
The Hidden Hand of Economic Coercion

Daniel W. Drezner

Economic coercion—defined here as the threat or act by a sender government or governments to disrupt economic exchange with the target state, unless the target acquiesces to an articulated demand—is an increasingly prominent tool of statecraft.¹ The United Nations (UN) Security Council voted for economic sanctions twelve times in the past decade; between 1945 and 1990, the UN had only employed sanctions twice.² Excluding the UN cases, the estimated use of sanctions in the 1990s increased by 22 percent over the previous decade.³ Sanctions are costly as well as prominent. According to one estimate, the price of sanctions to the United States is \$18 billion annually in lost exports, hardly a paltry sum.⁴ The damage from sanctions to the targeted state can be devastating, as the case of Iraq made clear.⁵

To analysts, the policymaker's reliance on sanctions is puzzling; the scholarly assessment of sanctions is that they fail to yield significant concessions. There is a long and distinguished line of authors who argue that sanctions do not work.⁶ This negative assessment has hardened since the end of the Cold War. Gary

A previous version of this article was presented at the 4th meeting of the European Consortium on Political Research's Standing Group on International Relations, Canterbury, UK, September 2001. A Council on Foreign Relations International Affairs Fellowship provided crucial support during the drafting of this article. Elizabeth DeSombre, Alex Downs, A. Cooper Drury, Charles Glaser, Michael Hixcox, Seth Jones, Nikolay Marinov, John Mearsheimer, Emerson Niou, Bob Pape, Duncan Snidal, and Han Dorussen provided valuable comments and suggestions. I am particularly grateful to Kimberly Elliott for making her data accessible to me. Michael Cohen's assistance was invaluable during the drafting process. The usual caveat applies.

1. In the interest of style, I will use the terms economic coercion, economic statecraft, and economic sanctions interchangeably, but they are distinct categories. On the differences, see Baldwin 1985.

2. Cortright and Lopez 2000.

3. Institute for International Economics 2001.

4. Hufbauer et al. 1997.

5. See Buck, Gallant, and Nossal 1998; and Garfield 1999.

6. See Galtung 1967; Knorr 1975; Bienen and Gilpin 1980; von Amerongen 1980; Lindsay 1986; Doxy 1987; Pape 1997; and Haass 1997.

Hufbauer, Jeffrey Schott and Kimberly Ann Elliott survey the use of sanctions from 1900 to 1990 and declare a success rate of 34 percent; for sanctions imposed after 1973, the success rate falls to 24 percent.⁷ Robert Pape argues that Hufbauer, Schott, and Elliott are far too generous; his critical reassessment of their data concludes that only 5 percent of sanctions attempts succeed.⁸ These assessments have affected the trajectory of this literature. Recent work focuses on explaining the duration of sanctions instead of analyzing their utility.⁹ The assumption underlying these studies is that sanctions are an important indicator of domestic and/or symbolic politics, but inconsequential as a tool of statecraft.

Game-theoretic approaches to studying economic sanctions argue that because of strategic interaction, one should observe most of the failures but miss most of the successes. The imposition of sanctions represents a deadweight loss of utility for both the sender and target, in the form of disrupted economic exchange. Therefore, the actors have an incentive to reach an agreement before imposition. If the sender prefers the status quo to imposing sanctions, then there should be no coercion attempt. If the target prefers conceding to incurring the cost of sanctions, it has an incentive to acquiesce before the imposition of sanctions. The difficulty of observing threats that never need to be executed, particularly threats made behind closed doors, raises the possibility that selection bias has seriously affected empirical studies of economic statecraft. If this is true, then the sanctions literature has grossly underestimated the utility of economic diplomacy.

To test the selection effects argument, the crucial cases to study are those in which coercion is threatened but not implemented. If these cases exist in significant quantity and have an appreciably higher success rate than cases in which sanctions are imposed, it strengthens the argument that selection bias has adversely affected the trajectory of research about sanctions, underestimating the role of strategic interaction. However, locating these cases is an empirical challenge, because of the difficulty in identifying sanctions events that end at the threat stage.

Has there been a failure to appreciate the strategic interaction underlying the use of economic coercion? Is there significant selection bias? The answer to both questions is yes. This article argues that the most promising vein of data to test for selection bias involves sanctions employed in the pursuit of economic or regulatory goals, because of the ability to observe threats. A statistical analysis of these cases strongly suggests that selection effects are present, and that models of economic statecraft emphasizing strategic interaction hold more promise as a comprehensive explanation of economic statecraft. The data shows that a significant number of coercion attempts end at the threat stage, before sanctions are imposed. These cases yield significantly larger concessions when compared to instances in which sanctions are imposed.

7. Hufbauer, Schott, and Elliott 1990.

8. Pape 1997.

9. See Bolks and Al-Sowayel 2000; Dorussen and Mo 2001; and McGillivray and Stam 2001.

These findings have significant implications for policy and theory. They strongly suggest that the current consensus among pundits and policymakers about the futility of sanctions is misplaced.¹⁰ Economic coercion is a more useful tool than the conventional wisdom believes. The ramifications for scholarship are also important. At a minimum, the empirical focus of the sanctions literature needs to move beyond an exclusive reliance on the Hufbauer, Schott, and Elliott data. Only 4.4 percent of the observations in their data set consist of sanctions that were threatened but not implemented.¹¹ Significant research should be devoted to detecting and coding instances when sanctions were threatened but not imposed.

This article is divided into five sections. The next section reviews the game-theoretic literature on economic statecraft to elaborate the underpinnings of the relationship between strategic interaction and selection effects. The third section discusses the data on U.S. sanctions in pursuit of economic or regulatory goals to see if it is suitable for testing the strategic interaction argument. The fourth section provides a statistical analysis of three different sets of this data; the pattern of sanctions outcomes supports the presence of selection effects and strategic interaction. The final section considers the implications of these findings for policy and theory.

Strategic Interaction in Economic Coercion

Most theories of coercion posit a similar model of action, as seen in Figure 1. The sender threatens to interrupt the status quo and block a stream of economic exchange with the target unless the sanctioned country acquiesces to a specific demand made by the sender. If the target complies, sanctions are not imposed. If the target stands firm, the sender faces a choice between backing down or carrying out its threat and imposing sanctions. Sanctions impose costs on both the target and sender relative to the status quo by disrupting economic exchange. There are differences within the individual modeling efforts, but this is the basic narrative.¹²

Game-theoretic models of coercion that treat the sender and target as rational unitary actors share a common prediction: successful instances of economic coercion are much more likely to end at the threat stage than the imposition stage. This insight is hardly original to the study of economic coercion; it comes from the economics literature on bargaining.¹³ An agreement before implementation avoids the deadweight cost of the sanctions imposition for both the target and sender. It is, therefore, a more “efficient” outcome for rational utility maximizers.¹⁴ Under

10. For an example of how high up the policy food chain this belief exists, see Cheney 1999.

11. Elliott acknowledges that with regard to episodes of threatened sanctions, “there are many that we have missed.” E-mail correspondence with the author, 21 August 2001.

12. Some models end with the target making the final decision of backing down to sanctions or standing firm.

13. Rubinstein 1982.

14. Eaton and Engers 1999, 411.

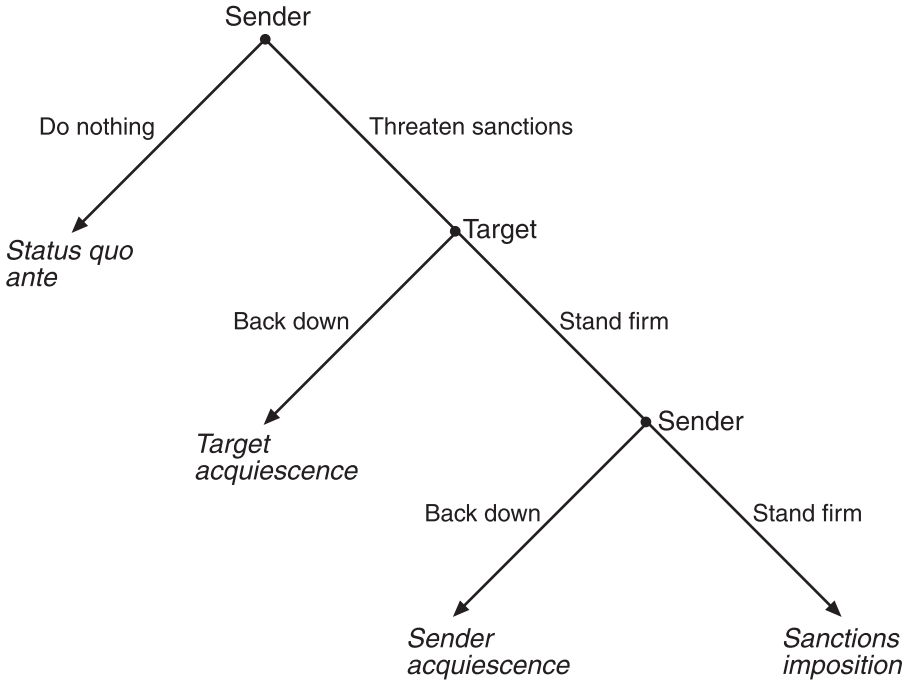


FIGURE 1. A model of economic coercion

conditions of full information, perfectly divisible demands, and rational utility maximizers, there are only two equilibrium outcomes. Either the sender will decline to threaten coercion, or the target will acquiesce to the sender’s threat of coercion. Under these conditions, the threat of sanctions should have a 100 percent success rate, and sanctions should never be imposed.

Obviously, this does not mirror what one observes in international relations. The theoretical response has been to tweak the assumptions underlying this basic bargaining model. The use of force and the use of sanctions have similar dynamics, so is not surprising that game-theoretic models of economic sanctions echo James Fearon’s menu of explanations for why rational, unitary actors go to war rather than come to an incentive-compatible bargain before the outbreak of hostilities.¹⁵ Fearon offers three possible explanations: (1) private information about an actor’s resolve combined with an incentive to misrepresent such information, (2) an inability for one or both states to credibly commit to mutually preferable bargains, and (3) a disputed issue that is inherently indivisible. The models described below differ on which combination of these explanations is responsible

15. Fearon 1995.

for sanctions imposition. Nevertheless, these models agree with the bargaining “folk theorem”: in those situations when sanctions are most likely to work, they are least likely to be imposed.

Daniel Drezner combines issue indivisibility and the inability to credibly commit to explain the imposition of sanctions.¹⁶ He presents a complete information model in which the target will make concessions if the sender prefers a deadlock outcome of sanctions imposition to backing down. In the basic version of the model, one should only observe threats or very brief imposition of sanctions. In a refined version of the model, sanctions imposition can be an equilibrium outcome, provided two conditions are met: the demand is indivisible and expectations of future conflict are high. Under conditions of high conflict expectations, both the sender and target fear that any concessions made in the present will leave them in a weakened bargaining position in future conflicts, making credible commitments more difficult to achieve. Empirically, the model predicts that when sanctions are actually imposed, the outcome is a sustained deadlock between adversaries. The cases of economic coercion that generate concessions will end at the threat stage and are thus more difficult to observe.

Three modeling efforts combine imperfect information and issue indivisibility to explain the rational imposition of sanctions. Alistair Smith, as well as T. Clifton Morgan and Anne Miers, develop one-sided incomplete information models of economic coercion that lead to similar empirical predictions.¹⁷ In both models, the sender does not know whether the target prefers to stand firm or prefers to acquiesce to the sender’s demands rather than suffer the cost of sanctions. The models differ in that Morgan and Miers assume a discrete one-shot game, whereas Smith uses a continuous time approach. The predicted outcomes are similar. For Morgan and Miers, the sender’s lack of information about the target’s resolve, and the target’s incentive to signal a high degree of resolve, can lead to the imposition of sanctions. Morgan and Miers’ results predict that the probability of a successful use of economic coercion is greater at the threat stage than at the implementation stage. They conclude: “there are severe selection bias problems with empirical studies that focus only on those cases in which sanctions were applied . . . sanctions strategies may be far more successful than one would conclude from looking only at these cases.”¹⁸ Smith comes to a similar conclusion—if the target concedes, it will do so at the threat stage. He observes: “the length of sanctions will be short. In fact, one may never actually see the sanctions at all. Particularly if it is costly to back down in the face of sanctions, B [the target] may preempt sanctions and unilaterally change its policy.”¹⁹ These conclusions and empirical predictions are consistent with Drezner’s model.

16. Drezner 1999.

17. See Smith 1996; and Morgan and Miers 1999.

18. Morgan and Miers 1999, 16.

19. Smith 1996, 240.

Dean Lacy and Emerson Niou create a model with incomplete information on both sides: the sender does not know how resolute the target state is, and the target does not know whether the sender state is resolute. Similar to Smith and Morgan and Miers, these authors also assume issue indivisibility. Lacy and Niou's conclusions are identical to these other approaches:

Empirical studies that examine cases only in which sanctions were imposed systematically omit a class of cases that represent successful sanctions, though the sanctions were threatened but not imposed. Examining cases of only imposed sanctions generates a serious selection bias in empirical research on sanctions.²⁰

To reiterate, these models provide different explanations for why one should observe the imposition of sanctions, but provide the same explanation for why most successful uses of economic coercion should end before sanctions are imposed. A target that prefers conceding to deadlock and believes that the sender will carry out its threat will acquiesce before imposition to avoid incurring the cost of sanctions. Because all of these models rely on the same game structure, they share a similar empirical prediction: sanctions should yield more concessions at the threat stage than at the implementation stage. The robustness of this prediction to the different assumptions about the distribution of information is quite striking.

This prediction also stands in marked contrast to alternative theories of economic sanctions. The assumption that sanctions are generally ineffective has given greater purchase to approaches that stress domestic or symbolic reasons for employing sanctions. Kim Richard Nossal argues that economic statecraft is used according to the logic of appropriateness, as a form of punishment rather than an attempt at coercion.²¹ Scholars emphasizing domestic politics argue that sanctions are imposed even if the sanctioning government expects them to fail, to satiate public pressure for action in a crisis or to direct benefits towards rent-seeking coalitions.²² These theories assume that for sanctions to have any utility to the sender, they must be imposed.

Testing for Selection Bias

To determine the validity of the selection effect argument, it is necessary to focus on events when sanctions are threatened but not imposed.²³ The existence of a

20. Lacy and Niou 2000, 18–19.

21. Nossal 1989.

22. See Drury 1998; Kaempfer and Lowenberg 1988 and 1992; and Hiscox 2000.

23. Nooruddin 2002 tests for selection bias in the Hufbauer, Schott, and Elliott data using a censored probit model, but his methodology has two significant flaws. First, his model of sanctions imposition does not have a threat stage. Second, his dependent variable conflates sanctions success with the duration of imposition, which leaves the empirical results extremely sensitive to outlier cases in which sanctions have been imposed indefinitely, such as the U.S. embargoes against Cuba or North Korea.

large cache of these events would support the logic of strategic interaction. If those cases yield significant concessions from the target, this logic would be further bolstered. If these cases do not generate a higher success rate, the selection effects argument would be falsified, giving more credence to existing explanations of sanctions behavior.

For sanctions in pursuit of security goals, identifying the existence of coercion episodes that end at the threat stage is a difficult task. Coercion episodes that end before sanctions implementation may be too brief to generate much official documentation. What documents do exist about these incidents are likely to be classified. Both the sender and target governments have an incentive to keep such episodes secret. The targets prefer not to publicize the events because they do not want to make their acquiescence known to either domestic or international audiences. The senders prefer secrecy to preserve their victory or conceal their decision to back down. In many cases, the sender wishes to avoid embarrassing long-standing allies. Not surprisingly, Hufbauer, Schott, and Elliott document only five²⁴ cases—out of 116—that end at the threat stage.²⁵

The traditional data source on sanctions is of little help; the answer may lie in using nontraditional sources of data. Economic coercion employed in the pursuit of economic or regulatory goals could prove useful in evaluating these theories. Over the past three decades, the United States has used sanctions as a means to force other countries into reducing trade barriers, respecting core labor standards, and protecting the environment. Scholars have already collected these observations and coded whether they generated significant concessions from the target. These cases have not been previously used to evaluate theories of economic coercion. However, they are an ideal testing ground for selection bias, because the cases are isomorphic in their game structure to the sanctions cases collected in Hufbauer, Schott, and Elliott: the sender country threatens to disrupt some economic exchange unless the target country changes its policy in a particular issue area.

A significant number of scholars define economic coercion to include any instance when a government uses the threat to disrupt economic exchange to achieve

24. The five cases are: League of Nations v. Yugoslavia (1921), League of Nations v. Greece (1925), USSR v. Romania (1963), United States v. South Korea (1975), and United States v. El Salvador (1987). It is worth observing that Hufbauer, Schott, and Elliott 1990 code four of these five cases as complete successes, a much higher success rate than for the overall data set. This is consistent with the selection effects argument.

25. A comparison of Drezner 1999 and the Institute for International Economics (IIE) 2001 data on sanctions events of the past decade is revealing in their differences regarding Russia's use of economic statecraft. IIE records five cases of Russia imposing sanctions against other countries. Drezner, looking at the same time period, records thirty-nine separate Russian uses or threats of economic sanctions. The success rate of these cases in Drezner is 59 percent. In contrast, the cases identified by IIE record a success rate of only 40 percent. These contrasting results are consistent with a selection effects argument.

a desired end.²⁶ As David Baldwin notes: “Setting economic sanctions in the context of choice . . . requires that they be defined in terms of means rather than ends. As tools of foreign policy, they are presumably available to policy-makers for a variety of purposes and not restricted to particular foreign policy goals.”²⁷

However, some scholars argue that sanctions used in the pursuit of “low politics” (economic and regulatory disputes) are different from sanctions used in the pursuit of “high politics” (security and political disputes).²⁸ There are three rationales given for this segmentation. First, the option of military force is not on the table in matters of low politics. Second, sanctions should be more effective in low-politics cases because the stakes are lower. Third, states care only about wealth maximization when sanctions are used in low-politics disputes, whereas high-politics cases involve broader security concerns, drastically lowering the chances for sanctions success. If these arguments are valid, then treating the low-politics cases as part of the sanctions universe would be problematic, as theorists would be asked to explain conceptually distinct phenomena. However, on review, these objections do not hold up to careful scrutiny.²⁹

The prospect of military force is the most serious objection. If sanctions for high-politics cases are used as a signal for the use of force, and military force is not an option in low-politics cases, the question is raised of whether the bargaining process for low politics is fundamentally different. However, there are reasons to doubt that the prospect of military statecraft is relevant. First, military coercion does not have a significant effect on high-politics sanctions. At least six econometric tests of sanctions success include the threat of military statecraft or the military balance of power as a causal variable. None of these studies find the threat or use of force to be a significant contributing factor in generating concessions from the target.³⁰ One study finds military statecraft to be statistically significant, but negatively correlated with sanctions success.³¹ These results are consistent with the theoretical argument that economic coercion acts as a foreign policy substitute for military coercion, rather than a complement.³² If the threat of force has no effect on sanctions outcomes, and policymakers view economic statecraft as a sub-

26. See Eaton and Engers 1992; Morgan and Schwebach 1997; Baldwin 1999/2000; and Drezner 2001.

27. Baldwin 1999/2000, 82.

28. Pape 1997, 95–97.

29. This does not mean that high politics are similar to low politics in every dimension. However, with regard to how the threat of economic coercion is employed, I am arguing that the similarities are what matter.

30. See Lam 1990; Dehejia and Wood 1992; Elliott and Uimonen 1993; Morgan and Schwebach 1997; Drezner 1999; and Hart 2000.

31. Elliott and Uimonen 1993.

32. Morgan, Palmer, and Miers 2000.

stitute for military statecraft, then the conceptual distinction between the high-politics and low-politics cases falls apart.³³

The other two objections—high-politics cases involve greater stakes and more zero-sum bargaining—can be challenged on substantive and conceptual grounds. Certainly, demands regarding territorial disputes are more important than regulations governing tuna drift nets. However, demands of that magnitude are a rare phenomenon even within the category of “high politics.” A majority of the cases in Hufbauer, Schott, and Elliott consist of the sender requesting “modest changes” in target policy.³⁴ Furthermore, this criticism underestimates the demands that are made in matters of low politics. Asking states to alter their domestic laws or regulations is an intrinsically political demand, equivalent to asking nation-states to alter their human rights regime or other internal political arrangements.³⁵ These demands violate Westphalian sovereignty—the exclusion of external actors from domestic authority structures—and as such, represent a significant political demand.³⁶

The final criticism is that because states care only about wealth maximization in low-politics disputes, they will respond more readily to sanctions than in high-politics disputes.³⁷ The premise behind this critique—that states care only about absolute gains in disputes over economic or regulatory issues—does not rest on solid conceptual footing. Some prominent international relations theorists argue that states care about their relative economic position as much as wealth maximization.³⁸ At a minimum, the history of the Section 301 mechanism indicates that the United States strengthens and uses this sanctions mechanism when it wants to maximize its relative position vis-à-vis its economic rivals.³⁹

It should also be noted that for the purposes of this study, the latter two objections are conceptually irrelevant. Assume for the moment that the objections are

33. As to whether military statecraft is not an option in low-politics cases, history provides several counterexamples. Great Britain used its naval power in its trade war with the Hanseatic League during the fifteenth century; in the seventeenth century, Great Britain used force again to advance commercial interests against the Netherlands. See Conybeare 1987, 105, 133. In the nineteenth century, the United States used the threat of naval power to successfully compel Japan into opening its market to American goods. Iraq invaded Kuwait because of conflicts over oil prices and debt repayment. In 1995, a Canadian naval vessel fired at and seized a Spanish trawler to gain the upper hand in a dispute over fishing rights. See DeSombre 2000, 5. Force may not be used in most modern economic disputes, but that does not preclude the possibility of its use.

34. Hufbauer, Schott, and Elliott 1990, 84–85.

35. It is not surprising that in response to U.S. economic coercion regarding China’s lax enforcement of intellectual property rights, Beijing invoked sovereignty language very similar to its response to American criticisms and threats about China’s human rights situation. See Chien-Hale 1997.

36. Krasner 1999. At least some of the low-politics cases are identical to the high-politics cases. Hufbauer, Schott, and Elliott include U.S. demands for a target state to improve its human rights regime. Given that in 1988, Congress expanded its definition of human rights to include core labor standards, the distinction between the high politics of human rights and the low politics of labor regulation has disappeared.

37. Pape 1997, 96.

38. See Waltz 1979; Grieco 1990; Gowa 1994; Mastanduno 1998; and Skålnes 2000.

39. See Goldstein 1993; Bayard and Elliott 1994; and Noland 1997.

true. This implies that economic sanctions in pursuit of high politics should have a lower overall success rate than economic sanctions in pursuit of low politics. However, that does not alter the hypothesis to be tested here, which is that successful instances of economic coercion are more likely to end without sanctions ever being imposed. The effect of relative-gains concern or large stakes would be to increase the overall failure rate for all high-politics cases. Assuming a similar game structure for high-politics cases and low-politics cases, such arguments do not affect the hypothesis that when the conditions are present for sanctions in pursuit of political goals to succeed, sanctions are less likely to be implemented.

Testing for Strategic Interaction

Ample data already exists on U.S. economic coercion employed in trade, environmental, and labor disputes. Thomas Bayard, Kimberly Elliott, and David Richardson compile data on the use of U.S. economic coercion to extract trade concessions via Section 301 from 1975 to 1994.⁴⁰ They code the target as making substantial concessions if the target country changes its laws in accordance with U.S. preferences, and then is observed implementing those laws. If the target country changes its laws but fails to enforce those laws, concessions are coded as nominal.

Kimberly Elliott catalogs the threats and suspensions of Generalized System of Preferences benefits to developing countries to enforce core labor standards since the 1988 Omnibus Trade Act.⁴¹ She codes target governments as making significant concessions if governmental and nongovernmental organizations (NGOs) record a significant change in the target's behavior.⁴² Elizabeth DeSombre chronicles U.S. sanctioning activity to raise other countries' environmental standards from the mid-1970s to the present day.⁴³ She codes a success when the target government passes and enforces law consistent with U.S. preferences. For all three categories of data, the target state must actually carry out its promises for the concession to be coded as significant.

Empirically, these data are less likely to suffer from the selection bias problems that plague high-politics cases. For each of these issue areas, there is a highly bureaucratized process that makes the threats of economic coercion explicit and identifiable. As DeSombre observes, "Most U.S. environmental sanctioning legislation includes provisions establishing a process by which sanctions are officially threatened. . . . In this way, official threats can be noted and studied."⁴⁴ This ob-

40. See Bayard and Elliott 1994; and Elliott and Richardson 1997.

41. Elliott 2000.

42. The government source is the annual State Department report on other countries' human rights practices. The NGO sources are Freedom House and the International Labor Rights Fund. See Elliott 2000, fn. 6.

43. Desombre 2000.

44. DeSombre 1995, 55.

TABLE 1. *Threats and sanctions in U.S. trade policy*

	<i>Nominal concessions</i>	<i>Significant concessions</i>	<i>Total</i>	<i>Success rate</i>
<i>Sanctions threatened</i>	31	40	71	56.34%
<i>Sanctions imposed</i>	10	5	15	33.33%
<i>Total</i>	41	45	86	52.33%

Source: Bayard and Elliott 1994; and Elliott and Richardson 1997.

Note: Pearson chi-square is 2.627 $p < .105$; likelihood-ratio is 2.657 $p < .103$; Gamma is -0.441 ; and Kendall's tau-b -0.175 .

servation holds for sanctions involving labor standards and trade disputes as well. The routinization of the sanctions process makes it much easier to detect when sanctions are merely threatened in addition to when they are implemented after being threatened.⁴⁵

Tables 1, 2, and 3 display the pattern of sanctions outcomes with regard to trade concessions, labor standards, and environmental protection, respectively. These tables offer strong support for the selection effects thesis. Table 1 displays the pattern of threats and outcomes when the United States uses Section 301 as a way to force other countries to reduce their trade barriers. The data shows that in more than 80 percent of the observations, the United States threatened, but did not impose, sanctions. The success rate was considerably higher for those sanctions that ended at the threat stage (56 percent) than those cases in which sanctions were actually imposed (33 percent). The statistical significance of the correlation just misses the ten percent level, but the trend supports the selection effects argument.

The results of sanctions used in support of regulatory goals lend even stronger support for the selection effects argument. Table 2 shows the pattern of threats and outcomes for U.S. sanctions to enforce core labor standards. In more than 75 percent of the cases, the United States terminated the dispute at the threat stage. These cases were successful more than half the time. None of the cases in which sanctions were imposed have led to significant concessions. The correlation between threat and success is significant at the one percent level.

Table 3 looks at the use of economic coercion in support of environmental goals. Exactly half of these sanctions attempts terminated at the threat stage. These cases were successful at an astonishing success rate of 92 percent—significantly higher than when sanctions were imposed. The correlation between the imposition of sanctions and a low success rate is statistically significant at the one percent level. The success rate when sanctions were imposed is still impressive (52 percent), but

45. I am not suggesting that this data captures the entire universe of cases. It is quite likely that potential targets try to comply with U.S. demands before the articulation of a threat. However, compared to the Hufbauer, Schott, and Elliott data, the selection bias problem should be much less pervasive.

TABLE 2. *Threats and sanctions in enforcing core labor standards*

	<i>Nominal concessions</i>	<i>Significant concessions</i>	<i>Total</i>	<i>Success rate</i>
<i>Sanctions threatened</i>	11	15	26	57.69%
<i>Sanctions imposed</i>	7	0	7	0.00%
<i>Total</i>	18	15	33	45.45%

Source: Elliott 2000.

Note: Pearson chi-square is 7.404 $p < .007$; likelihood-ratio is n/a ; Gamma is -1.00 ; and Kendall's tau-b -0.474 .

DeSombre suggests an explanation consistent with the strategic interaction argument. In many cases, the target changed their behavior within a few days of the imposition of sanctions, after realizing that the sender's threat was not a bluff.⁴⁶

A preliminary review of sanctions employed in the pursuit of economic or regulatory goals provides strong empirical support for the selection effects argument. A survey of this data finds a large number of observations that ended before the implementation of sanctions. Consistent with the strategic interaction hypothesis, these cases have a much higher success rate than when sanctions were actually imposed. Aggregating the three categories of data, sanctions were not imposed in 69 percent of the cases. The success rate of these cases was 66.7 percent, as opposed to a success rate of 41.7 percent when sanctions were actually imposed. Over the 195 observations, the correlation between the imposition of sanctions and a low success rate is statistically significant at the one tenth of one percent level. Clearly, these findings are hardly conclusive, and more research is needed.

Implications

Game-theoretic models of economic coercion point out that the success rate of sanctions may be understated because of selection effects: the most successful coercion episodes are likely to end before sanctions are imposed. A preliminary test of 195 episodes of sanctions used or threatened in the pursuit of economic or regulatory goals supports this argument. A majority of these cases ended without sanctions being imposed. The correlation between sanctions imposition and a failure to generate concessions is statistically significant.

The implications of this article are significant for the theory and practice of economic statecraft. The policy implications are obvious: in focusing only on those instances when sanctions have been imposed, policy analysts have overlooked the

46. DeSombre 2000, chap. 7.

TABLE 3. *Threats and sanctions in enforcing environmental regulations*

	<i>Nominal concessions</i>	<i>Significant concessions</i>	<i>Total</i>	<i>Success rate</i>
<i>Sanctions threatened</i>	3	35	38	92.11%
<i>Sanctions imposed</i>	18	20	38	52.63%
<i>Total</i>	21	55	76	72.37%

Source: DeSombre 2000.

Note: Pearson chi-square is 14.81 $p < .000$; likelihood-ratio is 16.03 $p < 0.00$; Gamma is -0.826 ; and Kendall's tau-b -0.441 .

significant number of instances in which the threat of coercion did not have to be carried out.⁴⁷ These cases are far more likely to generate successful outcomes than when sanctions are imposed. Underestimating the utility of economic coercion calls into serious doubt the argument that economic inducements are a more useful tool of statecraft than economic coercion.⁴⁸ This does not mean that sanctions are a magic bullet to generate concessions. It does mean that the tool is more useful than currently understood.⁴⁹

Empirically, the results generated here suggest the need for a major reorientation in the study of economic statecraft. The problems with ignoring strategic interaction in the study of militarized disputes are already apparent;⁵⁰ this article suggests that these problems are just as acute for disputes involving economic sanctions. Currently, research on economic statecraft relies on a data set—Hufbauer, Schott, and Elliott's—that includes very few cases of sanctions that were threatened but not implemented.⁵¹ The extent to which these studies take sample bias into account in their statistical analyses must be considered in appraising the value

47. It is also possible that a selection bias runs in the other direction—there may be instances in which a sender contemplated sanctions but chose not to threaten them because of the likelihood that they would fail. However, there may also be instances in which a target refrains from acting against the sender's preferences because of the anticipation of sanctions.

48. See Sislin 1994; Cortright 1997; and Haass and O'Sullivan 2000.

49. An interesting question is why policymakers tend to denigrate sanctions even if they have insider access to instances when they work. See Eland 1995; and Haass 1997. Based on interviews with government officials at multiple levels, I proffer two reasons. First, government officials are much more attentive to failures than successes, because the ramifications of public failure to their careers can be considerable. The very public failure of sanctions in various episodes is thus the more salient fact for policymakers. Second, policymakers define the term "sanctions" much more narrowly than scholars. In the policymakers' argot, "sanctions" implies the imposition of comprehensive and public actions to restrict trade, as in Cuba or Iraq. Most policymakers believe sanctions will fail. These policymakers have greater faith in "economic leverage," which includes threats as well as acts, and financial as well as trade sanctions.

50. See Signorino 1999; and Morton 1999.

51. See Martin 1992; Elliott and Uimonen 1993; Dashti-Gibson, Davis, and Radcliff 1997; Morgan and Schwebach 1997; Pape 1997; Drury 1998; and Drezner 1999.

of their work.⁵² It is not surprising that empirical assessments of sanctions strategies are largely negative. There is a clear need to expand the available data to include cases in which sanctions were threatened but not implemented.⁵³

A crucial step for future empirical research will be to focus on investigating and analyzing events when sanctions are threatened but not imposed. Casual empiricism suggests that such cases do exist for matters of “high politics.” There are numerous episodes of Russia successfully threatening its neighbors with economic coercion and extracting significant concessions, including the transfer of nuclear weapons. In 1990, the Bush administration explicitly and successfully linked the approval of a trade agreement with the Soviet Union to Mikhail Gorbachev’s promise not to intervene militarily in Lithuania. In early 2001, the U.S. threat to withdraw aid to Yugoslavia clearly forced the ruling government to arrest Slobodan Milosevic and turn him over to the UN War Crimes Tribunal.⁵⁴ Obviously, more systematic work is needed in this area, but the results produced here suggest such research would prove fruitful.

The ramifications for the study of international relations are equally significant. For the past quarter-century, there has been an unresolved debate about whether economic interdependence can constrain the behavior of states in an anarchic world.⁵⁵ Sanctions are the most visible exercise of the power that asymmetric interdependence can create. Skeptics of interdependence often cite the futility of economic sanctions to support their arguments.⁵⁶ Even international lawyers that stress the role of international institutions argue that sanctions are a weak tool of enforcement.⁵⁷ The argument and evidence presented in this article suggest that international relations theorists should reconsider the shadow that economic coercion can cast in world politics.

References

- Baldwin, David A. 1985. *Economic Statecraft*. Princeton, N.J.: Princeton University Press.
- . 1999/2000. The Sanctions Debate and the Logic of Choice. *International Security* 24 (3):80–107.
- Bayard, Thomas O., and Kimberly Ann Elliott. 1994. *Reciprocity and Retaliation in U.S. Trade Policy*. Washington, D.C.: Institute for International Economics.

52. Empirical work on Section 301 data suggests that the conflict expectations approach can explain cases of threat as well. Drezner 2001.

53. See Marinov 2003 for an example of this type of inquiry.

54. On Russian economic coercion, see Drezner 1999, Part II; On the Soviet case, see Beschloss and Talbot 1993, 206–24; on Serbia and Milosevic, see Jane Perlez, “As Expected, Belgrade Wins ‘Cooperative’ Seal from U.S.,” *New York Times*, 3 April 2001, A3.

55. See Knorr 1975; Keohane and Nye 1977; Buzan 1984; Wagner 1988; Mansfield 1994; Kirshner 1995; Ripsman and Blanchard 1996/97; Papayoanou 1999; Waltz 1999; and Blanchard, Mansfield, and Ripsman 2000.

56. Gilpin 1987, 86.

57. Chayes and Chayes 1995, 2.

- Beschloss, Michael R., and Strobe Talbott. 1993. *At the Highest Levels: The Inside Story of the End of the Cold War*. Boston: Little, Brown.
- Bienen, Henry, and Robert Gilpin. 1980. Economic Sanctions as a Response to Terrorism. *Journal of Strategic Studies* 3 (1):89–98.
- Blanchard, Jean-Marc F., Edward D. Mansfield, and Norrin M. Ripsman, eds. 2000. *Power and the Purse: Economic Statecraft, Interdependence and National Security*. London: Frank Cass.
- Bolks, Sean M., and Dina Al-Sowayel. 2000. How Long Do Economic Sanctions Last? Examining the Sanctions Process Through Duration. *Political Research Quarterly* 53 (2):241–65.
- Buck, Lori, Nicole Gallant, and Kim Richard Nossal. 1998. Sanctions as a Gendered Instrument of Statecraft: The Case of Iraq. *Review of International Studies* 24 (1):69–84.
- Buzan, Barry. 1984. Economic Structure and International Security: The Limits of the Liberal Case. *International Organization* 38 (4):597–624.
- Chayes, Abram, and Antonia Handler Chayes. 1995. *The New Sovereignty: Compliance with International Regulatory Agreements*. Cambridge, Mass.: Harvard University Press.
- Cheney, Richard. 1999. Defending Liberty in a Global Economy. In *Economic Casualties: How U.S. Foreign Policy Undermines Trade, Growth, and Liberty*, edited by Solveig Singleton and Daniel T. Griswold, 19–28. Washington, D.C.: Cato Institute.
- Chien-Hale, Elizabeth. 1997. Asserting U.S. Intellectual Property Rights in China: Expansion of Extraterritorial Jurisdiction. *Journal of the Copyright Society of the USA* 44 (2):198–230.
- Conybeare, John A. C. 1987. *Trade Wars: The Theory and Practice of International Commercial Rivalry*. New York: Columbia University Press.
- Cortright, David, ed. 1997. *The Price of Peace: Incentives and International Conflict Prevention*. Lanham, Md.: Rowman & Littlefield.
- Cortright, David, and George A. Lopez. 2000. *The Sanctions Decade: Assessing UN Strategies in the 1990s*. Boulder, Colo.: Lynne Reiner.
- Dashti-Gibson, Jaleh, Patricia Davis, and Benjamin Radcliff. 1997. On the Determinants of the Success of Economic Sanctions: An Empirical Analysis. *American Journal of Political Science* 41(2):608–18.
- Dehejia, Rajeev H., and Bernard Wood. 1992. Economic Sanctions and Econometric Policy Evaluation: A Cautionary Note. *Journal of World Trade* 26 (1):73–84.
- DeSombre, Elizabeth R. 1995. Baptists and Bootleggers for the Environment: The Origins of United States Unilateral Sanctions. *Journal of Environment and Development* 4 (1):53–75.
- DeSombre, Elizabeth R. 2000. *Domestic Sources of International Environmental Policy: Industry, Environmentalists, and U.S. Power*. Cambridge, Mass.: MIT Press.
- Dorussen, Han, and Jongryn Mo. 2001. Ending Economic Sanctions: Audience Costs and Rent-Seeking as Commitment Strategies. *Journal of Conflict Resolution* 45 (4):395–426.
- Doxey, Margaret P. 1987. *International Sanctions in Contemporary Perspective*. New York: St. Martin's Press.
- Drezner, Daniel W. 1999. *The Sanctions Paradox: Economic Statecraft and International Relations*. Cambridge: Cambridge University Press.
- . 2001. Outside the Box: Explaining Sanctions in Pursuit of Foreign Economic Goals. *International Interactions* 26 (4):379–410.
- Drury, A. Cooper. 1998. Revisiting “Economic Sanctions Reconsidered.” *Journal of Peace Research* 35 (4):497–509.
- Eaton, Jonathan, and Maxim Engers. 1992. Sanctions. *Journal of Political Economy* 100 (5):899–928.
- . 1999. Sanctions: Some Simple Analytics. *American Economics Review* 98 (2):409–414.
- Eland, Ivan. 1995. Economic Sanctions as Tools of Foreign Policy. In *Economic Sanctions: Panacea or Peacebuilding in a Post-Cold War World?* edited by David Cortright and George Lopez, 29–42. Boulder, Colo.: Westview Press.
- Elliott, Kimberly Ann. 2000. Preferences for Workers? Worker Rights and the US Generalized System of Preferences. Working Paper. Washington D.C.: Institute for International Economics. Available at (<http://www.iie.com/publications/papers/elliott0598.htm>).

- Elliott, Kimberly Ann, and J. David Richardson. 1997. Determinants and Effectiveness of "Aggressively Unilateral" U.S. Trade Actions. In *The Effects of U.S. Trade Protection and Promotion Policies*, edited by Robert C. Feenstra, 215–43. Chicago: University of Chicago Press.
- Elliott, Kimberly Ann, and Peter P. Uimonen. 1993. The Effectiveness of Economic Sanctions with Application to the Case of Iraq. *Japan and the World Economy* 5 (4):403–9.
- Fearon, James D. 1995. Rationalist Explanations for War. *International Organization* 49 (3):379–414.
- Garfield, Richard. 1999. Morbidity and Mortality Among Iraqi Children from 1990 Through 1998: Assessing the Impact of the Gulf War and Economic Sanctions. Available at (<http://www.cam.ac.uk/societies/casi/info/garfield/dr-garfield.html>).
- Galtung, Johan. 1967. On the Effects of International Economic Sanctions: Examples from the Case of Rhodesia. *World Politics* 19 (3):378–416.
- Gilpin, Robert. 1987. *The Political Economy of International Relations*. Princeton, N.J.: Princeton University Press.
- Goldstein, Judith. 1993. *Ideas, Interests and American Trade Policy*. Ithaca, N.Y.: Cornell University Press.
- Gowa, Joanne S. 1994. *Allies, Adversaries, and International Trade*. Princeton, N.J.: Princeton University Press.
- Grieco, Joseph M. 1990. *Cooperation Among Nations: Europe, America, and Non-Tariff Barriers to Trade*. Ithaca, N.Y.: Cornell University Press.
- Haass, Richard N. 1997. Sanctioning Madness. *Foreign Affairs* 76 (6):74–85.
- Haass, Richard N., and Meghan O'Sullivan, eds. 2000. *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy*. Washington, D.C.: Brookings Institution Press.
- Hart, Robert A., Jr. 2000. Democracy and the Successful Use of Economic Sanctions. *Political Research Quarterly* 53 (2):267–84.
- Hiscox, Michael J. 2000. The Political Economy of American Trade Sanctions. Paper presented at the 96th Annual Meeting of the American Political Science Association, September, Washington, D.C.
- Hufbauer, Gary Clyde, Kimberly Ann Elliott, Tess Cyrus, and Elizabeth Winston. 1997. U.S. Economic Sanctions: Their Impact on Trade, Jobs, and Wages. Working Paper 97-01. Washington D.C.: Institute for International Economics.
- Hufbauer, Gary Clyde, Jeffrey J. Schott, and Kimberly Ann Elliott. 1990. *Economic Sanctions Reconsidered: History and Current Policy*. 2d ed. Washington, D.C.: Institute for International Economics.
- Institute for International Economics. 2001. Chronological Summary of Economic Sanctions for Foreign Policy Goals, 1914–1999. Available at (<http://207.238.152.36/publications/wp/1997/sanction-wp.htm>).
- Kaempfer, William H., and Anton D. Lowenberg. 1988. The Theory of International Economic Sanctions: A Public Choice Approach. *American Economic Review* 78 (4):786–93.
- . 1992. *International Economic Sanctions: A Public Choice Perspective*. Boulder, Colo.: Westview Press.
- Keohane, Robert O., and Joseph S. Nye Jr. 1977. *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown.
- Kirshner, Jonathan. 1995. *Currency and Coercion: The Political Economy of International Monetary Power*. Princeton, N.J.: Princeton University Press.
- Knorr, Klaus. 1975. *The Power of Nations: The Political Economy of International Relations*. New York: Basic Books.
- Krasner, Stephen D. 1999. *Sovereignty: Organized Hypocrisy*. Princeton, N.J.: Princeton University Press.
- Lacy, Dean, and Emerson M. S. Niou. 2000. A Theory of Economic Sanctions. Unpublished manuscript, Duke University, Durham, N.C.
- Lam, San Ling. 1990. Economic Sanctions and the Success of Foreign Policy Goals: A Critical Evaluation. *Japan and the World Economy* 2 (3):239–48.
- Lindsay, James M. 1986. Trade Sanctions as Policy Instruments: A Re-examination. *International Studies Quarterly* 30 (2):153–73.

- Mansfield, Edward D. 1994. *Power, Trade, and War*. Princeton, N.J.: Princeton University Press.
- Marinov, Nikolay. 2003. Ending Sanctions: Interstate Bargaining and the Duration of Costly International Disputes. Ph.D. diss., Stanford University, Stanford, Calif.
- Martin, Lisa L. 1992. *Coercive Cooperation: Explaining Multilateral Economic Sanctions*. Princeton, N.J.: Princeton University Press.
- Mastanduno, Michael. 1998. Economics and Security in Statecraft and Scholarship. *International Organization* 52 (4):825–54.
- McGillivray, Fiona, and Allan C. Stam. 2001. Leadership Turnover and the Duration of Sanctions. Paper presented at the 97th Annual Meeting of the American Political Science Association, August–September, San Francisco, Calif.
- Morgan, T. Clifton, Glenn Palmer, and Anne Miers. 2000. Economic Sanctions and Foreign Policy Substitutability. Paper presented at the 96th Annual Meeting of the American Political Science Association, September, Washington, D.C.
- Morgan, T. Clifton, and Anne C. Miers. 1999. When Threats Succeed: A Formal Model of the Threat and Use of Economic Sanctions. Paper presented at the 95th Annual Meeting of the American Political Science Association, Atlanta, Ga.
- Morgan, T. Clifton, and Valerie L. Schwebach. 1997. Fools Suffer Gladly: The Use of Economic Sanctions in International Crises. *International Studies Quarterly* 41 (1):27–50.
- Morton, Rebecca B. 1999. *Methods and Models: A Guide to the Empirical Analysis of Formal Models in Political Science*. Cambridge: Cambridge University Press.
- Noland, Marcus. 1997. Chasing Phantoms: The Political Economy of USTR. *International Organization* 51 (3):365–87.
- Nooruddin, Irfan. 2002. Modeling Selection Bias in Studies of Sanctions Efficacy. *International Interactions* 28 (1):59–75.
- Nossal, Kim Richard. 1989. International Sanctions as International Punishment. *International Organization* 43 (2):301–22.
- Papayoanou, Paul A. 1999. *Power Ties: Economic Interdependence, Balancing, and War*. Ann Arbor: University of Michigan Press.
- Pape, Robert. 1997. Why Economic Sanctions Do Not Work. *International Security* 22 (2):90–136.
- Ripsman, Norrin, and Jean-Marc Blanchard. 1996/97. Commercial Liberalism Under Fire: Evidence from 1914 and 1936. *Security Studies* 6 (1):4–50.
- Rubinstein, Ariel. 1982. Perfect Equilibrium in a Bargaining Model. *Econometrica* 50 (1):97–110.
- Signorino, Curtis S. 1999. Strategic Interaction and the Statistical Analysis of International Conflict. *American Political Science Review* 93 (2):279–97.
- Sislin, John. 1994. Arms as Influence: The Determinants of Successful Influence. *Journal of Conflict Resolution* 38 (4):665–89.
- Skålnes, Lars S. 2000. *Politics, Markets, and Grand Strategy: Foreign Economic Policies as Strategic Instruments*. Ann Arbor: University of Michigan Press.
- Smith, Alistair. 1996. The Success and Use of Economic Sanctions. *International Interactions* 21 (3):229–45.
- von Amerongen, Otto Wolff. 1980. Economic Sanctions as a Foreign Policy Tool? *International Security* 5 (2):159–67.
- Wagner, R. Harrison. 1988. Economic Interdependence, Bargaining Power, and Political Influence. *International Organization* 42 (3):461–83.
- Waltz, Kenneth N. 1979. *Theory of International Politics*. New York: Random House.
- . 1999. Globalization and Governance. *PS: Political Science and Politics* 32 (4):693–700.