargo had not induced Turkish concessions on Cyprus, nor had it facilitated direct Greek-Turkish dialogue on other outstanding issues. From the first, spokesmen for the executive branch maintained that the embargo would not be effective in pushing the Turks toward concessions on Cyprus. This was eventually viewed, especially by pro-Greek congressmen, as a self-fulfilling prophecy." (Legg 121, 123)

"The real effect of the embargo . . . was to prevent an alteration of the balance of forces in the Aegean Sea." (Legg 124)

*Ali S. Karaosmanoglu*

"The embargo also did great harm to Turkey's armed forces. Turkey's arms imports dropped steeply, and by the late 1970s it was unable to import the minimum of its arms needs. The Turkish armed forces are today still in an equipment crisis, with much weaponry out of date or deteriorating." (Karaosmanoglu 158)

## AUTHORS' SUMMARY

<i>Overall assessment</i>	<i>Assigned scores</i>
□ Policy result, scaled from 1 (failed) to 4 (success)	1
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	1
□ Success score (policy result <i>times</i> sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	1

### *Political and economic variables*

- Companion policies: J (covert), Q (quasi-military), or R (regular military)

<i>Political and economic variables (continued)</i>	<i>Assigned scores</i>
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	1
□ International assistance to target: A (if present)	—
□ Sanctions period (years)	4
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3
□ Type of sanction: X (export), M (import), F (financial)	F
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	1

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Political and economic variables	Assigned scores
<input type="checkbox"/> Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
<input type="checkbox"/> International cooperation with sender, scaled from 1 (none) to 4 (significant)	2
<input type="checkbox"/> International assistance to target: A (if present)	—
<input type="checkbox"/> Sanctions period (years)	2
<input type="checkbox"/> Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
<input type="checkbox"/> Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	1
<input type="checkbox"/> Type of sanction: X (export), M (import), F (financial)	X
<input type="checkbox"/> Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

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## CASE

# Case 78–6 Arab League v. Egypt (1978–83: Peace Treaty with Israel)

## CHRONOLOGY OF KEY EVENTS

- 17 September 1978 Israel, Egypt sign Camp David accords laying out framework for conclusion of peace treaty. (*Keesing's* 29941)
- 24 September 1978 Arab League members (except Morocco, Sudan, Oman) release communiqué in which they pledge "(i) to establish a unified political and military command to resist President [Anwar] Sadat's policies, (ii) to seek closer relations with the Soviet Union to counter U.S. influence in the Middle East, (iii) to institute a complete economic boycott of Egypt and to sever all remaining political and cultural links with that country and (iv) to seek the removal of the Arab League headquarters from Cairo to another Arab capital." Arab states discuss ways to tighten embargo against Egypt at Baghdad conference in late October. (*Keesing's* 29659–60)
- 26 March 1979 Israel, Egypt sign peace treaty in Washington, ratify it following month, formally ending state of war between the two states. (*Keesing's* 29941)
- 11 April 1979 US Secretary of State Cyrus Vance testifies before Senate Foreign Relations Committee that administration plans to extend \$4.8 billion in additional financial assistance to Egypt, Israel over next three years as cement for peace treaty. Including existing assistance, \$4 billion will go to Israel, \$1.8 billion to Egypt. Larger amount allocated to Israel compensates for its withdrawal from Sinai. (*Keesing's* 29950)
- 27–31 March 1979 Arab League meets in Baghdad to discuss implementation of retaliatory measures decided in November 1978. Iraq, Syria, PLO walk out in protest against perceived attempts by moderates, led by Saudi Arabia, to "water down" implementation of November decisions. Compromise agreement entails economic boycott of Egypt but does not require withdrawal of funds from Egyptian banks or establishment of exchange controls. Embargo on oil supplies is applied against Egypt but not against US and other supporters of peace treaty. (*Keesing's* 29951)

- 10 October 1981 Arab leaders boycott funeral of slain Egyptian leader Sadat. (*New York Times*, 11 October 1981, A1)
- 25 April 1982 Israel completes withdrawal from Sinai. (*New York Times*, 31 October 1982, A16)
- 7-8 June 1983 Speculation increases on rapprochement between Egypt, other Arab states. Moroccan Foreign Minister Mohammed Boucetta refers to visit to Egypt as "initial step of Egypt's reconciliation with the Arab world." (*New York Times*, 8 June 1982, A5)
- 22 December 1983 On visit to Amman, Egyptian Trade Minister Mustafa Saeed announces that Jordan has agreed to end trade sanctions against Egypt. Decision coincides with public reconciliation between President Hosni Mubarak of Egypt and PLO leader Yasser Arafat in Cairo 22 December. (*New York Times*, 23 December 1983, A1, A8)
- Late December 1983 Egyptian trade delegation goes to Saudi Arabia to discuss reopening trade ties, then plans to visit United Arab Emirates. (*Wall Street Journal*, 29 December 1983, 16)
- January 1984 Islamic Conference votes to readmit Egypt. Move is thought to be preliminary step toward Egypt's readmission into Arab League at conference later in year. (*New York Times*, 20 January 1984, A1)
- 25 September 1984 Jordan announces its resumption of diplomatic ties with Egypt, is the first Arab country to do so. (*New York Times*, 26 September 1984, A1)

## GOALS OF SENDER COUNTRIES

October 1978

From communiqué issued at end of Baghdad conference: "The conference decided to call on the Egyptian Government to abrogate these agreements and not to sign any reconciliation treaty with the enemy. The conference hoped that Egypt would return to the fold of joint Arab action and not act unilaterally in the affairs of the Arab-Zionist conflict." (*Keesing's* 29660)

March 1979

Following signing of peace treaty in March, Arab League members accuse Egypt of having "deviated from the Arab ranks and . . . chosen, in collusion with the United States, to stand by the side of the Zionist enemy," of having "relinquished its Pan-Arab duty of liberating the occupied Arab territories, particularly Jerusalem, and of restoring the Palestinian Arab peoples' inalienable national rights. . . ." (*Keesing's* 29951)

## RESPONSE OF TARGET COUNTRY

Late 1977

Following Arab condemnation of Sadat's visit to Israel in November 1977, Egypt breaks diplomatic relations with Syria, Algeria, Libya, South Yemen, Iraq. (*Keesing's* 29659)

September 1978

Sadat, in report to Parliament following signing of Camp David agreements: "While acknowledging that the Arab claim to East Jerusalem and the issue of the ultimate sovereignty of the West Bank and Gaza had not yet been resolved, he urged Jordan and Syria to take advantage of the framework for discussions established at Camp David to negotiate with Israel. He added that other Arab states should 'share in these steps' and not allow the Arab world to slide into 'frustration or collapse.'" (*Keesing's* 29664)

September 1982

Egyptian Foreign Minister Kamal Hassan Ali: "We welcome any resumption of relations with the Arab world, but we are not in a hurry. We have our contacts with most of them." (*New York Times*, 31 October 1982, A16)

December 1983

Egyptian Trade Minister Mustafa Saeed: "We are urging the Jordanians and the Palestinians to go for negotiations because through this, they will be able, with the Arab world united behind them, to achieve what we did in Sinai." (*New York Times*, 23 December 1983, A8)

## ECONOMIC IMPACT

### Observed Economic Statistics

Egyptian trade with Arab League\* (million dollars)

	Exports	Imports
1977	162.0	133.3
1978	161.8	164.4
1979	106.7	81.2
1980	83.2	91.1
1981	117.7	109.6

\* Algeria, Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, and United Arab Emirates.

Source: IMF.

Egyptian trade with Israel (million dollars)

	Exports	Imports
1979	—	—
1980	182.3	1.0
1981	549.3	9.8

— Zero or negligible.

Source: IMF.

# US aid to Egypt (million dollars)

	<i>Economic</i>	<i>Military</i>
1976	464.3	—
TQ <sup>†</sup>	552.5	—
1977	907.7	—
1978	943.0	0.2
1979	1,088.1	1,500.4
1980	1,166.4	0.8
1981	1,130.4	550.8
1982	1,064.9	902.4

— Zero or negligible.

<sup>†</sup> Transitional quarter (1 July to 30 September 1976): beginning of US fiscal year changed from June to October.

Source: IMF.

Egyptian officials say that despite the Arab boycott of Egypt, Arab investment in Egypt increased from 16 percent to 23 percent of total investment in 1982. (*New York Times*, 26 September 1984, A1)

## Calculated Economic Impact

	<i>Annual cost to target country</i>
Decline in trade with Arab League countries; welfare loss estimated at 30 percent of reduction of average total trade with Arab League 1979–81 from presanction levels (average 1977–78).	\$34 million
<i>Offset</i>	
Increased Egyptian trade with Israel; welfare gain estimated at 30 percent of average trade in 1980–81.	(\$111 million)
Total (gain)	(\$77 million)

## Relative Magnitudes

<i>Gross indicators of Egyptian economy</i>	
Egyptian GNP	\$19 billion
Egyptian population	41 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP (gain)	(0.4)
Per capita (gain)	(\$1.88)

## Gross indicators of Egyptian economy (continued)

Egyptian trade with Arab League as percentage of total trade	
Exports (1978)	6
Imports (1978)	2
Ratio of Arab League GNP <sup>†</sup> (1979: \$300 billion) to Egyptian GNP (1979: \$19 billion)	16

<sup>†</sup> Based on Algeria, Iran, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, Syria.

## ASSESSMENT

*Margaret P. Doxey*

"Arab League boycotts of Egypt since the Israeli-Egyptian peace treaty was signed in 1979 are reported to have caused internal economic difficulties, but Egypt has looked to the West and particularly to the United States for help and has no doubt received it." (Doxey 152)

*Wall Street Journal*

"Some Arab nations have taken a more conciliatory attitude toward Egypt in recent months, in part due to the continued war between Iran and Iraq in the Persian Gulf. Jordan's renewal of trade relations with Egypt, for instance, reflects Jordan's eagerness to find new markets to make up for the decline in its trade with Iraq." (*Wall Street Journal*, 29 December 1983, 16)

## AUTHORS' SUMMARY

<i>Overall assessment</i>	<i>Assigned scores</i>
□ Policy result, scaled from 1 (failed) to 4 (success)	1
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	1
□ Success score (policy result <i>times</i> sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	1
<i>Political and economic variables</i>	
□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	3
□ International assistance to target: A (if present)	A
□ Sanctions period (years)	5
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3
□ Type of sanction: X (export), M (import), F (financial)	F, X, M
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	3

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## CASE

### *Case 78-7 China v. Vietnam* *(1978-79: Regional Influence)*

#### CHRONOLOGY OF KEY EVENTS

- Early 1973 China agrees to provide North Vietnam with aid at 1973 level for five years. (Pike 5)
- 30 April 1975 Saigon falls to North Vietnamese forces. Chinese grants and military aid are terminated. (*Keesing's* 27496; Pike 5)
- 6-16 May 1975 Australia, Japan, UK, Denmark recognize Provisional Revolutionary Government of South Vietnam. (*Keesing's* 27496)
- 2 July 1976 National Assembly representing North and South declares reunification of country under name of Socialist Republic of Vietnam (SRV). (*Keesing's* 27917)
- 31 December 1977 Following intermittent, increasingly intense fighting along Kampuchean-Vietnamese border, Kampuchean Foreign Ministry announces government's intention to break diplomatic relations with Vietnam until all Vietnamese forces are withdrawn from Kampuchean territory. Announcement includes request for Vietnamese Embassy personnel to leave by 7 January, at which time air service between the two countries is to be suspended. (*Keesing's* 29274)
- 10 January 1978 Vietnam and China sign new aid agreement. (Pike 4)
- February-March 1978 Increasingly serious incidents occur on Sino-Vietnamese border. (Pike 4)
- April-May 1978 Chinese aid to Hanoi is reduced by half. (Pike 5)
- June 1978 Council for Mutual Economic Assistance (COMECON) unanimously approves Vietnamese membership. On 19 June, China closes four Vietnamese consulates. (Duiker 44; Pike 5)
- July 1978 China cuts off all aid to Vietnam, orders home all Chinese technical assistants there. (Pike 5)

## CASE

# Case 79-3 Arab League v. Canada

(1979: Proposed Embassy Move)

### CHRONOLOGY OF KEY EVENTS

- 4 June 1979 Joseph Clark is sworn in as Canada's prime minister. On 5 June, he reiterates campaign promise to move Canadian Embassy in Israel from Tel Aviv, where most foreign embassies are located, to Jerusalem, which, since taking of old city in 1967 war, the Israelis consider to be their national capital. (*Facts on File 424*)
- 7 June 1979 Arab ambassadors meet with Canadian Foreign Minister Flora MacDonald to warn her of consequences of projected embassy move, including possible trade boycott. (*Facts on File 467*)
- 14 June 1979 Clark announces he is considering fact-finding commission to investigate potential consequences of embassy move. (*Facts on File 467*)
- 18 June 1979 Arab Monetary Fund suspends dealings with Canadian financial institutions. (Takach 55)
- 23 June 1979 "Responding to intense pressure from Arabs, businessmen, and Western allies," Prime Minister Clark postpones embassy move for at least a year, appoints Robert Stanfield to undertake "a comprehensive study of Canada's Middle East relations." (*Facts on File 502*)
- 27 June 1979 Iraq threatens Canada with oil embargo, including indirect export of oil to Canada through third countries, if Canada proceeds with embassy move. (*Facts on File 502*)
- 29 June 1979 In unpublicized ministerial meeting, Arab League decides to halt economic activity in Canada for one year, threatens total embargo if embassy move takes place. (*Facts on File 502*)
- September 1979 "Pakistan introduced on behalf of the Arab participants a resolution at the Conference of the Nonaligned States in Havana condemning any country which moved its embassy in Israel from Tel Aviv to Jerusalem." (Takach 55)
- 29 October 1979 Clark, following return of Special Envoy Stanfield from Middle East,

officially cancels plans to move Canadian Embassy to Jerusalem. (*Facts on File 833*)

April 1980 Iraqi Oil Minister Tayen Abdul Karim, admits "that an embargo had been in place [against Canada] since the middle of June 1979." (Takach 57)

### GOALS OF SENDER COUNTRIES

#### *Authors' comments*

The Arab states have never conceded that the old city of Jerusalem will not be returned to Jordan. Arab opposition to Israel's adoption of Jerusalem as its capital has deterred all but a few countries from moving their embassies there from Tel Aviv.

### RESPONSE OF TARGET COUNTRY

#### *George Takach*

"While Arab sanctions were unimportant in themselves, their significance was not lost on Ottawa's foreign policy bureaucracy. In each case, ITC [Industry, Trade and Commerce] and External Affairs officials argued the 'straw in the wind effect'; that is, these mini-sanctions were perceived to be only the tip of the iceberg, as it were, of bigger things to come." (Takach 57)

### ATTITUDE OF OTHER COUNTRIES

#### *Western Allies*

If the Arab League had imposed an oil embargo against it, "... Canada would have had little success in attempting to draw on the International Energy Agency for assistance because the Jerusalem affair was solely of Canada's doing and Ottawa received precious little in the way of sympathy from other western capitals." (Takach 61)

### ECONOMIC IMPACT

#### **Observed Economic Statistics**

Arab Monetary Fund (AMF) had invested \$17.2 million in Canada but that "was believed to have been withdrawn at the end of 1978. Consequently, apart from contributing to a modest decline in the value of the Canadian dollar (from US cents 85.52 to 85.02), the AMF announcement was not all that damaging in and of itself." (Takach 56)

"The net effect of the Iraqi oil embargo was that Petrofina, the only Canadian oil company heavily dependent on Iraqi supplies, had to procure crude from other sources, mainly Iran, at a higher price (US \$23.50 a barrel vs. \$21.96) and absorb the extra cost." (Takach 57)

Result of Arab League decision in late June to cease economic activity in Canada for one year was cancellation of some \$3.9 million in contracts, mostly for planned lumber sale worth \$3.6 million. (Takach 57)

In 1979, Arab crude accounted for 30 percent of Canadian imports, 14 percent of total Canadian supply, or 250,000 barrels a day out of total Canadian demand of 1.8 million barrels a day. (Takach 60)

#### Canadian trade with Arab League (million dollars)

	Exports	Imports
1977	505	1,313
1978	571	1,295
1979	551	1,464
1980	790	2,483

Source: IMF.

#### Calculated Economic Impact

	Annual cost to target country
Reduction in Arab League projects in Canada; welfare loss estimated at 30 percent of value of trade.	\$1 million
Decline in Canadian exports to Arab League countries; welfare loss estimated at 30 percent of cut in trade from 1978 level.	6 million
Total	\$7 million

#### Relative Magnitudes

##### Gross indicators of Canadian economy

Canadian GNP (1979)	\$223 billion
Canadian population (1979)	23.7 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP	negl.
Per capita	\$0.30
Canadian trade with Arab League as percentage of total trade	
Exports (1979)	1
Imports (1979)	3

Ratio of Arab League\* GNP (1979: \$270 billion) to Canadian GNP (1979: \$223 billion) 1

\* Iraq, Iran, Kuwait, Libya, United Arab Emirates, Saudi Arabia, Syria, Qatar.

#### ASSESSMENT

George Takach

"Canada's economic relationship with the Arab world, based as it is upon a rather inelastic demand for petroleum and investment capital and a desire to acquire a larger share of the lucrative Arab market, is extremely vulnerable. . . . As one ITC official put it, 'the Arabs could cut us off tomorrow both in terms of imports and exports, and not so much as feel a tickle in the nose.'" (Takach 63)

Washington Post

"Clark . . . quietly shelved the project after an uproar in Arab capitals. Saudi Arabia, however, is reliably reported to have insisted that the 40-year-old Conservative prime minister announce his reversal publicly. . . . In insisting that Clark renege on his campaign promise, the Saudis were indirectly supported by many Canadian businessmen who saw their Middle East contracts endangered at a time of economic slowdown in Canada." (Washington Post, 30 October 1979, A1)

#### AUTHORS' SUMMARY

Overall assessment	Assigned scores
<input type="checkbox"/> Policy result, scaled from 1 (failed) to 4 (success)	4
<input type="checkbox"/> Sanctions contribution, scaled from 1 (none) to 4 (significant)	3
<input type="checkbox"/> Success score (policy result times sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	12
<i>Political and economic variables</i>	
<input type="checkbox"/> Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
<input type="checkbox"/> International cooperation with sender, scaled from 1 (none) to 4 (significant)	3
<input type="checkbox"/> International assistance to target: A (if present)	—
<input type="checkbox"/> Sanctions period (years)	1
<input type="checkbox"/> Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	3
<input type="checkbox"/> Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	2
<input type="checkbox"/> Type of sanction: X (export), M (import), F (financial)	F, X, M
<input type="checkbox"/> Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

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## CASE

# Case 80-2 US v. Iraq (1980-82: Terrorism)

### CHRONOLOGY OF KEY EVENTS

Also see Summary S-1 US v. Countries Supporting International Terrorism (1972- : Overview)

- July 1979 Congress passes Fenwick amendment (Congresswoman Millicent Fenwick, R-NJ) to Export Administration Act requiring notification of "the appropriate Congressional committees before any license is approved for the export of goods or technology valued at more than \$7 million to any country supporting terrorism." (Flores 567)
- 29 December 1979 Administration of President Jimmy Carter cites Iraq, along with Syria, Libya, and South Yemen as countries that support terrorism. (*New York Times*, 6 August 1980, A5)
- 23 January 1980 US Commerce Department approves license for General Electric to export eight engine cores, valued at \$11.4 million, to Italy, for use in manufacture of four frigates destined for Iraq. Fenwick protests that license violates spirit of Fenwick amendment. (Flores 572-73)
- 6 February 1980 Commerce Department, responding to congressional pressure, reverses itself, suspends export license for eight turbine engine cores. (*New York Times*, 7 February 1980, D2)
- April 1980 Secretary of State Cyrus Vance, National Security Adviser Zbigniew Brzezinski recommend allowing sale of engine cores as means of improving ties with Iraq. (*New York Times*, 10 April 1980, A16)
- 7 April 1980 Arab Liberation Front (ALF), supported by Iraq, attacks Israeli kibbutz, killing three. Congressional criticism of Iraqi frigate decision escalates sharply; deal is placed under review again. (Flores 573-74; *New York Times*, 10 April 1980, A16)
- 14 May 1980 Members of House Subcommittee on Middle East accuse administration of breaking the law by not notifying Congress of its decision in January to approve engine sale to Iraq via Italy. Assistant Secretary of State Deane R. Hinton acknowledges mistake but says adminis-

tration did not break law because engines were not on list of items restricted from sale to terrorist-supporting nations. (*New York Times*, 15 May 1980, A16)

- Early August 1980 State Department decides not to block engine deal; on 5 July announces administration is considering sale of five Boeing commercial jets to Iraq. (*New York Times*, 6 August 1980, A5)
- 29 August 1980 State Department, responding to congressional pressure, disapproves \$208 million sale of commercial jets to Iraq. (Flores 575; *New York Times*, 30 August 1980, A2)
- 25 September 1980 Claiming need to demonstrate neutrality in Iran-Iraq war, Carter administration suspends export of six remaining turbine engine cores, two having been shipped already. "In the middle of a conflict, when we proclaim our neutrality, we don't want stories saying that we are supplying either side, however indirectly," a US official said. "This decision comes after Senator Richard Stone (D-Fla.) threatens to attach amendment opposing sale to upcoming foreign aid bill 'because of Iraq's support for international terrorism.'" (*New York Times*, 26 September 1980, A7)
- 25 December 1980 Congressman Benjamin S. Rosenthal (D-NY) releases censored version of General Accounting Office (GAO) report that criticizes handling of Iraqi frigate deal. Report blames "bureaucratic bungling" for approval of deal. "Although the export license is technically still valid, the General Electric Company, which makes the engines, has voluntarily complied with a State Department request [made in September] not to ship them." (*New York Times*, 26 December 1980, A23)
- 1 March 1982 US lifts export restraints against Iraq imposed on antiterrorist grounds; considers sale of Boeing aircraft. Deputy Assistant Secretary of State Ernest Johnson defends decision to Congress, saying US intelligence has shown Iraq to have reduced its support of terrorism. (*Washington Post*, 19 March 1982, A27; American Israel Public Affairs Committee 1)
- 13 May 1982 House Foreign Affairs Committee votes to restore Iraq to list of terrorist-supporting nations. (*Washington Post*, 14 May 1982, A2)
- 8 September 1982 Commerce Department issues license for export of six small jets, four with military applications, to Iraq. Congressman Jonathan B. Bingham (D-NY) strongly opposes sale. (*Washington Post*, 14 September 1982, A12)
- November 1982 Abu Nidal, widely known Palestinian terrorist who admitted his involvement in shooting of Israeli Ambassador Shlomo Argov in London, is admitted to Iraq. (*Washington Post*, 9 November 1982, A1)
- October 1983 State Department announces it will not return Iraq to list of nations

October 1983 (continued) supporting terrorism despite congressional pressure to do so. "State Department spokesman Alan Romberg [says] US has no evidence that Iraq has supported international terrorism since publicly renouncing it a little more than a year ago." Romberg adds that Abu Nidal and his followers are not allowed freedom of movement in Iraq but are restricted by government there. (*Washington Post*, 8 October 1983, A25)

## GOALS OF SENDER COUNTRY

April 1980

Combination of factors—hostage crisis in Iran, Soviet invasion of Afghanistan, Iraq-Iran war, "a widening schism between Iraq and the Soviet Union"—make American officials anxious to develop closer association with Iraq. "[Secretary of State Cyrus] Vance, with the backing of Zbigniew Brzezinski, President Carter's national security adviser, decided to allow the sale [of the turbine engines] to signal interest in building a new relationship with Iraq." However, deal again was "under review" after 7 April ALF attack on Israeli kibbutz. (*New York Times*, 10 April 1980, A16)

August 1980

"[State] Department informed the Commerce Department that it 'cannot recommend' issuance of export licenses for the [five Boeing] aircraft in view of recent terrorist incidents which appear to have Iraqi involvement or support, and the clear sentiment of Congress with respect to international terrorism." (*Facts on File* 662)

October 1983

State Department officials, defending decision not to restore Iraq to list of terrorist-supporting nations, "said that the US wants to foster Iraq's independence, keep it from the Soviet orbit and maintain lucrative trade links. . . . They added that it also wishes to encourage what it perceives as increasing moderation in recent years in Iraq's attitude toward the Arab-Israeli conflict." (*Washington Post*, 8 October 1983, A25)

## RESPONSE OF TARGET COUNTRY

September 1980

Following disapproval of Boeing plane sale: "[Ath-Thawrah, Baghdad newspaper] adds that this measure is part of the Zionist, US and Persian quarters' frenzied campaign against Iraq's principled stands and firm confrontation of imperialist machinations and plots to liquidate the Palestinian issue. Ath-Thawrah also notes that Iraq will not succumb to pressure and blackmail. It will continue to remain the vanguard of pan-Arab struggle and faithful to this struggle's principles and mission, until all the pan-Arab objectives are achieved." (FBIS)

## ATTITUDE OF OTHER COUNTRIES

Israel

In June 1981, Israel bombs Iraqi nuclear reactor scheduled to go critical very shortly. Israel claims reactor would be used to manufacture nuclear weapons for use against it. (Potter 265)

In March 1982, "the [Israeli] intelligence chief [Gen. Yehoshua Seguy] said Iraq supported a 'May 15' terror group that had carried out a string of bombings at El Al [Israeli airline] offices in Europe, the bombing last August of Israel's embassy in Vienna and Israel's diplomatic mission in Athens, and the time-bombing of a passenger ship bound for Israel last December 20. . . . Iraq, he said, trains terrorists from all around the world, and the effort is supported by the Ba'ath Party." (Potter 265; Associated Press, 2 March 1982, as quoted by American Israel Public Affairs Committee 2)

## ECONOMIC IMPACT

### Observed Economic Statistics

Iraqi trade with US (million dollars)

	Imports from US	Total imports	US percentage of total
1979	486	7,006	6.9
1980	797	13,642	5.8
1981	1,005	19,040	5.3
1982	931	19,936	4.7

Source: IMF.

### Calculated Economic Impact

	Annual cost to target country
Reduction in US exports of engine cores, commercial jets; welfare loss estimated at 10 percent of face value of trade (given availability of alternate suppliers).	\$22 million

### Relative Magnitudes

Gross indicators of Iraqi economy

Iraqi GNP (1979)	\$35.2 billion
Iraqi population (1979)	12.9 million

Annual effect of sanctions related to gross indicators

Percentage of GNP	0.1
Per capita	\$1.71

Iraqi trade with US as percentage of total trade

Exports (1979)	3
Imports (1979)	7

Ratio of US GNP (1979: \$2,418 billion) to Iraqi GNP (1979: \$35.2 billion)

69

## ASSESSMENT

David Flores

"It seems unlikely that the denial of exports to the four terrorist-supporting countries named by the Department of State will greatly influence them to halt their support of terrorism. Products comparable to the US exports, at least in the case of commercial aircraft, can usually be obtained from sources other than the United States." (Flores 589)

## AUTHORS' SUMMARY

Overall assessment	Assigned scores
□ Policy result, scaled from 1 (failed) to 4 (success)	2
□ Sanctions contribution, scaled from 1 (none) to 4 (significant)	2
□ Success score (policy result <i>times</i> sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	4
<i>Political and economic variables</i>	
□ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
□ International cooperation with sender, scaled from 1 (none) to 4 (significant)	1
□ International assistance to target: A (if present)	—
□ Sanctions period (years)	2
□ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
□ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	2
□ Type of sanction: X (export), M (import), F (financial)	X
□ Cost to sender, scaled from 1 (net gain) to 4 (major loss)	2

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## CASE

# Case 81-1 US v. Nicaragua

(1981- : El Salvador War)

## CHRONOLOGY OF KEY EVENTS

Also see Case 77-5 US v. Nicaragua (1977-79: Somoza)

- 19 July 1979 Sandinistas, with moral and economic support from US, oust General Anastasio Somoza-Debayle as president. (*Wall Street Journal*, 11 November 1982, 1)
- Fall 1979 President Jimmy Carter unfreezes \$10.5 million in economic assistance, extends \$8.8 million in emergency assistance to Nicaragua, submits \$75 million aid package to Congress. "For many reasons, there were endless and unfortunate delays, until the Nicaraguans began to feel that the money was being politically held over their heads." (Anderson 168)
- 17 October 1980 US, Nicaragua finally sign \$75 million aid agreement but only after Carter provides assurances to Congress that Sandinistas are not aiding leftist insurgents in El Salvador. Congress stipulates money "could be recalled at any time, with immediate payment made in full, including interest, if the United States determined that Nicaragua was indeed engaging in subversion abroad." (Anderson 168, 190)
- 22 January 1981 President Ronald Reagan freezes aid approved previous year (of which only \$15 million had not been transferred); \$9.6 million wheat sale; Food for Peace aid. On 1 April 1981, Reagan suspends aid indefinitely because of Sandinistas' support of leftist guerrillas in El Salvador. Cancellation of wheat sale reportedly results in flour shortage, rationing in Nicaragua. Sandinista leadership warns US actions amount to "economic aggression." (*Keesing's* 30975; Anderson 190)
- August 1981 US Assistant Secretary of State Thomas O. Enders visits Managua, promises US aid and noninterference if Sandinistas terminate support of El Salvadoran leftists. (*Newsweek*, 8 November 1982, 48)
- December 1981 Reagan administration authorizes \$20 million for CIA plan to create

## CASE

# Case 81-4 EC v. Turkey

## (1981-82: Restore Democracy)

### CHRONOLOGY OF KEY EVENTS

- September 1980* Group of generals seizes power in Turkey, suspends democratic institutions and processes in effort to restore order. (*Keesing's* 31285)
- January 1981* West German Finance Minister Hans Matthofer refuses to coordinate OECD loan package for Turkey because of suspension of civil rights accompanying military takeover. (*Keesing's* 31287; *Times* [London], 15 January 1981, 17)
- 7 May 1981* Representatives of 17 OECD member countries agree on \$940 million package of assistance to Turkey, with US offering \$350 million, FRG \$200 million, "a figure substantially lower than previous West German offers." It also is reported "that increasing pressure was being exerted by a number of West German politicians for general reductions in aid to Turkey, in view of the NSC's [Turkish National Security Council, composed of generals involved in coup] reluctance to commit itself to a timetable for a return to parliamentary democracy." (*Keesing's* 31287)
- 12 September 1981* European Trade Union Confederation urges European Community (EC) to "suspend all trade and assistance agreements with Turkey in protest at the suspension of Turkish trade union rights." (*Keesing's* 31287)
- 16 October 1981* Turkish NSC dissolves all political parties. Move is sharply criticized in Europe; EC announces intention to delay implementation of aid program. (*Keesing's* 31287)
- Early November 1981* Following sentencing of former Turkish Prime Minister Bulent Ecevit to four-month prison sentence, Turkish ambassador to EC is warned of European concern about political developments in country, possibility that £290 million in aid, loans may be jeopardized. (*Times*, 5 November 1981, 10)
- Mid-November 1981* Following visit to Turkey, West German Foreign Minister Hans-Dietrich Genscher reveals FRG will withhold \$200 million in aid it had pledged to Turkey in May. (*Keesing's* 31287)

- December 1981* European Council decides to advise European Commission not to approve £290 million aid package to Turkey. (*Times*, 5 December 1981, 4)
- January 1982* European parliament votes to end links with Turkish parliamentarians as protest against actions of military regime in Ankara. Resolution calls for suspension of joint EC-Turkey Committee "until such time as the Turkish National Assembly has been freely elected in a secret ballot by direct universal suffrage and has taken office. . . ." (*Times*, 23 January 1982, 4)
- 30 March 1982* Foreign Minister Ilter Turkmen announces Turkey's intention of applying for full membership in EC despite freezing of grants and loans. (*Facts on File* 257)
- 7 November 1982* Turkish electorate overwhelmingly approves new constitution drawn up by NSC. "Temporary articles" provide for General Kenan Evran, head of NSC, to be president of the republic for seven years. Critics of regime claim that constitution, only alternative to continuing martial law, leaves room for human rights abuses, media censorship, excessive presidential powers. (*Keesing's* 32089-90)
- 1 December 1982* Foreign Minister Genscher reports to German cabinet on recent visit to Turkey and, asserting his belief that "the military regime will soon take steps towards restoration of democracy," convinces cabinet to resume aid to Turkey. Restoration of democratic processes had been "condition of a resumption of aid when it agreed in June to contribute [\$119 million] towards a Western emergency aid package for Turkey. Another [\$56 million] was also set aside this year for bilateral development aid projects." (*Times*, 2 December 1982, 6)
- April 1983* NSC legalizes formation of political parties, announces parliamentary elections will be held November 6. Former political leaders are warned that their participation would endanger this schedule. (*Keesing's* 32287-88)
- May 1983* Five new parties are formed; largest is disbanded by NSC 11 days after inception. In same month, however, European Commission of Human Rights announces it will "challenge the record of Turkey's military government the following October." (*Keesing's* 32287; *Times*, 7 May 1981, 5C)

### GOALS OF SENDER COUNTRIES

#### *November-December 1981*

"The Commission has been particularly concerned about the democratic evolution inside Turkey in view of its application to become a full member of the Community. It continued to negotiate the aid package in the hope that democracy would be developing in parallel. . . . The sentence on Mr. Ecevit, despite the warnings, has crushed this hope, at least for the time being, and has led the Commission to recommend blocking the aid." (*Times*, 5 December 1981, 4)

Spring 1982

"Mr. Leo Tindeman's [President, EC Council of Ministers] had (in accordance with his mandate) impressed on the Turkish government the serious concern of the [EC] Ten with regard to human rights in Turkey, and had emphasized the need for that country to return as soon as possible to a democratic regime, which presupposes, in particular, the release of those arrested for their views or for trade union activities and the ending of martial law." (*Keesing's* 31644)

## RESPONSE OF TARGET COUNTRY

Fall 1981

"General Evren repeatedly claimed during this period, however, that Turkey would not be hurried by foreign opinion into a premature move towards parliamentary democracy. . . ." (*Keesing's* 31287)

December 1981

Spokesman at Turkish Embassy to EC calls Commission recommendation on blocking aid "an attempt to interfere in domestic Turkish politics," adds, "such pressure has never succeeded in the past, so I don't see why it should now." (*Times*, 5 December 1981, 4)

## ATTITUDE OF OTHER COUNTRIES

United States

US Defense Secretary Caspar W. Weinberger visits Turkey in December 1981, praises military regime for having "lived up to our great expectations . . . we admire the way in which the order and law have been restored in Turkey." Weinberger promises expanded military cooperation, aid. US officials reportedly urge concessions to repair breach with Europe. As one official notes, "The last thing the US wants is to have a Turkey isolated from Western Europe." (*Facts on File* 996)

## ECONOMIC IMPACT

### Observed Economic Statistics

"Under the EEC aid agreement Turkey is entitled to receive some \$140 million (about £70 million) a year during the current five-year period." (*Times*, 26 November 1981, 9)

*Times* characterizes £290 million package of loans, aid as being "too small to have any significant financial impact on the Turkish economy. . . ." (*Times*, 5 December 1981, 4A)

In 1980, West German officials take lead in negotiating \$1.2 billion OECD aid package. In January 1981, Turkish Deputy Prime Minister Turgut Ozal travels to FRG hoping to get \$1.5 billion from OECD, including "expected contribution" from Saudi Arabia, not a member of organization. In September 1981, West German government signs agreement extending to Turkey \$60 million in bilateral aid, contributing \$216 million to OECD package for Turkey. (*Times*, 16 September 1981, 18)

West Germany's approval in December 1982 of its contribution to \$1 billion OECD package for Turkey allows transfer of aid to occur. (*Times*, 20 November 1982, 5; 2 December 1982, 6)

## US and EC aid to Turkey (million dollars)

	US Economic	US Military	EC
1979	69.7	180.3	—
1980	198.1	208.3	46.0
1981	201.0	252.8	135.0
1982	301.0	403.0	49.0

— Zero or negligible.

Source: AID.

During Weinberger's December 1981 visit to Turkey, "American officials noted that US aid, although forthcoming, would not be so ample as to make up for a loss of European assistance." (*Facts on File* 996)

## Calculated Economic Impact

	Annual cost to target country
Suspension of EC grants, loans to Turkey from December 1981; welfare loss estimated at 90 percent of aid (£70 million), 20 percent of face value of loans (£220 million).	\$203 million
Suspension of \$276 million in bilateral assistance from FRG (its share of OECD consortium aid) November 1981–December 1982; welfare loss estimated at 90 percent of aid (\$60 million), 20 percent of face value of loans (\$216 million).	97 million
Total	\$300 million

## Relative Magnitudes

### Gross indicators of Turkish economy

Turkish GNP (1981)	\$59 billion
Turkish population (1981)	46.4 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP	0.5
Per capita	\$6.47
Turkish trade with EC as percentage of total trade	
Exports (1981)	50
Imports (1981)	18
Ratio of EC GNP (1981: \$2,335 billion) to Turkish GNP (1981: \$59 billion)	40

## ASSESSMENT

Nicholas S. Ludington and James W. Spain

"[West European] attacks, particularly the comparison to Poland, infuriate Turkey's generals. . . . They contend that many forms of democracy exist and that each country must find its own suitable system. In the words of one leading general: 'If the Western Europeans can accept only a carbon copy of their own system, we may have to reexamine our relationship with them.'" (Ludington 151)

## AUTHORS' SUMMARY

Overall assessment	Assigned scores
<input type="checkbox"/> Policy result, scaled from 1 (failed) to 4 (success)	2
<input type="checkbox"/> Sanctions contribution, scaled from 1 (none) to 4 (significant)	3
<input type="checkbox"/> Success score (policy result <i>times</i> sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	6
<i>Political and economic variables</i>	
<input type="checkbox"/> Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
<input type="checkbox"/> International cooperation with sender, scaled from 1 (none) to 4 (significant)	2
<input type="checkbox"/> International assistance to target: A (if present)	—
<input type="checkbox"/> Sanctions period (years)	1
<input type="checkbox"/> Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
<input type="checkbox"/> Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3
<input type="checkbox"/> Type of sanction: X (export), M (import), F (financial)	F
<input type="checkbox"/> Cost to sender, scaled from 1 (net gain) to 4 (major loss)	1

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*Keesing's Contemporary Archives*. 1982, 1983.

Ludington, Nicholas S., and James W. Spain. 1983. "Dateline Turkey: The Case for Patience." 50 *Foreign Policy* (Spring): 150-68.

## CASE

# Case 82-1 UK v. Argentina

(1982: Falkland Islands)

## CHRONOLOGY OF KEY EVENTS

- 2 April 1982 President Leopoldo Galtieri dispatches 4,000 Argentine troops to occupy Falkland Islands. (*New York Times*, 3 April 1982, A1)
- 3 April 1982 UK sends naval force to recapture Falklands; imposes financial sanctions on Argentina: Argentine assets in UK (about \$1 billion) are frozen, but freeze does not apply to overseas branches of UK banks, and assets may be used in personal hardship cases; British banks may not extend new loans to Argentina; UK banks may continue to act as agents for syndicated Argentine loans; no new official export credits will be extended (official export credit agency, Export Credit Guarantees Department [ECGD], covers 60 percent of UK's \$411 million exports to Argentina in 1980). (*New York Times*, 4 April 1982, A1; *Bank of England* regulations, 13 April 1982, 9; *Financial Times* [London], 14 April 1982, 4; *Economist* [London], 10 April 1982, 36)
- 6 April 1982 UK bans imports from Argentina (1980 total imports, \$271 million). (UK Department of Trade press notice, 6 April 1982)
- April 1982 Argentina retaliates with economic measures: freezes British assets in Argentina (about \$4 billion); suspends principal and interest payments on \$5.8 billion debt to British banks (but makes payment to escrow account in New York). (Daoudi 150; Pearce 15)
- UN Security Council Resolution 502 calls for cessation of hostilities, Argentine withdrawal; contrary to Argentine expectations, USSR does not cast veto. (Parsons 170-72)
- 14 June 1982 Argentine troops at Port Stanley surrender to British forces; Renaldo Bignone succeeds Galtieri as president. (*New York Times*, 15 June 1982, A1; 18 June 1982, A1; 23 June 1982, A18)
- 12 July 1982 Argentina recognizes "de facto cessation of hostilities"; UK returns 593 prisoners but maintains trade, financial sanctions. (*Washington Post*, 13 July 1982, A1)