

WHAT ECONOMIC SANCTIONS SIGNAL:
CHEAP TALK, OR PUTTING YOUR MONEY WHERE YOUR MOUTH IS?

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And hereby certify that, in their opinion, it is worth of acceptance.

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I dedicate this work to my family.
Without it, there isn't much.

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS ii

LIST OF TABLES vi

LIST OF FIGURES vii

ABSTRACT viii

Chapter

1. WHAT SANCTIONS SIGNAL: ANALYZING A VERSATILE FOREIGN
POLICY TOOL 1

 Who Cares about Economic Sanctions?

 An Introductory Look at Sanctions and Armed Force

 An Introductory Look at Sanctions as Signals to Third Party States

 Brief Outline of the Dissertation

2. AN ASSESSMENT OF THE ECONOMIC SANCTIONS LITERATURE 8

 Defining Sanctions

 What do Economic Sanctions Look Like?

 Goals of Economic Coercion

 The International Norms of Economic Coercion

3. A FORMAL MODEL OF DISPUTE ESCALATION: FROM ECONOMIC
SANCTION THREAT TO MID ONSET 33

 Sanctions and Armed Force: Substitutes, Compliments, or Both?

 Armed Force, Selection Effects, and Strategic Interaction in Economic Coercion

 Escalation, Bargaining, Capabilities, and Issue Saliency

 The Formal Model

 Appendix to Chapter 3

4. TESTING THE MODEL: THE EMPIRICAL RELATIONSHIP BETWEEN ECONOMIC SANCTIONS AND MILITARY CONFLICT	78
Hypotheses	
Data	
Variables	
Methods	
Results: Escalation from Economic Sanction Threat to Sanction Imposition	
Results: Escalation from Economic Sanction Imposition to MID Onset	
Exploring the (Previously Missing) Link between Economic and Military Coercion	
Appendix to Chapter 4	
5. ECONOMIC SANCTIONS AS SIGNALS TO THRID PARTY STATES.....	122
The Sender’s Incentives to Signal: Theory and Practice	
Image is Everything: Reputation and State Learning	
Explaining the Target’s Cohort, and Why and Whom they Watch	
Research Design	
Methods	
Results	
Sanctions as Signals to the International Community?	
Appendix to Chapter 5	
6. REACHING CONCLUSIONS AND BRIDGING GAPS.....	152
Summing up the Link between Sanctions and Armed Force	
Summing up the Use of Sanctions as Signals to TPS	
Implications for Scholars	
Implications for Policymakers	
BIBLIOGRAPHY.....	163
VITA.....	185

LIST OF TABLES

Table	Page
3.1 Five Sequential Issue Salience Thresholds	65
3.2 A 2x2 Typology of Sender and Target Issue Salience and Likely Outcomes	67
4.1 TIES Cases Categorized by Economic Coercion Act and Timeframe	96
4.3 Logit Analysis of Escalation from Sanction Threat to Sanction Imposition	102
4.4 Predicted Probability of Sanction Imposition after Threat	104
4.5 MID Distribution across Case Types, 1971-2000.....	107
4.6 Sanction and MID Counts and Annual Averages by Time Period	110
4.7 BTSCS and Cox Analyses of Influence of Economic Sanctions on MID Onset..	115
4.2 Multinomial Logit of Sender Commitment Level Effects on Threat Outcome	121
5.1 TSCS Analyses of US Sanction Influence on US-TPS Relations	143
5.2 TSCS Analyses of US Sanction Influence on US-TPS Relations with US Sanction/Dependence Interaction.....	148
5.3 TSCS Analyses of US Sanction Influence on US-TPS Relations with Raw <i>Affinity</i> , <i>Tension</i> , and <i>CIRI</i> Dependent Variables	149
5.4 TSCS Analyses of US Sanction Influence on US-TPS Relations with <i>S</i> -Score and <i>IIS</i> as Identifiers of Target's Cohort	151

LIST OF FIGURES

Figure	Page
3.1 A Formal Model of International Dispute Escalation from Sanction Threat to MID Onset.....	60
4.1 Threat Outcome and Sender Commitment Level.....	99

WHAT ECONOMIC SANCTIONS SIGNAL:
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ABSTRACT

This study addresses the role of economic sanctions in foreign policy through two research questions. The first assesses the relationship between economic and military coercion, the studies of which have remained largely unlinked theoretically and empirically. My study bridges these gaps, developing a formal model of international dispute escalation beginning with the threat of a sanction, escalating through sanction imposition, and culminating with armed force. Presenting a simple argument of issue salience, the model predicts that the more the sender (challenger) values the issue under dispute, the more likely the dispute is to escalate to violence. Empirical evidence supports my theory that sender issue salience remains a key variable in determining dispute escalation. Since the end of the Cold War in particular, states have used economic coercion as a precursor to military force. My findings have significant implications for scholars and policymakers alike, as I argue that the way states use sanctions has changed dramatically since the collapse of the Soviet Union.

The second research question tests a long-standing assumption in the literature. Researchers have presumed that sanctions serve as tacit signals to states other than their primary target to avoid the target's behavior that brought about the sanction. I put this assumption to the test and find no direct evidence of this signaling channel. However, I argue that further research is needed to fully uncover this signaling process.

CHAPTER ONE

WHAT SANCTIONS SIGNAL: ANALYZING A VERSATILE FOREIGN POLICY TOOL

Who Cares about Economic Sanctions?

Once relegated to the relative back pages of international relations, economic sanctions are now headline news. For instance, US President Barack Obama is currently (April 2009) in talks to reduce the travel and trade restrictions that have defined US-Cuban relations for nearly half a century. In another example, a sample of recent comments and reactions in the wake of North Korea's April 5, 2009 launch of a 2,500-mile range Taepodong-2 missile also demonstrates the current interest in economic coercion.

What is the next step for the Obama administration? It appears to be simply to return to the six-party talks [without imposing economic sanctions]. If that's all there is, that tells the North Koreans a) we got away with this launch; b) we can probably do it again; and it has implications for Iran and other would-be proliferators as well.

*- John R. Bolton, former US Ambassador to the United Nations,
on the US response to North Korea's launch, April 5, 2009*

North Korea said any sanctions or pressure applied against it following its rocket launch earlier this month would be considered a "declaration of war."

-CNN report, April 18, 2009

Economic sanctions considered as a declaration of *war*? Such a provocative statement, even coming from one of the world's most isolated leaders, is cause for concern.

The influence of potential sanctions against North Korea was not confined to only Washington and Pyongyang. As hinted in Bolton's comment, the US and UN recourse to North Korea's launch carries with it implications for dealings with Iran, which is developing a nuclear weapons program akin to North Korea. Perhaps it is no surprise,

then, that on the same day North Korea released the statement above, the Iranian president boasted:

Today our nation is one of the strongest in the region and a great part of the world, and no country dares to threaten it.

-Iranian President Mahmoud Ahmadinejad, April 18, 2009

The timing of Ahmadinejad's statement is no coincidence. Both North Korea and Iran have been labeled as primary targets of US coercion for the past several years, and leaders in each state know that US pressure applied to one is also meant to serve as a deterrent signal to the other. Further, the current US and UN sanctions that have been levied on both states, in conjunction with the increased pressure and rhetoric from the US and UN, bare resemblance to the dealings preceding the Persian Gulf War of 1990-1991 and the current US campaign in Iraq.

Both of these issues – the relationship between economic sanctions and military conflict, and the role of sanctions as signals to states other than the primary target – are the motivations for this dissertation. Taken together, these analyses provide valuable insights as to how economic sanctions are used by senders, responded to by targets, and perceived by third party states.¹ The project is divided into two sections, accordingly.

An Introductory Look at Sanctions and Armed Force

In the first section of this dissertation, I develop and empirically test a formal model of international dispute escalation based on the sender's perceived salience of the issue under dispute. In my model, international disputes begin with the threat of an economic sanction, and they culminate with the onset of international violence. The

¹ Throughout this dissertation, I refer to the state that sends or imposes sanctions as "the sender," and the state on which the sanctions are imposed as "the target."

respective literatures on economic sanctions and military conflict rarely speak to each other, and I argue that this tendency has led to an unfortunate gap in our understanding of coercive diplomacy in general. In each camp within the international relations subfield, extraordinary advancements have been made that have furthered our understanding of how, why, and when states attempt to coerce one another. However, no study thus far has offered an empirically-tested formal model of dispute escalation, ranging from threats of economic statecraft to militarized conflicts. My model fills this gap.

The argument is relatively simple. I contend that the greater value a state places on the particular issue under dispute, the more likely the dispute is to escalate to higher levels of conflict. Hoping to achieve its goal with minimal costs, the sender will first attempt to coerce the target with a cheap foreign policy tool. The model begins with the just such an instance, the issuance of a threat of economic sanctions from a sender to a target. If the target does not acquiesce to the threat and the sender values sufficiently the issue under dispute, the sender will then use the next available, relatively cheap tool in its arsenal; namely, it will impose sanctions on the target. If the target does not coalesce to sanction imposition, the model then assumes that the sender will consider the use of a relatively more costly coercive tool, military force. Only if the sender considers the issue under dispute valuable enough to engage in violent conflict will it employ armed force against the target. The model's structure and equilibria suggest that there are two tipping points – associated with sanction imposition, and with the use of armed force, respectively – at which the sender

chooses to escalate the dispute. At each stage of the game, if the sender values highly enough the issue, it will escalate, given that the target does not acquiesce.

I test the formal model's predictions with empirical data on the threat and imposition of sanctions and find robust support for my theory. Senders that highly value the issue under dispute are more likely to escalate by imposing sanctions than were senders with a low level of commitment. In the next stage of the dispute, I find that sanction imposition – assumed at this point as a sign of high sender resolve – is positively correlated with the onset of violent conflict, further supporting my argument. Moving beyond the scope of the formal model, I also find that the imposition of a sanction between a pair of states in one year increases the likelihood of violence erupting between them in the following year.

My theory does not apply well to all states at all times, however. During the 1970s and 1980s, the international system was bipolar, and the use of economic coercion² was not nearly as common and widespread as it is today. After the collapse of the Soviet Union, the US and UN took precedence on the world stage as the primary conduits through which interstate coercion was practiced. In addition, at this time, the global financial and economic systems developed rapidly through advancements in technology and deeper international trade linkages. This confluence of events introduced an era in which economic and military coercion were – and still are – often used in conjunction with each other. Since the end of the Cold War, states use international violence less, and they use economic coercion more. And, most importantly for this study, states often use economic statecraft before engaging in

² I use the terms economic sanction, economic coercion, and economic statecraft interchangeably throughout the dissertation.

armed conflict. Since 1990, my theory of international dispute escalation from sanction threat issuance to the onset of interstate hostilities is quite robust.

An Introductory Look at Sanctions as Signals to Third Party States

In the second section of my dissertation, I put a long-standing assumption to the test. For decades, sanctions scholars have assumed that in addition to serving as an obvious signal of displeasure with the primary target, senders also intend for their sanctions to serve as tacit threats to other states in the international community. For instance, in the example used in the this chapter's introduction, former US Ambassador to the UN John Bolton mentions that a staunch US stance against the North Korean missile launch is crucial in that it will also send a signal to other "would-be proliferators," such as Iran. The reasoning here is quite straightforward. A sanction imposed on a target is meant to serve as a warning to other states that are similar in some way to the target. The message is clear- fall in line, or else.

Thus far, evidence of this signaling mechanism has been found only with case studies and small-N comparisons. To discover if this theory has merit on a wide scale, however, I subject it to large-N empirical tests. I isolate my analysis to only sanctions imposed by the US, as its coercive campaigns are most likely to garner the attention of third party states (TPS). In order to determine which states in fact qualify as relevant TPS, I use two classification criteria. First, I use geographic location, an intuitive method for dividing the world into various sectors of similar states. Second, I use state behavior as a classification tool. In particular, I identify states known to abuse the human rights of its citizens. With both sets of TPS, I then gauge changes in US-TPS relations that occur after the US imposes sanctions on the target.

My results are underwhelming in that they do not offer evidence of this signaling channel. I contend that the lack of significant results is most likely indicative one of two issues, or a combination of both. First, this lack of significance in the models could be taken to represent a case of data mismeasurement; that is, the data utilized in the models are just not specified in a manner conducive to picking up this signal. On the other hand, insignificant findings could indicate that TPS receive signals from the sender, but that they are simply not responding to them. As a third potential explanation, both the data measurement and TPS ignorance of the signal could simultaneously be plaguing my results.

So, are economic sanctions just a form of international cheap talk, or do their senders actually intend to put their money where their mouth is? Taking the results of this project's two sections together paints a somewhat surprising picture. In the first section, I find that economic sanctions serve as a precursor to military conflict, meaning that since the end of Cold War, an economic sanction has been indicative of a sender willing to put its money where its mouth is. However, the results of the second section provide no evidence suggesting that TPS receive and/or respond to US sanctions as signals. This pattern is particularly interesting, as one would expect that, given my first set of findings, TPS would be particularly responsive to US sanctions.

Brief Outline of the Dissertation

The theoretical essentials of my arguments and the main points of my findings have been reviewed. In the next chapter, I offer an overview of the economic sanctions literature, covering what they are, and when and how they are used. Chapter 3 then offers the theoretical argument behind and an illustration of my formal model of

international dispute escalation. The equilibria derived from the model are empirically tested in chapter 4, as are several additional hypotheses on the link between economic statecraft and military conflict. Chapter 5 shifts gears away from economic statecraft and violence to the role of sanctions as signals to TPS. In the conclusion, I tie up the loose ends with a summary of my findings and a discussion of the implications this study has for academics and policymakers. The findings produced here uncover an incredibly wide array of potential additional research questions, and they offer some hints as to which areas might be most fertile for future research.

CHAPTER TWO

AN ASSESSMENT OF THE ECONOMIC SANCTIONS LITERATURE

As outlined in the preceding chapter, this project tackles two distinct research questions, and at first glance, the parallels between them may seem somewhat faint. However, as I demonstrate in the following pages, at their core, these questions have much in common. Identical conceptual, operational, and theoretical issues lie at the base of each, and these corresponding issues must be explained fully before constructing theoretical models or conducting empirical tests.

Such is the focus of this chapter. I first outline the relevant prior research on economic coercive diplomacy in general and economic sanctions in particular. As will become evident, the arguments I put forth touch on several different areas of the international relations literature, with each issue area contributing important insights regarding the relationship between economic sanctions and military conflict, and the signaling properties of economic sanctions for the international community, respectively.

Before analyzing a phenomenon, it is critical to first define it. Relatedly, when studying a particular foreign policy, it is prudent to consider from where said policy originated, under what assumptions it was constructed, and why it was deployed at all. Accordingly, I first discuss the varying definitions of economic sanctions, the purported goals of economic statecraft policies, and the ramifications of this literature for my project. There remains substantial debate in the literature as to what exactly these policies are meant to accomplish, and I will discuss each relevant contention in turn. Similarly, I address the question of from where policies of economic coercion originate. I then review

the pertinent literature on the signaling properties of sanctions, and how this work pertains to both of my research questions. In closing, I briefly discuss how international norms concerning economic coercion have changed over time.

Defining Sanctions

As Drury (2005) asserts, the first logical step to take in a discussion of economic sanctions is to define what they are, and conversely, what they are not. Baldwin (1985) argues that classifying sanctions in terms of their intended effects is counterproductive, as doing so may conflate economic and noneconomic forms of statecraft. In other words, to define sanctions, it is crucial to focus on the means through which they are pursued, rather than the ends at which they are aimed. I begin by evaluating economic incentives and the important differences they have in comparison to (negative) economic sanctions.

A common analogy in the coercive diplomacy literature centers on the contrast between “sticks” and “carrots.” Sticks are considered a form of punishment or a method of coercion; a way to compel a target either to stop a particular behavior, or to persuade them never to engage in the behavior in the first place. A carrot, on the other hand, is just the opposite- a positive incentive or reward to be received from the sender when a particular behavior is performed (or *not* performed, if the incentive structure is so constructed). When applied to the economic sanctions literature, this analogy frames economic sanctions as sticks, and economic incentives as carrots. Although the goals of these sticks and carrots are similar (i.e., the sender wants the target to either do, or stop doing, a particular thing), they are certainly different in structure, as well as in their formation and use (see Baldwin 1985).

Economic incentives – which have also been termed inducements, positive sanctions, or bribes – include preferential trade agreements, aid, or loans (Crumm 1995). These payments have been quite influential in several cases, and George (1991; 1993; with Hall and Simons 1971) argues that coercive diplomacy is most effective when carrots and sticks are used in conjunction on a target state. For example, the Camp David Accords reached between the US, Egypt, and Israel are based on a system of economic incentives, with the latter two states receiving over \$1 billion annually in US aid. Accompanying these payments, however, are explicit and tacit threats of economic sanctions, should either party break its agreement. The underlying logic is that targets are in essence being paid to stay in line with the sender/donor's demands. If the targets/receiver's stray from their agreement, they will not only lose their positive incentives, but they will also face punishment through negative sanctions.

Echoing the general finding from the broader international relations literature, some coercive diplomacy scholars have found that it is easier (in this case, more effective) to deter (use incentives) than to compel (use sanctions). For instance, Newnham (2000) argues that for West Germany during the Cold War, incentives were more productive than any negative form of economic statecraft when attempting to cajole East Germany on various issues. Going a step further, Crumm (1995) contends that negative sanctions are usually more legislatively complicated to develop and to deploy than are incentives. He argues that it is more difficult for the sender to identify a good or service on which to restrict trade, set a restricted level, and then enforce the sanction. In contrast, it is relatively easier and faster for the sender to simply pay the target/receiver

with incentives when the desired behavior is achieved. Thus, incentives and sanctions are quite different in these respects.

Davidson and Shambaugh (2000) also argue that incentives should be more effective than sanctions because states that do not share a warm relationship are less likely to be heavy trading partners. Thus, if a sender is hoping to put pressure on a target with which it does not trade a substantial amount, it is less likely to have a major impact on the target's behavior. Targets that have healthy relations and stronger trade linkages with the sender, though, would react more to sanctions since those trade ties represent a greater sum of trade. Taken together, these two points suggest that incentives would be a more prudent approach to use when trying to persuade an ally, while sanctions would be appropriate for an adversary. Further, problems could arise when using incentives on opponents and sanctions on friends in that reputation costs and potentially misleading signals may crop up. For example, offering an economic inducement to an adversary may signal weakness to the international community. These issues of signaling the international community with sanctions will be addressed directly in a later chapter.

While it is intuitive to see how offering a carrot to a suspect state could be seen as weak, it is also important to note that sanctioning a close ally and trading partner may erode goodwill. Since future relations with friendly states have clear benefits, threatening to reduce or eliminate those benefits with sanctions can be costly. The issue under dispute between two allied states must be highly salient, important enough to jeopardize the future benefits of the relationship. If not, as is most often the case with allies, the sender will prefer less hostile actions such as diplomacy or economic incentives rather than risk a more serious conflict. Thus, Davidson and Shambaugh (2000) argue that observing

incentives between adversaries is just as uncommon as is observing sanctions amongst allies.

Drezner (1999; 2000) approaches differently the shadow of the future element in the choice between incentives and sanctions. Contrary to Davidson and Shambaugh, he contends that quite often, economic sanctions are actually the more cost effective foreign policy option, relative to inducements. As a result, negative sanctions are used more often. Further, whereas incentives cost the sender when they succeed and sanctions only cost the sender when they fail, leaders will prefer coercion to inducements if they believe they have a chance of succeeding. Although Drezner and Davidson and Shambaugh have differing contentions on the relationship between incentives and sanctions, both sets of conclusions suggest that these policy options differ on several levels (see also Mastanduno 2000).

Drury (2005) argues that the sender's costs associated with incentives, such as reputation and monitoring compliance with demands, are not the same for economic coercion. During a sanctions campaign, the target can "cheat" by using a black market for restricted goods, finding a third party state to replace the sender's trade relationship, or by using a substitutable good or service. Basic, more general differences that trace their theoretical roots back to the psychology and sociology literatures also distinguish between incentives and negative sanctions (i.e., Johanson 1922; Oliver 1980). This research suggests, quite intuitively, that while incentives are more likely to be used in a more friendly (to the extent that international coercion can be friendly) circumstance, sanctions or punishments are more likely to be used in a more heavy-handed and conflictual tone. For instance, the threat of an economic sanction introduces an air of

distrust and negativity into a relationship, likely to beget a reluctance to cooperate.

However, the initial offer of an inducement instead starts a dialogue in a more positive tone that by itself could help thaw a potentially conflictual exchange.

To sum up, economic incentives and economic sanctions represent two distinct sets of foreign policy tools. The literature suggests that a policymaker considering the use of either one likely goes through a different set of calculations, and that the contexts in which they are used differ substantially. This is a crucial distinction to make, as all economic coercive tools are not necessarily the same, and this project is intended to explain the threat and use of economic sanctions only, not economic incentives. While inducements can be a useful approach in achieving foreign policy goals, they are not my focus here.

What do Economic Sanctions Look Like?

Having established this distinction, the next step is to identify what an economic sanction looks like, and what it does. The most common notion of a sanction is the restriction or cessation of a sender's imports from the target, or of a sender's exports to a target. A classic example here is the US sanctions campaign against Cuba, which has been in place since 1962. Over the past five decades, these policies have been modified and strengthened, as through the addition of travel bans and the passing of the Helms-Burton Act of 1996.

The US-Cuba example represents the longest trade sanction in modern history, setting a new record each day it remains in place. Although this is likely the most high profile case of attempted economic coercion in history, it is important to remember that not all sanctions are nearly as headline-prone. While the end of the Cold War ushered in a

new era of economic coercion (Cortright and Lopez 2000) in which states all over the world were increasingly influenced by these policies, taken as a whole, I contend that many economic sanctions on a global level remain relatively confined to the back pages, as it were. Importantly, though, this trend seems to be weakening quite rapidly, as the level of interconnectivity between the world's major markets, and the association between sanctions and armed force, have increased.

Restricting the trade of goods and services is not the only form a sanction may take. Financial sanctions include the freezing of a sender's assets, be it at the national (i.e., bond sales), firm (i.e., a nationalized or particularly dominant foreign corporation), or individual level (i.e., personal accounts of leaders). Each of these tools can exact varying levels of political pressure on state leaders to acquiesce to the sender's demands. For example, at the national level, US President Carter froze \$12 billion of Iran's assets in 1978 after Iranian students stormed the US embassy in Teheran and took hostages (Hufbauer, Schott, and Elliott 1990a). Another US sanction – this time against Chile in 1965 – focused instead on the restricting imports from the Chilean Copper Department, which had nationalized the Chilean holdings of the Anaconda Mining Company, a US-based corporation (Hufbauer 1990b).

In addition, financial sanctions aimed at individual leaders have become more common over the past decade, as the push for “smart sanctions” continues to grow. Whereas a general embargo such as that imposed on Cuba could be viewed as an axe, a more concentrated smart financial sanction would be a scalpel, intended to focus specifically on the target's national leaders. A more recent development, smart sanctions were used by the UN against Libya during the 1990s (Elliott 2002). Travel bans on the

ruling elite can also fall under the smart sanction category, as can the export of specific luxury items, such as those imposed on Kim Jung-Il and his family. Kim's wife was denied travel privileges to Hawaii for shopping trips, and Kim himself was denied several prized goods, such as iPods, cognac, and Harley Davidson motorcycles (Associated Press 2006).

Financial sanctions can also include the denial of loan funds, the restriction or elimination of military aid and matériel sales, and the use of international financial and monetary organizations to restrict development aid and debt relief (Olson 1979). In all three instances, the US has held an unrivaled position as an initiator of these policies. Its place as a global economic power since the end of World War II, its powerful position as a founding member of the world's major international organizations, and its dominant defense industry has granted the US a unique pulpit from which to implement this particular breed of coercion. The combination of economic and military power makes the US of distinct importance to my study, as I am interested in the intersection of the power of the purse and the power of the gun, and in the impact of international signaling through sanctions. My analyses in the following chapters take care to analyze US cases in particular, in order to determine if and how they differ from the general population of cases.

An important, but often overlooked, form of economic coercion is the deliberate state exercise of what Kirshner (1995) terms monetary power. Also dubbed monetary sanctions by Mastanduno (1999), these coercive tools can be wielded through the fostering of monetary dependence, currency manipulation, and the deliberate disruption of the international monetary system or particular subsystems. Though all three

mechanisms are viable policy options, the latter two are of particular import to the study of economic statecraft, as the former is more indicative of general monetary policy as opposed to specific coercive episodes. Olson's (1975; 1979) notion of covert economic sanctions – through which senders attempt to destabilize targets by restricting or cutting multinational corporation investment levels, foreign aid, loans, and technology transfers – is closely related to the monetary sanctions discussed by Mastanduno (2000). Founding his argument in the dependency school with a focus on North-South relations, Olson's work brought attention to the episodes of US pressure on Latin American countries to conform to Western policies during the Cold War. Despite Olson's earlier research, Kirshner (1995) and Mastanduno (1999) have lamented the lack of attention lent to the exercise of monetary power by sanctions scholars.

Although some instances of monetary sanctions have been incorporated in major sanctions studies, there has yet to be a clear classification scheme in place for identifying this phenomenon. For instance, the first edition (1985) of the seminal Hufbauer et al. volumes provides an in-depth analysis of 106 sanctions cases, of which only three focus primarily on monetary sanctions. One reason why the exercise of monetary power may be regularly passed over in the literature may be due to the more subtle nature of its policies. Indeed, in building his notion of covert economic sanctions, Olson (1979: 485) argues that if senders truly wish to coerce their targets, "high-profile public sanctions should be avoided." Following this logic, monetary sanctions aimed at target coalescence will be inherently difficult for scholars to identify and study, as senders may purposefully pursue such techniques under the table. Even marginal adjustments to monetary policy over time may not be immediately evident to researchers as being directly linked to coercive

efforts. For example, during its coercive attempt to suppress rebels in Rhodesia during the initiated in the mid-1960s, the U.K. was pressured by Zambia to take a more forceful stance against Ian Smith and his regime (Kirshner 1995). Fearing the implications of an unstable neighbor, Zambian President Kenneth Kaunda used national sterling reserves to destabilize the pound, all in an effort to coerce the U.K. to take a hard line against Rhodesia. Though the Zambian monetary systemic disruption efforts did not compel the U.K. to intervene militarily, Kaunda was able to extract side payments in the form of increased British aid. Not all such exercises of monetary power are inherently discreet, and monetary sanctions continue to play an important role in the realm of economic coercion (Li 2003; Baker 2006).

A final issue of relevance to any discussion of economic sanctions is the classification of sanction threats. Although the various tools mentioned above are fairly clear in their designations as sanctions, classifying *threats* of these policies poses a challenge to researchers, as threats are less clear in both theoretical and empirical terms. Though at first glance it may seem more an issue of semantics, this issue has important conceptual implications. Is a threatened sanction more appropriately coded as a sanction, or is it properly segregated as a distinct phenomenon of state behavior? Baldwin (1985), Drezner (1999), and Jentleson (2000) all consider threats of negative sanctions – embargoes, boycotts, tariff increases, import/export quotas, etc. – just as they do actual occurrences of these events. Threatened or imposed, sanctions are meant to influence the behavior of the target state; thus, sanction threats should be coded as sanction events. However, in the influential Hufbauer et al. (1990a; 1990b) sanctions dataset, only 4.4% of the observations are cases in which sanctions were threatened, but not implemented

(Drezner 2003). Subsequently, because the Hufbauer et al. data are so widely used in the sanctions literature, this approach to threats (i.e., near complete omission) has been perpetuated by authors who employ these data (e.g., Martin 1992; Drury 2001) in their own analyses. Further, Selden (1999) contends that a threat does not a sanction make. Sanctions are just that- actual, imposed policies upon the sender from the target. Threats, on the other hand, are cheaper coercive techniques often employed on the way to sanction imposition.

Some arguments in the literature, such as those put forth by Morgan and Miers (1999), Drezner (2003), and Drury and Li (2006), have begun to shed light on the important role that threats play in the sanctioning process. However, identifying and coding “the dog that did not bark” is difficult and time consuming, when compared to coding actual events. Efforts by Morgan, Bapat, and Krustev (2006) to identify sanction threats from 1971-2000 resulted in the recognition of 888 sanctions episodes, which the investigators consider to include both actual sanctions and sanction threats. Of this total, 359 episodes consisted of sanction threats followed by no actual sanction policy. These data are used in the statistical analyses in this project.

Taking cues from the international conflict literature, I argue that sanction threats should be considered as a member of the sanction family, rather than as a separate species. For instance, coding guidelines for militarized interstate disputes (MIDs) in the Correlates of War (COW) Project data (Ghosn, Palmer, and Bremer 2004) consider several different types of threats as MIDs. Thus, in the COW data, threats and displays of force are deemed as MIDs, just as an actual militarized conflict (short of war) involving casualties would be. A similar coding structure underlies some of the case identification

in the oft-used International Crises Behavior (ICB) project as well (Brecher, Wilkenfeld, and Moser 1988; Wilkenfeld, Brecher, and Moser 1988). As the theoretical underpinnings of conflict studies progressed over time to incorporate the important role of threats, we see the (relatively younger) sanctions literature following suit. As such, this study represents the first attempt in the literature to incorporate sanction threats into both formal and statistical models.

Goals of Economic Coercion

The policies constituting economic sanctions are rather clear. However, the goals behind these policies are often the root of ambiguity and debate in the literature. What do leaders expect to gain from imposing economic coercion on their targets? Several distinct arguments have been formulated in response to this question, and a consensus is difficult to cull from the literature. As in the preceding discussion of what constitutes a sanction, it is beneficial here to first delineate what does not constitute a goal of economic sanctions—namely, conditions of economic warfare. I then turn to broader issues of determining the economic or political goals behind sanction policies, followed by an overview of the international and domestic signaling potential of sanctions. It will be demonstrated that the literature lacks a clear, explicit model of economic coercion that considers economic sanctions as potential escalatory steps towards military conflict. Further, the literature on sanctions as international signals will also be shown to have a dearth of empirically tested models demonstrating their use as signals to third party states.

Economic Warfare and Goals of Economic Sanctions

Given that the first half of this project focuses on the link between economic sanctions and military conflict, it is important to delineate the differences between

sanctions and economic warfare. Economic warfare occurs when the sender initiates an economic sanction intended primarily to weakening the target's capabilities before an armed conflict (Drury 2005). Examples include "trading with the enemy" laws, by which the sender government controls economic relations with an adversary and its allies. Economic sanctions, on the other hand, are a form of coercive diplomacy, a manner through which economic pressure is imposed by the sender in order to alter or deter some policy of the target state. Therefore, economic warfare – economic pressure that aims simply to weaken the target prior to military engagement – has no real coercive or signaling properties. Rather, it is more like conducting sorties before advancing ground troops during a military advance (Drury 2005). Ultimately, it is inappropriate to incorporate economic warfare cases in the study of sanctions; therefore, cases of economic warfare are not included in any of my analyses, as doing so would clearly bias my results.

Short of economic warfare, what types of behavior or policy are economic sanctions meant to alter? Put differently, do senders look to change a particular economic policy of the target, or rather, do senders aim for goals of a more political nature? As Drury (2005) contends, the majority of studies on economic coercion consider only political goals and exclude economic ones. Although this distinction may seem like a matter of semantics, this issue has serious implications for this study. Routine trade negotiations occur every day between dozens of states over hundreds or thousands of issues. These common instances are typical bargaining behavior between firms, states, and international organizations, and the implicit back-and-forth of these communications do not approach the salience of an economic sanction.

At what point, then, are the economic goals behind a given coercive campaign considered salient enough to warrant study as a stand-alone instance of economic coercion? Pape (1997) argues that the demands associated with trade issues are considerably less intense compared to those associated with political issues. Ergo, he postulates that economic coercion applied in order to achieve an economic goal is much more likely to succeed than an analogous policy aimed at a political goal. Taking this argument a step further, Noland (1997) suggests that the difference is that an international trade relationship is much more fluid than a purely political one, and that while trade can be and regularly is negotiated, political issues are much more subject to inertia and incremental change (Drury 2005). When a state is presented with a trade issue on which a decision must be made, the various options and their corresponding costs can be relatively easily be estimated in terms of currency. However, the costs of political issues can be more difficult and ambiguous to estimate. Noland (1997) maintains that these differences have clear implications for cost/benefit analyses, which in turn may change the way in which both the sender and the target approach a given issue or dispute.

However, Drezner (2001) uses an example from the US to refute these claims that the intensity of economic and political issues is significantly different. When the US Congress expanded its definition of labor regulation to include human rights, Drezner claims that it became impossible to distinguish the difference between economic (labor regulations) and political (human rights) issues (Drury 2005). More generally, Drezner also argues that whenever a sender insists on policy changes in a target, and it is able and willing to coerce the target to ensure these demands are met, the situation inherently becomes political. Thus, the target could interpret any demand to have important political

consequences, as at its root, the target's response has clear implications for its sovereignty. The increased interconnectedness of the international marketplace has led to an environment in which economic issues inherently have political costs and consequences that cannot be easily separated from each other. This being the case, as does Drury (2000), I include cases in which both economic and political goals are behind the initiation of sanctions. This is not to say that all economic bargaining campaigns are included in the analyses; I consider only non-routine, discrete foreign policy actions to be sanctions (see Hufbauer et al. 1990a, 1990b; see also Cox and Drury 2006).

This distinction is a critical one to make, as my two theoretical models in the following chapters are based on this conception of an economic sanction. In particular, the implications arising from my model connecting sanctions and military conflict presume that economic concerns, should they carry the requisite gravitas to elicit an economic sanction, could eventually lead to military conflict. How the sender intends for these sanctions to be perceived – and how they are actually perceived by the target – is to where we turn next.

Sanctions as International Signals

Whereas explaining the impetus behind sanctions – be it economic or political in nature – is a question aimed more at the cause of sanction implementation, another important aspect to consider is the role of economic statecraft in a broader coercive diplomacy context. As hinted in the preceding chapter, sanctions do not occur in a vacuum. In any given coercive campaign, the sender may employ an array of tools to compel its target. Further, sanctions occur in front of an audience. The international community can monitor sanctions and observe the behavior of each actor, thereby

learning about each state's reactions, resolve, and strategic plans. In such a context, episodes of economic coercion can simultaneously take on two distinct objectives, termed by Galtung (1967) as "instrumental" and "expressive" (see also Wallensteen 1968; Barber 1979; Renwick 1981; Lindsay 1986). The former label refers to sanctions meant solely to bring about the desired policy change in the target, while the latter demonstrates the international signaling properties sanctions. As Galtung (1967:411-412) argues, expressive sanctions can be a viable option when, "military action is impossible for one reason or another, and when doing nothing is seen as tantamount to complicity." This "do something" motivation suggests that any such expressive sanction may not be intended to coerce the target at all; rather, it may only be initiated to send a message. On the other hand, an instrumental sanction is meant primarily to compel its target.

Most scholars do not assume that the primary function of a sanction is only to signal. For instance, Mastanduno (2000) argues that any researcher who looks hard enough at any given economic coercion campaign will find at least one objective that was achieved. It is widely believed that even if sanctions fail, they are nevertheless initiated by the sender with at least some aim at changing the target's behavior. To illustrate the role of sanctions in a more general coercive diplomacy framework, it is necessary to evaluate their use in relation to the other coercive tools available to senders and to acknowledge that third party actors may play an important role in the sanctioning process, either directly or indirectly. Given the range of policy options available to senders, what type of signal does the decision to sanction portray to targets, and what does sanction imposition tell us about the sender's goals?

Economic sanctions are a viable option for leaders either unwilling or unable to initiate military conflict with the target. The attractiveness of economic sanctions as a policy alternative stems from the fact that they serve as a nice middle ground between doing nothing and engaging in military conflict. On one hand, they demonstrate the sender's willingness to make a coercive effort in response to egregious target behavior. On the other, sanctions are usually assumed much cheaper and less harsh than engaging in military combat. When viewed on such a spectrum, with doing nothing or weak diplomatic signals on one end and military engagement on the other, it is clear that sanctions serve as a relatively moderate foreign policy option.

Precisely because economic sanctions occupy a middling position in the range of foreign policy alternatives, it is more difficult to assess accurately the sender's intentions behind sanctions. Do senders use sanctions when they are motivated to take at least some sort of action, but are reluctant to do so? Under this assumption, sanctions demonstrate a lack of sender commitment, and they are likely to be intended as a cheaper substitute to any military alternative available to the sender. Alternatively, do leaders use sanctions as complements to potential military engagement, essentially restraining their true resolve to punish their targets, just short of inflicting combat casualties? In this case, sanctions indicate that the sender is ready and willing to use military force if its demands are not met. If sanction imposition does not compel the target, military force is a viable subsequent option for the sender.

What level of sender resolve do sanctions represent, and, how do targets perceive sanctions? Some argue that sanctions convey a stout signal of strength on behalf of the sender, while others argue that the only thing sanctions signal is a lack of resolve.

Morgan and Schwebach (1996, 1997) acknowledge that senders can be highly resolved, as demonstrated in their spatial bargaining model. However, the empirical evidence presented by Morgan and Schwebach (1997) indicates senders with low resolve sometimes use sanctions as well.

Schwebach (2000) addresses the issue of sanctions as signals and the kind of message they convey to targets. Her conclusions suggest that context matters, and these different contexts can be broken down into two distinct types. In the first type, sanctions are clear signals based on simple logic from the target's point of view- the sender is willing to incur a cost on itself; therefore, it is sending a signal of resolve. However, in the second type, it is precisely because they are cheap that many irresolute senders are also enticed to use sanctions, hoping that their target will perceive the sanction as a signal of resolve. Sometimes these bluffs work, but most often, they do not. When taken together, the potential for the first type of context (sanctions as clear signals) and the second type (sanctions as bluffs) combine to form an overall muddy picture of the signaling power of sanctions.

While it seems the only clear observation we can make about resolve and sanctions is that any consistent signaling mechanism in this regard is unclear, the ability of sanctions to serve as signals to the international community is more straightforward. When the sender imposes a sanction on its target, it demonstrates to the international community that the behavior that brought about the sanction is unacceptable (Barber 1979; Lindsay 1986).

The argument that sanctions serve as signals to the international community is quite intuitive. As long as the sanction is public, the sender is signaling to the rest of the

world to avoid the target's behavior that brought on the sanction. Though this signal may be clear, the question as to whether the international community takes the signal seriously is another matter. When evaluating the international community's perceptions of sanctions, we are in effect led back to the basic question we began with- do sanctions serve as signals of an unwavering, determined sender, or rather do they signal an irresolute state? Chapter five in this manuscript is devoted to answering this important question.

Sanctions as Domestic Signals

The notion of expressive sanctions, or sanctions primarily meant to signal rather than to coerce, is not confined only to the international realm. Barber (1979: 370) claims economic sanctions have three general purposes: primary objectives, concerned with target behavior; secondary objectives, related to "the status, behaviour and expectations" of the sender; and tertiary objectives, concerned with the broader international system and its norms. Barber's secondary and tertiary objectives are, essentially, further specifications of Galtung's more general expressive sanctions. Similarly, Lindsay (1986) develops a fivefold typology of sanction goals, three of which – target compliance, subversion, and deterrence – can be collapsed into Galtung's instrumental goals, while the remaining two, international and domestic symbolism, clearly comport with Galtung's expressive category (Ang and Peksen 2007). Taken as a whole, it is evident that the signaling power of sanctions, including signaling to domestic constituents, has long been argued to play an important role in economic coercion.

Given that democracies are the world's most frequent sanctioners, it is not surprising that the public may influence sanction policies. In fact, even authoritarian

regimes must ensure that their foreign policies – especially those involving trade – do not negatively affect those, often wealthy, interest groups that help them maintain power. However, if nations are using sanctions to signal/cater to their constituents, to which groups are they signaling?

Any time states modify trade policy, these changes influence at least one domestic, commercial actor affiliated with either the import or export of a good or service. Some of these actors may benefit from a particular sanction, while others may be hurt. Precisely because there is always a domestic winner or a loser in the sender when sanctions are imposed, it is rather clear that domestic interest groups will be interested in sanction policy formation. Kaempfer and Lowenberg (1988, 1992) conceptualize formally the notion of economic sanctions as a policy output of domestic interest groups. Their public choice approach demonstrates how sanctions act as a function of effective political pressure placed on government by various domestic groups often seeking protection from competing imports. In this case, sanctions effectively become protectionist trade barriers. Such an effect is most powerful in legislatively enacted sanctions, although executives are not immune from this interest group pressure.

Drury (2000; 2001) also focuses on the relationship between public opinion and sanction initiation, concentrating his large-N studies only on sanctions initiated by US presidents. Comparing the relative influence of international and domestic factors in presidents' decisions to impose sanctions, Drury finds that US-target relations have a much more significant impact than do domestic relations. This is not to say that domestic factors do not play a role in the decision to initiate sanctions, but his analyses suggest that this influence is a weak one. Drury (2000; 2001) finds that presidents are more likely to

sanction when their approval rating is high, purportedly because in such a case, they have more political capital to spend with the public. His findings also suggest that the unemployment rate and sanctions are positively related, though ultimately he assumes this relationship is a result of a president catering to an industrial lobby group.

The distinction between international and domestic signals raises an important question for analysts; namely, should economic coercion policies be considered the outcome of international or domestic factors? I contend, as does Drury (2000; 2001), that economic sanctions are primarily intended as international tools of coercion. Although I do not deny the impact of domestic interest groups on foreign policy formation in general, the evidence suggests quite strongly that campaigns of economic statecraft are driven primarily by international influences. Simmons and Elkins (2004) echo these sentiments with their analysis of economic policy diffusion across states. Although they do not focus exclusively on economic coercive policy, they find that international political economic policies are largely driven by two international factors- international economic competition and the comparative policies of other states in the system. Levels of international trade interdependence are increasing, a trend that has led to the politicization of many international economic issues. This being so, I assert that sanctions are, first and foremost, instruments meant to serve an international purpose. The next section takes this discussion a step further and briefly reviews the impact of international norms on economic coercion.

The International Norms of Economic Coercion

Economic coercion has existed as long as man has organized himself into rival communities (see, for example, Holsti 1996). Be it through a low-level form of

competition, a blatant economic assault, or an attempt to prevent a larger conflict, civilizations, societies, and states throughout history have used economic means to play out their competitive urges. This comes as no surprise. However, the twentieth century was witness to a dramatic shift in the way states perceive and engage in the international marketplace. Among the major organizational developments of this timeframe are the League of Nations, United Nations (UN), General Agreement on Tariffs and Trade (GATT) and subsequent World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank. Though these unprecedented examples of international organization are clearly of interest by themselves, their formation and perseverance is indicative of momentous shifts in the way states interact with one another. In particular, the underlying international norms and corresponding agreements that form the foundation for such organizations suggest that during the twentieth century, international political economy changed in myriad ways.

Of most relevance to this study is how the role of economic coercion changed – and continues to change at an impressive rate – over the past century. For instance, the League of Nations relied heavily on sanctions to deter (or, if the target had ignored sanction threats, to attempt to compel) states from rearming or making other aggressive moves after World War I. These actions by the League represent the first concerted effort between a large group of states in an attempt to economically coerce a target. Clearly, there was faith amongst statesmen in the effectiveness of economic coercion, as demonstrated in this hopeful justification of League doctrine from John Foster Dulles: “The great advantage of economic sanctions is that on the one hand they can be very potent, while on the other hand they do not involve that resort to force which is repugnant

to our objective of peace” (quote borrowed from Mastanduno 2000: 289, fn. 3). After World War I, high trade levels and new theories of international economics led officials to believe that Europe’s powers had become so interdependent that war would be seen as literally too expensive to pursue.

These hopes were quickly dashed, however, as League sanctions were unable to keep Italy out of Ethiopia in 1935, and Europe quickly began to spiral toward World War II. Over the coming decades, history continued to demonstrate flaws in the assumption that economic coercion alone could deter or compel with great effectiveness, as with the UN sanctions campaign against Rhodesia to end apartheid during the 1960s (Galtung 1967). While the conventional wisdom presumes that economic coercion has had a spotty track record at best in bringing about target change, states and international organizations nonetheless continue to churn out these policies at unprecedented levels, leading Cortright and Lopez (2000) to dub the 1990s the “sanctions decade.” Curiously, by many accounts, these tools of foreign policy are not just ineffectual; they are *broken*. So why are they still used, and why are they used more often now than in the past?

It is difficult, if not impossible, to adequately answer these questions without addressing the impact of shifting international norms on the use of economic coercion. It is quite intuitive to suppose that while the development of the afore mentioned international trade and monetary organizations brought with them new levels of integration, fresh insights, and unparalleled levels of interdependence, a corresponding transformation also transpired regarding the way states use their economic muscle (Cooper 1972). In other words, if the twentieth century witnessed at least one major revolution in the way international commerce is conducted, does it not follow that the

manner in which states use their newly constructed linkages may have been altered as well?

As forthright as these trends may seem to be, the empirical literature on economic statecraft has largely omitted the impact of international norms on how states conceive, deploy, and perceive economic coercion. There are two notable exceptions to this trend, however. First, some research (e.g., Damrosch 1994; Gordon 1999; Weiss 1999) has linked directly international norms and sanctions, though through a more humanitarian lens. These studies tend to focus more on the changing influence of international ethics in how these policies are constructed and at whom they are aimed. For example, the negative humanitarian consequences of economic sanctions have garnered much attention in the literature and in the media, especially in reference to the UN and US sanctions imposed against Iraq during the 1990s (Rose 2005; see also Peksen 2009a). Another group of recent studies (Cox and Drury 2006; Goenner 2007; Lektzian and Sprecher 2007; Hafner-Burton and Montgomery 2008) has begun to apply the concept of democratic peace, and its corresponding reliance on the strength of international norms, to the study of economic coercion. In this case, instead of international ethical concerns, the authors focus on the (potentially) pacifying monadic and dyadic effects of democracy on international norms, explaining how senders may be influenced by their domestic regime type, or by the target's regime type.

While these studies are certainly of note in that they raise important issues regarding the unexpected consequences of sanctions, the influence of norms on how state leaders use economic coercion in relation to other foreign policy tools has gone largely unexplored. With this project, I aim to help fill this unfortunate lacuna in the literature.

The preceding review of the literature has made it evident that there are many facets to the role economic coercion plays in the policymaker's toolbox. I contend that it is important for scholars to acknowledge that over time, these roles tend to change. Through the preceding chapters, I illustrate in greater detail how the role of sanctions has changed over time.

CHAPTER THREE

A FORMAL MODEL OF DISPUTE ESCALATION: FROM ECONOMIC SANCTION THREAT TO MID ONSET

In international relations literature, studies of economic sanctions and military conflict tend to remain seated at “separate tables,” to borrow Almond’s (1988) metaphor. Though there are notable and important exceptions (e.g., Morgan and Schwebach 1997; Baldwin 1999; Lektzian and Sprecher 2007), the majority of sanctions and conflict studies do not directly address the relationship between these two foreign policy tools. To be sure, studies of economic sanctions and military conflict have enjoyed considerable advances in theoretical and empirical support in the literature while being viewed as distinct forms of statecraft. Such efforts are necessary and warranted under the analytic method of phenomena in order to gain a more thorough understanding of each as a distinct policy alternative.

However, this chapter takes a step toward bridging the gap between the study of economic statecraft and violent international conflict. In that both sets of tools are designed to illicit target acquiescence to a challenging state’s given demand, an inherent theoretical link between them does exist (see Baldwin 1985). Despite this connection, there remain several large gaps in key areas; in particular, economic and military tools have not been explicitly integrated in a single model.

In addition to this dearth in the scholarly literature, there are several real-world examples that could benefit from further study of the link between economic coercion and military force. For instance, the US-led militarized actions against Iraq in 1991 and more recently in 2003 were both preceded by harsh episodes of economic coercion.

Currently, Iran's and North Korea's continued pursuit of nuclear weapons programs demonstrate instances in which sanctions did not or have not coerced the intended targets. In light of these examples, an argument often raised against the use of economic coercion claims that sanctions are not strong enough tools in general- they were not tough enough to persuade Saddam Hussein, nor are they harsh enough to force Mahmoud Ahmadinejad or Kim Jong-Il to comply with US demands. Further, in the case of Iraq, military force was ultimately used in both 1991 and 2003. Small-N analyses and case studies have been conducted on these and similar instances (Mintz 1993; Ganguly and Kraig 2005; Rose 2005), but the literature lacks a causal relationship demonstrated with a formal model analysis of the relationship between sanctions and military conflict.

To address these lacunae, this chapter proceeds with three central tasks. First, it reviews the debate between the competing schools of thought that see sanctions as substitutes for, or complements to, military conflict. Second, I assess the literature on international bargaining, dispute escalation, and issue salience as I develop the theoretical structure used to construct the model. Finally, I present the formal model, which offers hypotheses based on issue salience and the role it plays in the escalatory process from the threat of economic sanctions to the use of military force. My approach is useful to both academic researchers and policymakers. The model's theoretical assumptions and its findings are applicable to a wide range of issue areas in the literature, and the real world implications of my conclusions are relevant to leaders in sender and target states.

Sanctions and Armed Force: Substitutes, Complements, or Both?

A common literary device in the foreign policy analysis literature is to conceive of a "statesman's toolbox," an arsenal of foreign policy options from which national

leaders choose the best hammer (policy option) for a given nail (international dispute or problem). The statesman's approach to this toolbox can take two forms, so the conventional wisdom goes. In the first view, foreign policy options in the box can be seen as substitutes for each other. For example, assume that state *B* has made some kind of offensive action toward state *A*. It is now up to state *A* to choose a foreign policy option – let us assume an economic sanction – with which to coerce state *B* to redress its offensive behavior. The substitutability approach assumes that if *A*'s leaders take the sanction out of the box, it is at the preclusion of all other options, at least for the time being (time *t*). In other words, after *A*'s leaders consider each policy in their arsenal and ultimately choose one of them, we assume that all other options are simultaneously, and intentionally, *not* chosen by *A*'s leaders. If state *B* does not capitulate to *A*'s sanctions after *t*, the substitutability approach maintains that *A*'s leader will go back to the toolbox and consider using an alternative policy. For instance, should *A* conclude that sanctions are not producing the desired effect, it may substitute them with another policy, such as the threat of armed force against *B*. When one option is put on the table, other options are taken off (see Most and Starr 1984, 1989).

The second view of the statesman's toolbox assumes that policy options can, and often do, serve as complements to each other. Contrary to the substitutability approach, the complementary approach asserts that foreign policy tools are not necessarily used at the exclusion of other options. Viewing the example above through a complementarity slant, we would assume that the decision-making process of state *A*'s leaders does not begin at *t* with the implicit notion that sanctions are to necessarily be used *instead* of armed force. Rather, this approach supposes that leaders can use the various tools at their

disposal in conjunction with one another. Thus, when one option is put on the table, other options are not necessarily taken off it.¹

How does the question of substitutability versus complementarity apply to the research on economic coercion and military conflict? In large part, the contention that foreign policy options serve as substitutes for others originates from the work of Most and Starr (1984, 1989). Their theoretical argument was based on what they saw as a major flaw in the literature. Researchers tended to approach foreign policy outputs as though they were independent outcomes of the political process preceding the implementation of a foreign policy. In short, Most and Starr argued that analysts who explain why leaders use violent force to achieve a certain goal must take into consideration the fact that when they make a decision to use force, these leaders are concurrently choosing not to use an alternative policy option. In doing so, analysts divided the study of foreign policy outputs into categories based on the chosen policy, that is, conflict scholars studied the particular traits of policies using armed force, and students of economic statecraft focused on the influences on international economic policy. Such a division has helped develop the international relations literature by granting a more nuanced understanding of how these particular policies are formed.

However, viewing these decisions as independent processes prevented students of international politics from grasping the big picture, and over time, the international relations literature began to suffer from this trend. Scholars of war onset increasingly became theoretically isolated from scholars of crisis escalation, who were becoming isolated from arms race scholars, and so on, until the subfield was distinguished by an

¹ See the February 2000 special issue of *Journal of Conflict Resolution* for further discussion of foreign policy substitution and complementarity.

unfortunate collection of “islands of theory” (Most and Starr 1989: 99). More recently, Clark and Reed (2005: 612) have also lamented this apparent isolation of subject areas in the literature. For instance, while international conflict researchers often study the various factors that lead states to use armed force against each other, the reference category is assumed to be “no use of force.” However, within this “no use of force” category, there exist several distinct types of foreign policy behavior, including (but not limited to) taking no action, threatening or imposing economic sanctions, forming counterbalancing alliances against an adversary, or appealing to an international organization. Granted, it is clear that the use of violence supersedes many of the aforementioned policy options in terms of salience, but the point remains that the reference category here is composed of a wide range of behaviors that likely have little to nothing in common, save for *not* being the “use of force.”

In isolating the study of when a state uses force, we do gain important insights into why states fight. However, it is also critical to ensure that as a subfield, the theoretical underpinnings of the various international relations issues areas speak to one another. For example, it is known that the actual occurrence of international violent conflict is rare, especially when considering how often states interact with each other. While a small proportion of all interstate interactions are negative in general tone, an even smaller proportion actually escalate to physical conflict. Not surprisingly, conflict scholars turn to the “dogs that bark” – cases of observed violent conflict – to explain how, why, when, and whom states fight. However, it is also important to understand why those negative interactions that remain short of physical conflict do not actually escalate to violence. Were there foreign policy options implemented in these cases that

may have helped diffuse the situation before reaching armed conflict? To understand the use of international violence as a tool, it is crucial to comprehend international disputes in which armed conflict is not always the outcome. Thus, my model includes both economic and military forms of statecraft to assess how states behave strategically during international disputes.

Two trends in the evolving international norms of economic coercion over the past several decades in particular also help justify the inclusion of multiple foreign policy options in a unified model. First, as mentioned in the preceding chapter, the extensive and rapid integration of the world's markets during the last century have interwoven international politics and economics, prompting Mastanduno (2000: 303; see also Drezner 2003) to contend that today, "economic relations are matters of high politics." With the increased salience of economic matters on the international level, it follows that leaders will turn to economic policies to deal with these issues. A second positive influence on the use of economic statecraft in the international system has been the growing tendency of international norms to cast a negative view on military coercion, while conversely promoting the use of economic coercion (Baldwin 1999). International organizations such as the UN have fully embraced the economic sanction as a weapon of choice, and its Security Council is mandated to attempt economic coercion before employing physical force (Cortright and Lopez 2000). To account for these two developments, researchers need to widen their scope when it comes to assessing which foreign policies may be most effectual and appropriate in certain conditions.

I contend that, despite some important recent exceptions to be discussed below, the practice of studying foreign policy outcomes as independent processes has hindered,

in the aforementioned ways, our understanding of foreign policy analysis and coercive diplomacy. Thus, my theoretical framework does not assume sanctions serve strictly as substitutes for or complements to military conflict. Rather, I argue that trying to categorize economic coercion as either one of these types is misleading. It is more productive to view economic statecraft and military force as two general sectors on a spectrum of foreign policy options, with economic tools falling in the lower range of intensity, and instruments of physical violence falling in the higher range (see Baldwin 1985).

Armed Force, Selection Effects, and Strategic Interaction in Economic Coercion

Even though the international relations literature has tended to isolate the study of various foreign policy options as independent outcomes, it is nonetheless necessary to review the extant work on the relationships between these policy options. It is widely assumed that economic statecraft and other forms of moderate coercive diplomacy are intended to inflict fewer costs on both sender and target states, thus reducing the likelihood of a substantial escalation in conflict and a large number of casualties (Galtung 1967). By acting as cheap (relative to military conflict) signals to targets, sanctions serve as a cost-effective means by which to communicate with other nations. Baldwin (1985) proposes a similar argument that considers sanctions as a cheap alternative to the use of military force. Under these assumptions, the decision by policymakers to employ sanctions is less a matter of their perceived effectiveness, and more a matter of the relative costliness of the use of force. Using cost as a classification tool, here again scholars have tended the view economic coercion and armed conflict as distinct and

independent policy options, with economic tools considered as cheap, low-level implements.

During the Cold War, there was a dearth of research evaluating the reality of this gradual progression towards conflict, specifically in the case of moving from sanctions to force. After the Soviet Union collapsed, however, these strict analytic divisions between “cheap” and “expensive” policy options began to weaken. Since the 1990s, there have been major advances in the study of economic statecraft and military conflict.

Morgan and Schwebach (1997) use a spatial model of bargaining to illustrate the conditions under which sanctions can actually produce change in the target’s behavior. Their spatial model theory and quantitative results suggest that imposed sanctions are most likely to have little or no effect on target behavior in the majority of cases. However, Morgan and Schwebach claim that sanctions can be effective in some instances, and they claim that three specific variables have the most influence on the policy’s effectiveness: the resolve of the actors, the relative military capabilities of each actor, and the cost of sanctions on both sender and target. Regarding costs, the authors echo the rather intuitive argument of Hufbauer et al. (1990a): the most effective sanctions come when the sender maximizes target pain and minimizes its own.

Although Morgan and Schwebach are not explicitly focused on the link between economic and military statecraft, their study is relevant to mine in that they are among the first scholars to incorporate military capabilities into a model of economic coercion as a central variable. Although the tacit threat of military force has long been assumed to accompany campaigns of economic coercion (e.g., Galtung 1965; George, Hall, and Simons 1971), Morgan and Schwebach were the first to hypothesize and argue with

spatial model theory and large-N evidence that military capabilities play an important role in the outcome of economic statecraft episodes.

They posit that a large power disparity between actors engaged in a sanction makes armed conflict less likely. Because the weaker state is likely to acquiesce rather than fight a noticeably more powerful adversary, Morgan and Schwebach (1997) contend that a power preponderance between actors decreases the probability of armed conflict erupting. In fact, using the ubiquitous Hufbauer et al. (1990b, 1990a) sanctions data, they argue that relative military capabilities have a stronger ($p < 0.001$) negative influence on conflict emergence than does sanction imposition, which they find to have a negative, and borderline-significant ($p = 0.16$) effect.

Drezner (2003) echoes the findings of Morgan and Schwebach in that he also argues economic coercion and international violence are negatively related. Importantly, Drezner adds a new wrinkle to his analysis, aiming to uncover the selection bias present in many studies on sanctions. He contends that because of strategic interaction between the sender and target that takes place before and during a sanctions campaign, the actual, observed cases of sanctions that we see are most likely to fail. Further, we are least likely to observe sanctions in cases where attempts at coercion succeed. These selection effects have far-reaching implications for the literature. A brief discussion of the conceptualization of an economic coercion campaign, and the selection effects claimed to be at work here, will help parse out these theoretical issues.

Sanction Threats and Selection Effects

The impact of strategic interstate interactions lies at the heart of the claims of Drezner (2003) and others (e.g., Drury 2000; Nooruddin 2002) who argue there is a

selection effect at work behind the imposition of economic sanctions. In the run-up to sanctions or any other coercive policy, states interact *strategically* with one another. This means that in a given dyad (pair of states), each actor calculates its behavior according to how it assumes the other state is going to act, *ad infinitum*. It is unreasonable to assume states behave in any other way; at minimum, states think one step ahead in the back-and-forth of international politics (Schelling 1960; Jervis 1976). Therefore, by adopting research designs that capture only cases in which sanction imposition is observed, some seminal studies of sanctions (i.e., Hufbauer et al. 1990b), in effect, assume that sanction episodes appear from nowhere. This approach leads to analyses that miss both a critical step in the process toward sanctions, and an important aspect of interstate behavior in general.

The manner through which these strategic interactions can lead to selection bias in sanctions cases has been borrowed from game theoretic models of economic bargaining (Rubinstein 1982) and international bargaining prior to war (Fearon 1995). Applying the lessons of these models to economic coercion, several formal models in the sanctions literature (Smith 1996; Morgan and Miers 1999; Bolks and Al-Sowayel 2000; Dorussen and Mo 2001; McGillivray and Stam 2004; Drezner 2003) suggest that in situations where sanctions are most likely to be successful, they are least likely to be imposed. Because the imposition of sanctions represents a loss for both parties, both actors have incentives to avoid the actual imposition of these policies. For the target, if it is not highly motivated to maintain its current behavior, it might as well give in to sender demands before sanction imposition, rather than suffer the costs associated with imposition. Knowing this cost calculation for the target, the sender is quite likely to threaten

sanctions before actually imposing them, hoping to achieve its goal – target acquiescence – without actually having to incur the costs of deploying sanctions.

Remarkably, all of these formal models of economic coercion share at least two conclusions. First, because threats represent an opportunity to achieve a goal for a very low cost (i.e., free, or close to free), the models suggest that senders are very likely to threaten sanctions before imposing them. Second, the models indicate that an irresolute target is most likely to acquiesce to a sanction threat, rather than challenge the sender and thereby incur the costs of the sanction. The threat thus acts as a filter through which only defiant targets will pass that either 1) believe the sender is bluffing, or 2) prefer sustaining the costs of sanctions to acquiescence. Irresolute targets that prefer coalescence to these costs will acquiesce to the threat. Therefore, the models suggest that targets choosing to undergo sanctions are likely to be resolute, and the selection effect inherent in studying only cases of imposed sanctions thus becomes apparent. As sanction threats weed out weak-willed targets, only the resolute are left behind to face sanctions. These more defiant targets are most likely to stand firm against the sender even if and when sanctions are imposed, making the sender's attempt at economic coercion ineffective and leading scholars to a pessimistic estimate of overall sanction success (Nooruddin 2002; Drezner 2003).

The Economic Sanction: A Signal of Resolve or an Admission of Weakness?

It is important here to ask why irresolute targets are likely to back down from a sanction threat. Is the threat of economic coercion the sign of a firm sender that is likely to be unyielding in its demands, or rather, of a waffling state unwilling to commit to its cause? Gauging aggregate target response to sanction threats offers the best way to assess

how these threats are perceived. If it is found that targets typically back down when faced with sanction threats, it follows that economic coercion serves as an intimidating policy, and that senders are perceived as likely to put their money where their mouth is.

However, if targets usually stand firm and incur the costs or sanctions, or if they often call senders on their bluffs, it could be argued that targets may tend to perceive sanction threats as cheap talk.

It is because economic coercion operates in the middle ground of foreign policy options – between doing nothing on one hand, and threatening or initiating violence on the other – that they can potentially send mixed signals of resolve. Despite contentions by Pape (1997), who argues sanctions signal low sender resolve because they are cheap compared to armed action, the current, prevailing assumption in the economic sanctions literature is that sanctions serve as costly signals of a resolute sender (Morgan and Schwebach 1997; Hart 2000; Drezner 2003; Morgan et al. 2006; Lektzian and Sprecher 2007). Bolstering the conclusions of the formal models mentioned above, Drezner (2003) finds convincing statistical evidence that US sanction threats from 1975-1994 were often quite successful by themselves in bringing about the sender's desired outcome. With a success rate of 56% in trade policy cases, 58% in labor standard cases, and 92% in environmental regulation cases, the targets in this sample clearly perceived the threat of sanctions as a serious warning. It follows from these results, then, that if sanction *threats* serve as clear signals of a stanch sender, then the actual *imposition* of sanctions indicate resolve as well, if not at an even higher level. The formal and quantitative evidence in the literature suggests that targets perceive sanction threats, and therefore sanctions themselves, as signs of a determined sender.

In a key study that assesses the relationship between economic sanctions and military conflict through a large-N analysis, Lektzian and Sprecher (2007) also assume that sanctions act as costly signals. They stress the dual political and economic costs associated with sanction imposition, with a particular focus on the effects of these costs in democratic systems. Lektzian and Sprecher argue that democracies, because of the propensity to tie their hands with audience costs and the pressure they face to keep economic costs low to their constituents, are likely to escalate a sanction episode to military conflict. Democracies tie their hands when they sanction a target, meaning they will suffer domestic audience costs if they back down from such a public challenge (see Fearon 1994, 1997). These audience costs can also apply internationally in that states are concerned with their reputation among other states. For a democracy, backing down can signal constituents that their leaders are weak, or that they made a poor initial decision when engaging the target. Further, any interest groups that may benefit from the sanctions will want to see the policies implemented and supported by the sending government (see also Kaempfer and Lowenberg 1988, 1992; Hart 2000; Hiscox 2002). Therefore, democrats try to avoid tying their hands, except in highly salient cases. When democracies tie their hands and initiate an economic coercion campaign, Lektzian and Sprecher contend that they are likely to follow through – all the way to the use of armed force, if need be – because of their aversion to audience costs.

The economic costs associated with sanction imposition are also important to consider (see Hufbauer et al. 1990a, 1990b; Morgan and Schwebach 1997; Drury 1998; Farmer 2000). Lektzian and Sprecher (2007) incorporate the role of sunk economic costs in their theory, arguing that in democracies, there is tremendous pressure on leaders to

keep the costs of sanctions to its constituents as low as possible. These pressures lead to an intuitive outcome- when sanctions are deployed, they are typically much more costly to the target than to the sender. In a point central to their theory, Lektzian and Sprecher (2007: 420) claim that targets perceive these low, sunk sender costs as a signal of weak resolve. “The implication is that when sanctions are chosen as the initial response to a crisis, there is a danger that the target of the sanctions will interpret this as a sign of weakness on the part of the sender.” Taking this argument a step further, the authors implicitly assume that the target’s perception of sender resolve is positively correlated with sender sanction costs. Put differently, they imply that targets will perceive a sender as resolute when the sanction costs an initiator imposes upon itself are high. In addition, the propensity of democracies to tie their hands prevents them from backing down after a sanctions campaign is initiated. Through the combined effects of sunk costs and tied hands, economic sanctions imposed by democracies are likely to lead to military conflict. A statistical analysis of economic sanctions from 1948-1998 support these claims.

Although the Lektzian and Sprecher (2007) study represents the most comprehensive analysis linking economic sanctions and military conflict to date, I contend that it could benefit from some additional considerations. First is the issue of sanctions as costly signals, and the evidence thereof in the literature. As discussed previously, and as Lektzian and Sprecher (2007: 415) themselves assume, sanctions serve as costly signals of sender resolve. When a sender imposes sanctions, it has demonstrated its steadfastness in three ways. First, remember that, as per the implications of the game theoretic and quantitative evidence mentioned above, a state that threatens sanctions is likely to be resolute in its demands (Morgan and Schwebach 1997; Morgan and Miers

1999; Hart 2000; Nooruddin 2002; Drezner 2003; Morgan et al. 2006). Second, when it actually does impose sanctions, the sender has followed through on a threat, thus further validating its resolve (Jervis 1976; Fearon 1994, 1997). Finally, a sender exhibits its firmness through voluntarily incurring the self-imposed costs of the sanction, no matter how cheap it may be (Baldwin 1985).

It is with this final sunk cost assumption that the Lektzian and Sprecher study hits a theoretical snag. Although they claim to adhere to the assumption that sanctions are costly signals, they contrarily argue that a target will perceive a mixed signal from a democratic sender because democracies tend to initiate sanctions that have little or no sender costs. The authors begin their argument assuming that economic sanctions are signals of an unwavering sender, but in the application of their theory, they do not actually follow this reasoning. Instead, they suggest that sanctions, because of their low sender costs, are indicative of an undetermined target. Thus, it seems Lektzian and Sprecher (2007) claim to assume one side of the theoretical coin, but then actually adopt the other. In addition to this inconsistency, it is important to note that the formal and quantitative evidence on sanction threats contradicts the “sanctions as weak signals” argument on which Lektzian and Sprecher’s argument actually relies. For instance, Morgan and Schwebach’s (1997) spatial model argument indicates that although the overall likelihood of sanction success is low, one of the few ways for a sender to increase its chances of effectiveness is to minimize its own costs.

Relatedly, assuming that economic coercers can demonstrate their resolve only through the self-inflicted costs of their sanctions may also be misleading. Remember that it is critical to assume strategic interaction between states (Baldwin 1999; Clark and Reed

2005). In this case, it seems reasonable to assume that a target is well aware that senders intentionally devise sanction policies that are simultaneously costly for the target and cheap/free for the sender. Targets know that senders attempt to extract the absolute most they can while incurring minimal costs on themselves; otherwise, why would states threaten one another at all? As discussed earlier in this chapter, controlling for sender costs in theories of economic coercion is very important, in that these costs can convey a message as to how a sender perceives the situation (Baldwin 1999). However, assuming that targets garner their perception of sender resolve mostly or entirely from the cost of the sender's self-inflicted economic wounds could lead to spurious results. Further, international norms and trends in interstate behavior of the twentieth century have illustrated the relatively new and expanded role of economic coercion in states' foreign policy arsenals (Baldwin 1999). Targets are likely to recognize these trends, which illustrate the increased use of sanctions in conjunction with military force. Having observed these trends and norms (which will be discussed further in the following chapter), I contend that targets are not likely to assume that a sanction with low sender costs necessarily signifies an indecisive sender.

At root, the most significant theoretic contradictions in Lektzian and Sprecher's argument are linked to their tendency to discount the strategic interactions between the sender and target. Clark and Reed (2005) argue that as a bilateral international dispute progresses, both actors learn more about each at each passing stage. By omitting the important first stage of sanction threat, Lektzian and Sprecher (2007) miss a crucial set of interactions and the corresponding theoretical implications stemming from them.

This section has demonstrated that strategic interactions and sanction threats are important aspects to consider, and the selection effects discussed above warrant the incorporation of threats into studies of economic statecraft. In the conflict literature, it is taken for granted that the conception of a MID can include threats or displays of force, not to mention actual cases of engaged conflict (Ghosn, Palmer, and Bremer 2004). Similarly, in the prevalent ICB dataset, international crises can take the form of verbal, political, economic, or other non-violent acts, in addition to threats and instances of violence (Brecher and Wilkenfeld 1997). The literature on economic sanctions, however, does not yet practice a similar inclusion of threats as proper cases of economic coercion. This is more a function of the developing state of the literature, rather than an intentional, theoretical exclusion of sanction threats. As the threats and imposition of economic sanctions (TIES) dataset from Morgan et al. (2006) is improved, updated, and more widely utilized, it is likely that the international relations lexicon will come to incorporate sanction threats as cases of economic statecraft.

The next section on bargaining and dispute escalation reviews the relevant literature on how states interact in the context of low-level international conflict, and how some such cases proceed to violence, while others do not. Throughout, I apply these arguments to research on economic statecraft and its role in dispute escalation.

Escalation, Bargaining, Capabilities, and Issue Salience

The literatures on international bargaining and dispute escalation are voluminous, and they cover a wide range of theoretical and methodological areas. The current section parses down this abundance of research, with a focus on the literature's general arguments on international dispute escalation. While many of the studies covered below

rely only on evidence from “hot” conflicts – those involving only violence or threats of violence – I extend their hypotheses and arguments to instances in which state behavior preceding military action may involve economic coercion. The theories and corresponding hypotheses regarding international disputes are typically tested through qualitative case studies or small-N comparisons, quantitative analyses, and formal or spatial models of bargaining. This section gathers insights from evidence presented through each of these approaches.

With a distinct goal to help bridge the gap between academic foreign policy theory and governmental foreign policymaking, Alexander George (1991; George, Hall and Simons 1971) generally approaches the use of coercive diplomacy as a bargaining situation between two states. Of his typology of coercive diplomacy strategies, the most applicable to my study is his notion of the “gradual turning of the screw.” With this strategy, states use low-level policy options, such as diplomatic pressure or even economic sanctions, as a means of extracting concessions from a target. In this case, sanction threats and sanction imposition are particularly attractive options to state leaders because of their relatively cheap cost. Threats are cheap and easy to issue, and sanctions are imposed as a way to pressure the target without having to rely on armed force. Subsequently, if the sanction fails to produce the desired reaction from the target, the sender will turn the screw, applying increased pressure against the sender until it acquiesces. Eventually, if cheaper forms of coercion continually fall short of convincing the target to capitulate, the dispute may escalate to armed conflict. This argument follows a logical premise- a sender will use on its target the cheapest form of coercion available before moving on to a more costly technique.

George (1991) uses two US case studies to demonstrate the utility of gradually tightening the screw against an adversary. Though the first case is most often recognized as the latter half of the Iran-Contra affair, the Reagan administration's coercive campaign against Nicaragua through the 1980s illustrates very well the progressive intensification of pressure against a resolute and well-supported target. The administration's engagement of Nicaragua began in 1981 as a moderate attempt to contain Marxist revolutions in Central America. To avoid the imposition of a socialist government in Nicaragua, Reagan initially employed a basic carrot and stick approach, offering economic incentives while simultaneously threatening to cut off other forms of financial assistance if demands were not met. When it was clear the Sandinista regime would not immediately acquiesce, the Reagan administration gradually increased its pressure. The US first ramped up its coercion with harsh economic sanctions, and it eventually moved on to the military funding and training of the Contras, an anti-Sandinista group. Sanctions were ineffective against Nicaragua because the Soviet Union gladly stepped in and replaced any crucial goods once traded with the US, and when the Iran-Contra affair hit the American press, domestic support in the States waned. Despite the extenuating circumstances of a major US political scandal, George (1991) argues that the gradual turning of the economic screw indirectly helped remove the Sandinista regime through a free election in early 1989.

A second case, one in which the gradual progression from sanctions to armed force is much clearer, also involves a member of the Reagan administration- George H. W. Bush. After Iraq's invasion of Kuwait in mid-1990, the UN Security Council and the US immediately imposed sanctions against Iraq, demanding a complete withdrawal from

Kuwait. Although the UN coalition did not initially threaten economic sanctions (instead, sanctions were imposed nearly instantaneously upon the invasion), it did gradually increase the severity of its economic pressure over time as Saddam Hussein maintained his presence in Kuwait. The imposition of progressively harsher economic restrictions was eventually backed by tacit threats of military force, such as the deployment of Operation Desert Shield, which protected Saudi Arabia from subsequent Iraqi invasions. Desert Shield also served as an opportunity for coalition forces to position their forces for Operation Desert Storm, the move to remove Iraqi forces from Kuwait.

It remains debatable whether the sanctions preceding Operation Desert Storm were believed sincerely by UN and US officials to possess the coercive force necessary to bring about Iraqi coalescence (Hufbauer et al. 1990a; Cortright and Lopez 2000). In this case, however, I argue the true beliefs of the policymakers in this regard are of secondary importance to my theoretical framework. Whether Western officials believed a campaign of pure economic statecraft against Hussein would lead to withdrawal, or conversely if they saw an initial round of sanctions as necessary to justify their subsequent invasion, my general argument holds. Economic sanctions were used as a coercive step in a gradual sequence towards armed conflict. This progression can be seen as the result of policymakers' use of increasingly costly policy options, and/or, it can be seen as the result of international norms that promote nonviolent methods of coercion. My theory presumes that both of these influences are at work.

Relative State Capabilities and Dispute Escalation

The underlying logic of George's gradual turning of the screw strategy echoes many of the assumptions found in quantitative and formal models of dispute escalation.

In the aggregate, these models offer several different variables claimed to have a significant influence on the path and outcome of international disputes as states either march to war, or avoid conflict by taking an alternate path. Through a censored probit model, Reed (2000) develops a unified model of international conflict onset and escalation. He focuses on two relational factors between states – joint democracy and power parity – that have been widely assumed to have major impacts on the initiation and progression of disputes. Reed finds, not surprisingly, that joint democracy has a pacifying effect on both dispute onset and escalation. His results on relative power, however, are slightly more nuanced.

The ratio of relative military capabilities between states has long been found to have a substantial impact on disputes. Power transition theory states that when two states have roughly equal military capabilities and one of those states is dissatisfied with the status quo, the dissatisfied state is likely to initiate a conflict to change the status quo in its favor (Kugler and Lemke 1996). Reed (2000) tests this assumption and finds that while power parity is positively associated with the onset of disputes, it is negatively associated with escalation. This suggests that states with equal capabilities may often initiate conflicts with one another, but once the hostilities begin, these states are less likely to engage in an upward spiral of escalating tensions. Reed also includes a measure of alliance similarities between states, which acts both as a measure of the conflicting states' relational commonalities with other states in the international community, and as a gauge of their potential power. He finds that while similarities in alliance portfolios have no relationship with dispute onset, they are negatively and significantly related to escalation. Taken together, the results for power parity and alliance similarities suggest

that while states with comparable capabilities and alliance structures tend to test the water of low-level disputes, they are unlikely to dive in and escalate the dispute much further.

Kinsella and Russett (2002), using different datasets and a broader range of conflictual interstate behaviors (from low-level diplomatic disputes to war), mirror Reed's (2000) findings on relative capabilities and alliance portfolios. They also extend the analysis of economic interdependence and its effects on dispute onset and escalation, finding that high levels of economic interdependence significantly reduce the probability of observing a MID, and they reduce the likelihood of MID escalation. While it is not surprising to find that economic interdependence and parallel alliance networks have an analogous effect (as these variables themselves are likely correlated), the finding that economic interdependence pacifies the escalatory tendencies of international disputes is of note. Although Kinsella and Russett do not speculate as such, it is plausible that this result indicates an indirect effect of economic power within the dyad. The general finding falls in line with the Kantian Peace argument (Russett and Oneal 2001) and could also be indicative of highly trade dependent states trying to test the boundaries of their stronger trade partner, while making sure to keep under control any disputes that do emerge.

Observable forms of power are not the only important national traits to consider when assessing the emergence and fighting of disputes. Through a formal model of crisis onset and escalation, Bueno de Mesquita, Morrow, and Zorick (1997) incorporate perceptions of state capabilities. Testing the results of the formal model, they find quantitative evidence suggesting that the relationship between capabilities and dispute outcome can be ambiguous, as both sides have some uncertainty over the outcome of the

dispute, and the more powerful state does not always win.² In a selection effect similar to the one in the sanctions literature mentioned earlier, Bueno de Mesquita et al. (1997) posit that if the more powerful state always won, it would logically follow that war would never occur, as the weaker state would sooner surrender than fight a war it knew was unwinnable.³ They argue that although relative military capabilities play a key role in interstate perceptions, the role of “intangibles,” or the unobservable capabilities that each side in a crisis possesses, is also important. These intangibles, such as resolve, morale, and skill of leadership, are shown to play a potentially pivotal role in the outcome of disputes. Regardless of the surveillance employed, both sides cannot know everything about the other in terms of military capabilities and resolve. Thus, there always remains some level of uncertainty regarding the likely outcome of disputes.

The Size of the Prize: Issue Salience as a Critical Variable

Recall that a key strength of adopting a strategic interaction approach to international relations is that as a dispute progresses, each side bases its next move on a prediction of its adversary’s next move. As this back-and-forth proceeds, each side in effect discloses private information to its opponent, and to the international community in general (Lander 1973; Fearon 1994, 1995; Bueno de Mesquita et al. 1997; Leng 2004). Following this logic, as the amount of information shared between parties grows (i.e., there are more measures and countermeasures), it becomes more likely that each side will

² Uncertainty has been operationalized in the quantitative and formal conflict literatures (e.g., Kilgour and Zagare 1991; Bueno de Mesquita and Lalman 1992). See Jervis (1976), Filson and Werner (2002), and Rathbun (2007) for more detailed discussions of uncertainty.

³ However, two additional caveats should be added here. If the states were uncertain as to which one was weaker, or if losing the war was preferable to the alternative, we may still observe war under these conditions.

correctly assess the other's resolve and other intangibles.⁴ The consideration of sender and target resolve and its effect on the successful use of economic statecraft has been a staple of the sanctions literature (e.g., Pape 1997; Elliott 1998; Ang and Peksen 2007). Therefore, my model attempts to incorporate the displays of resolve that result from repeated strategic interactions between states (see also Filson and Werner 2002; Kinsella and Russett 2002; Clark and Reed 2005).

An essential piece of the puzzle in assessing actors' resolve involves accounting for the salience of the issue at hand. Earlier discussions here and in the last chapter covered the debate over what economic sanctions tend to signal *in general*, that is, asking if the decision to engage in economic statecraft acts as a sign of weak or strong resolve. Another critical point to consider, though, is the *particular* issue at stake in a given dispute. When assessing the resolve of an actor in a specific dispute, it seems quite logical to ask how each state perceives the issue. For example, states value some issues, such as territory, much more than others. Whether a dispute will escalate into violence, therefore, is likely to be at least somewhat dependent upon the issue of dispute. George, Hall, and Simons (1971) contend that differences in sender and target perceptions of the issue may explain many cases in which coercive diplomacy fails. For instance, if the target values the issue of dispute much more than does the sender, it is likely that the target will stand firm against sender pressure, which may be perceived as weak by the target. In the conflict literature, robust evidence suggests that the nature of a contentious issue explains much about state behavior. Goertz and Diehl (1992), Vasquez (1993),

⁴ Of course, states can deliberately intend for their adversaries to feel uncertainty about their decisions and level of resolve, as doing so can be an effective tactic for disrupting or complicating an adversary's decision-making process. This imbalance in information can lead the opposing sides of a dispute to perceive vastly different risks and potential outcomes during a dispute.

Sense (1996), Hewitt and Wilkenfeld (1999), Gelpi and Griesdorf (2001), Akbaba et al. (2006), and Venteicher and Peterson (2009) all find that perceived issue salience and a state's willingness to fight – in other words, its willingness to incur costs in pursuit of the issue – are positively related. All else being equal, these arguments suggest that greater issue salience begets escalation.

With a quantitative analysis of 99 sanction cases, Ang and Peksen (2007) evaluate the effectiveness of economic sanctions while controlling for issue salience. They find that the sender's perception of issue salience is strongly and positively correlated with sanction success, meaning that the more a sender values the issue at stake, the more likely it is to follow through with its goal of achieving target acquiescence. Perceptions matter in international relations, and in this case, taking into account differing perceptions of issue salience is key. Interestingly, Ang and Peksen do not find any significant effects for target issue salience measured alone. However, the authors also calculate the difference in sender and target salience levels, offering a way to quantify those instances in which the contentious issue simply matters more to one side than it does the other. The evidence suggests that as the disparity between sender and target salience grows – specifically, when the sender values the issue more than does the target – the effectiveness of economic sanctions increases.

In sum, the conventional wisdom in the conflict literature maintains that issue salience matters. Intuitively, states are willing to expend more resources in order to secure goals they value highly. Although the economic statecraft literature has yet to incorporate fully the impact of issue salience into its studies, the current evidence suggests that issue salience remains important during episodes of economic coercion, as

well. Ang and Peksen's (2007) findings suggest that when sender issue salience is high, the sender is more likely to devise and follow through with an effective sanction.

Thus far, this chapter has reviewed two general pieces of the international relations literature. Covered first was the role of economic sanctions as a foreign policy tool and their general relationship with armed force. The selection effect at work in much of the sanctions literature was discussed, as was the corresponding importance of accounting for sanction threats. After pointing out the merits and weaknesses of the current leading studies linking sanctions and military conflict, the chapter moved on to its second task, appraising the work on international bargaining and dispute escalation. The quantitative, formal, and qualitative literatures in this vein stress the importance of accounting for strategic interactions, relative capabilities, and the salience of the issue at stake. Using these insights, the third and final goal of this chapter is to outline a formal model of escalation beginning with the threat of an economic sanction, and culminating with the initiation of a militarized interstate dispute (MID).⁵

The Formal Model

The model presented here is a strategic representation of two states involved in a dispute. The work of James Fearon has established the grounds for much of the work on crisis bargaining in international relations in recent years. Borrowing from Snyder and Diesing (1977), Fearon (1994; see also Kinsella and Russett 2002) argues that the vast majority of international conflicts are sequential— a sender (challenger) poses some kind of threat, the target (defender) responds, the challenger replies again, and this continues

⁵ A MID is considered as any one of the four levels of hostility in the COW dataset: 1- display of force; 2- threat of force; 3- use of force; or 4- war (Brecher and Wilkenfeld 1997).

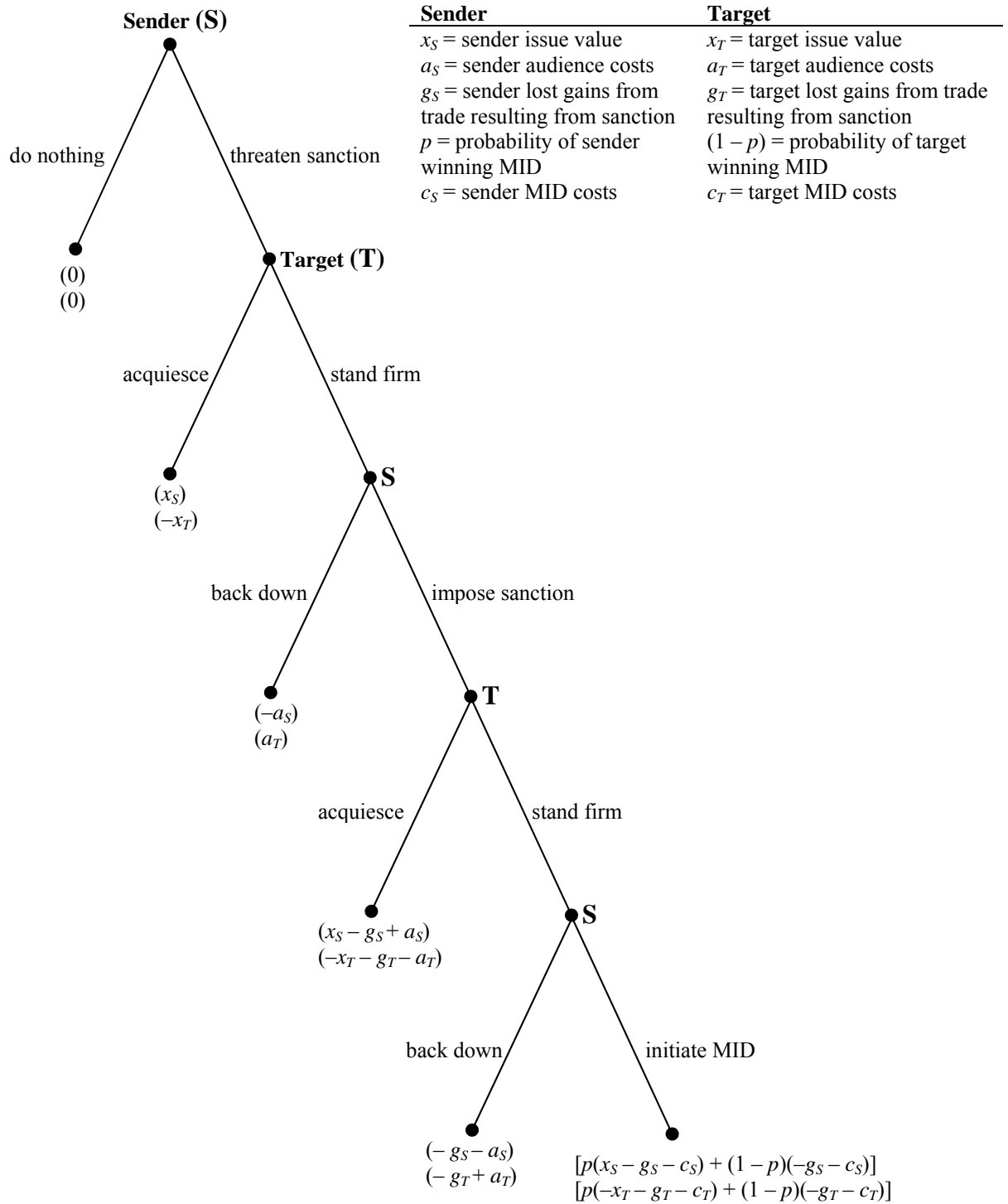
until the crisis escalates to war or ends in some form of settlement.⁶ My model assumes a similar form, and it borrows from the work of Hirschman (1945) and Crescenzi (2003a) in which one state uses its economic leverage to coerce another state over an independent issue. Although military capabilities play a role in economic coercion in that armed force often accompanies economic statecraft as a tacit threat, most of the model is based primarily on the explicit use of economic tools (see Baldwin 1985; Pape 1997). The design of the model is relatively simple – I assume complete information of player types and discrete bargaining ranges – but its straightforward design does permit variances in the model through which various hypotheses can be drawn regarding issue salience.⁷

In the model, the sender wants something from the target, and the sender must decide whether it values the issue under contention enough to issue a demand to the target. If the sender does issue a demand, it does so with the threat of an economic sanction. On the other hand, if the sender does not value the issue to a certain degree, it will choose to remain quiet and maintain the status quo. Remember that, as discussed in the previous chapter, the motivating issue behind a sanction can be political or economic in nature (Drury 2005). For example, the sender may be unhappy with the target because of its supposed human rights abuses, its refusal to admit UN weapons inspectors, or its violations of a trade agreement. The model assumes states are unitary, rational actors (see Krasner 1978; Bueno de Mesquita 1981). Although this is a common assumption in the international relations literature, it is of particular note here because it assumes there is

⁶ While the economic coercion literature labels the state that initiates sanctions as the “sender” and the state receiving sanctions as the “target,” the conflict literature general calls their analogs “challenger” and “defender,” respectively.

⁷ The game is admittedly minimal, but this structure was chosen to maximize its compatibility with the available data so that testable hypotheses can be tested with quantitative data. See Morrow (1994) for further discussion on constructing games with quantitatively testable outcomes.

FIGURE 3.1. A Formal Model of International Dispute Escalation from Sanction Threat to MID Onset



one, rational leader of each state. This leader behaves strategically to maximize the state's utility at all times; thus, regardless of the issue at hand, the model assumes that the sender prefers to extract its demand from the target while incurring the absolute minimum costs for itself.⁸ Crescenzi (2003b) notes that a model structure such as this captures both reactive and proactive sender demands, meaning that the sender's demand can be in response to a particular action (e.g., the rejection of weapons inspectors), or it can be an initial attempt to revise the status quo (e.g., to put an end to long-practiced human rights abuses).

Figure 3.1 illustrates the basic form of the game. It begins with the sender deciding whether to make a demand upon the target over issue x , or to remain at the status quo. Remember that the sender and target can value issue x at different levels (Ang and Peksen 2007). For example, the target may perceive x as an extremely salient issue, while the sender may think it is of relatively minor importance. At this point in the game, imagine the target as having ownership of issue x . If the sender makes a demand, it is buttressed with the threat of an economic sanction. After the threat is made, the target must decide whether it prefers to acquiesce, or to maintain its behavior by retaining control of x . If the target gives in, the game ends with the sender gaining its unique utility, x_S , from having acquired the issue. At the same time, the target loses its utility, x_T .

The game continues if the target does not concede to the sender's initial threat of sanctions. The sender is then faced with its second decision- either to back down in the face of a defiant target, or to follow through on its threatened sanction. If the sender

⁸ While I acknowledge that senders have other options (e.g., bargaining, rallying ally support), in the model, I assume the cheapest form of coercion available is a sanction threat.

backs down, the sanction is not imposed, and the target maintains possession of x . At this point in the game, however, a new parameter is introduced- audience costs.

In his seminal work, Fearon (1994) contends that when states, especially democracies, make threats, they tie their hands in that they create an expectation of commitment if their threat is not heeded. Constituents at home expect leaders to follow through with their demands and threats. Though Fearon is concerned mostly with higher-level international disputes, Kaempfer and Lowenberg (1988, 1992) and Lektzian and Sprecher (2007) contend that democratic leaders threatening or imposing economic coercion also may be subject to tied hands through domestic audience costs. The impact of regime type is of particular interest to studies of economic statecraft, as the US is by far the world's most frequent sanctioning state, and Western international organizations are increasingly turning toward economic coercion as a policy tool of choice (Cortright and Lopez 2000; Hufbauer et al. 2007). Audience costs for leaders do not originate only from constituents at home. States care about international reputations, and they prefer not to be perceived as weak-willed by other states in the international community. Thus, if a sender backs down at this stage, it is subject to international audience costs as well. The sender's domestic and international audience costs are represented by a_S . Conversely, the target will enjoy an improvement in its reputation, a_T , both at home and abroad if it stands firm in the face of the sender's threat.

If the sender stands firm, however, it imposes sanctions on the target and avoids audience costs. The target must then decide either to continue incurring these costs by standing firm, or to acquiesce. If the target deems the costs of the sanction as too great, or if it was merely trying to call the sender's bluff and had no intention of escalating the

conflict further, the target will concede. Target concession at this point means the sender will gain x_S and a_S , and the target will conversely lose x_T and a_T .⁹ Also, note that both actors will lose the gains from trade that were eliminated through the sanction, g_S and g_T , respectively.¹⁰ If the target continues to reject the sender's demand, the model then assumes the sender will consider using armed force.

At the final stage of the game, the sender must decide if it is willing to threaten or use force against the target, or if it would prefer to back down.¹¹ If the sender backs down at this point, it suffers an audience cost loss and a loss of trade gains from sanction imposition. On the other hand, if the sender values the dispute issue enough, it will display, threaten, or use force to coerce the target. At this point, the dispute and game tree essentially reach the starting point of Fearon's (1994) model, where the challenger threatens the defender. The aim of this project is to offer an illustration of the progression of a coercive diplomacy campaign from the threat of an economic sanction to the initial stages of a military conflict. I am focused on the process of dispute escalation, and not necessarily on the outcome of the coercive campaign, per se. This being so, my game ends at this decision point for the sender.

Several prominent conflict scholars, such as Bueno de Mesquita and Lalman (1992) and Morrow (1994), use lotteries to represent the outcome of a militarized dispute.

⁹ Many formal models of international interactions (e.g., Bueno de Mesquita and Lalman 1992) do not include audience costs or gains at similar nodes. Pursuant to Fearon's (1994) theory, however, it should be expected that in this case, sanction imposition is also a policy stance from which the sender may suffer audience costs if it were to ultimately back down (see, for example, Lektzian and Sprecher 2007). To capture this effect, I include audience costs here and in a subsequent node.

¹⁰ These lost gains from trade can also be thought of as opportunity costs that were forgone by each actor, that is, the sender imposed the sanction's cost upon itself, and the target chose to undergo the sanction in lieu of coalescence.

¹¹ Because there are no time periods in the model and no restrictions on how long a sender may take to make this decision, the model does not present the maintenance of sanctions as a third option here. The sender eventually makes a decision to escalate the conflict with a threat or use of violence, or it backs down; in the mean time, it is sanctioning the target.

In fact, Bueno de Mesquita and Lalman (1992) and Fearon (1994) suggest that using a lottery to determine the victor in this context helps incorporate the influence of uncertainty when states engage in bargaining and/or combat (see Crescenzi 2003b: fn. 6). If a MID is initiated, the challenger (sender) is victorious with probability p , and the defender (target) wins with probability $(1 - p)$. Remember that in the international conflict literature, a MID is defined as a threat, display, or use of force (Ghosn, Palmer, and Bremer 2004; Brecher and Wilkenfeld 1997). At this point in the game, both players also lose their respective gains from trade due to sanction imposition. Win or lose, both actors also lose their respective costs, c_S and c_T , associated with engaging in armed conflict.¹² At this terminal node, the payoffs for each player include lost trade gains (g) and the lost resources from fighting (c). The only other difference in payoffs comes if the challenger wins, when the challenger gains x_S at the expense of the defender's x_T (see Crescenzi 2003a).¹³

Analysis of the Game

In this basic game, issue salience is the determining factor as to how far a dispute will escalate. Each actor's perceived value of issue x is unique, meaning that a relatively minor concern of the sender could be perceived as a matter of national security for the target.¹⁴ Crescenzi's (2003a, 2003b) model shares a similar assumption, though instead of the value of the issue at stake, he focuses on the role of economic interdependence in interstate disputes. He develops a compelling theory of exit costs, the opportunity costs

¹² These costs include military and civilian casualties, destroyed matériel, opportunity costs associated with war mobilization, and other resources associated with threatening and/or fighting.

¹³ Audience costs are not included in the "initiate MID" payoffs because the audience costs stemming from MID defeat or victory are likely to be quite different and more substantial from audience costs associated with sanction threat and imposition. In effort to keep the model simple and the focus on the role of issue salience, I do not include a new parameter representing MID audience costs. Doing so, however, would not change the substantive results of the model.

¹⁴ See this chapter's appendix for an analysis of the game's moves.

associated with severing ties with a trading partner, and exit-cost thresholds, the theoretical tipping points at which a state cannot afford to sever such ties. Crescenzi finds that when one state has leverage over the other stemming from this theoretical exit-cost threshold, it can use its favorable trade asymmetry as a bargaining tool. In some cases, disputes may be resolved peacefully, but in others, neither state can afford to back down. In a similar way, issue salience in my model can play either a pacifying or a provocative role. In Table 3.1 below, the model's five issue salience thresholds, or tipping points, are illustrated in sequential form.

TABLE 3.1. Five Sequential Issue Salience Thresholds

Sender Thresholds	Target Thresholds
1) Make threat: $X_{S- Threat}^* = \frac{(g_S + c_S)}{p}$	
	2) Stand firm to threat: $X_{T- Sanction/ Firm}^* = \frac{(g_T + c_T)}{(1-p)}$
3) Impose sanction: $X_{S- Sanction}^* = \frac{(g_S + c_S - a_S)}{p}$	
	4) Stand firm to sanction: $X_{T- MID/ Firm}^* = \frac{(c_T - a_T)}{(1-p)}$
5) Initiate MID: $X_{S- MID}^* = \frac{(c_S - a_S)}{p}$	

Table 3.1 is, in essence, a condensed form of the extended model game tree. All five nodes are illustrated in the table, beginning with the sender's decision to issue a sanction threat. In particular, the sender's issue salience at two specific decision nodes – the decision to impose sanctions (3), and the decision to initiate a MID (5) – are most relevant to this study. These decision points are where much of the theoretical and empirically observable action takes place. The sender's tipping point at which it decides

to impose sanctions contains a term representing lost trade gains due to sanction imposition, g_s . This suggests that before imposing a sanction, the sender considers how much it may cost, in conjunction with the audience costs for backing down later, the chances of winning a potential MID, and the costs of fighting a MID. Even at this stage, the sender's decision calculus retains parameters related to MID onset, supporting the arguments of Baldwin (1985), George (1991), and Pape (1997) that economic coercion is usually backed tacitly with the threat of force.

The sender's thresholds for sanction imposition and MID initiation differ, particularly in that lost trade gains are included in the latter and not in the former. This omission of trade concerns in a later round suggests that as a dispute escalates and sanctions have already been imposed, sunk economic costs may be of little concern to a sender contemplating initiation of a violent confrontation. The general difference between these two thresholds also suggests that, taken broadly, the sender's decision calculus during the escalation process changes from one coercive technique to another.

Although my formal model assumes complete information between players, in the real world, this is rarely (if ever) the case. For the sake of discussion, assume that the sender and target have incomplete information about each other. Under this assumption, the difference between the sender's sanction imposition and MID initiation thresholds would allow the sender to update its beliefs about the target as the game progressed. Such an updating procedure would tap into the notion that states use the dispute process as a form of communication and as a way to learn about each other's preferences and resolve.

Maintain, for the sake of argument, that the players have incomplete information. Table 3.2 simplifies the results of the game even further. As does Crescenzi (2003a,

2003b), I assume there is a theoretical threshold at which a target cannot afford to acquiesce, and that there is a similar point at which a sender must attempt to coerce (by threat, sanction, or MID) a target. Below this threshold, however, senders are likely to engage in bluffing, and targets are subsequently likely to assume even a resolute sender is bluffing from time to time. Table 3.2 illustrates a basic 2x2 typology of high and low issue salience for each actor, and how these different combinations are likely to manifest in the data.

The first cell in Table 3.2 is the least interesting in terms of action- if neither party is highly interested in an issue, then we are unlikely to observe any moves to change the status quo. In the chance that a sender may try to use a cheap sanction threat to gain an easy concession, it is unclear what the likely outcome may be. The sender may be called on its bluff, or the target may concede, being unwilling to take a chance that a sanction could be imposed.

TABLE 3.2. A 2x2 Typology of Sender and Target Issue Salience and Likely Outcomes

		Target	
		<i>Low Salience</i>	<i>High Salience</i>
Sender	<i>Low Salience</i>	Status quo; Possible sanction threat	Status quo; If sanction is threatened, likely that sender will back down in face of defiant target
	<i>High Salience</i>	Target acquiescence to sanction threat; Target acquiescence to sanction	Sanction threat likely; Sanction likely; Possible military conflict

In the second cell, where the sender has low and the target high salience, again the status quo is most likely to remain. If the sender issues a threat, however, it is quite likely to be ignored by a highly motivated target, at which point the sender will probably back

down. Whereas the second cell is not fertile ground for target coalescence, the third cell is ripe for the effective use of economic statecraft. The findings of Hufbauer et al. (1990a) and Ang and Peksen (2007) suggest that under these conditions, a sender is likely to use economic coercion, as it has a good chance of gaining some cheap concessions from a relatively disinterested adversary, while at the same time minimizing the chances of escalation.

The fourth cell illustrates conditions in which escalation is likely. If both parties value greatly the issue under dispute, both will be willing to push the escalatory envelope. Beginning with a sanction threat, the sender will attempt to gauge the target's resolve. If both parties value the issue to a certain extent, they will progress through the escalatory process to MID initiation. The process itself is a form of interstate communication in that at each decision point, one side is demonstrating to the other (or bluffing) that it is willing to incur the costs of a sanction, or potentially a MID.

All formal models are a simplification of reality, and through the simplification process, elements of the real world are omitted. The analyses that follow focus on the issue at the heart of the dispute. The formal model suggests that senders will progressively try to find the tipping point at which a particular amount of pressure will coerce the target. Just as a shopper prefers not to overpay for the good s/he wants, a sender prefers not to expend more resources in pursuit of its desired goal. If a concession could be obtained with a cheap sanction threat, why impose a sweeping trade embargo? As the dispute process progresses, the sender will incrementally tighten the screw on its target.

Moving beyond the scope of this model, I posit that a similar process can be said to take place during military campaigns and violent conflicts, that is, after the terminal node of my game. For example, state leaders are just as, if not more so, averse to overpaying during the course of a military operation than they are in the imposition of economic sanctions.

Importantly, though, after a violent conflict erupts, the relative salience of the dispute increases dramatically. In addition, the international norms, international reputation costs, and domestic audience costs of these types of high-level conflicts in many ways differ from disputes in which economic sanction threats represent the highest level of hostility. While my theory and model argue that the use of economic statecraft and military coercion are similar and can benefit from a joint analysis, there are salience levels at which they differ to the point that they are no longer subsumable in a single model. It is at these points that theoretical clarity is most useful for the direction and formation of future research questions.

APPENDIX TO CHAPTER 3

I use the subgame/sequential equilibrium solution concept discussed by Morrow (1994: 198), which assumes that all players have a set of beliefs and strategies that is sequentially rational and consistent throughout the game (see also Crescenzi 2003b). To keep the game and its outcomes simple, I do not solve for mixed strategy equilibria. I assume that $x_S, x_T \geq 0$; $g_S, g_T \geq 0$; $a_S, a_T \geq 0$; $p > 0$; and $c_S, c_T \geq 0$. Audience costs can be negative (costs) or positive (gains), depending upon the circumstance for each player. Using backwards induction, I work through the game and analyze the players' moves.

Sender's Third and Final Move: Initiate MID or Back Down (Node 5)

Through the lottery that would determine the winner of a MID, the sender chooses whether to engage in conflict with the target, or to back down. Setting equal the sender's lottery payoff and outcome from backing down illustrates indifference:

$$p(x_S - g_S - c_S) + (1 - p)(-g_S - c_S) = -g_S - a_S$$

Solving for x_S produces the theoretical sender issue salience threshold for initiating a MID, X_{S-MID}^* , which is a function of the domestic and international reputation boosts (positive audience costs) associated with winning the MID, the costs of initiating the MID, and the probability that the sender would emerge from the MID victorious.

$$X_{S-MID}^* = \frac{(c_S - a_S)}{p}$$

Crescenzi (2003b) finds a similar target threshold value, though he does not account for audience costs. Note that the issue threshold is related to the potential cost of military conflict, suggesting that the sender incorporates the possible losses it may face if it initiates a MID. This association between issue salience and would-be military costs taps

into the common notion put forth by Baldwin (1985), George (1991), Pape (1997), and others that the use of economic coercion is tacitly, or in some cases explicitly, bolstered by the specter of armed force. Sender issue salience is the variable on which I am most focused, as I argue it helps drive sanction imposition earlier in the game, and MID initiation here. When the sender's issue salience is greater than its issue salience MID threshold ($x_S > X_{S-MID}^*$), it will initiate a MID. On the other hand, when this relationship is reversed ($x_S < X_{S-MID}^*$), the sender will back down, opting instead to take the sunk costs from sanction imposition, and the audience costs associated with yielding.

Target's Second and Final Move: Stand Firm or Acquiesce (Node 4)

At this node, if the target acquiesces, the sender need not respond. If the target stands firm, however, the sender must decide to back down or initiate a MID. I first address the former case, where the sender chooses to back down.

Case One: Sender backs down in its third and final move ($x_S < X_{S-MID}^$)*

If the sender backs down in its last move, the target will receive $-g_T + a_T$.

Otherwise, it receives $-x_T - g_T - a_T$:

$$-g_T + a_T = -x_T - g_T - a_T$$

If $x_T > -2a_T$, the target will choose to stand firm when the sender backs down.

Conversely, if $x_T < -2a_T$, the target will choose to acquiesce. In other words, if the issue value is less than two times the audience costs at this point, the target will acquiesce. If, however, the issue value is greater than two times the audience costs, the target cannot afford to acquiesce, and it will stand firm. This result is somewhat surprising in that the juxtaposition between audience costs and issue value suggests that a target could acquiesce here, given sufficient audience costs.

Case Two: Sender initiates MID in its third and final move ($x_S > X_{S-MID}^$)*

If $x_S > X_{S-MID}^*$, the target faces a choice between acquiescing and losing its issue value, sunk trade losses, and audience costs; or entering into a MID with the sender (remember that the sender's issue salience is large enough to motivate MID initiation).

The target is indifferent when:

$$p(-x_T - g_T - c_T) + (1 - p)(-g_T - c_T) = -x_T - g_T - a_T$$

Solving for x_T produces the target's issue value threshold for potential MID

initiation, $X_{T-MID/Firm}^*$, which captures the tipping point for standing firm when faced with sanctions:

$$X_{T-MID/Firm}^* = \frac{(c_T - a_T)}{(1 - p)}$$

When $x_T > X_{T-MID/Firm}^*$, the target will stand firm in response to sanctions, meaning it would prefer MID engagement rather than acquiesce to sanctions. However, when $x_T < X_{T-MID/Firm}^*$, the target will acquiesce rather than engage in a MID with a resolute sender.

Sender's Second Move: Impose Sanction or Back Down (Node 3)

Three cases are considered by the sender when weighing its options between imposing a sanction or backing down from its threat. The first case involves the scenario in which the target will acquiesce to the sanction, if it is imposed. The second and third cases deal with a scenario in which the target stands firm against an imposed sanction. In the second case, the sender will back down at its final decision node after the target stands firm. In the third case, the sender escalates the dispute further and initiates a MID.

Case One: Target will acquiesce ($x_T < X_{T-MID/Firm}^$)*

Given $x_T < X_{T-MID/Firm}^*$, $-a_S < (x_S - g_S + a_S)$, for all a_S, x_S, g_S

The sender will impose sanctions if the target will acquiesce in response.

Case Two: Target will stand firm, and sender will back down from MID initiation ($x_T > X_{T-MID/Firm}^$, $x_S < X_{S-MID}^*$)*

A sender that will back down in its third and final move could also back down in its second move:

$$-a_S \geq -g_S - a_S, \text{ for all } a_S, g_S,$$

Such a sender will always prefer to back down early, before sanction imposition, rather than after imposing sanctions and suffering the sunk costs of restricted trade. However, if the sender can devise a sanction policy that is costless ($g_S = 0$), or one that actually produces a net gain,¹⁵ such a disincentive to sanction disappears.

Case Three: Target will stand firm, sender will initiate MID ($x_T > X_{T-MID/Firm}^$, $x_S > X_{S-MID}^*$)*

If the sender imposes sanctions after threatening them, it faces a potential for escalation and MID onset. On the other hand, if the sender backs down after its threat, it loses audience costs. Setting these outcomes equal produces:

$$p(x_S - g_S - c_S) + (1 - p)(-g_S - c_S) = -a_S$$

Solving here for x_S produces the sender's sanctioning threshold, $X_{S-Sanction}^*$, the theoretical threshold at which it determines if the level of issue salience is sufficient to follow through with its sanction threat:

¹⁵ The Hufbauer et al. (1990a) data do include some cases in which the sender was able to sanction and still extract an increase in rents.

$$X_{S-Sanction}^* = \frac{(g_S + c_S - a_S)}{p}$$

When $x_S < X_{S-Sanction}^*$, the sender will back down from its sanction threat, and when $x_S > X_{S-Sanction}^*$, the sender will engage the target with an actual sanction.

Notice here that the term representing lost trade gains due to sanction imposition, g_S , is included in the sender's decision calculus. This suggests that before imposing a sanction, the sender considers how much it may cost, in conjunction with the audience costs for backing down later, the chances of winning a potential MID, and the costs of fighting a MID. Even at this stage, the sender's decision calculus retains parameters related to MID onset, again supporting the arguments of Baldwin (1985) that economic coercion is tacitly backed with the threat of force.

The sender's X_{S-MID}^* and $X_{S-Sanction}^*$ thresholds differ in that lost trade gains are included in the latter and not in the former. The omission of trade concerns in a later round suggests that as a dispute escalates and sanctions are imposed, sunk economic costs may be of little concern to a sender contemplating initiating violence. The general difference between these two thresholds also suggests that, taken broadly, the sender's decision calculus during the escalation process changes from one coercive technique to another. This difference also allows the sender to update its beliefs (if we were to assume incomplete information) about the target as the game progresses, echoing the assumption that states use the dispute process as a form of communication and as a way to learn about each other's preferences and resolve.

Target's First Move: Stand Firm or Acquiesce (Node 2)

In the target's first move, there are three possible scenarios. In case one, the sender will back down in the face of a target that defies a sanction threat. In the second and third cases, the sender will actually act upon its threat and impose sanctions. In response, the target will either acquiesce or stand firm. Case two considers the scenario in which the target acquiesces, and case three illustrates the scenario in which the target stands firm to the sanction and the sender initiates a MID in response.

Case One: Sender backs down from sanction threat ($x_S < X_{S-Sanction}^$)*

$$\text{Given } x_S < X_{S-Sanction}^*, -x_T < a_T, \text{ for all } x_T, a_T$$

The target will stand firm against the sanction threat if the sender will back down in response.

Case Two: Sender sanctions, target acquiesces ($x_S > X_{S-Sanction}^, x_T < X_{T-MID/Firm}^*$)*

A target that will acquiesce in its second move will also comply in its first move:

$$-x_T \geq (-x_T - g_T - a_T) \text{ for all } x_T, g_T, a_T$$

The target always prefers to acquiesce before sanctions are imposed if it does not value highly enough the issue (Morgan and Schwebach 1997; Drezner 2003).

Case Three: Sender sanctions, target stands firm, sender initiates MID ($x_S > X_{S-Sanction}^, x_T > X_{T-MID/Firm}^*, x_S > X_{S-Sanction}^*$)*

If the target stands firm to the sender's sanction threat, the sender imposes sanctions. If the target again defies the sender's sanction, the sender values the issue highly enough to initiate a MID in response. Therefore, in this case, the target weighs its options of acquiescence, from which it would lose the issue, to the outcome of a MID. Setting these payoffs equal produces:

$$p(-x_T - g_T - c_T) + (1 - p)(-g_T - c_T) = -x_T$$

Solving for x_T produces the target's issue value threshold for potential sanction imposition, $X_{T-Sanction/Firm}^*$, which captures the tipping point for standing firm when faced with a highly resolute sender:

$$X_{T-Sanction/Firm}^* = \frac{(g_T + c_T)}{(1 - p)}$$

When $x_T > X_{T-Sanction/Firm}^*$, the target values the issue enough to suffer sanction for its maintenance. However, when $x_T < X_{T-Sanction/Firm}^*$, the target will acquiesce to a sanction threat rather than undergo a sanction.

Sender's First Move: Threaten or Do Nothing (Node 1)

In this first move of the game, there are three scenarios for the sender to consider. In case one, the target will comply with the initial threat in its first move. In the second and third cases, the target will stand firm in response to the threat and the sender will have to either follow through with its threat or back down. Case two considers the scenario in which the sender backs down, and case three considers the scenario in which the sender sanctions and the target again stands firm.

Case One: Target acquiesces to sanction threat ($x_T < X_{T-Sanction/Firm}^$)*

If the sender knows that the target will acquiesce when faced with a threat, the sender had a choice: remain at the status quo, or make a demand. The sender will always prefer to extract the demand rather than remain at the status quo in this case:

$$x_S \geq 0, \text{ for all } x_S$$

Case Two: Target stands firm to sanction threat, sender backs down ($x_T > X_{T-Sanction/Firm}^$, $x_S < X_{S-Sanction}^*$)*

In this scenario, the sender knows it does not value the issue highly enough to follow through with an economic sanction. The sender would threaten, the target would stand firm/call the sender's bluff, and the sender would then back down. Knowing this, the sender would prefer the status quo to the lost audience costs associate with issuing an empty threat and then backing down.

$$-a_S < 0, \text{ for all } a_S$$

Case Three: Target stands firm to sanction threat, sender sanctions, target stands firm again ($x_T > X_{T-Sanction/Firm}^$, $x_S > X_{S-Sanction}^*$, $x_S > X_{T-MID/Firm}^*$)*

Here the sender backs up its threat, and in turn the target is resolved to stand firm in response. If the sender does not make a demand, the status quo would remain. However, if the sender does issue a threat, the dispute could escalate to a MID.

$$p(x_S - g_S - c_S) + (1 - p)(-g_S - c_S) > 0$$

Solving for x_S produces $X_{S-Threat}^*$,

$$X_{S-Threat}^* = \frac{(g_S + c_S)}{p}$$

which is the sender's issue salience threshold which determines the point at which a sender values the issue enough to threaten the target with a sanction. When $x_S < X_{S-Threat}^*$, the sender will not issue a threat. However, when $x_S > X_{S-Threat}^*$, the sender will issue a threat against the target.

CHAPTER FOUR

TESTING THE MODEL: THE EMPIRICAL RELATIONSHIP BETWEEN ECONOMIC SANCTIONS AND MILITARY CONFLICT

This chapter tests the hypotheses derived from the formal model. In addition, it raises and addresses several other questions regarding economic and military coercion, including how this relationship has changed over time. The first section below explicitly states the hypotheses stemming from the last chapter, and it presents some additional hypotheses originating from my theory and the literature. I then move on to respective discussions of the data, variables, and methods used to test my arguments. The fifth section presents the results on the escalatory process from sanction threat to sanction imposition, and the sixth section covers the findings linking economic and military coercion in general. The chapter concludes with a review of my findings' implications and suggestions for future research.

Hypotheses

The formal model presents a basic illustration of dispute escalation, and its results suggest that there is a positive relationship between escalation and the actors' respective values of the issue under dispute. The model illustrates three tipping points at which the sender's level of issue salience plays a particularly important role. Sequentially, these thresholds are located at the first node, where the sender decides to threaten sanctions; the third node, where the sender chooses to follow through on its sanction threat; and the fifth node, where the sender may escalate the dispute by initiating a MID with the target. The sender alone controls each actual decision to initiate and escalate the dispute.

In general, greater levels of sender resolve make it more likely for the sender to “tip” toward escalation during the dispute process. However, as illustrated in Table 3.2, greater sender issue salience (SIS) can also make it more likely that a target will acquiesce, especially if the target’s perceived salience of the issue under dispute is low. If the target concedes because it does not value highly enough the issue under contention, or because it is intimidated by an apparently highly resolute sender, escalation of the dispute is unnecessary. In this way, high sender commitment may also have a negative effect on escalation, in that it helps coerce targets into submission before a dispute intensifies. Greater levels of SIS increase the likelihood of escalation, given that target issue salience is sufficient to keep the dispute active.

As my model focuses primarily on the dispute escalation process, and not necessarily on the conditions that bring about sanctions threats, the latter two tipping points – the sender’s decisions to impose sanctions and to initiate a MID, respectively – are of particular interest.¹ In the former case, the game assumes the sender has threatened to sanction the target, and as a result, there are three possible immediate outcomes. First, the target can acquiesce to the threat; second, the target can stand firm and the sender can levy a sanction in response; and third, the target can stand firm and the sender can back down in response. Following the arguments of Morgan and Schwebach (1997), Drezner (1999), and my theoretical framework, I expect that after a sanction threat, the first and second outcomes above are most likely. That is, after the sender threatens sanctions, the

¹ No large-N research, and very little small-N/qualitative work, has investigated sanction threats and the general conditions that make them more likely to occur (an important exception is Drury and Li 2006). Intuition suggests the conditions that bring about sanction imposition (discussed in chapter two; also see Drury 2001; Drezner 1999) are likely to also bring about precedent threats. However, because this statement is merely speculation, there is no evidence or precise theory in the literature to support this assumption, and the puzzle of sanction threat issuance lies beyond the scope of this project, I leave this issue for future research.

target will back down, and if it does not, then the sender is likely to impose sanctions. Further, the likelihood of these two outcomes will increase with SIS levels. Ang and Peksen (2007) argue that SIS has a much more significant impact on sanction outcomes than does target issue salience, and in my formal model, the sender alone maintains control of the decision to escalate a dispute. Thus, higher levels of sender commitment make it more likely that the target will perceive the sender as resolute, and these elevated levels of SIS increase the chances that the sender will follow through (not bluff) and sanction a defiant target. The first two hypotheses relate closely to the southwestern and southeastern cells in Table 3.2, respectively.

H1: In cases where a sender has threatened sanctions against a target, SIS is related positively to target acquiescence to the sanction threat.

H2: In cases where a sender has threatened sanctions against a target and the target does not acquiesce to the threat, SIS is related positively to sanction imposition.

Assume now that a sender is at the tipping point at which it has already imposed sanctions and now must decide to initiate a MID or back down. The target's decision to undergo the sanction demonstrates its resolve. At this point, I expect high SIS levels to be correlated positively with MID onset. This relationship, however, is conditional on the target's resolve, which is verified by its defiance of the sanction. The third hypothesis centers on the southeastern cell in Table 3.2, where both actors are presumed to have high issue salience.

H3: In cases where a sender has imposed sanctions against a target and the target does not acquiesce to the sanction, SIS is related positively to MID initiation.

The three hypotheses above are derived from the basic formal model. However, stepping back for a moment from the model, some additional, more general, hypotheses can be drawn from my theory regarding the relationship between economic coercion and armed force. First, while the previous hypotheses have been formed assuming a particular location on the game tree, it is useful to approach the dispute escalation process more broadly. The theory assumes that tools of economic and military statecraft are related, and that the former are often used prior to the latter in coercive campaigns. Therefore, in a more general hypothesis, I assume that instances of economic coercion increase the likelihood of a MID. In particular, I expect sanction imposition and MID onset to be associated positively, as this relationship represents the point at which a national leader crosses over from one type of policy option to another.

H4: The imposition of a sanction in year (t) increases the chances of MID onset in the following year (t+1).

My fifth hypothesis refers to the impact of changing international norms over the past several decades. As discussed in chapters two and three, norms in the international system have increasingly turned away from military coercion and towards economic coercion since the end of World War II. This trend is a result of at least two patterns. First, since the introduction of modern international trade and financial organizations such as the GATT, WTO, and IMF, state economies have grown more intertwined with each other. Overall trade levels have increased, and just as importantly, the speed and magnitude of international economic transactions has reached a point where nations can influence one another at unprecedented levels. In short, international financial and

economic transactions have grown increasingly larger and faster during the post-World War II era.

Second, norms regarding the use of violence have shifted, and these changes have also largely coincided with the development of international organizations, such as the UN. In addition, after the fall of the Soviet Union, this trend picked up steam as both the UN and US began to flex their respective economic muscles in pursuit of various goals. It is therefore likely that the positive association between economic coercion and military conflict has grown over time, that is, sanctions today are more likely to be followed by military conflict than were sanctions in 1980, for example.

H5: The correlation between observing a sanction in year (t) and a MID in year (t+1) is related positively to time.

My sixth and final hypothesis moves from a more general view of how all states use economic coercion, to a state-specific focus. The US is the world's most frequent sanctioning state, accounting for about 70% of all the sanction cases in Hufbauer et al.'s (1990a, 1990b, 2007) ubiquitous dataset, running from 1914-2000.² Several studies (e.g., Drezner 2003; Drury 2005) contend that US sanction campaigns deserve special consideration. Given the US's unique position as an economic and military super power during the twentieth century, it is likely that its use of economic and military coercion differs from other states. In particular, because the US has maintained super power status through the entire post-World War II period, I contend that the escalatory process between economic and military coercion is likely to be most prevalent in US foreign policy behavior.

² A similar, U.S.-heavy distribution is found in the TIES data.

H6: *US foreign policy behavior demonstrates an especially strong, positive association between economic sanctions and military coercion when compared to other states.*

Data

The data on threatened and levied sanctions are borrowed from Morgan et al.'s (2006) Threat and Imposition of Economic Sanctions (TIES) dataset. Being that the TIES dataset is relatively new (released for public use in late 2006) and has yet to be widely used in the literature, I will briefly outline the nature and format of these data. The TIES project is intended to assist researchers in correcting for the selection bias resultant from studying only instances of sanction imposition. When defining sanctions, Morgan et al. (2006: 1) maintain:

Sanctions are actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies... Sanctions may take many forms including actions such as tariffs, export controls, embargoes, import bans, travel bans, freezing assets, cutting aid, and blockades.

In order to transform these data into a format suitable for most of the analyses in the second results section of my study, I disaggregated them in two ways. The TIES investigators code all instances of international economic sanction *episodes* – defined as any threat to implement sanctions, the implementation of sanctions after a threat, or the imposition of sanctions without a prior threat – from 1971-2000, inclusive. Each sanction episode in this timeframe was collected, and when multiple episodes were found to be related – that is, a sanction threat eventually escalated into sanction imposition – these associated episodes were merged into a single *case*. Thus, each case may consist of one or more sanction episodes. In sum, the original data contain 888 cases. As I am interested

in the progression from sanction threat to sanction imposition, I disaggregated to the episodic level those cases that consisted of multiple episodes. After this transformation, the data contained 1144 total episodes.

A sanction episode can occur bilaterally between two states, or it can occur between a group of states (i.e., an international organization) and a target state. Each episode and each case in the original dataset has only one target state; if a sender(s) initiates a sanction episode against multiple states, a new entry is created for each individual target state. On the other hand, in the original dataset coding, when an international organization, formal alliance, or other group of states threatens or levies a sanction, that organization or group is coded as the sender.

Because I am interested in bilateral interstate interactions, my analyses require a data structure in which there is a single sender and a single target for each case. My second data disaggregation was in effort to achieve this configuration, as I broke down cases in which there was more than one sending state. To avoid artificially inflating my sample size, I identify only the primary instigating state(s) that pushed the sanction policy through when international organizations threatened or imposed sanctions (see Cox and Drury 2006). I consulted Hufbauer et al. (1990a, 1990b; 2007), Cox and Drury (2006), *The New York Times*, and *Lexis-Nexus* to identify the principal senders in such cases. When I could not clearly identify at least one primary sender from the international organization, the case was dropped. After breaking down into a bilateral format the 232 episodes with multiple senders, there were 1196 total episodes in the data.³

As a final note on the TIES and sanctions data, it is important to mention that the TIES data suffer from missing data points. To combat this problem, I used the Hufbauer

³ Henceforth, I use the terms “episode” and “case” interchangeably.

et al. (1990a, 1990b, 2007; see also Cox and Drury 2006) data to fill in missing gaps, when possible. I also used sources such as *The New York Times* and other resources available through *Lexis-Nexus* to complete several missing data points in the TIES dataset. One particular problem plagues cases that contain both sanction threats and imposition, as the date of imposition is unavailable. Although I was unable to fill in all the incomplete data that is pertinent to my study, improvements were made.⁴ The effects of these missing data are discussed in greater detail in the following sections.

Data on sanctions, of course, is only one half of the puzzle. I use the third version of the MID dataset to operationalize international militarized disputes (Gochman and Maoz 1984; Jones, Bremer, and Singer 1996; Ghosn, Palmer, and Bremer 2004). These data are discussed and described in more detail in the next section on variables.⁵

My unit of analysis is the politically active, directed-dyad year. Quackenbush (2006) argues that it is theoretically prudent for studies of international conflict to analyze only dyads (pairs of states) that are “politically active.” Omitting non-active dyads from the models also reduces the likelihood that statistical noise may skew a model’s results. Quackenbush (2006: 43) contends that a dyad is politically active if at least one of the following traits applies to the pair of states:

The members of the dyad are contiguous, either directly or through a colony; one of the dyad members is a global power; one of the dyad members is a regional power in the region of other; one of the dyad members is allied to a state that is contiguous to the other; one of the dyad members is allied to a global power that is in a dispute with the other; or one of the dyad members is allied to a regional power (in the region of the other) that is in a dispute with the other.

⁴ Peksen’s (2008) aggregation of sanctions data was borrowed, as well.

⁵ The ICB data (Brecher and Wilkenfeld 1997) may seem like a viable alternative to the MID data for my purposes. However, the ICB’s reliance on “international crises” as the unit of interest could subject my study to potential claims of endogeneity in that economic sanctions themselves qualify as crises, as defined by the ICB project. For further elucidation of this argument, see Lektzian and Sprecher (2007: 421).

The *direction* of interstate activity in this project is an important element.

Therefore, in addition to the qualification of being politically active, the dyads in the analyses are directed. In other words, in each year, there is a “state $A \rightarrow$ state B ” dyad, and a “state $B \rightarrow$ state A ” dyad in the dataset. Using non-directed dyads as the unit of analysis would allow only for the indication of a sanction or MID, and it would preclude the efficient identification of which actor was the sender/challenger and which was the target/defender (see Bennett and Stam 2000a: 655; Reiter and Stam 2003; Bennett 2006: 319). Additionally, because both states in a dyad have the opportunity to threaten or sanction the other, it is important for the model to grant each state the possibility to change the status quo. This data arrangement, which is used in the analyses of escalation from economic to military coercion ranging from 1971-2000, contains 153,568 observations. However, the N-sizes of the models are less than this due to missing data.⁶

Variables⁷

Dependent Variables

Sanction and *MID* – Conceptually, my dependent variable is the escalation of an international dispute. As my formal model illustrates two different points in the escalatory process at which the sender chooses to escalate the dispute, I operationalize the dependent variable through two measures. The beginning of my game tree is represented with an economic sanction threat. After a threat, the next step in escalation is the sender’s imposition of an economic *sanction*; thus, in the first results section presented below,

⁶ Stata (2007) version 10 was primarily used to conduct the transformation of the data and the analyses. EUGene (Bennett and Stam 2000b) version 3.203 was used to generate all MID data and several of the independent variables.

⁷ I use an assortment of statistical approaches in the analyses below, and the appropriate group of variables employed in each model varies. In the discussion of the results, I elucidate each model’s particular structure. The current section on variables simply describes each variable used in the analyses, with little reference to the particular models in which each variable may be utilized.

sanction serves as the dependent variable. This variable is coded as 1 when there is a sanction observed in a directed-dyad year, and it is coded as 0 otherwise. These data come principally from the Morgan et al. (2006) data set, and they are supplemented by data from Cox and Drury (2006) and Hufbauer et al. (2007).

After a sanction is levied, my model assumes that the next escalatory step is armed conflict. Therefore, the second way I operationalize dispute escalation is by measuring the occurrence of a *MID* in a dyad-year (Gochman and Maoz 1984; Jones, Bremer, and Singer 1996). Dyadic MID data for the period 1971-1992 are borrowed from Maoz's Dyadic MID dataset (Maoz 1999), while the COW data are used from 1993-2000 (Ghosn, Palmer, and Bremer 2004). The MID data use a four-point hostility level scale with which to measure the severity of a dispute: 1- threat to use force, 2- display of force, 3- use of force, and 4- war. I consider all four types as *MIDs* in these analyses. Although the argument can be made that I should define a MID as only a threat or display of force, as they represent the lowest type of militarized conflict, the literature on the COW data has found little evidence of a clear escalatory pattern within the MID dataset itself. From 1816-1991, while 13% of MIDs began with a threat of force and 38% begin with a display of force, a surprising 49% begin with a use of force (Jones, Bremer, and Singer 1996: 193). Being as there is no clear escalatory pattern within the MID data structure, I contend that isolating one or two of these MID types as *the* next step after sanctions would unnecessarily hamper my results. Recall that my formal model was based on MID onset, which assumes that after a sender has attempted and failed in using economic coercion, it will then consider a militarized option. I collapse the four MID categories into a binary variable; either a *MID* was observed in a directed-dyad year (1), or it was

not (0). This coding scheme results in the identification of 915 MIDs from 1971-2000. It is important to note that when *MID* is the dependent variable in the model, a lagged *sanction* term serves as an explanatory variable, capturing the escalatory process from economic statecraft to military coercion.

Explanatory Variables

Sender commitment and *sanction* – Mirroring Ang and Peksen’s (2007) argument that issue salience plays a major role in determining how senders pursue their goal of target coalescence, I expect that senders with high levels of resolve will maintain coercive pressure on their targets longer than will senders with low resolve. Therefore, my primary conceptual independent variable of interest is sender issue salience (SIS), the notion of how much a sender values the issue at the heart of its coercive campaign. As with my dependent variable, the specific manner through which I capture SIS changes as a dispute escalates. In the first segment of the analysis, SIS is operationalized as *sender commitment* to its sanction threat. This variable is borrowed from the Morgan et al. (2006) TIES dataset, and it serves as a proxy for sender resolve during a sanctions episode. The variable is coded on a three-level ordinal scale, and the cases assume a somewhat normal distribution across the weak (14%), moderate (53%), and strong (33%) categories of *sender commitment*. The coding of *sender commitment* is based on the investigators’ assessment of how dedicated the sender was to standing behind its threat *ex ante*. Morgan et al. (2006: 4) offer a brief description of their coding guidelines: “A sanctions threat from the sender indicating that sanctions are being considered indicates a weak level of commitment. On the other hand, a statement that sanctions will definitely

be imposed if the target fails to change its behavior signals high levels of commitment on the part of the sender.”

Given adequate target resistance to the sender to keep the dispute active, the best available way to assess SIS and its role in dispute escalation after a sanction threat has been issued is by monitoring the case for the actual imposition and maintenance of a *sanction*. The deployment of a sanction after a threat indicates a sender that is not engaging in cheap talk. *Sanction* is used as an explanatory variable in the second step of the escalation process toward military conflict, and this dummy variable is coded as 1 for each dyad-year for which a sanction is in place. As mentioned above, I lag this variable to capture the passage of time necessary in a study of escalation.

Target salience – A model of bilateral strategic interactions must take into account the perceptions of both actors. Therefore, the *target salience* variable serves as a proxy for target resolve. The TIES (Morgan et al. 2006: 2) dataset has no direct measure analogous to the *sender commitment* variable above, but it does categorize each sanction episode according to the issue over which the dispute arose. Similar to Ang and Peksen (2007), I collapse this issue category into three-type – weak, moderate, and strong – ordinal scale of *target salience* based on the nature of the issue. The original coding contains 14 nonexclusive categories, and the investigators could list up to three issues concerning each episode.⁸ When more than one issue was listed for a given case, I used

⁸ I adopt Ang and Peksen’s (2007) general coding scheme when collapsing these issue areas. In the “low” category, I include the TIES issues: trade practices; improve environmental policies; improve human rights; and deter or punish drug trafficking practices. The “moderate” category contains: contain political influence; implement economic reform; release citizens, property, or material; deny strategic material; retaliate for alliance or alignment choice; and terminate support of non-state actors. The “high” category includes these issues: destabilize regime; solve territorial dispute; end weapons/materials proliferation; and contain military behavior.

the issue of highest salience to determine its recoding. See Ang and Peksen (2007: 140) for a further discussion of garnering issue salience from categorical data such as these.

Control Variables

Because my argument builds on the economic statecraft and military conflict literatures, I control for various effects found in both types of analyses. Dorussen and Mo (2001), Allen (2005), and Peksen (2009a) all find that the effects of a sanction can vary with time. To control for these influences, I include a logged variable for *sanction duration* that measures in months the length of time a sanction has been imposed. I include this variable only in models in which *MID* is the dependent variable. The variable ranges from a minimum of one month (several cases) to a maximum of 360 months, or the entire 30-year period of the study (US-Cuba). Unfortunately, because of the difficulty of determining when a threat formally ends, the TIES data on the duration of economic sanctions threats is spotty, precluding me from also using a measure of sanction threat duration.

The cost of economic coercion has long been assumed to have an impact on sanction outcomes (Galtung 1967; Doxey 1971; Hufbauer et al. 1990a). Due to the strong incentives for a sender to keep low its own costs and high its target's, and the apparent contradiction in these signals as demonstrated by Fearon (1994) and echoed by Lektzian and Sprecher (2007), the influences of *sender costs* and *target costs* could be hypothesized to affect dispute escalation in various ways. As sanction threats are not implemented policies per se, they do not carry with them any actualized, substantial monetary costs. With sanction threat cases, I use the TIES dataset's two variables that estimate the anticipated target and sender costs, which are categorized on a three-point

scale of minor, major, or severe anticipated costs.⁹ In cases where a sanction is imposed, the TIES and Hufbauer et al. (2007) data have variables that capture these costs in a similar fashion. Relatedly, the costs that a sender can impose on a target may be affected by the level of trade that takes place between sender and target. I follow Drury (2005) and Lektzian and Sprecher (2007) and control for the level of bilateral *trade* in the dyad. This variable is measured by the flow of two-way trade between sender and target and is represented as a percentage of the target's total international trade (Ang and Peksen 2007). The trade data are borrowed from Gleditsch's (2002) expanded trade and GDP data, version 4.1.

I also control for the actors' *relative power*, which is a ratio of their respective Composite Index of National Capability (CINC) scores (Singer, Bremer, and Stuckey 1972; Singer 1987). CINC scores measure states' physical capabilities to produce the goods necessary to make war by creating an index across six categories: energy consumption, iron and steel production, military expenditures, military personnel, total population, and urban population. I calculated a ratio of the sender's CINC score to the total capabilities of the sender and target combined. This method results in a number that ranges from 0 to 1, with smaller values representing a weak sender and more powerful target, and with larger values demonstrating the opposite. In a similar fashion to the *relative power* variable, I also calculate a measure of the *relative GDP* of each state annually (Gleditsch 2002). Together, these two variables capture both the relative military and economic power of each dyad. As another control, I also include a dummy variable that indicates when the US is the sender of the sanction (*US sender*). This

⁹ Although the TIES dataset also has variables approximating in U.S. dollars the costs of sanctions, most of their data points are missing.

controls for the fact that the US accounts for about 70% of sanctions in the Hufbauer et al. (2007) data, and for the US's large relative economic and military power during this study's timeframe.

In another measure of power, but also of interstate familiarity, I also control for similarities or differences in the actors' *alliance* portfolios. As mentioned in the previous chapter, alliances have been argued to have varying effects on dispute escalation (Reed 2000; Kinsella and Russett 2002). I use Signorino and Ritter's (1999) *S*-score to measure these similarities. The variable ranges from -1 to 1, with negative values representing increasingly different portfolios, and positive values representing portfolios that are more similar.

Two common control variables in the conflict literature concern the impact of *democracy* on the likelihood of conflict onset, and the influence of *distance* between nations on interstate conflict. The democratic peace theory contends that democracies rarely, if ever, fight one another (Russett and Oneal 2001). Further, in low-level conflicts, Reed (2000) and Kinsella and Russett (2002) have found that democracy helps prevent disputes from escalating. I control for the pacifying effects of democracy using the *polity2* variable from the Polity IV project (Marshall and Jaggers 2002). The *polity2* variable ranges from -10 to 10, with -10 representing a complete nondemocracy, and 10 representing a completely open and free democracy. I take the lowest democracy score in a dyad for each year as the measure of dyadic *democracy*. As is regime type, the distance between states has long been a staple of the conflict literature, as it has been found that states closer in proximity more often fight each other (Bremer 1992). To control for

distance, I take the natural log of the distance between state capitals in a dyad. States that share a border are coded as being 0 miles apart (Bennett and Stam 2000b).

As a final point on controls, some of the models I run in the section results segment incorporate four methodologically prudent variables to control for time dependence within dyads. Beck, Katz, and Tucker (1998) argue that in binary, pooled time-series—cross-sectional data, the typical statistical assumption of observation independence is violated. To control for this effect, I include a count of the *peace years* that pass without observing a MID in each dyad. I also include three *cubic splines* that control for this time dependence issue. When these controls are included in a model, their use is noted in the text or table, but their results are not displayed in the table, for sake of clarity.

Methods

In addition to basic cross-tabulations and other fundamental data analysis techniques, I utilize four different statistical models in the following analyses—multinomial logit, “regular” logit, binary time-series—cross-section (BTSCS), and Cox proportional hazard. The motivation for this multi-model approach stems from the varying nature of the questions I have raised and the nature of the data I use to answer these questions. In addition, by using multiple statistical techniques to test my hypotheses, I am able to check the robustness of my results.

The temporal relation of the cases violates the assumptions of observation independence necessary for regular logit models. The BTSCS specification (Beck, Katz, and Tucker 1998) corrects for this violation by generating four control variables – *peace years* and three *cubic splines* – that account for this dependence. In addition, because

observations of the same dyad over time are not completely independent, I cluster by dyad. In addition to the BTSCS and Cox models, I also ran rare events (King and Zeng 2001) and fixed-effects logit analyses. In the majority of cases, Hausman (1978) tests suggest these two specifications do not differ substantially from the BTSCS results I present here. The largest divergences in these results were found between the fixed effects and BTSCS models. Fortunately, these differences were confined almost entirely to control variable estimates, and thus are not central to my arguments.

The Cox proportional hazard model allows for the proper consideration of time-varying covariates. The use of an estimation technique capable of considering time-varying covariates is made necessary by the presence of independent variables that change values across years within non-sanction and peace periods. Several of the control variables vary across years within single peace periods in such a manner. Cox regression is selected because of the flexibility of its baseline hazard rate, as opposed to fully parametric forms, such as the Weibull, that require additional parametric assumptions (Box-Steffensmeier and Jones 2004). As in the BTSCS models, I cluster by dyad to adjust the calculations of all standard errors (Lin and Wei 1989).

In that I have reviewed the methods that I do use in the analyses, a brief discussion of the methods I do *not* use is also in order. Given the escalatory process under analysis, the use of a Heckman selection model may seem appropriate for this research design. However, two issues preclude utilization of a selection model. First, not all sanctions are preceded by threats; senders often levy sanctions without issuing a formal threat beforehand. Therefore, a sanction threat does not act as a strict “gatekeeper” to all sanction impositions, and as mentioned earlier, my focus here is not on the issuance of

sanction threats, but rather on the escalatory process from economic to military coercion. My theory centers on the role of sender issue salience in the progression from sanction threat to imposition, and a variable measuring issue salience is available only in dyads where a threat was observed. Thus, an analysis of the progression from threat to sanction that is focused on issue salience can only incorporate cases for which this variable is available at the threat stage. Second, and similar to the relationship between sanction threats and imposition, not all MIDs are preceded by economic sanctions. While future research would benefit from the study the onset of sanction threats, including threat issuance here would stretch beyond this project's scope. To keep the focus on escalation, I center my attention on the two tipping points, from sanction threat to imposition, and from sanction to MID.

Results: Escalation from Economic Sanction Threat to Sanction Imposition

Initial Explorations of the TIES Data

Before inspecting the more advanced models' results, I turn to a basic analysis of the TIES data and uncover trends in the progression from sanction threats to sanction imposition. Table 4.1 breaks down the 888 sanction cases in the TIES dataset by timeframe – the 1971-1989 Cold War years, and the 1990-2000 post-Cold War years – and by the act(s) of economic coercion that was observed in each case.¹⁰ It also includes a breakdown of sanction threat issuance and success. This arrangement of the data makes clear the increased use of economic coercion in the international system following the Cold War. The italicized “Total” row indicates that for the 19 inclusive years of the Cold War that are covered in the dataset, there was an average of roughly 17 economic statecraft cases observed annually. In the 11 post-Cold War years, however, this annual

¹⁰ Cases were not disaggregated to the episodic level.

average rose three-fold, to about 51. After the Cold War, states began turning to economic coercion much more frequently than during the 1970s and 1980s.

TABLE 4.1. TIES Cases Categorized by Economic Coercion Act and Timeframe

	1971-1989		1990-2000		All Years	
	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
Sanction Threat Only*	166	50.5	193	34.5	359	40.4
Sanction Only*	62	18.8	167	29.9	229	25.8
Both Threat and Sanction*	101	30.7	199	35.6	300	33.8
<i>Total</i>	<i>329</i>		<i>559</i>		<i>888</i>	
Threat Issuance*	267	81.2	392	70.1	659	74.2
Threat Success**	74	27.7	77	19.6	151	22.9

Source: Morgan et al. (2006). *Percentages calculated as proportion of category's cases by timeframe.

**Percentages calculated as proportion of successful "Threat Issuance" cases with available outcome data.

What insights does Table 4.1 offer on escalation? Interestingly, the percentage of cases in which only a threat was issued decreased 16% after the Cold War, from 50.5% to 34.5%. At the same time, cases with only sanctions (+11.1%) and those with both threats and sanctions (+4.9%) increased in their respective percentages. In addition, when looking at the complete aggregation of cases, about 34% of episodes move from threat to sanction, and roughly 26% observe only a sanction with no prior threat, thus precluding escalation from threat to imposition in these cases. To understand what these trends mean, it is necessary to account for how many of the threat-only cases were successful in their own right (i.e., the threat alone brought about target coalescence), and how many ended with the sender backing down from an empty threat.

As mentioned in the data section above, the TIES data suffer from missing observations for certain variables, one of them being the coding of each case's outcome/success. About 50% of the data points are missing for this variable. Fortunately, most of the cases for which this variable is missing are those in which only sanctions, or

both threats and sanctions, were observed. This means that the majority of threat-only cases (79.1%) have data regarding threat success. The final row illustrates the threat success rate based on the available data, suggesting that threat effectiveness decreased about 8.1% after 1989. This temporal trend, taken in conjunction with the relative decrease in threat issuance and increase in sanctions imposition, indicates that senders are increasingly levying sanctions as an initial policy option, rather than first issuing a threat. For instance, 81.2% of Cold War cases witnessed threat issuance, falling to 70.1% after 1989.

However, consider the cases in which threats were made, which can be found by adding the number of “Sanction Threat Only” and “Both Threat and Sanction” cases (267 cases in the first timeframe, and 392 in the second). Doing so reveals that the proportion of episodes that moved from sanction threat to imposition increased from 36.6% (101/267) to 50.2% (199/392) across the two periods. Overall, although the missing data problem mentioned above makes it difficult to garner any solid conclusions, this preliminary evidence suggests that escalation from sanction threat to sanction imposition is present in the data, but not exceedingly strong.

The success rate of sanction threats also warrants attention. The percentages listed in the last row of Table 4.1 are calculated as the proportion of threats that brought about target capitulation by themselves. Cases in which 1) the sender backed down to a defiant target after a threat, or cases 2) that escalated to sanction imposition are considered threat failures, as in both instances, the threat alone did not deter the target. Although the overall threat success rate of 22.9% may seem modest, remember that modest is a relative term- the most optimistic estimate of *imposed* economic sanctions in the literature is

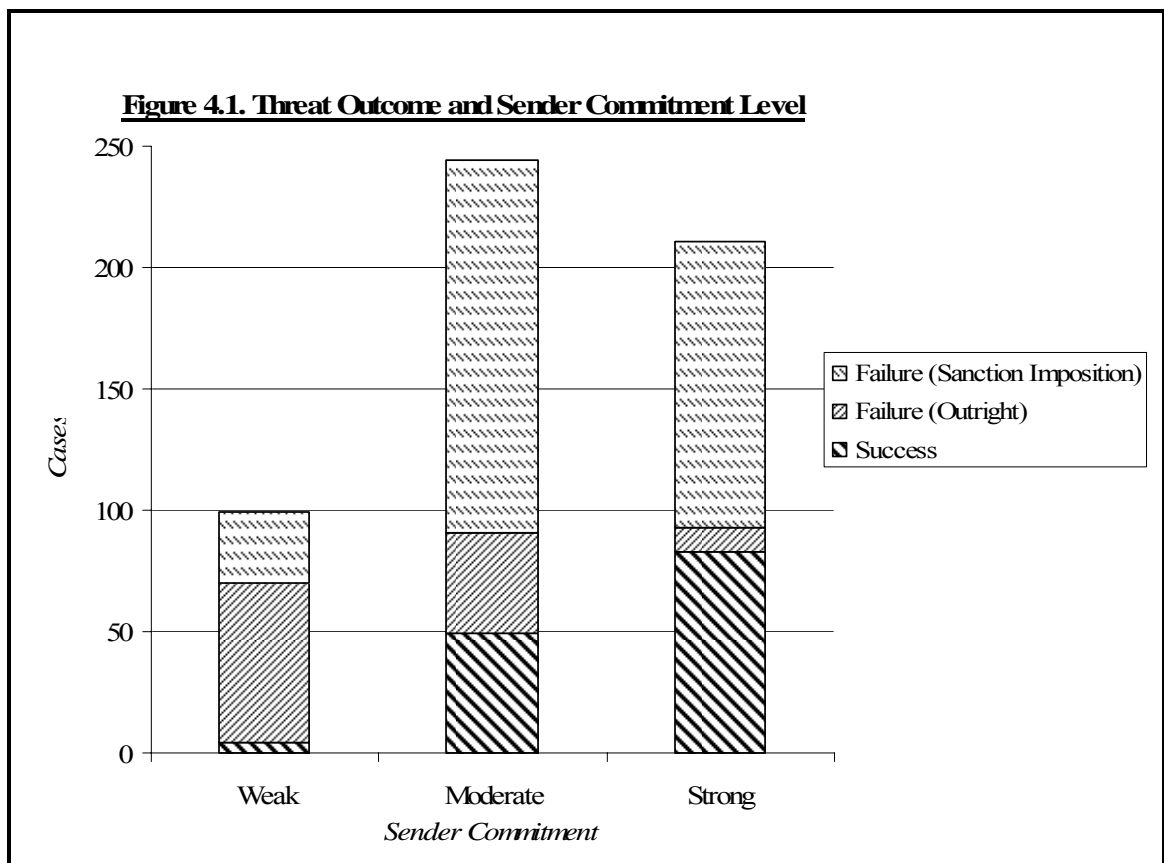
about 35%, as argued by Hufbauer, et al. (1990a). Conversely, the most pessimistic assessment of observed sanction effectiveness is roughly 5% (Pape 1997). Thus, the finding here supports Drezner's (2003) arguments that threats of economic coercion can be effectual in bringing about target coalescence, and that overlooking their impact can introduce a selection bias. Finally, the data also demonstrate that sanction threats were less effective after the Cold War than from 1971-1989, illustrating another difference in threats of economic statecraft across these two periods.

Explaining the Link between Sanction Imposition and Sanction Threat vis-à-vis SIS

To test my first hypotheses – that SIS is associated positively with target acquiescence to sanction threats – I present the graph in Figure 4.1 illustrating the relationship between sanction threat outcomes and *sender commitment*.¹¹ Sanction-only cases are excluded from this analysis, as they obviously are not able to escalate from threat to sanction onset. After omitting these cases and accounting for missing data, the remaining 554 threat observations are divided into three categories based upon their respective outcome. There are 136 cases of the first category, “threat success,” and it is represented by the bottom-most section of each column in Figure 4.1. The second outcome is “outright threat failure,” in which the sender does not follow through on its threat against a defiant target, and of which there are 118 cases. The third category is “sanction imposition threat failure,” representing the 300 cases in which a threat alone

¹¹ I also ran a multinomial logit model in which I controlled for additional factors, and I found quite similar substantive results to those in Figure 4.1. Table 4.2 in this chapter's appendix displays the results of the multinomial model. Controlling for *target salience* does not change the overall conclusions drawn from Figure 4.1. In addition, I ran an ordered logit model, with the three outcomes ordered according to their hypothesized relationship with *sender commitment*, from positive to negative: “threat success,” “sanction imposition threat failure,” and “outright threat failure.” The results for this model were in the expected general directions, but much weaker overall. The aggregate results from Figure 4.1 and these additional models suggest that *sender commitment* is a consistent driver of sanction threat outcome. I present the results in graphic form because such an approach is more efficient for demonstrating this rather straightforward association.

failed to coerce the target, but the sender followed through and implemented a sanction in response. A quick glance at Figure 4.1 demonstrates the basic relationships – positive for “threat success” and “sanction imposition threat failure,” and negative for “outright threat failure” – between the categories and *sender commitment*. The implications of these patterns for my hypotheses are as follows.



A clear, positive correlation between *sender commitment* and threat success emerges when looking at the bottom-most section of each column. Only four cases of weak *sender commitment* resulted in a successful threat. Conversely, 83 cases of strong *sender commitment*, accounting for 61% of all threat successes, resulted in targets coerced by threats alone. The remaining 49 instances of moderate SIS produced an

effective threat. Taken together, these three groupings demonstrate a strong and positive relationship between sender resolve and threat success, supporting my first hypothesis.

Although I do not formally hypothesize as much, the mirror image of my first hypothesis suggests that there should be a negative relationship between *sender commitment* and target acquiescence to a sanction threat. As SIS declines, it follows that targets will perceive this lack of steadfastness and therefore defy a threat. Just such a negative pattern emerges when evaluating the “outright threat failure” category, the middle-section of each column in Figure 4.1. Of these 118 failed cases, 66 (56%) are classified as having weak *sender commitment*. Only ten of these cases were initiated by strong-willed senders, and 42 had a moderate SIS level. These results indirectly bolster my first hypothesis by demonstrating that the reverse of its hypothesized relationship holds as well.

Finally, the top section of each column represents a test of my second hypothesis: in cases where a target defies a sanction threat, SIS is positively related to sanction imposition. There are 300 cases of “sanction imposition threat failures,” in which both threats and sanctions are observed. Somewhat surprisingly, 29 cases in which the sender was found to have weak commitment to its cause resulted in sanction imposition. In these cases, the sender may have been able to devise an especially cost-effective coercion policy, and thus was willing to attempt a sanction, despite its low resolve. SIS was moderate in 153 (about half) of these cases, and the remaining 118 cases were classified by strong *sender commitment*. Although the general trend across these categories demonstrates a positive relationship between *sender commitment* and the likelihood of sanction imposition, this association is not as strong as the other two evaluated in the

graph, or in Table 4.2 (see appendix). Overall, the data presented efficiently in Figure 4.1 support my first and second hypotheses- SIS is positively related to target acquiescence and sanction imposition following sanction threats.

Moving to a multivariate analysis offers a clearer picture in determining what best predicts the onset of a sanction after a threat is issued. The conclusions of the formal model indicate that sender issue salience is an important factor in determining if a sender will actually deploy the sanction it has threatened. To test further my second hypothesis, I run a logit analysis on sanction-threat cases in order to determine which variables explain subsequent sanction imposition. Table 4.3 illustrates the results of this model. As with the observations used in Figure 4.1, I exclude sanction-only cases.

In Table 4.3, model 1 covers the years 1971-1989, and model 2 covers 1990-2000. As expected, both models indicate that higher levels of *sender commitment* are associated with sanction imposition after a threat, thus supporting my second hypothesis. *Target salience* is also found to have a significant impact on sanction imposition. The *commitment* variables' results suggest that when a pair of states values an issue highly enough, each will figuratively put its money where its mouth is, meaning senders will levy sanctions, and targets will take the brunt of them.

Target cost is positively correlated with sanction episode escalation, but *sender cost* is not. This combination is likely due to the tendency of senders to keep their own costs as low as possible, regardless of resolve or commitment to the cause they are pursuing.¹² To move the discussion a bit beyond the model for a moment, I contend that these *cost* results suggest that theories equating, either explicitly or by general assumption, sender sanction cost to sender commitment are misspecified. For instance,

¹² For instance, the basic correlation between *sender cost* and *sender commitment* is only 0.11.

TABLE 4.3. Logit Analysis of Escalation from Sanction Threat to Sanction Imposition

	Model 1: 1971-1989	Model 2: 1990-2000
Sender Commitment	0.328** (0.155)	0.301** (0.148)
Target Saliency	0.682* (0.379)	0.497* (0.273)
Sender Cost	0.132 (0.128)	0.073 (0.109)
Target Cost	0.842* (0.436)	0.819* (0.425)
Relative Power	-0.690 (0.656)	-0.565 (0.554)
Relative GDP	0.028 (0.355)	0.030 (0.346)
Trade	0.007 (0.020)	0.001 (0.019)
Alliance	-0.550 (0.276)	-0.540 (0.308)
Democracy	-0.331 (0.320)	-0.380 (0.463)
Distance	-0.006 (0.034)	-0.003 (0.089)
US Sender	0.307 (0.165)	0.434 (0.397)
Log-likelihood	-194.3	-120.8
Pseudo- R^2	0.146	0.128
N	202	354

Asymptotic standard errors in parentheses; * $p \leq 0.1$, ** $p \leq 0.05$, *** $p \leq 0.01$

Lektzian and Sprecher (2007) argue that targets perceive sanctions with low sender costs as weak signals of resolve precisely because they are cheap. This reasoning implies that sanctions with high sender costs should conversely act as strong signals of resolve. However, I contend that senders likely do not purposely devise policies that incur higher costs on themselves as a method to demonstrate their resolve.

The cross-tabs in Table 4.1 hinted that the overall relationship between economic sanction threat and imposition changed in various ways after the Cold War. For instance, during the 1970s and 1980s, a lower percentage of economic coercion cases began with sanction imposition than during the 1990s. Across these periods, the proportion of threat-only cases also dropped by about 15%. I ran two models classified by timeframe to determine if there are any analogous temporal differences in the manner through which sanction threats escalate to policy enactment. Interestingly, no major discrepancies appear, suggesting that the escalatory process from threat to imposition is relatively stable from the 1970s through the 1990s.

The expected direction and impact of my primary independent variables are confirmed in the models, but their substantive impacts on sanction imposition are not discernable from the magnitude of their coefficients. Holding all other variables at their means (or in the case of *US sender*, its mode) I calculate the predicted change in sanction imposition probability while letting *sender commitment*, *target salience*, and *target cost* vary individually. The predicted probabilities based on Model 2 are listed in Table 4.4.¹³ *Sender* and *target salience* are measured in three categories – weak, moderate, and strong – and *target cost* is also measured in three categories: minor, major, and severe. In Table 4.4, the variables' respective three-fold categories are merged into parallel low, moderate, and high groupings.

I calculate the change in predicted probability of sanction imposition when the variables are respectively shifted from one category to another, holding all else constant. For instance, when all variables are held at their means/mode and *sender commitment* is

¹³ As there is no substantive difference between Models 1 and 2, the results of the predicted probability analysis do not differ, either.

low, there is a 21% chance of a sanction being levied. However, when *sender commitment* is moderate and all other variables are held constant, this likelihood increases to 73%. Therefore, a shift from low to moderate *sender commitment* increases the likelihood of sanction imposition by 52%; this is the value presented in the table. However, when *sender commitment* is high, the probability of the sender levying a sanction *drops* to 66%, meaning that a shift from moderate to high represents a decrease in probability of 7%. Why does this happen?

TABLE 4.4. Predicted Probability of Sanction Imposition after Threat

	Predicted prob. when variable held in Low category (Baseline)	% change in probability when moving across categories	
		Low → Moderate	Moderate → High
Sender Commitment	21	52	-7
Target Salience	20	44	8
Target Cost	37	31	15

This interesting pattern – where the shift of *sender commitment* from low to moderate is substantial and positive, but the shift from moderate to high is negative – is due to the combined expectations from hypotheses one and two. I expect high levels of *sender commitment* to result in target acquiescence after a sanction threat, yet I also expect high levels of *sender commitment* to increase the probability of sanction imposition, given that *target salience* is sufficiently high. Target acquiescence to a threat and sanction imposition are mutually exclusive categories, and both outcomes are more likely than the third possible outcome – threat failure – when *sender commitment* is strong. The decrease in probability for sanction imposition when SIS is high compared to when it is moderate is due to the propensity of highly resolved senders to achieve target

coalescence with only a sanction threat.¹⁴ Similar large jumps in predicted probability when moving from the low to moderate ranges, followed by relatively smaller gains from the moderate → high shift, are exemplified by *target salience* and *target cost*.

A minor caveat begs mention here. Although the model's evidence is robust, its explanatory power is admittedly limited in that it applies only to cases that begin with sanction threats. In other words, the model does not necessarily add to our understanding of sanction onset in general, but only to sanction imposition in cases where a prior threat is issued. However, because my focus here is on dispute escalation, this limitation is welcome and necessary.

Results: Escalation from Economic Sanction Imposition to MID Onset

Sanction Threat → Imposition → MID, à la Sender Commitment and Timeframe

Thus far, this chapter has explored the factors that help explain sanction imposition after a sanction threat. On the surface, it may not seem like much an intellectual stretch to comprehend how these two foreign policy behaviors are related- a threat is issued, and if it is ignored, the threatening state must either back off, or live up to its word. However, using hypotheses derived from the formal model, I demonstrated that the SIS plays a significant role in this process, and that there are some important nuances in how these effects manifest in the data.

In this section, I bridge a larger theoretical gap by analyzing the link between economic statecraft and military coercion. I contend that the escalatory mechanisms begetting sanction imposition from sanction threat are also likely to produce military conflict after sanctions have failed to coerce a target. Although the measure of my

¹⁴ The results in Table 4.2 support this finding as well.

primary explanatory variable, sender issue salience, takes a different form, the conceptual framework that was at work in the previous section remains robust in this latter stage as well.

I begin testing my remaining hypotheses by picking up where the last section left off, the point at which a sender has levied sanctions against its target. In Figure 3.1, this stage is represented by the target's last decision node, at which it must decide to concede or stand firm in the face of an active economic statecraft attempt. If the target acquiesces, it is essentially communicating that it does not value the issue under dispute enough to endure the pain of the economic coercion. However, if the sanction is imposed and the target chooses instead to bear its costs, it is sending a signal of defiance to the sender.

As a first step in this stage of the analysis, it is helpful to map the movement of disputes from their theoretical inception (in my framework, at least) at the sanction threat stage, through sanction imposition, and on to their culmination, MID initiation. Table 4.5 displays the results of a basic cross-tab MID and case types. These case types are divided into three categories: 1) Sanction Threat and Sanction Imposition, 2) Sanction Only, and 3) None (no sanction).¹⁵ In this table, if a MID was observed in a dyad within one year after a sanction in the same dyad, the MID was classified as being related to that case type.¹⁶ For example, if a sender sanctioned a target in 1980 with no prior threat, and then initiated a MID with that same target in 1981, said MID would be classified under

¹⁵ Cases in which there was only a sanction threat observed could not be included here, as the duration of a threat is not available in the TIES dataset. However, this omission is no fault of the investigators, as assessing when a threat formally ends or expires can be very difficult (if not impossible), both theoretically and methodologically.

¹⁶ I controlled for the direction of MID initiation; in other words, the sender in the TIES data was the challenger in the MID data. Although the TIES dataset does not have information on the date of sanction initiation after a threat, it does have information on how long the entire case lasted, that is, a start and end date is available (data permitting) for each case, from threat issuance to the end of the sanction. Missing date information was gathered from the Hufbauer et al. (2007) dataset and, in a few cases, from *The New York Times*.

the “Sanction Only” column, the second case type. Conversely, if a dyad observed a MID and there was no sanction within the prior year, that MID fell into the third, or “None,” category.

TABLE 4.5. MID Distribution across Case Types, 1971-2000

<i>Case Type</i>	<i>(1)</i>			<i>(2)</i>	<i>(3)</i>	Total
	Sanction Threat & Imposition*			Sanction Only	None (no sanction)	
	<i>Weak</i>	<i>Moderate</i>	<i>Strong</i>			
<i># MIDs</i>	0	27	46	110	732	915
<i>% MIDs</i>	0	3	5	12	80	100
<i>% case type leading to MID</i>	22			36	1	N/A

**Sender Commitment* categories in italics. MIDs are placed in categories if observed in a dyad within one year of sanction

I begin my analysis of Table 4.5 with a discussion of the first case type, those with both sanction threats and imposition. To recall Table 4.1, the TIES dataset contains 300 such cases. Of this sum, 88 were initiated by international organizations, and I was able to identify a primary sending state in 34 of these cases, for a total of 334 observations in which a sender threatened and imposed sanctions. (Similarly, the sample size of 229 for sanction-only cases increases to 305.) In Table 4.5, it is shown that in 73 cases, a sender chose to coerce the target at each one of its decision nodes – threaten sanction, impose sanction, and initiate MID – in my formal model. Further, the distribution of this subset of cases across the three *sender commitment* categories suggests that SIS retains a lingering effect on the likelihood of dispute escalation, even at this stage. Controlling for *sender commitment* demonstrates that a “weak” sender never initiated a MID. Of the episodes in which *sender commitment* was “moderate” or “strong,” the latter category did have a larger number of disputes escalate to MIDs,

though this difference is not exceedingly large, given the sample size.¹⁷ Overall, the distribution of cases across the three *sender commitment* levels offers support for my third hypothesis, that SIS is related positively to MID initiation. Further, the evidence lends some credence to my fourth hypothesis, that a sanction in one year increases the chances of MID onset in the following year. Because the TIES data coverage on episode outcome is spotty at best (about 50% of its data points are missing), it is an unreliable source for determining the success rate of the sanctions in the first case type. Therefore, I am unable to argue with certainty as to how these cases ended before MID initiation could occur, due to either a recalcitrant target dissuading a sender from acting, or to sender success.

Observations for which only a sanction was imposed escalated to the MID level 110 times. To put this in perspective, the last row in the table demonstrates that 22% of all case one-types and 36% of all case two-types escalated to a MID within one year or less after a sanction was in place in the dyad. Why might these samples differ in their relationship to MID onset? I posit that case one- and case two-types may differ for at least two reasons. First, cases where a sender initially engaged the target with sanctions are likely to be cases in which the sender was highly motivated. The thinking here is that rather than pussyfooting around with sanction threats, a highly resolute sender is likely to turn straight to sanctions. Unfortunately, *sender commitment* data is available for only those cases in which threats were issued, so this assumption is unable to be tested given the available data. However, this effect may have implications for the tendency of sanction-only cases to escalate to MIDs in comparison to threat/imposition cases. Further,

¹⁷ Years in which a sanction is in place – not only the year in which the sanction is initiated – are considered sanction-years in this table and all the analyses that follow.

the initial decision of a sender to threaten sanctions could be a relative signal of questionable commitment when compared to a state that immediately levies a sanction.

Second, my theory of strategic interactions assumes that the dispute escalation process acts as a communication medium through which sender and target can exchange information about “intangibles,” such as resolve (Bueno de Mesquita et al. 1997). Cases in which sanction threats are issued essentially have an additional round of information-sharing through which states can communicate, whereas senders who immediately jump to sanction imposition do not engage in this preliminary step. This additional round of communication may have a pacifying effect in that it facilitates greater sharing of private information.

Table 4.5 also offers some insights as to how my theory fits this stage of the escalatory process through a preliminary look at the data. At first glance, the results seem to support the arguments of Lektzian and Sprecher (2007) more than my own. For instance, remember that Lektzian and Sprecher argue that economic sanctions lead to violence due to tied hands (democracies get stuck on a path to conflict through audience costs) and sunk costs (the target sees sanctions as signals of weak resolve). Thus, they contend that economic sanctions can have a run-away effect, turning what was meant to be a low-level coercive campaign into a violent conflict. Thus, if the proportion of sanctions that lead to MIDs is relatively greater than the proportion of MIDs that are preceded by sanctions, then Lektzian and Sprecher’s argument holds. My argument, on the other hand, suggests just the opposite, that states will use economic statecraft as a precursor to violence in order to minimize costs. Thus, in order for my argument to hold, it must be shown that the tendency for MIDs to be preceded by economic sanctions is

stronger than the tendency for sanctions to be followed by MIDs. In this first view of the complete aggregation of data, my theory does not seem to hold, as only 20% of all MIDs in this sample are heralded by sanctions, but 183 of the 639 sanction cases – about 29% – lead to the eruption of hostilities between parties. Am I barking up the wrong (game) tree?

The results in Table 4.6 suggest that the answer to this question is dependent upon the timeframe in question. The table offers a simple breakdown of how and why the conclusions reached may depend on the time period in question. When the absolute number and annual average of sanctions and MIDs in each period are parsed out, some major differences emerge. Looking at the 1971-1989 section, one could imagine a large < sign being placed between the first two rows on sanction and MID data- both the number and annual average of economic sanctions are less than the respective MID figures. However, when moving to the 1990s, this sign between the corresponding rows is reversed; there are more sanctions in absolute number and annual average than there are MIDs.

TABLE 4.6. Sanction and MID Counts and Annual Averages by Time Period

1971-1989	
Total # of sanctions: 198	Total # of MIDs: 598
Average sanctions per year: 10.4	Average MIDs per year: 31.5
<i>% of sanctions followed by MIDs: 47.0</i>	<i>% of MIDs preceded by sanctions: 10.0</i>
1990-2000	
Total # of sanctions: 441	Total # of MIDs: 317
Average sanctions per year: 40.1	Average MIDs per year: 28.8
<i>% of sanctions followed by MIDs: 21.1</i>	<i>% of MIDs preceded by sanctions: 40.1</i>

The most interesting finding in the table lies in the italicized rows under each timeframe. Here, it becomes clear that the way economic and military coercion were used

in conjunction with each other differed greatly in the later years of the Cold War and during the 1990s. From 1971-1989, 47% of the sanctions in this sample were followed by MIDs, while after 1989, this percentage fell to 21.1%. Note also that the annual average of sanctions deployed during the first timeframe was only about ten, while during the 1990s, this value increased to 40. This massive increase supports very well the arguments of Cortright and Lopez (2000), who dubbed the 1990s as “the sanctions decade.” Taken together, this evidence suggests that when compared to the 1970s and 1980s, the 1990s saw relatively more sanctions imposed, and relatively fewer of these sanctions were followed by MIDs.

To get a full understanding this relationship, however, the proportion of MIDs that are preceded by sanctions must also be calculated. Doing so reveals more support for my argument. In the first timeframe, only about 10% of MIDs are preceded by sanctions. However, during the 1990s, this share climbs to 40.1%, meaning that 127 of the 317 MIDs of the 1990s were preceded by economic statecraft. Going beyond these percentages, there is also a modest drop in the average number of MIDs observed each year, falling from about 32 per year to 29. When this decrease in MIDs is combined with the corresponding increase in observed sanctions mentioned above, it again becomes evident that, since the end of the Cold War, states seem to be keeping their instruments of military coercion locked away in their toolbox, while sanctions are increasingly at the ready. These results further corroborate my fourth hypothesis, and they substantiate my fifth hypotheses as well- the relationship between a sanction in year t and a MID in year $(t+1)$ grows stronger over time. Overall, Table 4.6 suggests that while Lektzian and

Sprecher's (2007) general argument holds well during the 1970s and 1980s, my theory of escalation is quite robust in the post-Cold War world.¹⁸

Time, as in the 1970s and 1980s v. the 1990s, is shown to have an interesting effect on how the cases are distributed. This presentation of the data offers an initial indication that when moving from the Cold War period of these data to the post-Cold War era, the overall use of force decreased and the use of economic statecraft increased. Recall, though, the results illustrated in Table 4.3 that demonstrate the escalation from sanction threat to imposition. In the two models that utilized different samples according to timeframe, there was *no* substantial difference in the relationship between *sender commitment* and sanction imposition. This lack of a time effect is important to note, in that my theory and its focus on SIS holds at different levels of the escalatory process across the entire period of the study.

In the following multivariate analyses, I shift the focus somewhat off of time and back onto the escalatory process. In addition to time, I show that space – as in when the US is the sender – can also play an important role in the determining the link between economic statecraft and force. My formal model and my theoretical argument, including the more general notion that the way states use economic statecraft has changed over time, are supported by the evidence below. First, though, I briefly discuss some operationalization issues associated with the next stage.

Explaining MIDs with Economic Sanctions

In my analyses of the early stages of dispute escalation, *sender commitment* was found to be a positive influence on target acquiescence to threats. Although this finding is

¹⁸ Lektzian and Sprecher (2007) did not conduct any analyses similar to the relatively simple tables I present here. Instead, they relied on logit, Heckman selection, and GEE models.

certainly interesting in its own right, in order to maintain a focus on dispute escalation, I then devised a model with sanction imposition as my dependent variable. Using a sample of cases in which sanction threats had been issued, I found that *sender commitment* was also associated positively with a sender's decision to sanction. The *sender commitment* variable gauges the sender's apparent dedication to following through on its threat; therefore, it was coded only when a threat was issued. When a sender skipped the threat stage and levied sanctions as its first move, *sender commitment* data are unavailable. This has implications when testing the next stage of the model, the escalation from sanction to militarized force. In this stage, the dependent variable is *MID*, and *sender commitment* data are not available for every dyad-year in which a *MID* is observed. Therefore, I cannot test the influence of *sender commitment* as an independent variable on the dependent variable *MID* in the same manner that was used in the previous stage.

All is not lost, however. In this stage, I operationalize my conceptual independent variable of interest – *SIS* – as the presence of a *sanction* between states. As my theory assumes, the more resolute a state is, the more likely it is to escalate a dispute. And just as the imposition of a sanction after a threat is considered as a demonstration of high issue salience, I consider the initiation of a *MID* after sanction imposition to be a similar demonstration. Since Thucydides wrote on the Athenian boycott of Megara and how these trade restrictions helped trigger the Peloponnesian War, countless others in academic and government circles have argued that military force serves as the next logical step in a coercive campaign after economic tactics have proved unsuccessful. The language used by George H. W. Bush and other leaders in the lead-up to the Persian Gulf War also exudes this underlying assumption (see George 1991), as does the process

through which the UN Security Council must, per UN bylaws, consider and employ economic coercion before militarily engaging a target. Although my formal model does not explicitly assume so, sanctions can be imposed without prior threat. In these cases, I still argue that the next escalatory step for a sender/challenger attempting to coerce its target is through the display, threat, or use of force. Therefore, at this stage of a dispute, and regardless of if a threat was issued prior to sanction imposition, I consider sanction imposition as a signal of high SIS.

The multivariate analyses were run with BTSCS and Cox proportional hazard models. Although the substantive results of these two model types do not differ significantly across specifications, I present results from both to demonstrate the robustness of my findings. As I have already found there to be significant variance in the link between economic and military coercion across time, I separate my analyses into two periods. The first model in Table 4.7 is a BTSCS analysis of MIDs from 1971-1989, and the second is a Cox hazard model of the same sample. Models 3 and 4 are BTSCS and Cox models of the 1990-2000 timeframe, respectively. Finally, models 5 and 6 are BTSCS specifications run on an US-only sample, as to isolate how the US use of economic statecraft meshes with its military foreign policy.¹⁹

A researcher utilizing Cox models implicitly assumes the data possess proportional hazards, meaning that the effects of the covariates are stable over time and do not vary (Box-Steffensmeier and Zorn 2001). Sometimes, however, this assumption can be violated. Grambsch and Therneau (1994) developed a diagnostic with which to

¹⁹ I conducted diagnostics for multicollinearity, heteroskedasticity, and autocorrelation in the models. The most problematic finding was that *relative power* and *relative GDP* were highly correlated in the U.S.-only models. This is not surprising, given the U.S. share of military and economic global power. To account for this, I dropped *relative GDP* in models 5 and 6. This variable was dropped because the models employ *MID* as the dependent variable, which has a clearer theoretic link to *relative power* than *relative GDP*.

TABLE 4.7. BTSCS and Cox Analyses of Influence of Economic Sanctions on MID Onset

	1971-1989		1990-2000		US-only (BTSCS)	
	1: BTSCS	2: Cox	3: BTSCS	4: Cox	5: 1971-1989	6: 1990-2000
Sanction	0.325 (0.248)	0.119* (0.055)	0.262** (0.131)	0.959** (0.430)	1.332*** (0.198)	1.026*** (0.020)
Sanction	0.094 (0.103)	0.151* (0.070)	0.073 (0.109)	0.668 (0.496)	0.008 (0.011)	0.033 (0.745)
Duration						
Trade	-0.067 (0.113)	1.900 (1.892)	1.335 (1.740)	-0.342 (1.003)	-0.049 (0.772)	-0.998 (1.033)
Relative Power	0.119** (0.046)	0.794* (0.443)	0.690* (0.356)	0.204** (0.066)	0.823*** (0.087)	0.663*** (0.028)
Relative GDP	-1.576 (1.396)	-0.135 (0.101)	0.947 (0.860)	-0.430 (0.489)		
Alliance	-0.006 (0.326)	0.677 (0.890)	0.132 (0.128)	-0.101 (0.083)	0.239 (0.873)	0.832 (0.912)
Distance	0.659*** (0.057)	0.234*** (0.039)	0.019*** (0.006)	0.613*** (0.187)	0.999** (0.323)	1.045* (0.481)
Democracy	-0.025*** (0.004)	-0.089*** (0.001)	-0.054*** (0.017)	-1.471*** (0.232)	-2.339*** (0.004)	-1.292*** (0.055)
US Sender	0.635* (0.319)	0.987* (0.490)	1.147*** (0.459)	0.384*** (0.005)		
Sanction* ln(Time)		0.025*** (0.003)		0.297** (0.100)		
Trade* ln(Time)		-0.218*** (0.023)		0.132** (0.042)		
Alliance* ln(Time)		0.099*** (0.001)		0.699*** (0.001)		
Duration* ln(Time)				2.442*** (0.183)		
LL	-7,472.6	-37,567.7	-5,454.7	-19,875.7	-501.5	-311.9
N	82,674		49,093		4,561	3,470

Standard errors clustered by dyad in parentheses. BTSCS standard errors are robust. *Peace years* and *cubic splines* in BTSCS models omitted. Variables multiplied by time log [$\ln(\text{Time})$] are controls for nonproportionality in Cox models. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

test for non-proportionality. If a variable is found to have nonproportional hazards in that its effects may vary over time, it should be interacted with time (in some function) to control for this variance (Box-Steffensmeier, Reiter, and Zorn 2003). *Sanction*, *trade*, *alliance*, and *sanction duration* were all found to exhibit nonproportionality and were therefore interacted with the natural log of time, as this is the most typically used function of time to use when making this correction (Box-Steffensmeier and Zorn 2001). These interacted terms are included in the model to control for these effects. Overall, these controls do not change the results in any substantial way.

When viewed in full, the multivariate results in Table 4.7 help summarize many of the arguments in this chapter. There are four particularly noteworthy patterns to highlight. First, the results of the models are quite stable across model iterations, and for the most part, across timeframes. Second, the positive influence of *sanction* on MID onset is consistent and supports my general argument. This result supports my fourth hypothesis that the imposition of a sanction in year t increases the chances of MID onset in the following year ($t+1$).

Third is the increase in significance levels for *sanction* when moving from 1971-1989 to 1990-2000. The pattern in the results suggests that during the 1970s and 1980s, the link between sanctions and armed force was positive, but not to the extent observed during the 1990s. To put this a different way, Lektzian and Sprecher's (2007) argument of sanctions acting as a type of run-away policy that escalates to MIDs seems to hold better in the earlier period, but my argument holds better in the post-Cold War era. These results also support my fifth hypothesis- the correlation between sanctions in one year and MIDs the next has grown over time.

The fourth and final noteworthy item drawn from Table 4.7 is that MIDs in which the US is involved are likely to be preceded by sanctions. The *US sender* dummy control variable is positive and highly significant across the first four models. Just as important, though, is the fact that the *sanction* variable retains its positive influence even when controlling for the disproportionate share of US cases in the data. This confirms that my theory is not only a US theory of foreign policy, but one that can be expanded to help explain state behavior in general, as well. The US-only models five and six demonstrate that sanctions have a positive relationship in the run-up to American militarized disputes. Finally, as an aside, the control variables all have the expected effects on MID onset throughout the models.

Exploring the (Previously Missing) Link between Economic and Military Coercion

The strength of my argument lies in its relative simplicity. Perception matters in international relations. The evidence demonstrates that highly motivated senders tend to go after what they want, and targets who are similarly motivated will defy the sender's demands. Targets that disregard or misperceive a sender's signals increase their chances of becoming embroiled in a dispute.

Beginning with a simple theory based on sender issue salience, the preceding chapter developed a formal model of dispute escalation, beginning with the threat of an economic sanction, and culminating in armed conflict. This chapter put that theory to the test with quantitative data. Together, these chapters have produced three general findings. First, there is evidence of an SIS-based escalatory process in international disputes that begins with the threat of economic sanctions, proceeds through the imposition of sanctions, and concludes with the initiation of militarized hostilities. Second, the US is an

important driving force behind the general relationships I find in the data, but its cases alone do not fully account for this escalatory process. Third, the link between sanction imposition and military conflict is strong, and it has grown stronger since the end of the Cold War.

Why might we expect the manner in which states use economic coercion to change over time? I argue that the proper way to ask this question is why would we *not* expect these manners to change? The global economy has changed in myriad ways, resulting in a global financial economic system that is increasingly interdependent, at more levels, and at faster speeds than ever witnessed before. These linkages have laid bare a new source of leverage that states can use when attempting to coerce one another. Coupled with these advancements has been a dramatic shift in international norms regarding the use of violence as an initial foreign policy tool. This shift was already in motion during the Cold War, but the collapse of the Soviet Union essentially took the cap on these forces. The UN and US took center stage as drivers of the world's main conduits of international force. In addition, the growing scope and depth of trade and international organizations such as the GATT/WTO and IMF took charge in the 1990s as well. Putting all of these effects together, it is evident that in today's international system, states are increasingly unlikely to shoot first and ask questions later. Instead, states embroiled in a dispute tend to engage in more pacific means of conflict resolution, such as diplomacy, economic coercion, or other tactics (see Baldwin 1999).

One point that may be raised as a potential weakness of this study is that I do not control for the nature of the issue under dispute. However, I contend that my theoretical argument is soundly based on the notion of issue-type. Both sender and target must be

highly motivated to continue their respective treks toward conflict. Recall the formal model's structure- a dispute can only escalate when both parties are motivated enough to continue the game. My model also assumes that when determining their preferences, states will take into consideration both the value of the issue at hand, and audience costs from domestic and international audiences. Although I cannot differentiate in these models the respective influences of these variables, I do maintain that issue type is inherently controlled for in my theoretical framework.

The interplay between sender and target issue salience is a fertile area of future research, especially during the early stages of dispute development and escalation. The analyses here just scratch the surface of potential work to be done in this area. More advanced formal models can be developed to shed more light on how perceptions influence escalatory behavior at the onset of an economic or political dispute. Case studies and small-N comparisons would also be useful in this area, as the sometimes ambiguous coding of large datasets can sacrifice the nuances of individual cases in effort to aggregate as much data as possible.

It is typical of international relations studies, and especially of those dealing with trade and conflict, to discuss how their implications fit into the perpetual realism/liberalism debate. I contend that my findings are akin to many others in that each side of the debate is supported by different pieces of evidence. First, realists would be quick to note that a positive correlation between economic sanctions, an instrument of international trade and finance, and armed conflict supports strongly their basic contention that increased trade begets conflict. Realists assume that states pursue power and security above all else, and whereas this pursuit used to be made primarily through

violence, it is now proceeded by attempts at economic coercion. Some neorealists and structural realists would claim that the use of economic statecraft is simply the pursuit of power and security through slightly different means than in the past. On the other hand, liberal theorists would argue that the use of these “slightly different” means is precisely the point that supports their paradigm- over time, states have slowly but surely continued to use alternatives to violence when resolving conflicts. Today, more states are practicing economic statecraft more frequently than ever before, and liberal scholars point to such trends as confirmation of the assumed negative relationship between trade and violence.

My findings, strangely enough, simultaneously support each school of thought. Over time, the correlation has grown between the use of economic tools and international violence. However, the use of these economic tools is, assumedly, in effort to avoid violence. Realists assume that this pattern is indicative of an anarchical international system unable to overcome a natural predilection to war. Conversely, liberal theorists see such tendencies as a sign of a growing desire in the international system to avoid conflict.

Further discussion of implications and topics for future work in this research area is continued in the concluding chapter. When linking widely-studied and theorized topics such as economic statecraft, escalation, bargaining, signaling, and international conflict, one is bound to end up asking more questions than are actually answered. In fact, the implications found here and the various manners through which they can be tested could easily fill a book. In the next chapter, however, I turn to an idea more befitting a research note. I find scant quantitative evidence that economic sanctions are effective signals to third party states. While the findings are statistically underwhelming in their lacking of significance, they are theoretically noteworthy for precisely the same reason.

APPENDIX TO CHAPTER 4

TABLE 4.2. Multinomial Logit of Sender Commitment Level Effects on Threat Outcome

	<i>Success v. Outright Failure</i>	<i>Failure/Imposition v. Outright Failure</i>	<i>Failure/Imposition v. Success</i>
Moderate Sender Commitment	0.139*** (0.051)	0.179*** (0.060)	0.184 (0.073)
Strong Sender Commitment	0.191*** (0.088)	0.225*** (0.097)	-0.597** (0.278)
Target Salience	0.703 (0.559)	0.840* (0.447)	1.002 (1.572)
Sender Cost	0.960 (0.615)	1.334 (1.100)	1.118 (0.914)
Target Cost	0.056 (0.055)	0.055 (0.062)	0.773 (0.896)
Relative Power	-0.846 (0.575)	-0.999 (1.143)	-0.349 (0.887)
Relative GDP	-0.103 (0.364)	-0.119 (0.400)	-0.008 (0.190)
Trade	0.071* (0.032)	0.082* (0.044)	0.045 (0.778)
Alliance	0.278* (0.131)	0.303* (0.163)	0.061 (0.235)
Democracy	-0.668 (0.496)	-0.709 (0.500)	-0.402 (0.408)
Distance	-0.074 (0.124)	-0.001 (0.045)	-0.020 (0.443)
US Sender	0.406 (0.300)	0.609 (0.555)	0.993 (1.398)
Model chi-square	145.98***		
Log-likelihood	-268.13		
N	554		

“Weak” is the *Sender Commitment* reference category.
Standard errors in parentheses; *p≤0.1, **p≤0.05, ***p≤0.01

CHAPTER FIVE

ECONOMIC SANCTIONS AS SIGNALS TO THIRD PARTY STATES

Our (second) goal is to prevent regimes that sponsor terror from threatening America or our friends and allies with weapons of mass destruction... North Korea is a regime arming with missiles and weapons of mass destruction, while starving its citizens. Iran aggressively pursues these weapons and exports terror, while an unelected few repress the Iranian people's hope for freedom. Iraq continues to flaunt its hostility toward America and to support terror... States like these, *and their terrorist allies*, constitute an *axis of evil*, arming to threaten the peace of the world.¹

-US President George W. Bush, January 2002

Last year, Castro visited Iran, Syria, and Libya- all designees on the same list of terrorist-sponsoring states... States that sponsor terror and pursue WMD [weapons of mass destruction] must stop. States that renounce terror and abandon WMD can become part of our effort, *but those that do not can expect to become our targets*. This means directing firm international condemnation toward [these] states... It means taking action against proliferators, middlemen, and weapons brokers by exposing them, *sanctioning their behavior*, and working with other countries to prosecute them or otherwise bring a halt to their activities.

-Future US Ambassador to the UN John R. Bolton, May 2002

In our world, there remain *outposts of tyranny*, and America stands with oppressed people on every continent; in Cuba, and Burma, and North Korea, and Iran, and Belarus, and Zimbabwe. The world should apply what Natan Sharansky calls the “town square test”: if a person cannot walk into the middle of the town square and express his or her views without fear of arrest, imprisonment, or physical harm, then that person is living in a fear society, not a free society. *We cannot rest until every person living in a “fear society” has finally won their freedom.*

-US Secretary of State Condoleezza Rice, January 2005

Taken in succession, these quotations suggest that from 2002-2005, US foreign policy was focused on at least three general goals. First, the proliferation of terrorism and weapons of mass destruction (WMDs) had become a major concern of the Bush (43rd) administration. Containment of these elements was deemed critical, as is demonstrated by

¹ Emphases in all three quotations are my own.

the statements of Bush and Bolton, respectively. Second, Rice's argument exhibits the role taken on by US of eliminating "fear societies," or those in which human rights are regularly abused or ignored. Third, and most importantly for this chapter, all three of these statements explicitly identify groups of particular states as being the focus of US diplomatic and coercive efforts. Through the grouping of individual states into one "rogue" category, these officials put forth the implicit notion that US action taken against one should serve as a warning against all others in the group.

Although these recent examples have been front of mind for many international relations scholars, the concept of one country intending for its coercion of a target to serve as a tacit threat against another state or group of states is not new. This presumed purpose of coercive diplomacy – especially regarding economic statecraft – has endured in the academic and policy worlds for several decades. However, scant evidence of this effect exists in the literature, and no large-N studies have yet addressed directly this assumed international signaling channel. As I demonstrate in the following section, the limited qualitative and case study research in this area, in addition to the seminal theoretical arguments on economic statecraft, suggest that senders do signal third party states (TPS) through economic coercion. Building on this hypothesized signaling mechanism, I then present a research design through which I perform an initial test of this relationship. I assess the impact of US sanctions on the relations between the US and states in the international community that are similar to the target. In this study, "similar" means one of two things. First, a TPS is similar to the target if the two are regional neighbors. Second, a TPS can also be considered as similar to the target if the US

imposed sanctions to deter or protest human rights abuse, and the TPS is also a human rights abuser.

Although the results of this plausibility probe are lackluster in that they find little statistical evidence of such a signaling channel, I argue that the (non)findings nonetheless have considerable implications for the literature. I conclude with a discussion of future research avenues and potential approaches that may be better suited to uncover this signaling mechanism.

The Sender's Incentives to Signal: Theory and Practice

The economic statecraft literature has always assumed that one of the primary purposes of economic sanctions is to serve as a signal to TPS. Galtung (1967) argued that sanctions can serve “instrumental” and “expressive” purposes (see also Wallenstein 1968; Barber 1979; Renwick 1981; Lindsay 1986). The former label refers to sanctions meant solely to bring about the desired policy change in the target, while the latter demonstrates the international signaling properties sanctions. As Galtung (1967: 411-412) argues, expressive sanctions can be a viable option when “military action is impossible for one reason or another, and when doing nothing is seen as tantamount to complicity.” This “do something” motivation suggests that any such expressive sanction may not be intended to coerce the target at all; rather, it may only be initiated to send a message. Conversely, an instrumental sanction is meant primarily to compel its target.

The sanctions literature has rendered a dire assessment of sanction success, yet more and more economic sanctions are imposed every year. Why may states be doing this? The expressive argument put forth by Galtung offers a seemingly clear answer-

senders are not necessarily interested in changing the target's behavior.² Instead, they are more concerned with simply “doing something” and/or sending a signal to TPS to deter them from engaging in a similar offensive behavior that brought about the sanction to begin with. Thus, a theoretical story of expressive sanctions is an attractive one in that it offers a clear motivation behind what can appear as a puzzling policy tool. Perhaps because of its simple and straightforward reasoning, the assumption that sanctions are meant to signal TPS has persisted in the literature for decades with relatively little empirical testing. Further, from a methodological standpoint, it is difficult to test for the *nonexistence* of such a signaling channel.

The expressive sanction approach is especially attractive when considering the relative cost of economic sanctions compared to military conflict. Sanctions can be a comparably cheap tool, and therefore if the sender wishes to send a signal to the target and the international community in general to “stop doing *x*,” all the sender needs to do is levy a sanction. When approaching sanction policy from this angle, an imposed sanction is a successful sanction. As long as the sanction is public and other states – in particular, members of the international system that are engaging in behavior similar to that of the target – see that it has been imposed, the signal has been sent, and the goal of the policy has been met.

This is not to say that the notion of sanctions as signals to TPS is just a theoretical justification dreamt up by academics, however. Recall the quotations at the beginning of this chapter. Officials do intend for their policies to communicate their tacit demands to states beyond their primary target. North Korea's April 5, 2009 launch of a long-range

² Other scholars have labeled this expressive motive differently (e.g., Lindsay's (1986) “international symbolism”), but the basic conceptual meaning remains the same.

missile has prompted a flurry of UN and US press releases condemning the act. While Russia and China are reluctant to take a harsh stand against North Korea in the UN Security Council, the US is pushing for ramped-up sanctions against Kim Jong-II's regime. Importantly, the motivations for this increased pressure lie not only in punishing and deterring charter "axis of evil" member North Korea, but also to send a "serious political sign" to fellow axis member Iran in an effort to deter its nuclear program (Joseph 2009).

The US has sent similar signals before. Fisk (2000) presents a compelling argument posing the US Helms-Burton Act of 1996 as a strong signal to both Fidel Castro in particular and the rest of Latin American region in general. In fact, Fisk claims that a primary impetus behind the passing of Helms-Burton was essentially to send a cease and desist message to the regional community of Latin American countries at large: "A... factor prompting congressional action was a growing trend throughout Latin America of governments taking America-owned property without compensation or adequate domestic remedies to resolve disputes" (2000: 67). Thus, with passage of the bill, the US simultaneously levied a sanction against Cuba and issued a tacit threat to other Latin American leaders to halt all nationalization of US-owned property at once. Fisk's conclusions echo earlier observations made by Miyagawa (1992: 91):

By imposing economic sanctions and announcing publicly the reason why the target deserves to be punished, the imposer can let the world (not just the target) know what principles it considers to be rules which members of a particular grouping³ should observe, and that it is prepared to punish any member offending against those principles.

The argument that sanctions serve as signals to the international community is quite intuitive. As long as the sanction is public, the sender is signaling to the rest of the

³ Miyagawa's "particular grouping" is akin to my term "target's cohort," which is explained below.

world to avoid the target's behavior that brought on the sanction. Upon receipt of the signal, a target is theoretically then supposed to step in line with the sender's demands. Though this signal may be clear, the question as to whether the international community takes the signal seriously is another matter, and one that has not been addressed in the literature. If this signaling channel is indeed utilized regularly and actually does dissuade potential targets, accounting for its impact is critical, as failing to do so is analogous to committing the selection bias that occurs when omitting sanction threats from an analysis (see chapters 2-4).

By and large, studies of economic statecraft have tended to focus on the dyadic level.⁴ This inclination is not confined to the economic coercion literature, however. A great deal of the work on interstate relations in general assumes that all or most of the information states learn about each other comes from within the dyad (i.e., Dixon 1983; Snyder 1991; Reiter 1996). Take, for example, the volumes of work on interstate rivalries. These studies go into tremendous theoretical and empirical detail to explicate the precise manner through which pairs of states become embroiled in long-lasting disputes, and why they consistently rekindle past conflicts (e.g., Leng 1983; Diehl and Goertz 2001). While the rivalry literature is intended to explain particularly conflictual dyadic relationships, it makes sense for these theories to have a dyadic focus, to a certain extent. However, I make note of this tendency because although many international relations theories assume that extra-dyadic interactions and influences are important, many do not test directly for this effect.

⁴ I am not necessarily deriding this tendency; after all, my work is one such example (again, see chapters 2-4).

It should be noted that there are two important exceptions to the proclivity of the sanctions literature to overlook TPS. First, the role of third party cooperation with the target has long been assumed to help diffuse the negative impact of sanctions (Hufbauer et al. 1990a). If a third state, often called a “black knight,” can step in and replace the target’s restricted trade that was formerly represented by the sender, the target has a better chance of defying successfully the coercive attempt. Second and somewhat relatedly, the use of multilateral economic coercion has lead to research on the comparative effectiveness of bilateral v. multilateral sanctions (i.e., Martin 1992; Cortright and Lopez 2000). Studies in this vein focus on the ability of the sender to cajole third parties to bandwagon in a joint effort to pressure the target, even if the bandwagoning states are not formally parties to the sanction.

Studies of black knights and multilateral sanctions have respectively added much to our understanding of economic sanctions and the role TPS can play in economic statecraft. However, the literature still suffers from a large gap between the theoretical assumption that sanctions serve as signals to TPS and empirical evidence of this mechanism. Interestingly, Martin (1992) argues that the sender’s reputation is an important factor in determining how many and which states hop on the bandwagon in a concerted effort against a common target, and it is to this issue – reputation – that I turn next.

Image is Everything: Reputation and State Learning

My research on the link between economic statecraft and armed force in previous chapters was based on the fundamental conception that perceptions matter in international relations, and that perceived value of an issue can drive states to, or over,

the brink of war. Perception is also critical in the formation of reputation. For instance, recall that audience costs – both domestic and foreign – were incorporated in the formal model in chapter 3. How states perceive one another can influence interstate politics in myriad ways. Of course, while leaders perceive other countries and develop reputations and opinions, they are also being perceived themselves. And, just like individuals, every nation and its officials are aware they are being watched and judged by others.

Accordingly, states are concerned about their reputations; such an assumption is uncontroversial.

For the purposes of this chapter, however, it is important to outline precisely how states form and why they are aware of their reputations. The first step to developing a reputation about a country is to learn about its behavior and what, why, when, and how a state does what it does, and to whom/what it is done. Crescenzi (2007) points out that classic international relations research by Jervis (1976) and Levy (1994) has shed light on the processes through which states learn about one another. Both scholars agree that there are three basic elements in the process of state learning, and that after incorporating these elements into their learning process, states then engage in foreign policymaking.

Although these components may seem incredibly intuitive (and almost childlike in their lessons), I maintain that they serve as a solid theoretical baseline from which to assess state behavior.

First, state learning is experiential in that nations learn from their experiences, and importantly, they learn from the public experiences of other states. Related to this latter point, the second element is that states learn vicariously through others- they can gain information through experiences in which they are not directly involved. Third, state

learning is diagnostic, meaning that a country will use another states' negative or positive experience as a reference when contemplating engagement in a similar activity. This issue is key in that it allows for states' updating of their beliefs about the intentions of others. For instance, if states *A* and *B* are in a dispute and state *C* is not involved, *C* is likely monitoring *A* and *B* to assess their resolve, power, and tactics. By observing these two states, *C* can update its reputations of each in the event that it may enter a dispute with either one in the future. Finally, after these three learning components have been addressed, a state is then ready to update its beliefs, and develop its own foreign policy (Jervis 1976; Levy 1994). It is at this point that the "learning state" puts its lessons into practice, keeping in mind the reputations it has developed of others.

Extra-dyadic information can be essential in policy formation, particularly if one nation is engaging another in an activity that is new to the dyad. In other words, if two states are primed for a conflict but they have never before fought each other, to where are these states going to turn for information on their adversary? Quite likely, each will use the other's recent disputes as a template for their expected exchange. "States use other states as proxies to get a sense of what their dyadic partner would do in a situations such as a crisis" (Crescenzi 2007: 386). However, states do not form reputations of other states exclusively through their behavior in militarized disputes. I contend, and the literature on economic coercion has assumed for decades, that states pay attention to and build reputations of sanction-sending states according to how these senders have behaved in the past.

Within the realm of economic statecraft, just as with interstate relations in general, reputation matters. Accordingly, it follows that TPS are likely to pay attention to

on-going economic sanctions in which they are not involved. The next question to ask, then, is, which sanctions episodes do these TPS watch?

Explaining the Target's Cohort, and Why and Whom they Watch

Picture a hypothetical situation in which state *A* is sanctioning state *B*, with state *C* acting as a member of the international community, observing this *A-B* interaction. I contend that there are two primary factors – one dealing with *C*'s similarities to *B*, and the other regarding *A*'s relative power in the international system and its foreign policy behavior history – in determining how likely state *C* is to pay close attention to the exchanges between *A* and *B*.

When scanning the international system for particularly relevant interactions to observe, a state wishing to build reputations of others is likely to focus on dyads that contain valid proxies for themselves. Put differently, if *C* considers itself as similar to *B* in some particular way, *C* is likely to perceive *B* as a valid proxy for itself. Therefore, in the interest of gaining an insight as to how *A* reacts to *B* and vice versa, *C* will monitor the *A-B* sanction. Crescenzi (2007) contends that this filtering effect is based on the TPS – in this case, *C* – trying to find the most relevant information for its learning purposes. All states that are similar to *B* – call them states *C*, *D*, and *E* – can use *B*'s interactions with *A* as proxies for themselves. Importantly, they will also use the *A-B* interactions as a way to build their respective reputations of *A*.

I consider states *C*, *D*, and *E* all to comprise the “target's cohort,” a group of states that is similar to the target in geographic location or general policy behavior.⁵ Grouping states into geographic or regional cohorts is relatively straightforward. Regional neighbors tend to share historical, cultural, and (where applicable) colonial ties,

⁵ Henceforth, each member of the target's cohort is also considered a TPS, and vice versa.

and region is the literature's default basis for dividing countries into similar groupings. States' general policy behavior can also help delineate a target's cohort. For instance, recall again the chapter's opening quotations. Bush (2002) categorized not only North Korea, Iran, and Iraq as an axis of evil, but also "their terrorist allies." Similarly, Rice (2005) listed several "outposts of tyranny," and then continued to claim that the US could not rest until every person in a "fear society" was free. Bolton (2002) also broadly claimed that all states failing to abandon their WMD programs could "expect to become [US] targets" of future sanctions.⁶ In each case, states were lumped into categories based on their offensive policies, and an implicit notion of warning – that a US action against one serves as a threat to all – is evident.

Given that the target's cohort has been defined, how do its members determine on which of state *B*'s myriad dyadic interactions they will focus? Certainly, state *B* engages in several interstate interactions outside of its cohort, and it is unlikely that the cohort would be willing or able to monitor each and every one of these relationships. I argue that the cohort's members are likely to pay closest attention to *B*'s interactions that they deem as highly salient. This perceived TPS salience level, in turn, is based on three components of *B*'s interactions with other states: the relative power of *B*'s dyadic partner (*A*), the nature of the *A-B* interactions, and *A*'s past foreign policy behavior. In this hypothetical situation, recall that *A* has levied sanctions upon *B*. If state *A* happens to be a particularly powerful state, the target's cohort is likely to perk up when "one of their own" is sanctioned, using *A*'s treatment of *B* as a gauge of their own prospects should a sanction be imposed on them. If the bully on the block were threatening your friend, you would be

⁶ It is unclear here if Bolton is referring to economic sanctions in particular, or negative sanctions in the general sense of the word. In either case, the basic premise of his statement remains apparent.

well served to observe⁷ the fight to see how tough the bully is, when he throws his punches, and what his weaknesses are, if he has any—after all, you may be next.

The overall nature and tone of the *A-B* interactions also help determine how salient the TPS considers these dealings to be. As has been discussed elsewhere in this manuscript, economic sanctions have taken on a more significant role in international relations, and international political economy is a vital component of a state's well-being. Further, given that sanctions are relatively rare events and negative in tone, states are likely to notice their imposition in the international system, particularly when imposed on a state with which they are similar. Therefore, in this running example – and especially if *A* is particularly powerful – I contend that the conflictual nature of *A*'s sanction on *B* will attract attention from the target's cohort.

Finally, the third factor used to ascertain TPS salience is the past foreign policy behavior of state *A*. If this situation is the first time state *A* has ever imposed a sanction, the target's cohort may approach the circumstance as an anomaly. However, if state *A* is known to wield economic coercion often, the target's cohort is especially likely to seize upon such an opportunity to observe one of its policies in action. The TPS will want to see how state *A*'s tactics may have changed since the last time it imposed sanctions, if its resolve seems to have varied across cases, and how states *A* and *B* interact strategically. Again, if state *A* is particularly powerful, its coercive campaigns are not likely to be viewed as ho-hum, even if they are relatively common. A potential target will attempt to collect all the information possible in order to best batten down the hatches should an economic storm from *A* head its way.

⁷ Of course, this is assuming the fight is strictly *mano-a-mano*, rendering you unable to defend your friend.

This section has produced two overall conclusions. First, the target's cohort is made up of TPS that are similar to the target in terms of geographic location and foreign policy behavior. In the context of the running example, the target's cohort is likely to pay closest attention to *B*'s interactions with other states when *B* is (1) sanctioned by a (2) powerful state that (3) has a history of imposing sanctions. These conclusions suggest that TPS pay attention to other states' dealings. Further, if the sanctions-as-signals theoretical argument is valid, we should expect the TPS to receive these signals and change their behavior accordingly.

Research Design

Given that my study represents the first large-N study on this particular issue,⁸ I utilize a plausibility probe approach to the data.⁹ In other words, I intentionally construct a research design that maximizes the likelihood of isolating any effect of sanctions on TPS behavior.

Sample Selection

The heavy influence of reputation in this theoretical framework suggests that sanction-based signals to TPS are most likely to be transmitted by states with strong histories of economic coercion and high levels of relative power. The US is clearly the only state that fits the bill, accounting for over 70% of the world's sanctions from 1914-2000 (Hufbauer et al. 1990a, 2007). In addition to imposing sanctions frequently, the US has maintained super power status since the end of World War II, indicating that it maintains a high ratio of relative power to any other state in the international system (save for the Soviet Union in some years). As such, US foreign policy actions regularly

⁸ Peksen's (2009b) working paper on the extra-dyadic, target-TPS trade effects of U.S. sanctions is the only study, to my knowledge, that could be considered in any way similar to mine.

⁹ See Drezner's (1999) third chapter for further discussion of plausibility probes.

attract the attention of the countries across the globe. If sanctions do indeed serve as signals to TPS, these messages are most likely to originate from Washington.

Identifying the Target's Cohort/TPS

Recall that the target's cohort is a group of states similar to the target in either regional location or general foreign policy behavior. Accordingly, I categorize the target's cohort (that is, TPS) in these two ways. Regions classified by geographic location include Latin America, the Middle East, Eastern Europe, Africa, South Asia, and East Asia. I also account for industrialization and developmental stage by creating an OECD category.¹⁰ In the *region* classification scheme, if the US sanctions a state in one of these regions, all of the target's regional neighbors are members of the target's cohort.

Foreign policy behavior can also be used to identify the target's cohort. As Bush, Bolton, and Rice used various nefarious acts to identify their groupings, I also focus on a set of egregious acts that are likely to bring about sanctions. Namely, *human rights* abuses have garnered much attention from US officials, especially during the 1990s. For instance, Rice (2005) centered her statement to the US Senate Committee on Foreign Relations on violations of human rights. The link between economic coercion and human rights abuses has received increased attention from scholars, and the US is the primary sender in nearly all cases motivated by these violations (Cortright and Lopez 2000; Drury and Li 2006; Marinov 2005; Peksen 2009a). Further, some argue that sanctions are actually the method of choice by which Western states deal with human rights abusers, as sanctions are relatively cheap and leaders prefer to keep costs low in issues that do not concern their own national security (Pape 1997). Therefore, in cases where the US

¹⁰ Organization for Economic Co-operation and Development (OECD) membership is based on the 1974 membership list (OECD 2006).

imposed sanctions on a target due to human rights infringement, I identify the target's cohort as all other states, regardless of region, that are considered human rights abusers.

To identify which states violate human rights, I use the *Cingranelli-Richards* (CIRI) human rights dataset (2004), which has compiled a physical integrity rights index for each country-year from 1981-2007. This additive index is composed of ordinal codings of the respective levels of torture, extrajudicial killing, political imprisonment, and disappearances in all available countries in the international system. The ordinal levels of each ranges from 0-2, with 0 indicating the worst human rights abuses, and 2 representing excellent human rights records [0 = frequent violations (50 or more instances); 1 = some violations (1-49 instances); 2 = no violations]. The physical integrity rights index is created by adding the ordinal values for each of the four categories, resulting in a nine-point scale ranging from 0-8, with 0 indicating no respect for human rights, and 8 representing full respect. I consider any state with a physical integrity rights index score of in the lower half of this range (0-3) to be a potential target of US sanctions for human rights abuse and therefore a member of the target's cohort when human rights abuse sanctions are deployed.¹¹ This results in 819 total TPS in the human rights category from 1981-2000.

Dependent Variables

Broadly, the conceptual dependent variable in this research question is US-TPS relations, meaning that a suitable proxy must be found to gauge how TPS behavior vis-à-vis the US changes when sanctions are imposed. When assessing the impact of US sanctions on TPS by *region*, I operationalize this relationship through changes in affinity

¹¹ I used different ranges of only 0, 0-1, and 0-2, but the results did not change.

scores and tension scores. In addition, when evaluating the *human rights* model, I also use the change in the TPS's human rights index score as a dependent variable.

The *affinity* score is the measure of correlation between the US and a TPS's United Nations General Assembly (UNGA) roll call votes (Gartzke 1998; updated in Voeten 2005). It has been shown that developing states use the UNGA as a medium through which to voice their displeasure or agreement with US policy, as the US has always played a leadership role in the UN (Voeten 2000). Further, Kim and Russett (1996) have shown that amicable nations tend to vote with one another in the UNGA, and nations who are at odds with one another use their vote in the Assembly to voice their displeasure. By tracking how often states cast the same vote as the US in the UNGA, I hope to gauge the degree to which TPS fall in line with tacit US threats that may accompany its sanctions. *Affinity* ranges from -1 to 1, with positive values representing cooperation, and negative values indicating conflicting votes. I use the change in US-TPS *affinity* from year to year as the dependent variable. By measuring the change in *affinity* between the US and the TPS, I can assess how US sanctions influence this relationship.

The second approach to operationalizing my dependent variable is monitoring the *tension* level between the US and the target's cohort. Citing *The New York Times*, the World Event Interaction Survey (WEIS) provides a measure of tension between states on a conflict-cooperation scale from 1971-1992 (Goldstein 1992). From 1993-2000, I splice the WEIS with the Integrated Data for Event Analysis (IDEA) dataset (Bond et al. 2003). IDEA codes international events in the same manner as does WEIS, but instead uses Reuters Newswires as its primary source. The most significant difference between WEIS and IDEA is that the former uses human coding, while the latter is coded by computer.

Despite this dissimilarity, the coding of these datasets is highly correlated (Bond et al. 2003). After transforming the data with the weight scheme developed by Goldstein (1992) and performing a transformation to the data, they range from -10 (military conflict) to 10 (full cooperation and/or assistance). Although *tension* data are available monthly (Drury 2006), recall that the TIES data suffer from missing data, particularly regarding the exact onset of sanctions following a threat. Therefore, I am unable to use monthly level data with this variable. Instead, I use the same technique employed with *affinity*, calculating the change in *tension* from year to year.¹²

In one *human rights* model specification, I use the annual change in the TPS's *CIRI* index score as the dependent variable. By using this dependent variable, I am attempting to analyze the change, if any, in the TPS's human rights practices due to the US sanction on the target. Given my case selection criteria for this group of cases, I am aware of the criticism here of "choosing on the dependent variable" (King, Keohane, and Verba 1994). However, my justification lies in the fact that this is a probability probe. I am intentionally creating theoretically ideal conditions in which an effect may be observed.

My hypotheses for each dependent variable are conceptually identical, though the actual direction of change in the dependent variable varies. The prevailing assumptions in the literature and the theoretical framework I have presented suggest that if a signal is being sent by the US through its sanctions, the TPS should receive that signal and adjust its behavior in a way affable to the US. This means US-TPS *affinity* should increase after

¹² In addition to *affinity* and *tension*, I also used the Interstate Interaction Score (see Crescenzi 2007) and *S*-score (Signorino and Ritter 1999) as dependent variables measuring U.S.-TPS relations. The results were substantively identical to what I present, and can be found in this chapter's appendix.

sanction imposition, US-TPS *tension* should decrease after imposition, and TPS *CIRI* should decrease after imposition.

H1: *After a US sanction has been imposed on a target, US-TPS affinity will increase.*

H2: *After a US sanction has been imposed on a target, US-TPS tension will decrease.*

H3: *After a US sanction has been imposed on a target for human rights abuses, TPS CIRI will increase.*

The converse can also be argued, however. If a member of the target's cohort is so identified precisely because it is similar to the target in regional location or behavior, then it is also plausible that a US sanction on the target could rally the target's cohort to its aid. Thinking back to a previous example in which I conjured the image of the neighborhood bully picking on a friend, one could view the target's cohort as joining the fight in defiance to the sender. In this case, I expect US-TPS *affinity* to decrease after sanction imposition, as TPS will use their UNGA votes to voice their displeasure with the US. Similarly, US-TPS *tension* would increase after the US levies a sanction, as its aggravation with the US is made public. Following the same logic, TPS *CIRI* should also decrease after imposition, as human rights abusers will increase the blatancy of their violations.

H4: *After a US sanction has been imposed on a target, US-TPS affinity will decrease.*

H5: *After a US sanction has been imposed on a target, US-TPS tension will increase.*

H6: *After a US sanction has been imposed on a target for human rights abuses, TPS CIRI will decrease.*

Together, these six hypotheses have all the angles covered. They suggest that if a signal is being sent by the US to TPS, that signal is being received, and the TPS adjust their behavior accordingly, then there should be some change in US-TPS relations and/or TPS behavior.

Explanatory and Control Variables

In the *region* models, my main explanatory variable is the lagged count of US sanctions in the region (*regional sanction count*). These data cover from 1971-2000 and are borrowed from the TIES (Morgan et al. 2006) or Hufbauer et al. (2007) datasets. This count variable sums the number of US sanctions that are active in a region each year. To control for the varying size of regions, the variable is divided by the number of states in each region. Dyad-years in which a state is the target of a sanction are omitted, as I am interested in only the signals' extra-dyadic effects. I count the number of sanctions per year to measure sanction severity, or signal amplification, so to speak. As the US transmits more signals to a particular region, the stronger the signal should be.

In the *human rights* models, the main explanatory variable is similar, but it counts the number of sanctions imposed due to human rights violations worldwide (*HR sanction count*). The variable is also lagged, and dyad-years in which human rights abusers are sanctioned for their violations are excluded. *Human rights* models cover 1981-2000, the years in which both TIES and CIRI data (Cingranelli and Richards 2004) are available.

In an attempt to keep the models simple and to let the influence of the *sanction count* variables surface, I keep the number of control variables to a minimum. I control

for trade dependence on the US (*Dependence on US*) by using Oneal and Russett's (2001) measure of trade dependence, defined as dyadic trade flow divided by TPS GDP. I also control for the *GDP* (logged) of the TPS (Gleditsch 2002). These controls are necessary in that they pertain to economic development and international trade, two aspects that are critical to take into account when assessing US economic coercive diplomacy (Baldwin 1999). If a member of the target's cohort is severely trade dependent on the US, it may be more susceptible to its signals.

For similar reasons, I control for the regime type (*democracy*) of the dyadic US partner by using the *polity2* variable from the Polity IV project (Marshall and Jaggers 2002). Particularly when utilizing the change in US-TPS *affinity* as the dependent variable, it is essential to control for regime type, as democracies tend to practice similar voting patterns in the UNGA (Voeten 2000). The norms claimed to underlay the democratic peace are also important to control for when measuring international *tension*. As with the *sanction count* explanatory variables, I lag all my control variables to minimize simultaneity bias.

Methods

To analyze the data, I use time-series—cross-section (TSCS) models, with the US-dyad year (undirected) as the unit of analysis. I cluster by dyad/TPS state to control for non-independence among observations and to obtain robust standard errors. As in the previous chapter, *splines* and *non-sanction years* variables are included in the analyses, but not presented in the tables. US-target dyads are omitted from the analysis, as I am only interested in changes in US-TPS relations.

The *region* models are run with all countries included. The *regional sanction count* variable is uniquely calculated in each year for each region. The *human rights* sample, however, was tightened to include only states that may have been potential targets for human rights sanctions. To qualify as a potential or actual human rights violator, a state's raw CIRI index score must be in the range 0-3 for at least ten years from 1981-2000. Using this cut-off, all states that were the actual target of US human rights sanctions would have been included in the models, had they not been intentionally excluded for theoretical clarity.

Results

The results of the models are quite bleak for proponents of the expressive signaling theory of economic sanctions. No substantial evidence in the models can be found for this effect. Table 5.1 illustrates the five models- two *regional*, and three *human rights*. The outline of the remainder of this chapter is as follows. After a brief review of the results, I move on to discuss the potential reasons as to why these lackluster findings were produced. Although they are not presented in the text here, several additional iterations of the data and models were run, with nearly identical results.¹³ Some of these additional models and their coding rationale are provided in this chapter's appendix.

¹³ For instance, instead of change in *affinity*, *tension*, and *CIRI* serving as my dependent variables, I ran a different set of models in which the raw values of these variables served as the dependent variable. In these models, I also incorporated a lagged variable of the dependent variable on the right-hand side of the equation (Beck and Katz 1995). These new specifications did not change the results, and they can be found in the appendix. The incorporation of additional control variables, including measures of affinity between TPS and the target, did not change the substantive results. In the *region* models, I ran specifications in which the *sanction count* variable was not divided by the number of states in the region. In both the *region* and *human rights* models, I even ran specifications in which the target of the sanction itself was not removed from the sample. The results improved somewhat, but very little, and given the theoretical contradiction of such a configuration, I chose not to present those results. In another approach to the data, I broke the regional data down and ran region-specific models, to no avail. Similarly, with the *human rights* models, I truncated the sample to include only states with CIRI index scores from 0-2, 0-1, or only the worst offenders (score of 0); the results were still underwhelming and similar to those presented in this chapter. Taking a cue from the results of chapter 4, I separate the data by timeframe as well, but the results

TABLE 5.1. TSCS Analyses of US Sanction Influence on US-TPS Relations

	Region (1971-2000)		Human Rights (1981-2000)		
	1: Affinity	2: Tension	3: Affinity	4: Tension	5: CIRI
US Sanction Count	0.073 (0.909)	0.068 (0.596)	-0.067 (0.113)	1.336 (2.905)	0.005 (0.016)
Dependence on US	0.794* (0.467)	1.668* (0.981)	3.463 (6.443)	2.123 (4.000)	0.013 (0.101)
Democracy	0.067 (0.113)	-1.900 (1.892)	-1.335 (1.740)	-0.342 (3.003)	-1.223 (0.902)
GDP(ln)	2.119 (5.046)	3.794 (4.443)	0.690 (1.356)	0.204 (0.966)	0.034 (0.555)
R ²	0.010	0.022	0.011	0.021	0.010
N	3,106	3,003	303	290	310

Robust standard errors clustered by dyad in parentheses. *Non-sanction years* and *cubic splines* omitted. All dependent variables are annual changes, and all independent variables are lagged one year. *p<0.10

The *region* models' results demonstrate that the *dependence on US* and *democracy* controls appear to explain changes in US-TPS *affinity* and *tension* more so than any other variable in the models, including my primary explanatory variable, *US sanction count*. When models 1 and 2 are analyzed in conjunction, however, it is difficult to draw any solid conclusions on this effect. The positive effect in model 1 suggests that increases in US-TPS *affinity* are associated with higher levels of TPS trade dependence on the US. However, the result from model 2 suggests that TPS US trade dependence is positively related to increases in *tension* as well. These countervailing relationships are rather weak, however.¹⁴ Unfortunately, the models simply do not fit the data well. Thus, rather than presenting more (non)findings, it is more prudent to review the theoretical implications of these outcomes.

are still insignificant. See footnotes 11 and 12 for additional information on alternate models. In short, many different specifications of the data failed to produce consistent, significant results.

¹⁴ Taking these results to suggest a potential underlying interaction effect present between TPS *dependence on U.S.* and *sanction count*, I interacted these variables, but the results were insignificant. The results of this interaction can be found in the appendix.

Sanctions as Signals to the International Community?

Non-findings are findings in their own right, though they often fail to garner the attention of significant results. Before offering conjectures as to why there appears to be little or no relationship between US sanctions and modifications in US-TPS relations, it is important to restate briefly the motivation behind these models. Prior to this study, only theoretical, case study, and small-N arguments and evidence had been presented supporting the existence of a sender-TPS signaling channel (e.g., Galtung 1967; Wallensteen 1968; Barber 1979; Renwick 1981; Lindsay 1986; Fisk 2000). The impetus behind this chapter was to move beyond a qualitative approach while identifying and studying the effects of these signals using large-N statistical techniques. Models 1-4 were specified to measure the effect of US economic sanctions on US-TPS relations, and model 5 was designed to gauge the influence of US sanctions on TPS abuse of human rights. None of the models returned a significant effect. Given the goals of the analysis, there are five potential explanations – four theoretical, and one methodological in nature – behind its results.

First, the most straightforward explanation is that the US simply does not intend to signal TPS with its sanction policies. Such an argument would suggest that the US designs and imposes its sanctions with little or no concern for their effects on TPS. Although this reasoning may seem plausible, I contend that it is quite unlikely. Given the language of government officials mentioned in the introduction, and the similar concerns over tacit threats to Iran during the current North Korean missile crisis (Joseph 2009), it appears quite clear that at least on the surface, the US does keep the international community in mind when devising economic coercion campaigns. American economic

and military power make Washington's coercive episodes difficult to ignore for the rest of the world's states. Having such a platform from which to operate makes it unlikely that the US would knowingly bypass the opportunity to send cheap signals.

The second potential explanation is that the US is sending these signals, but the target's cohort is not receiving them. In this case, the signal would be transmitted, but it would not be received, meaning TPS would not even be aware of the signal. I contend that this scenario is also unlikely for some of the same reasons just mentioned. When the world's economic hegemon uses trade or financial restrictions to dissuade or deter a target regarding a particular offense, it is highly probably that TPS engaging in a similar offense will take note.

A third theoretical explanation, and one that is more plausible than the previous two, is that the US is sending a signal, it is being received by the target's cohort, but the TPS are not altering their behavior accordingly. Thus, no statistically significant effect is registering in the models. Indeed, given the strong evidence behind the argument (e.g., Hufbauer et al. 1990a; Pape 1997) that sanctions simply are not effective in coercing their primary targets, it may seem farfetched to assume that sanctions could and do serve as potent signals to TPS. This line of reasoning would contend that although the target's cohort may perceive these signals, this perception alone does not imply that TPS will modify their behavior to fall more in line with the US.

This is not to say that TPS never receive and act on US signals, however. A fourth and somewhat related potential explanation harkens back to the nature of my six hypotheses. Remember that each hypothesis of warming US-TPS relations following a sanction had a counter-hypothesis of sorts, offering an explanation as to why US-TPS

relations may actually cool after a sanction. In the former three hypotheses, US-TPS relations were expected to improve as the target's cohort received the signal and, fearing a sanction of their own, aligned more closely with US preferences. In the latter three hypotheses, however, this effect was reversed. Here, it was anticipated that instead of encouraging TPS conformity, the sanction would spur TPS insubordination. Clearly, these two sets of expectations are contradictory. Thus, if these countervailing effects were simultaneously present in the data, each would nullify the other's impact in the models, therefore explaining the lack of statistical significance.

In the case that either of these final two theoretical explanations is accurate, the possibility of imprecise measurement methods or operationalization becomes apparent. The methods and measures employed here have not been able to provide evidence of an effect, and they simply may be too "blunt" to pick up any changes in TPS behavior. If even a very weak signal is being sent by the US to TPS, there must be a manner through which researchers can verify its existence, and this evidence may be accessible to only qualitative research approaches.

It is important, too, to delineate the difference between a signal being sent, and a signal being received. I contend that, and especially regarding cases of human rights abuses, while it is quite likely that the US (and UN, for that matter) is sending signals, TPS are simply not responding to them. Regardless of the TPS disregard for these signals, they still warrant attention in future studies of economic statecraft. Even if they are ignored, these signals may still be sent, and thus they should be accounted for.

Given the stated intentions of national leaders and the intuitive reasoning behind the sanctions-as-signals argument, and despite the statistical evidence presented here, I

maintain that further research is still needed to uncover the true signaling mechanisms at work. When coupled with my conclusions from the previous chapter, it would be quite surprising if state leaders did not perceive, in at least some minor fashion, the implications of US economic statecraft, particularly since the end of the Cold War. Future research could turn to press releases in TPS soon after the US levies a sanction, monitoring for signs of reactions favorable to the US, or conversely, for signs of defiance. Aside from human rights abuses, another issue area in which this effect may be observable concerns sanctions imposed in response to violations of nuclear nonproliferation agreements.

APPENDIX TO CHAPTER 5

This appendix presents the results for some of the various additional iterations of the US-TPS data. I do not interpret these results, as there is unfortunately little statistical significance on which to report. Table 5.2 below contains the models using an interaction term between *US sanction* and *dependence on US*.

On the next page, Table 5.3 presents the models that used raw *affinity*, *tension*, and *CIRI* index scores, as opposed to the annual change variables used in the chapter's main text. In these models, I also included as an independent variable a one year-lagged value of the dependent variable to account for *past practice* (Beck and Katz 1995).

After explaining the coding schemes used, I then present the results from using Signorino and Ritter's (1999) *S*-score and Crescenzi, Enterline, and Long's (2008) Interstate Interaction Score (*IIS*) as the measures to identify the target's cohort.

TABLE 5.2. TSCS Analyses of US Sanction Influence on US-TPS Relations with US Sanction/Dependence Interaction

	Region (1971-2000)		Human Rights (1981-2000)		
	1: Affinity	2: Tension	3: Affinity	4: Tension	5: CIRI
US Sanction Count	0.063 (1.909)	0.003 (0.667)	-0.057 (0.119)	1.398 (2.003)	0.003 (0.022)
Dependence on US	1.794 (2.467)	0.668 (0.910)	3.448 (6.545)	2.330 (4.471)	0.019 (0.192)
(US Sanction Count)* (Dependence on US)	0.001 (0.901)	0.211 (1.038)	0.190 (0.556)	0.564 (1.222)	0.668 (0.232)
Democracy	0.057 (0.713)	-0.999 (1.521)	-1.400 (1.953)	-0.588 (3.232)	-1.240 (0.909)
GDP(ln)	2.445 (5.632)	1.765 (3.222)	0.699 (1.366)	0.214 (1.006)	0.434 (0.560)
R ²	0.010	0.021	0.011	0.020	0.011
N	3,106	3,003	303	290	310

Robust standard errors clustered by dyad in parentheses. *Non-sanction years* and *cubic splines* omitted. All dependent variables are annual changes, and all independent variables are lagged one year. *p<0.10

TABLE 5.3. TSCS Analyses of US Sanction Influence on US-TPS Relations with Raw Affinity, Tension, and CIRI Dependent Variables

	Region (1971-2000)		Human Rights (1981-2000)		
	1: Affinity	2: Tension	3: Affinity	4: Tension	5: CIRI
US Sanction Count	0.883 (1.023)	0.689 (1.596)	-0.670 (1.153)	2.003 (2.726)	0.009 (0.222)
Dependence on US	1.993* (1.169)	2.668 (1.981)	1.663 (3.443)	1.282 (1.992)	0.347 (1.383)
Democracy	1.233 (2.223)	-1.001 (1.256)	-1.004 (1.840)	-0.558 (2.584)	-1.001 (2.834)
GDP(ln)	0.773 (1.909)	1.947 (3.003)	0.990 (1.436)	0.909 (1.001)	0.992 (2.4343)
Past Practice (DV lag)	1.883** (0.487)	2.001** (0.572)	1.990** (0.604)	0.671** (0.159)	3.993** (1.041)
R ²	0.120	0.170	0.152	0.110	0.653
N	3,106	3,003	303	290	310

Robust standard errors clustered by dyad in parentheses. *Non-sanction years* and *cubic splines* omitted. All dependent variables are raw values, and all independent variables are lagged one year. *p<0.10, **p<0.001

In these models, it is apparent that the *past practice* control explains most of the variance in the data, relative to the other independent variables.

Identifying the Target's Cohort with *S*-Score and IIS

Measuring similarities in two states' alliance portfolios has long been assumed as a valid way to gauge the commonality of their security interests (Bueno de Mesquita 1975; Bueno de Mesquita and Lalman 1992; Signorino and Ritter 1999). The expected utility of war functions – formulated by Bueno de Mesquita (1975) and based on his Kendall's τ_b , which was later improved by Signorino and Ritter's (1999) *S*-score – are used extensively in the literature to determine the level at which states' alliance commitments, should they be called into action, overlap. High levels of correlation signify states that share a high proportion of their commitments with each other, while low scores indicate the opposite. I contend that a target that shares a high *S*-score with a member of the international community (other than the sender) represents a member of the target's cohort. If the target and TPS share a similar portfolio of alliance obligations, it follows that they will likely respond in kind when they are the target of a coercive diplomacy attempt. The TPS, having a similar set of alliance commitments to the target, will pay particularly close attention when the target is sanctioned by a powerful country like the US, as security issues will likely be raised. To measure these similarities, I use Signorino and Ritter's (1999) *S*, which ranges from -1 to 1, with positive values indicating increasingly similar alliance portfolios and negative values representing increasingly dissimilar portfolios. I consider states that share *S*-scores of 0.5 or greater with the target as members of the target's cohort.¹⁵

An additional way to identify TPS is by gauging two states' similarities in IGO membership portfolios. Joint membership in IGOs is a valid proxy for the general sense

¹⁵ I used alternative versions of this cut-off (0, 0.25, and 0.75) and found similar results to those presented here.

of cooperation between two states, and it serves as a good measure of their similar foreign policy interests and motivations. States that interact often in IGOs are likely to have an interest in each other's foreign policies, including when the other is the target of a US sanction. Crescenzi, Enterline, and Long (2008) calculate a modified version their Interstate Interaction Score (IIS) that focuses specifically on the change in joint IGO membership between two states. This value ranges from 0 to 1, with lower scores representing growing dissimilarities, and greater values indicating more similar portfolios. I consider states that share an IIS score of 0.75 or higher to be members of the target's cohort.¹⁶

TABLE 5.4. TSCS Analyses of US Sanction Influence on US-TPS Relations with S-Score and IIS as Identifiers of Target's Cohort

	S-Score (1971-2000)		IIS (1971-2000)	
	1: Affinity	2: Tension	3: Affinity	4: Tension
US Sanction Count	1.443 (2.002)	1.990 (2.773)	-0.001 (0.574)	0.027 (1.001)
Dependence on US	1.900 (5.000)	2.439 (2.390)	0.002 (0.936)	0.736 (1.474)
Democracy	2.421 (2.450)	-1.312 (2.333)	-0.927 (2.473)	-0.383 (1.234)
GDP(ln)	0.827 (0.942)	0.474 (0.994)	0.909 (1.001)	0.573 (1.483)
R ²	0.011	0.022	0.010	0.020
N	3,106	3,003	3,111	2,991

Robust standard errors clustered by dyad in parentheses. *Non-sanction years* and *cubic splines* omitted. Dependent variables are annual changes, and all independent variables are lagged one year. *p<0.10

¹⁶ Again, I used alternative cut-offs (0.50 and 0.90) to no effect.

CHAPTER SIX

REACHING CONCLUSIONS AND BRIDGING GAPS

Summing up the Link between Sanctions and Armed Force

Are economic sanctions just a form of international cheap talk, or do their senders actually intend to put their money where their mouth is? The findings from the first half of this project suggest the latter to be the case. Chapters 3 and 4 represent the literature's first formal model and empirical test of an escalatory process incorporating both economic and military tools of coercion. In chapter 3, I presented a formal model based on the relatively simple notion of issue salience. The greater value a party places on a particular issue under dispute, the more that party will be willing to expend in effort to attain that issue. The statistical evidence in chapter 4 substantiated the hypotheses derived from the game. Senders that valued highly the issue under dispute were more likely to escalate by imposing sanctions than were senders with a low level of commitment. In the next stage of the dispute, it was found that sanction imposition – assumed at this point as a sign of high sender resolve – was positively correlated with MID onset, further supporting my argument. Moving beyond the scope of the formal model, I then confirmed the hypothesis that the imposition of a sanction between a pair of states in one year increases the likelihood of a MID erupting between them in the following year.

Taken in isolation, this finding tells us only that economic sanctions and military conflict are positively related, but it does not tell us exactly *how* they are related. Lektzian and Sprecher (2007) take this association to mean that sanctions often inadvertently lead to violent conflict, as democratic senders tie their hands with audience

costs and send a mixed signal of resolve through cheap sanctions. My argument, on the other hand, assumes that sanctions are levied prior to military conflict in a relatively straightforward manner, motivated by the sender's desire to keep costs low. As sanctions are generally cheaper than military conflict, I contend that senders, motivated to keep their coercive costs to a minimum, will use economic coercion before turning to armed force. In short, while I see a positive sanction/armed force correlation as the sign of a sender deliberately applying only as much pressure as needed to attain target acquiescence, Lektzian and Sprecher see this positive correlation as a run-away policy imposed by the sender that likely did not intend to engage in violence. A simple way to determine which argument holds is to assess the proportion of sanctions that lead to MIDs and the proportion of MIDs that are preceded by sanctions.

Calculating these proportions tells a story of two timeframes. In the first, 1971-1989, Lektzian and Sprecher's (2007) theory holds quite well. Overall, there were many more MIDs than sanctions, and sanctions were often followed by MIDs, but relatively few MIDs were preceded by sanctions.¹ However, from 1990-2000, my argument is much stronger. I found that the overall use of economic statecraft increased dramatically, while the use of armed force declined. The evidence also shows that the proportion of sanctions followed by MIDs declined from the earlier period, and the proportion of MIDs preceded by sanctions increased considerably. How do we account for this remarkable shift in the way states coerce each other?

The demarcation between these periods is the collapse of the Soviet Union, an event that I argue opened the door for changes in the way states use economic coercion, primarily in that it allowed for the US and UN to take the lead in most international

¹ Table 4.6 provides the basis for this discussion.

coercive campaigns across the globe. Stepping into this role, the US and UN brought with them international norms favoring and encouraging the use and exhaustion of economic coercion before turning to the use of force. In fact, the UN Security Council is mandated by its own bylaws to use economic tools before considering force. Further, tremendous advancements in technology and communications speed enabled states to interlink their economies, currencies, and financial markets at unprecedented levels, thus exposing them in new ways to economic coercion from their trading partners. When all of these influences are taken together, my argument holds quite well- in the post-Cold War world, states use economic coercion as a precursor to armed force.

Drawing from the conclusions of the first half of this project, I make four basic claims. First, perception matters, and in this case, the sender's perceived value of the issue under dispute is key. Importantly, in the first stage of my escalatory model (from sanction threat to sanction imposition), sender issue salience is found to be a significant factor in determining whether a dispute will escalate. This finding is supported well by the evidence across the entire timeframe of this study, meaning that issue salience was a key factor during the early stages of a dispute, even during the 1970s and 1980s. Second, the use of economic statecraft has changed over time, and especially within the past 20 years. Third, I contend that assuming that the use of economic coercion should not have changed over this time period is failing to take into account the tremendous changes in the global economy and the international system. Fourth, the US is not the only state exhibiting these patterns, as demonstrated when I controlled for a US bias in the multivariate models. Finally, it is also important to outline clearly what I am *not* claiming. I do not claim to have developed a universal model of economic coercion. My

overall model works best in the post-Cold War world, although some elements of it are applicable to the 1970s and 1980s.

Summing up the Use of Sanctions as Signals to TPS

The second half of this project did not produce a volume of findings comparable to those from the first half. However, the (non)findings from chapter 5 are still relevant in and of themselves by virtue of what they tell us is *not* present in the data. For the first time, the long-standing assumption that sanctions serve as signals to TPS was tested using a large-N analysis. Prior to this study, only theoretical arguments and case studies had supported the notion of this signaling channel. I argued that when a target is sanctioned by a powerful state with a strong history of utilizing economic coercion, the target's cohort is likely to pay attention. The only such state that fits the description as maintaining a level of high relative power in all dyads, and a history of using economic statecraft, is the US. The target's cohort is made up of states that are similar to the target in some way, such as location or general state behavior. I operationalized this concept in two ways. First, I grouped the target's regional neighbors as relevant TPS that may be susceptible to US sanctions as signals. Second, I identified serial human rights offenders, as many US sanctions are imposed on targets in effort to improve human rights practices. The question then became, what are these signals supposed to do? How do we know if they are working?

I broadly hypothesized that any change in US-TPS relations could potentially signify the transmittance of a signal from Washington to the target's cohort. Gauging changes in US-TPS voting patterns in the UNGA, US-TPS tension scores, and changes in the way TPS observe human rights, I hoped to evaluate how these signals influenced the

target's cohort. Unfortunately, no effect of any kind was found, despite having employed a variety of statistical procedures.

My null findings do not necessarily indicate that the US does not intend to signal TPS with its sanctions. Instead, it is likely that 1) there was a measurement issue with my data, and the variables used here were misspecified, 2) TPS simply do not respond to these signals, or 3) both the first and second points here are simultaneously true. Future research is necessary to know which of these explanations is most likely.

Despite my less than stellar results, this research question is still an important one to ask. If this signaling channel goes unaccounted for in the literature, its omission would be akin to introducing another type of selection effect into the study of economic sanctions. Over the past decade, the economic statecraft literature has identified and largely controlled for “the dog that did not bark” in the realm of sanctions by documenting sanction threats (Morgan et al. 2006). However, to ensure that a similar selection effect is not taking place between some senders and TPS, the impact of this signaling mechanism must be assessed.

Future work in this area could benefit from operational code analysis of both senders and TPS, searching for patterns in leaders' speeches of mentioning signaling. Further, the target's cohort could be reassessed, delineating its membership criteria to incorporate other types of behavior, such nuclear weapons development, or nationalization of foreign firms. Finally, the application of an experimental approach could be useful here. Bringing in the political psychology literature, subjects could be arranged in a triad in which a sender imposes sanctions on a target, while a third party observer watches these interactions. After several rounds of play between sender and

target, the observer is then given the opportunity to make its move, knowing it may be subject to sanctions from the sender (see McDermott, Venteicher, and Tingley 2009).

Given the new and enlarged role that economic sanctions have come to play in international relations over the past 20 years, it would seem unlikely that TPS did not take notice when “one of their own” is sanctioned. Thus, even if the target’s cohort is found to repeatedly ignore these signals, it remains an interesting angle to cover in the study of economic coercion.

Implications for Scholars

The findings derived from this study apply to several different veins of the international relations literature. The chapters in which I linked the use of economic and military coercion speak to the studies of economic statecraft, international bargaining, dispute escalation, conflict processes, and foreign policy analysis. As this project touches so many different areas of the literature, this research can be extended in many ways. One way to improve the theoretical precision of the findings is to construct and solve the formal model with two-sided incomplete information. This would facilitate a deeper exploration of the interplay between sender and target salience and how different perceptions can affect the game’s equilibria.

The construction of the game itself lends itself to a nested analysis approach, put forth by (Lieberman 2005). Isolating different sanctions episodes that represent various nodes of the game and conducting in-depth, qualitative analyses on them could offer a better contextual understanding of how and why different outcomes occur. Understanding why some disputes step off the path to violent conflict is just as important as understanding those that do not. For instance, the “Libya Model” represents a high-

salience case in which persistent economic coercion helped elicit target acquiescence. The UN imposed sanctions in 1992 when Libya refused to abide a Security Council resolution demanding reparations for state-sponsored attacks on airliners over Scotland and Niger. After over a decade of sanctions, Libya began to open more to the West and agreed to UN demands, paying the victims families of those killed during the hijackings. Further, Libya agreed to abandon its weapons of mass destruction programs (Bowen 2006). Although this case involved salient issues of national security and sovereignty and required a substantial level of international pressure, sanctions were an important piece of the coercive puzzle in achieving Libyan compliance. When dealing with lower-level issues, the power of the purse alone may be potent enough to elicit change in the target. Further studies on cases such as this would go far in providing additional, contextual detail lacking in large-N analyses. It would be particularly interesting to contrast Cold War cases to post-Cold War cases in this regard; this way, the impact of bipolarity could be fleshed out even further.

Operational code analyses could also be used to evaluate the language used in documents from the US State Department and the US Department of the Treasury's Office of Foreign Assets Control (OFAC) to assess how sanctions were viewed and used differently during and after the Cold War. In a different extension, the MIDs that are preceded by economic sanctions could be compared to those that are not preceded by economic coercion. This way, scholars could determine whether the additional rounds of coercion and communication prior to armed conflict either pacify or intensify violence.

The shifting role and impact of economic coercion over time that I cite in this study also suggests that a constructivist approach could shed light on the use of economic

sanctions. The power of the purse has changed, as many international norms now favor alternate forms of diplomacy rather than armed force. Similarly, the role of “regular” diplomacy and negotiations has likely changed as well. These research avenues need to be explored.

Recall that Lektzian and Sprecher’s (2007) argument is based soundly on the impact of domestic audience costs, and how these costs can tie the hands of democratic leaders. While the influence of audience costs has been studied at length in the conflict literature, it has not been applied to the study of economic statecraft. Because over 70% of all sanctions are imposed by the US, it is important to assess how theories of economic statecraft apply to this state in particular (Hufbauer et al. 1990a). The audience costs that tie democratic leaders’ hands are based on the assumption that the public will electorally punish policymakers who back down after imposing sanctions. Although I am unaware of any major American public opinion polling on the use of economic sanctions (which by itself may be telling), I speculate that the US public in fact knows little about most US economic coercion campaigns. Yes, the American public is aware of foreign policy crises and military conflicts in general (Baum 2003; Drury, Overby, Ang, and Li 2009). However, other than a few high profile cases – Jimmy Carter’s grain embargo of the Soviet Union, George H. W. Bush’s multilateral sanctions with the UN against Iraq during the 1990s, and George W. Bush’s subsequent campaign against Saddam Hussein – the American public is unlikely aware of how often, and against whom, their state flexes its economic muscle (see Tomz 2007). While audience costs are inherently an important aspect to consider in democracies, their impact in cases of economic coercion remains an area in need of further research.

Finally, much of the past literature on sanctions has been devoted to the questions regarding sanction effectiveness, and how to better design sanctions for maximum success. My results suggest that many of these questions may need to be reevaluated, as the specter of armed conflict was often not fully accounted for in these studies.²

Implications for Policymakers

The chronic debate in the political science literature over the relevance of the discipline's work to the policy world has recently resurfaced (Nye 2009). I contend that while couched firmly in the academic literature, the substance of this particular project is exceedingly relevant to the policymakers, and especially to those in Washington, D.C.

As my results indicate, it is likely that American leaders are already cognizant of the patterns I have uncovered, with the US being the world's leading sanctioning state, and a primary user of the sanctions→armed force escalatory process. However, this also suggests that these policymakers need to comprehend fully the impact economic statecraft can have on a target, and how target states may perceive sanctions.

Understanding this link is also necessary to devising effective strategies that employ both economic and military coercion techniques in concert. One way academia could serve policymakers here is to provide some context as to the effectiveness of sanction threats and sanction imposition prior to military engagement.

My results also indicate that having a valid assessment of target issue salience is important, especially when determining how much pressure should be applied during a coercive campaign. Disputes concerning sovereignty and territory in particular are likely to evoke high salience levels in a target, and it is imperative that senders appreciate these

² Most of the implications stemming from the TPS signaling chapter have been discussed elsewhere, so I do not divulge in them here again.

effects. Of course, full understanding of the implications of perceptions and salience demands information about the states and individuals involved. Senders need to know how much their targets value the issue over which they are considering sanctioning. This requires substantial commitments to intelligence gathering and analysis.

Policymakers at the UN are also likely to be generally aware of the links between sanctions and conflict. However, it is essential for them to understand precisely how, why, and in what ways economic coercion best serves armed force, and vice versa. The legitimacy of the UN rests largely on its ability to preclude international violence, and my results, in addition to those of Cortright and Lopez (2000), have illustrated the role of one of the UN's frequently employed tools in that effort. Although the inherent structure of the Security Council is designed to prevent the immediate passage of harsh coercive policy of any type, its permanent, veto-carrying members – China, France, Russia, the U.K., and the US – all must be aware of these relationships.

This is not to say, however, that my findings pertain only to senders. Targets must also be aware of what sanctions may bring. Although several high profile cases within the past two decades have demonstrated the link between sanctions and conflict, targets are likely to remain willing to test senders' resolve before acquiescing. While maintaining sovereignty is paramount to target leaders, they should be aware that sanctions might be harbingers of armed force. Defying a sender could be playing with fire.

Both senders and targets should also be aware of the implications that follow increased interdependence and vulnerability to economic and financial pressure from abroad. The recent global economic downturn of late 2008-2009 has demonstrated just how interrelated the world's major economies are. While liberal economic theory tells us

that international trade leaves most players better off, it also brings greater exposure to potential avenues of economic coercion. For instance, future research on the impact of sanctions on central bank bond rates could shed light on just how deep of an impact these policies can have on international and domestic investors. Sanctions can serve as signals not only to the target's government and TPS, but also to international financiers. Thus, a target in which foreign investment is particularly vital could be vulnerable if a well-planned sanction is levied precisely on an economic pressure point.

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