The Sanctions Paradox

Economic Statecraft and International Relations

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1 Introduction

A tale of two cases

On August 6, 1990, the United Nations Security Council voted to impose multilateral economic sanctions against Iraq in response to Saddam Hussein's invasion of Kuwait. By any conventional measure, these sanctions achieved the greatest degree of international cooperation in modern history. Iraq suffered damages equal to roughly half its pre-war gross national product, a cost far outweighing any other sanctions attempt in this century. Despite the severe economic dislocations suffered by the Iraqi regime, it refused to surrender any Kuwaiti territory. Ignoring claims that the sanctions would have worked with time, the US-led coalition decided to retake Kuwait through military force. On April 3, 1991, the Security Council voted to extend the sanctions regime until Iraq complied with additional demands to reveal its weapons of mass destruction program, recognize the border with Kuwait, and pay reparations. An unstated but desired demand was the removal of Saddam Hussein from power. Iraq has labored under the UN sanctions regime for eight years. As a result, infant mortality rates have increased sevenfold, annual inflation rose to over 4,000 percent, and per capita income has fallen to less than half pre-war levels. In the face of continued economic losses and bellicose US rhetoric, the Iraqi regime has only acquiesced to UN demands when additional military threats have been made. On every issue area, when the only pressure is economic sanctions, Iraq has not budged. Domestically, Saddam's regime shows no signs of falling; if anything, the sanctions regime has strengthened it. Despite the most potent sanctions in history, economic coercion has failed to produce any significant Iraqi concessions.[1]

In late August 1991, the United States was trying to cajole all the relevant players in the Middle East into a multilateral peace conference in Madrid. A blocking point was the Israeli construction of new housing in the occupied territories of the West Bank and Gaza. The Israeli government of Yitzhak Shamir sought to acquire US-ensured financing to cover additional expenses. The Bush administration responded by delaying and then refusing to grant $10 billion in loan guarantees until the Israelis froze the building of all new settlements in the territories. Shamir agreed to the delay before the Madrid peace conference, but refused to concede on the issue of new housing. US Secretary of State James Baker told the Israeli government that the loan guarantees were conditional on the freeze in housing construction in the occupied territories. With Shamir reluctant to yield, Washington used economic pressure to force a change in government. US and Israeli authorities agree that Shamir's refusal to concede cost him and his Likud party the June 1992 elections. In August of 1992, the new Labor government, led by Yitzhak Rabin, acquiesced to the US terms and agreed to freeze the building of all new settlements in return for the loan guarantees. Shamir's Defense Minister and campaign manager later described the episode as an unprecedented example of US interference in Israeli domestic politics.[2] Nevertheless, the Israeli government acquiesced to US economic pressure, paving the way for the historic 1993 accord between Israel and the Palestine Liberation Organization.

Although the Iraqi case has been the focus of more attention, both episodes are examples of economic coercion. I define economic coercion as the threat or act by a nation-state or coalition of nation-states, called the *sender*, to disrupt economic exchange with another nation-state, called the *target*, unless the targeted country acquiesces to an articulated political demand. The disrupted exchange could include

[1] See Hufbauer, Schott, and Elliott (1990a), pp. 283–98 on the pre-war UN sanctions. On the postwar sanctions regime and its effect on Iraq's population, see Reuther (1995) and the *Economist*, "Iraq: more medicine please," March 7, 1998. On how the sanctions have strengthened Hussein's grip on power, see "CIA says Saddam Hussein emerged stronger," *Boston Globe*, September 20, 1996, p. A2, and Robert Wright and John Daniszewski, "Hussein may be main beneficiary of UN aid effort," *Los Angeles Times*, March 4, 1998, p. A1.

[2] See Arens (1995), pp. 1, 301. See Baker (1995), pp. 540–57, for the US take on the episode.

trade sanctions, boycotts, aid suspensions, freezing of financial assets, or the manipulation of tariff rates.[3]

The two cases suggest several puzzles that need to be addressed. First, why did unilateral US pressure on Israel succeed where multilateral UN pressure on Iraq failed? The existing explanations about economic coercion are of little use. Experts predicted that the sanctions against Iraq would be successful.[4] The case had all the attributes traditionally associated with successful sanctions: the target incurred significant economic damage; the sanctions effort was backed by an international institution; all major trading partners cooperated with the UN resolutions; and the threat of military force behind the sanctions effort was clearly signaled. Yet the coalition leaders believed that economic statecraft would not be enough to extract the desired concessions; sanctions failed to achieve their goals without the additional use of force. By contrast, the Israeli case involved unilateral sanctions that imposed smaller though still significant costs on the target and no threat of military force. Unlike the Iraqi case, Congress was reluctant to threaten economic coercion, and in taking action President Bush incurred the wrath of the American–Israeli Public Affairs Committee, one of the most powerful foreign policy lobbies in the United States. Despite all this, coercion was still successful. What accounts for the extent of the target country's concessions?

A second, less obvious, question is what prompts the initial attempt at economic coercion? In both cases, the target governments had taken actions that conflicted with the policy preferences of the United States. While that is clearly part of the answer, it fails to explain why the United States chose to use economic coercion as its preferred policy option. It could have done nothing; it could have tried traditional diplomacy; it could have offered economic inducements; it could have responded with immediate military intervention. Indeed, in the Iraqi case, the United States eventually showed a preference to use force

[3] I will use the terms economic coercion, economic statecraft, and economic sanctions interchangeably in the interest of style, but they are technically different. Economic statecraft includes the use of inducements as well as sanctions. In the public perception, economic sanctions are associated with trade-disrupting measures. The definition of economic coercion includes cases of economic sanctions such as those against Iraq, but it also includes episodes such as the Israeli one, which is not commonly thought of as a sanctions case.

[4] Gary Hufbauer and Jeffrey Schott testified before Congress in December 1990 that sanctions would compel Iraq to withdraw from Kuwait, although it could take more than a year. See Pape (1997), n. 3.

instead of relying on economic coercion. In the Israeli case, it could have offered a carrot, as it had done in the past. How do senders choose among their policy options in an international crisis? Under what conditions will a sender attempt economic coercion?

The argument

This book is about the role of economic coercion in international relations. It creates a model to explain the behavior of senders and targets by taking into account their opportunity costs of deadlock and expectation of future conflict with each other. Coercion alters the allocation of benefits by imposing costs on both the sender and target countries. The short-run costs of sanctions imposition are important to the target and sender, but they are not the only factor. Conceding in the face of economic coercion implies a redistribution of political assets between the target and sender. Nation-states care about this redistribution if they think it will harm their bargaining position in future conflicts. This expectation of future conflict is translated into a short-run concern for relative gains and reputation that varies with the expectation of future threats or conflicts in the bilateral relationship between the sender and target.

The expectation of future conflict has a contradictory effect on economic coercion. On the one hand, it makes senders more willing to threaten economic sanctions. The greater the concern for relative gains and reputation, the more likely the sender will prefer a "stalemate" or "deadlock" outcome of disrupted economic exchange and attempt to coerce. *Ceteris paribus*, senders will be eager to coerce adversaries, and reluctant to coerce allies.

The sender's enthusiasm does not translate into greater concessions. The second effect of conflict expectations is paradoxical and surprising. While a robust anticipation of future disputes might make the sender prefer a coercive strategy, it also reduces its ability to obtain concessions. The target's conflict expectations determine the magnitude of concessions. Facing an adversarial sender, the target will be worried about the long-run implications of acquiescing. Because it expects frequent conflicts, the target will be concerned about any concessions in the present undercutting its bargaining position in future interactions. The sender might exploit the material or reputation effects from these concessions in later conflicts. When relative-gains concern is prominent, a concession represents a gain for the coercer

Table 1.1. *The predicted pattern of economic coercion*

	Minimal conflict expectations	Heightened conflict expectations
Large gap in costs	Significant concessions	Moderate concessions
Small gap in costs	No coercion attempt	Minor concessions

and a loss for the coerced. When reputation is important, acquiescence bolsters the sender's credibility as a tough negotiator while weakening the target's reputation. With allies, this concern is less prominent, because the target anticipates fewer zero-sum conflicts. *Ceteris paribus*, targets will concede more to allies than adversaries. Ironically, a sender will obtain the most favorable distribution of payoffs when it cares the least about the relative distribution of gains.

Table 1.1 summarizes the predictions of a conflict expectations model. Between adversaries, senders will be more willing to sanction, even if a target's costs of deadlock are only slightly greater than the sender's own costs. Despite these preferences, it will not be able to extract significant concessions from the coercion attempt. Because the target is also concerned with the future implications of backing down, any concession is a double blow; not only does it lose in the short run, it grants the sender greater leverage in future disputes. While the presence of conflict expectations might make the sanctioner prefer deadlock, it also makes acquiescence less palatable to the sanctioned. Thus, between adversaries, I expect to see sanctions that are frequently costly to the sender and produce only marginal concessions.

Between allies, the sender will be unwilling to threaten economic coercion unless the gap in the costs of sanctions imposition is large. The target's costs of deadlock must be significant and the sender's own costs must be small for the sender to prefer a coercion attempt. Once this threshold is met, however, economic sanctions will be fruitful. Because the target does not anticipate many future conflicts, it will care less about the material and reputational implications of conceding, and more about the immediate costs and benefits. It will concede more to avoid the costs of deadlock. Thus, between allies, I expect to see sanctions that are less costly to the sender, with more productive results.

A conflict expectations model can explain the dynamics of economic coercion with more accuracy and parsimony than any existing explanation. A problem with the existing literature is that it has focused too much on the most publicized cases of economic sanctions, which usually involve adversaries. Because of this sample bias, alternative explanations overlook less contentious but more successful coercion attempts between allies. In focusing on a limited subset of coercion cases, these writings have painted a distorted picture of economic sanctions. These arguments are not necessarily wrong, but their effects are much smaller than their proponents claim. In contrast to a conflict expectations model, they explain fewer cases, and less of the variation in outcomes.

Why economic coercion matters

Why should anyone care about economic statecraft? Two reasons, one for the pragmatist and one for the theorist. The practical reason is that the incidence of economic sanctions has multiplied since the end of the cold war, without a similar increase in policy analysis. The esoteric reason is that an examination of economic statecraft can illuminate the nature of power in international relations.

The use of economic statecraft in international relations has a long pedigree. The Athenian boycott of Megara helped to trigger the Peloponnesian war. The trading empires of Venice, Portugal, and the Netherlands used economic warfare to limit the power of their rivals. Early Anglo-American relations were consumed with issues of economic diplomacy; a chief complaint in the Declaration of Independence is the "Cutting off our Trade with all Parts of the World." Woodrow Wilson believed that the "economic, peaceful, silent deadly remedy" of economic sanctions could be used by the League of Nations to police international society. Nazi Germany was particularly aggressive at cultivating economic dependency from its eastern European neighbors. The US embargo of Japan in the late 1930s contributed to the Japanese attack on Pearl Harbor.[5]

[5] On the Athenian boycott, see Thucydides, *History of the Peloponnesian War*, p. 73; Ellings (1985), pp. 17–18, and HSE (1990a), pp. 4–5. On the uses of economic coercion

The end of the cold war has sparked a renaissance in the use of economic statecraft. The United States has been the most prominent and prolific actor to employ economic coercion. The National Association of Manufacturers asserts that between 1992 and 1996 the United States imposed or threatened economic sanctions sixty times against thirty-five different countries, affecting 42 percent of the world's population.[6] These sanctions are estimated to exact an annual cost of close to $20 billion in lost exports.[7] Richard Haass, writing in *Foreign Affairs*, goes further, observing: "What is noteworthy ... is not just the frequency with which sanctions are used but their centrality; economic sanctions are increasingly at the core of US foreign policy."[8]

The United States is the most noticeable actor employing economic statecraft; it is hardly the only one. The United Nations Security Council implemented sanctions seven times in 1994 alone, as opposed to mandating sanctions only twice in its first forty-five years.[9] The Russian Federation has employed economic coercion as a way of extracting political concessions from the Baltic republics and the Commonwealth of Independent States. Lesser powers such as Greece, Turkey, and Nigeria have used economic coercion as an element of their regional foreign policies. Even non-state actors are employing this tool. In December 1996, De Beers threatened to boycott all purchases of Russian diamonds unless the government acquiesced to granting the South African company monopoly control over its raw diamond exports.[10]

There is every reason to believe that the prominence of economic coercion will increase in the future. Over the course of the past century, major powers have been increasingly reluctant to use or threaten force, while at the same time demonstrating a growing eagerness to employ economic coercion.[11] Bosnia, Chechnya, and Somalia have highlighted the costs of military intervention for the

between 1400 and 1800, see Ellings (1985), pp. 18–21 and Irwin (1991). On the Anglo-American economic warfare, see Renwick (1981), chapter 1. For Wilson's belief in the power of economic sanctions, see Daoudi and Dajani (1983), p. 26; for cases of League of Nations sanctions, see Doxey (1980), chapter 4. Hirschman (1945) provides the best account of Nazi economic statecraft in the 1930s. The US embargo of Japan is discussed in HSE (1990b), pp. 53–61.

6 Schlesinger (1997), p. 8.

7 Hufbauer, Elliott, Cyrus, and Winston (1997).

8 Haass (1997), p. 74.

9 Pape (1997).

10 *OMRI Daily Digest*, "De Beers issues ultimatum to Russia," December 19, 1996.

11 Pollins (1994).

great powers. Unless the use of force is quick and successful, militarized disputes sap a nation's resources and create a domestic political backlash against the sender government. As public resistance to military interventions increases, and as foreign aid budgets are slashed, policy-makers are turning more and more to economic coercion as an attractive substitute to advance the national interest.[12]

With the increased popularity of this policy tool comes the need for a better understanding of how it works. Analyzing foreign policy is like honing a knife. A sharper knife makes a cleaner cut; a well-understood policy option makes for well-executed policies. However, as the next section will show, the existing literature is of limited use to policy-makers. Most of the scholarly and policy discussions of economic sanctions consist of debates about high-profile cases. Policy-makers have a disturbing tendency to ignore explicit theory but to use analogies to celebrated cases as a poor substitute. A clear model of coercion can provide statesmen with a strategic knowledge that, combined with their knowledge of the specific dispute, allows them to bridge the gap between theory and policy.[13]

The second reason for studying economic coercion is to address the relationship between power and interdependence. Power is the currency of world politics. International relations theorists have always appreciated the power of the sword, but disagree about the importance, utility, and definition of economic power. Modern realism developed in reaction to the Wilsonian faith in economic power to regulate international politics. Not surprisingly, realists tend to denigrate the utility of economic statecraft. Neoliberal institutionalism developed in reaction to the realist paradigm; neoliberals believe that economic interdependence can affect the behavior of nation-states for the better.[14]

This debate is not trivial. If economic sanctions are a potent tool of diplomacy, then world politics can be much less violent than it was in the past.[15] Neoliberals argue that increased interdependence in the modern world will cause states to act in a more cooperative fashion, because it increases the costs of defection. The prisoner's dilemma shows the importance of sanctions to neoliberals. In a world full of

[12] Rogers (1996). [13] George (1993).
[14] Keohane and Nye (1978).
[15] This is not meant to imply that economic coercion has no human costs. The UN sanctions imposed against Iraq have had a serious humanitarian impact on that nation's citizenry. See Lopez and Cortright (1997) and Buck, Gallant, and Nossal (1998).

prisoner's dilemmas, states will go it alone unless they expect to be punished for defecting. Increased levels of economic interdependence, it is argued, make punitive but peaceful strategies possible in a number of different arenas. Joseph Nye notes, "Interdependence does not mean harmony. Rather, it often means unevenly balanced mutual dependence. Just as the less enamored of the two lovers may manipulate the other, the less vulnerable of two states may use subtle threats to their relationship as a source of power."[16] For cooperation to be a stable outcome, countries must believe that it is best to avoid being the target of sanctions.[17] Robert Axelrod and Robert Keohane note: "When sanctioning problems are severe, cooperation is in danger of collapse ... To explain the incidence and severity of sanctioning problems, we need to focus on the conditions that determine whether defection can be prevented through decentralized retaliation."[18] Axelrod and Keohane use the term "sanctions" to mean a variety of punitive measures, but economic coercion would certainly be a prominent example.

Neoliberals assume that potent economic sanctions provide an incentive for cooperation. That assumption cannot go unexamined. If neoliberals are correct, then it is possible for the power of the sword to be trumped by the power of gold. If they are not correct, then states may blunder into war because their faith in economic statecraft is misplaced, and the description of the world as a manageable prisoner's dilemma is inaccurate. The better we understand the dynamics of economic coercion, the better we can evaluate the effect of interdependence on international interactions.

The literature

In 1945, Albert Hirschman argued in *National Power and the Structure of Foreign Trade* that great powers could use economic coercion to extract concessions from weaker states. Hirschman's analysis capped two decades of writings that thought of economic coercion as a potent diplomatic tool.[19] That belief faded quickly with the onset of the cold

[16] Nye (1990), p. 158. See also Crawford (1994).
[17] See Oye (1986), Axelrod (1984), Rosecrance (1986), and Buzan (1984).
[18] Axelrod and Keohane (1986), p. 236.
[19] Hirschman (1945); Daoudi and Dajani (1983). See Wagner (1988) for a sophisticated evaluation of Hirschman's approach.

war. Since then, pundits and policy-makers have disparaged the use of sanctions in foreign policy:[20]

> George Kennan: "There have been suggestions that we should withhold m.f.n. treatment, and indeed discourage trade itself, as a means of extorting political concessions generally ... This idea seems to me to be quite unsound; it is in any case impracticable."
>
> Richard Nixon: "Some people think of economic leverage as the punitive use of economic sanctions, with highly publicized conditions set for their removal. This is highly ineffective, and sometimes counterproductive."
>
> George Shultz: "As a general proposition, I think the use of trade sanctions as an instrument of diplomacy is a bad idea ... Our using it here, there and elsewhere to try to affect some other country's behavior ... basically has not worked."
>
> Milton Friedman: "All in all, economic sanctions are not an effective weapon of political warfare."
>
> *Time*: "Economic sanctions have rarely been successful."
>
> *US News and World Report*: "The problem with sanctions is that, more often than not, they fail to achieve results."
>
> *Far Eastern Economic Review*: "Of the many arguments against economic sanctions, we have always found the most persuasive is the simplest: they don't work."[21]

This disdain mirrors the scholarly community's consensus about sanctions. David Baldwin, who provides the most authoritative survey of prior work, observes, "The two most salient characteristics of the literature on economic statecraft are scarcity and the nearly universal tendency to denigrate the utility of such tools of foreign policy."[22] A first cut of this literature would seem to confirm this assessment. Consider the following statements:

> Johan Galtung: "In this article the conclusion about the probable effectiveness of economic sanctions is, generally, negative."

[20] Even Hollywood is derisive; in the 1997 movie *Air Force One*, Harrison Ford, playing the President, denounces a policy of applying economic sanctions to terrorist states as "cowardly."

[21] Nixon, Shultz, Friedman, and *Time* quotations from Daoudi and Dajani (1983), pp. 47, 184–7; Kennan (1977), p. 220; *US News and World Report*, "Sanctions: the pluses and minuses," October 31, 1994, p. 58; *Far Eastern Economic Review*, "Sanctioning Burma," May 8, 1997, p. 5.

[22] Baldwin (1985), p. 51.

> Peter Wallensteen: "[T]he general picture of the sanctions is that they are highly unsuccessful in bringing about the compliance desired."
>
> Henry Bienen and Robert Gilpin: "With very few exceptions and under highly unusual sets of circumstances, economic sanctions have historically proven to be an ineffective means to achieve foreign policy objectives."
>
> Margaret Doxey: "The record of international sanctions of a non-military kind, even when applied within an organizational framework, suggests that on their own they will not succeed in drastically altering the foreign or domestic policy of the target."
>
> Makio Miyagawa: "Notwithstanding such serious impacts upon the target countries, economic sanctions have only rarely achieved the declared goals."
>
> Abram Chayes and Antonia Handler Chayes: "When economic sanctions are used, they tend to be leaky. Results are slow and not particularly conducive to changing behavior."
>
> Robert Pape: "[E]conomic sanctions have little independent usefulness for [the] pursuit of noneconomic goals."[23]

These are strong statements from a profession accustomed to hedging.

A second cut at the literature reveals two distinct strains of analysis of the sanctions issue. One set of explanations, the domestic politics approach, focuses on the politics within the sender and target countries. The decision to initiate sanctions is caused by the domestic pressure within the sender country. The outcome of a sanctions effort will most likely be failure because of the domestic politics within the target country. The second set of arguments, the signaling approach, focuses on systemic variables to explain why economic coercion is often imposed but rarely profitable.

According to the domestic politics approach, if the target country's behavior violates international norms, citizens in sender countries will feel compelled to "do something." Even if the foreign policy leader agrees with public opinion, the costs of effective military intervention may be too high. On the other hand, the domestic political costs of doing nothing are substantial, because it creates the image of a weak leader. The lack of options leaves the sender regime hamstrung.

[23] Galtung (1967), p. 409; Wallensteen (1968), pp. 249–50; Bienen and Gilpin (1980), p. 89; Doxey (1987), p. 92; Miyagawa (1992), p. 206; Chayes and Chayes (1995), p. 2; Pape (1997), p. 93. For other pessimistic observations, see Knorr (1975), pp. 205–6; von Amerongen (1980), p. 165; Blessing (1981), p. 533; Willett and Jalalighajar (1983), p. 718; Lindsay (1986), p. 154; Hendrickson (1994), pp. 22–3; Barber (1995), p. 29.

Senders will turn to economic statecraft as an imperfect substitute for forceful action. Economic coercion can deflect domestic pressure and register the sender regime's disapproval of the target's actions without going to war. The sanctions themselves might be ineffective, but their implementation allows the foreign policy leader to avoid accusations of do-nothing leadership.

Many authors have proposed all or part of this rationale. James Barber observes: "The purpose of sanctions here is to demonstrate a willingness and capacity to act. Negatively, the purpose may simply be to anticipate or deflect criticism."[24] M. S. Daoudi and M. S. Dajani concur: "The imposition of sanctions absorbs the initial public reaction that something needs to be done."[25] Ivan Eland concludes:

> Bluntly stated, most of the times a nation imposes sanctions on another country, it has few policy options. The target nation usually has committed an unacceptable act and intense domestic pressure, particularly in democratic states, to "do something" can persuade the government in the sanctioning nation to respond by imposing sanctions to meet goals other than target compliance."[26]

The literature is rife with assertions like these.[27] From a foreign policy perspective, rational calculation plays a limited role; from a domestic politics perspective, economic statecraft serves as a steam valve to relieve governments from the pressure of their populace. In this explanation, sanctions are symbols; their effectiveness is of secondary concern.

Domestic-level explanations provide three factors working against the utility of economic coercion. First, given the causes of sanctions imposition, their implementation will be erratic and haphazard. Thus, the target country may not be inconvenienced at all. Second, even if the sanctions are potent, target governments can use the specter of international coercion to create a "rally-round-the-flag" effect. Domestic groups line up behind the government in reaction to an external threat. To do otherwise would smack of disloyalty. There are psychological factors which reinforce this effect. Johan Galtung's study of Rhodesia noted that the mutual sacrifices created by the sanctions led

24 Barber (1979), p. 380.
25 Daoudi and Dajani (1983), p. 161.
26 Eland (1995), p. 29.
27 See Renwick (1981), p. 85; Schreiber (1973), p. 413; Hoffman (1967), p. 154; Daoudi and Dajani (1983), appendix II; Haass (1998).

to an *esprit de corps* among the citizenry and a closer identification with the government.[28]

The third reason is that target governments may, for domestic reasons, *prefer* to be sanctioned. In the long run, sanctions hurt the trade-oriented sectors of the economy by depriving them of income. At the same time, an embargo strengthens import-substitution sectors by giving them rent-seeking opportunities. Since export sectors will prefer the target government to acquiesce, a lengthy sanctions dispute can politically weaken the foreign policy leader's domestic opponents. This is particularly true if the target regime is authoritarian. Sanctions permit target regimes to strengthen state control over the economy, and readjust the impact of sanctions policies away from its most powerful supporters. For example, when the UK-led coalition imposed sanctions against Rhodesia, household incomes for black families fell, while white incomes rose. Serbian leader Slobodan Milosevic used the United Nations embargo to reward crony enterprises with scarce goods, while punishing his political rivals. United Nations aid to Iraq has freed up funds for Saddam Hussein to reward his inner elite.[29]

For economic coercion to work, target elites must suffer as much as target populations. Case studies of Uganda have shown that the sanctions to remove Idi Amin became more effective when Great Britain halted the export of luxury goods. This hurt the Ugandan army elite, which relied on the "whiskey runs" for creature comforts. Accounts of the sanctions against Haiti after 1990 revealed that the Haitian military regime was willing to negotiate only after the Clinton administration prevented the Haitian armed forces from acquiring oil or weapons on the global market.[30]

The half-hearted motivations of sender governments, combined with backlash effects within the target country, make it extremely difficult for economic sanctions to generate concessions. A domestic politics approach produces several hypotheses, as seen in Table 1.2. Sanctions are more likely to be initiated when the sender is a

[28] Galtung (1967).

[29] On Rhodesia, see Losman (1979), pp. 112–13, and Rowe (1993). On Serbia, see Woodward (1995), p. 148 and Licht (1995), p. 158. On Iraq, see Wright and Daniszewski, "Hussein may be main beneficiary of UN aid effort," p. A1, and more generally, Reuther (1995), pp. 125–7.

[30] On Uganda, see Miller (1980), p. 124, and Ullman (1978), pp. 532–3; on Haiti, see Werleigh (1995), p. 168. More generally, see Morgan and Schwebach (1996).

Table 1.2. *Existing approaches to economic coercion*

	Domestic politics	Signaling
Causes of coercion attempt	1. Domestic pressure on the sender regime 2. Lack of palatable alternatives	1. Desire to signal future actions
Causes of coercion outcome	1. Ability of target regime to use sanctions to its own political advantage	1. Cost of the signal to the sender 2. Implicit threats of power projection or military force 3. Ability of the sender country to attract multilateral cooperation
Coercion is more likely to be attempted if:	1. The potential sender is a democracy 2. The target is geographically distant from the sender	1. No predicted pattern
Coercion is more likely to generate concessions if:	1. The target regime is domestically unstable 2. Sanctions hurt the target elites as much as the general population	1. The sanctions are costly to the sender 2. Military force is also threatened or used 3. The sender attracts international cooperation

democracy. Public opinion to do something should resonate more with foreign policy leaders facing electoral pressures. It is also argued that sanctions will be used primarily when the sender cannot use more persuasive means of statecraft. Therefore, states will use economic coercion when the costs of military intervention are too great. If the target is physically distant, power projection becomes a more difficult enterprise, and sanctions are therefore more likely.[31]

[31] This hypothesis does not test domestic-level variables, but still comes from a domestic-level approach. An implicit assumption of this level of analysis is that international factors constrain the sender regime from acting more forcefully. Therefore, this hypothesis must be true for domestic factors to have an appreciable effect.

Two predictions can also be made about the likelihood of sanctions success. First, if the target government is domestically unstable, it may lack the means to convert a sanctions dispute into political support. Such a government would be more likely to acquiesce so as to hold on to power, or be removed in favor of those who prefer accommodation. Second, if target elites are made to suffer as much as target populations, there is no opportunity for rent-seeking, which puts elite pressure on the target government to concede.

The signaling approach to economic statecraft has little to say about the initiation of sanctions, but pays more attention to variables affecting the outcome. Two factors are frequently cited. The first is the background assumption that without a high degree of international cooperation, sanctions are useless. International trade theory suggests that for a homogeneous good with a high substitution elasticity, only a sender coalition responsible for more than half the supply of that good can influence the terms of trade.[32] Few individual sender countries have this capability, and when they do it is usually ephemeral. Therefore, for sanctions to have any influence, international cooperation is necessary. This explains the overwhelming focus in the literature on multilateral cases of economic coercion. Obtaining international cooperation is exceedingly difficult, however.[33] As more countries join in the coercion attempt, the sanctions coalition gets more unwieldy. There is a greater incentive for individual countries to free ride, permit illicit trade, and pocket increased profits.[34] Because of the difficulties in sustaining multilateral cooperation, the signaling approach is skeptical about the prospect of economic coercion succeeding on its own merits.

While sanctions rarely generate concessions, they can function as effective signals. This argument rests on the assumption that states conduct foreign policy in a world of imperfect information. If states are uninformed about other states' preferences, there is always an incentive to bluff in international crises. For example, if the United

[32] Gardner and Kimbrough (1990).

[33] See Bayard, Pelzman, and Perez-Lopez (1980), Doxey (1980, 1987), Martin (1992), Mastanduno (1992), Mansfield (1995), Kaempfer and Lowenberg (1997), and Drezner (1998) for more on cooperation and economic sanctions.

[34] Even if states nominally comply with multilateral sanctions, individual firms may be tempted. This was certainly the case with Yugoslavia's neighbors in the early 1990s. See Raymond Bonner, "How sanctions bit Serbia's neighbors," *New York Times*, November 19, 1995, section 4, p. 3.

States threatens to use force against a target country and the target acquiesces, it has won without having to carry out its threat. The possibility of a costless victory creates an incentive to make even empty threats. Unless the target country knows the extent of US willingness to use force, it will have difficulty distinguishing between a credible threat and cheap talk.

Because of imperfect information, states frequently engage in signaling techniques to demonstrate credibility. Some acts, such as the mobilization of troops, can signal that rhetoric will be translated into action if the sender's demands are not met. Economic sanctions can be thought of as another type of signal. The key to a successful signal is to take an action that will separate credible threats from cheap talk. For this reason, a costly signal is better than a cheap signal. If a signal is costly, a bluffing sender is less likely to use it because of its price.[35]

According to this argument, economic sanctions are ineffective as coercive tools, but may be useful as signals. Their value as a signal comes not from the damage inflicted on the target, but the cost to the sender. David Baldwin notes in *Economic Statecraft*: "Other things being equal, it is always desirable to minimize costs; but other things are not equal. The selection of a costly method of conveying a signal may add credibility to the signal. Thus, a statesman interested in demonstrating resolve may want to avoid the less expensive means of communication."[36] In a world of cloudy signals, policies that prove costly to the sender can be an excellent means of conveying information.

Lisa Martin makes a similar argument about the relationship between the sender's costs and acquiring multilateral cooperation for sanctions. She observes that potential allies in the sanctioning effort need to be convinced of the sender's commitment. Costly sanctions by a great power can convince other states to join in the sanctioning effort; the high costs act as a signal of the great power's seriousness of intent.[37] Thus, a costly signal of sanctions helps to send a credible signal to other possible senders as well as the target.

Note the implicit argument that runs through this entire line of reasoning. According to this logic, unilateral economic sanctions cannot work on their own. They are only effective if they act as a signal that stronger measures, like multilateral embargoes or military

[35] Schelling (1960), Fearon (1994).
[36] Baldwin (1985), p. 372. [37] Martin (1992), pp. 36–8.

intervention, will be taken in the future. The causal argument in this school of thought is that what appears to be a sanctions success is actually the product of an implicit military threat. Sanctions, therefore, are not a true cause of concessions, but merely an observable signal of military power.[38]

This logic is consistent with empirical claims that the few successes ascribed to economic coercion are really examples of successful military threats.[39] Recent examples also provide support. US sanctions against Haiti from 1990 to 1994 were successful in removing the military junta in power and reinstalling Jean-Bertrand Aristide as president. Through the fog of history, it would be easy for future scholars to argue that the sanctions caused the outcome. That would obviously overlook the crucial role of the US military threat. The Haitian leadership acquiesced when they were told by American negotiators that the US 82nd Airborne Division was on its way. Sanctions may have assisted in the return of Aristide, but the chief cause was the threat of force.

Table 1.2 shows the empirical tests that can be derived from a signaling explanations. There are clear hypotheses about the likelihood of sanctions success. First, if the sender incurs significant costs in its sanctions attempt, the credible signal is more likely to produce concessions. If the signal fails to work, then economic coercion will only work if it is associated with companion policies that genuinely produce concessions. Multilateral cooperation in the sanctions effort is expected to generate concessions. Also, if there are threats of military or quasi-military intervention in the dispute, the target is more likely to acquiesce for obvious reasons, even though economic coercion is not the cause.

Reviewing the literature, one can see a confluence of domestic and international factors leading to the same conclusion: economic statecraft rarely works. Sanctions are initiated because other options are not feasible, and the sender regime wishes to placate domestic pressures to take action. They have little chance of success. Domestic politics within the target country will lead to defiance. Unless sanctions attract significant multilateral cooperation, and hurt target elites as much as the population, they will not force acquiescence. Since these conditions are difficult to achieve, economic pressure will rarely

[38] Lenway (1988), and Morgan and Schwebach (1997) also make this observation.
[39] Knorr (1975), Schreiber (1973), and Pape (1997).

be the causal mechanism for target concessions. More likely, costly sanctions act as a signal of stronger measures and convince the target to back down.

Flaws in the literature

And that, it would appear, is that. It would be comforting to think that political scientists have successfully described at least one corner of the foreign policy arena. It would also be wrong.

Economic sanctions are more effective than the literature claims. Gary Hufbauer, Jeffrey Schott, and Kimberly Ann Elliott have created a database of 116 sanctions cases.[40] They code the success of the episode, as traditionally defined, into one of four categories, ranging from outright failure to complete success. If the most stringent definition of success is used, more than 35 percent of the cases qualify as a success. Less than 30 percent of the cases listed fall into the category of complete failure. In many of these successes, there was no observed threat of military force, no multilateral cooperation, and nor were the sanctions particularly costly to the sender. This evidence hardly suggests that sanctions always work, but it calls into doubt the hypothesis that they always fail.

Why is there such a discrepancy? The first problem is one of definition. The question phrased in the literature is "do sanctions work?" This is too simplistic. M. S. Daoudi and M. S. Dajani comment: "Most studies have assumed that the objectives of economic sanctions were to return to the status quo that prevailed prior to the act of aggression which brought the sanctions about. In reality, the aims of sanctions have been consistently less ambitious."[41] Scholars compare the sanctions outcome with the status quo ante (i.e. before the action that prompted sanctions) to determine the success of a coercion event. This is the wrong counterfactual; the hypothetical alternative is the outcome if coercion was not attempted in the first place. If the targeted country does not change its policies at all, then the event should be judged a failure. If there is some compromise, however, and the value of the concession outweighs the sender's costs of coercion, then the episode counts as a partial success.

The degree of success also depends upon the type of demand.

40 HSE (1990a, 1990b). Pape (1997) argues that many of these cases are miscoded.

41 Daoudi and Dajani (1983), p. 2.

Baldwin notes: "A moderate degree of success in accomplishing a difficult task may seem more impressive than a high degree of success in accomplishing an easy task. In assessing statecraft, as in judging diving contests, scores should be adjusted for the level of difficulty."[42] These nuances are overlooked in the simple dichotomy of success/failure made in the literature.

The second problem is the tenuous link between international relations theory and the sanctions literature. Most of the recent contributions on economic statecraft consist of well-crafted theories that lack empirical support,[43] or well-crafted case studies that produce generalizations of dubious quality.[44] The literature often overlooks theoretical developments that blunt the utility of their causal mechanisms. Consider the effect of domestic politics on both the sender and the target country. It is theoretically unclear whether the sender is more likely to succeed if there is domestic support for sanctions or if there is some political opposition. On the one hand, the two-level games approach argues that unanimous domestic support enhances the sender's bargaining position because it reduces the likelihood of the sender reversing its strategy.[45] On the other hand, an incomplete information approach would make the opposite claim: domestic audience costs send an effective signal of resolve to the target country. Now consider the effect of domestic politics within the target country. The domestic politics approach argues that the more vulnerable target elites are to sanctions, the more likely that they will acquiesce. A rational choice perspective would suggest an alternative outcome, however. If sanctions narrow the ruling coalition within the target country, it could force the decision-maker into a more hardline bargaining position. A weakened leader who cannot afford to alienate a narrow coalition of hardliners will stand firm. A leader with a broader base of support, or one insulated from public opinion, has the luxury to concede without fearing the collapse of the target regime.

These contradictory effects within the target and sender countries suggest that the sanctions literature exaggerates the absolute effect of domestic politics on economic coercion. It is possible that both the two-level games approach and the audience cost approach are correct, but that in most situations, the effects cancel each other out. Similarly,

42 Baldwin (1985), p. 372.
43 See Tsebelis (1990), Eaton and Engers (1992), Smith (1996).
44 Cortright and Lopez (1995), Klotz (1996).
45 Moravcsik (1993), pp. 29–30.

the opposing effects of sanctions within the target country's ruling coalition could lead to the overall insignificance of domestic politics. Empirically, this would mean that although isolated cases would show the importance of domestic politics, the aggregate effect would be minor.

Finally, the sanctions literature is also guilty of numerous methodological sins.[46] First, almost all of the arguments use an inductive approach; theories about economic statecraft are developed only after an examination of case studies. Under Arend Lijphart's typology, most of these works are interpretive case studies.[47] The concern is not with theory, but with explaining the specific event. As such, few of the derived propositions have the necessary fecundity to be useful in other issue areas. The inductive approach causes researchers to ignore important variables or questions raised by broader approaches to international relations. Case selection exacerbates these problems. Most of these writings focus on the more celebrated cases of sanctions. Open a book on economic sanctions and most of its pages will be devoted to the following cases: the League of Nations sanctions on Italy; CoCom's strategic embargo of technology exports to the communist bloc; and UN sanctions against Rhodesia, South Africa, Iraq, and/or Serbia. Several theories of economic coercion have been developed almost exclusively from these cases.[48]

Certainly these sanctions cases are well known, but they do not necessarily represent the universe of observations. Their very celebrity suggests they are atypical; they are important because they stand out in some unusual way. In most of the cases, the primary sender had multilateral assistance and backing from an international organization. The demands made of the target country were non-negotiable. The primary sender and target were adversaries. The sanctions policy usually failed. By choosing cases that take on extreme values of both the dependent variable and several independent variables, the literature commits two errors. First, there is a tendency to underestimate the main causal effects on the universe of events. Second, these

[46] In many ways the problems are similar to the extensive literature on deterrence theory. The criticisms presented here also have a parallel in that literature. See Achen and Snidal (1989).

[47] Lijphart (1971).

[48] See Adler-Karlsson (1968), Losman (1979), Renwick (1981), Doxey (1987), Leyton-Brown (1987), Mastanduno (1992), Cortright and Lopez (1995), Haass (1998).