

BULLYING THE RESOURCE-RICH:  
THE EFFECT OF NATURAL RESOURCE WEALTH  
ON COERCIVE DIPLOMACY

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by  
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# BULLYING THE RESOURCE-RICH: THE EFFECT OF NATURAL RESOURCE WEALTH ON COERCIVE DIPLOMACY

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## ABSTRACT

Natural resource wealth has been shown to have a significant impact the on the domestic politics of states. However, the current literature has failed to provide a complete picture of the influence it has on the interactions between states. This dissertation seeks to fill this gap. The author argues that the negative effects of natural resource wealth are not restricted to the domestic sphere. He provides empirical evidence that natural resource wealth increases the likelihood of a state becoming the target of coercive action and significantly impacts the effectiveness of economic sanctions. More importantly he finds evidence that resource rich states are more likely to be targeted regardless of whether or not they have a tendency to break international norms. This adds significantly to the current literature that argues that resource rich states may be more aggressive when interacting with other states, by providing an alternative explanation to why these states may feel the need to act so aggressively.

## **Chapter 1**

### **Introduction**

In 1991 the world witnessed the invasion of Kuwait by its northern neighbor, Iraq. This event was the conclusion of months of disagreement between the two states. Iraq had accused Kuwait of overproducing oil, which in turn was negatively affecting the cost of oil on the international market. Iraq had been suffering severe economic hardships, largely due to its long war with its Shiite neighbor Iran. In fact, Saddam's regime was struggling to pay back the vast loans that it had borrowed in order to fund the conflict.

Although Saddam claimed that his invasion of Kuwait was retaliation for Kuwait's overproduction of oil, it has since been discovered that he had sought to gain control of Kuwait's vast oil field. In fact, Saddam did not plan to stop his conquest with Kuwait, but had aspirations to continue on to Saudi Arabia. This would have given Saddam control of the majority of the Middle East's oil fields, and a monopoly over OPEC. This would have made Saddam a very rich man. In 1991 Saddam acted on his plans and quickly conquered the nation of Kuwait. However, his victory was short-lived. Shortly after the invasion of Kuwait, an international force led by the U.S. expelled Iraqi forces from Kuwait. This was done at the request of Saudi Arabia, who of course feared that Iraq would soon turn its aggression towards the Kingdom's oil fields. Given western dependence on oil, the great powers of the West were more than willing to come to the aid of oil-rich Saudi Arabia.

The Gulf War is a prime example of natural resource wealth affecting the actions of states on the international level. However, it is by no means an isolated instance. In fact, history books are full of examples of natural resource wealth affecting the foreign

policy decisions of states. In this dissertation I will add to the limited research that has explored the effects of natural resource wealth on the international level.

### **1.1 The Question at Hand**

In recent years, scholars have provided a plethora of research into the effects of natural resource wealth. They have found substantial evidence that natural resource wealth has a significant effect on development, democratization and even the likelihood of a state falling into civil conflict. However, these insights have, for the most part, been restricted to the domestic political realm of states, with the vast majority of the research being conducted within the comparative subfield of political science.

I would argue that this is problematic. If natural resource wealth has such a large impact on domestic politics, can it not be assumed that it will also have an effect on the way in which states interact on the international level? The few studies that have looked at the effects of natural resource wealth on the international level have shown that this is likely the case. Colgan (2013) provides evidence that resource-rich states tend to be more aggressive in their interactions with their neighbors. Huth (1990) shows that the presence of natural resource wealth in contested territory greatly increases the likelihood of the dispute escalating into military conflict. However, these studies are very limiting and leave much more to be explored. This is the gap in the literature I wish to help fill.

In this dissertation I explore the effects of natural resource wealth on the use and effectiveness of coercive diplomacy. I propose to examine the role of natural resource wealth on coercive diplomacy because I would argue that this is where we should see it have the greatest effect. States will seek to gain control over other states that possess

natural resource wealth, and in some cases natural resource wealth should increase the ability of states to resist the coercive actions of others (e.g., the use of sanctions). I come to this conclusion by looking at both the current literature on civil conflict and the historical record.

Many have argued that such a high prevalence of civil war in resource-rich states exists because domestic actors inevitably seek to gain control of the state's natural resources. Scholars argue that domestic actors are inherently greedy and will seek to control a state's resource wealth, even if that means plunging into a bloody conflict (Collier, Hoeffler and Rohner, 2004, 2009). This literature would seem to suggest that natural resource wealth affects the cost-gain analysis that states make before they decide to take costly action, in this case making conflict a more acceptable decision.

Although there is far less research into the effects of natural resource wealth at the international level, we can draw some conclusions by looking back through history. For much of the fifteenth century, the great powers of Western Europe conquered and colonialized much of the now global south in the search of power and the natural resources that could help them attain it. For example, the Spanish led a bloody campaign against the Native American tribes of South America in the search for valuable resources, most notably gold (Thomas, 2010). More recently, the world saw the invasion of Kuwait by its northern neighbor Iraq (Herring, 2008). This invasion is largely believed to have been a power play by Saddam, who wished to gain control of Kuwait's vast oil fields. This plan backfired, as an international coalition led by the U.S. quickly formed and came to Kuwait's aid.

We also see natural resource wealth greatly increasing the volatility of territorial disputes. Japanese and Chinese relations have recently been subject to increased strain over dual claims of sovereignty of the Senkaku/Diaoyu Islands. The increased determination of each side to control the islands can arguably be linked to the discovery of large oil and natural gas deposits found beneath the islands (Wiegand, 2009).

This all leads to the conclusion that states will seek to control natural resource wealth, even by violent means. Coercive diplomacy is, by definition, the act of carrying out policy with the intent of forcing one's will on others. I would argue that when it comes to examining the effects of natural resource wealth on the international level, this is the logical place to start.

## **1.2 The Layout of this Dissertation**

Over the course of this dissertation, I will run three separate analyses that will explore the effects of natural resource wealth on the use and effectiveness of coercive diplomacy. In order to establish the importance of my body of work, I have to first describe the current body of knowledge on natural resource wealth and international relations. As such, I will devote my second chapter to explaining the current gaps in the literature, as well as the theoretical framework that will drive my dissertation.

In chapters 3 through 5, I will conduct three separate analyses that will each examine a different aspect of coercive diplomacy. Together, these three tests will provide a comprehensive look at the effect of natural resource wealth on the use and effectiveness of coercive diplomacy. My third chapter will look at the effects of natural resource wealth on the initiation of conflict and the implementation of economic sanctions. In

chapter 4 I will examine the effect of natural resource wealth on sanction outcomes. My fifth chapter will test the effect of natural resource wealth on the escalation of sanction episodes into armed conflict. Over the next few pages I will provide a brief overview of each of the analyses in these three chapters.

### **1.3 Chapter 3. Coercing the Resource-Rich: How Natural Resource Wealth Affects Conflict Initiation and Sanction Imposition**

In the third chapter of my dissertation I explore the effects of natural resource wealth on the initiation of armed conflict and imposition of economic sanctions. I argue that natural resource wealth should increase the likelihood of a state becoming the target of coercive measures. This, I argue, will occur because others within the international community will seek to gain access to and/or control of natural resource wealth. This will inevitably lead to resource-rich states becoming desirable targets.

In this chapter, I will set up an empirical analysis to test the effects of natural resource wealth on both the initiation of military conflict and the imposition of sanctions. Given that military force and economic sanctions are the most common forms of coercive diplomacy, looking at these two types of coercive action will provide me with an accurate representation of the effect of natural resource wealth. I will test my theory by conducting an empirical analysis examining cases of conflict and sanction initiation. As my sample I will look at all politically active dyads from 1980 until 2000.

This analysis provides some of the first empirical evidence that states with natural resource wealth are more likely to be targeted within the international community. My results show that states that possess natural resource wealth seem to be disadvantaged not

only on the domestic level, but also in the way others in the international system treat them. Natural resource wealth seems to make a state a more desirable target. These results suggest that the resource curse may expand out of the domestic political arena.

#### **1.4 Chapter 4. Defying Coercion: Does Resource Wealth Affect Sanction Outcomes?**

In this chapter of my dissertation I will explore the effects of natural resource wealth on sanction outcomes. I argue that natural resource wealth will increase the ability of targets to supersede the negative costs of economic sanctions. I assert that this will occur for two reasons. First, natural resource wealth will increase the likelihood of target states attracting sanction busters, or states that continue to trade with a sanctioned state. I contend that third parties will be more willing to continue trading with a sanctioned state that possesses natural resource wealth in order to gain access to the given resource.

Secondly, the regime structure that is often associated with resource-rich states should make them better equipped to insulate the political elite within the state. Resource-rich states generally have small voting coalitions that are typically kept in line through patronage (Ross, 2001). The sanctions literature has provided significant evidence that states that have small voting coalitions are generally more likely to persevere despite sanction imposition.

I test my theory using both qualitative and quantitative methods. For my qualitative analysis, I conduct a brief case study of the imposition of economic sanctions against the Islamic Republic of Iran. This has been one of the most widely accepted examples of sanction failure within the modern era. Although the sanctions against Iran seem to be coming to an end, I argue the case still provides us with a unique insight into



how natural resource wealth affects sanction effectiveness. For my empirical analysis I conduct a regression analysis, looking at all sanction episodes from 1980 until 2005.

As I will show, my empirical results are somewhat mixed. I find significant evidence that natural resource wealth leads to better outcomes for target states only in cases in which the primary sender is a member of the former G8. When the primary sender is not a former member of the G8, resource-rich states are actually far more likely to receive a negative outcome. This leads me to believe that dependency is playing a role in the effect of resource wealth on sanction outcomes. As such, I call for further research into the topic.

## **1.5 Chapter 5. From Sanctions to Armed Conflict: The Effect of Natural Resource Wealth on Escalation**

In this chapter I expand on the findings of the previous chapter by looking at the likelihood of a sanction episode progressing into armed conflict. I argue that sanction episodes in which the targeted state possesses natural resource wealth will be more likely to progress into armed conflict. This will occur because we should see resource wealth affect the cost-gain analysis that states make before they decide to act by increasing the potential gains associated with escalating to military force.

I test this hypothesis by running an empirical analysis looking at all politically active dyads in which sanctions are imposed. As I will show, I find significant evidence that natural resource wealth increases the likelihood of a sanction episode progressing into armed conflict between the sender and the target. This is also the case when one accounts for misbehaving states. These findings further support my assertion that states

will seek to control natural resource wealth, even when doing so requires the use of military force.

## **1.6 Conclusion**

This dissertation seeks to add to our current understanding of the effects of natural resource wealth on political phenomena. As I have pointed out, the current literature is almost completely concentrated on the effects of natural resource wealth on the domestic political level. This is problematic. With such a large amount of research supporting the significant effects of natural resource wealth on the domestic level, is it not logical to assume that it might also have an effect on the international level?

In this introductory chapter I have described three studies that will examine the effects of natural resource wealth on the use and implementation of coercive diplomacy. I contend that coercive diplomacy is the logical place to start when seeking to explore the effects of natural resource wealth on international relations. Coercive diplomacy by definition encompasses the many ways states seek to influence others within the international community. Both the conflict literature (inter and intrastate) and the historical record suggest that states will seek to influence and/or control those that possess natural resource wealth. So it is only logical to assume that natural resource wealth should have a significant effect on the use and effectiveness of coercive action.

I argue that this sort of comprehensive look at the effects of natural resource wealth on coercive diplomacy can add to our current understanding of political phenomena in several ways. First, it can act as a bridge from the largely comparative research on resource wealth to the larger international relations literature. Secondly, this research will add to our overall knowledge of why states decide to act the way they do.

This question is, of course, one of the tenets of international relations research. With such a plethora of evidence that resource wealth affects the decisions leaders make domestically, we can only assume that it will also affect the decisions leaders make on the international level. The fact that this topic has not been explored is somewhat troubling. I assert that the findings of this analysis have the potential to greatly increase our understanding of international relations and political phenomena.

## **Chapter 2**

### **Theory and Contributions**

In this chapter, I will discuss the current literature surrounding natural resource wealth, conflict and economic sanctions. As I will demonstrate, the literature surrounding the use of military force and economic sanctions is in many ways disconnected from the vast literature on natural resource wealth. I posit that this is largely due to the imaginary lines that we as political scientists often set up between the various subfields of the discipline — in this case, the comparative and international relations literature. That being said, there have been some attempts to bring the natural resource literature into the realm of IR. However, as I will show, these studies have failed to provide us with an overarching theory.

As I stated in the previous chapter, the purpose of this study is to examine the effect of natural resource wealth on coercive diplomacy. In the following, I will present the current literature, as well as the hypotheses and arguments that will drive this study. I will start by looking at the historical record, briefly discussing how natural resource wealth has driven the foreign policy decisions of states in the past. Finally, I will present a thorough review of the literature on natural resource wealth, international conflict and economic sanctions. From there I will discuss the theoretical argument that is the basis of this study.

#### **2.1 Looking to History for Answers**

Since the creation of the first governmental entity, states have sought to gain power by possessing resource wealth. Ancient civilizations such as Rome and Greece actively sought out and conquered in order to secure the resources they needed to

maintain or increase their influence within the international community. The colonization of the Global South during the 16th century acts as one of the predominate examples of states using their military power to gain access to or control of natural resource wealth. During this time the empires of the West sought out riches and resources by conquering much of what is now defined as the global south. Most notoriously, the Spanish Empire laid waste to the great Native American civilizations of South America in its search for gold and silver (Jennings, 1975; Mahoney, 2010). Spain was by no means alone in its actions; the other great powers of Europe also used their military might to conquer and gain access to natural resource wealth. These states conquered and looted much of the world, destroying other civilizations by turning them into what can only be described as natural resource factories (Mahoney, 2010).

We see this drive to control natural resource wealth expand far beyond the end of the age of colonization. Many of the critical decisions made during the Second World War have been linked to the need and desire of states to acquire natural resources. In 1931 the Japanese Empire conquered Manchuria in order to gain access to the region's vast natural resource wealth. Furthermore, the Japanese attack on Pearl Harbor has been largely seen as a form of retaliation for U.S. sanction activity. U.S.-backed sanctions had heavily disrupted Japan's ability to acquire the oil it needed to power its vast war machine (Young, 1988; Herring, 2008).

Arguably, Hitler's biggest mistake during the war can also be linked to natural resource wealth. With the failure of the Axis campaign in North Africa, and the failed coup in Iraq, Hitler was struggling to acquire the large amount of oil needed to continue his military campaign. In a brash move he turned on his Western ally Russia in the hope

of gaining control of Russia's rich oil fields. This decision ended up backfiring, and is considered a major error that cost him the war (Herring, 2008).

More recently the world witnessed Iraq attack its southern neighbor, Kuwait. Saddam decided to attack Kuwait to gain control of the state's vast oil fields. He achieved his objective, but was soon rooted out by a U.S.-led invasion (Herring, 2008). This action by the international community was also largely influenced by oil. Saddam did not plan to stop with Kuwait; he had high ambitions and sought to take Saudi Arabia once he had secured Kuwait. This would have given Saddam a near monopoly over the Middle Eastern oil trade. This was obviously not in the best interests of the western powers. President Bush quickly acted and created a coalition that pushed Saddam out of Kuwait. The U.S. also agreed to maintain a force in the region at the behest of Saudi Arabia. This reliance on the West for security largely contributed to the lower gas prices through the late 1990s. The U.S. and its allies were able to negotiate better trade deals with Saudi Arabia and other OPEC states. This higher bargaining position of course dissipated once the U.S. removed Saddam from power in the early 2000s (Kayal, 2002; Bahgat, 2003; Herring, 2008).

We also see states getting into volatile territorial disputes when resource wealth is on the line. Japanese and Chinese relations have recently been subject to increased strain over dual claims of sovereignty of the Senkaku/Diaoyu Islands. The increased determination of each side to control the islands can arguably be linked to the discovery of large oil and natural gas deposits found beneath the islands (Wiegand, 2009). These examples would suggest that resource wealth makes a state more likely to be involved in international conflict and disputes.

## **2.2 Natural Resource Wealth**

In recent years much of the literature on natural resource wealth has centered on the phenomenon referred to as the resource curse. The resource curse is a blanket term describing the lack of economic and democratic development that we see occurring in resource-rich states (Sachs and Warner, 2001; Ross, 2012). Although these states possess valuable resources, they are often plagued with poor economies, high economic inequality, incompetent authoritarian regimes and a higher likelihood of civil unrest and civil conflict. Much of the literature on resource wealth has aimed to figure out why this phenomenon occurs (Ross, 2004; Lujala, 2010). The most common explanations offered include the Dutch disease, a lack of economic diversification, the occurrence of rent seeking and conflicts, severe corruption and undermined political institutions, overconfidence and loose economic policies by the government, and overbearing debt overhang (Iimi, 2007).

One of the leading hypotheses presented to explain this phenomenon is that these states are often run by ineffective and unpredictable regimes. Scholars have found a strong link between authoritarianism and resource wealth (Ross, 2001; Jensen and Wantchekon, 2004). In resource-rich states, those that control the state's resource wealth are often able to gain power and control of the state's government. As such, these regimes frequently are very inclusive and plagued with corruption. Patronage is also very common, and consequently key governmental positions are often filled with unqualified individuals (Ross, 2001; Fjelde, 2009). Given that the power to rule comes from resource wealth, these regimes are much less dependent on their citizenry as a source of revenue. So these regimes are less likely to listen to the needs and concerns of their citizenry. All

of this makes these regimes much more susceptible to ineffective policymaking and swift, often devastating policy shifts (Fjelde, 2009; Wegenast, 2013).

To better understand this connection between government and the resource curse, one can look at the differences between Botswana and Zimbabwe. The neighboring nations are roughly the same size, and both possess vast diamond deposits. However, the world has seen Botswana make steady strides toward development and become the “success story of Africa,” while Zimbabwe has been plagued with mismanagement, record levels of inflation and authoritarian rule (Maundeni, 2002).

The difference between the two states is government, both regime type and competence. Botswana is a thriving democracy that has managed its resource wealth in a way that has allowed it to move toward economic development (Iimi, 2007). The state has used much of its resource revenue to invest in education and support the growth of other industries. This decision allowed Botswana’s economy to diversify, making it less reliant on its natural resource wealth to support the entire economy. The state also is run by a fairly effective and competent government that works to improve the lives of the citizenry (Maundeni, 2002).

On the other hand, Zimbabwe has long been ruled by an authoritarian regime that has made multiple blunders that have left its economy in a state of disarray. One notable example of this would be the decision by the Zimbabwean government to expel all of its white land owners, giving their land back to native Africans. However, the government failed to take into account that the white land owners were the only people who knew how to farm properly. This, combined with the fact that the government failed to educate its new class of farmers, led to massive crop shortages and the vast destruction of once



fertile farmland. This decision had major consequences and devastated the nation's economy. Compounded by other missteps by the Zimbabwe government, the state eventually saw the highest levels of inflation since Germany following the end of the First World War (Maundeni, 2002).

Some argue that these governmental issues help explain why resource-rich states have such a higher propensity to fall into civil conflict. There has been strong evidence that resource-rich states are much more likely to experience civil conflicts and are more likely to see conflicts reemerge (Collier, Hoeffler, and Soderbom, 2008). Wegenest (2013) argues that the weakened and mismanaged regimes that usually exist in resource-rich states help lead to this increased probability of civil conflict. He contends that because these regimes are often very inclusive and dependent on their access to the state's resource wealth to maintain power, they are seen as weak and easy to overthrow. This is compounded by the fact that the mismanagement commonly seen in these regimes can lead to a higher rate of disapproval from other parties within the state.

Others have argued that greed is the driving factor behind the increased likelihood of civil war in resource-rich states. These scholars argue that domestic actors will be more likely to engage in military action against the government in an effort to gain control of the state's resource wealth. Basically, natural resource wealth increases the potential payoffs of armed rebellion and the likelihood of civil conflict (Collier and Hoeffler, 2004). I would argue that this is an important observation that should translate onto the international level.

It is clear from the literature that resource wealth plays a key role in the outcome of civil wars (Buhaug and Lujala, 2009). As Lujala (2010) points out, these wars are

often won by whoever manages to gain control of the state's resource wealth. If rebel forces are able to secure at least some of the nation's resource wealth, they can use the revenues produced from the captured resources to prolong hostilities and possibly overthrow the reigning regime (Buhaug, Gates and Lujala, 2009). However, the opposite is also true. If governmental forces are able to maintain control of a state's resource wealth, they often are able to quickly squash any rebellion. This is supported by Humphreys (2005), who points out that resource-rich states that invest heavily in military, police and security forces are less likely to experience civil conflict.

Even though extensive research has examined the effects of natural resource wealth, very little research has looked at how resource-rich states interact with others in the international community. This is problematic, given that natural resource wealth has been shown to have such a strong effect on the domestic politics of states. The limited research that has been conducted into the effects of natural resource wealth on the international level exists within the international conflict literature. However, as I will show, the current literature on this topic is incomplete, failing to fully explore the effects of resource wealth on the onset of international conflict.

### **2.3 International Conflict**

As of today, much of the conflict literature has focused on what causes states to use military force against one another. Most scholars within the field of international conflict use realism and rational choice theory to help them understand the way in which states act within the world system. Realism argues that the international system is in a constant state of anarchy, given the fact that there is no higher authority and that states will always act in their own best interests. Rational choice theory argues that states are

rational actors and as such will always act in their best interest (George and George, 1956; Jervis, 1976; Quackenbush, 2004). Rational choice theory has proven helpful and allows us to make assumptions as to why a state decides to act in a certain way.

Based on the theory of rational choice, Bueno de Mesquita (1981) developed the expected utility model. This has become one of the leading and most cited theories within the study of international conflict (Quackenbush, 2015). Bueno de Mesquita (1981) explains that states will weigh their various options and strategically decide whether conflict is in their best interests. They will conduct a cost-gain analysis for each decision they make, choosing to act only if the perceived gains outweigh the perceived costs. This theory has been empirically supported by the creation and testing of the international interaction game (Bennett and Stam, 2000). As I will argue later, natural resource wealth should directly affect the cost-gain analysis states make before they decide to act in a given situation.

Fearon (1995) uses the bargaining model of war to explain the causes of wars. He argues that as long as war is costly, states will never prefer going to war over another viable option. As such, he argues that war occurs only when the bargaining between two or more states fails. The bargaining model supports the conclusion that states have preferences and will carry out a cost-gain analysis in order to choose the best option available (Wagner, 2000; Stantchev, 2003). This leads us to the factors that affect this cost-gain analysis. Much of the literature has concentrated on why states go to war with one another. The current literature has provided evidence that a variety of factors affect the willingness of a state to go to war; the first of these are contiguity and distance. It is clear from the literature that states that are neighbors are more likely to fight (Bremer,

1992). Transporting one's forces and supplies over vast distances can be expensive. Naturally, the cost of a conflict will go down as the distance between two states decreases. Furthermore, neighbors are more likely to have territorial disputes, which, as I will describe later, also increases the likelihood of conflict (Huth, 1996; Huth and Allee, 2002).

Power dynamics have also been found to affect the likelihood of conflict between states. As states make their cost-gain analysis they will consider whether they have a chance to win a conflict and what that victory will cost them. Naturally, states will be less likely to attack states that are closer or higher than them in terms of power and more likely to attack those that are weaker than them (DiCicco, Levy and Levy, 1999; Reed, 2003). Reed et al. (2008) find that conflict is more likely when the distribution of power and benefits are not equal. They conclude that this occurs when the more powerful state is not receiving the most benefit from the current status quo between two states.

The literature has also provided extensive discussion about the role of regime type on the likelihood of conflict. This line of research has led to the theory known as the Democratic Peace. This theory argues that democracies are less likely to fight with one another than with other regime types (Levy, 1988; Maoz and Russett, 1993; Russett and Oneal, 2001). Many contend that the interests and norms shared between democracies cause this phenomenon. There has been evidence that when democracies fight nondemocratic states they are much more likely to win a conflict (Reiter and Stam, 1998).

Another important factor that has been shown to affect the likelihood of conflict between two states is alliances. Evidence has shown that states with similar alliance

profiles are less likely to fall into conflict with one another (Morrow, 1991; Leeds, Long, and Mitchell, 2000). This occurs for two reasons. First, this is a sign that the two states have similar foreign policy goals and most likely will not upset one another. Second, each state will fear upsetting its own allies by engaging in military conflict with the other (Aydin, 2008). It is clear from the literature that states prefer to fight only one state at a time. Wars with multiple states are generally more costly and might not be worth their potential benefits (Morrow, 1991).

The final factor I will discuss is contested territory. I would argue that the research into this factor sheds some light on how natural resource wealth affects the cost-gain analysis discussed above. Huth (1996) finds that territorial disputes increase the likelihood that states will go to war with one another. He argues that individuals are more likely to defend territory if they believe they have a right to it. Territorial disputes often arise when a piece of territory is of strategic or economic value, Huth contends. He points out that if a territory holds natural resource wealth, the salience of the dispute will increase since this inherently increases the economic value of a piece of territory. Senese and Vasquez (2003) expand on Huth (1996) by looking at all dyad years rather than just those with territorial disputes. This is supported by Diehl (1992), who finds that the salience of an issue increases the likelihood of conflict.

This assumption seems very logical when one looks at the current issues that dominate the international community. Many of the most salient territorial disputes are those that involve rights to natural resource wealth. One prominent example is the current dispute between China and Japan over a group of small islands in the East China Sea. Japan calls them the Senkaku Islands, while China calls them the Diaoyu Islands. Both

states claim sovereignty over these islands. These islands are largely uninhabited, and most are simply rocks in the middle of the ocean. However, large natural gas and oil reserves have been found under the islands. This makes them much more valuable, and the issue has become incredibly salient to both the Japanese and Chinese governments. Both sides have threatened to use military force to defend the islands from the other. China has been known to use military drones to patrol the islands, and the Japanese have on multiple occasions threatened to shoot them down (Wiegand, 2009). I would argue that this is evidence that natural resource wealth increases the benefits of engaging in military conflict.

It is also clear from these examples that states are more or less disagreeing over ownership of natural resources, not really territory. However, the literature generally classifies these disputes as being over territory. This is an important distinction given that disputed territory is considered to be one of the most significant predictors of conflict. Is it possible that many of the cases that have been classified as territorial disputes are in fact disputes over claims of natural resource wealth? Furthermore, would these disputes even exist if natural resources weren't in the mix? Would China and Japan be so combative in their claims over a bunch of small island and rocks in the South China Sea if there weren't a large natural gas field underneath them? I would argue that this is an important question that the conflict literature should address.

Though insightful, the conflict literature has failed to address how natural resource wealth affects conflict initiation outside of territorial disputes. The current body of research only accounts for the effects of natural resource wealth when it is present in a

piece of contested territory. Although these findings are important, they leave us wondering if the effects of natural resource wealth extend outside of territorial disputes.

Colgan (2013) seeks to help answer this question. He finds evidence that oil-rich states tend to be more aggressive when they are governed by a revolutionary government. Colgan's most important contribution to the literature is that he argues that the negative effects that plague resource-rich states domestically may expand to their interactions on the international level. Though Colgan and I share this mentality, our theories differ in important ways. Colgan looks at how natural resource wealth affects how a state's leaders act on the international level, arguing that regime type will affect the way in which resource-rich states interact with other states. In contrast, I am interested in how natural resource wealth affects the way states interact with resource-rich states, theorizing that the leaders of other states will act inherently rational and seek to influence those that possess natural resource wealth or acquire their resources.

Given the strong evidence that natural resource wealth increases the likelihood of conflict in territorial disputes, we can also assume that it will affect the likelihood of conflict in other situations. We can infer that the presence of natural resource wealth will increase the potential gains of initiating conflict. We should see states seek to either gain control of a given resource or to assert influence over the state that holds it. That being said, it is also logical to assume that natural resource wealth will increase the potential gains of using other forms of coercive action, such as economic sanctions.

## **2.4 Economic Sanctions**

In today's world, economic sanctions are an important tool at the disposal of world leaders, a tool we see them using more and more often. Although sanctions

generally are not as sensationalized by the media as more aggressive foreign policy actions, sanctions have played a major role in international relations throughout history. Athens' boycott of Megara was a major factor that led to the Peloponnesian war (Drezner, 1999). Many have argued that Japan's attack on Pearl Harbor, which launched the U.S. into the Second World War, was in part a response to the U.S. sanctions imposed against Japan. These sanctions left Japan in dire need of oil to power its large war machine. This led them to push south into the U.S.-occupied Philippines (Herring, 2008). Even though economic sanctions may not seem as important or substantial as other forms of aggression that states can implement, they have historically had a major effect on international events and actions between states within the world system.

The principles that guide sanction implementation today date back to ancient times. The generals of ancient armies would often cut off the supply lines to sieged cities. The goal of this maneuver was to deprive one's target of much-needed supplies. If carried out correctly, one could starve his enemies into submission and/or surrender (Selden, 1999). This proved to be a very successful tactic of the skilled generals of the time, and these same general principles apply today. The general goal of sanctions is to deprive a state's populace of needed resources. In theory this should cause them to rise up and either force their leaders to change the policies that led to the imposition of sanctions or push the populace to overthrow their leaders. This is why we often see increases in human rights issues within targeted states. As resources dwindle, the population generally suffers, and regimes often become more violent toward dissent, fearing an uprising (Peksen and Drury, 2009). The degradation of human rights is not always acceptable to sender states, and as such we have seen an increase in the use of smart sanctions, or



sanctions that are meant to hurt only political elites (Major and McGann, 2004). These generally include travel bans and asset freezes.

Just as we see with the use of military force, sanctions come with costs. These costs are not restricted to the targeted state. When states impose economic sanctions they lose out on any potential trade revenues they could have made by continuing to trade with the targeted state. Drezner (1998) points out that between 1992 and 1996 the U.S. lost around \$20 million in potential trade because of sanction implementation. As such, we generally see sender states try to craft sanctions in a way that makes them less costly to themselves.

Much of the early literature on economic sanctions concentrated on their effectiveness. Early studies showed significant evidence that economic sanctions often failed to cause their desired policy change within the targeted state (Hufbauer, Schott and Elliott, 1990; Pape, 1997; Drury, 1998). More recently, the literature has begun to move away from the overall effectiveness argument. Many are now exploring the different factors that help determine sanction success or failure. Scholars have proposed many factors that affect the cost-gain analysis that both the target and the sender make when deciding how to act once sanctions are imposed. Target states have to weigh their options and decide whether to give into the sender's demands. Senders have to weigh the cost and perceived gains of continuing to sanction the target.

Arguably the most important factor in determining the effectiveness of a sanction episode is the cost to both the sender and the target (Bapat, Heinrich, Kobayashi, and Morgan, 2013). The sender state tries to inflict the highest possible costs on the target, while simultaneously limiting its own costs (Drury, 1998). If a sender state believes that

the continued cost of a sanction episode is higher than the perceived benefits, it likely will drop its sanctions against the target. This is supported by Ang and Peksen (2007), who find that when the costs to the sender are much higher than those to the target, the sanction episode most likely will fail to cause any policy change in the target. This is also the case for the target. If a targeted state believes that the costs of giving into the sender are less than any perceived gains of resisting the sender, it will likely give into the sender's demands. However, if the costs of giving into the demands of the sender are too high, the target will most likely resist. So the most effective sanctions will have low costs to the sender and high costs to the target.

Allen (2008) finds that sanctions are generally less effective against states that have authoritarian regimes. This is because the citizens of these countries have less say in their government. In a democracy, citizens can affect their government's decisions. Through their right to vote, they can affect how their government responds to sanctions being imposed against it. Furthermore, economic factors have been shown to have a large influence on leaders' ability to get reelected. Elected officials will often try to negate any potential economic costs, which makes sanctions a more effective means of coercion against them. However, in an authoritarian government it is much harder for citizens to have a voice in the government and/or initiate a change in the state's policies (Fearon, 1997). Authoritarian regimes also tend to crack down on their citizens when sanctions are imposed against them (Peksen, 2010; Peksen, 2011). This is supported by Peksen and Drury (2009), who find that sanctions often cause democratic backsliding within targeted states. This idea that governance affects sanction outcomes is furthered by McGillivray

and Stam (2004), who show that different forms of governance within targeted states affect the way in which they react to the implementation of economic sanctions.

Drury (1998) argues that the direct involvement of an International Organization (IO) increases the effectiveness of a sanction episode. This is because IOs have the means to mobilize multiple states to participate in a sanction episode and to punish those that do not. The length of a given sanction episode also has a major impact on the effectiveness of a sanction episode (Nossal, 1989). This is because sanctions are generally seen as having a compounding effect. As a sanction episode drags on, the costs to the targeted state will increase, and so does the likelihood that the target will give into the sender.

The most notable factor in this analysis is the presence of a sanction buster. A sanction buster is a state that either continues to trade with or financially supports a sanctioned state. However, it should be noted that the latter is much less common (Early, 2015). The presence of a sanction buster affects the outcome of a particular sanction episode by helping to dampen the negative cost of the sanctions to the targeted state. Early (2015) provides two reasons why a state will choose to intervene and act as a sanction buster. The first reason is political. A third-party state may provide aid or continue to trade with a sanctioned state in order to undermine sanctions that have been imposed by an adversary. He cites the USSR's support of Cuba as the primary example of this case. During the Cold War, the USSR and China provided aid to the Cuban government in order to undermine the American sanctions imposed against the state. This ultimately had a negative effect on the ability of the United States to influence the Castro regime, and it helped prolong the sanction episode. This is, of course, not a new

phenomenon; much of the early sanctions literature discuss the political motives behind sanction busting, though these states were often referred to as black knights.

The second reason Early (2015) offers for why a state will become a sanction buster is purely economic. Economic sanctions often leave a hole in the targeted state's economy. This hole is caused by the cutting of some or all of the trading ties between the target and the sender. Furthermore, the target's market becomes less competitive as the sender state withdraws from it. Others in the international community may see the creation of this hole in the target's economy as an opportunity to profit. They may decide to act as a sanction buster to fill the gap in the targeted state's economy and/or to capitalize on a less competitive market.

Early (2009) shows that the decision to act as a sanction buster is not limited to the enemies of the sender. He finds evidence that a sender's allies are more likely to become sanction busters than the sender's enemies. Early (2011) further contends that states are not the only actors that can act as sanction busters. He shows that firms can independently act as sanction busters. Early points to the fact that many U.S. companies have set up offices in the United Arab Emirates in order to participate in sanction-busting trade with Iran.

The literature also shows that states assess their chances of acquiring a sanction buster when deciding how to respond to a sanction threat. McLean and Whang (2010) find that when states are deciding how to respond to the threat or actual implementation of sanctions against them, they will look to their allies to determine if any will support them throughout the sanction episode. This shows that states realize that having a

sanction buster will decrease the potential costs of having sanctions imposed against them.

Many scholars have also begun to look at the effects of economic sanctions on the domestic level within targeted states. Scholars have argued that economic sanctions can cause the degradation of human rights in targeted states (Peksen, 2011). Many have shown that sanctions limit the ability of citizens within targeted states to have access to basic needs and often disrupt the operation of basic health services (Major and McGann, 2005).

Scholars have found that the negative effects of sanctions are even worse for women; who are more susceptible to external shocks given their often vulnerable socioeconomic and political status (Peksen and Drury, 2012). For example, women are generally more likely to lose their jobs when a state's economy is damaged by imposed sanctions. The humanitarian consequences are not that surprising given that sanctions are meant to target the general population of a state, in the hope that they will in turn pressure the state's regime.

These negative effects can be seen in some of the most comprehensive sanction profiles of recent years. For example, the grave humanitarian issues that occurred in Iraq during comprehensive UN sanctions were well documented by various international organizations. During the imposition of sanctions Iraq saw a large increase in infant mortality. Furthermore, many Iraqis had difficulty receiving even the most basic medical care. This led to a high increase in child mortality, something that many humanitarian groups publicized, and condemned the world powers for allowing to occur (Cortright and Lopez, 1999; Weiss, Crahan, and Goering, 2004; Drezner, 2011).

Scholars have also found significant evidence that economic sanctions often have a negative effect on democracy in targeted states. As noted earlier, this is often because regimes usually crack down on their citizens in order to maintain power. Peksen and Drury (2009) argue that authoritarian regimes may use the imposition of sanctions as an opportunity to sap any opposition to their rule. They also find that the level of democratic backsliding is linked to the strength of the sanction profile. The more comprehensive the profile, the more repressive the regime will become. This is why some argue that sanctions are more effective against democracies (Allen, 2008).

Although the sanctions literature has provided significant evidence on their effects, little research has been conducted on the factors that lead to sanction implementation. I would argue that this is problematic, given that sanctions, like conflict, have negative costs. However, even with limited research on the topic, we can come to some logical conclusions about the processes states go through before they decide to implement sanctions against another state. We can logically assume that states will carry out a cost-gain analysis, just like we see in the conflict literature. As such, we should see leaders weigh the costs and potential gains of imposing sanctions.

This is supported by Morgan and Schwebach (1997), who point out that costs matter. They contend that sender states assess the continuing costs of sanctions when deciding whether to drop them or hold out. Hoffman (1967) argues that sanctions are often used when military action is not possible or is far too costly. This is supported by Early (2014), who contends that sanctions are often a quick and less costly (than the use of force) method of sending a signal of disapproval. This assessment is supported by the

literature that argues that sanctions are often used as a form of signaling (Nossal, 1989; Fearon, 1997).

Drezner (1998) takes a far more negative view of sanctions, arguing that they are often used in cases when the sender expects conflict to arise between themselves and the target sometime in the future. This is supported by Lektzian and Specher (2007), who find that the implementation of economic sanctions increases the likelihood of conflict between sender and target states. They argue that this is because sanctions cut the economic bonds that connect states, which in turn makes conflict less costly to both sides. They further argue that democracies are more likely to use military force against states they target with sanctions because sanctions bind the hands of their leaders.

However, sanctioned states are more likely to be attacked by not only the sender state, but third-party states as well. Peterson and Drury (2011) find that sanctions tend to make targeted states more susceptible to military conflict with third parties. They argue that by cutting trade with a state, the sender sends a signal that it will not come to the aid of the target should it be attacked. This ultimately will make these states more prone to aggression by third parties that see them as easy targets. This notion is supported by the vast literature that argues that alliances help prevent conflict by increasing the potential costs of attacking a state (Morrow, 1991; Palmer and Morgan, 2006). This is because potential attackers have to account for the costs that they will incur by fighting the potential target as well as the states that may come to the target's aid ( Leeds et al, 2002). If a state is being sanctioned, third parties may see an opportunity to attack the target without having to worry about other states coming to the target's aid.

An examination of the literature shows that costs matter, both in terms of sanction imposition and effectiveness. I argue that natural resource wealth will affect the cost-gain analyses states conduct when deciding whether to sanction a state, by increasing the potential gain of taking such action. Furthermore, the presence of natural resource wealth should increase the likelihood of sanction failure. This should occur because resource wealth should increase the potential for sanction busters that will seek to gain access to natural resource wealth.

## **2.5 Forming a Larger Picture of the Effects of Resource Wealth**

We can draw some important conclusions from these three areas of the literature about how natural resource wealth will affect the use and effectiveness of coercive diplomacy. First, it is clear that natural resource wealth directly affects the internal politics of the states that possess them. Most important to this study is the increased likelihood of civil conflict. Many have argued that civil war is much more common in resource-rich states because internal actors will seek to gain control of the state's natural resource wealth. These findings make it clear that natural resource wealth increases the potential gains of armed aggression for domestic actors. This should translate at least partially to the international level.

There are some distinct differences between the ways actors operate on the domestic and international levels. For example, domestic actors usually operate in a system that is at least partially free of anarchy, and is usually governed by a sovereign power of some sort. This is not the case on the international level, which is in a constant state of anarchy. These differences can make it difficult to draw parallels between the comparative and international relations literatures. However, I would argue that we



should see actors on the international level act in a similar manner as their domestic counterparts when it comes to resource wealth. Domestic actors are seeking to control natural resource wealth out of self-interest because they are rational actors. Given that actors on the international level are also rational actors, we should see them seek to control natural resource wealth. Though actors on the international and domestic levels operate in very different environments, we should still see them seek to improve their position.

Secondly, resource-rich states often have very small, insulated voting coalitions. Typically, in resource-rich states the regime uses the state's resource wealth to pay patronage to the political elite that make up this small voting coalition, which in turn allows the regime to stay in power (Ross, 2001; Ross, 2012). This tendency toward a small, insulated regime structure should help insulate the regime from the negative costs that are so often associated with sanction imposition. This is supported by the sanctions literature, which has provided evidence that regimes with small voting coalitions are better equipped to weather the imposition of sanctions (Lektzian and Souva, 2003).

The conflict literature tells us much about the decision-making process that states conduct before they decide to act on the international level. States clearly make a cost-gain analysis before they decide to commit to the use of military force against another state (Fearon, 1997). I of course argue that natural resource wealth will affect this analysis. I would argue that the literature on territorial disputes hints at the connection between conflict and natural resource wealth. Scholars exploring the topic have found evidence that natural resource wealth increases the likelihood of a territorial dispute

escalating into armed conflict between the various parties (Huth, 1990). Essentially, natural resource wealth makes conflict more desirable by increasing the potential gains.

The sanctions literature reinforces this idea that costs matter. Sanctions are only effective if the sender can incur heavy enough costs on the target so that the costs of the demanded change will be less severe (Drezner, 1998; Drury, 1998). As such, we see the variety of factors that have been shown to affect sanction success being linked to the overall cost to the target and the sender. The most notable to this analysis would be the intervention of a third-party state as a sanction buster. As Early (2015) points out, most states decide to act as sanction busters for economic reasons. Basically, these states see an opportunity to profit from a less competitive market. I argue that natural resource wealth should help attract sanction busters, which will want access to a state's natural resource wealth at a less competitive price.

## **2.6 Theory**

In this section I will begin to form the hypotheses that will drive the remainder of this dissertation. I will have three empirical chapters. The first will look at the effect of natural resource wealth on the initiation and imposition of economic sanctions. The second chapter will explore the effects of natural resource wealth on sanction outcomes. In my final empirical chapter, I will look at how natural resource wealth affects the progression to conflict within sanction episodes.

### **2.6.1 Natural Resource Wealth, Conflict and Sanctions**

As I have shown, there has been relatively little research connecting the vast comparative literature on resource wealth to the conflict and sanctions literature. The limited research that has been produced, while informative, has failed to fully explain the

effects of natural resource wealth on the interactions between states. In this study, I argue that this is a very problematic gap in the literature. With such strong evidence supporting the notion that resource wealth can be detrimental to the internal politics of a state, I argue that this should also be the case on the international level. I assert that the resource curse likely expands beyond a state's borders, affecting the way it is treated on the international level.

States are obviously rational actors, and they will seek to gain and maintain power and influence within the anarchic world system (Bueno de Mesquita, 1981; Fearon, 2005). This drive for power and influence will inherently lead to friction between states that possess natural resource wealth and others within the international community. I assert that states will seek to control resource wealth in order to gain power, influence or wealth. The possession of natural resource wealth has long been linked to power and wealth. This explains the long history I described earlier between resource wealth and conquests.

Furthermore, the civil war literature often links natural resource wealth to conflict (Ross, 2003; Ross, 2004). This segment of the literature argues that greed manifests among the various domestic actors within a resource-rich state. In these cases, scholars argue that greed or the desire to control the state's resource wealth pushes domestic actors into conflict with one another (De Soysa, 2002). Given that this theory is built on a negative view of human nature, we should see the same principles apply to the international level. We should also see greed affect the foreign policy decisions of states. Like domestic actors within resource-rich states, the leaders of states should seek to

control natural resource wealth. This will inherently lead to friction and conflict between resource-rich states and those who wish to possess their wealth.

This notion also explains the strong connection between natural resource wealth and the increased likelihood of escalation into territorial disputes. There is a staggering amount of evidence in support of the theory that territorial disputes are much more volatile and conflict-prone when the territory in question holds resource wealth. This correlation has long been attributed to the idea that natural resource wealth directly affects the cost-gain analysis states make when deciding how to respond to a disagreement with another state, in these cases increasing the potential gains of escalation (Huth, 1990; Huth and Allee, 2002). This notion would also explain why some of the most volatile territorial disputes in the current international climate involve resource-rich territory. Most notable would be the rising tensions between China and Japan over several small islands in the South China Sea.

We should see this desire to control natural resource wealth play out in the area of coercive diplomacy. By definition, coercive diplomacy is the act of using foreign policy measures in a manner that allows a state to force its will on others in the international community. As such, we should see states resort to coercive action as they seek to insert influence over those that possess natural resource wealth. Coercive diplomacy can of course take various forms. However, military force and sanctions are arguably two of the most common, and definitely the easiest to measure for political scientists. Taking all of this into account, I argue that we should see natural resource wealth increase the likelihood of a state becoming the target of both military conflict and economic sanctions.

### **2.6.2 Natural Resource Wealth and Sanction Outcomes**

Once coercive measures are imposed, we should see natural resource wealth affect the outcomes and/or effectiveness of coercive actions. This should be most evident in terms of economic sanctions. It is clear that the cost-gain analysis that states make continues throughout the sanctioning process (Fearon, 1995). The sanctions literature has shown that states continue to weigh their options as a sanction episode persists. This is why there has been such a strong link between length and sanction effectiveness (Nossal, 1989). Sanctions have a compounding effect, with the cost increasing as they drag on. As such, we see targets and senders continually evaluating their options. Senders have to decide if the continued cost of lost trade with the target is worth the policy change they are seeking. Targets will evaluate their options as well, deciding if the cost of policy change outweighs the cost of the imposed sanctions. I argue that natural resource wealth will directly affect this process by decreasing the cost of sanctions to the target. This should decrease the overall effectiveness of sanctions against resource-rich states.

I contend that there are two ways in which resource wealth will decrease the negative cost of sanctions on a target state. The first is that we should see resource-rich states have an increased likelihood of attracting sanction busters, or states that continue to trade with sanctioned states. According to Early (2015), states will decide to act as a sanction buster for either political or economic reasons. States may decide to act as a sanction buster to thwart the efforts of an adversary. A prime example of this would be Russia's continued support of Cuba throughout the imposition of sanctions by the U.S. States may also see an economic advantage to continuing to trade with a sanctioned state. For example, China has continued to trade with Iran throughout the imposition of UN

sanctions in order to gain access to Iranian oil. I argue that natural resource wealth will increase the likelihood of sanction busting, because third-party states will seek to gain access to the target's natural resource.

I also argue that the regime types that are often associated with resource-rich states will decrease the likelihood of sanction success. Resource-rich states often have small winning coalitions (Ross, 2003; Ross, 2004; Allee, 2008; Fjelde, 2009; Wegenast, 2013). In these states leaders often use the state's resource wealth to pay off the political elites within this winning coalition. This is why we see such a large income gap in resource-rich states. I assert that leaders should be able to use a state's resource wealth to insulate the political elite and as such negate the cost of sanctions to their winning coalition. This should increase the ability of a regime to weather the negative cost of imposed sanctions. As such, economic sanctions should be less successful against states that possess natural resource wealth.

### **2.6.3 Natural Resource Wealth and Escalation**

Although this might make it seem that resource wealth is actually helpful in cases of sanction imposition, I suggest that it is, in fact, the opposite, that this increased ability to withstand sanctions increases the likelihood of escalation. It is clear that resource wealth greatly increases the potential gains of conflict. I argue that once sanctions have failed to cause the desired policy change that the sender sought, senders will be more likely to choose to escalate.

Once again we should see natural resource wealth affect the cost-gain analysis that states make before they decide to act. In the case of sanction failure, sender states have to decide whether to maintain failing sanctions, drop the issue altogether or escalate to

military force. I argue that the desire to control natural resource wealth described above will increase the likelihood of a sanction episode escalating into armed conflict. As such, sanction episodes in which the targets possess natural resource wealth should have a higher propensity for escalation into armed conflict.

## **2.7 Conclusion**

This proposed research seeks to add to our current understanding of the effects of natural resource wealth on political phenomena. As I have pointed out, the existing literature has almost completely concentrated on the effects of natural resource wealth on the domestic political level. I argue that this is problematic. With such a large amount of research supporting the significant effects of natural resource wealth on the domestic level, I argue that it is only logical to assume that it will also have an effect on the international level.

In this chapter, I have laid out three hypotheses that will examine the effects of natural resource wealth on the use and implementation of coercive diplomacy. I contend that coercive diplomacy is the logical place to start when seeking to explore the effects of natural resource wealth on international relations. Coercive diplomacy by definition encompasses the many ways states seek to influence others within the international community. Both the conflict literature (inter and intrastate) and the historical record suggest that states will seek to influence and/or control those that possess natural resource wealth. So it is only logical to assume that natural resource wealth should have a significant effect on the use and effectiveness of coercive action.

I argue that this sort of comprehensive look at the effects of natural resource wealth on coercive diplomacy can add to our current understanding of political

phenomena in several ways. First, it can act as a bridge to the international relations literature from the largely comparative research on resource wealth. Secondly, this research will add to our overall knowledge of why states decide to act the way that they do. This question is one of the tenets of international relations research. With such a plethora of evidence that resource wealth affects the decisions leaders make internally, we can only assume that it will also affect the decisions leaders make on the international level. The fact that this topic has not been explored is somewhat troubling. I assert that the findings of this analysis have the potential to greatly increase our understanding of international relations and political phenomena more generally.



### **Chapter 3**

## **Coercing the Resource-Rich: How Natural Resource Wealth Affects Conflict Initiation and Sanction Imposition**

In recent years, many scholars have explored the effects of natural resource wealth on political phenomena. This line of research has provided significant evidence that natural resource wealth has an impact on the domestic politics of states. Most notable has been the large amount of research examining the lack of development in resource-rich states, an observation that has been coined the “resource curse.” However, little research has explored the effects of natural resource wealth on the international level. This, I would argue, is problematic. Is it not logical to assume that the effects of natural resource wealth will extend to the international level? Furthermore, are we right to simply assume that the resource curse is limited to a state’s domestic sphere, or is it possible that it expands to a state’s interactions on the international level?

The limited research that has explored the effects of natural resource wealth on the international level has failed to provide us with a complete picture. Evidence has shown that resource-rich states tend to be more aggressive on the international level and as such are more likely to act as the aggressor in armed conflicts (Colgan, 2013). However, the literature fails to address the question of whether states that have natural resource wealth are more likely to become the targets of outside aggression, even though a look at history and the conflict literature would suggest that this may be the case (Huth, 1996; Herring, 2008).

### **3.1 Bargaining Conflict and Sanctions**

Much of the literature on international conflict has concentrated on the factors that lead to its occurrence. This is not that surprising of a direction of study, given the heavy

costs, both economic and humanitarian, that are so often associated with warfare. It is clear from the conflict literature that conflict is a bargaining process. This means that states will weigh the potential costs and gains of any prospective action. In terms of war, this means that states will decide whether the use of force is worth the potential outcome. For example, in 2001 the Bush administration decided that the costs of invading Afghanistan were worth the potential gains of rooting out Al Qaeda.

It is also important to understand that the bargaining process does not simply stop once a state decides to act a certain way, even when it comes to conflict. For example, in 2013 the U.S. decided to withdraw the majority of its troops from Afghanistan. Essentially, the U.S. government reevaluated its preferences and decided that maintaining an active combat force in Afghanistan was no longer in its best interest. On the other hand, states may reevaluate their positions and decide to escalate. An example of this would be the 2003 invasion of Iraq. The United States and its allies had long-standing sanction profiles that had failed to topple the Saddam regime. In 2003 the U.S. and some of its allies decided that the potential costs of invading Iraq were worth the possible gains of removing Saddam from power.

Multiple factors affect the cost-gain analysis that states make when deciding whether to engage in international conflict. The current literature has provided evidence that a variety of factors affect the willingness of a state to go to war; the first of these are contiguity and distance. It is clear from the literature that states that are neighbors are more likely to fight (Bremer, 1992). Transporting one's forces and supplies over fast distances can be expensive. Naturally, the cost of a conflict will go down as the distance between two states decreases. Furthermore, neighbors are more likely to have territorial

disputes, which, as I will describe later, also increases the likelihood of conflict (Huth, 1996; Huth and Allee, 2002).

Power dynamics have also been found to affect the likelihood of conflict between states. As states make their cost-gain analysis, they will consider whether they have a chance to win a conflict and what that victory will cost. Naturally, states will be less likely to attack states that are as powerful or more powerful than them and more likely to attack those that are weaker than them (DiCicco, Levy and Levy, 1999; Reed, 2003). Reed et al. (2008) find that conflict is more likely when the distribution of power and benefits are not equal. They conclude that this occurs when the more powerful state is not receiving the most benefit from the current status quo between two states.

The literature has also provided extensive discussion about the role of regime type on the likelihood of conflict. This line of research has led to the theory known as the Democratic Peace. This theory argues that democracies are less likely to fight with one another than other regime types (Levy, 1988; Maoz and Russett, 1993; Russett and Oneal, 2001). Many contend that the interests and norms shared between democracies cause this phenomenon. There has been evidence that when democracies fight nondemocratic states they are much more likely to win a conflict (Reiter and Stam, 1998).

Another important factor that has been shown to affect the likelihood of conflict between two states is alliances. Evidence has shown that states with similar alliance profiles are less likely to fall into conflict with one another (Morrow, 1991; Leeds, Long, and Mitchell, 2000). This occurs for two reasons. First, this is a sign that the two states have similar foreign policy goals and most likely will not upset one another. Second, each state will fear upsetting its own allies by engaging in military conflict with the other

(Aydin, 2008). It is clear from the literature that states prefer to fight only one state at a time. Wars with multiple states are generally more costly and might not be worth their potential benefits (Morrow, 1991).

The final factor I will discuss is contested territory. I would argue that the research into this factor sheds some light on how natural resource wealth affects the cost-gain analysis discussed above. Huth (1996) finds that territorial disputes increase the likelihood that states will go to war with one another. He argues that individuals are more likely to defend territory if they feel that they have a right to it. Territorial disputes often arise when a piece of territory is of strategic or economic value, Huth contends. He points out that if a territory holds natural resource wealth, the salience of the dispute will increase since this inherently increases the economic value of a piece of territory. Senese and Vasquez (2003) expand on Huth (1996) by looking at all dyad years rather than just those with territorial disputes. This is supported by Diehl (1992), who finds that the salience of an issue increases the likelihood of conflict.

Today the most salient territorial disputes are those that involve rights to natural resource wealth. The current dispute between China and Japan over the Senkaku Islands, a group of small islands in the East China Sea, is one of the most noteworthy examples of this. Both states claim sovereignty over the islands, which are for the most part uninhabited. However, the salience of this dispute has risen extensively with the discovery of large natural gas and oil reserves underneath the islands. Both governments have threatened to use military force to defend their perceived sovereignty over the islands. For instance, China has on multiple occasions deployed military drones to patrol the islands, and the Japanese continually respond with a threat to shoot them down

(Wiegand, 2009). I would argue that this is proof that natural resource wealth increases the benefits of engaging in military conflict.

The sanctions literature has spent far less time exploring the factors that lead to their use. Instead the sanction literature has, for the most part, concentrated on the factors that influence sanction outcomes. This is not that surprising, given that sanctions are often seen as an alternative to armed conflict (Fearon, 1997, Drezner, 2000). This means that we should see states using many of the same factors when deciding to use military force or economic sanctions.

### **3.2 Resource Wealth and Conflict**

The literature discussing natural resource wealth and conflict has been relatively limited. Few studies have truly explored the topic, and many questions still need to be answered. Scholars such as Huth (1990) and Allee and Huth (2002) have shown that there is a positive relationship between natural resource wealth and territorial disputes. Basically, these scholars find that territorial disputes are more likely to escalate into armed conflict if the territory in question has resource wealth. However, these findings are limited in that they do not account for resource wealth that is not located within a piece of contested territory.

Another notable section of the literature covers what has been referred to as petro-aggression. Colgan (2013) argues that resource-rich states tend to be more belligerent in their dealings with their neighbors when they are headed by a revolutionary government. He contends that the cause of this increased tendency toward aggression is largely linked to regime type. However, I would argue that resource-rich states may be more belligerent because they themselves are more likely to become victims of outside aggression.

Basically, Colgan's findings may be at least partially explained by a state's desire to protect itself. Resource-rich states may see themselves as potential targets, given that they have a valuable commodity that others wish to acquire. This may lead to posturing, in which these states act belligerently to dissuade possible attackers.

We also see natural resource wealth having a significant effect within the intrastate or civil war literature. The academic literature has provided substantial evidence that natural resource wealth increases the propensity for civil war. This heightened likelihood has for the most part been attributed to greed. In states with natural resource wealth, internal actors will seek to control the state's resource wealth. This internal friction often escalates into armed conflict between various factions within the states. In these cases, natural resource wealth affects the cost-gain analysis that internal actors make by increasing the potential gains of engaging in rebellion. Given that this theory is based on a negative view of human nature, we can assume that external actors will also seek to gain control over a state's resource wealth.

### **3.3 A More Comprehensive Understanding of the Effects of Resource Wealth**

States are rational actors that conduct a cost-gain analysis before they decide to use military force. When deciding to act, a state will look at all the available information, weigh its options and pick the option that offers the best utility (Bueno de Mesquita, 1981; Fearon, 2005). I argue that the presence of natural resource wealth should increase the likelihood of both conflict and sanctions because it should have a significant effect on this cost-gain analysis. We should see natural resource wealth increase the potential gains of using coercive foreign policy measures for possible aggressors.

This assertion is demonstrated within the contested territory and civil war literature. As Huth (1996) pointed out, the salience of a territorial dispute increases when the territory contains natural resource wealth. This increases the likelihood of conflict. Basically, states are more willing to bear the costs of conflict in order to obtain the resource wealth the territory holds (Huth, 2000; Huth and Allee, 2002). In these cases, resource wealth has increased the expected gains associated with conflict and made the costs of conflict more acceptable to the aggressor.

As discussed above, Colgan (2013) finds evidence that oil-rich states are often more aggressive and belligerent in their foreign policy decisions. He argues that these states have a tendency to upset others in the international community. This also translates to an increased likelihood of conflict. This is supported by the natural resource literature that argues that regimes in resource-rich states are often plagued with rapid and ill-informed policy shifts (Humphreys, 2005; Fjelde, 2009; Ross, 2011). These policy shifts can negatively affect a state's ability to trade its resource, which can cause friction between the resource-rich state and states that depend on its resource. This, combined with the tendency to act belligerently, should increase the likelihood that resource-rich states will upset others in the international community, which should increase the likelihood of coercion, either militarily or economic.

Finally, the civil war literature provides strong evidence that resource-rich states will have a higher propensity for civil discourse and civil conflict (Collier, Hoeffler, and Soderbom, 2008). Given that these states have something others want access to, we can logically assume that other states will be more likely to intervene in a civil conflict if the state in question possesses resource wealth. This could be done for multiple reasons. One

reason may be that other states want to secure the availability of the resource on the market. Obviously, a civil war can disrupt the flow of trade from affected states. On the other hand, we should also see states trying to support whatever side they feel will be more inclined to work with them once hostilities end.

I argue that there are two ways this increased likelihood to become a target can present itself. First, we should see states more willing to use military force against resource-rich states in an attempt to gain control of or annex territory that contains natural resource wealth. We should see this occur because natural resource wealth is something that everyone wants but not everyone possesses. Given that states are self-serving, we should see them seek to control natural resource wealth to increase their power and influence.

The second way this may play out is that other states may decide to use interventionist or coercive means against a state. As stated above, resource-rich states should have a higher propensity to upset others in the international community. The fact that they are more prone to civil conflict should also increase the likelihood of others intervening. In these cases, offended states may use military force or implement sanctions as a way to either send a message of disapproval or coerce the resource-rich state. This can be seen in the example of the recent overthrow of the Gaddafi regime in Libya.

As the civil war within Libya began to damage the state's ability to trade, many Western European nations became concerned given their dependence on Libya for high-end petroleum, which is used to produce jet fuel (Ross, 2011). Although states such as the U.S. primarily receive this resource from Nigeria, the removal of Libyan oil from the market caused an increase in the price of high-level petroleum. It could be argued that



this is why we saw European nations push so hard for international intervention in Libya, and not in other states affected by the Arab Spring. This leads us to the two hypotheses that will guide my empirical analysis.

First, I argue that natural resource wealth should increase the likelihood of a state becoming the target of military conflict. This is because the potential gains of attacking the state will increase if the potential target has natural resource wealth. Furthermore, these states will be more likely to be targeted because other states will seek to control their resource wealth.

*Hypothesis 1: A state's possession of natural resource wealth should increase the likelihood of military force being used against it.*

Secondly, I argue that states that possess natural resource wealth will be more likely to be targeted with economic sanctions because others will seek to assert influence over them and the resource they possess. Given that sanctions are often used as an alternative to war, we should see them being used for the same reasons described above in regards to conflict.

*Hypothesis 2: A state's possession of natural resource wealth should increase the likelihood of economic sanctions being implemented against it.*

### **3.4 Research Design**

In order to test my hypotheses that resource-rich states are more likely to become the target of coercive foreign policy, I have developed two empirical models. I use the Peterson and Drury (2011) dataset, which they use to test the impact of imposed sanctions on the likelihood of third-party aggression. I have chosen this dataset because it

combines data from both the Correlates of War Projects MIDS dataset and the University of South Carolina TIES dataset.

I test all politically active directed dyads from 1980 through 2000. I have chosen this timeframe largely due to data restrictions. The measure I have created to account for natural resource wealth only provides observations dating back to 1980. I have chosen to look only at politically active dyads in order to limit my sample to states that actually have the opportunity to engage in conflict (Quackenbush, 2006)<sup>1</sup>. I use directed dyads so that I can account for MID initiation by one state against another. Within this dataset, all variables are lagged by one year in order to prevent simultaneity bias (Peterson and Drury, 2011).

### **3.4 1 Explanatory variable**

In both of my models, I use a measure of natural resource wealth as my explanatory variable. In order to account for a potential target state's natural resource wealth, I use a variable accounting for the amount of GDP from natural resource rents. Using the World Bank Development Indicator dataset, I calculate this variable by multiplying a state's total GDP for the given year by the percent of GDP from natural resource wealth. I then log this variable, as is common practice within the literature. This was originally used in Sachs and Warner (2001) and has since become a common measure.

This measure gives me one uniform measure of resource wealth, which should help eliminate any potential bias in my sample that could arise by accounting for many

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<sup>1</sup> Politically active dyads account for the possibility of conflict between two states. See Quackenbush (2006) for more information.

different forms of resource wealth separately. Also for this analysis, I wish to look at all natural resource wealth, not just the natural resources typically associated with the resource curse. Many studies have simply looked at one form of natural resource wealth exclusively; for example, many scholars have chosen to concentrate on oil and natural gas. However, I would argue that by only looking at a single resource, such as oil, I would be examining only a small piece of the overall puzzle. Rather, I prefer to account for all resource wealth, including everything from oil revenues to lumber sales.<sup>2</sup>

### **3.5 First Model**

For my first analysis, I look at the relationship between conflict and resource wealth. Once again, I argue that we should see resource wealth affect the likelihood of a state becoming the target of military force. I run a logit analysis to test this hypothesis. I use a logit because, as I will explain later, my dependent variable will be a dichotomous measure of the use of military force against a state.

#### **3.5.1 Dependent Variable**

For my dependent variable, I use a measure for initiation of Military Interstate Disputes (MIDS), originally from the Correlates of War 3.1 MIDS dataset (Ghosn, Palmer, and Bremer, 2004). For this measure, a value of one is assigned when a potential attacker initiates a threat, displays force or attacks the potential target. This variable allows me to accurately account for the willingness and actual use of military force against a state. This is the most widely used measure of military disputes (Quackenbush,

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<sup>2</sup> Some will argue that the possession of different types of natural resource wealth will affect aggression differently. This is a logical claim given that states possess different preferences. However, I would argue that this is a separate question that warrants its own analysis built on a more general understanding of the effects of natural resource wealth.

2015). This variable only accounts for aggression against a state. This allows me to look exclusively at whether resource-rich states are more likely to be the targets of aggression.

However, as Colgan (2013) points out, resource-rich states have a tendency to act more aggressively in terms of foreign policy. Thus, it is possible that states may attack a resource-rich state as a form of retaliation for an MID or other action committed by the resource-rich state. For example, Iraq obviously became a target of international aggression in 1991 not because it possessed oil, but rather due to the fact that it had carried out aggression against its southern neighbor Kuwait.

To account for this, I run my analysis twice, excluding states that are considered to be misbehaving states in the second analysis. I use the same definition as Peterson and Drury (2011), who define a misbehaving state as a state that has initiated a revisionist MID within a two-year period, has engaged in serious human rights abuses within the past two years and/or is considered to be a state sponsor of international terrorist organizations. Under this rule, Iraq in 1991 would be considered a misbehaving state and would be excluded from my robustness test.

Along the same lines, I also decided to exclude cases that are involved in an MID at the beginning of the dyad year. This will allow me to avoid any bias by counting multiple observations from an ongoing conflict between two states. This is a common practice within the literature (Peterson and Drury, 2011).

### **3.5.2 Control Variables**

I use multiple control variables to account for the various other factors that may lead to conflict between two states. I use many of the control variables used in Peterson

and Drury (2011). These variables are all common measures within the literature and will ensure my analysis is in line with the rest of the literature.

The first variable I account for is the power dynamic between states. The literature has shown that power dynamics affect the likelihood of conflict (DiCicco, Levy and Levy, 1999; Reed, 2003; Reeda, Clarka, Nordstroma and Hwanga, 2008). The dataset has a capability ratio variable, which I use to account for the power ratio between the two states in each dyad. This variable was originally drawn from the Correlates of War Project's Composite Indicator of National Capabilities (CINC score) variable. This variable is calculated as the natural log of the initiator's CINC score, divided by the sum of the CINC score within each individual dyad (Peterson and Drury, 2011).

The second control variable I use is a variable accounting for dual democracy. Strong empirical evidence has supported the idea that democratic nations are less likely to go to war with one another (Levy, 1988; Maoz and Russett, 1993; Russett and Oneal, 2001). As such, it is important to account for the regime type of both nations. This variable is a dummy variable with a score of one for dual democracy within a dyad and a value of zero if one or both states in a dyad have non-democratic regimes. The measure of democracy comes from the Polity IV dataset. Each state is assigned a value between -10 and 10 (Marshall and Jaggers, 2002). For this analysis, a value of seven or higher is considered a democracy.

My next control variable accounts for similarities in foreign policy preferences and alliances. It has been shown that states are less likely to attack those that share the same foreign policy preferences (Signorino and Ritter, 1999). Furthermore, alliances have been shown to affect the likelihood of conflict (Morrow, 1991; Leeds, Long and

Mitchell, 2000). I account for this by measuring similarities in alliance profiles. I use Signorino and Ritter's (1999) S score to account for similarities in alliances profiles of each dyad. This is a measure that ranges from -1 to 1. A value of 1 means the two states have identical alliance profiles, while a value of -1 indicates the two alliance profiles are as different as possible (Signorino and Ritter, 1999).

I also account for observations that occurred during the Cold War. This is a common control variable in both the conflict and sanction literature (Drury, 1998; Peterson and Drury, 2011). This will be a dichotomous dummy variable. A value of one represents an observation that occurred during the Cold War, and a value of zero represents an observation that did not occur during the Cold War.

I also account for the distance between each state. It can be logically assumed that the cost of attacking the targeted state will increase along with the distance between the two states. This is supported by the contiguity literature, which shows that neighbors are more likely to fight one another. I account for this by using the Gleditsch and Ward Measuring Space: A Minimum Distance Database. This variable is calculated by accounting for the number of miles between each state's respective capitals. This is a common measure within the literature (Gleditsch and Ward, 2001).

Finally, I account for the number of peace years. This variable will account for the previous history between the two states. It is assumed that if states have fought in the past, they will be more likely to fight again. To account for this, I use a measure of peace years. This is a numeric measure of the number of years since the last dispute between the two states in the dyad.

I also use variables that represent peace years squared and cubed, as is common in the literature (Carter and Signorino, 2010).<sup>3</sup>

### **3.5.3 Results of First Model**

The results from both of my models are presented below. My first model tested my first hypothesis that resource wealth would increase the likelihood of a state having military force used against it. The results are shown in the table below. As we can see, there is strong support for my first hypothesis. We see natural resource wealth being significant in both analyses, with and without misbehaving states. The coefficient is also significant in both analyses. This model provides evidence that as resource wealth increases, so does the likelihood that a state will be targeted. We also see all control variables presenting with significance, except for the S score variable in my analysis including all observations. However, neither S score nor peace year cubed is significant when we exclude misbehaving states.

[Table Continued on Next Page]

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<sup>3</sup> Some scholars have found evidence that the economic relationship between states affects the likelihood of conflict (Barbieri, 1996). As such, I ran a redundancy test accounting for economic interdependence variables. These variables had no effect on the results of this analysis and showed no significance in my model.

**Table 3. 1 Resource Wealth and Military Action**

	Use of Force All States (n= 93270)	Use of Force Without Misbehaving States (n= 63565)
MID Initiation		
Natural Resource Wealth	.283*** (.04)	.372*** (.045)
CINC Score	3.259*** (.359)	4.239*** (.432)
Joint Democracy	-.844** (.276)	-1.263** (.398)
Distance	-.321*** (.022)	-.343*** (.026)
S Score	.972 (.541)	.944 (.55)
Cold War	.776*** (.13)	1.066*** (.179)
Peace Years	-.147*** (.02)	-.141*** (.026)
Peace Years <sup>2</sup>	.002*** (.001)	.002** (.001)
Peace Years <sup>3</sup>	-8.20e-06* (3.48e-06)	-6.90e-06 (4.25e-06)
Constant	-10.805 (1.206)	-13.379 (1.256)

\*Each control variable is lagged one year

p &lt; .05\* p &lt; .01\*\* p &lt; .001\*\*\*



These results support my hypothesis that natural resource wealth increases the likelihood of a state become the target of military aggression. These findings, of course, have some substantive effects on our understanding of why states act the way they do. It would seem that states seek to control natural resource wealth and are willing to use military means to do so. This conclusion is in line with the vast historical record, which paints a dark picture of the lengths states will go to in order to gain resource wealth. This analysis adds to the historical record in that it provides empirical evidence that resource-rich states are still at a higher risk to be targeted than others within the international system.

More importantly, my results show that these states are not simply being targeted because they themselves are aggressors. In my robustness test, we saw that resource wealth was still significantly correlated to outside aggression, even once you exclude misbehaving states. This is an important finding considering that scholars such as Colgan (2013) have argued that resource-rich states tend to be more aggressive in the realm of foreign policy. My results show that resource-rich states are more likely to become targets regardless of whether the state is aggressive itself.

Furthermore, my results may help to explain Colgan's results. It may be the case that resource-rich states tend to be more aggressive because they have grasped the fact that they are more likely to face outside aggression. Being aggressive in their foreign policy may actually be an attempt to discourage outside aggression by sending a message that they are not an easy target.

### **3.6 Second Model**

My second model looks at sanctioning activity; more specifically, whether states that possess natural resource wealth are more likely to be targets of economic sanctions. For this analysis, I use the same measure of natural resource wealth that I used in my first model. I use a measure of sanctions included in the Peterson and Drury (2011) dataset. Originally derived from the TIES dataset (Morgan, Krustev and Bapat, 2006), this variable accounts for direct sanctions imposed by state A against state B. A value of one represents a direct sanction, while a value of zero represents no sanction.

I use the same control variable for this analysis as I did in my first. Drury (1998) points out that sanctions are often an alternative to the use of force. This is supported by Drezner (1998), who argues that sanctions are often a precursor to the use of military force. Thus, we can assume leaders will take similar factors into account when deciding if they want to impose sanctions instead of other foreign policy measures, including the use of force. As with the first model, I run two analyses, one excluding misbehaving states. We can assume that states that regularly break international norms will be more likely to be targeted with sanctions, as is the case with conflict.<sup>4</sup>

#### **3.61 Results of Second Model**

My second model tested my hypothesis that resource wealth would increase the likelihood of a state being the target of economic sanctions. As shown in the table below, the results support my hypothesis. Once again, we see significance in both analyses,

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<sup>4</sup> As with my first model, I ran a redundancy test accounting for the economic relationship between each potential target and sender. Once again, these variables had no effect on the results of my analysis and showed no significance in my model.

providing evidence that these states are not simply more likely to break international norms. The coefficient is positive, showing the likelihood of being sanctioned increases along with resource wealth. All control variables except my Cold War variable are significant. This supports my assumption that leaders will take the same factors into account when deciding whether to use military force or economic sanctions against another state.

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**Table 3.2 Resource Wealth and Sanction Imposition**

	Use of Sanctions All States (n= 93270)	Use of Sanctions Without Misbehaving States (n= 63565)
Imposed Sanctions		
Natural Resource Wealth	.453*** (.064)	.395*** (.062)
CINC Score	10.953*** (2.347)	12.361*** (3.527)
Joint Democracy	-.955* (.393)	-1.249** (.447)
Distance	-.215*** (.06)	-.253*** (.064)
S Score	-5.995*** (.776)	-4.718*** (.826)
Cold War	-.553 (.285)	-.401 (.367)
Peace Years	-.105*** (.026)	-.113*** (.029)
Peace Years <sup>2</sup>	.002** (.0004)	.002** (.001)
Peace Years <sup>3</sup>	-7.34e-06** (2.48e-06)	-7.94e-06** (2.79e-06)
Constant	-14.168 (2.723)	-14.981 (2.905)

\*Each control variable is lagged one year

p &lt; .05\* p &lt; .01\*\* p &lt; .001\*\*\*

As we can see, the results of my analysis support my second hypothesis that resource wealth increases the likelihood of a state becoming the target of economic sanctions. As with the results of my first model, I would argue that these results increase our substantive understanding of why states act the way they do. As I mentioned at the beginning of this chapter, there is a strong history of states using military power to acquire resource wealth and/or influence those that possess it. The findings of this model suggest that states will also use economic means to assert influence over those that possess resource wealth.

My robustness test excluding misbehaving states shows us that states with resource wealth are more likely to be targeted regardless of how they act on the international level. I would argue that these results further support my conclusion that Colgan's findings may be at least partially influenced by the fact that resource-rich states are more likely to be targeted themselves, both militarily and economically.

### **3.7 Other Measures of Democracy**

Comparative scholars have spilled a considerable amount of ink debating what exactly makes a state a democracy. This is not that surprising; democracy is, after all, a very complex phenomenon and has many different definitions. To account for the various ways to measure democracy, I will run several robustness tests using two other measurements of democracy.

The first is the Boix-Miller-Rosato (2012) dichotomous measure of democracy. This measure bases democracy on contestation and participation. The coders of this measure use three criteria, two to measure contestation and one to measure participation. To be considered a democracy, a state must meet all three criteria, as shown below:

### Contestation

1. The executive is directly or indirectly elected in popular elections and is responsible either directly to voters or to a legislature.
2. The legislature (or the executive if elected directly) is chosen in free and fair elections.

### Participation

3. A majority of adult men has the right to vote. (p. 8-9)

The second alternative measure of democracy I will use is a continuous measure of democracy. Some scholars have argued that a dichotomous measure fails to account for the vast variation in regime types and democracy in general. To address this, I will also run my model using a continuous measure of democracy. I will once again use the Polity measure of democracy. In order to apply this measure to my dyadic data, I calculate a measure of the difference in democracy of the two states within each dyad. Basically, I use the absolute value of the Polity score of State A minus the Polity score of State B.

Below are the four tables showing the results of my analyses using alternative measures of democracy. Natural resource wealth still presents a high correlation with the initiation of conflict and sanction imposition in all of the analyses. This adds creditability to my analysis by showing that my results are not significantly affected by my measure of democracy. However, we do see some variation in the significance of democracy in the alternative analyses. This in itself brings merit to the debate about how to accurately measure democracy, since these results show that certain measures may be significant,

while others are not. However, given that democracy is not the focal point of my analysis, it does not affect my conclusions.

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**Table 3.3 Resource Wealth and Military Action Using the Boix-Miller-Rosato Measure of Democracy**

	Use of Force All States (n= 90573)	Use of Force Without Misbehaving States (n= 61924)
MID Initiation		
Natural Resource Wealth	.307*** (.0457)	.373*** (.057)
CINC Score	3.140*** (.389)	3.989*** (.488)
Joint Democracy	.162 (.153)	.316 (.200)
Distance	-.325*** (.024)	-.354*** (.029)
S Score	1.036 (.591)	1.055 (.601)
Cold War	.794*** (.135)	1.135*** (.191)
Peace Years	-.146*** (.020)	-.138*** (.025)
Peace Years <sup>2</sup>	.002*** (.001)	.002*** (.001)
Peace Years <sup>3</sup>	-7.86e-06* (3.29e-06)	-6.72e-06 (3.61e-06)
Constant	-11.327 (1.27)	-13.511 (1.501)

\*Each control variable is lagged one year

p < .05\* p < .01\*\* p < .001\*\*\*



**Table 3.4 Resource Wealth and Sanction Imposition Using the Boix-Miller-Rosato Measure of Democracy**

	Use of Force All States (n=90908)	Use of Force Without Misbehaving States (n= 61924)
MID Initiation		
Natural Resource Wealth	.417*** (.080)	.391*** (.111)
CINC Score	9.511*** (2.296)	10.103*** (2.725)
Joint Democracy	.987*** (.264)	.533 (.328)
Distance	-.263*** (.052)	-.219** (.068)
S Score	-5.385*** (.715)	-5.775*** (.795)
Cold War	-.460 (.287)	-.085 (.312)
Peace Years	-.129*** (.027)	-.086** (.026)
Peace Years <sup>2</sup>	.002*** (.001)	.001** (.001)
Peace Years <sup>3</sup>	-9.87e-06*** (2.80e-06)	-5.97e-06** (2.63e-06)
Constant	-12.853 (3.088)	-11.946 (4.200)

\*Each control variable is lagged one year

p < .05\* p < .01\*\* p < .001\*\*\*

**Table 3. 5 Resource Wealth and Military Action: Continuous Polity Measure**

	Use of Force All States (n= 93270)	Use of Force Without Misbehaving States (n=63565)
MID Initiation		
Natural Resource Wealth	.227*** (.043)	.273*** (.051)
CINC Score	2.673*** (.361)	3.530*** (.466)
Joint Democracy	.027* (.011)	.037** (.013)
Distance	-.280*** (.022)	-.294*** (.027)
S Score	1.171* (.587)	1.278* (.620)
Cold War	.844*** (.125)	1.075 (.177)
Peace Years	-.154*** (.020)	-.155 (.027)
Peace Years <sup>2</sup>	.002*** (.001)	.002 .001
Peace Years <sup>3</sup>	-8.18e-06* (3.47e-06)	-7.47e-06 (4.35e-06)
Constant	-9.588 (1.246)	-11.320 (1.417)

\*Each control variable is lagged one year

p &lt; .05\* p &lt; .01\*\* p &lt; .001\*\*\*

**Table 3.6. Resource Wealth and Sanction Imposition: Continuous Polity Measure**

Sanction Imposition	Use of Sanctions All States (n=93676)	Use of Sanctions Without Misbehaving States (n=63720)
Natural Resource Wealth	.268*** (.084)	.372*** (.073)
CINC Score	8.731*** (2.305)	11.249*** (3.054)
Joint Democracy	.046** (.016)	-.983* (.449)
Distance	-.204*** (.052)	-.266*** (.062)
S Score	-5.380*** (.687)	-4.721*** (.833)
Cold War	-.610* (.280)	-.443 (.362)
Peace Years	-.129*** (.026)	-.137*** (.032)
Peace Years <sup>2</sup>	.002*** (.001)	.002*** (.001)
Peace Years <sup>3</sup>	-9.14e-06** (2.69e-06)	-.001** (3.32e-06)
Constant	-9.211 (3.052)	-13.366 (2.733)

Each control variable is lagged one year

p &lt; .05\* p &lt; .01\*\* p &lt; .001\*\*\*

### **3.8 Conclusion**

The results of my analysis provide evidence that natural resource wealth increases the likelihood of a state becoming a target of military action and/or economic sanctions. These findings carry important implications for the literature on natural resource wealth, as well as the literature on both military conflict and economic sanctions. Much of the natural resource literature has concentrated on the fact that states with natural resource wealth are at a distinct disadvantage in terms of domestic security and development. However, very little research has been conducted on the effects of natural resource wealth on the international level. The results of this study suggest that these states are also disadvantaged in the way others in the international system treat them. Natural resource wealth seems to make a state a more desirable target. These results suggest that the resource curse may expand beyond the domestic political arena.

This study also adds to our current understanding of what drives states to use military force against others in the international system. Although there has been extensive research into the effect of natural resource wealth on intrastate conflict, far less research has been conducted on its effect on interstate conflict. The previous literature has only explored the effects of natural resource wealth in relation to a state acting as an aggressor and the likelihood of a territorial dispute escalating into military conflict (Huth, 1996; Colgan, 2013). This piece provides empirical evidence that states that possess natural resource wealth are in general more likely to become the targets of military aggression. Furthermore, by running a separate analysis without misbehaving states, this

study suggests that these states are not simply more likely to become targets in response to their own belligerent actions.

I would argue that this is an important finding, given that others, such as Colgan (2013), have found evidence that oil wealth is connected to aggressive foreign policy. It would appear that resource wealth increases the likelihood of a state becoming a target, regardless of whether a state follows international norms. This also brings up an interesting question: Is resource wealth linked to belligerent foreign policy because these states understand that they are more likely to become the targets of aggression by others in the international community? Is it possible that these states decide to act aggressive as a form of deterrence?

We also saw evidence that states that possess natural resource wealth are more likely to be targeted by economic sanctions. Economic sanctions have become one of the most commonly used forms of coercive diplomacy within the world system. This study adds some light to the factors that affect the likelihood of sanction implementation, a relatively understudied area of research. Though there has been extensive research into the effectiveness of sanction imposition, far less research has been conducted in regards to the factors that affect the likelihood of a state becoming a target. As with the initiation of conflict, we see that states that possess natural resource wealth are more likely to have economic sanctions used against them, regardless of whether they themselves are prone to breaking international norms.

All of these findings seem to suggest that other states will seek to control natural resource wealth through the use of coercive means against those states that possess resources. In the past, states would seek out and conquer others in order to gain access to

and/or control of natural resources. This study provides evidence that this is still the case; however, in today's world it would seem that states implement coercive measures to gain influence over those that possess resource wealth. I would argue that this is an important finding that furthers our understanding of what drives states to act the way they do.

Of course this is by no means the whole picture. The implementation of foreign policy is a very complex endeavor that has shown to be affected by a multitude of factors, both domestic and international. I would argue that these results bring to light a need to further examine the role of natural resource wealth on political phenomena on the international level. Continued research could further our understanding of both the effects of natural resource wealth and political phenomena in general.

## **Chapter 4**

### **Defying Coercion: Does Resource Wealth Affect Sanction Outcomes?**

Economic sanctions have become one of the most commonly used forms of coercive foreign policy within the world system, with their use increasing dramatically over the past few decades. This trend is not at all surprising; economic sanctions allow leaders to negatively affect and, in some cases, force their will on other states without having to fire a single shot. As sanctions have become more widely used, they have become a major area of study within the international relations literature. The debate over the effectiveness of economic sanctions has dominated the sanctions literature for years.

However, as the literature on economic sanctions has expanded, attention has shifted to trying to determine what factors directly affect sanction success. I would argue that this is a logical shift. We need to spend less time debating whether sanctions are effective and more time trying to explain why some states are able to withstand sanctions while others cave quickly. This is the area to which I wish to add.

I hypothesize that the literature on the effects of natural resource wealth may explain some of the variation we see in sanction outcomes. Few, if any, scholars have looked at the effects of natural resources on the ability of sanctioned states to weather the implementation of economic sanctions. Based on both the common theory that sanction busters (states that continue to trade with sanctioned states) help increase the ability of targeted states to withstand economic sanctions and the literature on natural resources, we can assume that resource wealth can increase targeted states' ability to overcome economic sanctions. I would argue that resource wealth will increase the likelihood of third-party states defying others in the international community in order to have access to

the resources a target state may have. This should occur because natural resource wealth increases the potential benefits of intervention on the part of third parties. This, in turn, should increase the likelihood of target states overcoming the use of economic sanctions against them.

In the following, I show that the current literature on the use of economic sanctions and natural resource wealth clearly points to the fact that natural resource wealth should have an effect on sanction outcomes. This should occur because natural resource wealth will increase the ability of targeted states to negate the negative costs of imposed economic sanctions. I break up my analysis into several sections. First, I explain how economic sanctions work and why it is important that we continue to devote time to studying them. I explain where the literature on economic sanctions and natural resource wealth stands today. From there, I present a case study looking at the case of U.S. sanctions against Iran. Next, I lay out my theoretical argument and the model I use to test my hypothesis. This analysis furthers our understanding of how economic sanctions work and adds to the current literature on the topic.

#### **4.1 What We Know About Economic Sanctions**

The majority of the early literature on economic sanctions generally concentrated on their effectiveness. Although there has been some disagreement, the majority of scholars agree that sanctions have an incredibly high rate of failure, only succeeding around 7 to 12 percent of the time (Pape, 1997; Drury, 1998). These findings lead scholars to shift their focus to the factors that help determine the success of sanction episodes. This is the area of the literature to which I wish to add. I hypothesize that



natural resource wealth will increase the ability of a target state to endure the imposition of sanctions, ultimately making sanctions less effective.

When looking through the vast literature, it is clear that sanction success basically boils down to costs, to both the target and the sender. This is not surprising, considering that the majority of the international relations literature, most notably that discussing conflict, has accepted the notion that states will make a cost-gain analysis when deciding how to act. This should also be the case with sanction imposition and continuation. We should see states weigh their options before they decide to impose sanctions against another state. They will have to decide if the loss in trade that they will see when they decide to sanction a potential target is worth the potential gains. Furthermore, we should see this cost-gain analysis continue throughout a sanction case. Bargaining is a continuous process, and as such we should see both senders and targets continually evaluate their position and goals. As you will see, the factors that have been shown to affect sanction outcomes all directly relate to the costs associated with either the target or the sender.

The first factor that has been associated with sanction effectiveness is regime type. Regime type is a factor that has been shown to have a significant effect on the way in which states interact on the international level (Allen, 2005). The current research on this topic tells us that sanctions are generally more effective against democratic regimes. These scholars argue that this is because democratic leaders are more directly accountable to the citizenry. Sanctions are generally meant to put pressure on a state's citizenry in the hope that they will pass this pressure onto their political leaders (Drezner, 1998, Peksen and Drury, 2009; Peksen and Drury, 2010). So, in theory, it should be

easier for the general public to pass the pressures caused by imposed sanctions onto their leaders in democratic states. This notion is supported by scholars such as Lektzian and Souva (2003), who show that sanctions are more effective against states with larger winning coalitions.

However, in an authoritarian government it is much harder for citizens to have a voice in the government or initiate a change in the state's policies (Fearon, 1997).

Authoritarian regimes also tend to crack down on their citizens when sanctions are imposed against them (Peksen, 2010; Peksen, 2011). This is supported by Peksen and Drury (2009), who find that the imposition of sanctions tends to cause a decrease in the democratic values of states. This idea that governance affects sanction outcomes is furthered by McGillivray and Stam (2004), who show that different forms of governance within targeted states affect the way in which they react to the implementation of economic sanctions.

Drury (1998) argues that the direct involvement of an International Organization (IO) increases the effectiveness of a sanction episode. This is because IOs have the means to mobilize multiple states to participate in a sanction episode, and to punish those that do not. The literature also tells us that multilateral sanctions that are not strongly supported by an IO are actually less effective. It is believed that powerful IOs act as form of oversight, making sure that states follow the guidelines played out for the imposition of sanctions and assisting states in coming up with a collective strategy (Drezner, 2000; Miers and Morgan, 2002).

The length of a given sanction episode also has a major impact on effectiveness (Nossal, 1989). This is because sanctions are generally seen as having a compounded

effect. That is, the costs associated with a set of imposed sanctions increases as they persist. This is the case for both the sender and the target. So, as time passes, the likelihood that a sanction episode will end increases. There is also some research that has suggested that there is a certain amount of time that it takes for the negative costs of a sanction episode to start to appear. The general logic behind this theory is that states are able to initially compensate for the loss of trade produced by the imposition of sanctions (Drezner, 1998; Drury, 1999; Bolks and Al-Soway, 2000). The length of this period ranges based on the target.

Fearon (1997) argues that leaders have to signal their intentions to other leaders in order to successfully accomplish their foreign policy objectives. He uses game theoretic models to show that if leaders signal their intent correctly, they can “tie the hands” of the leaders of targeted states. He concludes that the way in which leaders present themselves and their intentions has a major impact on the effectiveness of foreign policy endeavors, including economic sanctions. This is supported by Drezner (1999), who shows that when it comes to economic sanctions, leaders will gauge the willingness of the other side to escalate the confrontation. If the government of one state believes the other will escalate, it may be more willing to cave to the demands of its adversary. Peterson (2013) finds that potential targets will assess whether the potential sender is prone to empty threats. This all tells us that leaders make a cost-benefit analysis when deciding how to respond to the imposition of sanctions.

The most notable factor in terms of this analysis is the presence of a sanction buster. A sanction buster is a state that either continues to trade with or financially supports a sanctioned state. It should be noted that the latter is much less common (Early,

2015). The presence of a sanction buster affects the outcome of a particular sanction episode by helping to dampen the negative cost of the sanctions to the targeted state.

Early (2015) provides two reasons why a state will choose to intervene and act as a sanction buster. The first reason is political. A third-party state may provide aid or continue to trade with a sanctioned state to undermine sanctions that have been imposed by an adversary. He uses the instance of the USSR supporting Cuba as a primary example. During the Cold War, the USSR and China provided aid to the Cuban government in order to undermine the American sanctions imposed against the state. This ultimately had a negative effect on the ability of the U.S. to influence the Castro regime, and it helped prolong the sanction episode. This type of sanction buster can also be referred to as a black knight. This type of terminology is often used in the earlier literature on economic sanctions.

The second reason Early (2015) identifies for why a state may decide to become a sanction buster is for purely economic reasons. Economic sanctions often leave a hole in the targeted state's economy. This hole is caused by the cutting of some or all of the trading ties between the target and the sender. Furthermore, the target's market becomes less competitive as the sender state withdraws from it. Others in the international community may see the creation of this hole in the target's economy as an opportunity to profit. They may decide to act as a sanction buster to fill the gap in the targeted state's economy and/or to capitalize on a less competitive market.

The literature also shows that states assess their chances of acquiring a sanction buster when deciding how to respond to a sanction threat. McLean and Whang (2010) find that when states are deciding how to respond to the threat of or the actual

implementation of sanctions against them, they will look to their allies to determine if any of them will support them throughout the sanction episode. This shows that states realize that having a sanction buster will decrease the potential costs of having sanctions imposed against them.

Early (2009) shows that the decision to act as a sanction buster is not limited to the enemies of the sender. He finds evidence that a sender's allies are more likely to become sanction busters than the sender's enemies. Early (2011) further contends that states are not the only actors that can act as sanction busters. He shows that firms can independently act as sanction busters. Early points to the fact that many U.S. companies have set up offices in the United Arab Emirates in order to participate in sanction-busting trade with Iran.

It is clear from the literature that both sender states and target states make a cost-benefit analysis when deciding how to act during a sanction episode (Drury, 2005). Thus, it is only logical to assume that potential sanction busters will do the same. We can logically assume that states and firms will only decide to act as a sanction buster when they see the potential gains of such actions outweighing the potential costs. As I will expand on later, I would argue that resource wealth should increase the potential gains of trading with a sanctioned case. This should reduce the costs of sanctions to targeted states that possess natural resource wealth, and ultimately increase their ability to withstand the use of economic sanctions against them.

## **4.2 The Case of Iran**

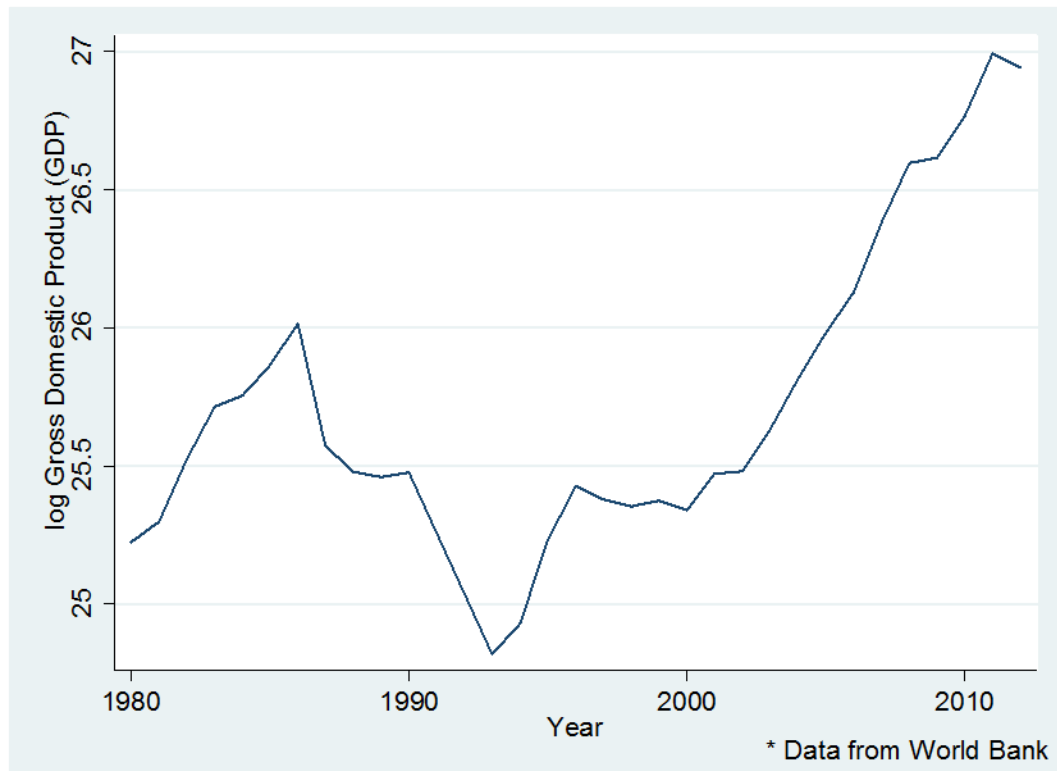
The U.S.-Iran sanction case shows how natural resource wealth affects the ability of a targeted state to survive the use of economic sanctions. As noted above, there has

been no direct research on the effects of resource wealth on economic sanctions or on foreign policy in general. My argument has been drawn largely from the conclusions of other areas of study. I would argue that showcasing an example of resource wealth increasing a target state's ability to withstand sanction implementation will help support the conclusion on which I have based my analysis. This study will also allow me to show the complexity of this issue. For this short case study, I will look at the case of imposed economic sanctions against the Islamic Republic of Iran.

Since 1979, the U.S. has maintained sanctions against Iran. These sanctions have varied from time to time, and on several occasions have been strengthened. The U.S. has used sanctions to pursue several different objectives against Iran: most notably, to halt Iran's nuclear ambitions, stop Iran's sponsorship of terrorism and to help facilitate the creation of a democratic state (Moret, 2015). Until only recently, the U.S. had cut almost all diplomatic contact with the state of Iran and had installed one of the strictest sanctioning profiles within the current world system. However, these sanctions had failed to cause any change in Iranian policy, largely due to the ability of Iran to attract third-party states to act as sanction busters (O'Sullivan, 2003).

[Table Continued on Next Page]

**Graph 1. Iranian GDP 1980 through 2012**



The graph above shows the total GDP of Iran from 1980 until 2012. As we can see, for the most part Iran has seen steady economic growth through the implementation of sanctions by the United States. We see economic growth through the beginning stages of sanction implementation, with Iran showing strong economic growth throughout the early 1980s. However, we do see a drop in the nation's GDP from the mid-1980s through the early '90s. As Askari (2003) explains, this drop was not directly related to the implementation of economic sanctions. During this time, Iran was experiencing a large population increase that was putting extra strain on the government. Also, the state was recovering from a devastating war with Iraq, which had cost the state dearly and left much of its infrastructure in ruin. Furthermore, the state was hurt by decreases in oil

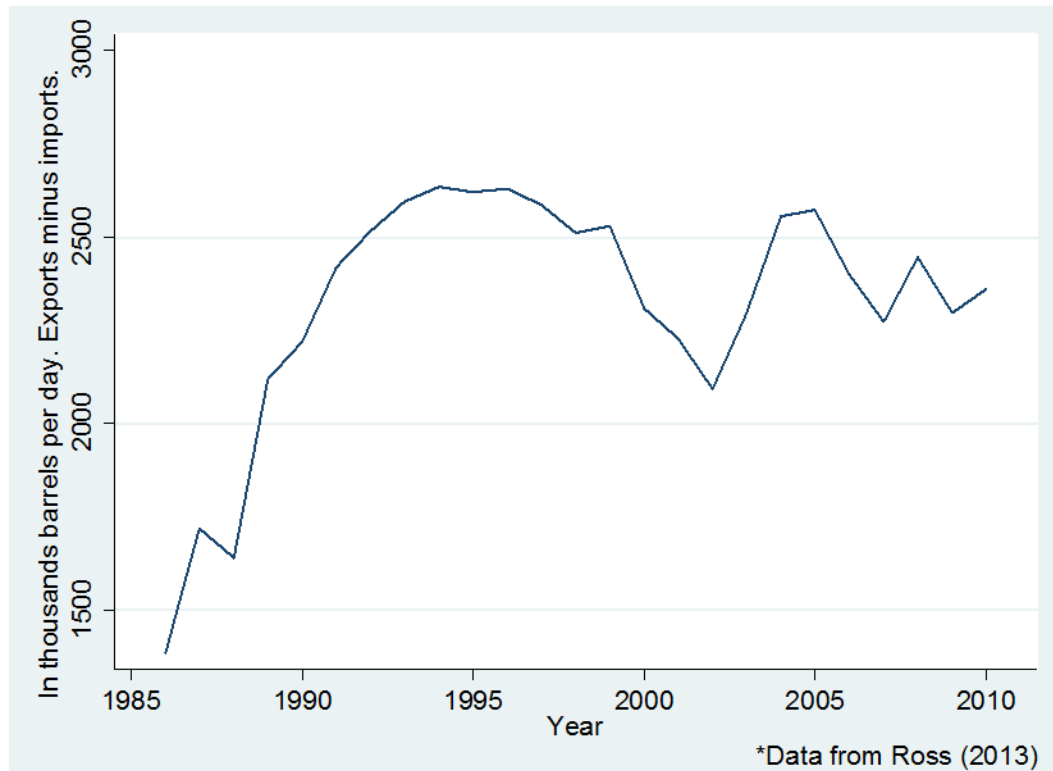
prices throughout this time frame. Given that the state at the time was largely resource-dependent, this was very damaging to its economy. But starting in the mid-1990s, the state began to recover and continued to grow economically through 2012.

We can see in the graph below that Iran's ability to trade oil on the international market was not hampered by the sanctions imposed by the U.S. and its allies. After the state's war with Iraq, its oil exports began to rise drastically despite the sanctions imposed against it. It is clear (taking Graph 1 into account) that the Iranian government is still able to trade oil and industrial goods to its close allies, most notably China. For many years, China has acted as a sanction buster in the Iranian case. China is a rapidly growing economy and has experienced immense industrialization as the government's economic reforms have pushed the state into an industrial revolution (Ong-Webb, 2009; Eckert, 2010; Early, 2011). China's industrialization has been accompanied by a dramatic increase in the state's population, which has created a high demand for oil. All of this has led the rising power to align itself with Iran.

[Graph Continues on Next Page]



**Graph 2. Iranian Oil Exports 1986 through 2011**



For Iran, China is an irreplaceable ally. China is one of the five permanent members of the U.N. Security Council, which is responsible for preventing nuclear proliferation. In recent years, the U.N. Security Council has pressured Iran to cooperate with the International Atomic Energy Agency. Iran has remained uncooperative, so the U.N. has been forced to implement economic sanctions against the state on three separate occasions (Eckert, 2010). But as Eckert points out, finding consensus among the Security Council members has proven difficult given the dependency of China on Iranian oil and Russia's history of support for the Iranian government. She states that there has been a severe lack of follow-up on compliance in the Iranian case compared to other sanction cases. In fact, no special committee has even been set up to monitor compliance, which is commonplace in almost every other case. Eckert (2010) explains it well when she states,

“It appears that the enormous effort to achieve consensus to impose sanctions in the first place has left little enthusiasm for aggressive enforcement, and lack of political will has resulted in half-hearted measures” (p. 73).

This is reiterated by Ong-Webb (2009), who points out that both Iran and China have the other in its pocket. He states that the Chinese are desperate for oil and that Iranian oil makes up 12 percent of China’s annual imports. Furthermore, the Iranians are desperate for Chinese manufactured goods since no one else will trade with them. Chinese dependence is further shown by the fact that China has generally supported actions against nuclear proliferation in the past, but simply not in the case of Iran.

Early (2015) points out that UAE has also acted as a sanction buster in the Iranian case. Early argues that UAE’s decision to become a sanction buster was almost exclusively driven by the profit from doing so. In fact, UAE has a very strong security alliance with the U.S., actually housing multiple U.S. forward-operating military installations. Yet, in spite of this alliance, the state has actively worked as a sanction buster in the Iranian case. As Early explains, UAE is perfectly positioned to become a sanction buster for Iran. Dubai has long been a major trading hub for the region. It is fairly close to Iran, making smuggling through international waters fairly easy. Furthermore, UAE has a fairly large Iranian population that has used its ties to the nation to set up profitable trading relationships with Iranian firms.

Rather than become a major consumer of Iranian goods, UAE has essentially become a middleman of sorts between Iran and others in the international community. Throughout the 30-year period in which the U.S. has imposed sanctions against Iran, UAE has drastically increased both its legal and illegal trade with Iran. UAE has also

become home to many western firms that wish to work around the Iranian sanctions. As Early (2015) points out, Hewlett-Packard is the third most popular computer brand in Iran.

Most importantly to this analysis, UAE has facilitated the sale of Iranian oil to others within the international community. As Askari (2003) points out, UAE often will take oil from Iran and rebrand it as coming from somewhere else. This way the oil can be sold to a broader range of buyers, some of which are unknowingly acting as sanction busters. He even claims that the U.S. is actually consuming Iranian oil without realizing it.

It is clear that both China and UAE have had a major impact on Iran's ability to withstand the implementation of economic sanctions by some of the most powerful economies in the world system. Eckert (2010) sums things up by pointing out that the International Monetary Fund, the World Bank, the United Nations Development Program and the European press have all indicated that the sanctions have only had a marginal effect on the Iranian economy.

#### **4.3 Theoretical Argument**

As we can see by looking at the current literature, there is no research directly examining the effects of natural resource wealth on sanction outcomes. However, we can make several logical assumptions about how natural resource wealth should affect the use of economic sanctions. First, we see that sanction success really comes down to whether the sender can cause enough damage to the targeted state to force it to give into the sender's demands. In order for this to occur, the costs of the demanded policy change

have to be less than the costs associated with the implementation of sanctions by the sender.

Scholars have provided multiple factors that affect the costs to a targeted state. Most notable in terms of this analysis is the presence of a sanction buster. The literature tells us that the presence of a sanction buster increases the likelihood that a sanction episode will fail by decreasing the costs of the episode to the targeted state. Third parties generally become sanction busters for economic reasons. In most cases, these states decide to act as sanction busters to gain access to a potentially profitable and less competitive market. I would argue that the presence of natural resource wealth will increase the willingness of other states to continue to trade with a targeted state, despite the chance of retribution from other international actors.

It is clear from the literature that states make a cost-gain analysis before they decide to act (Bueno de Mesquita, 1981). States are rational actors and as such will weigh their various options in a given situation, picking the outcome that will give them the most potential gains compared to its potential costs. This is not always an easy task, given that states will always face an information deficit (Fearon, 1998). Taking this into account, we should see potential sanction busters make a cost-gain analysis when deciding if they want to trade with a sanctioned state. Sanction busting does come with potential costs. A state that decides to act as a sanction buster may face repercussions from sender states. These could include a strained relationship with others in the international community and even the possibility of having sanctions imposed against it as well (Early, 2009).

I would argue that natural resource wealth will affect the cost-gain analysis that potential sanction busters make by increasing the potential gains of continuing to trade with a sanctioned state. After all, natural resource wealth is something that most states wish to possess, but only a few do. It is clear from the conflict literature that natural resource wealth affects the potential gains of conflict in territorial disputes. Huth (1996) points out that territorial disputes are more likely to escalate to conflict when the territory in question possesses natural resources. In these cases, natural resource wealth has increased the potential gains of action by at least one of the two states involved in the territorial dispute. As such, the presence of natural resource wealth has become a standard variable in the study of territorial disputes. I would argue that this should also be the case when it comes to states deciding to act as sanction busters.

Furthermore, resource-rich states tend to have very inclusive authoritarian regimes (Humphreys, 2005). I would argue that this should help insulate the political elite from the negative costs of economic sanctions. Typical sanctions are meant to put pressure on a state's population in the hopes that they will in turn pass it onto the ruling regime. Authoritarian regimes are often more insulated from this mechanism, which is why sanctions are often less effective against authoritarian regimes (Allen, 2005; Escriba-Folch, 2012). I would argue that the regimes of resource-rich states will be even more insulated because they are less dependent on revenues collected from the citizenry. The regimes of resource-rich states should be able to use their resource wealth to maintain control of the state by paying off other political elites and insulating the ruling class from the negative costs of sanctions. It is also logical to assume that these regimes can use the

profits from trading their resource to sanction busters to support the citizenry as a whole when needed, in order to avoid a public overthrow of the regime.

There are multiple examples of natural resource wealth affecting the success of sanctions. In the case study, I showed that Iran has managed to acquire sanction busters such as China because it wants access to the state's resource wealth. Aning (2003) shows that nations in eastern Africa have been able to successfully maneuver around imposed sanctions to sell their valuable resources on the international market. He shows that Liberian natural resources continued to be traded as a way to fund military efforts after the implementation of economic sanctions by international actors. In both of these cases, we see targeted states being able to continue to trade their resource wealth despite the fact that they have sanctions imposed against them. Taking all of this into account, I arrive at my hypothesis:

*Hypothesis: Given natural resource wealth, targeted regimes will be more equipped to bear the burden of economic sanctions and therefore will be more likely to resist the will of the sender state(s).*

#### **4.4 Empirical Model**

In order to test my hypothesis that natural resource wealth will increase the ability of a targeted state to resist the will of the sender state, I implemented an Ordinary Least Squares (OLS) model. As I will explain later, my dependent variable will be a ten-value ordinal measure. I have decided to use an OLS rather than an ordinal logit/probit because my sample size is less than one hundred. As such, using an ordinal MLE model would negatively bias my results. However, as Woodridge (2009) points out, it is acceptable to use an OLS in the place of an ordinal MLE when the number of possible observations is

five or more. Given that my measure has ten possible observations, an OLS model will produce the same results of an ordinal MLE model. I have compiled my sample using data from the University of North Carolina TIES dataset. This is a prominent data source on economic sanctions. This dataset is currently coded to include all cases of economic sanctions implemented in or before 2005.

As my sample, I will use all cases of sanction imposition from 1980 until 2005. I have excluded several types of sanctions from my model. As I have already mentioned, sanctions have become a major staple of foreign diplomacy for the economic powers of the world. The large economies often implement minor sanctions against each other for various perceived trade violations and other minor issues. The U.S., in particular, is very fond of this method of coercion. For example, the U.S. has implemented minor sanctions against Canada many times over the years as a way to send a message of disapproval for minor trade disputes. These sorts of sanctions more or less act as a simple signal of disapproval toward other large economies. In most cases, the infraction is minor and does not really lead to any further confrontation. For this reason, I have excluded these cases from my sample. This is the norm for research within the study of economic sanctions (Drury, 1999). As such, I have excluded cases the TIES dataset classifies as being implemented for the improvement of environmental policies, trade practices, and the implementation of economic reform.

#### **4.4.1 Explanatory Variable**

I use a measure of natural resource wealth as my explanatory variable. For my measure of resource wealth, I use a measure of income from natural resource rents. I use the World Bank development indicators dataset to calculate this variable. I calculated this

measure by multiplying a state's total GDP for the given year by the percent of GDP from natural resource wealth. I will then log this measure, as is common practice within the literature. I will use the percent of GDP from natural resources for a given state the year before the threat of sanctions. This allows me to measure a state's GDP from resource wealth before any damage from the imposition of sanctions occurs. This measure was originally used by Sachs and Warner (2001), and has become a common measure of natural resource wealth.

This measure gives me one uniform measure of resource wealth, which should help eliminate any bias that could arise from accounting for multiple forms of resource wealth individually. Secondly, for the purposes of this analysis, I wish to look at all natural resource wealth, not just the resources typically associated with the resource curse, such as oil and natural gas. Rather, I wish to account for all resource wealth; this includes everything from oil reserves to cocoa crops.

#### **4.4.2 Dependent Variable**

My dependent variable represents the outcome for the target state within a given sanction case. Much of the literature on economic sanctions uses a dichotomous variable that accounts for the success of economic sanctions in a given case. This measure is generally calculated by researchers looking at a case and deciding whether the use of economic sanctions was successful in persuading the targeted state to give into the demands of the sender state(s). I would argue that the use of this sort of measure is problematic.

Negotiations between states are complex; they are not by any means simple. I would argue that using a simple pass/fail measure causes a study to miss out on the



variation one sees in negotiations. For example, it is possible to have a situation in which two states both cave to the demands of a sender, but one state gives up less than the other. By using a simple dichotomous variable, one misses out on this variation. I would argue that this variation is important to measure, especially when looking at a state's ability to withstand the implementation of economic sanctions. Just because a sender state is seen as "winning" does not mean that the target state did not come out better through negotiations. Taking this argument into account, we can assume that a state with resource wealth will have a better position at the negotiating table. I would argue that it is very important to use a measure that accounts for the variation in settlements.

As such, I decided to use the TIES dataset's target settlement variable as a proxy for sanction outcomes. This variable measures the settlement outcome in terms of the goals of the target on a ten-point scale. The scale ranges from 0 to 10, with 10 representing the best possible outcome for the target state (TIES Codebook). This allows me to accurately assess the capability of a state to withstand coercion through economic sanctions. Targeted states that concede to all or most of their goals can be assumed to have little ability to withstand the implementation of economic sanctions, while targeted states with an increased ability should fall on the higher end of this scale.

#### **4.4.3 Control Variables**

The literature has provided multiple factors that can lead to the failure of a sanctions episode. As such, I have added multiple control variables to my analysis to account for these factors. My first control variable is a dummy variable for cases that occurred during the Cold War. When doing a study of this sort, it is important to look at sanctions implemented during and after the Cold War differently (Drury, 1999). During

the Cold War, the U.S. and its European allies implemented sanctions largely to dissuade the spread of communism. Since the breakup of the Soviet Union, the foreign policy goals of both the U.S. and the European community have changed. The sanction buster or black knight concept originated from the Cold War era (Drury, 1999). During this time frame, the East and the West were in constant competition for influence all around the globe. If one of the two superpowers sanctioned a state, it was very likely that the other would begin to economically support the targeted state in an attempt to undermine its adversary's position. I would argue that it is important to take this dynamic into account. In order to account for the changes within the world system that occurred at the end of the Cold War, I have coded cases that occurred during or immediately following the Cold War (1993 and earlier) as a one, and cases after the Cold War as a zero.

I also use a variable to account for the severity of the economic sanctions implemented. This is an important component to any analysis of economic sanctions. Economic sanctions are very complex and often designed specifically to cause as much harm as possible to the target. Also, each set of sanctions will be tailored for a specific effect, which may be severe or mild. Due to this vast variation between cases, it is essential to account for the severity of a series of economic sanctions. There have been multiple factors and variables put forth by the literature. These include such measures as prior relationship between the target and sender, state of the target's economy, state of the target's political system and intensity of international pressure (Drury, 1999). In much of the literature, these various control variables are accounted for individually. But for my analysis I have chosen to use a single variable to account for the severity of sanctions for several important reasons.

I have decided to use the TIES dataset's cost to the target state variable. This is a measure that accounts for the overall cost of a case on economic sanctions on a targeted state. The target costs variable takes into account the many variables that account for the severity of economic sanctions. This measure was first used by Bapat, Heinrich, Kobayashi, and Morgan (2013), who found evidence that the target costs variable was one of the most significant factors in determining sanction success. This variable is coded as an ordinal measure. A value of one represents minor economic hardship, while a value of three represents severe economic hardships.

When looking at sanction success, it is also important to account for the regime type of the targeted state. The current literature has provided evidence that sanctions are more effective against democratic governments (Allen, 2005). Sanctions are generally meant to put pressure on the population of a state in order to persuade leaders to bend to the will of the sender(s) (Simons, 1999). Democracies are more vulnerable because their leaders are held directly accountable to public opinion. This is generally not the case with authoritarian regimes. Authoritarian regimes often are able to push the negative cost of sanctions onto an already repressed populace (Allen, 2005; Major, 2005; Peksen, 2011). To account for the effect of regime type, I have created a dichotomous variable using the Polity dataset (Marshall and Jaggers, 2002). In this measure, democracies are coded as a value of one, and authoritarian regimes will be coded as a value of zero.

I also account for the length of each case of sanction implementation. It is important to account for the length in which sanctions were implemented for two main reasons. First is that states are often able to hide or compensate for the negative effects of sanctions in the early stages of their implementation. As time passes, it becomes harder

for them to do so. Secondly, as sanctions continue, more and more damage is theoretically done to a targeted state (Nossal, 1989). It is logical to assume that each state will have a breaking point, so to speak. At this point, the state will give into outside pressure. As time goes on, it is more probable that this point will be reached. I account for the length of sanctions by giving a simple numeric value to each case. For example, a state that endured the use of sanctions for ten years will receive a value of 10. I measure in years from the time that sanctions were first threatened by the sender state and stop at the point in time that either the sanctions were removed or policy changes were made by the targeted state. This is the norm when it comes to measuring sanction length (Drury, 1999).

I have also created a control variable that accounts for whether G8 member states and/or the European Union are considered to be the primary senders. I have decided to use cases in which G8 member states and the European Union are primary senders for several reasons. Scholarly research has shown that sanctions put forward by the hegemonic power, economically powerful states and powerful international organizations have the largest effect (Drury, 1999).

As the last true superpower, the U.S. is the clear hegemon in the current international community and has a very powerful economic reach throughout the world. The rest of the G8 member states are also economically powerful actors, so we should see them wield this form of coercion more than weaker states, and do so more effectively. The European Union is arguably one of the most powerful International Governmental Organizations (IGOs) in the world. Europe contains some of the most powerful economies in the international community. As integration has occurred among the states

of Europe, the EU has become a powerful economic actor within the international community. So, together the U.S., G8 member states and the EU should theoretically implement the most powerful and effective economic sanctions. I will account for G8 sender by creating a dichotomous variable in which a value of one will represent a G8 sender in a given case.

For my final control variable I use a dummy variable for the presence of an International Organization (IO) within the sanctioning process. It has been shown by the literature that the presence of an IO can help increase the likelihood of success in cases of economic sanctions (Drury, 1999; Bapat, Heinrich, Kobayashi, and Morgan, 2013). I will use the IO variable provided in the TIES dataset. This is a simple dichotomous variable. A value of one indicates that an IO was directly involved in the sanctioning process, while a value of zero represents no direct involvement by an IO.

#### **4.4.4 Other Measures of Democracy**

As I did in the previous chapter, I will run my analysis using several different measures of democracy. I have done this to preempt any arguments that my results are biased due to the particular measure of democracy that I have chosen. The first alternative measure I will use is the Boix-Miller-Rosato (2012) dichotomous measure of democracy. In order for a state to be classified as a democracy, a state has to meet all of the criteria below:

##### **Contestation**

1. The executive is directly or indirectly elected in popular elections and is responsible either directly to voters or to a legislature.

2. The legislature (or the executive if elected directly) is chosen in free and fair elections.

#### Participation

3. A majority of adult men has the right to vote. (p. 8-9)

I will also use a continuous measure of democracies. This measure will consist of the adjusted Polity measure, which ranges from -10 to 10. A value of -10 represents a completely authoritarian state, and a value of 10 represents a consolidated democracy.

### **4.5 Empirical Results and Discussion**

In this section, I present and discuss the results of my empirical analysis, shown below. As we can see, in my analysis my variable accounting for natural resource wealth is shown to have a significant effect on target sanction outcomes. However, as we can see the causality of the coefficient for resource wealth is negative. This would suggest that resource wealth actually has the opposite effect than I hypothesized earlier. Furthermore, these results go against my previous results that showed a positive relationship between resource wealth and target outcomes when only looking at G8 states (Ernst, 2014). This leads me to believe that there are some sort of marginal effects occurring between G8 and natural resource wealth within my model. We also see that G8 status of the primary sender is the only other variable showing any significance.

We can also see that natural resource wealth is still significant using our continuous measure of democracy, though it is not when we use the alternative dichotomous measure I discussed above. However, I would argue that this does not call the validity of my results into question, given that resource wealth is significant using the

other two measures of democracy. Furthermore, when looking at the raw results, it is clear that natural resource wealth barely passes the threshold of significance in the first two analyses and barely misses it in the third. The measure of democracy is only having a marginal effect on the significance of natural resource wealth. As we will see later once I address the marginal effects that are present in my model, natural resource wealth is shown to have a very strong level of significance.

**Table 4.1 The Effects of Natural Resource Wealth on Sanction Outcomes**

Settlement Outcome	Democracy	Continuous Measure of Democracy	Alt. Dichotomous Measure
Natural Resource Wealth	-.363* (.176)	-.364* (.175)	-.299 (.181)
G8	1.764** (.949)	1.772* (.941)	1.686* (.945)
Cold War	1.377 (1.061)	1.384 (1.063)	1.396 (1.066)
IO	.501 (.919)	.487 (.925)	.476 (.921)
Target Costs	-.598 (.607)	-.606 (.612)	-.508 (.608)
Length	.003 (.115)	.001 (.116)	.018 (.113)
Democracy	.001 (.021)	-.002 (.021)	.339 (1.021)
Target GDP	.282 (.252)	.287 (.257)	.241 (.277)

n = 66

p < .05 \*    p < .01\*\*    p < .005\*\*\*

To test for marginal effects in my model, I have rerun the analysis below, with the addition of an interaction term. This interaction term accounts for the interaction between the sender's G8 status and the level of resource wealth in the target state. As we can see, natural resource wealth is still significant and still shows a negative correlation. The interaction term I created is quite significant, and G8 also presents with a significant p-value.

**Table4. 2 Effects of Natural Resource Wealth on Sanction Outcomes with Interaction Term**

Settlement Outcome	Coefficient	Standard Error
Natural Resource Wealth	-.822***	(.206)
G8	-16.616**	(5.223)
Cold War	1.565	(.968)
IO	.419	(.838)
Target Costs	-.755	(.554)
Length	.031	(.105)
Democracy	.009	(.019)
Target GDP	.306	(.230)
G8*Natural Resource	.897***	(.252)

n = 66

p < .05 \*    p < .01\*\*    p < .005\*\*\*



The table below shows the marginal effects between G8 and natural resource wealth on settlement outcomes. There are several important conclusions that we can draw. The first is that sanctions are obviously much more effective when a powerful state, such as a member of the former G8, is the primary sender. We can also see that natural resource wealth actually leads to worse outcomes in cases in which the sender is not a former member of the G8. However, this is not the case for sanction cases in which the primary sender is a member of the former G8. In these cases, it would seem that states that possess natural resource wealth have a slight advantage and seem to receive better sanction outcomes.

**Table 4.3 Marginal Effects**

G8 Sender / Non-Resource- Rich Target	G8 Sender / Resource-Rich Target	Non-G8 Sender / Non-Resource-Rich Target	Non-G8 Sender / Resource-Rich Target
0	-1.4	-16.7	-16.3

The results of this analysis obviously vary from the hypothesis I formed at the beginning of this chapter. However, I would argue that these results provide us with important insights into how natural resource wealth affects sanction outcomes. First and foremost, we see that natural resource wealth does matter in terms of predicting sanction outcomes. This is important given that so little sanctions research has accounted for resource wealth. I would, of course, argue that future research should account for the results of this analysis.

Secondly, these results, along with my previous findings (Ernst, 2014), obviously have some policy ramifications. Sanctions seem to be a less effective tool against resource-rich states when the primary sender is a member of the former G8. As such, policy makers in these states should approach disputes with resource-rich states with this factor in mind. It may very well be the case that other measures would be more effective at causing change in a resource-rich state. I will leave it up to other scholars to determine the effects of natural resource wealth on the outcomes of other coercive measures. On the other hand, sanctions seem to be more effective against resource-rich states when the primary sender is a non-G8 state, so sanctions may actually be a logical and effective policy for these states.

Third, these results call for further research. This analysis begs the question of why we see resource wealth affecting outcomes differently depending on whether the sender is a member of the former G8. I would argue that these findings are likely the result of resource dependence. It is important to emphasize that dependency is far different than trading relationship. I bring this up because undoubtedly I will have a naysayer who argues that trading relationship is the hidden factor affecting my results. However, trading relationship is far less important when discussing a limited and valuable natural resource.

Given that there is a limited number of suppliers of a given resource, taking one supplier out of the mix can drastically affect market prices. The decision of the U.S. and European countries to intervene in the civil war in Libya is a prime example of this effect. At the beginning of the Libyan civil war, there was a lot of concern that the conflict would disrupt the flow of oil out of the African state. Libya is one of only a few

states that export high-level petroleum used to produce jet fuel; it heavily exports the oil to many European states. Although Europe is dependent on Libya for its high-level petroleum, the U.S. is not. The U.S. instead receives the bulk of its high-level petroleum from Nigeria. If the U.S. was not dependent on Libya for high-level petroleum, why was the state so eager to help intervene in Libya?

This is where dependency comes into play. Both the U.S. and Europe need high-level petroleum. If Libyan production was to be negatively affected, European states would have to turn to other sources, such as Nigeria. This would in turn raise the price of high-level petroleum on the international market, which would have obviously hurt the U.S. So even though the U.S. did not trade with Libya, it was negatively affected by the ongoing situation in that state because its economy is dependent on high-level petroleum. Though this is a conflict example, the principles of dependency should still apply to sanctions.

Obviously, the large economies of the former G8 are much more dependent on resource-rich states than less developed states. In theory, this should give resource-rich states an upper hand in negotiations and a better chance at receiving a positive outcome during a sanction episode in which the primary sender is a former G8 state. This should occur even if there is not a strong trading relationship between the sender and the target. For example, the U.S. may not get oil from Iran, but by sanctioning Iran, the U.S. has basically limited its options of where to go to get oil. This means other states can charge the U.S. more for oil because it has fewer options. So regardless of trading relationship, sanctioning a state that possesses natural resource

wealth can be more costly, and thus the sanctioned state will have an upper hand in reaching a settlement.

The results here hint at the idea that dependency plays a big role in sanction outcomes in cases in which the target state possesses natural resource wealth. I would argue that this is a question that desperately needs to be explored in the future. Such an analysis would be very complex, and it would require more time and space than this dissertation allows.

#### **4.6 Conclusion**

In this analysis, I set out to explore the effects of natural resource wealth on sanction outcomes. I hypothesized that natural resource wealth would affect sanction outcomes in two ways. First, I argued that natural resource wealth would increase the likelihood that a targeted state would acquire sanction busters. I contended this would occur because natural resource wealth would increase the potential benefits for a state that decided to act as a sanction buster. Secondly, I contended that the often closed nature of the authoritarian regimes of resource-rich states would allow these states to insulate the political elite from the negative effects of the imposition of sanctions. Furthermore, these regimes would be able to use the revenue from the state's resource wealth to limit the effects on the citizenry as a whole, if need be.

The results of my empirical analysis provided mixed results. Though natural resource wealth does have a significant effect on sanction outcomes, the causal nature of those results is dependent on whether the primary sender is a member of the former G8. In cases in which the primary sender is not a member of the former G8, natural resource

wealth has a negative effect. This means that states that possess natural resource wealth generally emerge from a sanction episode with worse outcomes. However, we see that natural resource wealth has the reverse effect when the primary sender is a member of the former G8. In these cases, target states that possess natural resource come out of sanction episodes with better outcomes. As I discussed in the previous section, I believe these results suggest that there is a dependency component to this topic. As such, I highly suggest that further research be conducted into this topic.

Though these results were somewhat surprising, I think they make some substantive contributions to our understanding of natural resource wealth and international relations. Regardless of the marginal effects I discovered in my analysis, it is clear that natural resource wealth has a significant effect on sanction outcomes. This is something for which future research should account.

I would also argue that these results have some important policy implications. Sanctions are obviously prone to failure. This means that policy makers and the bureaucrats that design sanction profiles need to take into account the factors that make sanctions less likely to work. In this case, it would seem that resource-rich states are better equipped to withstand the use of sanctions by the most powerful economies. It is important for policy makers and bureaucrats to understand that sanctions may be less effective against states that possess resource wealth, and that other policy options may be more beneficial. On the other hand, we see that non-G8 states seem to be better equipped at using sanctions effectively against resource-rich states. So sanctions may be a better policy choice for them.

As I have mentioned throughout this dissertation, too little research has looked at the effects of natural resource wealth on international relations. Along these lines, I would argue that further research should be carried out to explore how natural resource wealth affects the use of economic sanctions. The measure I have used here is a broad measure, encompassing many different types of natural resources. It can be assumed that it may be easier to sell certain resources covertly on the international market than others or that certain natural resources will be more lootable than others. Future research should explore the possible varying effects of different types of resource wealth. This line of research would also allow scholars to accurately account for dependency among sender states. This could add greatly to my findings here.

These findings also bring up the question of whether natural resource wealth has an effect on other areas of foreign policy and international relations more generally. This analysis shows that the effects of natural resource wealth expand beyond the domestic sphere to the international level. Further research should be conducted to answer the broader question of how natural resource wealth affects the way states interact within the international community. Natural resource wealth has been shown to have a significant effect at the domestic level, and this analysis provides evidence that it also has an effect on the use of economic sanctions. It is only logical to assume that natural resource wealth will also affect other areas of international relations.

**Chapter 5**  
**From Sanctions to Armed Conflict:**  
**The Effect of Natural Resource Wealth on Escalation**

The impact of natural resource wealth on political phenomena is a key area of study within the comparative literature (Ross, 2011). Natural resource wealth has been shown to negatively affect both economic and democratic development and leave the states that possess it more prone to civil unrest (Ross, 2001; Collier, Hoeffler and Rohner, 2004; Collier, Hoeffler and Soderbom, 2008). However, even with so much evidence that natural resource wealth affects domestic politics, very little research has explored its effect on the international level. This is somewhat surprising, given that the little research that has looked at the role of natural resource wealth on international relations has shown that it is quite significant. Natural resource wealth has been shown to increase the likelihood of conflict in territorial disputes (Huth, 1996; Huth and Allee, 2002), and oil-rich states have been shown to be more aggressive in interactions with their neighbors (Colgan, 2013).

In this chapter, I add to our understanding of the effects of natural resource wealth on international relations. I do so by building on some of the results from my previous chapters, which explored the effects of natural resource wealth on the use and effectiveness of coercive diplomacy. The two previous chapters provided evidence that resource wealth increases the likelihood of states becoming the targets of both economic sanctions and military force. I argue that coercive diplomacy is the logical place to start when trying to examine the effects of natural resource wealth on international politics. After all, history is full of examples of states trying to control or gain influence over

those that possess natural resource wealth. Natural resource wealth is something that only a few have and everyone wants, so we can expect states to seek to influence those that have it.

This analysis adds to my previous findings by looking at the escalation of a dispute from the implementation of economic sanctions to armed conflict. I argue that natural resource wealth will increase the likelihood of a sanction episode escalating into armed conflict. This is because the presence of natural resource wealth will increase the potential gains associated with the decision of a sender state to escalate from the use of sanctions to the use of military force. In the following, I will explain this argument further and conduct an empirical analysis to test this hypothesis.

## **5.1 The Question at Hand**

Economic sanctions are one of the most commonly used forms of coercive diplomacy. Their use has been on the rise since the end of the Second World War and the creation of the modern international economic system (Drezner, 1999). This is not that surprising; as the world has become more interconnected, leaders have increasingly looked to economic sanctions as a less violent way to coerce others within the international system. However, even though their use has increased dramatically, the academic community has cast a relatively negative light on their effectiveness. Though there is some disagreement, most estimates put sanction success somewhere around five to seven percent (Hufbauer, Schott and Elliott, 1990; Pape, 1997; Drury, 1998). This is somewhat concerning since sanctions come with negative costs to both the sender and the target.



Many scholars have shown that sanctions limit the ability of citizens within targeted states to access basic needs and often disrupt the operation of basic health services (Major and McGann, 2005). Research has also found significant evidence that economic sanctions often have a negative effect on democracy in targeted states. This occurs because regimes usually crack down on their citizens to maintain power (Peksen and Drury, 2009). This is why some argue that sanctions are more effective against democracies (Allen, 2008).

Sanctions also come with negative costs for senders. Sanctions are, by their most basic definition, the cutting or limiting of trade between two states (Drury, 1998). This means that when sanctions are implemented, both the sender and target of a sanction episode will lose out on potential trading revenue. Drezner (1999) points out that between 1992 and 1996, the U.S. lost around \$20 million in potential trade because of sanction implementation. This is, of course, a lot of money to lose on a policy that has such a low chance of success.

This has led to the substantial effort by academics to pinpoint the factors that affect sanction success. Scholars have found that factors such as prior trading relationship (Drury, 1998), the presence of a sanction buster (Early, 2009, 2011, 2015), duration of the sanction episode (Nossal, 1989), regime type (Allen, 2008) and the overall costs of a sanction episode to both the target and the sender (Bapat, Heinrich, Kobayashi, and Morgan, 2013) all affect the success of a sanction episode. However, this line of literature has still failed to account for why states continue to impose a form of foreign policy that has relatively little chance of achieving its desired effect. Scholars have hypothesized about why states would continue to use sanctions even though they are relatively

ineffective. Some have concluded that sanctions are more often than not used as a signal of disapproval to others in the international community (Nossal, 1989; Fearon, 1998) or as a signal of action to the citizenry of sender states (Drury, 2005; Early 2015). However, others have taken a much more negative view, arguing that sanctions are often used as a last-ditch effort to signal the sender's willingness to act before a dispute escalates into military conflict (Lektzian and Specher, 2007).

In recent years, many scholars have begun to explore the relationship between sanctions and conflict. Lektzian and Specher (2007) find that the implementation of economic sanctions increases the likelihood of conflict between sender and target states. They argue that this is because sanctions cut the economic and diplomatic bonds that connect states, which in turn makes conflict between the two states more likely. They also argue that democratic leaders often inherently "tie their hands" by imposing sanctions and face increased domestic pressure to minimize sanction costs at home. They argue that this further increases the likelihood of escalation.

Other scholars have found that sanctioned states are more likely to face military action from third-party states. In theory, this occurs because targeted states will experience what Peterson and Drury (2011) refer to as the outcast effect, which essentially means that third parties will see these states as weak and without allies to come to their aid. This hypothesis is strongly supported by the conflict literature, which provides evidence that strong alliances tend to deter aggression against a potential target (Huth and Russett, 1984; Morrow, 1991; Leeds, Long, and Mitchell, 2000; Aydin, 2008) and that states are more likely to come to the aid of those with which they have a strong trading relationship (Barbieri, 1996).

This leads us to an important question that the literature has failed to properly address: What factors affect the likelihood of a sanction episode escalating into armed conflict? Given that sanctions almost always fail, and that they are heavily used by the most powerful states in the world system, shouldn't we see a much higher rate of conflict? Furthermore, if states simply decided to escalate to conflict when sanctions were ineffective, we wouldn't see long-standing stalemates, such as the case of U.S. sanctions against Cuba. This leads us to the logical conclusion that states will make a cost-gain analysis before they decide to escalate from the imposition of sanctions to the use of military force. This idea is supported by the vast conflict literature, which argues that states will make such an analysis before they decide to act (Fearon, 1998; Bennett and Stam, 2000; Wagner, 2000). Under this train of thought, we can assume that the U.S. has refrained from attacking Cuba because it does not see such escalation as being in its best interest. I argue that natural resource wealth will affect this cost-gain analysis, making cases of sanctions against resource-rich states more likely to progress to armed conflict.

A substantial amount of research has provided evidence that natural resource wealth has a negative effect on the states that possess it (Ross, 2001). These states tend to suffer from economic and democratic stagnation and are much more prone to civil war than other states (Collier and Hoeffler, 2004; Collier, Hoeffler, and Soderbom, 2008; Buhaug and Lujala, 2009; Ross, 2012). However, even with so much research looking at the effects of natural resource wealth on the domestic level, far less research has looked at its effect on the international relations. I would argue that this is problematic. Can we not assume that resource wealth will also affect the ways in which states interact on the

international level? The limited research that has examined natural resource wealth on the international level supports this conclusion. Scholars have found evidence that states that possess natural resource wealth tend to act more aggressively towards their neighbors (Colgan, 2013) and that territorial disputes are more likely to escalate into conflict when the territory in question possesses natural resource wealth (Huth, 1996; Huth and Allee, 2002).

I would argue that natural resource wealth should affect the likelihood of a sanction episode escalating into conflict between the target and sender for several reasons. First, the presence of natural resource wealth should increase the ability of targets to persevere the implementation of sanctions. This conclusion is supported by my fourth chapter, which showed that states that possess natural resource wealth have higher settlement outcomes in sanction cases than other states. I argue that this is because states that possess natural resource wealth are more likely to attract sanction busters, or states that are willing to defy others in the international community and continue to trade with the targeted state.

Furthermore, states that possess natural resource wealth usually have very inclusive regimes, which should allow them to insulate the political elite from the negative effects of imposed sanctions (Humphreys, 2005; Fjelde, 2009). This means that senders will often have lower settlement outcomes when the targeted state possesses natural resource wealth, and will subsequently have more to gain by escalating to the use of force.

Secondly, in my third chapter, I found that states that possess natural resource wealth are more likely to become the targets of both economic sanctions and military

force. This, I argue, is because natural resource wealth affects the cost-gain analysis that states make before they decide to act. In this case, natural resource wealth increases the potential gains of using military force. This is supported by the literature on territorial disputes. Huth (1996) finds evidence that territorial disputes are more likely to escalate into armed conflict when the territory in question possesses natural resource wealth. This would account for the increased likelihood of resource-rich states becoming the targets of coercive action.

This is further supported by the literature on civil conflict. Many have argued that the reason we see such a higher propensity of civil war in resource-rich states is because domestic actors will seek to control the state's resources, leading to an increased likelihood of civil conflict (Ross, 2011). I would argue that we should also see this on the international level. This is not that large of a leap; the historical record is full of examples of states using force to influence those that possess natural resource wealth. For much of the 15th century, the great empires of Europe conquered the now Global South in their search of valuable resources (Thomas, 2010). More recently, the world witnessed Iraq's invasion of Kuwait in the hope of controlling its southern neighbor's vast oil fields (Herring, 2008). I argue that this should apply to a sender's decision-making process as it chooses whether to escalate from the use of sanctions to armed conflict. The presence of natural resource wealth should increase the potential gains of escalation. This leads us to the following hypothesis, which will drive my analysis:

*Hypothesis: The possession of natural resource wealth by the targeted state should increase the likelihood of a sanction episode escalating into armed conflict.*

## **5.2 Research Design**

In order to test my hypothesis, I have decided to utilize the Peterson and Drury (2011) dataset. The authors of the dataset used it to examine the effect of sanctions on the likelihood of third-party aggression against targeted states. I have chosen this dataset because it combines data from both the Correlates of War Projects MIDS dataset and the University of South Carolina TIES dataset.

I test all politically active directed dyads from 1980 through 2000. I have chosen this timeframe largely due to data restrictions. The measure I have created to account for natural resource wealth only provides observations dating back to 1980. I have chosen to look only at politically active dyads in order to limit my sample to states that actually have the opportunity to engage in conflict (Quackenbush, 2006)<sup>5</sup>. I use directed dyads so that I can account for MID initiation by one state against another. Within this dataset, all variables are lagged by one year in order to prevent simultaneity bias (Peterson and Drury, 2011). It will also exclude all dyad years in which an active sanction episode was in place.

### **5.2.1 Explanatory Variable**

My explanatory variable will be a measure of natural resource wealth. To account for a target state's natural resource wealth, I use a variable accounting for the amount of GDP from natural resource rents. I acquired my data on resource rents from the World Bank's Development Indicator dataset. I calculate this variable by multiplying a state's total GDP for the given year by the percent of GDP from natural resource wealth. The

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<sup>5</sup> Politically active dyads account for the possibility of conflict between two states. See Quackenbush (2006) for more information.

measure is then logged, as is common practice within the literature. This measure was originally used in Sachs and Warner (2001).

I have chosen to account for resource wealth in this way because doing so gives me a uniform measure. This should help eliminate any potential bias in my sample that could arise by accounting for different forms of resource wealth separately. Furthermore, in this study I wish to look at all natural resource wealth, not just the natural resources typically associated with the resource curse. Many studies within the natural resource wealth literature have only looked at one form of natural resource wealth. More specifically, many scholars have chosen to concentrate on oil and natural gas. This can be largely contributed to the fact that the data on oil and natural gas exports is often more robust than the data on other types of resource wealth. However, I would argue that by only looking at a single resource, I would severely limit the generalizability of my results and conclusions. Rather, I prefer to account for all resource wealth, including everything from oil revenues to lumber sales.

### **5.2.2 Dependent Variable**

I use a measure for initiation of Military Interstate Disputes (MIDS), originally from the Correlates of War 3.1 MIDS dataset (Ghosn, Palmer, and Bremer, 2004) as my dependent variable. This measure is coded as a dichotomous variable. A value of one is assigned when a potential attacker initiates a threat, displays force or attacks the potential target. This variable allows me to account for the willingness of a sender to resort to the use of military force against the target state. This allows me to look exclusively at whether resource-rich states are more likely to be the targets of aggression.

As Colgan (2013) points out, resource-rich states have a tendency to act more belligerent in terms of foreign policy, especially against their neighbors. This means that it is possible that sender states may escalate against a resource-rich target state as a form of retaliation for an MID or other action committed by the target. For example, Iraq obviously became a target of international aggression in 1991, not because it had oil wealth but rather because it had carried out aggression against its southern neighbor, Kuwait.

To account for this, I run my analysis twice, excluding states that are considered to be misbehaving states in the second analysis. I use the same definition as Peterson and Drury (2011), who define a misbehaving state as a state that has initiated a revisionist MID within a two-year period, has engaged in serious human rights abuses within the past two years and/or is considered to be a state sponsor of international terrorist organizations. Under this rule, Iraq in 1991 would be considered a misbehaving state, and it would be excluded from my second test.

Along the same lines, I also decided to exclude cases that are involved in an MID at the beginning of the dyad year. This will allow me to avoid any bias by counting multiple observations from an ongoing conflict between two states. This is a common practice within the literature (Peterson and Drury, 2011).

### **5.2.3 Control Variables**

In my analysis, I will use multiple control variables to account for alternative factors that have been linked to the likelihood of conflict between two states. I will once again use the same control variables that were used in Peterson and Drury (2011). These



variables are all common measures and will ensure my analysis is in line with the rest of the literature.

The first variable I account for is the varying power dynamics between states. The literature has provided strong evidence that power dynamics affect the likelihood of conflict (DiCicco, Levy and Levy, 1999; Reed, 2003; Reeda, Clarka, Nordstroma and Hwanga, 2008). The Peterson and Drury (2011) dataset has a capability ratio variable, which I have used to account for the power ratio between the two states in each individual dyad. This variable was originally drawn from the Correlates of War Project's Composite Indicator of National Capabilities (CINC score) measure. This variable is calculated as the natural log of the initiator's CINC score, divided by the sum of the CINC score within each individual dyad (Peterson and Drury, 2011).

I will also account for the presence of dual democracy within a given dyad. The literature has provided strong empirical evidence in support of the idea that democratic states are less likely to go to war with each other (Levy, 1988; Maoz and Russett, 1993; Russett and Oneal, 2001). As such, it is important to account for the regime type of both states within a dyad. I account for the presence of dual democracy within a dyad through the use of a dummy variable. A score of one is assigned in cases of dual democracy, and a value of zero is assigned if one or both states in a dyad have non-democratic regimes. The measure of democracy comes from the Polity IV dataset. Each state is assigned a value between -10 and 10 (Marshall and Jaggers, 2002). For this analysis, a value of seven or higher is considered a democracy.

My next control variable accounts for similarities in foreign policy preferences and alliances. It has been shown that states are less likely to attack those that share the

same foreign policy preferences (Signorino and Ritter, 1999). Also, the literature has provided significant evidence that alliances affect the likelihood of conflict (Morrow, 1991; Leeds, Long and Mitchell, 2000). I account for this by measuring similarities in alliance profiles. I use Signorino and Ritter's (1999) S score to account for similarities in alliance profiles of each dyad. This is a measure that ranges from -1 to 1. A value of 1 means the two states have identical alliance profiles, while a value of -1 indicates the two alliance profiles are as different as possible (Signorino and Ritter, 1999).

I also account for observations that occurred during the Cold War. This is a common control variable in both the conflict and sanctions literature (Drury, 1998; Peterson and Drury, 2011). I account for this through the use of a dichotomous dummy variable. A value of one represents an observation that occurred during the Cold War, and a value of zero represents an observation that did not occur during the Cold War.

I also account for the distance between the sender and target. It is logical to assume that the cost of attacking the targeted state will increase along with the distance between the two states. This is supported by the contiguity literature, which shows that neighbors are more likely to fight one another. I account for this by using the Gleditsch and Ward Measuring Space: A Minimum Distance Database. This variable is calculated by accounting for the number of miles between each state's respective capitals. This is a common measure within the literature (Gleditsch and Ward, 2001).

My final control variable will account for whether the sender is a member of the former G8. Given that my variable for G8 sender state had such an impact in my previous chapter, I feel that it is important to account for the strength of the sender in this analysis

as well. A value of one indicates that the sender was a member of the former G8, and a value of zero indicates that the sender was not a member of the former G8.

#### **5.2.4 Other Measures of Democracy**

In this chapter, I will once again account for the various measurements comparative scholars use to quantify democracy. I will use another dichotomous measure of dual democracy, as well as a continuous measure of democracy. By using these alternative measures, I can rule out any counter arguments that my measurement of democracy biases my results.

The first alternative measure I will use is the Boix-Miller-Rosato (2012) dichotomous measure of democracy. This measure accounts for contestation and participation within a state. In order to be considered a democracy, a state must meet three criteria, as shown below:

##### **Contestation**

1. The executive is directly or indirectly elected in popular elections and is responsible either directly to voters or to a legislature.
2. The legislature (or the executive if elected directly) is chosen in free and fair elections.

##### **Participation**

3. A majority of adult men has the right to vote. (p. 8-9)

I will once again use the Polity measure of democracy. In order to apply this measure to my dyadic data, I calculate a measure of the difference in democracy of the two states within each dyad. Basically, I use the absolute value of the Polity score of State A minus the Polity score of State B.

### **5.3 Empirical Results**

The results of my analysis provide evidence in support of my hypothesis that cases in which the targeted state possesses natural resource wealth will be more likely to progress to armed conflict. We see that there is a positive correlation between the likelihood of escalation and natural resource wealth. As we can see, as natural resource wealth increases, so does the likelihood of an attack by the sender. These results reaffirm my theory that resource wealth affects the cost-gain analysis states make before deciding to act. In this case, natural resource wealth seems to increase the potential gains associated with escalation and makes it more likely to occur. Even when we exclude misbehaving states, resource wealth still is a significant indicator of escalation. This suggests that factors besides their tendency to upset others within the international community may make these states more likely to become the targets of military force.

We also notice that almost none of the control variables associated with the initiation of armed conflict is significant. The only one of the control variables used in this analysis that showed any significance was the measure of distance between the target and the sender. This brings up some significant questions about the factors that lead to a sanction episode escalating into armed conflict. The control variables I used in this analysis are all common variables used within the broader conflict literature. This analysis would seem to suggest that some of the variables used to explain the onset of international conflict are not as important in explaining sanction escalation.

**Table 5.1 Resource Wealth and Military Action<sup>6</sup>**

MID Initiation	Use of Force All States (n = 398)	Use of Force Without Misbehaving States (n = 193)
Natural Resource Wealth	.802** (.282)	.919*** (.249)
CINC Score	-4.091* (1.674)	-4.615 (2.548)
Joint Democracy	-.052 (.827)	1.417** (.542)
Distance	-.816*** (.178)	-.815** (.382)
S Score	-5.547** (1.960)	-7.120 (3.765)
Cold War	.747* (.319)	-.322 (1.365)
G8	-.450 (.690)	---
Constant	-11.405 (5.090)	-13.206 (4.078)

p < .05\* p < .01\*\* p < .001\*\*\*

This is not that surprising; states often use sanctions as an alternative to the use of force. Given that states may choose to sanction instead of engaging in military conflict, it is not that farfetched to assume that the factors that lead to conflict will be different from those that cause a sanction episode to escalate. This is obviously an area that needs to be explored further.

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<sup>6</sup> G8 is excluded from the second analysis due to multicollinearity issues.

These results empirically support my hypothesis that the presence of natural resource wealth increases the likelihood that a sanction episode will escalate into armed conflict. I would argue that these results have a substantive impact on our understanding of resource wealth. These results support my hypothesis that natural resource wealth increases the likelihood of states becoming the target of outside aggression. Even after sanctions have been imposed, resource-rich states are still more prone to becoming the targets of military aggression.

These results also have some important policy implications. Many scholars have argued that sanctions are often an alternative to armed conflict. However, these results would suggest that in cases involving resource wealth, sanctions will simply act as a prelude to military force. In these cases, it may be more cost effective for sender states to skip ahead to the use of force, since the dispute is more likely to end in military conflict.

### **5.3.1 Other Dichotomous Variables**

The results of my robustness tests using alternative measures of democracy are shown below. As we can see, natural resource wealth is significant when I use both of my alternative measures of democracy. The outlier is the analysis using my alternative dichotomous measure when we exclude misbehaving states. In this case, we do not see natural resource wealth showing any significance. I would argue that this most likely has more to do with the small sample size than anything else. The sample is less than 200, and the variable accounting for resource wealth barely misses the mark of being significant. Furthermore, given that both of my other measures show natural resource wealth having a significant effect, I believe that my measure of democracy is not negatively affecting my results.

**Table 5.2 Resource Wealth and Military Action Using the Boix, Miller and Rosato Measure of Democracy <sup>7</sup>**

MID Initiation	All States (n = 376)	Excluding Misbehaving States (n = 160)
Natural Resource Wealth	.914* (.414)	1.636 (.883)
CINC Score	-4.361 (2.365)	-3.115* (1.539)
Joint Democracy	-.705 (.577)	.101* (.083)
Distance	-.920*** (.253)	-1.773 (1.567)
S Score	-7.30* (2.969)	-13.924 15.417
Cold War	.749* (.309)	2.789 (2.941)
G8	-.345 (.784)	---
Constant	-11.958 (6.972)	-20.705 (7.923)

p < .05\* p < .01\*\* p < .001\*\*\*

[Table Continued on Next Page]

<sup>7</sup> I did not run the misbehaving analysis using this variable, given that democracy was excluded for multicollinearity. The results are exactly the same from the results of the previous analysis.

**Table 5.3 Resource Wealth and Military Action Using the Polity Continuous Measure of Democracy <sup>8</sup>**

MID Initiation	All States (n = 376)	Excluding Misbehaving States (n = 178)
Natural Resource Wealth	.871** (.263)	.986** (.332)
CINC Score	-3.960* (1.594)	-3.115* (1.539)
Joint Democracy	.115 (.068)	.101 (.083)
Distance	-.879** (.146)	- .865** (.286)
S Score	-4.154*** (2.039)	-6.221 (3.252)
Cold War	.756* (.365)	-.448 (1.049)
G8	-.308 (.773)	---
Constant	-14.745 (5.358)	-15.588 (5.558)

p < .05\* p < .01\*\* p < .001\*\*\*

## 5.4 Conclusion

Though natural resource wealth has been shown to have a large effect on the domestic politics of states, little research has explored the effects of natural resource wealth on the international level. This is the overarching question that drove my research. This analysis was meant to add to my previous work and provide some insight into how

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<sup>8</sup> I did not run the misbehaving analysis using this variable, given that democracy was excluded for multicollinearity. The results are exactly the same from the results of the previous analysis.



natural resource wealth affects the use and effectiveness of coercive diplomacy. The findings here suggest that natural resource wealth increases the likelihood of a sanction episode escalating into armed conflict.

Furthermore, the results of this analysis add to our understanding of how natural resource wealth affects those that possess it on the international level. Natural resource wealth has been shown to have a very negative effect within the domestic sphere, so much so that the term “resource curse” has been coined. My findings here, along with the other limited research on this topic, would seem to suggest that the resource curse might actually transcend to the state’s interactions on the international level. I would argue that more research needs to address this issue.

Finally, the results of this analysis raise some questions about the factors that affect the likelihood of a sanction episode escalating to conflict. In my analysis, I found that most of the variables associated with the initiation of conflict were not significant in determining sanction escalation. This begs the question: Are the factors that influence the decision of a state to use military force against another international system different from those that lead a state to do the same within a sanction episode? I would argue that it is possible that the factors that lead to escalation within a sanction episode differ from the factors that are normally linked to conflict, given that sanctions are often used as an alternative to military force. I would argue that this is an area that needs further exploration.

## **Chapter 6**

### **Conclusion**

In this dissertation, I aimed to add to our understanding of the effects of natural resource wealth on international relations. As I explained, this has been a relatively overlooked topic within the international relations literature. Furthermore, the limited literature that does exist fails to fully explain the effects of resource wealth on the international level. This is somewhat surprising considering the vast amount of significant research on natural resource wealth within the comparative literature. I argue that this is problematic, and that IR scholars need to devote more time to exploring the effect of resource wealth on the international level.

I made the case that coercive diplomacy is the logical place to start when examining the role of natural resource wealth on the interactions between states. The historical record is full of examples of states using their military and economic might to gain control of natural resource wealth or influence those that possess it. Examples of this range from the colonization of the now Global South to the more recent disputes between China and Japan over islands within the South China Sea. Given that coercive diplomacy is by its most basic definition the act of forcing one's will on another state, I argued that this was the logical place to start any study of the effects of natural resource wealth on international relations.

The comparative literature has painted a fairly negative view of natural resource wealth. The literature on the resource curse has argued that natural resource wealth has significantly strong negative effects on the domestic politics of the states that possess them. Resource-rich states often struggle with development, economic inequality,

authoritarian regimes, and an increased likelihood of civil war (Ross, 2011). I argued that we should also see natural resource wealth having a negative effect on the international level — that the resource curse should extend outside of the domestic sphere. We should see natural resource wealth negatively affecting a state's interactions with others within the international community.

I tested this hypothesis by running three separate analyses across three chapters. The first chapter examined the link between natural resource wealth and the initiation of both conflict and economic sanctions. From there I moved into an examination of the effects of natural resource wealth on sanction outcomes. I finished by testing the role of natural resource wealth in the escalation of sanction episodes into armed conflict.

I found significant evidence in support of my theory that the resource curse extends outside of the domestic realm and affects a resource-rich state's interactions on the international level. My results suggest that natural resource wealth (1) increases the likelihood of states becoming the targets of coercive measures and (2) increases the likelihood of escalation within sanction episodes. In the next few sections, I will review these results in greater detail.

## **6.1 Conflict and Sanction Initiation**

In the third chapter of my dissertation, I examined the effects of natural resource wealth on the initiation of armed conflict and imposition of economic sanctions. I argued that natural resource wealth should increase the likelihood of a state becoming the target of both military force and economic sanctions. I asserted that this would be the case because others in the international community would seek to gain control or access to their resource wealth.

I came to this assumption based on both the current literature as well as the historical record. History is full of examples of states resorting to military means to gain control of natural resource wealth, such as the Spanish conquest of South America and Iraq's 1993 invasion of Kuwait. We can also draw conclusions from the literature. The current body of research makes it clear that states make a cost-gain analysis before they decide to act in a certain manner. I argued that natural resource wealth would affect this process by increasing the potential gains of using coercive measures. This conclusion was based on the civil war and territorial disputes literature, which both find that resource wealth increases the likelihood of conflict.

My findings supported my hypothesis, providing strong evidence that natural resource wealth increased the likelihood of a state becoming the target of both military force and economic sanctions. This is an important finding that shows that states with natural resource wealth are singled out by others in the international community. This means that they are disadvantaged on the international level, just as they are domestically. These findings also support the notion that the resource curse may not be limited simply to the internal dynamics of states.

I also found that resource-rich states were more likely to be targeted even when misbehaving states were excluded from the sample. This is important because other scholars have argued that resource-rich states tend to be more aggressive in their foreign policy than others. This would lead many to the conclusion that resource-rich states are simply targeted because they tend to break international norms and upset others within the international community. However, my findings seem to suggest that this is not the

case. It would seem that regardless of whether a resource-rich state is belligerent, it is more likely than other states to become the target of outside aggression.

I would assert that my findings also bring some of Colgan's (2013) theoretical assumptions into question. He argues that regime type influences the way these states act on the international level, causing them to act belligerently toward other states. Taking my findings into account, it could very well be possible that resource-rich states are more belligerent because they understand that they are at an increased risk of being targeted with coercive measures. It may be the case that they often act belligerently in order to appear like they are not an easy target. This is of course is an alternative explanation for the results presented by Colgan.

## **6.2 Sanction Outcomes**

Much of the sanctions literature has concentrated on the factors that influence outcomes (Pape, 1997; Drury, 1998; Drezner, 2000). As such, scholars have provided a long list of variables that help determine if a sanction episode will be successful. However, surprisingly the sanctions literature has for the most part neglected to examine the effects of natural resource wealth. This is somewhat startling given that natural resource wealth can be found in many of the most prominent sanction failures (e.g., Iraq and Iran). In chapter 4, I set out to determine the role that natural resource wealth plays in sanction outcomes.

I argued that natural resource wealth should increase the ability of target states to persevere the implementation of sanctions. I contended that this would occur for two reasons. First, the presence of natural resource wealth would increase the likelihood of sanction busting. It is highly accepted that sanction busters will often continue to trade

with a sanctioned state in order to benefit from a less competitive market (Early, 2015). I argued that natural resource wealth would make a target state even more enticing for potential sanction busters. Secondly, I asserted that the often small, insulated regimes of resource-rich states would increase the ability of the political elite to shield themselves from the negative effects of imposed sanctions (Ross, 1999).

After running an empirical analysis, I came up with some surprising findings. I found evidence that the effect of natural resource wealth on a sanction episode's outcome was largely determined by whether the primary sender was a member of the former G8. My finding suggested that if the primary sender was a former G8 member, natural resource wealth increased the likelihood of a positive outcome for the target. However, if the primary sender was a non-G8 state, the target state was more likely to receive a negative outcome. These findings lead me to believe that dependency is affecting the role that resource wealth plays in sanction outcomes. The large manufacturing economies of the West are often very reliant on less developed states for raw resources. I would argue that this dependency gives resource-rich states a better position in terms of settlement negotiations. These findings, of course, beg for further analysis, which I will discuss in more detail later on in this chapter.

### **6.3 Sanction Escalation**

In my final empirical chapter, I examined the effects of natural resource wealth on the likelihood of a sanction episode escalating into armed conflict. I did this by expanding on some of the results from my previous chapters, which provided evidence that resource wealth increases the likelihood of states becoming the targets of both economic sanctions and military force. In this chapter, I took things a step further by

looking at how disputes evolve once sanctions are imposed. This is an important topic given that the literature has shown that sanctioned states are more likely to become the target of military aggression, both from sender states and third-party states (Peterson and Drury, 2011).

As with my previous chapters, I argued that natural resource wealth would increase the potential gains of a state carrying out coercive foreign policy measures. In this case, I argued that natural resource wealth would increase the likelihood of a sanction episode progressing into armed conflict by increasing the potential gain of such actions. I tested this assumption using the same data used in my third chapter, but limited my sample to dyad years in which sanctions were imposed.

My results supported my hypothesis, providing evidence that natural resource wealth had a positive correlation with escalation within sanction episodes. As in my third chapter, I ran a second analysis excluding misbehaving states. Once again, I found evidence that resource wealth, not state behavior, was linked to increased chances of military aggression. These results further support my argument that the negative effects of natural resource wealth expand beyond the domestic level.

## **6.4 Policy Implications**

In the previous sections of this chapter, I explained some of the substantive contributions of my findings on the international relations literature. However, I would argue that these findings also have some important policy implications. First and foremost, we see that natural resource wealth matters when predicting when and where states are likely to act aggressively. States that possess natural resource wealth seem more likely to be targeted. Furthermore, this increased likelihood may help explain why

resource wealth has been linked to aggressive foreign policy. States with natural resource wealth may be more prone to posturing in order to avoid seeming like an easy target. These are important findings that could help policy makers decipher the intentions of other states.

We also see that natural resource wealth has some important implications for the use of economic sanctions. We see that resource-rich states only have an advantage in terms of economic sanctions when the primary sender is a member of the G8. These findings are in line with my previous research, which showed a positive correlation between resource wealth and target outcomes when looking only at G8 states (Ernst, 2014). This is an important finding, especially given that the majority of sanction activity is carried out by these states. Sanctions are one of many policy options a state can implement. Since it would seem that economic sanctions are less effective against resource-rich states, it may be more productive for G8 states to use other forms of coercion, such as military force or economic aid.

I would argue that my fifth chapter has the strongest policy implications. I found that natural resource wealth increases the chances of escalation in sanction episodes. This is important because many scholars have argued that sanctions are often used as an alternative to armed conflict (Drezner, 1998). However, my results suggest that in cases involving resource wealth, sanctions may simply act as a prelude to military force. In these cases, it may actually be more cost effective for sender states to just go straight to the use of military force because it would seem that the dispute will likely end in military conflict either way.



## **6.5 Future Research**

Very little research has examined the effects of natural resource wealth on international relations, and the studies that have looked at this relationship have only scratched the surface. I would argue that future research needs to explore further the effects of natural resource wealth on the way in which states interact. Although the results of this analysis are significant, they are simply a starting point. I would argue that there is still a lot of work to be done.

In my analyses, I used a comprehensive measure of resource wealth. This measure accounted for all forms of resource wealth — everything from lumber to oil. This decision conflicts with some of the comparative literature that has looked at individual resources and argued that there can be variation in outcomes based on the given resource a particular state controls. For example, oil may affect things differently from cocoa crops. Although I think this is a legitimate point, I believed we needed to establish a baseline of sorts, or a basic understanding of effects of resource wealth more generally. Now that this baseline has been established, I assert that we should start to explore the variation that occurs among the various types of resource wealth. There are likely a variety of factors that influence the way different types of resource wealth affect international politics.

In this same vein, I would argue that further research should examine the effect of resource dependency on the use of coercive measures. It is perfectly logical that a state's dependency on a certain resource will directly affect its interactions with states that possess it. I would argue that it influenced the mixed results that I saw in my analysis in my fourth chapter. However important, I simply did not have the space to delve further

into this topic within this dissertation, though I think it deserves future research. I would argue that this could add considerably to our understanding of the effect of natural resource wealth on international politics.

## Appendix

**Table A 3.7. Models Run with Interdependency**

	Use of Force	Sanction Imposition
	All States	All States
Sanction Imposition	(n= 85087)	(n= 61924)
Natural Resource Wealth	.294*** (.041)	.469*** (.067)
CINC Score	3.262*** (.363)	11.081*** (2.377)
Joint Democracy	-.821 (.291)	-.857* (.397)
Distance	-.309*** (.022)	-.215** (.065)
S Score	1.015 (.546)	-5.984*** (.781)
Cold War	.724*** (.130)	-.607* (.291)
Peace Years	-.150*** (.021)	-.104*** (.027)
Peace Years <sup>2</sup>	.002*** (.001)	.002 (.001)
Peace Years <sup>3</sup>	-8.36e-06* (3.55e-06)	-7.18e-06* (2.49e-06)
Interdependency	-71.524 (98.881)	-1127.175 (854.973)
Constant	-11.031 (1.211)	-14.493 (2.784)

Each control variable is lagged one year

p < .05\* p < .01\*\* p < .001\*\*\*

**Table A 5.4 Resource Wealth and Military Action Including Interdependency**

MID Initiation	(n = 376)
Natural Resource Wealth	.717** (.262)
CINC Score	-3.784** (1.314)
Joint Democracy	.1369** (.066)
Distance	-.855*** (.128)
S Score	-3.556* (1.737)
Cold War	.969** (.373)
G8	-.379 (.848)
Interdependency	-456.673 (1066.45)
Constant	-12.173 (5.697)

p < .05\* p < .01\*\* p < .001\*\*\*

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