Reputations in Economic Coercion: Explaining the Effectiveness of Sanction Threats

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Abstract

KATJA B. KLEINBERG: Reputations in Economic Coercion: Explaining the
Effectiveness of Sanction Threats.
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Economic sanctions are an increasingly common phenomenon in international politics. A large and growing body of research has been devoted to their study and to the questions of whether and how sanctions "work." Yet while our understanding of imposed sanctions and their ability to bring about desired outcomes has increased significantly over, we know much less about the earlier stages of the sanctioning process. Why do targeted states sometimes give in to mere threats of sanctions but reject them at other times? Is it enough that the prospective costs of threatened sanctions are large? Or will a state stand firm even in the face of potentially powerful sanctions if there is reason to believe that the sender is bluffing? Taking as a point of departure the general insight that coercive threats have to be both credible and potent to succeed, this dissertation proposes a novel explanation for sanctions outcomes. I argue that a state's past record of carrying out sanction threats against recalcitrant opponents provides targeted states with information about the likelihood with which a current threat will be enforced. Based on observations of their previous actions, sender states acquire reputations for resolve, which come to affect the perceived credibility and thus the coercive effectiveness of their threats. From this basic argument, I derive three hypotheses, which I test against a number of alternative predictors suggested by the extant literature. The findings indicate that potential sanctioners might do well to mind their reputations.

For my brothers, Frank and Steffen Breidt

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Chapter 1

Introduction

"A successful threat is one that is not carried out."
Thomas C. Schelling. *The Strategy of Conflict.* (1960, 177).

This dissertation examines the causes of success and failure in economic coercion. More narrowly, it directs attention to threats of economic sanctions. Why do targeted states sometimes give in to sanction threats but reject them at other times? Is it enough that the prospective costs of threatened sanctions are large? Or will a state stand firm even in the face of potentially powerful sanctions if there is reason to believe that the potential sanctioner is bluffing? I address these questions by proposing a novel explanation that centers on the impact of observed enforcement behavior on subsequent threat effectiveness. In doing so, this study contributes to our understanding of an increasingly common phenomenon in world politics, namely attempts to use cross-border economic ties to exert influence upon the policies of another state by threatening to alter current commercial patterns in unfavorable ways (Chan and Drury 2000, 2).

One instance of ultimately unsuccessful economic coercion, which figures prominently as a negative example in policy discussions and the public discourse, is the long-running struggle over China's trade status and human rights record throughout the 1990s. By 1997, a report on the annual U.S. congressional debate over extending China's Most-Favored Nation

(MFN) trade status described the proceedings as following "a familiar script": corporations lobbying heatedly to maintain China's privileges, proponents of religious and political liberties opposing them while remaining divided on how to promote them in China, and the president weighing his veto power (Doherty 1997). The U.S. granted MFN trading status to China in 1980 in an effort to build strategic relations with a potential ally in the Cold War against the Soviet Union. Continuation of Chinese MFN-treatment was tied to an annual renewal process that became increasingly controversial within the U.S. after 1989, in response to the Tiananmen Square massacre of Chinese dissidents and the changing geopolitical environment as the Cold War unraveled.

The annual renewal process appeared to provide a means of economic leverage for the U.S., energizing a diverse coalition of human rights activists, conservative anti-communists, and protectionists. Pitted against them was a business community cognizant of the economic potential of emerging Chinese markets and fundamentally opposed to the use of economic tools in pursuit of non-economic goals (Preeg 1999, 149). The political leadership was equally ambivalent about the use of economic sanctions against China. The Bush administration appeared reluctant on principle to use economic leverage to change Chinese domestic policy. The Clinton administration in its early years was hamstrung by a commitment to employment expansion as 'job one' at a time when the United States-China Business Council estimated that ending MFN could eliminate 100,000 American jobs (Zweig 1993, 251).

In the domestic political rift between human rights concerns and international business, business won each round. Despite recurrent threats to withhold MFN-treatment if human rights conditions did not improve, the U.S. never followed through despite China's steadfast

refusal to yield on the issue. By May 1994, President Clinton announced his commitment to unconditional renewal of Chinese trade privileges. Acrimonious annual congressional debates over MFN renewal continued until China was granted permanent normal trade relations (PNTR) status in 2000. President Clinton's announcement had nevertheless effectively delinked U.S. economic from international human rights policy as early as 1994 on the grounds that China's economic and strategic importance had increased too greatly to sustain such linkage (Preeg 1999, 176).

At the time, this decision by the Clinton administration was widely criticized. Some felt that it represented a humiliating capitulation to a defiant and increasingly repressive regime. Others faulted U.S. policy makers for appearing unsteady in their priorities by raising repeatedly the specter of sanctions but then failing to build the necessary support to impose them. By 1996 a prominent economist had concluded, "Today, the assumption around the world is that the U.S. is unwilling to back its interests. In fact, the U.S. appears not quite sure what its interests are" (Dornbusch, 1996). Moreover, the author continues, "There is also a wider issue. The U.S. government cannot afford to be seen as selling out to its export interests to the point that it sacrifices its global-security objectives. That would significantly cut into its standing as a world leader." This dissertation argues that by vacillating between making threats and failing to follow through on them, states such as the U.S. in the example above also jeopardize their ability to use economic leverage successfully in the future—to obtain policy objectives through sanction threats that do not have to be carried out.

I argue that the consistency with which states have historically imposed the economic sanctions they have threatened provides valuable information to other states when they find themselves the target of such a threat in the present. Coercive diplomacy through economic

sanctions offers in principle a means of exercising influence without committing armed forces and engaging in otherwise risky military maneuvers. A state, commonly called the sender, may seek policy changes from another state, the target, by threatening to deliberately withdraw normal trade or financial relations unless certain conditions are met (O'Sullivan 2003, 12). In practice, attempts at economic coercion will succeed only if the threat of sanctions is perceived as sufficiently credible as well as potent. In an international environment, characterized by uncertainty over the capabilities and intentions of others, credibility is at a premium because talk may be cheap but economic sanctions in most cases are not—neither for the target that may prefer to avoid them nor for the sender who would likely prefer to gain concessions without having to pay the price of disrupted commerce. In this dissertation, I develop and test the proposition that historical information about a sender state's record of carrying out sanction threats may enhance or diminish the credibility of a current threat in the eyes of targeted states and influence the likelihood of successful coercion.

Economic sanctions appear to be an increasingly common phenomenon in international politics. They commonly take the form of export and import limitations, asset freezes, investment restrictions, and foreign assistance reductions.[1] Figure 1.1 shows the number of new sanctions imposed over the past three decades.[2] As this graph illustrates, the frequency of economic sanctions imposition has increased sharply over the past decades. Conditions which enabled this trend include the declining international legitimacy of military force as a

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[1]This dissertation like much of the existing literature focuses on negative sanctions, which are designed to coerce by threatening punishment for noncompliance. Positive sanctions, the use of economic inducements or rewards in exchange for compliance, remain an important but understudied aspect of economic statecraft. In this point, see Baldwin (1971; 1985) and Davidson and Shambaugh (2000).

[2]The numbers are drawn from sanctions data provided by the Threats and Impositions of Economic Sanctions (TIES) data project (Morgan, Krustev and Bapat 2006). For ease of presentation, cases for the year 2000 are included among those initiated in the 1990s.

means of dispute resolution and its limited utility in many situations, combined with the sharp growth in economic interactions across borders, which increased the opportunity and willingness of states to apply economic leverage to resolve conflicts of interest (Hufbauer, Schott and Elliott 1990; Hufbauer et al. 2007).

Figure 1.1: Economic Sanctions Imposed by Decade.
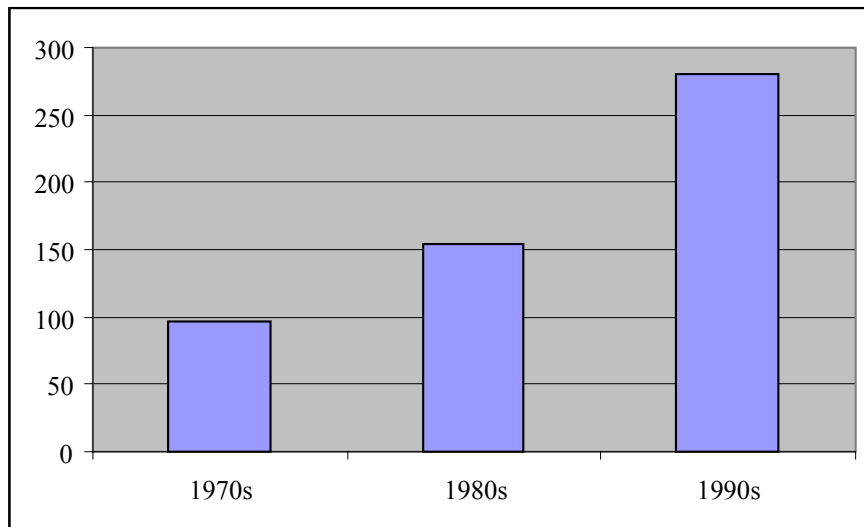
The end of the Cold War contributed to the proliferation of economic sanctions. A surge in armed conflict and especially civil wars coincided with a new willingness among major powers to cooperate in confronting such challenges. This trend is obvious in the number of partial and comprehensive sanctions imposed at the behest of the United Nations Security Council, which earned the 1990s the label 'the sanctions decade' (Cortright and Lopez 2000). Measures imposed during this period include sanctions against Iraq (1990), Somalia (1992), the former Yugoslavia (1991, 1992, and 1998), Rwanda (1994), Sudan (1994), and Afghanistan (1999). After this initial flurry of multilateral activity, however, many states, including the major powers, have begun to revert from international cooperation to unilateral

policy-making, seeking to dominate UN sanctions use or using economic sanctions to serve narrow national interests (Cortright and Lopez 2000, 7).

Two recent instances include threats by Venezuelan president Hugo Chavez to reduce the country's exports to the United States by halting oil supplies to Exxon Mobil (*New York Times*, February 18, 2008). The move came amidst rising geopolitical tensions between the two states, each accusing the other of trying to exert undue influence in South America. Secondly, in response to Russian military incursions into Georgia in September 2008, the European Union reportedly pondered—albeit briefly and inconclusively—the possibility of economic sanctions against its eastern neighbor (ZEIT ONLINE, 2008a). The conditions that allowed for the current ubiquity of sanction threats and impositions in world politics are likely to persist over the coming decades. Understanding when economic coercion is likely to succeed is an important endeavor for practitioners of foreign policy and international relations scholarship alike.

Despite the apparent enthusiasm among policy makers for their use, economic sanctions have acquired a bad name. Media reports, business associations, and political activists decry their negative externalities. Cutting economic ties with states may cause significant displacements in the sanctioning state's economy. In the targeted state they may wreak humanitarian havoc, which tends to predominantly affect civilian populations as innocent bystanders rather than the policy-making elites. Economic sanctions have been labeled 'the lazy man's foreign policy' (Lavin 1996, 44) and 'the snake oil of diplomacy' (Hufbauer 1998). First and foremost, sanctions have come under criticism because once they are imposed, they often fail to bring about the desired policy changes; too often, some suggest, to justify their cost. A large body of policy-oriented research has produced numerous insights

into the processes and outcomes of economic coercion (Hufbauer, Schott and Elliott 1990; van Bergeijk 1994; Pape 1997, 1998). Its findings largely support the public consensus that economic sanctions do not work.

The consensus is wrong. At minimum, it is based on too narrow an image of economic coercion. The majority of existing research that has examined the determinants of sanctions effectiveness has focused on cases where sanctions were in fact implemented. Such a concentration is problematic because it diverts attention away from instances where sanctions succeed by convincing forward-looking states to comply with the sender's demands in order to avoid economic punishment altogether. Employing formal bargaining models, numerous sanctions scholars suggest that such outcomes should be the rule rather than an exception (Morgan and Miers 1999; Drezner 2003; Lacy and Niou 2004; Nooruddin 2002). Cortright and Lopez note with regard to sanctions sponsored within the United Nations during the 1990s:

> "One unexpected finding was that the threat of sanctions is often more powerful than the sanctions themselves. In several cases, we found a common pattern of targeted regimes responding to the mere threat of sanctions with bargaining gestures or offers of partial compliance" (Cortright and Lopez 2002, 13).

By ignoring these cases and the factors that drive target responses to threats, one risks misjudging the true potency of sanctions as coercive tools. Moreover, one could go so far as to say that it is among these cases that researchers and policy makers will find the true successes in sanctioning: Coercive threats that bring about desired results without having to be carried out.

Understanding what makes sanction threats effective in obtaining concessions from targeted states is of obvious importance for policy-making in an economically interdependent

world. Yet we know surprisingly little about the early stages of confrontations involving economic statecraft. Scholars studying U.S. foreign economic policy have suggested that the target state's vulnerability to lost trade and the relative balance of economic power between sender and target (Bayard and Elliott 1994), the domestic political environment of the sender state (DeSombre 2000; Odell 2000; Zeng 2004), and the salience of the disputed issue to the targeted state (Li and Drury 2006) may influence the probability that target states will make significant concessions in response to sanction threats. A cross-national study further notes the potential importance of expectations of future conflict within the dyad (Drezner 1999). None of these studies consider explicitly the role of historical information about threat enforcement for the target's strategic decision to resist or concede.

This is a curious omission when one considers that economic sanctions are ubiquitous in interstate disputes and will in most cases be preceded by explicit threats of their impending imposition. To the extent that threats and impositions are public events, the interactions between sender and target states generate a stream of observable information, in particular about a sender state's propensity for enforcing its sanction threats once the target refuses to yield. Having to choose how to respond to a threat, target states are bound to calculate the likelihood with which the sender will in fact impose sanctions if challenged, because this likelihood can directly influence their expected payoff for standing firm. Uncertain about a sender's level of resolve, targets have every reason to draw on observations of the sender's past behavior in similar circumstances to inform their strategic decision.

This dissertation builds on existing work to argue that such inferences, which can be conceptualized as reputations for resolve, which states accumulate in the eyes of potential opponents, will affect the credibility of a sender's commitment to carrying out a threat. In

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doing so, reputational inferences can influence the effectiveness of economic coercion. Consider again the example of the U.S.-Chinese confrontation linking normal trade relations to human rights policy. The argument proposed in the following chapters suggests that repeated failures to follow through on its threat to revoke MFN status hurt U.S. credibility in the eyes of Chinese policy makers because it created an impression of the U.S. as unwilling to use economic leverage. Over time, as the U.S. accumulated a reputation for making essentially empty threats, the prospects for obtaining concessions diminished. Moreover, other states that would become targets for U.S. sanction threats later on also had the opportunity to observe these repeated confrontations and draw similar conclusions.

If states judged U.S. resolve in economic coercion solely on its record from these exchanges, American policy makers might have greater difficulty convincing future opponents of their intention to impose economic sanctions in pursuit of policy goals. The diminished credibility of its threats means that the U.S. may have to impose sanctions more often. To the extent that doing so entails forfeiting welfare gains from interstate commerce, a weak reputation for carrying out threats makes states worse off than they would have been otherwise.[3] A strong enforcement record also improves the prospects for bluffing successfully on occasion. In short, a state's past history of threat enforcement can add to or subtract from its ability to coerce effectively in the future.

The example of the U.S.-Chinese confrontation also serves to illustrate additional factors that targeted states might consider in assessing the likelihood of sanctions imposition by the sender. Economic costs to the sanctioning state's economy, domestic divisions over the distribution of such costs, and political institutional structures that allow these divisions to

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[3]In reality, the U.S. was of course involved in a number of additional sanctions cases during the same period which may have improved or further aggravated her reputation as a sender of credible threats.

affect policy-making may also enhance or undermine the credibility of a given threat. I argue, however, that focusing exclusively on characteristics of the current situation misses the contribution that lessons from past behavior make to sanctions outcomes. At times, sender states will overcome conditions that should make sanctions use improbable and carry out threats that targeted states had judged to be cheap talk. Other times states may fail to enforce threats that were deemed credible but insufficiently potent to coerce the target. A state's historical record of fulfilling such conditional commitments—that is, its reputation for resolve in sanctioning—can provide clues about the credibility of a given threat above and beyond what targets may surmise from the specifics of the sender's current economic strength or political makeup.

Historical information and its impact on the perceived credibility of a threat will not determine the outcomes of all attempts at economic coercion. Not all targets will be swayed by a sender's strong reputation for resolve. Nor will all targets be emboldened by an opponent's weak reputation. Some disputed issues may be deemed too important to concede even when the target is sure that sanctions will be imposed. In other cases, the expected pain from sanctions will be so great that refusing the sender's demands for policy change is considered not worth the risk, even when a sender has only infrequently followed through on its threats. This project is based on the contention that, in aggregate, differences in perceived credibility influence the likelihood of target concessions, and that a sender's reputation for carrying out threats will systematically and significantly influence credibility.

Chapter 2 provides a general overview of the state of our knowledge with regard to sanctions efficacy at the threat and imposition stages. The main goal of the first part of this chapter is to demonstrate the need for the type of large-n, cross-national investigation of

sanction threats that will be undertaken in this dissertation. A second section briefly discusses the contribution that scholarship on reputational inferences has already made to the study of international conflict and cooperation and notes the potential value of a theory of reputation for the study of economic sanctions in particular.

Chapter 3 outlines the theoretical argument. It proceeds by first characterizing the target state's decision calculus, and then demonstrating how a sender's past record of threat enforcement may reduce the target's uncertainty in strategic interaction. From this discussion, I derive the key hypotheses of this dissertation. This chapter also considers in detail two complementary explanations for threat credibility drawn from the extant literature: the costs of sanctions to the sender state and the sender's domestic political environment. In addition, a third explanation, based on the audience cost logic first formalized by Fearon (1994), will be critically evaluated.

Chapter 4 begins the process of testing the theoretical argument on a sample of sanctions cases involving explicit threats. The first section describes the research design and the construction of the main predictor, sender reputation, as a function of the total record of sanctions imposition by a sender. The next section introduces a number of additional theoretical arguments drawing on specific propositions and findings from the sanctions literature reviewed in more general terms in Chapter 2. Finally, Chapter 4 presents findings for two sets of empirical analyses, which provide strong support for the causal argument proposed in this dissertation and important insights related to certain secondary predictors.

Building on these initial analyses, Chapters 5 and 6 outline and offer initial empirical tests for two refinements to the general reputation argument introduced in the previous chapters. The first argues that inferences from direct experience should provide a target with

qualitatively different and potentially more reliable information about the sender's type than lessons drawn from extra-dyadic observation, again affecting coercion outcomes. Using both the full sample and a subsample of frequent disputants, Chapter 5 tests the applicability of this proposition in the context of sanction threats. The second refinement derives from arguments about the context-specificity of reputational inferences. While the general reputation argument assumes that target states generalize from observations across all sanctions episodes, some scholars suggest that targets use available information about the sender's behavior more selectively: targets draw inferences only from sanctions cases that involve similar issues as the one in which they are currently involved. Chapter 6 tests this argument, using an adapted version of the sender reputation measure on a subset of sanctions cases involving disputes over trade practices. From these initial analyses emerges a more complex image of reputational inference in sanctioning, which nevertheless broadly supports the core argument of this dissertation.

Finally, Chapter 7 revisits the theoretical arguments and findings which this project has produced and briefly considers their implications for the study and practice of economic coercion. In this chapter, I also comment on limitations of the project in its current form and point out promising avenues for further research.

Chapter 2

Review of the Extant Literature

2.1 Introduction

In this chapter, I briefly review two literatures which bear directly on the research question I have posed. Scholarship studying the efficacy of economic sanctions has generated a number of valuable insights into the conditions under which targets will concede. The vast majority of these studies ignores the dynamics that play out at an earlier stage, when sanctions have been threatened but not yet imposed. Formal game-theoretic models of coercion suggest, however, that it is precisely at this stage where sanctions should be most likely to succeed. At the same time, the few existing studies of sanction threats largely overlook the role of reputation—that is, inferences from past sanctions episodes—in coercive bargaining. This chapter also provides an overview of other areas of international relations research in which reputational inference has been shown to influence outcomes.

The goal of this chapter is not to provide an exhaustive discussion of these large and complex literatures. Instead, I aim to present central arguments and findings, highlight tendencies in existing research, and demonstrate the need for a new look at economic coercion—a study that focuses broadly on what Daniel Drezner (2003) calls the 'hidden hand' of sanctions efficacy. Taking sanction threats seriously inevitably raises questions about the determinants of credibility. Foremost, I hope to convince the reader that knowledge

of past sanctions impositions that is, the sender's reputation for making good on its threats, is one—if not the central—factor influencing sanctions success.

2.2 The Puzzle of Sanctions (In)Effectiveness

Albert Hirschman's *National Power and the Structure of Foreign Trade* (1945) is often cited as the first detailed and systematic discussion of the idea that economic relationships can be a source of coercive power among states. Subsequent treatments provided increasingly complex theoretical arguments about the influence of economic dependence on state autonomy and behavior. Keohane and Nye (1977; 1989) in particular draw attention to the concept of mutual dependence, which generates benefits as well as costs for both parties involved.[4] Such interdependence may create sources of coercive leverage through linkage strategies but can also act as a constraint on the use of this leverage (1977, 30; Polachek 1980; Wagner 1988). While this body of work provides important theoretical foundations for the study of economic sanctions, with few exceptions sanctions scholars have ignored the interdependence literature (Knorr 1975; Baldwin 1980, 1985; Morgan and Schwebach 1996). Sanctions research largely developed as a separate field of inquiry, one that is traditionally policy oriented and focused more narrowly on providing advice regarding the uses and efficacy of economic sanctions.

Scholarly debates on the merits of economic statecraft date back to the aftermath of the First World War and the League of Nations. In principle, economic measures were a powerful tool in the arsenal of the League (Mitrany 1925; Clark 1932). The failure on the part of the international community to use them to counter Japan's occupation of Manchuria

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[4]For a comprehensive analysis of the concept of 'dependence,' see Baldwin (1980).

in 1931 and their ineffectiveness in stemming Italy's aggression against Ethiopia in 1935 generated a first wave of skepticism among scholars and policy makers (Walters 1965; Baer 1967). Economic sanctions nevertheless remained a common phenomenon in world politics thereafter and gained new prominence in the policies of the United Nations in the wake of decolonization and those of major powers seeking to maintain their cold war alliances (Segal 1964; Wallensteen 1968, 2000; Doxey 1971; Galtung 1967; Hoffman 1967). David Baldwin's seminal work *Economic Statecraft* (1985) not only provides the most systematic review of these studies but aims to integrate them into a coherent theoretical framework.

With their study *Economic Sanctions Reconsidered,* Gary Hufbauer, Jeffrey Schott, and Kimberly Elliott (1990) ushered in a new generation of sanctions research. Previously, discussions had primarily focused on single prominent cases or comparisons between small numbers of illustrative examples, including economic sanctions imposed on South Africa (Segal 1964; see also Crawford and Klotz 1999 for a recent example), Rhodesia (Galtung 1967; Barber 1979; Minter and Schmidt 1988), Cuba and the Dominican Republic (Schreiber 1973), as well as Israel (Losman 1979). Hufbauer, Schott and Elliott (1990; hereafter referred to as Hufbauer et al.) not only contributed new insights to the study of sanctions effectiveness but also introduced the largest and most comprehensive data set of its time, containing information on 116 cases initiated between 1918 and 1990. The majority of recent quantitative work employs some version this data.

Hufbauer et al. sought to identify the conditions under which economic sanctions will contribute significantly to sender states achieving their goals vis-à-vis the targeted state. The results of the authors' empirical analysis of these cases are presented as a series of cross-tabulations and capped by list of concise 'commandments' aimed at policy makers. The

authors conclude that sanctions can be effective tools of coercion when sender states act unilaterally, pursue moderate policy change, incur few costs from using sanctions while imposing large costs on the opponent, and face economically distressed target states with whom they maintain otherwise friendly relations (Hufbauer et al. 1990, 91-105). These findings inspired many of the theoretical and methodological refinements that make up contemporary studies of economic sanctions. Although some of the results and conclusions have been qualified or rejected outright by subsequent empirical work (Drury 1998; Bonetti 1998), it remains the single most influential study on economic sanctions since the end of the Cold War.

With the sharp increase in sanctions use after the end of the Cold War and the publication of Hufbauer et al.'s study, scholarly interest in economic statecraft continued to grow. Additional research on sanctions effectiveness has focused on the attributes of targeted states (Blanchard and Ripsman 2000; Allen 2005; Bolks and Al-Sowayel 2000; Kaempfer, Lowenberg and Mertens 2004; Marinov 2005), the domestic political characteristics of sanctioning states (Morgan and Schwebach 1996; Brooks 2002; Hart 2000; Kaempfer and Lowenberg 1992), as well as distinctions between different types of economic sanctions (Kirshner 1997; Farmer 2000). The challenges of multilateral cooperation in economic coercion, driven in particular by the increasing frequency of United Nations activity in this area, also continue to receive scholarly attention (Martin 1992; Cortright and Lopez 2000; Drezner 2000; Lektzian and Souva 2001). Overall, the findings generated about the impact of specific predictors on the likelihood of sanctions success remain mixed and appear to depend greatly on concept operationalization and model specification.

The most widely cited result of Hufbauer et al.'s seminal study, however, actually reiterates earlier assessments: economic sanctions do not work well as tools of coercion in international relations (Doxey 1971; Renwick 1981). The authors find that sanctions contributed to a positive outcome in just one-third of all cases examined (Hufbauer et al. 1990, 50). This observation generated renewed discussions about how to define 'success' in sanctions cases and, more fundamentally, about the ends that states can hope to accomplish using economic leverage (Pape 1997, 1998; Elliott 1998; Baldwin 1999). It also motivated scholars to investigate additional aspects of the sanctions process.

Robert Pape (1997, 1998) challenged Hufbauer et al.'s judgment on the grounds that economic statecraft in pursuit of non-economic policy goals differs significantly from sanctions use to obtain military objectives. The author charges that by failing to distinguish cases more clearly with regard to the stakes involved, Hufbauer et al. (1990) actually overstate the effectiveness of economic measures. The key to this debate is how one conceives of the purpose of economic sanctions. While Hufbauer et al. and Pape share the view that sanctions are primarily coercive tools, Pape's conception is significantly narrower: Sanctions are effective only to the extent that they allow policy makers to change another states behavior without resorting to military force. On this count, Pape argues, economic sanctions appear to have little independent usefulness (1997, 93-5). The debate also raised broader questions about the purpose of sanctions: if they are coercive tools, do states use sanctions as substitutes or complements for military force (Morgan, Palmer and Miers 2000; Clark and Reed 2005; Lektzian and Sprecher 2007)?

Largely circumventing this discussion, some scholars adopted a different perspective on policy outcomes by focusing instead on explaining the duration of imposed sanctions (Bolks

and Al-Sowayel 2000; Dorussen and Mo 2001; McGillivray and Stam 2004). The political impact of sanctions in the targeted state also received renewed attention (Allen 2003; Marinov 2005; Major and McGann 2005), uncovering some of the conditions under which sanctions may be expected to alter the target state's behavior (Blanchard and Ripsman 2000). Unraveling the disconnect between the ubiquity of economic sanctions in world politics and their arguably poor performance record as coercive tools nevertheless remained key motivation of sanctions research.

Two explanations for the popularity of economic sanctions suggest that they may fulfill purposes beyond influencing the political behavior of targeted states. Galtung (1967) and other scholars have long distinguished between the instrumental and expressive or 'symbolic' functions of sanctions (Renwick 1981; Leyton-Brown 1987). While the focus of most studies has been on their instrumental use, states may also impose sanctions to signal disapproval of the target's actions. This message than can be aimed both at the targeted state itself and other states in the international community, perhaps allowing the sender state to draw a line in the sand over a particular issue (Schwebach 2000). Sanctions can also be used in order to placate domestic audiences in the sender state. By imposing some economic punishment on an offender, state leaders may be able to give the impression of 'doing something' (Gordon 1983). This course of action can be attractive if other policy options are in fact unavailable or judged to be politically inopportune. Sanctions used to for expressive purposes will often be limited in scope, imposing relatively few costs on the targeted state or the sender. They are not directly aimed at changing the target's behavior and can achieve their expressive goals without doing so. As a consequence, to the extent that sanctions fulfill primarily symbolic

purposes, measuring their effectiveness in terms of target state concessions is misleading (Lindsay 1986).

A second explanation also emphasizes non-coercive goals in sanctioning. States leaders may employ international economic sanctions because they derive political benefits from their use. The public choice literature, most prominently the work by Kaempfer and Lowenberg (1988, 1992, 2000) draws attention to the fact that sanctions are a form of discriminatory tariffs which may serve the narrowly conceived interests of protectionist states. Following this reasoning, sanctions are the product of rent-seeking behavior by domestic interest groups in the sender state, designed specifically as redistributional policies that create privatized gains (Kaempfer and Lowenberg 2000, 160). Democratic political systems, which provide multiple access points for sufficiently organized interests and make leaders' tenure in office dependent upon public approval, tend to overproduce this type of policy. These sanctions will be designed to generate domestic benefits rather than to maximize their coercive potential vis-à-vis the targeted state.

These theoretical arguments provide some insight into the motivations behind the use of sanctions in world politics. Nonetheless, economic sanctions are commonly thought of as coercive foreign policy tools and their relative ineffectiveness in obtaining concessions from targeted states, based on the findings of numerous studies, continued to puzzle scholars and concern policy makers. Another explanation for the lack of observable successes has been uncovered through game-theoretic modeling of the sanctioning process by scholars who seek to identify the conditions under which one should expect to observe sanctions use (Smith 1996; Morgan and Miers 1999; Nooruddin 2002; Lacy and Niou 2004). This formal work

suggests that by focusing on those cases where economic sanctions had already been implemented, scholars have been looking for coercive success in the wrong place.

The key insight motivating this formal work is that economic statecraft, the use of economic measures to obtain international political objectives, is most accurately understood as part of a bargaining process. Rather than sudden or isolated events, the impositions of economic sanctions that we observe are the product of prior strategic interactions between states and may in fact "constitute a very unrepresentative tip of the iceberg" of instances of economic coercion (Eaton and Engers 1999, 410; 1992). Adopting different assumptions about the distribution of information among actors, about the possibility of repeated interaction, and about issue divisibility, these bargaining models make the same important point: Economic sanctions, if they have the potential to succeed, will be most likely to succeed at the threat stage of the sanctions process (Morgan and Miers 1999; Lacy and Niou 2004). Reviewing a sample of empirical studies, Drezner (2003) demonstrates that a significant number of cases indeed terminate before sanctions are imposed.

In many cases, the imposition of economic punishments is preceded by threats. They serve two purposes: offering the targeted state an opportunity to avoid punishment by conceding and providing the sender state a way of obtaining concessions without having to carry out the threatened punishment. When imposed, economic sanctions generate deadweight losses for both the sanctioner and the sanctioned; they disrupt mutually beneficial commerce and risk a potentially lasting deterioration of diplomatic relations between the states involved. While not all targets are likely to be swayed by economic pressure, those who are likely to concede once sanctions are imposed will likely to able to foresee this

outcome and have incentives to give in to a mere threat. In other words, in those cases where economic coercion is most likely to succeed, sanctions will not be observed.

Two conclusions follow from this observation and motivate this dissertation: first, to the extent that they focus almost exclusively on cases of imposed sanctions, existing studies of sanctions effectiveness suffer from selection bias. The majority of existing work may in fact severely underestimate states' ability to use economic ties for political leverage. This bias is also the result of an aforementioned reliance on the data complied by Hufbauer et al. (1990), which contains only 5 cases that terminated before implementation, out of a total of 116 cases examined.[5] As Drezner (2003) notes, this data set clearly 'missed' many coercion attempts relevant for a fuller assessment of effectiveness. Second, if as Drezner puts it, sanction threats are indeed the 'hidden hand' of economic coercion, the question becomes: what makes sanction threats work?

2.3 Studies of Threats in Economic Coercion

While threats of economic sanctions are overlooked in most large-n quantitative analyses, a small number of studies provides insights into the conditions under which the mere prospect of sanctions may bring about concessions from the targeted state in particular types of disputes. Bayard and Elliott (1994) examine U.S. sanction threats for the purpose of opening markets between 1975 and 1993. Specifically, the authors assess the efficacy of 72 cases of retaliatory measures authorized in section 301 under the Trade Act of 1974. Their findings suggest that U.S. threats were more likely to produce favorable outcomes the more dependent the targeted state is on retaining access to U.S. markets, with economic dependence measured

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[5]In its most recent iteration, the data set was expanded to 174 cases of which 11 terminate without imposition of sanctions (Hufbauer et al. 2007).

as the share of its GNP that derived from exports to the U.S. Coercive success is also more likely the less capable the target is of retaliating effectively against U.S. pressure, the smaller the costs of complying for the target, and the more valuable this compliance is to U.S. negotiators compared to the costs of imposing sanctions (1994, 80-7). In sum, this study finds that mutual economic dependence in the dyad influences target acquiescence in predictable ways. No evidence is found for the influence of regulations within the General Agreement on Tariffs and Trade (GATT) on outcomes in these disputes. A subsequent study by Elliott and Richardson (1997) largely confirmed these findings using an expanded sample of section 301 cases.

Building on these studies, Zeng (2004) also examines section 301 cases but notes that previous studies fail to explain why an economic superpower such as the U.S. would repeatedly fail to coerce much weaker opponents and thus avoid trade wars. The author argues that the structure of bilateral trade, rather than the mere volume of trade, determines in large part the effectiveness of sanction threats. Zeng suggests that the extent to which the U.S. engages in the production and export of similar commodities as a potential opponent in a trade dispute strongly affects the credibility of U.S. attempts at economic coercion of that opponent. It does so by influencing the domestic political environment in which sanctions policies are formulated and adopted, specifically the unity among domestic interest groups and the level of divided government in the sender state. Societal divisions over the merits and costs of sanctions and conflicting interests among the political forces controlling legislation can diminish the credibility of U.S. threats (2004, 16, 88).

An earlier study by Odell (2000) also identified domestic political divisions as a strong predictor of failed threats in trade disputes. The author examines ten economic negotiations

involving the United States from the second half of 20th century, focusing on the strategies used by negotiators on both sides. He finds that the success of different bargaining strategies, most notably the use of sanction threats, or 'value claiming' in Odell's terminology, is strongly influenced by the structure and unity of domestic interests in the bargaining states. The findings again focus attention on the policy-making process of sanctioning and also dovetail with Zeng's (2004) explanation for unexpected failures of the U.S. to coerce presumably weaker opponents in trade disputes. Drawing on observations from U.S. attempts to coerce Brazil and the European Union in particular, Odell concludes that higher potential sanctions costs for the sender economy and more open domestic political institutions in the threatening state may lower the credibility of an economic threat (2000, 132-3).[6]

DeSombre (2000) examines the efficacy of sanction threats in U.S. attempts to internationalize domestic legislation, noting that "power and threats play a central role in the creation and adoption of environmental regulations" (2000, 13). The author finds that states will adopt regulations pushed by those internationalizing states that can credibly threaten to impose economic punishments for defiance. Coercive success in environmental disputes appears be driven by the market power of the threatening state: states are more likely to cooperate with the sender of a threat the more economically dependent they on bilateral trade with this state. Interestingly, more economically distressed target states are no more likely to cooperate than economically healthy targets if they are not also heavily dependent on the sender (2000, 138). Another key factor enhancing credibility, and thus efficacy, is the presence of domestic interests in the sender state in favor of the coercion attempt. Echoing findings for other issue areas, the study suggests that greater costs for the sender state make

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[6]Similar arguments about the link between international economic interdependence and domestic political interests are made by Destler and Odell (1987) and Keohane and Milner (1996).

sanction threats less credible and targeted states more likely to resist pressure to alter their policies (2000, 139, 253).

While the studies reviewed thus far stress relative power and domestic interests as key predictors, Drezner (1999) adds a historical perspective to causal explanations of coercive success that fleshes out the theoretical foundations of one of Hufbauer et al.'s (1990) more puzzling findings: sanctions are more likely to succeed among allies than adversaries. The nature of pre-sanctions relations between senders and targets of sanctions is shown to influence both the likelihood of initiation and efficacy of economic coercion. Drezner notes that in any dispute, concessions are likely to involve the redistribution of some goods and shifts in the balance of power between sender and target. States care about this redistribution effect if they expect to come into conflict with the sender in the future and if concessions will weaken their bargaining position in subsequent disputes. For this reason, Drezner argues, targets will be more willing to make concessions, or more significant concessions, when threatened by an ally than when threatened by an adversary (1999, 4, 45). The author tests this proposition using a combination of case studies and large-n statistical tests of threatened and imposed sanctions. Quantitative tests draw on Hufbauer et al.'s (1990) data, which as noted earlier contains only a few cases that ended before sanctions imposition (Drezner 1999, 103). This shortcoming is rectified by two sets of case studies also included in the analysis, which focus on economic coercion by Russia against its 'near abroad' and the United States against North Korea. Drezner's findings suggest that in addition to the cost of sanctions, prior relations play a significant role in successful coercion at the threat stage of sanctioning.

Finally, Li and Drury (2006) draw attention to the impact of issues at stake in a given dispute. The authors examine China's response to repeated U.S. sanction threats in the early

1990s, which were tied to demands for improvements in China's human rights record. As noted in the Chapter 1, not only were U.S. coercion attempts unsuccessful in bringing about desired change, the authors note that political repression in China in fact increased over the duration of the sanctions dispute (2006, 390). Li and Drury's interpretation of this finding is that the issue at stake was too valuable for the Chinese government to concede. Policies related to human rights are considered an integral part of state sovereignty, a principle that China was unwilling to compromise even at the risk of economic sanctions. Moreover, Li and Drury suggest that the threat of sanctions itself had a negative influence on human rights conditions in China: by turning the international spotlight on the Chinese government, U.S. threats actually increased the symbolic importance to China of standing firm and decreased the benefits of concessions. This particular case study offers a number of possible conclusions. First, the MFN debate and the sanction threats it produced were highly public, which may have contributed to their failure. Threats that are made in secret may allow targeted states to comply without losing face domestically and internationally. This suggests that public threats may be less likely to succeed overall than threats in secret negotiations. Second, some issues may be too valuable to concede, even if the risk of being sanctioned is significant or if the potential cost of sanctions is high, even if their imposition is deemed somewhat unlikely (2006, 392).

While Li and Drury's reasoning is sound, another equally plausible explanation for coercive failure is that the United States' repeated failure to impose the threatened sanction in response to Chinese defiance actually undermined the credibility of subsequent sanction threats. China's MFN status required annual renewal during the period examined in this study, providing multiple opportunities for U.S. policy makers to carry out the threatened

punishment. They never did. Once the Chinese government had successfully called the United States' bluff, there was little incentive to bow to U.S. threats in subsequent episodes. The authors note this possibility in passing (2006, 383) but do not explore its implications in detail. Learning from past events and its impact on successful coercion form the core of the theoretical argument proposed in this dissertation.

2.4 Summary and Critique

Existing research has identified a number of factors that may influence the efficacy of sanction threats. Relative power, the domestic politics of the sender state, the nature of the issue at stake, and dyadic conflict expectations all appear to contribute to the 'hidden hand' of economic coercion. However, these studies largely overlook the role of prior sanctions episodes in the calculation of targeted states. Little attention is given to how information from past events may inform a target state's assessment of the credibility of a threat. Drezner's (1999) conflict-expectations argument is inherently historical but not directly related to the link between past actions the probability of sanctions imposition. Odell (2000) and Li and Drury (2006) touch on this possibility in passing but to date there has been no systematic empirical investigation of reputational inferences and sanction threats.

This is not a trivial oversight. As noted in Chapter 1, economic sanctions—both threats and impositions—have become a ubiquitous phenomenon in world politics. Many states threaten sanctions repeatedly throughout their lifetime. To the extent that this is the case and that these threats are issued in front of an international audience, potential future targets can observe them and draw potentially valuable information about the sender's abilities and predispositions from these actions. As I will discuss briefly below, theorizing about the role

of past behavior and reputation-effects has a long tradition in international relations research. It stands to reason that in the process of sanctioning, where actors make strategic decisions under uncertainty, reputations can form and influence outcomes systematically. The primary contribution of this dissertation to the study of economic coercion is to introduce a concept of reputation as a novel explanation for the successful use of sanctions.

Another objective of this dissertation is to expand the empirical domain of existing studies of economic sanction threats. With the exception of Drezner (1999), all of the research efforts reviewed earlier focus on the sanctioning behavior of the United States vis-à-vis different target states, and limit their investigations to a single issue area: trade disputes, environmental regulation, or human rights policy. A virtue of this narrow focus, and of the case study-approach in general, is that it allows for a greater analytical depth and richness in explanatory detail. Yet while these studies, when taken together, offer a complex if not comprehensive picture of the dynamics of U.S. sanctions use, it is not clear that their findings can be generalized to other contexts and senders.

In many respects, this dissertation aims both higher and lower than existing work: by incorporating additional sanction cases involving additional senders and a wide range of issues under dispute, I am able to produce more generalizeable findings about the process of economic coercion. This knowledge is gained at the price of sacrificing—for the time being—some descriptive and explanatory detail. Future research should supplement the present effort with a number of detailed analyses of particular sanctions episodes. The dearth of studies that look beyond U.S. policy-making, combined with the recent availability of large-n data on sanction threats makes the quantitative approach chosen here an attractive place to start.

2.5 Reputation in International Relations Research

Notions of learning from history have a long tradition in thinking about world politics. It is common to hear policy makers invoke "Munich" or "Vietnam" in broad appeals to never repeat the perceived mistakes of the past. At the same time, international relations scholarship is developing increasingly refined and systematic arguments about the role of past events in current decision-making. Reputations and experiential learning play a prominent role in causal mechanisms used to explain such diverse outcomes as deterrence, international cooperation, and conflict escalation.

Formal game theoretic models of reputation in preventing unwanted challenges were first developed in economics in order to explain the behavior of monopolists and potential rival firms (Selten 1978; Kreps and Wilson 1982; Weigelt and Camerer 1988). Political scientists adopted and expanded this logic to explain dynamics of international crisis bargaining and rational deterrence (Alt, Calvert and Humes 1988; Nalebuff 1991). Deterrence theory focuses on how defenders can use threats to reduce a potential opponent's expected utility of attacking by making attacks appear both costly and unlikely to succeed. The key problem is one of credibility: deterrence can succeed only if the opponent believes that the defender is both able and willing to carry out its deterrent threat if necessary.

A number of scholars have focused on 'reputation effects' in particular to explain when deterrent threats are likely to be believed. While individual treatments differ, their arguments almost invariably assume that future challengers will draw inferences about threat credibility from information revealed by an opponent's past actions. As a consequence, defenders have incentives to choose their actions in current crises carefully so as to build and maintain a reputation that will deter new challenges in the future. Scholars disagree about how potential

attackers draw reputational inferences, which past actions of a defender are considered and under what conditions, but there appears to be wide agreement that, in theory, reputations should influence the behavior of both defenders and attackers in international conflict (Schelling 1966; Huth 1988; Lieberman 1995).[7]

Empirical findings regarding the formation and effects of reputation in military deterrence are mixed. Some statistical studies report that reputation variables have a significant impact on deterrence outcomes. Such effects have been found to be particularly prominent in repeated interactions within dyads (Huth 1988; Orme 1992; Huth and Russett 1984). Other scholars cast doubts on the logic of reputations in rational deterrence. Mercer (1996), for example, draws on insights from social psychology to show that the process by which reputations are formed and evolve may be more complex and less automatic than deterrence theory would suggest. The author argues that how people assess each other's behavior is largely dependent on whether an opponent is already perceived as a friend or foe, and also on the desirability of the observed behavior. The lesson to be drawn from Mercer's study is that reputations are formed but are nearly impossible to manipulate and rarely make an independent or decisive difference in the behavior of states.

An even stronger challenge is mounted by Press (2005), who uses three prominent international crises to show that policy makers largely ignore an opponent's reputation in favor of more tangible factors such as relative capability and the value of issues at stake. Press' findings need not discourage scholars from studying reputation effects in international crises, however. This is because reputational inferences are essentially educated guesses; policy makers who rely on reputations to inform their strategic choices are gambling on their own ability to correctly read and predict an opponent's actions. It is plausible that in crises

[7]For an extensive review of this literature, see Mercer (1996) and Huth (1997).

that involve prohibitively high stakes, such as the cases chosen by Press (2005), leaders are less willing to take this gamble and prefer to rely instead on 'hard facts' that can be observed and assessed in a more straightforward manner, such as the balance of military strength.[8] By discounting the potential role of reputation in other types of crises, especially ones that do not (yet) involve large armies staring each other down on a front line, scholars would be throwing out the baby with the bathwater. Interstate disputes that give rise to threats of economic sanctions are a case in point.

Beyond the focus on deterrence, studies of international conflict more broadly have long emphasized the impact of reputation and historical learning. Much of this research revolves around the dynamics within dyads, often with the goal of explaining recurrent conflict among pairs of states (Leng and Wheeler 1979; Leng 1983, 1988; Diehl and Goertz 2001). The logic behind this focus is again intuitive: as states interact repeatedly over time, each acquires first-hand impressions of the other's capabilities and predispositions. This direct experience can then inform the states' strategic behavior in subsequent disputes and may make confrontations more or less likely to escalate to military force (Crescenzi and Enterline 2001). Recent efforts have sought to move beyond the dyadic focus by developing sophisticated measures of how states evaluate and employ third-party observations of conflict behavior (Crescenzi 2007; Crescenzi, Kathman and Long 2007). The findings of these studies indicate that a history of hostility within the dyad and in the extra-dyadic behavior of a potential opponent increases the likelihood of intra-dyadic conflict initiation.

Reputations also play a prominent role in theories of international cooperation. Scholars in international relations and international law have long argued that concerns about

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[8]Specifically, Press (2005) examines the "appeasement" crisis involving Germany, France, and Britain in 1938-39, the confrontation over Berlin in 1958-61 between Great Britain and the United States on one side and the Soviet Union on the other, and the Cuban Missile Crisis of 1962.

reputation help ensure that states comply with their agreements. A key problem in establishing and maintaining cooperation under anarchy is to overcome individual actors' incentives to free-ride on potentially costly obligations. While some theorists point to the utility of strategies for direct retaliation, such as tit-for-tat[9], others emphasize the power of reputational concerns in restraining potential defectors. The basic argument here is that states have incentives to keep commitments because defection would lead other states to view them as unreliable. A reputation for unreliability may deter states from entering into potentially beneficial agreements with the defector. In other words, any short-term gains produced by defection may be outweighed by long-term opportunity costs from foregone cooperation (Keohane 1984, 106; Schachter 1991; Chayes and Chayes 1995).

Simmons (2000a, 2000b) argues that reputational concerns explain patterns of state compliance with IMF obligations. The author suggests that governments fulfill commitments in order to preserve a reputation for reliable protection of property rights, which in turn is a valuable asset in a competitive market. Reputations have also been argued to drive the 'market' for military allies. Miller (2003) provides anecdotal evidence to make the case that states which have abandoned allies in the past will have difficulty attracting new partners and may have to submit to more stringent terms in subsequent alliances (see also Gibler 2008). By formalizing commitments, international agreements can provide mechanisms for increased transparency, which make violations easier to detect and further raise the reputational stakes of violation (Keohane 1984; Milgrom, North and Weingast 1990). Other scholars add that state compliance confers a measure of social legitimacy on agreements that subsequently raises reputation costs of defection (Raustiala and Slaughter 2002).

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[9]For a prominent example, see Axelrod (1984).

Current research further suggests that reputations and their cooperation-enhancing effects may be bound to the context of particular agreements and the conditions under which states are called upon to uphold their commitments. Building on a large business literature considering the role of reputation in domestic and international lending, Tomz (2007) argues that reputational inferences are influential but context-dependent: Lenders are shown to consider a borrower's previous payment record against the backdrop of the economic conditions at the time and adjust their assessments accordingly. Downs and Jones (2002) note that the compliance rates of states vary over different types of international agreements. Different levels of reliability in different contexts may cause states to acquire multiple or segmented reputations that lead to systematically varying cooperative outcomes. The notion of context dependence is an important refinement of the general reputation argument; I will return to this argument in greater detail in Chapter 6.

2.6 Outlook

This brief overview is meant to illustrate the great potential of reputation as an explanatory variable for a variety of outcomes in international politics. Much of this work argues convincingly that actors draw important lessons from the behavior they observe over time either as direct participants or uninvolved audiences, and that these lessons inform their calculations in strategic interactions with other actors. In this dissertation, I argue that state responses to economic coercion—specifically to attempted coercion through sanction threats—are examples of such strategic interaction where reputations based on past behavior may have a decisive impact.

In the following chapter, I outline the central theoretical argument: a state's past record of carrying out sanction threats will influence the credibility of a current threat, thus enhancing or diminishing the effectiveness of this threat as a tool of economic coercion. Targets of sanction threats assess the reputation of the sender to form a judgment about the likelihood that a current threat will be imposed; this reputational inference in part determines whether the target will stand firm or make the demanded concessions. The theoretical argument leaves open whether the sender's reputation is the result of deliberate manipulation, namely reputation-building in the sense suggested in the deterrence literature, or simply the product of actions taken without forethought about reputational consequences. Empirical findings supporting the central hypothesis may be interpreted as an indication that senders of threats have successfully built reputations, manipulating other states' estimates of their willingness to impose sanction. At minimum, supportive findings can lead one to conclude that building a reputation for credibility may be worthwhile.

Chapter 3

Reputation and Credibility in Economic Coercion

3.1 Introduction

The question this dissertation asks is under what conditions should we see threats of economic sanctions succeed in coercing the targeted state? Existing work on sanction threats offers important insights into the factors that drive coercive success. However, none of these studies provide a systematic discussion and test of the argument that historical information influences the strategic calculations of targeted states. This chapter proceeds by describing a general model of the economic coercion process, identifying the sources and consequences of uncertainty that characterize it, and discussing the factors that will drive the decisions of a targeted state. I then make the case that a sender's history of enforcing threats provides valuable information about the likelihood of sanctions imposition in a current case, which can systematically influence the targeted state's choice between giving in or taking the gamble of provoking sanctions.

In addition, this chapter discusses two complementary explanations related to the credibility of economic sanction threats: the sanctions costs to the sender state and the sender's domestic political environment. A third explanation, the notion of democratic audience costs, will also be discussed. Specifically, I will argue that contrary to assertions about their effects on other types of interstate interactions, audience costs should have only

negligible influence on sanctions outcomes. This chapter concludes with a brief discussion of the differences between more and less broadly conceived versions of the reputation argument that will be tested in the remainder of this study.

3.2 The Problem of Credibility in Economic Coercion

Threats of economic sanctions are a common instrument of coercion in international politics. States have used them to buttress a wide variety of demands vis-à-vis other states, ranging from the enactment of economic reforms to the surrender of disputed territory, from the implementation of human rights protections to abandoning nuclear weapons programs, and even including calls for the restoration of a deposed government. Attempts at economic coercion have resulted in equally varied political outcomes. Where they did not bring forth outright concessions, sanction threats were met with defiance by targeted states, provoking sanctions imposition and retaliatory economic measures. Some cases produced negotiated settlements through mediation by third parties, others escalated to more violent means of conflict resolution. While each instance of economic coercion is unique, the key features of this coercive process can be captured in a basic model of strategic interaction between senders and targets of sanction threats.

This project adopts as a point of departure the following model of interstate interaction: a conflict of interests over some issue gives rise to a dispute between two states. One state seeks to change the current status quo by forcing some policy change on the part of its opponent. To this end, the first state (the sender) threatens to interrupt its economic exchange with the opponent (the target) unless certain demands are met. At this point, the targeted state may comply with the demand by making the required concessions. The status quo changes in

favor of the sender state. The dispute is thus resolved and the sender does not impose the threatened sanctions. Alternatively, the target may choose to resist the threat and reject the demand. At this point, the sender state must choose between making good on its threat or backing down. If the sender chooses to back down, whether by withdrawing the threat or by failing to act upon it, the confrontation ends and the status quo remains unchanged with regard to the contested good. If, on the other hand, the sender chooses to follow through on its threat, it imposes economic sanctions. This model of sender-target interaction abstracts away many options that are available to both parties in reality, including diplomatic interactions prior to sanction threats and additional moves by the target and the sender after sanctions are imposed.[10] It is nonetheless useful because it focuses attention on a small number of factors that are likely to drive outcomes in most strategic interactions of this type: the actors' valuation of the demand at stake compared to the status quo, the costs associated with economic sanctions, and the perceived odds of obtaining (or keeping) the contested good without incurring sanctions costs.

In the framework of this dissertation, successful economic coercion is defined as the transfer of a contested good from the target to the sender prior to the termination of economic exchange. Coercion will have failed when the sender state is forced to either withdraw its demand or move ahead with sanctions because it was unable to coerce the target state by threat alone. The answer to my research question thus lies in the factors that determine the target's decision to resist the sender's threat rather than acquiesce to bullying. Assuming that

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[10]Depending on the particular focus of the research question, some scholars employ models of the sanctioning process that diverge from this basic narrative by explicitly including include these options (Drezner 1999, 2003; Lacy and Niou 2004; Morgan and Miers 1999; Smith 1996). For example, Lektzian and Sprecher's (2007) recent discussion of economic sanctions as signals of resolve includes an additional escalation to the use of military force after sanctions imposition.

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the target is a rational actor, threats will be rejected when the value that the target attaches to the disputed good exceed the threatened punishment for non-compliance. In this case, the target state will prefer to endure the cost of sanctions while continuing to reap benefits from the contested territory or policy. A sanction threat will likely succeed when these benefits are outweighed by the prospective costs of being sanctioned.

Interstate interactions are riddled with uncertainty. The process of economic coercion is no exception in this regard: Uncertainty about the credibility of the sender's threat in particular complicates the target's decision-making and creates a role for reputation in economic coercion. Faced with a threat of economic sanctions, the target's choice between resisting and conceding will depend in part on the perceived likelihood with which the sender state will follow through rather than back down. Stated differently, a target must assess whether the sender is a bully who will impose sanctions or merely a paper tiger who, if challenged, will prefer to back down empty-handed.

Sanction threats will be credible if the sender state is both willing and able to carry out the threatened punishment. In the context of bilateral economic coercion considered here, the minimum requirement for an ability to impose sanctions is that some direct economic ties exist between the sender and the target. Beyond that, the sender state must be ready to endure the economic and political costs that economic sanctions invariably impose on their users. Few states will have serious doubts about the economic makeup and capability of their trading partners (Lacy and Niou 2004, 32). It is reasonable to assume, however, that states have private information about the value they attach to the disputed good relative to their costs for pursuing this good by imposing (or withstanding) economic sanctions. A targeted state cannot know with certainty whether the sender of a threat indeed values the good highly

enough to justify the cost of disrupting commerce in order to punish non-compliant trading partners. Moreover, sender states have incentives to misrepresent this information. If the target gives in to the threat rather than forcing the sender to impose sanctions, the sender will have gained concessions cheaply. This possibility makes bluffing attractive to even those senders that would not impose sanctions when challenged. Targeted states are aware of this and as a result have reason not to take any threat at face value.[11]

In sanctioning, uncertainty about a sender's true type is compounded by the fact that many leaders have incentives to make threats for reasons other than coercion of an opponent. The sanctions literature notes that policy makers may declare their intention to impose sanctions to give relevant domestic (and international) audiences the impression that one is 'doing something' when the use of more coercive measures is either not feasible or not desirable. In these cases, economic sanctions will be threatened with little or no real expectation of inducing the desired change in a target's political behavior. Instead, the act of threatening is a symbolic gesture and its desired effect is largely independent of the target's response. Galtung (1967), in particular, has noted that sanctions often fulfill both instrumental (coercive) and expressive (symbolic) functions simultaneously. Targets will often be unable to distinguish between primarily symbolic measures and threats aimed at coercion, and between truly committed and unresolved sanctioners.

All else equal being equal, the target's optimal response to any sanction threat—and thus the likely outcome of the sanctions episode—depends on the predicted response of the sender to the target's decision to stand firm. A rational target will prefer to resist the sender's bullying whenever its valuation of the demand exceeds the threatened sanctions, given the probability with which they will be imposed. One can certainly imagine conditions under

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[11]Fearon's (1995) articulation of the causes of bargaining failures provides the framework for this point.

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which likelihood of punishment, i.e. the credibility of the threat, plays a minor role in the target's calculations. If the value that the target state attaches to the contested good far exceeds the expected costs from economic sanctions, the target may be willing to resist the sender even if sanctions imposition is a near certainty. At the other extreme, in some instances the prospective costs of sanctions may so far exceed the subjective value of the disputed good that the target is unwilling to risk even a highly unlikely punishment. These extreme cases notwithstanding, the credibility of a sanction threat will generally play an important role in the target state's decision to concede or to stand firm.

Because a targeted state cannot know the sender's preferences or motivations with certainty, the target's response to any sanction threat resembles a risky gamble. It is easy to see that for the target state, correctly estimating the sender's willingness and ability to implement sanctions is vital: overestimating the credibility of a threat may lead one to make unnecessary and unnecessarily costly concessions. Underestimating the credibility of a threat may lead the target to reject a demand where concessions would have been preferable, given that the sanctions will in fact be implemented.

How do targeted states judge the credibility of a sanction threat? Existing work suggests that the cost of sanctions to the sender as well as characteristics of the sender's domestic institutional makeup provide the target with clues as to the sender's willingness, ability, and likely response to defiance. In this project, I draw attention to another, previously ignored source of information: a sender's reputation for keeping conditional commitments. I argue that sender states' past behavior in attempts at economic coercion is at least as important a source of information about threat credibility as economic and political conditions in the sender state at a given time.

3.3 Sender State Reputation and Threat Credibility

Reputation is commonly defined as a quality or set of qualities that is ascribed to a person or thing by others, often in recognition of some characteristic or ability. This definition encapsulates how this project conceives of reputation and its role in economic coercion: the credibility of a threat issued by an actor rests in part on an adversary's judgment of the actor's ability and willingness to do as threatened. Reputations are judgments formed not on the basis of traits currently on display in a sender state but on the basis of past behavior. It is the focus on the impact of prior events upon future outcomes that sets the general theoretical argument outlined below apart from existing explanations of sanctions efficacy.

The underlying logic of reputational inferences is clear enough in principle: actions speak louder than words. Politicians engaged in election campaigns often challenge potential voters to examine their own (and often their opponents') previous record of legislative or executive decision-making, presumably with the goal of reassuring audiences that campaign promises will be put into action after the election. In daily life, people commonly invoke past events to demonstrate that one is a 'man of his word.' Past actions are assumed to have revealed private information about the predispositions, interests, and capabilities of the perpetrator. To the extent that these actions are observed by others, the observers will draw inferences from them and reputations will be formed.

In the context of economic coercion, certain actions are assumed to reveal a propensity for making empty threats and generate a reputation for doing so. When states are involved in disputes, their behavior will often be observable not only to the current opponent but also to an international audience of future opponents. In a dispute involving economic sanctions, the sender's actions can reveal private information about that sender to the current target as well

as third parties that may or may not become targets of sanction threats down the road. To the extent that the traits revealed by an actor's behavior are assumed to be durable over time, they can be expected to drive that actor's future decision-making in similar ways as they did in the past. As rational actors, these states have incentives to use this information to reduce uncertainty in their interactions with the sanctioning state, form an educated opinion, and adjust their strategic calculations accordingly.

The type of situation that most reliably reveals a sender's willingness to sanction is a confrontation in which the targeted state refuses to yield to a threat. Faced with defiance, the sender must now rise to the challenge and cut economic ties with the target, or stand down. Both responses are potentially revealing to current and future opponents: sanctions implementation should enhance a sender's reputation for resolve while inaction or back-peddling on a threat should diminish it. A public record of backing down, whether by retracting the threat or simply failing to act upon it, can indicate a weak commitment to a stated policy goal or a lack of faith in one's ability to attain it. Such a record can also be interpreted to reveal a general propensity for bluffing. As a consequence, a state that has followed through on its economic sanction threats previously will be perceived as more likely to also follow through in future confrontations than a state that has failed to do so.

One could argue that targeted states should also be able to draw inferences from the rate of success with which a sender has used economic coercion in the past, and in particular from the frequency with which targets have acquiesced to the sender's sanction threats. However, instances of successful coercion reveal little useful information about the resolve of the sender. While it is possible the strategic response of a prior target reveals something about that target's assessment of the sender—including the credibility of its threat—a successful

threat never forced the sender to tip its hand. In fact, any successful threat may have simply been a bluff that was not called. Assessing a sender's type on the basis of its own actions rather than other targets' responses is likely a more direct and reliable way of gauging credibility.

When a state is challenged to enforce a threat of economic sanctions in front of an audience of potential future opponents, its response to this challenge establishes a baseline of credibility against which future threats will be evaluated. Although first impressions can be powerful, they are often revised as additional information subsequently becomes available. This project argues that reputations are not static; they can change over time. At any given time, a targeted state will examine a sender's historical record up until the current confrontation in order to discern a general tendency and derive an estimate of the sender's willingness to sanction. Each additional instance of a state keeping or breaking a conditional commitment in economic coercion will further add to or detract from its cumulative reputation for resolve as potential targets update their beliefs.[12]

The present study further adopts a state-centric view. States, rather than individual policy makers or particular administrations, are assumed to be carriers of reputations, which are ascribed to them by other states. This is not a trivial choice. For one, it affects how reputations are assumed to change over time. Throughout the lifetime of a state, leaders may come and go. According to the theoretical argument developed in this chapter, state-reputations have the potential to chance continually while the state exists. In contrast, to the

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[12]In contrast, Mercer defines reputations as judgments about an actor's dispositions divorced from situational influences and argues that these judgments are highly stable: adversaries, for example, will always be seen as resolute (1996, 212). This view is at odds with the treatment of reputations in the deterrence literature reviewed earlier, which emphasizes the ability of states to manipulate their own reputations by taking certain types of actions. Mercer's view has also been criticized on the basis that the classification of states as allies or adversaries itself means that one's assessment of that state changed at some point in time from 'neutral' to 'friend' or 'foe'. As a consequence, reputations are not completely static even in Mercer's theoretical argument (Copeland 1997).

extent that reputations represent traits specific to a particular leader, they should evolve and affect strategic interaction only while a particular leader (or administration) is in office. Both views have merit; indeed it possible that inferences about resolve are drawn on both levels of analysis. In this project, I look for evidence of reputational inferences at the highest level of aggregation, the state, and assume that states interpret another state's record of carrying out threats as an indication of traits and tendencies that are likely to endure beyond the tenure of the state leader.

Adopting states as the central actors in this theoretical argument has an additional implication: decision makers in states are assumed to absorb and process information about the actions of other states in a uniform and predictable manner: observing a sender state's failure to carry out a threat will cause potential target states to revise their estimates of the sender's resolve downward, diminishing the credibility of future threats issued by that sender. Carrying out a threat and implementing economic sanctions against a target is expected to improve the credibility of a sender's threats in the eyes of potential future target states (including the current target). By adopting this assumption of uniform inferences, the model of 'learning' from observations of past behavior employed here differs from more sophisticated notions of learning found in international relations theory (see Jervis 1976).[13] Specifically, it abstracts away the intervening processes that some scholars argue are involved in the gathering and interpretation of information, which may vary with the learner's cognitive abilities, routines, and resources. In doing so, I aim for a parsimonious explanation of the impact that historical inferences have on sanctions outcomes, which I believe is a reasonable first step for a study of this kind.

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[13]For an overview of the rich and diverse literature on learning processes in foreign policy, see Levy (1994).

How do states utilize the reputations they ascribe to others? The central contention of this dissertation is that a state's past records of following through on economic sanction threats will enhance the credibility of its future coercion attempts in the eyes of targeted states. Similarly, a prior history of failing to carry out threats will undermine the perceived credibility of a state's sanction threats. Given even a small amount of uncertainty in a target state's assessment of a sender's willingness to punish, reputations based on previous behavior become a valuable source of information, which can significantly influence the target state's response to a threat and thus determine the outcome of a sanctions episode.

Clearly, not all targets will be swayed by a sender's strong reputation for implementing sanctions, nor will all targets be emboldened by a sender's weak reputation for resolve. Some threats may coerce successfully even if the perceived odds of sanctions imposition are minimal because the expected damage from sanctions would be devastating. In other cases, the sender's demands may be deemed too valuable to concede and outweigh any costs that a determined sanctioner can impose. For example, external demands for regime change in the target state are likely to be rebuffed regardless of how impressive the sender's record of enforcing economic threats is. Dictators and military regimes are bound to resist external pressure to reconfigure the political power structure of their countries. Recent examples include the persistent—and as of September 2008 persistently futile—international economic pressure on Myanmar over the military government's violent repression of a pro-democracy movement since 1988, as well as U.S. sanctions against the government of Sudan over the persecution of Christian minorities by the military dictatorship. The survival of such regimes often depends crucially on the repression of dissent among the general population; conceding outside demands for political liberalization or demilitarization would jeopardize the regime's

hold on power or even national sovereignty. Standing firm in the face of sanction threats is likely an attractive option in light of these consequences, especially if leaders in the targeted regime are able to insulate themselves and key supporters to some degree from negative economic effects. In fact, under these conditions targeted states are bound to hold out even after the threatened measures are imposed.

The simple model of strategic interaction outlined at the outset of this chapter, combined with cost-benefit calculations on the part of targeted states, nonetheless suggest a role for reputational inferences in many instances of attempted economic coercion. Under conditions of uncertainty, the credibility-enhancing properties of sender reputations should at least influence the decisions of those targets that fall between the extremes of seeking to avoid sanctions imposition at any cost and standing firm at any cost. In aggregate, threats that are deemed more credible will be more effective in coercing concessions from a target. To the extent that reputations are formed on the basis of past behavior and sender reputations for carrying out threats contribute to the credibility of a threat, targeted states should be more likely to acquiesce when the sender has a stronger record of punishing defiance than when the sender has a weaker record in this regard.[14] The following hypothesis captures the general expectation drawn from the theoretical argument proposed in this dissertation:

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[14]From the perspective of the current sender state as well as potential future senders, the target's rejection of a sanction threat also reveals private information. The sender will thus update its beliefs about the target's interests, capability, or predisposition. Instrumentally motivated senders will impose sanctions only when the perceived probability of obtaining concession is sufficiently high. When a target rejects a threat, a sender may revise its assessment of this probability and withdraw rather than follow through and impose sanctions. This updating process and its consequences are largely ignored here. The most straightforward justification for this omission is that future targets will likely be unable to distinguish between instances where the sender backed down because the target appeared resolved and instances where the sender backed down because it never intended to impose sanctions in the first place. In either case, the lessons for future targets are identical: a sender that fails to impose threatened sanctions will be perceived as unwilling or unable to do so.

- **Hypothesis 1**: Target states are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats than when the sender has a weaker record of carrying out such threats.

Phrasing the central hypothesis in broad terms leaves open an important question: do states draw inferences from *all* of the sender's previous opportunities for threat enforcement? Or do targets use available information more selectively when shaping their assessment of the sender's resolve? The underlying issue here is how wide the range of observations is from which we expect targets to draw reputational inferences about the sender state.[15] This dissertation will evaluate empirically three theoretical arguments related to the scope of reputational inference, all of which are compatible with the general argument advanced in this chapter: past threat enforcement informs future credibility in economic coercion.

The broadest version of these reputation arguments states that past threat enforcement will affect the chances for successful coercion against any target state, involving any issue. Stated differently, reputations are assumed to be monadic and diffuse. This view is based on the logic that states threaten and impose sanctions in front of an audience of potential future target states, who are able to observe these sanctions episodes and in particular are able to observe whether the sender made good on its threats when challenged. Targets are assumed to draw inferences only from interactions involving threats of economic sanctions rather than any type of threat, for example involving military force. Within this class of observations, however, targets are assumed to make no distinction between sanctions episodes over different types of demands or between past direct interactions with the sanctioner and third-

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[15]See Press (2005, 18-20) for a succinct overview of the many versions of 'past action theory' found in the literature.

party observations of the sender's actions. As a result, senders acquire monadic, context-independent reputations that are updated with each new instance of target defiance.

This view has an intuitive appeal: under siege from a sanction threat, states may be willing to draw on all available information to form a judgment about the sender and the odds of successfully calling a bluff. Consider a hypothetical case where a current target of a threat has little or no direct history with its opponent, although the sender has been an active user of economic coercion elsewhere in the world. Such a target would surely look to the fate of previous targets rather than discount these insights altogether. If only a relatively small number of states have extensive cross-border interests and the economic prowess to pursue them through sanctions, the total number of sanctions episodes involving a particular sender may by far exceed the number of direct encounters between that sender and any given target. Moreover, states that use sanctions in pursuit of different types of demands (i.e. issues) can accumulate significant enforcement records across issues.

The notion of monadic and diffuse sender reputations captures the idea that targets prefer more rather than less information if it is available. Another interpretation is that in assessing threat credibility through reputation, targets act like generalists and rely on the 'big picture' painted by the entirety of the sender's past actions in broadly similar situations. The expected effect of such inferences provides the first hypothesis to be tested empirically in the following chapter.

- **Hypothesis 1a**: Target states are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *against any target* than when the sender has a weaker record of carrying out such threats.

A narrower version of the general argument, echoing ideas found in the dyadic learning literature noted in Chapter 2, posits that targets of sanction threats have reason to view their own direct experiences with the sender in a different light than lessons drawn from third-party observations of the sender's behavior. Sanctioners may be expected to act differently toward different targets, due to a unique shared history or because targets are fundamentally dissimilar in relative capability, foreign policy stance, or political culture. It is also plausible that direct experiences are considered more a more reliable source of insight because there is greater confidence in the accuracy of available information. Finally, lessons from one's own experiences may be learned more deeply and have a more lasting effect on the target's assessment of a sender state.

The conclusion to be drawn, then, is that dyadic histories of interactions between particular senders and particular targets can generate a separate stream of revealed private information that is qualitatively different from the information provided by the sender's total record in sanctions episodes. This argument provides a second variant of the general hypothesis, which will be discussed and evaluated in Chapter 5 of this dissertation:

- **Hypothesis 1b**: Target states are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *against that state* than when the sender has a weaker record of carrying out such threats *against that state*.

Finally, recent scholarship has introduced theoretical arguments that conceive of reputations as context-bound (Mercer 1996; Tomz 2007), and more narrowly as related to specific types of commitments (Downs and Jones 2002). In general terms, states may keep

different types of commitments at different rates. For example, it may be the case that states uphold international peace agreement more consistently than other types of agreements because they are inherently more valuable, harder to obtain in the first place, or impossible to repair once broken. To the extent that states are aware of the existence of such differential rates of compliance, they may adjust their expectations accordingly: in forecasting how likely another state is to fulfill a particular kind of commitment, states will look only to past events involving the same kind of commitment. If inferences from prior actions are context-bound in this sense, a state will acquire multiple reputations, one for each type of commitment.

The context of a sanctions case is characterized decisively by the type of issue at stake in the dispute. By definition, economic sanctions are attempts at conflict resolution by linking a certain disputed issue to the issue of economic exchange. Sanctions have been threatened and imposed in pursuit of a wide variety of issues ranging from nuclear nonproliferation and human rights to economic reform. A sender's record of carrying out sanction threats may vary across cases with different issues at stake but may be consistent for a particular issue at stake. Based on the argument sketched out above, and elaborated in greater detail in Chapter 6, it is plausible that target states assess the sender's record independently for different issues and a sender's record of carrying out threats over one type of issue has repercussions only for future interactions involving the same issue. Senders may therefore have multiple, context-specific reputations that influence sanctions outcomes systematically. This argument yields a third and final variant of the general hypothesis:

- **Hypothesis 1c**: States are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *in cases over similar issues* than when the sender has a weaker record.

This study conceives of reputation as a cumulative assessment of a state's disposition with the purpose of predicting future behavior. States can acquire a host of different reputations over their lifetime, such as a reputation for being a reliable ally or an honest broker. Here, I focus on one particular type of reputation that states engaged in economic coercion may acquire, namely that of making sanction threats that will in fact be carried out. Through their influence on the credibility of a current threat in the eyes of a targeted state, reputations for resolve in imposing sanctions should significantly affect the likelihood of successful coercion. A finding that a sender's prior record of demonstrated resolve is correlated with subsequent sanctions outcomes in the manner predicted here could have important policy implications for sanctioning states, most notably that building and maintaining a reputation for steadfastness may be a worthwhile investment.

The central theoretical argument proposed in this dissertation also raises the question why states with strong reputations as consistent sanctioners should have to make public threats in the first place and more importantly, why we should expect these threats to succeed? It is intuitively plausible that states who will be likely to concede to no more than the threat of sanctions will remove themselves from the group of future targets. They may do so by avoiding behaviors altogether that they expect to provoke a sanction threat or by conceding to lesser forms of diplomatic pressure. In these cases, a strong reputation for sanctioning effectively serves as a deterrent to potential opponents. If self-selection is a strong enough

mechanism, the only targets that have to be threatened with sanctions are those who are least likely to be coerced by them. This potential selection process is a fruitful area for future research. It also raises the possibility of selection bias in the present analysis, which focuses solely on instances where senders explicitly threaten sanctions against a target. A number of observations can be offered to at least partially alleviate this concern.

First, not all offenses that lead to sanction threats are necessarily the result of deterrence failure. States may become targets because the sender's policy preferences or priorities have changed. Such a reorientation may occur in response to significant changes in the international system, such as the beginning of the Cold War or Decolonization. In addition, a new administration may come into power whose policy goals differ substantially from those of its predecessors, as was the case when human rights concerns became a major cause for U.S. economic coercion attempts under President Jimmy Carter in the late 1970s. Priorities may also change when existing issues come to the forefront of public awareness, due to some galvanizing event, such as the terrorist attacks on the United States on September 11, 2001. When sender state priorities shift, target behavior that was previously ignored may suddenly be deemed offensive and 'actionable,' even though the behavior itself has not changed. Instead, states become targets for not preemptively altering their behavior.

Second, states do not punish all offenses, and those that are may be punished by means other than sanctions. It is likely beyond the capacity of even the largest economy to use sanctions against every opponent who commits a particular offense. Even if it were possible in principle, it may not be the most effective use of limited resources such as economic leverage and political will. As a result, some offenses (or rather, offenders) may be singled out for sanctioning while others are allowed to go on unchallenged at least for the time being.

This is not to say that the sender will necessarily be inconsistent in imposing the sanctions it does threaten, only that it will threaten sanctions inconsistently. This inconsistency, in turn, generates a non-zero probability for targets to get away with offending a potential sender without being threatened or punished.

Given the two points made above, a state's record of making credible threats may in itself be insufficient to deter even many of those offenders who would prefer to concede once a threat is made. That being said, it is prudent to be explicit about the possibility of self-selection and note that supportive findings in this dissertation could still underestimate the coercive potential of a sender's record for credibility and the effectiveness of economic coercion more generally. The strategic interaction and decision calculus outlined at the beginning of this chapter nevertheless suggest that there should be some targets whose decision to acquiesce will be influenced significantly by the credibility of the threat. If the reputational argument proposed in this dissertation is correct, a sender's record of consistently carrying out its threats against recalcitrant opponents should help coerce some of those targets as they learn about the sender's level of resolve.

3.4 Complementary Explanations for Threat Credibility

Sanction threats are not inherently credible and targeted states often have reason to doubt that a given threat will be carried should they choose to defy the sender state's demands. Reputations, defined here as judgments about a sender's resolve based on its past record of enforcing threats, are one means by which targeted states can reduce their uncertainty. While I contend that learning from prior events is an important factor in the target's assessment of the credibility of a sanction threat, it is almost certainly not the only one. Existing literature

suggests that regime characteristics of the sender state, as well as the magnitude of prospective costs of sanctions to the sender, may lead targeted states to question the firmness of a sender's commitment to make good on its threat. In the following pages, I will briefly outline the logic of these arguments and discuss their implications for the likelihood of coercive success and failure. Predictions derived from these arguments about the target state responses to sanction threats will be tested alongside the central hypotheses related to reputational inferences in the empirical analyses to follow.

3.4.1 Sanctions Costs and Threat Credibility

R. Harrison Wagner (1988), in his discussion of economic interdependence and economic coercion, reminds us of what Harsanyi termed the 'Blackmailer's fallacy': the belief that if B prefers to surrender a good to A rather than suffer some punishment, then A can compel B to surrender it by threatening him with a punishment (Harsanyi 1977). "Such reasoning," Wagner notes, "ignores the importance of the value that A assigns to the good in question, as well as the cost to A of executing the threat" (1988, 474). Economic sanctions often have the potential to impose a significant burden on the user as well as on the targeted state (Schwebach 2000; Wagner 1988). To the extent that the prospective costs of sanctions are shared information in the dyad, we may expect the credibility of a threat to diminish as the burden those sanctions would impose on the sender increases.

State economies are becoming increasingly intertwined in the global marketplace. The incentives for establishing and cultivating economic ties are clear enough: commercial exchange affords states numerous opportunities to capitalize on their respective comparative advantage through efficiency gains from specialization. It can raise productivity and thus

increase the amount of goods and services available for consumption. In short, international economic interaction can contribute significantly to the economic health and prosperity of states. Because economic ties are valuable, states should be loath to lose them.

Much of the international relations literature on economic interdependence and liberal peace is based on this idea. It is argued that states value the benefits they derive from trade and investment so highly that they will want to avoid taking actions that would jeopardize their economic ties with a particular state, such as the initiation of militarized disputes (Polachek 1978, 1980, 1997; Oneal and Russett 1997).[16] A similar case can be made in the context of economic coercion sanctions. While the existence of commercial ties is a prerequisite for the use of sanctions, the value of these ties to the potential sender may undermine its ability to use them effectively.

By definition, economic sanctions involve the deliberate disruption of a flow of economic resources. They commonly take the form of restrictions on the flow of trade or investment or the suspension of foreign aid to targeted countries. To the extent that the existing commercial relations with the targeted state are beneficial to the sender, imposing artificial barriers will produce at least temporary losses. Economists and sanctions scholars identify a wide variety of costs that should figure prominently in the sender state's decision to employ such measures in order to achieve political goals (for overviews, see Doxey 1996; Kirshner 1997; Congressional Budget Office 1999; Farmer 2000).

When international commerce becomes restricted or interrupted by sanctions, the affected segments of the economy will need to find alternative sources for required imports of goods and services, markets for exports, or opportunities for (or sources of) investment. Even when substitutes can be found, they may be less economically efficient: goods and services from

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[16] For dissenting arguments, see Gasiorowski (1986), Barbieri (1996, 2002), and Barbieri and Levy (1999).

alternative suppliers may be of lower quality or more expensive, alternative markets may be smaller and less profitable to supply, and new investments may come at less favorable terms. Economic sanctions can also give rise to adjustment costs as the sender state's economy must shift resources to accommodate these new patterns of commerce.

In the longer run, deliberate disruptions of economic flows can jeopardize the future market power of sender state-industries, particularly when sanctions are imposed unilaterally. As businesses and the sender-government disengage from the target's economy, economic actors from third countries may take their place and establish themselves. The resulting domestic losses to the sender will be greatest where future profits depend on up-front investments in resources and business relationships (Congressional Budget Office 1999, 10). Moreover, these losses will often continue to accumulate over time even after sanctions have been lifted.

An illustration for this point is the production of oil and gas, which involves a cost- and time-intensive process from discovery to exploration and finally exploitation. To illustrate this point, consider the projected adverse economic impact of U.S. sanctions against Iran. Hossein Askari et al. (2001), for example, point out that costs for the U.S. energy-industry from non-participation in Iran, such as projects in South Pars, North Pars, Doroud and elsewhere could be substantial. In particular, costs could be magnified over time as non-U.S. enterprises acquire more information in and familiarity with Iranian oil and gas fields. Even if sanctions were lifted at some point in the future, this head start would be difficult if not impossible to make up as U.S. firms become less competitive in winning new projects in Iran. Sanctions also impose costs on U.S. engineering-construction firms that could have been major beneficiaries of new pipeline projects in the absence of sanctions. Finally, the

authors note, the U.S. stands to incur less easily quantifiable long-term losses in terms of disrupted business relations on developing, financing, and supplying projects (Askari et al. 2001, 17-8). Other studies also draw attention to long-term losses from sanctions on high-technology ventures, which rely heavily on research and development, and on types of businesses whose continued profitability depends crucially on consumer loyalty (Congressional Budget Office 1999, 10).

Economists further note that sanctions may have an adverse effect on the confidence of current and potential economic partners in the sanctioning state's reliability (Farmer 2000, 97; see also van Bergeijk 1994). The willingness of a government to disrupt trade and investment for political reasons introduces a measure of uncertainty into regular commercial activity that could undermine the sanctioning economy's attractiveness to foreign businesses and governments (Mastanduno 1992, 298). These sanction costs will be greatest where comparative advantage and profits depend on one's reputation for reliability, for example in the timely and uninterrupted supply of particular goods.

In sum, the welfare costs associated with the imposition of economic sanctions are manifold and potentially large. A sender state may forfeit current and future competitive advantages. A disruption of its international trade and investment can have a lasting negative impact on the sender state's economy, slow economic growth, and diminish its relative power in the international system. As a result, imposing very costly sanctions in pursuit of a foreign policy goal could potentially jeopardize its ability to achieve other policy aims both domestically and internationally. Moreover, even if a sanctioning state is ready to impose

such a burden on itself at a given time, it may not be able to maintain them for long.[17] In principle, high prospective costs of sanctions provide a powerful disincentive for their use.

A number of additional historical examples illustrate how large costs have discouraged potential senders from the use of sanctions. Yugoslavia's dependence on trade with Italy was arguably a factor in the country's refusal to join UN sanctions over Italy's invasion of Ethiopia in 1935 (Miyagawa 1992, 42). Many Western powers were equally hesitant to sever economic ties with South Africa over that country's policy of Apartheid. Barber and Spicer draw attention to the fact that policy makers in the United Kingdom in particular felt the country could ill afford to lose its main supplier of strategic minerals (1979, 393-4). Similar explanations have been offered for the dearth of international sanctions against Rhodesia in the late 1960s and refusal by Western European states to participate in U.S. sanctions against the Soviet Union over the declaration of martial law in Poland in 1981/82. In these and other cases, potential sanctioners arguably found their hands tied by varying degrees of economic dependence on the target state (Miyagawa 1992; see also Galtung 1967). As noted in Chapter 2, game-theoretic and quantitative analyses investigating the conditions under which sanctions are likely to be initiated provide further support for the conclusion that higher prospective economic costs to sender countries should diminish the likelihood of observing sanctions imposition (Cox and Drury 2006; Eaton and Engers 1992; Lacy and Niou 2004; Lektzian and Souva 2003).[18]

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[17]For example, Hufbauer, Schott and Elliott (1990, 39-40) and Lam (1990) found a negative correlation between high costs for the sender state and the success of sanctions after imposition.

[18]It is precisely the general disincentive to incur sanctions costs that motivates arguments about the role of imposed economic sanctions as signals of resolve. Scholars have suggested that by accepting high costs in the pursuit of sanctions, sender states will be able to demonstrate their resolve to current opponents (Drezner 1999) as well as potential allies in multilateral efforts (Martin 1992).

States have significant disincentives to impose costly economic sanctions. A sanctioner may nonetheless be willing to incur substantial costs in pursuit of a policy objective if the expected gains from successful coercion of the target exceed those costs. From the perspective of the targeted state, threats of sanctions that would impose large costs on the sender may be expected to create a dilemma: on the one hand, the negative externalities associated with disrupting commerce should make sanctions generally undesirable for the sender state, and increasingly so as the prospective cost increases. On the other hand, such a threat may signal that the sender indeed values its demand enough to warrant the high price of sanctions. I submit that few threats involving very costly sanctions will be judged as credible based solely on the issue at stake.[19] Target states will generally have at best a vague idea of how highly the sender values any given issue. They are, however, bound to have a firmer grasp of the economic implications of sanctions for themselves and their opponent.

The costliness of sanctions to the sender should influence target decisions in a straightforward manner. Faced with a threat of sanctions that would be costly for the sender to impose, targeted states have a dual incentive to hold out: first, a sender may be judged able or unwilling to incur such great costs and thus sanctions imposition may be deemed unlikely. Second, even if the sender were expected to follow through, the target may expect the sender to be unable to sustain them over time. In sum, higher prospective costs to the sender make threats of imposition appear less credible (or at least short-lived) than when costs are lower. This prediction is captured in the following hypothesis:

- **Hypothesis 2**: Target states are less likely to concede to a threat of sanctions the more costly sanctions would be for the sender.

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[19]For a counterargument on 'inherently credible threats,' see Danilovic (2002) and Clare (2007).

The above argument assumes a great deal of insight on the part of the targeted state. Specifically, in order to influence the targeted state's strategic decision-making, the economic costs of sanctions to the sender state must be common knowledge in the dyad. This is hardly a heroic assumption. International flows of trade and investment are generally observable *ex ante*. Given the importance of commerce to economic growth and overall national welfare, governments have incentives to monitor developments in states with which they interact in an increasingly integrated world economy. This flow of information is often supplemented by private actors whose material well-being is dependent on economic ties with foreign countries. To the extent that changes in economic or political conditions affect their interests, societal actors are motivated to keep policy makers informed about matters such as market structure, shifts in supply and demand, technological innovations, or policy changes (Milner 1997; Solingen 2003). A recent study by Reed (2003) lends further support to the argument, noting that more extensive economic ties within a dyad are associated with more extensive and detailed knowledge available to the actors involved. If the costs and benefits of particular economic relationships are clear to the parties involved, states should be able to use this information to assess the likely costs of sanctions. Targeted states, in particular, should be able to use this information to assess the likelihood of sanctions imposition.

3.4.2 Domestic Political Constraints

Any threat to impose a set of economic sanctions will lack credibility if the costs clearly exceed what the sender state is able to pay without crippling its economy. At the same time, if the sender state does in fact have the resources to be able to incur the costs, threat

credibility hinges on the perceived willingness and ability of decision makers to marshal these resources. Krasner makes this point succinctly when he reminds us that:

> "(…) the basic attributes of economic power—size and level of development—establish only the outer boundaries of a state's political capabilities. Central decision makers cannot utilize resources that they do not have, but at the same time, they may not be able to manipulate resources nominally under their control" (1977, 160).

The domestic political environment of foreign policy decision-making has received significant attention in the bargaining literature in general, as well as in the sanctions literature more narrowly. Discussing the conditions for successful issue-linkage, Morgan (1990), for example, notes that costs associated with linkage attempts may cause linkage to fail if domestic groups are opposed to such policies and have the means to impose political costs on the policy maker for acting against their interests (1990, 320; see also Morgan and Schwebach 1996). Research on the Kantian Peace in particular has produced a number of theoretical arguments that posit a causal link between the regime type of states and the credibility of their commitments.[20]

Considered in the context of economic coercion, these propositions generate competing predictions about the credibility of sanction threats issued by democracies and non-democracies. On the one hand, it has been argued that the public-goods orientation of incumbent leaders predisposes democratic states against the use of economically costly foreign policies such as sanctions. If this is the case, economic coercion attempts by democracies may be overall less credible and thus less successful. On the other hand, it has been suggested that the ability of democratic publics to generate audience costs may allow elected leaders to commit more credibly to commitments such as sanction threats than their autocratic counterparts. Finally, linking patterns of policy-making more narrowly to the

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[20]The literature investigating the Kantian Peace is extensive; for an overview see Ray (1998).

structure of political institutions, other scholars contend that as the number of domestic political actors involved in the policy process increases, the odds for significant policy change decrease. The degree to which decision-making power is shared domestically may undermine the ability of a state to impose sanctions and undermine the ability to threaten credibly. I will discuss these arguments in turn.

Leadership Survival

The use of sanctions as foreign policy tools commonly involves the imposition of economic costs on private actors by their governments. Even when sanctions costs are not so high as to threaten national survival, they often entail domestic distributional consequences that incumbent decision makers must consider if they want to remain in power. All governments require continued support from at least some portion of the society to survive in office. As self-interested actors, supporters have incentives to retain leaders that advance their interests and replace those who do not. One consequence of this is that to the extent that sanctions diminish the benefits that the incumbent's supporters derive from existing commerce, and to the extent that supporters value these benefits, a leader may jeopardize his or her political survival by imposing sanctions. We should expect leaders to be reluctant to impose sanctions under these conditions. When the costs of sanctions translate into constraints on the political will of the sender government to implement them, economic sanction threats should appear less credible.

States differ in the amount and breadth of political support a leader or administration must have in order to stay in power. Drawing in particular on the *selectorate theory* formalized by Bueno de Mesquita et al. (1999; 2003), recent studies suggest that democracies

should differ systematically in their foreign policy choices from non-democratic regimes. In short, the *selectorate theory* suggests that polities are characterized by the size of the selectorate as well as by the size of that portion of the selectorate whose support is required to keep a leader in office (the minimum winning coalition). It is further argued that leaders seek to enhance their chances for staying in power by providing benefits to the members of their minimum winning coalition, either in the form of private goods, which can be enjoyed exclusively, or in the form of public policy successes, which generally benefit the citizenship at large. In democracies, which are characterized by large selectorates and minimum winning coalitions, the diversity of a leader's support coalition makes the provision of public goods a particularly efficient way to ensure political survival. To the extent that the economic welfare and growth achieved through international commerce are public goods in this sense, democratic leaders will be reluctant to pursue policy goals or use policy tools that jeopardize these welfare gains (Bueno de Mesquita et al. 1999, 2003; Gelpi and Grieco 2003).

Sanctions scholars have argued that democratic leaders may be more sensitive than autocrats to the welfare costs of economic coercion for this reason. Democracies should be less likely to impose sanctions (Hart 2000; Cox and Drury 2006). They have also been found more likely to concede when they were targets of imposed sanctions (Hufbauer et al. 2007, 166; see also Bolks and Al-Sowayel 2000; Nooruddin 2002; Allen 2005). An example for the link between economic costs, the need for continued political support, and the decision to implement sanctions is the Chinese aviation market and its role in the recurrent debate over U.S. sanctions in response to China's human rights record. In 1994, China was projected to need 800 airplanes, worth $40 billion U.S. over the coming 15 years. At the time, this represented the third-largest market for airplanes in the world. The prospect of losing access

and thus profits led the Boeing Company and other major U.S. manufacturers to lobby heavily—and successfully—against the Clinton Administration's plans for revoking China's MFN status (Gargan 1994).

Similarly, in his study of Canada's and Australia's use of economic sanctions, Nossal finds that the sanctions policy of their respective governments has been shaped significantly by the domestic economic and political costs of economic coercion. Leaders in both states have been reluctant to impose sanctions on countries such as Iraq, Iran, China, and the Soviet Union that would have disrupted trade, especially for agricultural products such as grain. While the economic impact of these sanctions would likely have affected politically important constituents within both countries, namely farmers (Nossal 1994, 17, 193).

Economic interests of domestic supporters constrain the incumbent leader's ability to follow through on sanction threats. A leader who imposes sanctions that harm the interests of her supporters hurts her prospects for reselection and may be replaced immediately or in the near future. In this sense, leaders have to worry about the 'informal' ratification of their decisions through retrospective actions by supporters, be they voters or contributors. Theoretical arguments stressing the relatively greater political vulnerability of democratic leaders to economic costs appear to suggest that democracies should be less likely to impose sanctions than other regime types. One possible conclusion from these arguments is that sanction threats issued by democracies will be less credible than those issued by non-democracies, yielding an additional hypothesis to be tested:

- **Hypothesis 3a**: Target states are less likely to concede to a sanction threat when the sender is a democracy than when the sender is not a democracy.

Veto Players

In addition to their accountability to domestic supporters, prospective senders face another potential hurdle. Political decisions about the implementation of sanctions often require the concerted effort of a number of political actors or institutions. These may represent diverse interests and have some influence on the perceived probability that sanction threats will carried out.

A number of studies note that divided government in the sender state may undermine the credibility of a sanction threat. Odell (2000), for example, argues that strong domestic opposition to sanctions use in the U.S. emboldened Brazilian decision makers in 1984-85 to resist U.S. threats of economic penalties over Brazil's protectionist policies to promote a national computer industry by excluding foreign firms (2000, 110, 113-4). Zeng (2004) similarly finds that divisions in domestic interests and a large gap between executive and legislative preferences, combined with the transparency that characterizes democratic politics, served to undermine the credibility of U.S. sanction threats. As a result, such threats failed to produce concessions even from opponents whose relative economic weakness vis-à-vis the U.S. economy should have made them susceptible to economic coercion (2004, 3, 17).

Where the ratification and implementation of threatened sanctions is not automatic, the interests and preferences of additional political actors become relevant. Polities vary in the number of 'access points' to the decision-making process that they offer to the divergent societal interests, whose fortunes may be affected by any change in current policy. One way to conceive of these access points consistently across political systems is as veto players.

Veto players are individual or collective actors whose agreement is necessary for a change in the status quo (Tsebelis 2000, 2002; Cox and McCubbins 2001). Recently, veto-player approaches have been used to investigate the impact of domestic institutional configurations on macroeconomic policy (Tsebelis 2002; Hallerberg 2002), the influence of international regimes on state decision-making (Kastner and Rector 2003), and the duration of civil wars (Cunningham 2006). Analyses of this type rely on an intuitive logic: the more actors there are with divergent preferences that have to approve a change in the status quo, the harder it will be to move away from the status quo.

Every regime is characterized by a particular configuration of veto players; who counts as a veto player in the decision-making process is generally determined by the country's constitution or by the political system itself. In advanced democracies, scholars have identified at least two different types of veto players. Institutional veto players represent institutions such as branches of government or separate houses of a bicameral legislature that must approve legislation. Partisan veto players are generated by the 'political game' inside institutions and must cooperate to turn proposals into law (Tsebelis 2002). This type of veto player is prone to change, for example as multi-party coalitions shift within a legislature, and represent a more 'dynamic' constraint on policy change than institutional veto players (Palmer, London and Regan 2004; Clark and Nordstrom 2005).

To illustrate these concepts, consider following examples: in the United States, legislation has to be approved by the House of Representatives, the Senate, and the President. Laws governing U.S. sanctions policy, such as the Nuclear Proliferation Prevention Act of 1994 and the Iran and Libya Sanctions Act of 1996 required the cooperation of three institutional veto players in order to come into force. In parliamentary systems with

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proportional representation such as Israel, multi-party coalitions may be required to produce legislation authorizing economic sanctions against foreign countries. Depending on the number of parties in the coalition and the size of the majority required to pass legislation, a large number of veto players may be involved in this process.

Veto players may pursue their own interests and preferences over the means and ends in foreign policy-making. In democracies, they likely represent those of constituents. Put another way, veto players may oppose sanctions in principle or on the basis of their particular domestic distributional implications. They may also have more complex motivations for withholding approval: they may oppose a leader's initiative for the sake of opposition or to gain leverage in other policy bargaining arenas. In the absence of detailed knowledge about these complex motivations, a reasonable first step is to focus on the number of veto players present in a given context and their impact on the perceived credibility of a threat of sanctions. To the extent that the imposition of sanctions represents a move away from the current policy (the status quo), one may conclude that the more veto players are involved in the decision-making, the smaller the likelihood that a sanction threat will be carried out.

In sum, in addition to sanctions costs, different domestic institutional contexts may also decrease the perceived credibility of sanction threats. Where the ratification and implementation of threatened sanctions requires the cooperation of domestic veto players, the existence of multiple veto players in the domestic political process can make the actual implementation of sanctions less likely, undermining the credibility of a sanction threat. This notion is captured in the following hypothesis:

- **Hypothesis 3b**: The more veto players there are in the sender state, the less likely

  target states are to concede to a sanction threat.

In order to draw inferences from the domestic political environment of the sanctioning state, that environment has to be sufficiently transparent to outside observers. In particular, the target government must have some information about the existence of veto players in the ratification and implementation of a threatened sanctions regime. Again, this assumption is hardly heroic. Transparency is widely seen as a defining characteristic of the democratic political process and a prerequisite for democratic accountability. Institutionalized political competition, freedom of speech, and a free press make democratic politics transparent to citizens as well as outsiders dealing with democratic regimes (Cowhey 1993). A modicum of transparency, combined with the empirical finding that economic exchange fosters information flows, makes it plausible to conclude that target inferred the credibility if a sanction threat from the sender's particular domestic political environment.

Theoretical arguments emphasizing the constraining effects of economic costs and domestic political environments offer plausible complementary explanations for threat credibility and effectiveness. If such constraints exist, they can undermine the credibility of a sanction threat such that a target will refuse to yield. Given these constraints, one may ask why states would make empty threats in the first place. It was argued earlier that under uncertainty, it might be possible for even unresolved states to coerce some targets by playing on their fears. Sanction threats may also serve expressive or symbolic purposes, for example by giving states a means to take a moral stand with the goal of pacifying domestic interest groups (Galtung 1967). Moreover, using sanction threats to draw international attention to an

issue, initiate multilateral debate about possible solutions, or clarify one's position can pay dividends even if sanctions are not imposed subsequently. In short, there are significant domestic and international incentives for issuing threats regardless of whether one intends to carry them out. At the same time, an influential body of work in international relations theory suggests a competing explanation for the greater credibility of some sanction threats: domestic audience costs. In brief, this line of argument contends that some threats may be inherently more credible than others due to the fact that domestic publics have incentives and opportunity to punish leaders for bluffing in international crises, which in turn provides a powerful disincentive to make empty threats. The following section will briefly outline the audience cost logic as well as a number of challenges to its validity in the context of economic sanction threats.

Domestic Audience Costs

Formalized by Fearon (1994), the audience cost argument states that in international crises leaders can send credible signals about their resolve by making public threats. A public threat or "show of force" is a costly signal because domestic audiences will punish leaders for making a threat and then backing down. The costliness of the signal allows the leader to credibly reveal resolve and allows opponents to update their prior beliefs about the sender's resolve. Scholars disagree on the motivations of domestic audiences in punishing leaders for making idle threats. Fearon (1994) argues that threats engage the nation's international reputation and goes on to note that empty threats may be seen as undermining the nation's bargaining power in crises down the road (see also Guisinger and Smith 2002). Other scholars argue that backing down from threats negatively affects the domestic public's

evaluation of a leader's competence. The leader's failure to follow through on a threat will be judged as a foreign policy failure. Domestic audiences prefer to retain competent leaders and punish incompetent ones. In either version of the general proposition, threats are costly commitments primarily because they are public events.

The second part of the audience cost argument, found in Fearon's original formulation as well as in most studies employing it, is the (still largely untested) contention that some regime types have an advantage in international crisis bargaining because they are better able generate audience costs. Compared to autocracies, leaders in democracies can easily be removed from office; the primary mechanism for public accountability is competition in regular, contested elections. Because leaders in democracies are less insulated from domestic consequences of bluffing than their autocratic counterparts, they can effectively 'tie their own hands' by entering into public commitments (Fearon 1997, see also Schelling 1960). Moreover, because the political process is arguably more transparent in democracies than in autocracies, democratic audience costs of breaking commitments can be more easily observed by opponents (Cowhey 1993). These arguments add up to the proposition that democracies are better able than autocracies to credibly reveal resolve in crises.

Guisinger and Smith (2002), for example, suggest that policy makers will worry about maintaining a reputation for making honest statements. The authors argue that domestic audiences will punish leaders for damaging the nation's honest record because a reputation for dishonesty makes it difficult for states to communicate credibly. By bluffing, a leader puts at risk any future benefits that accrue to those with unmarred credibility in crisis bargaining. As a consequence, policy statements of domestically accountable leaders are more credible than those issued by their autocratic counterparts because democratic leaders

will be loath to make threats they are not prepared to carry out (2002, 185). Drawing on the their earlier work on leader-specific punishments and national reputations, McGillivray and Smith (2006) formalize, but do not test empirically, the proposition that if the leader of a sender state is easily replaced, then leader-specific punishment can solve the nation's credibility problem in threatening economic sanctions by linking leadership survival to carrying out the threat.

To reiterate, the argument states that depending on regime type, the prospect of audience costs should cause leaders to refrain from making threats they do not intend to keep and that this should be true for leaders of democracies in particular. Interestingly, a preliminary look at the empirical record suggests that most sanction threats are in fact issued by democracies and that in a significant number of instances, democratic leaders subsequently backed down from the threat. Of 275 sanctions episodes with identifiable outcomes contained in the data sample used in this dissertation, there are 71 instances of democracies threatening sanctions and then failing to impose them after the target refused to acquiesce. In 68 instances, the democratic sender of the threat backs down; the remaining cases end in stalemate without target concessions or sanctions being imposed (Morgan, Krustev and Bapat 2006).[21]

Even without detailed knowledge of how many of the leaders were actually punished by their domestic audience for their failure to follow through on a threat, it is reasonable to conclude that to the extent that audience costs exist, democratic leaders do not seem to feel particularly encumbered by them in the context of sanctions. One explanation for this finding is provided by Guisinger and Smith (2002), who note that some type of fluctuations in domestic political accountability within democratic regimes may increase the likelihood of retreats by democratic leaders: in systems with term limits, leaders nearing the end of their

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[21]The data source and sample selection for this dissertation will be discussed in detail in Chapter 4.

term in office are free of concerns about re-election. On the other hand, leaders whose *ex ante* chances for reselection are low may have little to lose from acting against societal interests (2002, 195). Endangered leaders may in fact choose to employ sanctions in a gamble for resurrection (Goemans 2000). If this is the case, one may be skeptical as to what inferences opponents are able to draw regarding the credibility of threats issued by democracies. Apart from the empirical record, there are broader theoretical reasons to be skeptical about the impact of audience costs on sanction threats and responses to them.

For audience costs to arise, a leader's foreign policy actions must not only be observable to the public but also salient enough to catch and hold their attention. Given the large number of events that are competing for the public's attention at any moment, as well as the limited time and attention audiences can devote to any particular issue at a given time, not all events will be equally salient to them. Foreign policy crises may become salient due to the goals pursued or the means used to pursue them. There is reason to believe that crises involving sanction threats would often fail to generate sufficient attention on both counts.

The audience cost argument was developed and tested in the context of crises involving the threat and use of military force. All military confrontations carry some risk of devastation and loss of life and have direct implications for national security. They are a relatively rare occurrence in the history of most countries. There can be little doubt that such events will be highly salient to domestic audiences and it is plausible that audiences will punish leaders for making idle threats that put lives at stake. However, it is not obvious that threats to impose economic sanctions, which are more ubiquitous and less costly to the sender, will engender a similar response.

Governments may choose to employ economic coercion in crises where the use of armed force would be inappropriate or ineffective. The extant literature also suggests that governments may threaten sanctions in crises where the issue at stake is not deemed sufficiently valuable to risk militarized conflict. Disputes over trade practices such as tariff levels, currency values, or intellectual property rights cannot easily be resolved on the battlefield, while human rights violations in foreign countries may be deemed too peripheral to put the lives of one's armed forces at risk. For domestic audiences, the costs of obtaining information may be higher in these more complex or obscure policy areas than for events involving military force, which are often widely covered and debated in mass media and society in general. When the salience of crises is low, the public may therefore lack the motivation and resources to gather information about a leader's performance. As a result, these crises may not generate significant audience costs.

More formally, Fearon's theory assumes that audience costs add up as conflicts increase in severity. Each escalatory step in the coercive bargaining process is accompanied by non-zero audience costs. While economic sanction threats certainly constitute an escalation over purely diplomatic measures such as verbal reprimands or the withdrawal of ambassadors, they are still a far cry from threats of military action. In fact, much of the literature suggests that sanctions represent an intermediate step between talk and armed force. Sanction threats by themselves rank low on the escalation ladder in a given dispute even over potentially salient issues such as an opponent's military adventures in a third country; one may conclude that audience costs will also be low at this point.

Finally, returning to the earlier discussion of sanction costs and the political risk associated with imposing costly sanctions, it is worth noting that the openness of the

democratic process may in fact make it politically advantageous for leaders to refrain from carrying out threats. Some domestic groups, in particular those who would be largely unaffected by sanctions costs, may exercise their influence in the way predicted by audience cost arguments. However, those segments of society that stand to lose materially from sanctions may in fact reward a leader for backing down, regardless of any potential harm to the nation's reputation (Odell 2000, 133). Unless one is willing to assume that all politically relevant segments of society are more concerned about the nation's reputation than about the potential material losses incurred through economic sanctions, democratic institutions may turn out to be a mixed blessing at best for threat credibility.

In sum, in crisis bargaining situations involving sanction threats, domestic audience costs will likely form less of a constraint on a leader's threat-making behavior than existing scholarship would suggest. The conclusion that follows for the strategic interaction examined in this project is that sanction threats are cheap: because there is little reason to expect a backlash from the domestic audience, even democratic leaders are willing to make idle threats and then back down when their bluff is called. Threats of economic sanctions issued by non-democracies should be no less credible that threats issued by democratic states.

3.5 Conclusion

Sender reputations for carrying out threats, costs to the sanctioning state, and domestic political constraints represent complementary rather than competing explanations for coercive success or failure due to variation in the credibility of a sender's commitment. In assessing the odds of sanctions imposition under uncertainty, targeted states are likely to draw on different sources of available information. This dissertation proposes that a sender

state's reputation for resolve, generated by its behavior in past disputes involving sanction threats, is one such source. No claims are made as to how targeted states weigh insights derived from knowledge about the sender's reputation, prospective sanctions costs, or political conditions, and whether some sources are deemed more informative or reliable. Instead, this study proceeds from the assumption that if a sender's reputation influences the credibility of its sanction threats, then an empirical investigation that controls for these complementary explanations should indicate that reputation is a significant predictor of variation in target responses to threats.

Some scholars have argued that reputations should have a limited impact on international outcomes because situation-specific factors, such as domestic constraints, the balance of capabilities, or the salience of issues under dispute, either outweigh reputation-based assessments of credibility in the minds of decision makers or determine outcomes outright (Maxwell 1968; George and Smoke 1974; Press 2005). Others argue that states will ascribe an opponent's actions to situational factors rather than consider them to be the product of more enduring features, such as the opponent's character or disposition, making it unlikely that reputations form and evolve over time (Mercer 1996, 44-60). This dissertation in no way denies that situational factors have a significant impact on the outcomes of sanctions episodes. It argues, however, that past events influence future outcomes through reputational inferences drawn by current targets of threats, and that such inferences provide a stream of information that is qualitatively different from credibility judgments based solely on current circumstances, or what Press (2005) calls the 'current calculus' performed by states in disputes. Past actions have the potential to reveal to others a central tendency in a state's behavior. Targets may ascribe such central tendencies to some fundamental underlying

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feature of the sender state such as its geopolitical position or ideology. The principal point here is that judgments based on such revealed central tendencies may or may not lead to similar conclusions as would an examination of a sender's current strength, current domestic political composition, or likely issue valuation at the present time.

Without a doubt, the credibility of a sanction threat is only one factor likely to account for a target's decision to acquiesce. To be effective, threats also have to be sufficiently potent and clear. The findings of the sanctions literature reviewed in Chapter 2, for example, suggest a number of additional predictors of sanctions success related to the potency of sanctions and a target's expectations of future conflict. While most studies tested their theoretical arguments on cases of imposed sanctions, many of the propositions put forth in this work should hold at earlier stages of coercive bargaining. The hypothesized factors may have a pronounced impact on the efficacy of sanction threats if those targets most likely to be coerced by economic sanctions have incentives to acquiesce early in order to avoid punishment.

Chapter 4

Monadic Sender Reputation and Sanctions Outcomes

4.1 Introduction

The previous chapter introduced three hypotheses related to the effect of past threat enforcement on sanctions outcomes. The central argument underlying these hypotheses is that over time, states engaging in economic coercion can acquire reputations for resolve (or lack thereof), which significantly influence their prospects for obtaining concessions from future opponents. Accounting for the impact of past threat enforcement will not only improve our theoretical understanding of the determinants of sanctions effectiveness. It can also generate important insights for foreign policy-making in an economically interdependent world.

This chapter outlines the general research design used to test the predictions derived from the central hypothesis, and introduces the source and composition of the sanctions data. The following section discusses the construction of the key independent variable, *Sender Reputation*. Specifically, it outlines the logic and methodology used to create the broadest version of the key predictor, a state's monadic and diffuse reputation for resolve. Adaptations of the same basic method are employed in later chapters to generate dyadic and context-specific variants of the key predictor for tests of the two more narrowly conceived versions of the reputational inference argument. The following section introduces secondary

predictors of sanctions outcomes that will be included in the empirical analyses, briefly discussing the underlying theoretical arguments as suggested by existing research, as well as their operationalization for the purpose of this study.

The second part of this chapter presents the results of a large-n, quantitative test of the hypothesis that states are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *against any target* than when the sender has a weaker record in this regard (Hypothesis 1a). Findings obtained from this initial test not only provide empirical support for the general argument about reputational inference put forth in this dissertation. They also provide a baseline expectation against which the results for the remaining key hypotheses (Hypotheses 1b and 1c) will be evaluated.

4.2 Research Design

This dissertation argues that targets of sanction threats will use the sender state's previous record of carrying out such threats to assess the credibility of the current threat. The main hypothesis derived in Chapter 3 predicts that this assessment informs the decision calculus of the target state, such that threats issued by states with stronger enforcement records will be more likely to lead to concessions than threats issued by states with weaker enforcement records. The causal mechanism postulated in this hypothesis is, however, not directly observable: reputation and credibility are constructs that are assumed to exist in the minds of actors in international relations. The most direct approach to testing the proposition would entail a detailed examination of the decision-making process in targeted states during crises involving sanction threats. For selected cases, the researcher would check available records and secondary sources for evidence confirming that relevant decision makers explicitly

considered the sender state's past record, that they formed a judgment about the sender's type and the credibility of the threat based on this record, and that this judgment played a significant role in formulating a response to the current threat.[22] The primary advantage of such an approach is that by observing the proposed causal mechanism at work in different cases, we can have greater confidence in the validity of the theoretical argument.

This type of design has an important drawback, however. Detailed case analyses and process tracing are feasible only for limited samples, forcing the researcher to choose specific cases for examination. With the exception of Drezner (1999), the studies of sanction threats reviewed in Chapter 2 have adopted this approach, limiting their analyses to single sender states (the United States, specifically) and investigating subsets cases for a single type of issue under dispute. A narrow focus is justified where research questions and proposed answers are specific to the context in which sanctions occur, such as trade disputes involving the U.S. or the dynamics of U.S.-Chinese sparring over human rights. The question posed in this dissertation is broader: when will sanction threats succeed in general? Moreover, the key elements of the causal story told here should apply to *all* sanctions cases. Uncertainty is a characteristic of state decision-making under international anarchy and targets of sanction threats can use reputational inferences about the sender's type to reduce this uncertainty.

The goal of this study is, therefore, to conduct a general test of this proposition on the broadest possible sample to allow for generalization. For this purpose, I choose an indirect approach in conducting a large-n, quantitative analysis of sanctions cases to determine whether there is a significant correlation between the factor hypothesized to influence threat credibility and the outcomes of sanctions episodes. A finding that the sender's prior record of

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[22]An illustrative example of this approach is Press (2005).

threat enforcement is a strong predictor of coercive success can provide initial support for the theoretical argument.

4.2.1 Sanctions Data

An additional reason for adopting a large-n, quantitative design is the availability of new data that vastly improves our ability to test arguments about economic coercion. While the majority of existing quantitative studies employs the sanctions data introduced by Hufbauer et al. in their landmark study (1990), this project instead relies on a recently available dataset compiled by Clifton Morgan, Valentin Krustev and Navin Bapat (2006) entitled *Threats and Impositions of Economic Sanctions* (referred to hereafter as TIES). This collection includes observations of sanction threats and impositions initiated between 1971 and 2000. For this period, TIES includes all cases contained in Hufbauer et al.'s widely used study (1990) but greatly expands this dataset, not least by incorporating a significantly larger number of observations of disputes that involved sanction threats but ended without sanctions imposition.

The unit of analysis is the sanctions case involving a sender and one target state. A sanctions case in the sample is assumed to begin when a sender announces the possibility of sanctions against a target state. A threat must stipulate that economic sanctions may be imposed unless the target alters one or more of its policies; mere announcements of changes in trade policy, for example, do not constitute sanction threats by this definition. Threats may be issued in several ways: TIES codes sanction threats as the result of verbal statements by government officials, draft legislation aimed at the target state, or the passage of conditional

laws stipulating sanctions imposition under certain conditions. If such a threat is aimed at multiple targets, separate cases are recorded for each individual target state.

In order to identify sender states in sanctions cases, I rely on TIES' designation of primary senders. A primary sender is that state which is primarily responsible for the imposition of sanctions against the target state. When multiple states are involved as senders, TIES codes that state which proposes sanctions, initiates the threat, or is responsible for mobilizing additional states to initiate sanctions, as the primary sender (Morgan, Krustev and Bapat 2006, 2). The rationale for focusing on primary senders as defined here is that in cases of multilateral threats, it is the reputation of the leading initiator, rather than the reputations of followers, that should have the greatest impact on the credibility of the threat.

The sample excludes a number of observations from the original TIES data. First, TIES includes observations of sanctions imposition for which no prior threat is recorded. Three plausible scenarios illustrate how this might come to pass. On the one hand, senders may have threatened sanctions in secret, such that they were not picked up by the sources used to compile the dataset. On the other hand, sanction threats may not be recorded if they are implicit and aimed at deterrence; that is, if there is a general understanding that sanctions will ensue if a target state engages in certain types of behaviors. The fact that sanctions are imposed at all would then indicate that the implicit threat has failed. Alternatively, sender states may indeed impose sanctions without prior warning in order to punish a target for an offensive act. In such cases, the sender's bargaining leverage can arise from the promise of removing the sanctions in exchange for concessions. Because there is no coercion attempt involving threats, by definition these cases will fall outside the scope of this analysis. It is not clear from the data which of these scenarios is the leading cause of missing observations on

sanction threats. Absent sufficient information about the mechanisms behind these missing observations, I have chosen to limit the sample to cases where the research question truly applies: clear attempts at economic coercion using explicit economic sanction threats.

Second, the sample excludes cases for which no primary sender is recorded in TIES. This is the case whenever sanctions were threatened and imposed through an international institution, without any particular state taking the lead. While one could argue that international institution as actors in world politics acquire reputations in the way suggested for states in Chapter 3, testing this proposition with the current research design is problematic. For one, it is far from clear in these cases how one should code values for many of the control variables discussed below, such as regime characteristics and the warmth of pre-sanctions relations. Even where such coding is possible in principle, questions remain as to whether measurements for international institutions can be compared to state-level measures in a meaningful way.[23] In light of this complication, observations where TIES codes an international institutions rather than an individual state as the initiating entity were excluded from the present analysis. It is important to note, however, that instances where a state threatened sanctions *on behalf of* an international institution remain in the sample.

The sources used to compile this data set necessitate another caveat. As did the Hufbauer et al. (1990; 2007) data collection, TIES relies heavily on English-language primary and secondary sources such as Lexis-Nexis, Facts on File, Keesing's Record of Contemporary Events, as well as major news outlets. One drawback of this approach is that it may overlook

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[23]Many of the cases so excluded also involve the European Economic Community and the European Union. The unique decision making structures that characterize EEC/EU policy making across policy areas at different historical stages of the European integration process make sanctions use by this institution a phenomenon *sui generis*. Moreover, bilateral trade data with many of the targeted states was unavailable for large parts of the time period under investigation. One consequence is that many of these cases would have been dropped from the statistical analysis through list-wise deletion. Economic coercion as practiced by the European Union remains a promising yet understudied subject for future research.

cases that are not highly publicized and thus not well documented in these sources, such as sanction threats made in relative secret or economic coercion attempts among small powers. To some extent, the sample analyzed here is likely biased toward large industrialized states and those states with which they have significant political and economic dealings. Nevertheless, the TIES data is the most comprehensive data collection on this subject to date and provides an excellent basis for investigating the puzzle of threat success and failure.

4.2.2 Dependent Variable: Successful Coercion at the Threat Stage

The dependent variable is the success of economic coercion at the threat stage of a sanctions episode. A threat is successful if the targeted state agrees to make at least some of the demanded concessions. Drawing on the outcomes coded in TIES, a binary outcome variable is created, which takes a value of 1, indicating successful coercion, whenever a sanctions case ended with the targeted state acquiescing in full or in part to the sender's demands prior to the imposition of sanctions. I also include in this category cases that ended in a negotiated settlement between the sender state and the target state. TIES records a settlement when the target state agrees to alter some of its policies in accordance with the demands in exchange for certain actions taken by the sender state (Morgan, Krustev and Bapat 2006, 11). I count negotiated settlements as instances of successful coercion because the TIES coding rules indicate that in such cases the sender did in fact gain something of value. A mutually acceptable agreement implies that the sender was able to obtain sufficiently significant concessions from the target to be willing to withdraw the threat of sanctions.

States threatening sanctions may prefer to accept a negotiated settlement if the target concessions are sufficiently large to offset whatever commitments one has to agree to in

order to obtain these concessions. In fact, some senders may make a sanction threat demanding unconditional concessions with the understanding that the best outcome to be hoped for is some type of satisfying compromise. Using economic statecraft to achieve a favorable bargain is then simply the art of the possible for senders who prefer some concessions over the uncertain and cost of sanctions. Determining *ex ante* whether senders were aiming for full concessions or settlements when they threatened sanctions is difficult at best. The results presented in this chapter illuminate whether a sender's reputation can decisively affect the chances of obtaining either goal.

The dichotomous dependent variable takes a value of 0 if the sanctions case terminated in one of three ways. First, a sanction threat is assumed to have failed when the sender state capitulates at the threat stage and explicitly backs down from the threat despite the refusal of the target to make concessions. Second, the coercion attempt is considered a failure when the case stalemates; that is, when the issue remains unresolved while the sender refuses to impose sanctions and the target threatens to concede. Finally, in keeping with Schelling's (1960, 177) observation that a successful threat is one that does not have to be carried out, I code as failures all cases in which economic sanctions were imposed by the sender regardless of whether the sender or the target state prevailed subsequently.

In some cases, TIES codes final outcomes as missing; these observations are dropped from the sample. The TIES codebook and user manual note that for some sanctions cases, coders were unable to identify from the sources how a sanctions case ended (Morgan, Krustev and Bapat 2006, 12). This could be interpreted as indicating one of two possibilities: either the case is undecided but ongoing, or the case has terminated but no information was available about the nature of the outcome. As a consequence, it is not clear how the

dependent variable should be coded in these cases. Omitting these observations is potentially troublesome because it raises concerns about possible selection bias. A common source of selection bias is right-censoring, leading to the omission of ongoing disputes. However, there is no obvious systematic cause for the lack of data about sanctions outcomes in the TIES cases. It is also important to note that TIES does contain a separate category for ongoing yet undecided cases. The fact that stalemates are identified explicitly in the data suggests that the missing observations are unlikely to discriminate systematically against ongoing, i.e. censored cases. At the same time, missing values for the outcome variable cause significant problems for the creation of the key predictor *Sender Reputation*, which will be discussed in the next section. Dropping these observations is an imperfect but defensible solution given that there is little reason to suspect a systematic bias in the data that could be easily remedied.

4.2.3 Key Independent Variable: Sender Reputation

If a threat is to be effective, it must be sufficiently credible. The target state must believe that the sender is both willing and able to impose the threatened sanctions should the target refuse to comply with its demands. The central hypothesis of this dissertation is that targeted states rely on the sender state's previous history of keeping its conditional commitments as one indicator of threat credibility. From this argument, I derive the prediction that targets will be more likely to acquiesce to a sanction threat if the sender has a stronger record of carrying out its threats; that is, when the sender has a reputation for making credible threats. Targets will be less likely to acquiesce if the sender has a reputation for backing off when its threats are resisted.

In the following pages, I outline the construction of the key independent variable that will be used to test Hypothesis 1a, which relates threat effectiveness to a states monadic and diffuse reputation for carrying out threats. States are assumed to acquire reputations that are monadic in the sense that potential targets draw conclusions about the sender's type from all past sanctions cases, regardless of whether they were the target in these previous confrontations or merely non-participant observers. Sender reputations are assumed to be diffuse in the sense that targets apply inferences drawn from past sanctions cases to all subsequent confrontations involving the same sender, regardless of whether past and future cases involve the same types of issues or stakes. In short, the broadest version of this predictor draws on the entirety of the sender's record of threat enforcement up until the year of the current confrontation. The basic method of constructing this measure, *Sender Reputation*, will also be used in the following chapters, which test more narrowly conceived versions of the reputation argument.

Private information about the sender's readiness to impose sanctions is revealed most clearly whenever the sender encounters resistance from a targeted state; that is, whenever the sender is called upon to go ahead with the sanctions or back down. Keeping this in mind, I create a measure of reputation for resolve for each sender state in the data set, based on the outcomes of all sanctions episodes which were initiated by that sender against any target. The measure combines two pieces of information: the number of cases in which a sender state issued a sanction threat that was then rejected by the targeted state, and the number of cases in which the sender subsequently imposed economic sanctions on recalcitrant targets. For each primary sender state in the data, I create annual running counts of *threats issued and resisted* and *sanctions imposed*, respectively. The process of creating the running counts

begins with identifying the outcomes of all prior sanctions cases initiated by a particular sender. Here, I take advantage of the coding of the outcomes of sanctions cases in the TIES data. The TIES data distinguishes between five types of outcomes each for cases that ended without sanctions being imposed and for cases that ended after sanctions were imposed: complete or partial target acquiescence, negotiated settlements between sender and target with mutual concessions, stalemates, or sender withdrawal from the case.

Sanctions cases are classified as instances of *threats issued and resisted* whenever TIES records that the case ended at the threat stage with a stalemate or with the sender backing down or that the case ended after sanctions were imposed by the sender, regardless of the nature of the subsequent outcome of the case. More to the point, these are cases where the targeted state resisted the sender's pressure to make the demanded concessions outright, or agreed to some negotiated settlement. Sanctions cases are classified as instances of *sanctions imposed* whenever TIES indicates an outcome where sanctions were implemented.

The reputation score for each sender in year *t* is then generated by taking the proportion of the total number of *sanctions imposed* over the total number of *threats issued and resisted* as of year (*t-1*). This score changes every time a sanctions episode ends; I assume that this is the point when the sender's choice between standing firm and backing down from the threat becomes clear to the current target, and more importantly, to the international audience of potential future targets as well. Reputation scores are bounded by 0 and 1. A value of 0 denotes that up to the current sanctions episode, the sender never followed through on its threats, while a value of 1 indicates that the sender has implemented threatened economic sanctions whenever the targeted state refused to acquiesce. The more consistently a sender state has carried out its threats in the past, the higher its reputation score in the current year.

For illustration, Figure 4.1 presents graphically the historical trajectory of the reputation scores for four of the most active sender states in the data set.

Figure 4.1: Enforcement Records of Major Sanctions Users.
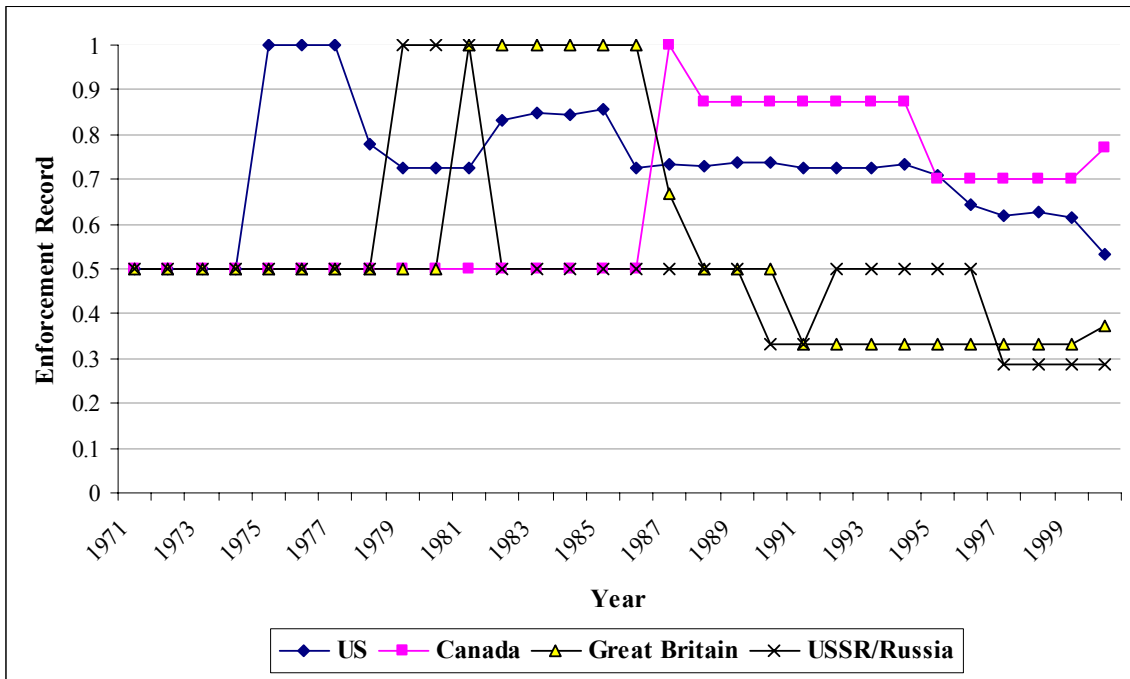
A complication arises for the first observation for each sender state in the data. The TIES data only contains sanctions cases that were initiated after 1970. As a result, sanctions cases that took place before that year did not enter into the calculation of the reputation scores. This left-censoring in the data in many cases explains why states enter the data set without prior sanctions records, although they may have used economic sanctions prior to this date. Given the construction of the reputation score just outlined, when a sender is coded as

initiating its first sanction threat, its reputation score is coded as missing because there are no prior observations for this sender to generate a value.[24]

Missing values are a conceptual as well as a methodological problem. In the statistical analysis to follow, observations with missing values would be lost due to list-wise deletion resulting in the loss of a potentially large number of sanctions cases from the sample. This outcome can be avoided by assigning senders a meaningful 'initial' reputation score but raises the question of what this score should be. I choose a starting score of 0.5 for all senders in the data for the following reason.

Consider the information embodied in the reputation score created here. A reputation score of 1 is assumed to be associated with a high level of credibility being ascribed to a sender. Based on what could be learned from the sender's past record, the target can expect that the sender will very likely follow through on its current sanction threat. A score of 0 denotes the opposite: The target can expect that the sender will be unlikely to impose

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[24]The lack of data points prior to 1970 means that I implicitly assume senders have not threatened sanctions before 1971 and have thus not formed reputations for carrying out their threats, which in turn makes necessary the imputation of 'initial' reputation scores described above. In principle, this is a cause for concern: the reputation scores ignore a large segment of history in which states threatened and imposed sanctions, the United States in particular. The use of post-1970 data alone may at best limit our ability to generalize from the results of this study and at worst diminish our confidence in the findings. Future data collection can alleviate these concerns by expanding the temporal domain of the TIES data set to the immediate post-WWII era. In practice, however, there are a number of reasons to suggest that left-censoring may not be as big a cause for concern. First, the 1960s and 1970s marked a number of significant changes in the international state system. Decolonization added many states to the international arena which became users (and often targets) of economic sanctions around the time the TIES data begins to code cases. These states indeed had little or no prior history of sanctioning. Second, the world economy changed significantly during the 1970s. International economic interactions grew dramatically in volume and complexity, providing greater opportunities for economic leverage but also generating greater constraints on its use. If the period after 1976 constitutes a very different context for economic statecraft than the previous decades, focusing the analysis solely on episodes that began in and after 1971 is justified and can produce more meaningful findings than an analysis that includes cases that took place earlier. Finally, threats and impositions of economic sanctions spiked in the early 1990s (see Figure 1.1) and these cases make up a large portion of the sample. By the year 1990, many senders in the sample had accumulated a record of sanctions use and their imputed initial reputation scores had been updated to more accurately reflect their sanctions behavior. In sum, although TIES covers a relatively short period of thirty years, the data set captures a time period of increasingly active sanctions use in an economically interdependent state system. It is therefore a reasonable place to start the type of inquiry undertaken in this dissertation.

sanctions. Finally, a score of 0.5 corresponds to the sender being expected to go either way that is, impose or back down with equal probability. This is the type of judgment one could reasonably expect in the absence of any information about past behavior.[25] The score is then updated as soon as the first sanctions case for that sender produces the required information.

One important objection to assigning this value is that there is another way in which a sender state can acquire a reputation score of 0.5 and it is by no means obvious that target decision makers will draw the same conclusions in each case. A sender state may have threatened sanctions and been rebuffed four times, but only proceeded to implement sanctions in two of these cases. Here, I implicitly assume that such a state will be regarded the same as a sender without prior record of making sanction threats. This assumption could be especially problematic if past sanctions cases indeed reveal more private information about the sender than just its propensity for bluffing. At the same time, it is not clear that this situation could be remedied by assigning a different value to first-time sender states. Although it is an imperfect solution, assigning a score of 0.5 most closely captures the notion of being able to guess no better than chance without the benefit of historical lessons, *ceteris paribus*, and is a statistically conservative fix that preserves a number of observations in the sample that would be lost otherwise.

4.2.4 Secondary Independent Variables

This study focuses on how prior events influence the strategic choices of states faced with threats of economic sanctions. A valid assessment of the hypothesized relationship between enforcement history and target concessions requires that other plausible predictors of

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[25]It is also important to recall that even without historical lessons, the target has other, more situation-specific sources available for inferences about the credibility of the threat, as outlined in Chapter 3.

sanctions outcomes be tested alongside the key independent variable. Existing research on sanctions initiation and effectiveness has generated a number of theoretical arguments that could provide additional insights. Empirical tests of predictors derived from these arguments have produced mixed, and at times, contradictory findings for sanctions success after imposition. The selection argument that is gaining currency in sanctions research suggests that if these factors indeed determine sanctions success, they should do so primarily by convincing forward-looking targets to concede at the threat stage. In the following section, I briefly review these propositions and derive additional hypotheses about the prospects for successful economic coercion. I also discuss the operationalization of these control variables and describe their univariate distribution in the sample.

Sender Costs

The previous chapter discussed sender costs as an alternative factor contributing to the perceived credibility of a sanction threat. Economic sanctions almost inevitably impose some costs on the states using them, potentially diminishing national welfare and economic growth. As a result, senders have incentives to avoid actually imposing threatened sanctions, and these incentives are greater the higher the prospective costs. At the same time, the threat itself carries little or no domestic cost for the sender state and therefore cannot function as a credible signal of resolve. The proposed credibility argument states that the greater the harm that threatened sanctions would inflict on the sender state, the less likely the target is to believe the threat will be carried out, and thus the less likely the target will be to acquiesce to the threat.

Measuring the prospective costs of economic sanctions creates a number of problems. First, because we are dealing with anticipated costs, a direct assessment—as in studies of imposed sanctions—is in most instances not feasible. Second, many sanction threats are imprecise in spelling out which part of the economic exchange between sender and target will be disrupted if the target refuses to comply. This imprecision makes it difficult to assess *ex ante* the costs of sanctions. Third, even when sanction threats are precise, sufficiently disaggregated economic data that would allow researchers to estimate the prospective costs of sanctions is unavailable for many of the targets that are not large industrialized states. In an effort to measure exactly the industry-level cost of sanctions, many observations for the time period considered here would be lost. Fourth, it is not intuitively obvious which indicators should be used to estimate sanctions cost. Both Hufbauer, Schott and Elliott (1990) and Morgan, Krustev and Bapat (2006) suggest ordinal measures.[26] However, the small number of categories provided in these data sets severely restricts the range of values this independent variable can take on. Reliance on these ordinal measures also requires a large amount of trust in the coders' ability to identify and interpret limited information.

To solve this set of problems, I take advantage of the fact that most economic sanctions have a direct impact on the bilateral trade between sender states and targets. Recent empirical studies on economic sanctions increasingly use measures of dyadic trade to approximate the potential costs of sanctions (Lektzian and Souva 2003; Cox and Drury 2006; Hafner-Burton

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[26]Hufbauer, Schott, and Elliott (1990, 120-22) construct an ordinal measure ranging from 1 (net gain) to 4 (major losses), which is based on a complex calculation of initial deprivation, demand elasticity, and supply elasticity. How, precisely, cases are assigned to the aforementioned categories based on this calculation is not transparent from the manuscript and is thus not amenable to replication and extension to new data. Morgan, Krustev, and Bapat (2006) also construct an ordinal measure of anticipated sanctions costs at the threat stage ranging from 1 (minor costs) to 3 (severe costs). This variable is in fact coded as missing for large number of observations in the data. In contrast, monadic and dyadic trade data is more readily available for most sanctions cases included in the sample.

and Montgomery 2008). I adopt a similar approach by including two indicators of the sender's dependence on bilateral trade with the target state.[27]

First, I use the ratio of bilateral trade (the sum of imports and exports between sender and target) to the sender state's gross domestic product (Oneal and Russett 1997; 1999). This measure captures the economic importance of trade with the targeted state to the sender's national economy. In other words, the greater the proportion of a sender state's GDP that derives from trade with the target, the more costly and disruptive sanctions are likely to be for the sender. The variable *Sender Trade Dependence* is constructed for the year prior to the sanction threat using GDP and trade data provided by Gleditsch (2002).[28]

I then complete a second analysis using Barbieri's (1996; 1998) conceptualization of trade dependence, the target's bilateral share of the sender's total trade. The variable focuses attention even more narrowly on trade, and incorporates information about a state's overall openness to imports and exports. In contrast to the indicator proposed by Oneal and Russett, this measure captures the weight of bilateral trade with the target relative to all of the sender's trading relationships. Some scholars suggest that large bilateral trade shares may indicate a state's *dis*connectedness from the world economy, as trade share will be inversely

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[27]The sanctions literature notes that some sanctions are nearly costless to the sender. Prime examples are the suspension of foreign aid and travel bans. To the extent that foreign aid cuts are merely cuts in expenses, their effect will not be captured by the trade variables used here. Consider as a counterexample Japan's foreign aid policy in the 1980s. Japan provided economic assistance to other governments in the region with the provision that Japanese goods receive preferential market access ("Shadow Boxing," *The Economist,* June 4, 1988). Cutting foreign aid likely would have imposed some costs on the Japanese economy via its trading relationship with the recipients. A similar situation may arise where foreign aid is designed to stabilize the recipient nation's economy in order to protect the donor nation's investments. Another common form of aid is military assistance, i.e. the provision of military equipment and know-how without compensation or at favorable prices. To the extent that the sender derives material benefits from the provision of these goods, cutting such aid would be costly. Finally, aid provides non-material benefits to the donor state that could be lost if aid were cut, such as national pride, international respect, and indirect means of exercising political or cultural influence. While these costs and benefits are beyond the scope of this analysis, they further underline the larger point that cutting aid is not always costless or beneficial.

[28]Version 4.0.

related to the number of trading partners a state has (Gartzke and Li 2003, 557-9). All else equal, if the target's share of the sender's total trade is large, a sender may have greater difficulty replacing this trade quickly and without major welfare losses by shifting to other already existing suppliers and markets. *Target's Trade Share* is constructed from data compiled by Gleditsch (2002).

There is considerable debate in the international relations literature over which of these constructs captures economic interdependence more accurately.[29] For the sake of completeness, I test the following general hypothesis about the effect of sanctions costs to the sender using both measures separately. Adopting trade dependence as a proxy for prospective sender costs generates a modified version of Hypothesis 2:

- **Hypothesis 2a**: Target states are more likely to concede to a sanction threat when the sender is less dependent on trade with the target than when the sender is more dependent.

One may object that not all sanctions cases involve threats of complete economic embargoes. Instead, the sender may leverage certain dyadic ties selectively, threatening to cut off commerce in some goods but not others. The construction of the two sanctions cost variables nonetheless assumes that all threats of partial embargoes carry within them the potential for a complete breakdown of economic exchange between sender and target.[30] For example, targets may retaliate by imposing their own sanctions, thus increasing the absolute

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[29]For concise overviews of this debate, see Crescenzi (2005) and Gartzke and Li (2003).

[30]For a similar argument, see Hufbauer, Schott, and Elliott (2007, 62)

cost of economic coercion for the sender (Farmer 2000, 104). While the present operationalization may overstate the potential cost of sanctions for the sender, these considerations and the lack of disaggregated information about which economic ties were put at stake make this a plausible starting point for analysis.

In addition to the trade-focused proxy for sanctions costs, I include a broader measure of the balance of power between the sender and the target state. At its core, economic coercion entails the use of relative power, which has long been viewed as the main determinant of action in international relations (Morgenthau 1967; Waltz 1979; Gilpin 1981). A greater power differential in favor of the sender can allow the sender to impose more painful punishments for defiance and to do so with less harm to itself. In addition, measures of relative capability can also provide a proxy for the prospective costs of escalation. A sender state that fails in its attempt to coerce the target with economic measures such as trade sanctions could escalate the dispute further, employing additional economic measures or even military force. A favorable balance of power can reduce the costs of both sanctioning and escalation for the sender. Targets facing a vastly superior sender should require smaller amounts of pressure than targets that rival or exceed the sender's military or economic strength. The tenor of these arguments will be tested through the following hypothesis:

- **Hypothesis 2b**: Target states are more likely to concede to a sanction threat the greater the sender's relative power advantage.

Scholars disagree about which type of relative power is most relevant in economic coercion. Studies of sanctions effectiveness suggest that the relative size of the two states'

economies, specifically the ratio of their respective GDP provides an indicator of the sender's capacity for imposing significant costs on the target without incurring significant costs to itself (Lektzian and Souva 2003; Jing, Kaempfer and Lowenberg 2003). To account for the balance of economic capabilities I include as a predictor the logged ratio of the sender's GDP to the target's GDP for the year prior to the sanction threat, drawing again on Gleditsch (2002).

Pape (1997), in contrast, notes that sanctions will often be effective only if they are backed, implicitly or explicitly, by the threat of military escalation. Such arguments stem from the belief that economic sanctions are complements rather than substitutes for military force and may constitute a step in the escalation ladder between diplomatic and armed force. Greater military prowess could enable a sender state to escalate to armed force and do so successfully. A militarily advantaged target state may be able to resist a sender's threat of sanctions and any subsequent escalation with impunity.

Other scholars are less optimistic about the influence of relative military power on success in economic coercion. In his review of existing research, Drezner (2003) notes that of six studies of sanctions impositions that include balance of military power or threat of armed force as causal variables, five find no significant effect (2003, 650). The final study, which was conducted by Elliott and Uimonen (1993), in fact finds military statecraft to be negatively related to sanctions success.

In order to test this proposition in the context of sanction threats, I also include in the analysis the natural log of sender-to-target ratio of military capabilities. Each state's individual score is obtained by summing its military personnel and military expenditures for the year prior to the beginning of the sanctions episode. Data for this variable is taken from

the Correlates of War (COW) Composite Index of National Capabilities (Singer, Bremer and Stuckey 1972).

Sender Regime Type

The previous chapter also noted that the sender's domestic political environment should have a systematic effect on the target state's decision calculus. If democratic leaders are more susceptible than autocrats to societal pressures to avoid the economic costs of sanctions, and if there are only limited audience costs constraining democratic leaders from making idle sanction threats, then such threats should be less credible overall. As a consequence, I expect coercion attempts by democratic states to be less likely to succeed in securing concessions. This notion is captured in the following proposition:

- **Hypothesis 3a**: Target states are less likely to concede to a sanction threat when the sender state is a democracy than when the sender is not a democracy.

In choosing an indicator of state-level democracy, researchers today are confronted with numerous available democracy scales employing a wide variety of conceptualizations, measurements, and aggregation techniques (Munck and Verkuilen 2002). I test the above hypothesis using the POLITY IV data compiled by Marshall and Jaggers (2000), which includes a measure of institutionalized democracy and ranks states along a scale of 0 to 10, with a score of 10 representing fully democratic states. While the POLITY data has some well-known limitations, it nonetheless remains the most widely used indicator of regime type in international relations research. It also offers comprehensive coverage for the states and

time period contained in the TIES sanctions data set used here. Using POLITY IV data allows me to test hypotheses related to regime type in a way that is consistent with the majority of recent large-n quantitative studies on economic sanctions.

Rather than include the full range of democracy scores in the following analyses, I resort to a dichotomous binary variable designating sender states as democratic when POLITY IV indicates a democracy score of 6 and above for the year prior to the sanction threat. At this level, states are commonly judged as highly institutionalized democracies.[31] In the sample, using this definition, the vast majority of observations involve democratic sender states (88%).

Chapter 3 further introduced an argument about threat credibility that focuses more narrowly on the openness of the sender's political system to competing societal interests and its implications for the sanctioning process. Economic sanctions will not only have distributional consequences within the sender state; preferences over policy goals and the means used to obtain them will likely also vary throughout the sender state. Political systems that are characterized by a larger number of institutional veto players offer greater opportunities for these diverse and potentially competing interests to affect policy-making. One example is a situation of divided government where political parties with potentially competing interests dominate separate branches of government.

The veto players argument predicts that significant changes in current policy—such as the imposition of economic sanctions—will become less likely as the number of veto players in the process increases. As outlined in the previous chapter, it is plausible to suggest that the number of veto players present in a sender state can influence the credibility of that state's

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[31]The category of non-democratic states also includes observations classified as "interregnum" and "interruption" in POLITY IV (Marshall and Jaggers 2002).

sanction threat by making the imposition of threatened sanctions more or less probable in the eyes of a targeted state. This notion is captured in the following hypothesis:

- **Hypothesis 3b**: The more veto players there are in the sender state, the less likely target states are to concede to a sanction threat.

In testing this hypothesis, I rely on Witold Henisz' (2000) Political Constraints Index (POLCON III) to measure the number of veto players present in the sender state.[32] The index is constructed by identifying the number of independent branches of government with veto power over policy change in the country. Specifically, POLCON III counts the executive, a lower and an upper legislative chamber as separate branches. The index also takes into consideration the extent of alignment across branches of government as well as the degree of partisan heterogeneity within each legislative branch.[33] This measure thus closely captures the presence of institutional as well as partisan veto players in the political system. Clearly, not all of these players are likely to be involved in the sanctions process at all times. The legal basis and policy processes for sanctioning vary from country to country and even within countries, and can vary from case to case.[34] Nevertheless, in aggregate the POLCON index provides an impression of the political environment within the sender state in a given year. In

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[32]As a robustness check, separate analyses were performed using the *Checks2* veto players-indicator provided by the Database of Political Institutions (Beck et al. 2001). This measure is also designed to capture the number of institutional veto players and political divisions among them based on party identification. The temporal coverage of the Database of Political Institutions is limited to the years 1975 through 2006, producing a number of missing values (n=14) in the analyses that include this alternative measure. For all models evaluated, the findings for the veto-players hypothesis using this alternative operationalization are consistent with those reported for the POLCON III variable.

[33]For a more detailed discussion of this measure, see Henisz (2002).

[34]See, for example, Rennack (2005) on the wide variety of laws governing U.S. sanctions in response to nuclear, biological, chemical, and missile proliferation.

particular, it uses the type of information that will likely be available at the time of a sanction threat to outside observers such as targeted states and other third parties.

The measure is designed to have a minimum of zero, indicating a close to complete lack of constraint on policy-making within the political system. This value is assigned to countries without formal veto points, those that are typically considered autocratic regimes. In the sample, countries such as China and Iraq have a score of 0 throughout their appearance in the data. In principle, the veto players-measure has a maximum of one. In the sample analyzed here, the sender states most constrained by this definition are Japan in 1995 and Brazil in 1992, while the United States, as the most prolific user of sanction threats is assigned constraint-scores ranging from a maximum 0.43 (1977) to a minimum of 0.37 (1979).

Target Costs

Sanction threats must be potent as well as credible to be effective. The most common view of sanctions as coercive tool holds that they must impose such a burden on the targeted state that the costs of non-compliance come to exceed those of conceding to the sender's demands. In the case of economic sanctions, coercion is assumed to work because states value trade and other forms of commercial exchange as a source of welfare gains. Vulnerability to economic sanctions grows at least in part out of a target's dependence on the sender as a provider of goods and markets (Doxey 1987, 110-11). A targeted state may be willing to forego other benefits—specifically the concessions demanded by the sanctioner—in order to retain the possibility of trading with the sender state (Hirschman 1945, 17).

Economic sanctions may undermine the target's willingness and ability to hold out by directly undermining its economic health and viability. The closer the commercial relations

between sender and target, the more the target stands to lose from non-compliance. A variety of empirical studies of imposed sanctions have found a significant positive relationship between the costs to the target and successful coercion (Hufbauer et al. 1990, 2007; Lam 1990; van Bergeijk 1994; Miyagawa 1992; Drury 1998).[35] Scholars have further argued that sanctions may work indirectly by undermining the target government's chances for survival in office. To the extent that sanctions impose economic pressure, they may also generate political pressure on decision makers to concede or be replaced. A recent study by Marinov (2005) finds evidence that sanctions have the potential to destabilize leaders in target states. The author also derives, but does not test empirically, the expectation that those sanctions that would be most destabilizing for the target regime will not progress past the threat stage (2005, 568).

The initial economic health of the target economy will also contribute to the overall impact of sanctions. An already distressed target economy may be even less able to withstand additional economic pressure than a target economy that is strong and healthy. A number of studies suggest that economically weak target states will be more likely to concede once sanctions are imposed (Hufbauer et al. 1990; 2007; Lektzian and Souva 2003; Marinov 2005). It stands to reason that such targets, being aware of their own economic strength and prospective resilience under sanctions, will also be more likely to comply when threatened in order to avoid the negative consequences of disrupted commerce. Expectations about the effect of prospective sanctions costs and the initial economic health of the target are captured in the following two hypotheses:

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[35]A notable exception is a study by Jing, Kaempfer and Lowenberg (2003), which finds no statistically significant effect of target costs on sanctions success.

- **Hypothesis 4a**: Target states are more likely to concede to a sanction threat when they are more dependent on trade with the sender than when they are less dependent.

- **Hypothesis 4b**: Target states are more likely to concede to a sanction threat the more distressed their economy prior to the threat.

Analogous to the operationalization of prospective costs to the sender state, I use the pre-sanctions level of trade dependence of the target on the sender state as an indicator of the sender's ability to impose economic damage. Specifically, I estimate the effect of the ratio of bilateral trade with the sender to the target's GDP on the one hand (*Target Trade Dependence*), and the sender's bilateral share of the target state's total trade on the other hand (*Sender's Trade Share*) in the year prior to the sanction threat. Data for the construction of these indicators is taken from Gleditsch (2002). Because these measures are closely related, they will be included in separate analyses.

State-level economic health is a complex concept for which numerous plausible indicators exist, such as annual growth of GDP, rates of inflation, and per capita income of the population. Following the lead of existing work on sanctions success, this study measures the health of the target state's economy by calculating its annual growth in real GDP averaged over five years prior to the year of the sanction threat (Hufbauer et al. 2007, 99). This proxy is designed to provide an assessment of the overall trend in a target state's economic performance. For the purpose of this analysis, greater average rates of growth are assumed to indicate more robust economic health while smaller, and in particular negative rates of growth denote economic distress (see also Marinov 2005). The measure was

constructed using the most recent version of the World Development Indicators compiled by the World Bank (World Bank 2008).

Target Regime Type

As the international community continued to pile sanctions on an increasingly depressed Iraqi economy, Hoagland (2000) observed poignantly: "Does Saddam Hussein care that Iraqi children go to bed hungry and sick? Does Gen. Raoul Cedras fret about Haitian citizens being deprived of work because he clings to power? (…) They don't." Hufbauer et al. (2007, 167) similarly conclude that "it is hard to bully a bully with economic measures." Many of the more egregious acts that have led to the use of sanctions were committed by non-democratic regimes, whose leadership appears to be quite impervious to the economic costs that sanctions impose. The regime type of the targeted state has thus become a prominent focus of sanctions studies.

Galtung (1967) argues that democratic governments should be better able to rally domestic support in response to external pressure. The majority of recent studies disagree, however. Analogous to the theoretical arguments about sender states, it has been suggested that democratic governments should be less able to resist economic pressure. Leaders in democracies depend to a greater extent than autocrats on popular support and are thus more susceptible to societal pressures. They are subject to regular contested elections and more likely to pay a political price for the welfare losses caused by economic sanctions (Nossal 1994; Marinov 2005). As a consequence, democratic leaders have greater incentives to concede in order to avoid the negative impact of sanctions. In contrast, the domestic political structure of autocracies insulates leaders from popular pressure and may also allow them to

shift the burden of sanctions away from themselves and key supporters, especially when sanctions are aimed at the population at large (Pape 1997; Cortright and Lopez 2000; McGillivray and Stam 2004; Major and McGann 2005).

These arguments have an intuitive appeal and are largely confirmed in empirical findings for sanctions success after imposition. Nooruddin (2002), for example, finds that sanctions against democracies are more likely to succeed. Similarly, Bolks and Al-Sowayel (2000) find that non-democratic regimes are able to withstand sanctions over a longer period of time (see also Allen 2005). It is plausible to conclude that if autocratic regimes are less susceptible to the economic and political costs of imposed sanctions, they will also be more impervious to economic coercion by threats alone. This expectation is captured in the following proposition:

- **Hypothesis 5**: Democratic target states are more likely to concede to a sanction threat than non-democratic target states.

I account for the regime type of the targeted state by including a dichotomous variable analogous the measure used to indicate the sender's regime type. The variable takes a value of 1 when the target state is a highly institutionalized democracy denoted by a POLITY IV score of 6 or greater in the year prior to the sanction threat (Marshall and Jaggers 2002). It takes a value of 0 for POLITY IV scores less than 6. In the sample, the majority of observations involve democratic target states (approximately 60%).

Issues at Stake

Sender credibility and prospective sanctions costs are but one side of the target's decision calculus in responding to sanction threats. The amount of pain a target is willing to endure for resistance will be directly related the value it attaches to the sender's demand. Even harsh sanctions should fail if their cost to the target is smaller than the cost of concessions, be it abandoning a disputed piece of territory or altering an offending policy (Baldwin 1985). If the sender's demand, and more broadly the issue under dispute, is highly prized by both parties involved in the conflict, existing economic ties and thus the potential cost of sanctions may come to be seen as an extraneous factor that can be ignored. As a result, issue linkage— in the form of economic coercion—may fail (Axelrod and Keohane 1985, 227). The more a target values the concessions demanded by the sender, the higher the costs of compliance are for the target. All thing being equal, a targeted state should be less likely to concede when it perceives the required concessions to be more valuable than when they are less salient.

Findings in empirical studies that explicitly consider the salience of issues in sanctions episodes are mixed, however. Looking at the issue at stake from the perspective of the sender's stated policy objectives, Hufbauer, Schott and Elliott (1990) similarly find that imposed sanctions are seldom effective in pursuit of major goals. For example, in their most recent study, the authors find that sanctions designed to limit the acquisition and use of military capability by a targeted state succeeded in only thirteen of forty cases. Success rates are found to be higher when more 'moderate' goals, such as the release of political prisoners, are pursued (Hufbauer et al. 2007, 159; see also Dashti-Gibson, Davis and Radcliff 1997). In contrast, Drury (1998) and Jing, Kaempfer and Lowenberg (2003) find no significant link

between the ambitiousness of the sender's objectives in using sanctions and their effectiveness in coercing concessions.

Pape (1997) goes so far as to argue that sanctions cases can differ so fundamentally in their stakes that any comparison of their dynamics and outcomes will lead to erroneous conclusions. The author recommends that sanctions in pursuit of 'low politics' such as economic and regulatory disputes be examined separately from sanctions used in pursuit of 'high politics' such as security and military disputes, because these types of cases differ in the probability of military escalation, the size of stakes, and the role of wealth maximization in the decision calculus. Here, I side with Drezner who argues that these differences may be less clear-cut than Pape suggests (Drezner 2003, 651). Rather than categorize cases by issue at stake and then examining the categories in isolation, I adopt the strategy most commonly found in the existing literature: I assume that the causal mechanisms proposed here play out similarly (but possibly to varying extents) in all contexts and control for issue salience within the broadest possible sample of sanctions cases.[36]

Deriving measures of the perceived value of a demand is challenging for a number of reasons. For example, it is not obvious that all states perceive the same issues to be equally salient. Some may consider ability to conduct a sovereign foreign policy, including the pursuit of nuclear technology of supreme importance such that it trumps the cost of any economic sanctions a sender may impose. The current confrontation between the international community and the Islamic Republic of Iran is a case in point. As of March 2008, Iran had refused to satisfy international calls for open inspections of its uranium enrichment program, prompting the United Nations Security Council to approve a third

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[36]I will return to this point in Chapter 6, which introduces and evaluates a theoretical argument of context-dependent reputations for resolve.

round of sanctions against the country (Kulish 2008). Clearly, whether for domestic or international reasons, Iran values its sovereignty on this particular issue highly enough to outweigh the current pressure to concede.

The same was not true of South Africa, whose nuclear ambitions had become a source of growing international concern during the 1980s. By 1991, partially in response to intensifying international pressure and as a result of multilateral negotiations, South Africa agreed to sign the Nuclear Non-Proliferation Treaty. This decision ended a program of development, manufacture, and trade in nuclear technology that had begun as early as 1969.[37] Unlike Iran, South Africa appears not to have valued its nuclear policy so highly as to make concessions to other states prohibitive or compromises with them unattainable. Similar examples could be compiled for other issues commonly at stake in sanctions episodes.

The recognition that states may differ in their valuation of similar issues makes it difficult to derive general predictions about the effectiveness of economic coercion. One approach to overcoming this problem would be to code the salience of an issue on a case-by-case basis for each target, which in turn raises no less intractable questions about objective criteria and an appropriate metric. Alternatively, one could exclude issue salience from the analysis altogether, presumably on the basis that commonly accepted indicators do not yet exist for measuring actors' utility for a particular issue in dispute. A number of recent studies adopt the latter approach (Morgan and Schwebach 1997; Allen 2005; Cox and Drury 2006).

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[37]Federation of American Scientists. "South Africa Special Weapons Guide." URL: http://www.fas.org/nuke/guide/rsa/nuke/index.html (accessed June 14, 2008).

The approach taken here represents a compromise and follows the intuition of Hufbauer, Schott and Elliott (1990) that issues related to territorial integrity and survival will be likely be highly salient to any state. The TIES data codes the sender's goals in a sanctions case as falling into one of several categories; among them are containment of an opponent's political and military control over a third party, regime change in the target state, territorial disputes, limiting an opponent's access to strategic materials, containing weapons proliferation, altering the opponent's alignment choices, and terminating target support for non-state actors (Morgan, Krustev and Bapat 2006). These are issues that have the potential to directly affect the national survival of the targeted state.[38] Assuming that states are willing to incur greater economic pain in defense of their national survival than over less existential policy issues, the following hypothesis suggests itself:

- **Hypothesis 6**: Target states are less likely to concede to a sanction threat when the issue at stake is highly salient to their national survival than when it is less salient.

This proposition will be tested using a dichotomous variable that takes a value of 1 when the issue at stake is coded in TIES as falling into one of the categories noted above, and a value of 0 otherwise. In cases where the TIES data set records multiple issues at stake in a sanctions case, the variable is coded for the most salient issue recorded for that case. In the

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[38]The remaining issue categories coded in TIES (2006) include trade policies and the implementation of economic reforms, the release of citizens, property, or material, the improvement of human right, deterrence or punishment of drug trafficking activities, the improvement of environmental policies, as well as a catch-all category for sender demands that fall outside any of the above categories. See the TIES codebook for a more detailed description (Morgan, Krustev and Bapat 2006).

sample analyzed here, approximately one quarter (25%) of the observations involve sender demands classified as issues of national survival.

This binary indicator is admittedly an imperfect proxy for the actual value that specific target states assign to a given demand by the sender state. It nevertheless has the advantage of generating results than can be readily compared to findings in existing sanctions scholarship. Developing a logic and reliable methodology for more fine-grained measurements of issue salience remains an important challenge for future research.[39]

Prior Relations

One of the more puzzling findings of Hufbauer, Schott and Elliott's (1990, 99) seminal study was that sanctions appeared to be more effective when used against allies. In contrast, sanctions against target countries that have long been adversaries of the sender country were found to be generally less successful. This finding leads the authors to the intriguing recommendation that sanctions may be most fruitfully employed against friends, not foes. It is plausible that target states that have been able to sustain a positive diplomatic climate with the sender in the past may prefer to continue to adopt a conciliatory stance rather than let overall relations with the sender sour.

Such an argument suggests that economic sanctions are attempts at issue linkage in more than one sense: economic ties are not the only aspect of the long-term relationship between sender and target at stake in the dispute. A current confrontation may also jeopardize an ongoing, (mutually) beneficial cooperative relationship between the states in many additional issue areas. Political sensitivities, above and beyond the threatened economic costs, may in

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[39]A promising recent effort on this direction is an analysis of the link between issue salience and issue management in disagreements over territory, maritime zones, and cross-border rivers by Hensel et al. (2008).

fact outweigh the target's valuation of the issue under dispute (Hufbauer et al. 2007, 60, 163-4; see also Lavin 1996). Lam (1990) and Bonetti (1998) also report a significant positive correlation between cordial pre-sanctions relations and sanctions success.

Daniel Drezner's (1999) investigation of economic sanction threats expands on these initial findings and puts forth an alternative theoretical explanation. To the extent that concessions result in a shift in relative power between sender and target, they may leave the target in a weakened position should future confrontations arise. When the current sender state of a sanction threat is an adversary, expectations of future conflict are bound to amplify the current cost of concessions. In contrast, when the sender state is an ally and the perceived probability of future conflict is low, the resulting transfer of assets and power will be seen as less dangerous in the short run, making significant target concessions more likely (1999, 45).

These explanations are not incompatible and it is not the goal of this study to adjudicate between them. Instead, these arguments combined with existing research generate a general expectation that target states who maintain cooperative relations with the sender prior to the sanction threat will be more likely to concede to a threat than target states whose previous interactions with the sender were predominantly hostile.

- **Hypothesis 7**: Target states are less likely to concede to a sanction threat the less cooperative their relations with the sender state are prior to the sanction threat.

It should be noted that this conclusion is at odds with a recent finding by Lektzian and Souva (2003, 655), who report that the presence of a shared alliance increases the likelihood of sanctions imposition. One possible explanation for this inconsistency lies in the

construction of the independent variable. The majority of empirical studies operationalize prior relations in one of two ways. Some employ Hufbauer, Schott and Elliott's (1990, 47) ordinal measure of prior relations ranging from antagonistic over neutral to cordial (see also Bonetti 1998). Others, including Lektzian and Souva (2003), rely on a binary indicator of shared alliance membership (see also Allen 2005; Cox and Drury 2006).

For a convincing test of the theoretical arguments proposed by Hufbauer et al. (1990; 2007) and Drezner (1999), focusing solely on alliances is problematic. The absence of an alliance does not necessarily indicate hostile relations. Instead, it may simply result from the lack of a common enemy, as alliances are often formed in the shadow of a shared threat. Here, I measure the nature of prior relations between sender and targets using a modified version of Crescenzi and Enterline's (2001) Interstate Interaction Score (IIS) for the year prior to the sanction threat. This measure captures the behavioral history of hostility and cooperation between two states and can take on a continuous range of values between -1 (indicating maximum historical hostility) and 1 (maximum historical cooperation). In the sample analyzed here, the most hostile relations are recorded between the United States and Iraq in 1992 (for an IIS score of -0.9) and the most cordial pre-sanctions relations are found between Canada and the United States in 1993 (for a score of 0.3).

Unlike alternative operationalizations, which only cover the cooperative end of the spectrum (alliances) or the degree of hostility (for example strategic or enduring rivalries), the IIS measure incorporates information about prior occurrences of militarized interstate disputes as well as shared membership in intergovernmental organizations. It thus covers a fuller range of sensitivities and potential conflict expectations. As a result, it should provide for a more valid test of the original hypothesis.

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Multilateral Sanctions

Economic sanctions may be threatened and imposed by individual states, by ad-hoc coalitions of states, or on behalf of international organizations. While multilateral sanctions became more common in the 1990s, primarily under the auspices of the United Nations, unilateral endeavors remain the norm and have regained prominence recently (Cortright and Lopez 2002, 7). The relative merits of multilateral cooperation in sanctioning have been the subject of considerable debate in the sanctions literature, among policy makers, and in the business community, for a number of reasons.

On the one hand, it can be difficult to make sanctions sufficiently potent in a globalized world economy (Elliott 1998). Unilateral sanctions in particular open the door for third states to step in and establish themselves as new trading partners of the targeted state as the sanctioning state disengages from the target's economy (Congressional Budget Office 1999; Askari et al. 2001, 2003; Preeg 1999). This type of replacement may diminish the medium- to long-term costs of sanctions to the target and may in fact increase the cost of sanctions to the sender. Both effects limit the likelihood of target concessions. In contrast, multilateral efforts have the potential to cut off alternative sources of supplies and income for the targeted state. In principle, cooperation among sanctioning states should increase the costs of sanctions to the target and lower the costs to the sender state (van Amerongen 1980; Doxey 1987). In aggregate, one could thus expect threats of multilateral sanctions to be more effective than threats of unilateral measures:

- **Hypothesis 8a**: Target states are more likely to concede to a sanction threat when the sanction threat is a multilateral effort than when it is unilateral.

On the other hand, much like other forms of international cooperation multilateral sanctions efforts face problems of coordination and enforcement among the parties involved. Cooperation could fail altogether because the prospective sanctioners are unable to credibly commit to upholding potentially expensive sanctions, giving each individual sanctioner incentives to shirk (Martin 1993). Even when cooperation can be achieved, the negotiations and compromises involved in multilateral endeavors can undermine the speed and decisiveness with which sanctions will be imposed.

Finally, a related problem arises to the extent that sanctions emanating from a multilateral bargaining process represent the smallest common denominator among sender states. Multi-party sanctions may ultimately be less potent than the measures than those an individual sanctioner would have imposed (Hufbauer et al. 2007, 172; 1990). The prospect of sanctions that are weak, slow, and resting on fragile cooperation among sender states could be less coercive than sanctions that promise to be potent, implemented quickly, and depend solely on the will of a single sanctioner. A number of empirical studies confirm that with regard to imposed sanctions, multilateral efforts are often less effective than unilateral actions in coercing targeted states (van Bergeijk 1994; Drezner 1999; Bonetti 1998; Hufbauer et al. 1990, 2007).

However, Drezner (2000) suggests that it is premature to condemn multilateral sanctions because the above findings may be attributable to a lack of institutional backing. Organizational support can add international legitimacy to the goals and process of sanctioning, raise the costs of breaking commitments to fellow sanctioners, and allow sender states to resist domestic pressures to backslide once sanctions have been imposed (Drezner 2000, 98). In doing so, it can help potential sanctioners overcome those bargaining and

enforcement problems that can plague ad-hoc coalitions and undermine sanctions effectiveness. Drury (1998) provides further empirical support for the proposition that economic sanctions that are imposed multilaterally are more successful than unilateral efforts only when they are supported by an international organization.

- **Hypothesis 8b**: Target states are more likely to concede to a sanction threat when the sanction threat is a multilateral effort *backed by an international organization* than when the threat lacks such backing or is unilateral.

In addition to the primary sender state, the TIES data codes up to five secondary sender states. Some of these observations may of course involve more than five secondary sender states, but for the purpose of testing the above hypotheses, 'multilateral' will be defined as involving at least three sanctioners. The TIES data also provides information on whether sanction threats were made on behalf of an international institution or formal alliance whenever there is evidence that a motion for the application of sanctions was considered in such a forum. Specifically, at least one member of the institution must propose that the body adopt sanctions against the target as a collective.

Unfortunately, the makeup of the sample used here does not allow for a test of Hypothesis (8a). Only 3 observations in the sample data (N=275) involve multilateral sanction threats that were *not* issued on behalf of an international institution.[40] This lack of variation makes it very difficult to differentiate between the effectiveness of unilateral and

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[40]This is in part the result of excluding 40 cases where the European Union (EU) or its institutional predecessors was a sender or target of economic sanctions. As noted earlier, these cases were omitted based on the conviction that the EU is an international body *sui generis* for which comparable indicators of many of the secondary variables used here are unavailable.

ad-hoc multilateral sanction threats on the one hand and between institutionally backed threats and ad-hoc multilateral threats on the other hand. We should have limited confidence in any findings such a test could generate. Future research should investigate the effect of different modes of international cooperation on the effectiveness of sanction threats, for example through a systematic comparison of sanctions-relevant decision-making processes in the United Nations and the European Union.

In this project, I concentrate instead on Hypothesis (8b) and generate a binary variable for institutionally supported multilateral threats, collapsing unilateral and ad-hoc multilateral threats into one category. This variable takes a value of 1 whenever the TIES data indicates at least two secondary sender states in a sanctions episode *and* also records that the threat originated within an international institution; it takes a value of 0 otherwise. Based on this construction, the majority of observations in the sample are unilateral sanction threats without institutional support (90%).

Clarity

Theoretical work on the general efficacy of threats suggests another predictor of successful coercion: the clarity of the threat. While existing large-n studies of economic coercion have not explicitly considered this factor, it has an intuitive appeal. In order to be effective, a threat has to be sufficiently clear. On the one hand, the target must be able to understand precisely what is required of it. If the target is insufficiently informed about what it must do to avoid being sanctioned, it may not be able to comply. On the other hand, the target must also have a sufficiently clear understanding of the consequences attached to non-compliance

(Hovi 1998, 16; Baldwin 1971). In practice, sanction threats appear to vary widely on both counts.

The TIES data set distinguishes between threats ranging from a mere mention of sanctions as one available policy option among others being considered, to "if…then" statements outlining the precise sanctions to be levied against the target. Sender demands are coded as 'ambiguous' when calling for broad types of actions or 'clear' when the sender outlines a specific list of conditions to be fulfilled by the target. Hovi (1998) leads us to expect that sanction threats that are both clear in their demands and precise in spelling out the punishment for non-compliance will be more effective in securing concessions than threats that are lacking in either criterion. This logic provides an additional hypothesis to be tested here:

- **Hypothesis 9**: Target states are less likely to concede to a sanction threat when the terms of the sanction threat are ambiguous than when the terms are clear.

Why would a sender state choose to make an ambiguous threat? One possible motivation for keeping demands vague is that the sender knows with certainty what policy outcome it desires but is uncertain and possibly indifferent about the precise changes a target may adopt to bring about this outcome. For example, a sender seeking improvements in a target's human rights record may be unwilling to spell out precise policy demands in order to avoid clarifying loopholes and exceptions (Baldwin 1971, 76). A plausible reason for keeping the consequences of target defiance vague is to obscure the fact that imposed sanctions would be less severe than the sender would like the target to expect. By leaving the threatened

consequences unclear, the sender invites the targeted state to ponder worst-case scenarios which may exceed what the sender is actually willing to impose if challenged. The flip-side of this argument is that by refusing to commit firmly to a particular set of costly measures, the sender may instead be demonstrating its inability to do so. If this is the case, vague threats would have to be interpreted as a sign of lacking resolve.

Odell (2000) illustrates this point in his analysis of U.S. sanction threats, noting that differences in U.S. tactics strongly influenced threat effectiveness in trade negotiations with Brazil and the European Community in 1985 and 1986, respectively:

> "The threat toward Brazil was less precise, concrete, and automatic. The administration did not publicize an estimated value of harm that Brazil was alleged to have done to U.S. interests, and at the outset did not identify the Brazilian industries that would suffer if the sanctions were carried out. There was no specific action by the Congress regarding Brazil urging the President to carry out this threat. (…) Washington moved more concretely against the European Community from the outset, detailing target industries and setting extremely tight deadlines" (2000, 112).

In these two cases, Odell (2000, 113-18) argues that the source of varying threat clarity was the fact that the U.S. government faced greater domestic opposition to implementing sanctions against Brazil than the EC. While a vague threat served to avoid a more vocal domestic opposition to sanctions imposition, they nevertheless betrayed the administrations weakness and led Brazil to adopt a tough stance in the negotiations.

As a first large-n quantitative test of the clarity-hypothesis, I include in the following analysis a binary variable that takes a value of 1 whenever TIES codes a threat as being both clear in identifying the offending behavior of the target *and* at least moderately precise in identifying economic sanctions as the punishment for non-compliance, and a value of 0 otherwise. Specifically, a threat qualifies as clear if the sender makes a statement listing all of

the offending behaviors of the target state that must be changed to avoid sanctions. A threat is considered moderately clear whenever it explicitly mentions sanctions as a possible course of action if the target fails to alter a certain behavior (Morgan, Krustev and Bapat 2006, 3-4). In the sample analyzed here, the majority of threats (approximately 70%) are ambiguous by this measure.

4.2.5 Summary

The general conceptual model analyzed in this dissertation can be summarized as follows:

$$Pr(\textit{Coercive Success})_t = \beta_0 + \beta_1(\textit{Sender Reputation})_{t-1} + \beta_2(\textit{Sender Cost})_{t-1}$$
$$+ \beta_3(\textit{Sender Domestic Constraint})_{t-1} + \beta_4(\textit{Relative Power})_{t-1} + \beta_5(\textit{Target Cost})_{t-1}$$
$$+ \beta_6(\textit{Target Democracy})_{t-1} + \beta_7(\textit{Survival at Stake}) + \beta_8(\textit{Prior Relations})_{t-1}$$
$$+ \beta_9(\textit{Multilateral Threat}) + \beta_{10}(\textit{Clarity}) + \varepsilon$$

Before proceeding to an empirical evaluation of this model, it is useful to recapitulate the specific expectations derived from the reputational argument that forms the center of this dissertation, as well as predictions culled from existing sanctions research. We should be more likely to observe sanctions success at the threat stage when the sender has a stronger record of enforcing threats in the past. In the following analysis, this record is assumed to consist of the sender's past actions against any target and involving any issue. In short, the stronger a sender's monadic and diffuse reputation for resolve, the more likely sanction threats are to succeed. Furthermore, we should be more likely to observe successful threats when the sender state is less economically dependent on bilateral trade with the targeted state, is more economically or militarily powerful compared to the target, is not a democracy or has relatively fewer veto players influencing domestic policy-making. Under these

conditions, threats of economic sanctions are predicted to be more credible and thus more likely to elicit concessions from the targeted state.

More potent threats should also increase the probability of successful coercion, such as when threats are multilateral and backed by an international organization, when the target is already economically distressed at the time of the sanction threat, or the more economically dependent the target is on bilateral trade with the sender state. Moreover, economic sanction threats expected to be more successful on average against democratic states, presumably because democracies are more sensitive to economic losses overall. Finally, sanction threats are expected to be less efficacious if conceding the sender's demand has the potential to undermine the national security or survival of the targeted state either because the demand touches on this area directly or because relations between the parties have historically been conflictual.

4.3 Analysis

After accounting for missing observations on the control variables, the final estimation sample contains 275 sanctions cases, initiated between 1971 and 2000, involving 30 different sender states and 72 different targets. Of these, 92 cases (34%) ended in a successful outcome for the sender state, either by securing the requested concessions outright or through a negotiated settlement in which the target committed to fulfilling at least some of the sender's demands. Unsuccessful attempts at coercion lead to sanctions imposition in 98 cases (36%), while the sender state withdrew from the threat in 85 cases (30%). Tables 4.5 and 4.6, located at the end of this chapter, provide a summary of descriptive statistics and collinearity diagnostics for all predictors in the sample.

The United States is a prolific user of sanctions, and as a sender state it accounts for over 50% of the observations included in this sample. Scholars have noted that the U.S. as one, if not *the* leading economic and military power in the international system, has both greater ability and more numerous opportunities to engage in economic coercion than other states (Cox and Drury 2006; Hafner-Burton and Montgomery 2008; Hufbauer 1997). Ignoring the prominent role of the U.S. in the data runs the risk of introducing bias into the results. To account for the impact that U.S. sanctions have on the overall findings, I adopt a practice that is common in the sanctions literature by creating a dichotomous indicator for U.S. involvement as a sender state. Below I report results for two versions of the analysis, one that includes this U.S. dummy value and one that does not.

The results also adjust for the effects of likely clustering in the data. States may threaten particular opponents repeatedly as part of a prolonged dispute. In these cases, states could also exchange sanction threats in retaliation, switching roles as senders and targets. One consequence of such repeated interaction is that there is likely to be a connection between observations describing the same pair of states. The assumption of independence of observations is violated in these dyads, making it necessary to use adjusted standard errors. Due to the possible presence of retaliatory threats and protracted conflicts in the sample, observations are clustered by un-directed dyads rather than sender-target directed dyads.

Given the dichotomous nature of the dependent variable, logistic regression is a suitable statistical model for testing the above hypotheses. Table 4.1 presents the findings of two models predicting the target state's choice to concede to a threat of economic sanctions. As noted previously, researchers are divided over the appropriate operationalization of dyadic economic interdependence, which is used here as a proxy for the prospective costliness of

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sanctions imposition. I therefore present findings for the two most commonly used indicators in studies of economic sanctions. The research design also describes alternative operationalizations for other control variables, specifically dyadic balance of power and domestic constraints in the sender state. Including different operationalizations of these concepts in the same regression raises questions about multicollinearity and could thus diminish our confidence in the validity of the results. Instead, coefficients for these variables were estimated in separate logits. The findings for these predictors will be discussed alongside those presented in the Table 4.1.

4.3.1 General Findings

The results presented in Models 4.1 through 4.4 provide strong initial support for the key proposition introduced in this dissertation. A sender state's past record of carrying out threats when challenged appears to influence the likelihood of successful coercion in subsequent sanctions episodes, and it does so in the way predicted by the argument about reputational inferences outlined in Chapter 3 (Hypothesis 1a). The coefficient for *Sender Reputation* is positive and highly statistically significant.[41] Sanctions episodes are more likely to end in target concessions at the threat stage the more consistently the state issuing the threat has

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[41]An initial set of analyses testing the key predictor, *Sender Reputation*, and the remaining predictors in separate models, yields results largely consistent with those presented in Table 4.1. Examining *Sender Reputation* in isolation returns a positive and highly statistically significant coefficient (p<0.001). In the null model, which includes only the secondary independent variables, coefficients for all predictors retain the same signs as in the full model. However, *Sender Trade Dependence* and *Target's Trade Share* are diminished in their statistical significance in the null model (p=0.09 and p=0.12, respectively). Without accounting for the effect of a sender's past enforcement record, one would have to conclude that higher costs of sanctions to the sender have no independent influence on sanctions outcomes. *Target Democracy* and *Survival at Stake* are slightly more significant in the null model (p=0.03 and p=0.036, respectively).

Table 4.1 Determinants of Sanction Threat Effectiveness (Logistic Regression).

Variable	Model 4.1	Model 4.2	Model 4.3	Model 4.4
Sender Reputation	2.346	2.281	2.422	2.399
	(0.798)***	(0.868)***	(0.797)***	(0.872)***
Sender Trade Dependence	-7.363	-6.593		
	(3.403)**	(3.392)†		
Target's Trade Share			-3.423	-3.242
			(1.457)**	(1.453)**
Sender Veto Players	0.321	-0.136	0.493	0.055
	(1.341)	(1.488)	(1.363)	(1.509)
Target Trade Dependence	2.856	1.491		
	(2.162)	(2.027)		
Sender's Trade Share			1.866	1.110
			(0.973)†	(1.013)
Survival at Stake	-0.727	-0.796	-0.713	-0.830
	(0.410)†	(0.433)†	(0.428)†	(0.463)†
International Organization	-1.293	-1.231	-1.330	-1.276
	(0.699)†	(0.809)	(0.697)†	(0.823)
Prior Relations	1.248	0.919	1.143	0.850
	(1.076)	(1.016)	(1.105)	(1.055)
Relative Power (Military)	-0.200	-0.325	-0.250	-0.377
	(0.057)***	(0.073)***	(0.063)***	(0.080)***
Target Democracy	-0.554	-0.638	-0.506	-0.592
	(0.357)	(0.346)†	(0.506)	(0.349)†
Threat Clarity	0.688	0.639	0.675	0.642
	(0.314)**	(0.316)**	(0.314)**	(0.315)**
U.S. Sender		1.285		1.354
		(0.375)***		(0.397)***
N	275	275	275	275
Log Likelihood	-156.253	-153.381	-156.795	-152.940
Wald χ^2 (df)	33.99(10)***	46.61(11)***	32.23(10)***	39.25(11)***

Numbers in parentheses are robust standard errors, adjusted for clustering by dyad.
Statistical significance in two-tailed tests: ***p<0.01   **p<0.05   †p<0.1.

lived up to its conditional commitments up until the year of the current confrontation against any target over any issue. A weak record of punishing defiant targets appears to undermine the odds of being able to obtaining one's goals inexpensively in the future. Moreover, this finding does not appear to be driven by the presence of the U.S. as a sender.

The findings also support the notion that greater prospective costs of sanctions to the sender state in terms of bilateral trade will make targets less likely to acquiesce to threats

(Hypothesis 2a). Coefficients for *Sender Trade Dependence* and *Target's Trade Share* are negative and generally statistically significant at the conventional level of 0.05.[42] Overall, when the economic dependence of senders on targeted states is higher, the probability of target concessions appears lower. To the extent that measures of pre-sanctions bilateral trade are valid proxies for the economic costs of sanctions, greater sender costs appear to undermine the coercive power of sanction threats. One possible explanation for this finding is that greater sender costs do indeed decrease the credibility of a given threat because the targeted state comes to believe that the sender will be unwilling or unable to implement it. While the present analysis does not provide a direct test of the proposition, the current findings are at least consistent with such an argument and should encourage further research.

I also find substantial evidence that the clarity of a sanction threat influences the probability of a successful outcome for the sender (Hypothesis 9). The coefficient is consistently positive and statistically significant. Threats that consist of precise demands for policy change and clearly outlined consequences for defiance are associated with greater rates of target acquiescence than threats that are either imprecise in the demands or ambiguous about possible punishment, or both. This finding is particularly noteworthy given that previous studies of economic sanctions have not systematically considered clarity as a predictor of sanctions success. Why do states issue vague threats? What is this vagueness designed to signal to a targeted state? And how do target states interpret ambiguity in sanction threats? Analyses of the precise causal mechanisms that drive the correlation between clarity and efficacy in threats of this type are beyond the scope of this dissertation. The results presented here suggest that these are promising questions for future research.

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[42]For the trade dependence-variant, statistical significance is diminished with the inclusion of the *U.S. Sender* dummy (p=0.076).

There is marginal support for the hypothesis that sanction threats over issues of national survival are more likely to be rejected than threats involving other types of demands (Hypothesis 6). Coefficients for *Survival at Stake* are negative and weakly significant across model specifications. This finding is open to a number of interpretations. On the one hand, one could conclude that the impact of issue salience on target compliance is limited. A simpler statistic that is illuminating, however, is the difference in percent of successful coercion attempts when cases over 'salient' issues (as defined here) and other cases are compared. Of the 70 observations in the sample where the issue at stake is related to the target state's survival, only 14 (20%) ended with target acquiescence or a negotiated settlement, compared to 78 cases (38%) of those sanctions episodes involving other types of demands. Overall, it appears that successful outcomes over national survival-issues are indeed more difficult to obtain, and coercion attempts over such demands fail at greater rates.

On the other hand, the lack of stronger empirical support could be a product of the operationalization of the variable. Recall that the discussion of the target's decision calculus in Chapter 3 suggests that targets will be less likely to acquiesce when the costs of compliance with the sender's demand exceed the expected costs of defiance. The operationalization of compliance costs here is based on issues related to military influence and territorial integrity. It was assumed that these are issues that touch upon national survival and it was further assumed that all states value these issues more highly than other issues. It may simply be the case that issue salience is so specific to the domestic and international environment of individual states that it is wrong to assume that all states value similar issues at similar rates, and that demands related to military and alignment policies are consistently

considered more salient than other issues. Our understanding of the role of issues in sanctioning would benefit from further theoretical and empirical work.

The findings for the remaining control variables are mixed. No support is found for the idea that the sender state's domestic institutional environment influences the target's decision to give in to a sanction threat. Table 4.1 includes results for Hypothesis 3b, which posits that target states are less likely to acquiesce to threats the more veto players there are in the sender polity. However, the number of constraints on policy changes in the sender state appears to have no discernible impact on threat effectiveness. The coefficient for *Sender Veto Players* flips signs from positive to negative with the inclusion of the *U.S. Sender* dummy in one of the models, but consistently fails to reach conventional levels of significance.

The broader version of the theoretical argument is also not supported for this sample. A separate regression was analyzed, replacing the continuous predictor *Sender Veto Players* with the binary indicator for *Sender Democracy*, retaining all other predictors. The coefficient for this variable is negative across all specifications of the conceptual model and remains statistically insignificant throughout. Contrary to the theoretical arguments and predictions outlined in Chapter 3, the domestic political context of the sanctioning state does not appear to influence the outcomes of coercion attempts at the threat stage. More politically constrained senders are not significantly more likely to have their threats resisted by targeted states. There is also no support for the contrary argument derived from the audience cost proposition.

One partial explanation for this non-finding may be the relative lack of variation in the *Sender Democracy* variable: The vast majority (88%) of all cases involves democratic senders. This raises the question why democracies threaten sanctions more often than other

regime types. Scholars have suggested a variety of reasons, ranging from an aversion to the use of more drastic means of coercion such as military force (Haass 1998) to increased domestic incentives for the expressive or symbolic use of sanctions (Galtung 1967; Drury 2000). Another explanation points to an additional problem for statistical inference: those states that are most likely to become users of economic sanctions are the larger, industrialized economies of the world. These states in particular have the opportunity and the means to sanctions others; they are also predominantly democratically ruled. In fact, in the sample examined here, G8 countries as senders account for 83% of all cases. With the exception of the Soviet Union/Russia, these states are identified as democracies by the operationalization used here. The lack of variation in the democracy indicator for this sample makes comparisons between democratic and non-democratic sanctions success infeasible.[43] More fine-grained analyses should be conducted to discern how threat credibility varies among democracies. For example, future research may consider in greater detail the way in which political partisanship of policy-making elites influences the perceived credibility of economic threats across different sender states.

Surprisingly, the target state's dependence on trade with the sender does not appear to be correlated with greater rates of compliance. Consistent with the notion that sanction threats have to be potent to succeed, Hypothesis 4a states that target states are more likely to concede, the more dependent they are on bilateral trade with the sender of a threat. While the coefficients for *Target Trade Dependence* and *Sender's Trade Share* are consistently positive, the latter predictor reaches only marginal statistical significance in one of the

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[43]Another explanation for the lack of non-democratic senders in the sample is related to the limited availability of economic data for many smaller economies. Moreover, as noted earlier the creation of the original data set predominantly from English-language news sources may further skew the sample away from interactions among smaller economies and less prominent non-democratic states.

models (Model 4.3). No support is found for the hypothesis that more economically distressed targets will be more likely to concede to threats of sanctions (Hypothesis 4b). The coefficient for this variable is consistently negative but far from statistically significant across all model specifications.[44]

There is also no empirical support for the hypothesized influence of the target state's regime type on sanctions outcomes (Hypothesis 5). The coefficient for *Target Democracy* is in fact negative (counter to prediction), indicating that episodes involving democratic targets may be less likely to end with concessions to the sender. The predictor is marginally significant when we control for the weight of U.S. sanctioning behavior in the data. I similarly find no statistical evidence for the predicted relationship between more cooperative prior relations and sanctions outcomes at the threat stage (Hypothesis 7). Coefficients for *Prior Relations* as represented by the Interstate Interaction Score (IIS) of sender-target dyads are not statistically significant across all model specifications.[45]

The sample analyzed here also offers no indication that sanction threats issued by a group of states on behalf of an international organization are more likely to induce compliance than threats issued unilaterally or by ad-hoc coalitions of states (Hypothesis 8b). To the contrary,

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[44]Due to data limitations, including this variable in the regression drops the number of observations to N=245. Findings for the remaining covariates in this reduced sample are largely consistent with those presented in Table 4.1. The only notable changes are that the coefficients for *Survival at Stake* and *Multilateral Sanctions* completely lose their marginal statistical significance. Because the coefficient for *Target Economic Health* is not close to statistically significant and also does not improve model fit, and due to the resulting loss of observations, it was excluded from the analysis presented in this chapter.

[45]I also test this hypothesis using an alternate measure, a binary variable indicating joint alliance membership. Data for this predictor is drawn from the Alliance Treaty Obligations and Provisions (ATOP) data set (Leeds, Ritter, Mitchell, and Long 2002). This variable takes a value of 1 when ATOP records a formal alliance between the sender and the target in the year prior to the sanction threat, and takes a value of 0 otherwise. Coefficients for this predictor are also statistically insignificant and do not substantially change the sign and significance of the remaining variables. I have argued earlier that reliance on alliance membership is an incomplete operationalization of the underlying concept. I include the variable here as a robustness check and for purposes of comparison with recent empirical work (see, for example, Lektzian and Souva 2003).

what evidence there is for an effect of institutional involvement suggests that multilateral threats are counterproductive. The binary variable carries a negative and marginally significant coefficient in two of the models. However, this effect is not robust to the inclusion of the *U.S. Sender* dummy. It is possible that the benefits of institutional support for multilateral sanctioning observed by Drezner (2000) do not materialize until economic measures are implemented and the sender states have demonstrated their willingness to cooperate in punishing target defiance. After initial commitments are fulfilled and sanctions are imposed, institutional backing may indeed curtail backsliding and shirking within sender coalitions, and thus make success more likely. Prior to imposition, however, institutional support appears to have little influence on target acquiescence.[46]

Finally, the analysis yields a strong but unexpected result with regard to the balance of power between senders and targets of sanction threats. Hypothesis 2b stated that the smaller the sender's advantage in relative power, the less likely it is that targets will comply with demands. The logic underlying this proposition is that a favorable balance of capabilities gives potential sanctioners the opportunity to impose sanctions on the target at relatively low cost to themselves. In principle, economically stronger senders can afford more extensive and costly sanctions. Militarily strong senders have available an additional tool of coercion: the ability to escalate a current confrontation to the use of armed force, as well as a reasonable expectation of winning such an escalated dispute. If superior capabilities also carry the implicit threat of their use in the dispute, a favorable balance of power for the sender, either in economic or military terms, should convince a target that the costs of defiance would be too great to bear.

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[46]A substantive interpretation of this finding is somewhat hampered by the fact the institutionally-backed sanction threats constitute a very small portion of the sample (10%), likely due to the exclusion of EC/EU cases from the data.

The results at hand suggests the opposite might be the case. It appears that a more favorable balance of power for the sender decreases rather than increases the probability of target compliance. Table 4.1 reports findings for the ratio of military capabilities between senders and targets. The coefficient for *Relative Power (Military)* is negative, highly statistically significant, and robust to the inclusion of the *U.S. Sender* dummy. These results confirm earlier findings by Elliott and Uimonen (1993) for the effect of military statecraft on sanctions success after imposition. They also closely resemble the coefficients obtained by including the ratio of economic capabilities.[47] What could account for this seemingly counterintuitive finding? One explanation is suggested by Morrow (1992), who notes that attempts at issue linkage are most likely to succeed when the sender is indeed stronger than the target *but not overwhelmingly so*: a sender must be strong enough to convince the target to accept the linkage offer. However, the sender must not be so strong that the target would have had to accept an unlinked offer (1992, 167). If the sender is perceived as having the means to coerce compliance without economic sanctions but chooses to threaten them nonetheless, this attempt at issue linkage could be taken as a sign of weakness. In cases where the balance of power clearly favors the sender, a threat of economic sanctions may betray the sender's unwillingness to leverage its superior capabilities in more direct ways. This result is also consistent with the broader theoretical argument that states view economic statecraft as a substitute for military coercion, rather than as a complement (Morgan, Palmer and Miers 2000).

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[47]This correlation is unsurprising given the construction of these variables. Economic prowess is often, although not always, a prerequisite for the acquisition of significant military capability. This close correlation prevents the inclusion of both variables in the same regression. It also precludes one from drawing more specific conclusions about how military and economic power differ in their impact on sanctions outcomes at the threat stage. Replacing the ratio of military capabilities with the sender-to-target ratio of GDP decreases the statistical significance of *Survival at Stake* (p=0.097) in Model 4.1 and slightly increases the significance of *Sender Trade Dependence* (p=0.049) in Model 4.2. The same analysis yields a smaller and statistically less significant coefficient for *Target Trade Share* (p=0.09) in Model 4.3.

4.3.2 Predicting Coercive Success

The parameter estimates presented in Table 4.1 provide a first impression of the factors that are most helpful in predicting successful coercion at the threat stage of sanctions episodes. Logit coefficients, however, do not lend themselves to direct interpretation in terms of substantive effects. One useful approach to interpretation is the examination of the discrete change in the probability of obtaining a particular outcome, here the termination of a sanctions episode through target acquiescence or negotiated settlement. All other continuous covariates are held constant at their mean, binary covariates at their mode. Given the degree of consistency in findings across the four models, I derive first differences for only one model (Model 4.1) and ask the reader to stipulate that the results for the remaining models have the same direction and similar magnitudes. Table 4.2 shows how the predicted probability of successful coercion changes for different values of the most powerful predictors identified in the previous analysis.

The results suggest that a one standard deviation increase in the sender's record of threat enforcement against all targets—from an average reputation score of 0.68 to one of 0.86—increases the probability of a favorable outcome by 33%. The impact of this predictor is substantial even after accounting for plausible alternative explanations. This study thus provides support for the proposition that a sender state's monadic reputation for carrying out its economic sanction threats powerfully affects the probability of coercive success. Not only is the effect statistically significant, it also appears to be more helpful in predicting outcomes than a number of variables suggested in the extant literature, such as the prospective costs of sanctions to the target, the nature of prior relations between the sender and the target, either state's domestic political characteristics, or the salience of the issues at stake.

Table 4.2 Predicted Probabilities of Sanction Threat Effectiveness (Logistic Regression), (based on Model 4.1).

Covariate	Mean	Predicted Prob.	Mean + Std. Dev.	Predicted Prob.	% Δ
Sender Reputation	0.685	0.287	0.859	0.381	+32.8
Sender Trade Dependence	0.017	0.287	0.064	0.224	-21.9
Relative Power (Military)	2.625	0.287	5.810	0.181	-36.9
Threat Clarity	**Min** 0	0.287	**Max** 1	0.440	+53.3

The predicted impact of a sender's monadic reputation for resolve on the outcomes of sanctions cases is illustrated graphically in Figure 4.2, which presents simulated predicted probabilities of coercive success over the full range of the key independent variable, *Sender Reputation*.

Simulated values in Table 4.2 further confirm that the balance of military capability has a strong negative effect on the probability of a successful outcome. Based on the information in the sample examined here, a sanctions case in which the sender state has a power advantage of one standard deviation above the sample mean is approximately 37% less likely to end in target concessions than a case in which the sender has an average ratio of relative capability. A standard deviation increase in the level of trade dependence on the target is associated with a 22% decrease in the sender's chances of obtaining a successful outcome without having to impose sanctions. Finally, threats that are clear in both their demands and consequences for non-compliance have a 53% greater likelihood of success than threats that are ambiguous in either or both respects.

Figure 4.2: Predicted Probability of Sanction Threat Effectiveness (Model 4.1),
dotted lines indicate 95% confidence interval.
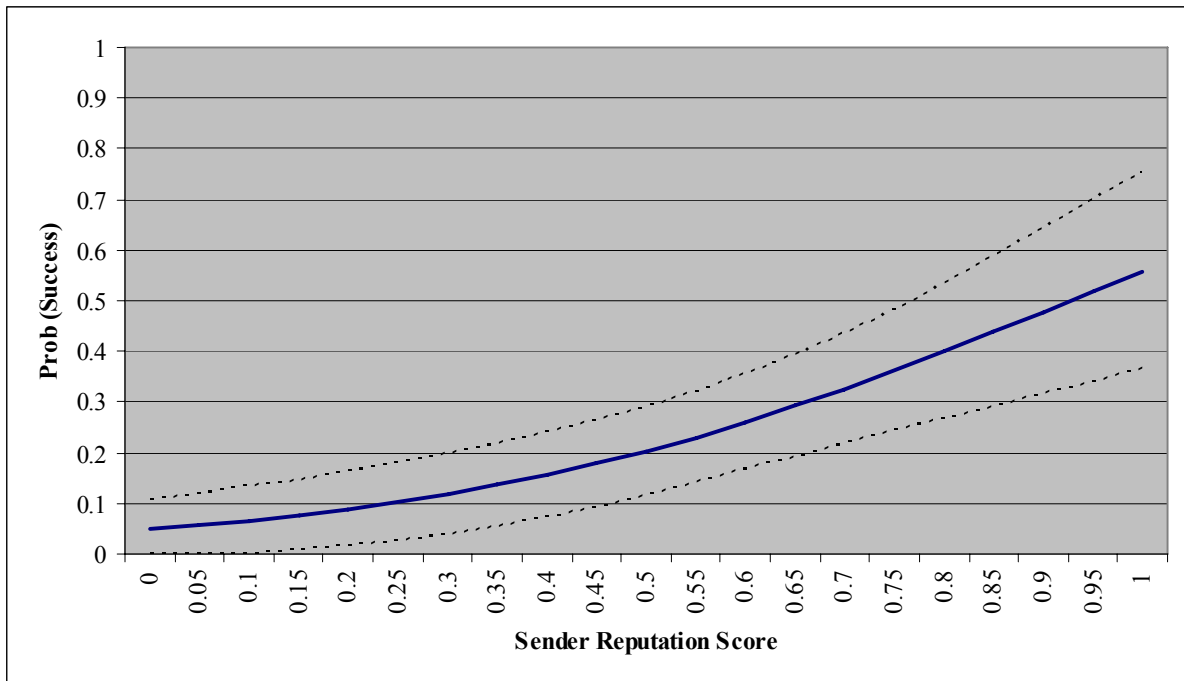
4.3.3 Disaggregating Coercive Success

I have made the case that it is plausible to classify negotiated settlements as coercive successes given that whatever concessions were gained by making the threat likely provide an improvement over the *status quo ante* for the sender. At the same time, one could argue that negotiated settlements as defined here are not true wins for the sender state as it had to make some concessions on its own in order to gain the target state's cooperation on the issue under dispute. As a rule, states will prefer unconditional concessions from their opponents. Excluding negotiated settlements from the 'success' category would certainly provide a harder test for predicting the coerciveness of threats and evaluating the impact of sender reputations for resolve. Moreover, by collapsing into one category instances of unconditional target acquiescence and the conditional concessions set down in negotiated settlements,

findings for the binary logistic regression analysis may mask substantively interesting correlations between secondary predictors and levels of effective coercion.

The sample data includes 61 confrontations that ended through complete or partial, unconditional target acquiescence and 31 confrontations that terminated in negotiated settlements between the parties. In order to investigate the influence of the primary and secondary predictors on these different types of coercive success at the threat stage, I conduct a second empirical analysis that distinguishes between three categories of sanctions outcomes: outright success, negotiated settlements, and coercive failures. Tables 4.3 and 4.4 report the results of multinomial probit analyses, which were run using the same sample and independent variables employed in the previous logistic regression. In each model, the two coefficients for each variable represent the estimated impact on the type of outcome of the sanctions episode relative to 'coercive failure' as the baseline outcome category. Standard errors are robust and adjusted for potential clustering within non-directed dyads.

The key independent variable, *Sender Reputation*, turns out to be a strong predictor of coercive success even under a more stringent definition of victory in economic coercion. The stronger a state's general record of carrying out threats against defiant targets by the time of the current confrontation, the more likely the current target is to meet the state's demands unconditionally. A stronger record of threat enforcement also increases the likelihood of softer victories in the form of compromise. Coefficients for *Sender Reputation* are positive, as predicted by the theoretical argument, and highly statistically significant across all models for both types of successful outcomes.

Table 4.3 Determinants of Sanction Threat Effectiveness (Multinomial Probit).

	Model 4.5		Model 4.6	
Variable	Acquiesce	Settlement	Acquiesce	Settlement
Sender Reputation	1.961	2.135	1.827	2.324
	(0.684)***	(0.807)***	(0.713)**	(1.035)**
Sender Trade Dependence				
Target's Trade Share	-2.769	-2.887	-2.574	-3.018
	(1.445)†	(1.233)**	(1.450)†	(1.192)**
Sender Veto Players	0.285	0.319	-0.057	-0.360
	(0.994)	(1.826)	(1.060)	(1.972)
Target Trade Dependence				
Sender's Trade Share	0.841	2.622	0.297	1.965
	(1.009)	(0.595)***	(1.092)	(0.705)***
Survival at Stake	-0.364	-1.179	-0.425	-1.371
	(0.339)	(0.627)†	(0.357)	(0.667)**
International Organization	-0.766	-1.188	-0.654	-1.244
	(0.543)	(0.604)**	(0.585)	(0.684)†
Prior Relations	1.650	0.320	1.478	0.079
	(0.594)**	(0.973)	(0.554)***	(0.942)
Relative Power (Military)	-0.142	-0.306	-0.217	-0.516
	(0.058)**	(0.052)***	(0.066)***	(0.088)***
Target Democracy	-0.286	-0.584	-0.350	-0.691
	(0.364)	(0.378)	(0.297)	(0.326)**
Threat Clarity	0.364	0.811	0.341	0.798
	(0.295)	(0.324)**	(0.296)	(0.328)**
U.S. Sender			0.879	1.783
			(0.363)**	(0.550)***
N	275		275	
Log Likelihood	-210.036		-204.823	
Wald χ^2 (df)	117.47(20)***		105.00(22)***	

Numbers in parentheses are robust standard errors, adjusted for clustering by dyad.
Statistical significance in two-tailed tests: ***p<0.01   **p<0.05   †p<0.1.

The secondary predictors produce interesting findings as well. The balance of military capabilities is again the most powerful predictor among the control variables. As was to be expected, given the findings previously reported, a greater military advantage for the sender state depresses the probability of successful coercion with economic sanction threats. Both outright target acquiescence and negotiated settlements become less likely when the balance of power more strongly favors the sender. Coefficients for this variable are negative and highly significant across model specifications. As before, these findings also hold for a

Table 4.4 Determinants of Sanction Threat Effectiveness (Multinomial Probit).

Variable	Model 4.7		Model 4.8	
	Acquiesce	Settlement	Acquiesce	Settlement
Sender Reputation	1.837	2.207	1.686	2.334
	(0.684)***	(0.812)***	(0.712)**	(1.016)**
Sender Trade Dependence	-4.244	-9.781	-3.767	-9.550
	(3.294)	(3.112)***	(3.274)	(3.113)***
Target's Trade Share				
Sender Veto Players	0.160	0.341	-0.155	0.385
	(0.997)	(1.685)	(1.057)	(1.829)
Target Trade Dependence	1.364	3.899	0.424	2.548
	(2.752)	(1.265)***	(2.728)	(1.256)**
Sender's Trade Share				
Survival at Stake	-0.349	1.240	-0.386	-1.378
	(0.326)	(0.591)**	(0.337)	(0.626)**
International Organization	-0.718	-1.228	-0.614	-1.281
	(0.538)	(0.628)†	(0.576)	(0.697)†
Prior Relations	1.612	0.484	1.429	0.012
	(0.588)***	(0.979)	(0.555)**	(0.929)
Relative Power (Military)	-0.103	-0.262	-0.180	-0.469
	(0.048)**	(0.048)***	(0.057)***	(0.083)***
Target Democracy	-0.337	-0.593	-0.399	-0.702
	(0.311)	(0.374)	(0.316)	(0.319)**
Threat Clarity	0.370	0.845	0.340	0.816
	(0.296)	(0.319)***	(0.298)	(0.322)**
U.S. Sender			0.825	1.739
			(0.358)**	(0.531)***
N	275		275	
Log Likelihood	-210.456		-205.425	
Wald χ^2 (df)	128.76(20)***		125.39(22)***	

Numbers in parentheses are robust standard errors, adjusted for clustering by dyad.
Statistical significance in two-tailed tests: ***p<0.01   **p<0.05   †p<0.1.

purely economic definition of relative power, the ratio sender-to-target GDPs.

When one distinguishes between outright concessions and settlements, the warmth of prior relations between senders and targets appears to contribute significantly to highly effective coercion. Positive and statistically significant coefficients for *Prior Relations* suggest that states are more likely to obtain concessions from opponents with whom they maintain otherwise cooperative relations than from opponents with whom past interactions

have been more conflictual.[48] This finding suggests that sanctions episodes should be considered within the context of a broader dyadic relationship that encompasses issues beyond what is at stake in the current dispute. Targets may well consider past relations as an indicator for the likelihood of future conflict with the current sender and estimate the cost of current concessions in terms of their relative capabilities, as Drezner (1999) argues. From this perspective, more cooperative relations in the past may remove disincentives for acquiescence. It is equally possible that by conceding to a sender's threat, targets are actively trying to preserve an existing cooperative relationship that has some independent value to them. In this view, states may well be heeding Tom Hagen's advice when he noted that Don Corleone never asks a second favor when he is refused the first. The consequences of resisting demands made by a benefactor need not be as grim as this to weigh heavily on the minds of targeted states.[49]

The remaining predictors appear to drive threat effectiveness primarily by influencing the likelihood of negotiated settlements. Greater prospective costs to a sender of abandoning bilateral trade with the target appear to increase the odds of target resistance compared to conciliation as indicated by the sign and significance of the coefficients for *Target's Trade Share* in Model 4.6 and *Sender Trade Dependence* in Model 4.8, respectively. Senders appear to be less likely to obtain at least conditional concessions if the targeted state is a

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[48]At the same time, the predictor has no discernible impact on the likelihood of settlements over either coercive failure or outright success. The significance of *Prior Relations* is somewhat diminished but not eradicated in separate models that include an indicator of economic health in the target state.

[49]It should be noted that this effect depends on the measurement of prior relations, When the IIS-score (Crescenzi and Enterline 2001) employed here is replaced with a binary indicator of joint alliance membership as some sanctions studies have done, the resulting coefficients are not significant. Because the IIS-score captures a fuller spectrum of cooperative and hostile relations, it provides a more appropriate test of the theoretical argument and allows greater confidence in the findings. It also suggests a need to revisit the conclusions drawn in many studies of sanctions efficacy that use more narrowly conceived indicators of cooperation and conflict between senders and targets.

democracy, although the statistical significance of this coefficient is sensitive to the inclusion of the *U.S. Sender* dummy. Finally, compromise is a less probable outcome if the sender's demands encroach upon the target's national survival interests than when other issues are at stake.[50] Multilateral sanction threats that are issued by a state on behalf of an international organization are more likely to fail than produce compromise. One plausible explanation for this finding is that negotiated settlements in such cases are difficult to obtain because multilateral disputes involve a greater number of potential veto players who would have to be satisfied with the compromise.

Potential sanctions costs to the target are a consistently strong predictor of negotiated settlements in the sample. Findings for both operationalizations of pre-sanctions trade ties between target and sender indicate that greater economic dependence on the sender state increases the probability of this type of outcome compared to coercive failures. Coefficients for *Target Trade Dependence* and *Sender Trade Share* are positive and significant at a level of $p < 0.05$ or better. This finding suggests that the chances for at least limited sender gains may improve the more economically painful sanctions would be for the target. There is further support for the hypothesis that more explicit sanction threats are more effective, at least with regard to negotiated outcomes. Across the different model specifications, coefficients for this variable are positive and statistically significant, indicating that clarity in both demands and threatened consequences for defiance increases the probability of arriving at a mutually acceptable settlement relative to the odds of coercive failure.[51]

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[50]It must be noted, however, that once the models include an indicator of the economic health in the target state, *Survival at Stake* is reduced to marginal levels of significance. The *Target Health* indicator itself is not significant in any of the models.

[51]Findings for two additional controls will be noted here; they were excluded from Tables 4.3 and 4.4 for ease of presentation. Joint membership in the GATT or WTO has no discernible independent impact on outcomes at the threat stage. The inclusion of this variable also does not substantially alter the signs or levels of significance

Finally, the sender state's regime type does not appear to influence the likelihood of coercive success even when we consider different types of outcomes separately. A greater number of veto players in the sender's polity neither significantly decreases nor increases the odds of target concessions or compromise compared to target resistance. More broadly, democratic senders are also no more likely to fail in their threats than non-democracies. Additional empirical analyses also reveal no support for the contention that democratic dyads will be more likely to arrive at negotiated settlements than non-democratic or mixed dyads, due to the presence of shared norms regulating interstate competition over material interests and values (Dixon 1994, 15).[52]

4.4 Implications

What drives the 'hidden hand' of economic coercion? Put differently, when can we expect economic sanctions to succeed without actual implementation? The primary goal of this dissertation is to demonstrate that prior actions in international disputes exert a significant influence on the effectiveness of sanction threats. The results reported in this chapter strongly support this contention. Using a comparatively large sample of observations involving both

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for any of the remaining variables in the models. In Model 4.7, it slightly decreases the significance of *Multilateral/International Organization* (from p=0.049 to p=0.052). In Model 4.5 it also slightly decreases the significance of *Relative Military Capability* (from p=0.002 to p=0.036). The indicator for the economic health of the targeted state also does not produce a statistically significant coefficient in any specification of the model (Hypothesis 4b). As noted before, its inclusion leads to the loss of a number of observations (N=30) due to missing data. The main effect of this variable is to depress somewhat the statistical significance of certain control variables in the reduced estimation sample, most notably for *International Organization* and *Survival at Stake*.

[52]This hypothesis was tested by replacing the indicators of monadic regime type, *Sender Democracy* and *Target Democracy*, with a dichotomous indicator that takes a value of 1 when at least one of the states in the sender-target dyad has a POLITY IV score equal to or greater than 6, indicating a fully institutionalized democracy, and takes a value of 0 otherwise. This weak-link approach to the impact of regime type on dyadic outcomes is consistent with the theoretical argument from which the hypothesis derives (Dixon 1994). Coefficients for *Democratic Dyad* are negative across all model specifications presented in Tables 4.3 and 4.4 and fail to reach statistical significance throughout.

threats and impositions of economic sanctions, empirical analyses indicate that a stronger record of carrying out threats in the face of defiance is associated with increased coercive success in subsequent coercion attempts.

These findings are consistent with the central theoretical argument proposed in Chapter 3, which suggests that state reputations built on past performance can help reduce a targeted state's uncertainty about a sender's type, and allow unresolved targets to acquiesce prior to incurring costly sanctions. Specifically, the findings indicate that the state's monadic record of following through on threats across the full range of previous sanctions episodes decisively influences whether coercion attempts end in concessions by the target or in failure for the sender state. One interpretation of these results is that at least some states draw on all available information about a sender's past behavior to form a judgment about the state's propensity for bluffing and their own odds of resisting without being punished.

Chapter 3 also outlined two complementary explanations for threat credibility as a function of sanctions costs and domestic political conditions in the sender state. The analyses in this chapter provide support for only one of these theoretical arguments. Greater prospective costs to the sender state, measured here as the relative significance of bilateral trade with the target state, appear to decrease the likelihood of successful outcomes for the sender. This result is consistent with the theoretical argument that greater costs will undermine the credibility of a threat as targets come to believe that sanctions would be too pernicious for the sender's economy to impose at all or to maintain after imposition. While commercial ties are a prerequisite for the exercise of influence through sanctions, the welfare gains that states have to forego in implementing economic punishments may in fact tie their hands in the eyes of opponents.

These conclusions are based on findings for two of the most commonly employed operationalizations of economic dependence in the extant literature. It should be noted that while findings for these predictors are generally consistent, the magnitude of their coefficients in different models varies because they capture different aspects of such dependence. To the extent that trade dependence is in fact a valid proxy for potential welfare costs of economic sanctions, the results of this study serve as a reminder that conclusions regarding the influence of economic interdependence on international interactions can depend significantly on the conceptualization and measurement in empirical testing.

Greater relative strength, whether in economic or purely military terms, appears to weaken the ability of states to coerce effectively using sanctions as a policy tool short of armed violence. This finding raises the question of whether policy makers in targeted states view economic statecraft as a tool that states use as complements or substitutes for military force. One possible interpretation of the regression results is that in some cases, the use of economic coercion may signal a lack of resolve on the part of a sender when more potent threats, such as overwhelming military force, are available to that sender and could have been employed. An initial expectation was that a capacity for the use of military force should serve as an implicit threat of escalation that will enhance the potency of an economic sanction threat and make target concessions more likely. While the findings presented here suggest that this is not the case, a more direct test of this expectation might examine which sanction threats were in fact accompanied by explicit mentions of potential military escalation, and assess how successful such threats were as compared to instances where senders did not clearly and explicitly outline a path to military escalation.

Another notable if intuitively unsurprising finding is that clearer threats, which spell out precisely the terms of compliance and the consequences of defiance, are more effective than ambiguous threats. Ambiguity may signal a lack of resolve on the part of the sender, encouraging targets to discount their statements and challenge the sender to let actions speak instead. Sender state leaders may be unable or unwilling to outline in sufficient detail their grievances and how they must be addressed by a targeted state in order to avert sanctions. It is plausible, for example, that policy makers may phrase threats in broad terms in the hope of gaining at least some concessions on a policy issue by allowing the target some discretion in choosing the nature of these concessions. The results presented here suggest, however, that for senders seeking target cooperation, precision is a more promising path.

The apparent impact of past actions on future coercive success further suggests that states have incentives to acquire and maintain reputations for making threats they intend to carry out. To what extent the findings presented here are in fact the product of deliberate reputation building on the part of potential sanctioners is a question that cannot be answered with the data at hand. This fact does not preclude one from speculating about the courses of action potential sanctioners may adopt to strengthen their bargaining position in future conflicts of interest with other states.

On the one hand, states seeking to build reputations for resolve may carry out some threats, even if the prospects for success are dim. If the commerce that is interrupted in this process is valuable to the sender, providing proof of resolve may be costly in the short run. But a stronger for resolve may pay off in the long run, if it then becomes easier to coerce targets without having to impose sanctions. This strategy should be particularly attractive to states whose superior military capability otherwise undermines the credibility of their

economic sanction threats. A strong reputation for resolve may help compensate for perceived weakness. Although economic sanctions may be attractive to many states as a less bloody and risky alternative to military force, they are nonetheless costly if one has to prove one's willingness to use them on occasion. On the other hand, states may adopt a strategy of choosing threats carefully and minimizing the likelihood of engaging those targets that are bound to resist coercion. For example, unresolved states seeking to avoid damage to their reputation would do well not to threaten democratic targets, who appear somewhat more likely to stand firm than non-democracies. Unresolved senders should also avoid threatening sanctions over issues of national survival as targeted states are more likely to resist coercion attempts in these cases.

This chapter has shown that a more positive record of enforcing threats makes coercive success more likely, whether defined narrowly as unconditional cooperation with demands or more broadly as including negotiated compromises. A general history of upholding commitments can contribute to the effectiveness of economic coercion by reducing the target state's uncertainty about the sender's type. By focusing on the lessons that actors in the international state system can learn over time, this study has uncovered a powerful predictor of sanctions success that was previously overlooked in the extant literature. The following chapters will discuss and empirically evaluate two refinements to the general reputation argument developed in Chapter 3. The main thrust of these propositions is that targeted states may use available information about the sender's past behavior more selectively than suggested here: while the reputation measure employed in the previous analyses are based on the totality of the sender's prior record, it is also plausible that targets give greater

consideration to direct experience or judge sanctioning behavior only within particular

contexts, for example when similar issues are at stake.

4.5 Summary Statistics

Table 4.5 Descriptive Statistics, Full Sample.

Variable (N=275)	Mean	Std Dev.	Minimum	Maximum
Coercive Success	0.3345455	0.4726915	0	1
Sender Reputation	0.6851769	0.1806938	0	1
Sender Trade Dependence	0.0168492	0.0466698	0	0.37543
Target's Trade Share	0.0636128	0.1244409	0	0.80037
Target Trade Dependence	0.0479998	0.0761654	0	0.422463
Sender's Trade Share	0.1768314	0.1797916	0	0.80037
Sender Veto Players	0.3645364	0.1331569	0	0.690258
Sender Democracy	0.8763636	0.3297664	0	1
Survival at Stake	0.2545455	0.4363996	0	1
International Organization	0.1054545	0.3076982	0	1
Prior Relations	-0.0179224	0.1655198	-0.905352	0.302269
Relative Power (Military)	2.624765	3.185567	-7.06196	9.74901
Relative Power (Economic)	1.079786	0.1012636	0.802908	1.3141
Target Democracy	0.5963636	0.4915207	0	1
Threat Clarity	0.28	0.4498175	0	1
GATT/WTO Dyad	0.7127273	0.4533149	0	1
Target Economic Health *(N=245)*	3.830351	3.449428	-13.8118	15.6519
U.S. Sender	0.5545455	0.4763832	0	1

Table 4.6 Collinearity Diagnostics (based on Model 4.1).

Variable	Variance Inflation Factor	Tolerance
Sender Reputation	1.25	0.7980
Sender Trade Dependence	1.42	0.7035
Sender Veto Players	1.47	0.6825
Target Trade Dependence	1.26	0.7940
Survival at Stake	1.43	0.6976
International Organization	1.22	0.8193
Prior Relations	1.08	0.9255
Relative Power (Military)	2.55	0.3918
Target Democracy	1.28	0.7804
Threat Clarity	1.15	0.8674
U.S. Sender	2.40	0.4170

Chapter 5

Direct Experience and Reputational Inferences

in Economic Coercion

5.1. Introduction

Economic sanction threats and impositions are ubiquitous in international politics as Chapter 1 illustrated. Some states engage in economic coercion against particular targets over and over again. Sanction threats may be used repeatedly between some senders and targets for a number of reasons. There may be some underlying issue that has remained unresolved through prior bargaining, possibly because the underlying conflict is too complex to have been settled decisively in past confrontations. It is also possible that some senders continue to use economic coercion because it has proven a reasonably useful or effective tool for resolving disagreements with particular targets in the past. Finally, regardless of their success rate as coercive tools, sanctions may be the best tool—or the least bad of limited options—available to a sender seeking redress. Any combination of these conditions might explain why, for example, Japan has repeatedly used sanction threats against South Korea or why the United States has used sanctions numerous times against targets as diverse as Guatemala, China, Canada, and Libya. The upshot of this is that lessons about a state's willingness to carry out sanction threats can accumulate over time through direct experiences within dyads.

The previous chapter proposed and investigated an argument about the influence of past behavior in current outcomes that took expansive view of reputation effects. In these analyses, reputations were assumed to be both monadic and diffuse. Reputations are diffuse if observers use the information revealed by a state's past actions as a sender of sanction threats to predict future behavior in sanctions episodes over any issue, involving any stake, anywhere in the world. Reputations are essentially monadic when previous actions are assumed to reveal private information that is intrinsic to the sender and thus independent of the particular opponent in a given confrontation. Put differently, sender traits revealed by past behavior vis-à-vis a particular target state will be expected to drive behavior in a similar fashion against any other target and a current target can draw rather indiscriminately on the historical record for clues about the sender's willingness and ability to carry out sanction threats. If states do indeed draw conclusions from observed history, I submit that the notion of monadic inferences is plausible on its face: if the data sample analyzed in this dissertation is an accurate reflection of the underlying reality, then the field of economic coercion appears to be dominated by relatively few sender states engaging a large number of different targets. For better or worse, over time these prolific users of sanction threats have acquired significant records that present a plentiful source of insights into their propensity for making empty threats. The findings presented in Chapter 4 provide support for this monadic reputation argument. One can nevertheless make the case that a target's direct experience with a particular sender, while potentially more limited in scope, should have a significant impact on target decision making. The question then is whether the causal mechanism proposed in this project is also at work when targets have been repeatedly confronted by the

same sender: can histories of threat enforcement help us predict sanctions outcomes at the dyadic level of interaction?

This chapter argues that they can. In the following pages, I will provide a rationale for a more limited view on reputations in economic coercion. There are numerous reasons to believe that direct experience may be even more relevant to threat effectiveness than third-party observations. This, in turn, raises the expectation that the impact of past actions on current credibility—and thus on the odds of coercive success—may be even more pronounced within specific dyads than across targets. A diverse body of research suggests that dyadic interaction can take on distinctive dynamics due to direct, experiential learning. The dyadic version of the theory of reputational inferences proposed in this project is built on the assumption that dyadic histories of interactions between particular senders and particular targets can generate a separate stream of revealed private information that is qualitatively different from the information provided by the sender's total record in sanctions episodes. As a consequence, a sender's dyadic record of enforcing or retracting threats will enhance or diminish the credibility of a current threat and produce distinctive sanctions outcomes. The next sections outline this proposition in greater detail and present the findings of an empirical test that includes an adapted version of the sender reputation score in the general conceptual model introduced in the previous chapter.

5.2 The Dyad-Centric View

Dyads have become the main unit of analysis in international relations research. Building on the pioneering work on interstate rivalry by Finlay, Holsti and Fagen (1967) and McGinnis (1990), Stuart Bremer's (1992) influential study on "dangerous dyads" and most notably the

work by Goertz and Diehl (1992, 1993) have spawned a large and growing interest in the dynamics and consequences of repeated interaction. Others investigated more broadly the impact of experiential learning on crisis bargaining behavior among pairs of states (Jervis 1976; Leng and Wheeler 1979; Leng 1983, 1988; Huth and Russett 1984).

Previously, conflict scholars had focused on the characteristics of the international state system, of particular disputes, or of individual actors involved in them. The shift toward examining histories of dyadic relations was in part motivated by the realization that important insights about conflict initiation and escalation could be gained by analyzing what particular states do to one another, how these interactions shape expectations, and so influence future interactions (Crescenzi and Enterline 2001; Crescenzi, Kathman and Long 2007). Important here is the idea that direct interactions between two states generate experiences and facilitate a flow of information that can be qualitatively different from insights gained through third-party observation.

Existing work on deterrence has lent some support to this contention. Empirical studies conducted by Paul Huth and others have produced stronger evidence for reputational effects within dyads than for similar effects beyond the confines of the dyad (Huth 1997, 92; Huth 1988; Lieberman 1995). Numerous qualitative analyses of economic sanctions use and effectiveness have investigated dynamics in dyads, and in particular U.S. sanctions policy vis-à-vis prominent targets such as Cuba, China, and Iran (Preeg 1999; Askari et al. 2003; Li and Drury 2004; Zeng 2004). However, with the exception of Drezner (1999), chronological case studies of economic coercion attempts have neither systematically discussed the possibility of dyadic historical inferences, nor empirically tested what outcomes may result from such inferences.

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5.3 Dyadic Histories in Economic Coercion

Chapter 4 showed that when we control for regime type, the expected costs of punishment, and the clarity of the threat, target states are less likely to give in to a threat when the sender has a general history of backing out of conditional commitments in the face of defiance. This finding can be interpreted as support for the idea that targets draw conclusions from a sender's past record against any and all states. Yet there are reasons to believe that targets give special credence to their own, direct experiences with a given sanctioner and thus use available clues about the sender's willingness and ability to follow through more selectively when calculating threat credibility and the risk associated with rejecting a threat.

If the existence of commercial ties is a prerequisite for economic coercion, a dyadic sanctions history requires that after each episode, the sender either has retained some degree of economic leverage over the target or regained enough of it to issue renewed threats. The sender may have lifted previously imposed sanctions after the dispute was resolved. Another possibility is that the dispute stalemated and imposed sanctions remained in place, but these sanctions had only partially disrupted existing bilateral commerce. In fact, states often resort to piecemeal application of economic pressure in order to be able to 'turn the screw' further and retain the option of a comprehensive embargo (Hufbauer et al. 1990).

To illustrate the dyadic reputation argument, let us consider the ongoing confrontation between the international community—with the U.S. taking a leading role—and Iran over the Islamic Republic's uranium enrichment program. Economic sanctions have played a major and recurring role in attempts to force Iran to abandon its efforts or, at minimum, to increase transparency so as to reassure the international community of the country's intentions to develop nuclear technology for peaceful purposes rather than militaristic ones. The arguably

most extensive and systematic attempt at economic coercion of Iran was initiated in the mid-1990s. In response to an intensification of Iran's nuclear ambitions, indications of Iranian support for terrorist organizations, and a steadfast refusal by Iran to alter its policies in the face of impending economic sanctions, the Clinton Administration banned U.S. trade with and investment in the country through Executive Orders 12957 (March 15, 1995) and 12959 (May 6, 1995). These efforts culminated in the passage of the Iran-Libya Sanctions Act in August of the same year (for a detailed discussion, see Katzman 2007).

By the beginning of 1995, Iran had already accumulated a rich history of threatened—and often imposed—economic punishments by the U.S. as Iran had initiated, suspended, and subsequently restarted its pursuit of nuclear technology repeatedly since the overthrow of the Shah in 1979. Human rights violations, open hostility toward Israel, and state sponsorship of terrorism had also fueled U.S. sanction threats against the country. It is reasonable to conclude that Iranian foreign policy makers had formed an opinion about the credibility of American threats based on this history. At the same time, the U.S. had become one of the leading users of economic sanctions in the international community against targets as diverse as Haiti, China, Yugoslavia, Chile, and Pakistan, providing additional opportunities for Iranian decision makers to observe, and learn from, U.S. actions.

Although third-party observations may sometimes be more plentiful than prior direct experiences for targeted states, especially if the sender is an active user of economic threats, a current target may discount information revealed through sender's actions toward other targets. Senders may act differently toward different targets. To the extent that the circumstances of past targets are perceived as drastically different from one's own, one may want to discount what could be learned from the experiences of others (Jervis 1976, 239). Put

another way, previous target states may be perceived as so different in relevant characteristics as to make the sender's actions against them less informative. In the example above, how much should one expect Iran to learn from the U.S. record of carrying out sanction threats against Haiti, Pakistan, or Japan? These countries differ greatly from Iran in their economic and political make-up (attributes which were included as controls in previous analyses) and also in their historical relationship with the U.S. Taking these differences seriously in a theory of reputational inference means has important implications. Most crucially, the enforcement record of any sender state may not be driven solely by intrinsic propensities but also the sender's appraisal of a particular target and a sender-target dynamic specific to the dyad. Significant dissimilarities between a current target and prior targets may present a serious obstacle to extrapolating from past sender actions against others to sender actions against oneself.

Direct experience may not only be considered more relevant but also a more reliable basis for credibility assessments in foreign policy-making. The theory of reputational inference assumes that states will be able to observe at least some sanctions episodes between senders and third states. It is undeniable, however, that foreign policy-makers will have a better understanding of the interests and calculations that influenced the course and outcomes of their state's past confrontations with the sender. Parties directly involved in a dispute can acquire insights that are more detailed and nuanced than what they might have been privy to from the perspective of an outside observer. As a consequence, direct experience may be perceived as a more dependable guide compared to second-hand knowledge. Referring again to the example above, it is plausible that faced with a renewed sanction threat the Iranian leadership put more stock into lessons learned from its own history with the U.S. than rely

heavily on whatever private information the U.S. may have revealed in dealing with Pakistan or China.

Finally, conclusions drawn on the basis of past direct interaction may carry greater weight, have a greater impact on the assessment of an opponent's credibility, and have a stronger influence on subsequent decision-making because lessons from unmediated experience are learned more deeply. In making this point, Robert Jervis (1976, 241) cites experimental studies which found that people who experience a natural disaster are more strongly affected than those who only see the damage, even though both may be equally vulnerable to future disasters. Applied to the context considered here, this logic suggests that targets of sanction threats may discount historical information involving other targets because they did not have to experience directly the consequences of defying the sender and having sanctions imposed against them.

Combined with the original notion that target states can assess the credibility of a sanction threat from a sender's prior record of carrying out threats, these arguments add up to the proposition that the dyadic history of sanctioning between a current sender and target has a systematic and significant impact on the effectiveness of sanction threats. For example, if a sender has threatened the current target in the past and backed down when the target called on it to follow through, the target learns from these exchanges that resisting has a substantial chance of success. As a consequence, that target will be more likely to reject a new threat. In contrast, if the sender did in fact mete out the threatened punishment for defiance, a target will be more ready to believe future threats and change its behavior accordingly when the sender demands it in subsequent confrontations. The expected effect of direct experience, in aggregate and controlling for other influences, is captured in the following hypothesis:

- **Hypothesis 1b**: States are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *against that state* than when the sender has a weaker record of carrying out such threats *against that state*.

5.4 Research Design

The above hypothesis will be tested here using the data sample described in greater detail in Chapter 4. The unit of analysis is again the sanctions case. As coded in the TIES data, sanctions cases are by definition dyadic events consisting of actions taken by one sender against one target. I retain the additional predictors related to threat credibility and as well as all secondary independent variables from the conceptual model previously analyzed. As before, the dependent variable is a binary indicator of successful coercion, where positive outcomes are defined as sanctions cases that ended in complete or partial, unconditional target acquiescence or in conditional concessions in the form of a negotiated settlement.

The operationalization of monadic sender reputations employed in Chapter 4 reflects the assumption that target states make no differences between direct experience and third-party observation. To account for the possibility of dyadic inferences from prior sanctions cases, I construct another version of the reputation score. For each directed sender-target dyad in the data, I generate a running count of the number of cases in which the target state resisted the sender state's threat of economic sanctions, up until the year prior to the beginning of the current sanctions case. Another running count is generated for the number of cases in which the sender then imposed sanctions on a particular target. Dividing the second count by the first then generates lagged, dyad-specific reputation scores for each sender state in the data. These scores are again bounded by 0 and 1.

In practice, each sender now acquires multiple dyadic reputations that may vary in particular if the sender has been more (or less) consistent in enforcing threats against certain targets but not others. Each target now updates its assessments of the sender's type if and only if it has directly interacted with the sender; the sender's actions toward other states do not affect its reputation. Referring back to the illustrative example used earlier, in the new data set Iran will have drawn inferences about the credibility of the current American threat only from previous U.S.-Iranian transactions while U.S. actions vis-à-vis Pakistan, Yugoslavia, or Haiti are ignored.

As was the case for the monadic reputation scores, the initial observation for any sender in a specific directed dyad generates a missing value in the data. This makes intuitive sense, because target states encountering a particular sender for the first time have no previous direct experience from which to draw inferences about the sender's credibility. I again assign sender states an initial dyadic reputation score of 0.5.[53]

Missing and imputed values for the key predictor raise a particular concern for testing the dyadic reputation argument. Approximately one third of all sender-target dyads (87) in the original sample are involved in only one sanctions episode. In these dyads, targets cannot make reputational inferences of the type hypothesized here. I therefore estimate the model separately for the full sample containing all dyads and for a subset including only those directed dyads with multiple sanctions cases. These separate tests act as a robustness check and can reveal to what extent findings, and more precisely non-findings, are driven by the presence of such single-shot dyads.

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[53]For a discussion of this problem and the rationale underlying the initial value chosen, I refer the reader back to the research design section of Chapter 4.

5.5 Analysis

Given the binary outcome variable, the logistic regression is an appropriate model choice for this analysis. Table 5.1 presents results of two sets of models predicting the outcomes of sanctions cases at the threat stage for the full sample. Models 5.1 and 5.2 include the dyadic reputation variable and different versions of the trade-based proxy for prospective sanctions costs. I again choose to test both versions of the cost indicator as they have been shown to produce dissimilar findings in the previous analysis. Models 5.3 and 5.4 include the dyadic reputation variable as well as the monadic version of the sender reputation score.[54] The following discussion will focus on Models 5.1 and 5.2.

The findings for the full sample provide no support for the dyadic version of the reputation argument. Coefficients for *Dyadic Sender Reputation* are positive but have exceedingly large standard errors. A stronger record of following through on previous sanction threats against the current target does not significantly influence the likelihood of obtaining a successful outcome. Recalling the strong support found for the monadic reputation variable in Chapter 4, these results may suggest that targets draw on a broader and

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[54]Results for models 5.3 and 5.4 are presented here primarily for the sake of completeness. As argued earlier, decision makers likely draw on a range of available sources of information in their calculations. It is likely that both monadic and dyadic reputations are considered simultaneously. However, joint statistical analysis of dyadic and monadic reputation scores is complicated by potential collinearity: the monadic reputation score by definition includes all the information contained in the dyadic reputation score because it encapsulates a broader version of the theoretical argument. While these predictors are not perfectly collinear, the manner of their construction suggests that collinearity is an issue and should undermine our confidence in the estimation of coefficients for Models 5.3 and 5.4.

Table 5.1 Determinants of Sanction Threat Effectiveness (Logistic Regression), Full Sample.

Variable	Model 5.1	Model 5.2	Model 5.3	Model 5.4
Monadic Sender Reputation			2.309	2.437
			(0.863)***	(0.869)***
Dyadic Sender Reputation	0.099	0.071	0.038	-0.067
	(0.544)	(0.542)	(0.552)	(0.543)
Sender Trade Dependence	-5.016		-6.281	
	(3.681)		(3.432)†	
Target's Trade Share		-2.364		-3.098
		(1.571)		(1.479)**
Sender Veto Players	-0.042	0.102	-0.171	0.059
	(1.662)	(1.659)	(1.472)	(1.465)
Target Trade Dependence	1.566		1.428	
	(2.062)		(1.957)	
Sender's Trade Share		1.046		1.074
		(1.011)		(1.036)
Survival at Stake	-0.990	-1.024	-0.828	-0.866
	(0.451)**	(0.477)**	(0.433)†	(0.459)†
International Organization	-1.205	-1.236	-1.117	-1.161
	(0.792)	(0.799)	(0.849)	0.867)
Prior Relations	0.915	0.851	0.999	0.952
	(0.893)	(0.906)	(0.998)	(1.048)
Relative Power (Military)	-0.300	-0.337	-0.315	-0.365
	(0.076)***	(0.080)***	(0.074)***	(0.081)***
Target Democracy	0.759	-0.708	-0.580	-0.508
	(0.351)**	(0.348)**	(0.359)	(0.357)
Threat Clarity	0.701	0.706	0.630	0.637
	(0.326)**	(0.326)**	(0.321)†	(0.321)**
GATT/WTO Dyad	-0.066	-0.122	-0.112	-0.173
	(0.339)	(0.341)	(0.351)	(0.352)
U.S. Sender	1.342	1.384	1.277	1.337
	(0.377)***	(0.401)***	(0.390)***	(0.417)***
N	275	275	275	275
Log Likelihood	-156.896	-156.770	-153.479	-153.052
Wald χ^2 (df)	41.45(12)***	34.81(12)***	50.51(13)***	45.44(13)***

Numbers in parentheses are robust standard errors.
Statistical significance in two-tailed tests: ***p<0.01   **p<0.05   †p<0.1.

more variegated stream of historical information when calculating the utility of compliance versus defiance.

The control variables yield findings that are largely consistent with those reported in Chapter 4. Most notably, the dyadic balance of *Relative Power (Military)* has a strong and

highly statistically significant impact on the likelihood of effective coercion. The more favorable the distribution of armed force for the sender, the less likely it is that a sanctions case will end with target concessions or a settlement at the threat stage. Clearer threats are associated with a greater probability of obtaining a positive outcome for the sender, as predicted. Echoing results reported previously, the measures of domestic political constraints in the sender (*Sender Veto Players*), institutionally-backed multilateral threats (*International Organization*), and warmth of *Prior Relations* within the dyad all fail to produce statistically significant coefficients. Joint membership of senders and targets in the GATT or WTO similarly does not appear to influence the probability of particular outcomes in the sample.

There is further evidence for an effect of issue salience on the effectiveness of sanction threats, which provides some support for the underlying logic of Hypothesis 6. Sanctions cases involving issues directly related to the national security of the targeted state are less likely to produce concessions at the threat stage than cases involving other types of issues. While only marginally significant in the monadic reputation model, the coefficient for this variable is more significant when an indicator of *Dyadic Sender Reputation* is included instead (p=0.028 and p=0.032 in Models 5.1 and 5.2, respectively). When we control specifically for dyadic sanctions histories, there is also robust evidence that democratic targets are less likely to give in to pressure than non-democratic targets, which contradicts arguments asserting greater vulnerability to economic pressure due to popular sovereignty (Hypothesis 5).

Pre-sanctions trade interdependence does not appear to affect outcomes in these models. For both operationalizations of the concept, a state's share of the bilateral dyadic trade and bilateral trade as a portion of GDP, neither sender costs not target costs produce statistically

significant coefficients. For the expected sanctions costs to the target, this non-finding is consistent with the estimation results reported in Chapter 4. With respect to the potential sanctions costs to the sender state, this result is a marked departure from earlier findings which had indicated that a state that is more economically dependent upon its opponent is less likely to obtain target concessions through threats.

The binary variable *U.S. Sender* is statistically significant; however, dropping it from the analysis alters the findings only marginally. For ease of presentation, only model specifications including the U.S. dummy are presented here. In both models, excluding the U.S. dummy causes the coefficient for *International Organization* to become weakly statistically significant (p=0.052 and p=0.055 in Models 5.1 and 5.2, respectively). Signs and levels of significance remain unchanged for the key predictor and the remaining controls.

A separate estimation was performed to test Hypothesis 4b, which states that the more distressed their economy is prior to the threat, the more likely targeted states will be to acquiesce to a sanction threat. The findings suggest that the economic health of the target state has no discernible influence on the probability of successful coercion. The coefficient for *Target Economic Health* is negative but far from statistically significant across all model specifications. Due to missing data, the inclusion of this variable reduces the number of observations significantly (N=245) without affecting the sign or significance of the any of the remaining variables. I have therefore chosen to present findings for the larger sample, excluding this predictor.

As a robustness check, Table 5.2 presents results of two additional sets of models predicting the outcomes of sanctions cases at the threat stage for a subset of the sample which includes only those sender-target dyads that experienced two or more sanctions cases in the

Table 5.2 Determinants of Sanction Threat Effectiveness (Logistic Regression), Limited Sample.

Variable	Model 5.5	Model 5.6	Model 5.7	Model 5.8
Monadic Sender Reputation			2.297	2.662
			(1.254)†	(1.246)**
Dyadic Sender Reputation	0.142	0.032	0.025	0.072
	(0.576)	(0.581)	(0.596)	(0.595)
Sender Trade Dependence	-12.890		-12.879	
	(4.375)***		(3.880)***	
Target's Trade Share		-5.680		-5.904
		(1.750)***		(1.688)***
Sender Veto Players	-0.220	-0.332	-1.123	-0.483
	(2.633)	(2.516)	(2.371)	(2.215)
Target Trade Dependence	2.146		1.929	
	(2.028)		(1.952)	
Sender's Trade Share		2.186		2.220
		(1.014)†		(1.078)**
Survival at Stake	-0.772	-0.877	-0.626	-0.699
	(0.502)	(0.524)†	(0.515)	(0.536)
International Organization	-2.484	-2.665	-2.510	-2.710
	(1.539)	(1.591)†	(1.605)	(1.685)
Prior Relations	-0.349	-0.651	-0.546	-0.856
	(1.223)	(1.098)	(1.252)	(1.134)
Relative Power (Military)	-0.431	-0.539	-0.434	-0.554
	(0.162)***	(0.166)***	(0.157)***	(0.166)***
Target Democracy	-1.563	-1.355	-1.362	-1.127
	(0.478)***	(0.459)***	(0.492)***	(0.474)**
Threat Clarity	1.246	1.313	1.146	1.202
	(0.376)***	(0.385)***	(0.385)***	(0.394)***
GATT/WTO Dyad	0.275	-0.026	0.153	-0.147
	(0.401)	(0.380)	(0.423)	(0.411)
U.S. Sender	0.552	0.731	0.852	1.062
	(0.549)	(0.596)	(0.503)†	(0.551)†
N	188	188	188	188
Log Likelihood	-107.155	-106.670	-105.605	-104.601
Wald χ^2 (df)	38.61(12)***	56.67(12)***	52.03(13)***	56.93(13)***

Numbers in parentheses are robust standard errors.
Statistical significance in two-tailed tests: ***$p<0.01$ **$p<0.05$ †$p<0.1$.

source data. Models 5.5 and 5.6 include the dyadic reputation variable and different versions of the sanctions-cost indicator. Models 5.7 and 5.8 include both the dyadic and monadic reputation scores and are again included only for the sake of completeness. The findings reported in Table 5.2 are substantively consistent with the conclusions of the previous

analyses. The following discussion will focus on the key predictor, *Dyadic Sender Reputation*, and point out where findings for secondary independent variables depart from those estimated for the full sample.

Coefficients derived from the more limited sample similarly fail to provide support for the main hypothesis advanced in this chapter. This suggests that the findings reported for the full sample were not significantly driven by cases involving single-shot dyads. Results for directed dyads that experience multiple sanctions cases indicate that sender states' past records of imposing economic sanctions on the current target are not a significant predictor of successful coercion at the threat stage.

The findings related to pre-sanctions economic ties more closely resemble those reported in Chapter 4. From the perspective of the sender state, greater trade dependence on the target state decreases the likelihood of successful coercion. Coefficients for both indicators of potential sanctions costs are negative as predicted and highly statistically significant. In contrast, the potential cost of disrupted trade to the target state, captured by *Target Trade Dependence* and *Sender's Trade Share*, appears to have little discernible impact on threat effectiveness. *Survival at Stake* retains its sign but reaches marginal levels of significance only in Model 5.6. The coefficients for *Target Democracy* and the *Threat Clarity* suggest a more pronounced influence on outcomes among the dyads considered here. Both control variables retain their signs from previous analyses but now produce highly significant coefficients. *Prior Relations* is now negatively signed but remains an insignificant predictor. Interestingly, the effect of *U.S. Sender* is also statistically insignificant in this subset of cases.

5.6 Discussion

The motivating question for this chapter was: What role does direct prior experiences play in the success or failure of current sanction threats? From the quantitative findings reported above, one could conclude that the role of dyadic experience is limited indeed. Outcomes in the data appear to be unrelated to values of *Dyadic Sender Reputation* while the results of Chapter 4 clearly indicate that *Monadic Sender Reputation* has a large and positive impact on the chances for target concessions at the threat stage.

Such a finding suggests that monadic histories—not dyadic experiences—drive threat effectiveness, which is consistent with the notion that states tend to look beyond their own prior encounters with particular sanctioners. On the one hand, it is possible that targets do not in fact consider first-hand experience to be more relevant or reliable than other sources of information about the sender state. If this is the case, reputations truly are monadic and the findings presented in Chapter 4 describe more accurately the reality of historical inferences in economic coercion.

On the other hand, it is possible that targeted states rely on the totality of a sender's past record simply because it is a more plentiful source of information. Third-party observations, combined with however few or many direct past encounters a current target might have had with the sender, provide a greater number of clues about the sender's willingness and ability to sanction. As noted earlier, a relatively small group of sanctioners accounts for a large number of sanction threats in the data. These states are more active in economic coercion due to their superior their economic prowess, more diverse and expansive foreign interests, or because they are unable or unwilling to employ other coercive tools such as armed force. Major sanctioners may threaten sanctions against particular target states infrequently but

nonetheless accumulate a significant record because they threaten many different targets. As a consequence, each target may only have a small number of direct experiences to draw on compared to the wealth of information contained in the sender's total history of imposing sanctions. When forced to form a judgment about a major sanctioner, it may be difficult if not irrational for any target to ignore this additional information. If *more* information is inherently preferable when trying to form a judgment about the sender, target policy makers might be inclined to rely heavily on the experiences of others in addition to their own.

Target states in the data simply may have had too few of these direct experiences with a given sender to influence credibility assessments and decisively steer their responses to sanction threats. This possibility, which cannot be ruled out using the data at hand, has important implications and raises additional questions about the general causal mechanism that future research should address. One of the most fundamental questions for any theory of reputation is: how much information and, more specifically, how many events or direct experiences are needed before a reputation crystallizes in the minds of observers? This project has proceeded from the assumption that reputations for resolve (or lack thereof) form with the first observation of a sender's actions and can be modified by each subsequent observation. While I believe that this image represents a good first approximation of the underlying reality of reputation formation and evolution, it is also likely that the process is somewhat less linear than suggested here. For example, targets may require a certain minimum number of experiences before they have a firm grasp on a sender's type. Similarly, once a sender has acquired a particular reputation through repeated interaction with target states, this reputation may become almost impervious to change in the minds of others and each subsequent observation will have a relatively small impact on the overall image of the

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sanctioner. Sender behavior will affect its reputation more dramatically earlier in its history of sanctioning and alter it only marginally later on. Another way to think about this problem is how strong the factual basis of a reputation must be before a target is sufficiently confident in its assessment of the sender to stake its economic well-being on an educated guess. Most importantly, given the empirical result reported above, if it is true that the target states in the data analyzed here simply lacked sufficient direct experiences with the sender states, it may be premature to dismiss the dyadic reputation argument on the basis of a non-finding in this project.

The monadic sender reputation is an amalgamation of direct experience and third-party observation. Earlier the case was made that sanctioning behavior vis-à-vis third parties may be less informative to a current target state that differs in important aspects from prior targets; one's own direct experience should arguably provide more relevant insights. Yet some third parties may resemble the current target to such an extent that third-party observations involving these similar states and the current sender again become useful. As a result, targeted states may draw conclusions from a sender's past record of threat enforcement more selectively than the monadic reputation argument suggests, but more liberally than is implied in the dyadic version of the argument. Recent studies have evaluated the notion of extra-dyadic learning in the context of militarized conflict (Crescenzi 2007; Crescenzi, Kathman and Long 2007). The application of this concept to the process of economic coercion is a promising area for future research. A first challenge will be to identify those characteristics of other states that targets may perceive as 'relevant' to reputational inferences.

Chapter 6

Context-Specific Reputations

6.1 Introduction

One of the propositions tested alongside the reputation argument in Chapter 4 states that the more valuable the issue under dispute the more willing targets will be to resist threats, even if sender states can be expected to also be more willing to impose sanctions in these cases. Specifically, it was argued that targets will be less likely to acquiesce to sanction threats if fulfilling the sender's demand could have negative implications for their prospects for national survival. Results obtained from the logistic regression using the full sample of cases provide only limited support for this hypothesis, although it was also noted that successful coercion appears to be less common in cases involving such high stakes.

In the theoretical argument outlined in Chapter 4, the size of stakes does not directly influence how sender reputations are formed or used. Instead, it is hypothesized that stakes in the dispute and sender reputations both influence the likelihood of particular outcomes at the threat stage of sanctions episodes. While this is a common way to think about the role of stakes or 'goals' in crisis bargaining research as well as sanctions studies more narrowly, there are other ways to conceive of the impact of issues on outcomes when reputations are considered as an explanatory variable. Up to this point, the analysis has assumed that sender reputations transcend important differences among sanctions episodes. This chapter discusses

two approaches to relaxing this assumption and presents a first empirical test of one of these arguments in the study of economic statecraft.

6.2 Issues as Context

Issues are an essential characteristic of international disputes. They can involve competing positions on a particular policy or disagreements over the distribution of concrete stakes. In short, issues are 'what states choose to fight over' (Diehl 1992, 333). Calls for a more systematic focus on issues as explanatory variables in international relations scholarship have a long history (Potter 1980; Mansbach and Vasquez 1981). The issues approach has received renewed attention recently in research on issues involved in militarized conflict and territorial disputes in particular (Diehl 1992; Hensel 2001; Brecher and Wilkenfeld 1997; Hensel and Mitchell 2005; Hensel et al. 2006). These efforts build on the basic and intuitive idea that political actors manage different types of issues in dissimilar ways, leading scholars to ask to what extent issues drive outcomes and how general causal mechanisms identified in international relations theory may work differently across political issue areas.

Economic sanctions as a tool of foreign policy have been used by states in pursuit of policy goals related to a variety of issues, such as convincing an opponent to alter its trade practices, in order to press for the release of hostages, or to cause an opponent to abandon expansionist policies, nuclear weapons acquisition or proliferation. For theoretical and methodological reasons, it is common in empirical studies of conflicts to distinguish broad categories of issues and use these categories as a proxy for the size of stakes in the conflict, a practice I also adopt in Chapter 4. There I assume that the value of some types of demands, namely those related to the military security of the target state, more often than not, will

outweigh the target's concerns over the costs of sanctions. As a result, the existence of such issues in the dispute will harden the target's position, making it less willing to concede to threats of sanctions.

In his critiques of the conclusions drawn by Hufbauer, Schott and Elliott (1990) in their seminal study, Robert Pape (1997, 1998) argues that sanctions episodes over so-called high-policy issues differ in fundamental ways from those over low-politics issues. The author focuses primarily on the differences in the costs that are likely to arise over the course of bargaining, and on the willingness of actors to bear these costs. Pape argues vigorously that Hufbauer et al.'s study overstates the effectiveness of economic sanctions by lumping together sanctions impositions over security-related issues and other, softer policy goals (1997, 96-7). The author's objection has implications for the reputations arguments as well: sanctions cases over various types of issues or stakes may differ so much that reputations acquired in sanctions cases over one type of issue may provide little insight into a sender's likely behavior in cases over other types of issues.

In principle, sender states may have different rates of threat enforcement across sanctions episodes involving different classes of issues. Some states may more reliably enforce threats over military issues than over trade practices or human rights violations, because the stakes for one's national security are higher in these cases. Others may enforce threats more reliably over human rights violations than trade disputes because powerful societal groups demand a strong national commitment to certain sets of norms. Such variation in sanctioning behavior over certain issues may reveal differences in senders' willingness and ability to engage in issue-linkage.

With regard to the puzzle addressed in this dissertation, this observation raises an important question. In disputes involving threats of economic sanctions, how do the issues at stake influence the way in which reputations form and evolve? If the contention is on the mark that issues differ fundamentally and shape interstate interactions in different ways, perhaps their impact goes beyond states' calculations of which demands are too valuable to concede in crisis bargaining. The key is to consider the type of issue under dispute as not just a factor in the decision calculus of the actors involved but as an important feature of the context of the interaction. When potential targets observe a sender's behavior, they may note not only the behavior itself but also the conditions under which it takes place. Recent scholarship suggests that the perception of these conditions should have a discernible impact on how reputations develop, change over time, and are used to predict future behavior.

6.3 Context-specific Reputations

Investigating international financial cooperation and the repayment of sovereign debt, Michael Tomz (2007) develops a theory of reputation as contextual inference. The core of this argument is that the context of an actor's behavior shapes how this behavior is interpreted by others. Investors are shown to consider not only the prior repayment record of a potential borrower, but also the economic conditions under which decisions to repay or to default on one's debt were made. For example, borrowers' reputations appear to suffer less when they default under economic duress than when they are perceived to have no valid economic excuse. How a particular event changes the observer's assessment of a borrower's type thus depends largely on whatever information is available about the economic situation in which the borrower found himself previously. The more general lesson to take away from

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this study is that observers give different weights to past behavior, drawing different conclusions about the actor's disposition.

Tomz' approach has a number of intriguing implications for the learning argument proposed here. Consider, for example, a situation where a certain sender has demonstrated a willingness to impose costly sanctions over what would be traditionally considered low-politics issues, such as another country's trade practices, or has imposed sanctions despite the fact that the resulting self-inflicted costs were very high. Do these actions reveal the same type of private information about the sender as those instances of sanctions imposition where high-salience issues are at stake, such as national military policy, or where the self-inflicted sanctions costs are low? Quite possibly not; it is plausible that such events will provide qualitatively different information about the sender's type. Sanctions impositions in these 'harder' cases could have a significantly different impact on the sender's reputation, not least because such actions may run counter to what is expected of rational actors, who may be expected to be more likely to impose sanctions when the stakes are high and prospective costs are low.[55] A reputation for resolve arising from such a learning process would almost certainly be different than one arising from the type of updating that treats all observations as equivalent and only considers action itself (sanctions imposition) but not its context, as is assumed in the argument proposed and tested in the previous chapters.

Theoretical arguments about context-specific inferences of this kind are compatible with the basic argument made here about the role of reputations in a targeted state's decision calculus. While the quantitative research design adopted here is not well-suited to testing

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[55]In fact, Tomz (2007, 18-9) argues that reputations should change when governments act contrary to their perceived type, given the economic circumstances. Reputations are preserved, on the other hand, when governments behave as expected, thus validating the observer's beliefs. This image of reputation formation is akin to what Huth (1997, 1999) terms the 'qualified-inter-dependence of commitments' school of thought on deterrence, a theoretical argument outlined by Snyder (1961) in his work *Deterrence and Defense.*

more refined propositions about reputation formation, they are a promising area for future research. The remainder of this section will focus on another novel reputational argument that draws attention to the context of interactions but challenges the notion of unitary reputation.

Applying Tomz's conceptualization of contextual inference to the area of interest here still effectively produces a single reputation. Another line of argument suggests that issues at stake may influence decision-making through the formation of *multiple* specific reputations. Most recently, Downs and Jones (2002) have made the case that political actors are attributed different reputations in different contexts and that political actors draw selectively on the past record of their opponent, depending on the characteristics of the current bargaining situation. The authors construct this argument to explain different rates of compliance with international agreements, but it can be plausibly extended to other strategic interactions that involve reputations.

International relations theorists have long argued that reputations play an important role in maintaining cooperation among states. Research in the tradition of neoliberal institutionalism commonly posits that reputational concerns will drive states to keep their commitments to other states, in particular out of fear of forfeiting their ability to form cooperative relationships in the future (Keohane 1984; Axelrod 1984). The need to maintain a reputation for reliability provides a strong disincentive to shirking and can act as a decentralized enforcement mechanism for formal and informal multilateral agreements (Milgrom, North and Weingast 1990).

While reputations may in fact function in this way to maintain cooperation, Downs and Jones (2002) note that individual states' compliance rates commonly vary across different

agreements. This variation should have a significant influence on reputational inferences because other states are likely to notice this and, to the extent that they are rational actors, will condition their behavior on the state's reputation in each area. As a consequence, states will not necessarily change their estimate of another state's interests, preferences, and predispositions with each new piece of information. The authors propose that we instead conceive of the consequences of a sender state's actions as more narrowly bounded: Potential target states will adjust their estimates of the sender's resolve only in connection with sanctions episodes that they believe 1) are affected by the same or similar sources of fluctuating costs and 2) are valued the same or less by the sender state (2002, 97). Once we accept the idea that states revise their assessment of agreement partners in this fashion, states can no longer be said to have a single reputation in the strategic sense. They now possess multiple reputations (2002, 101).

States may enforce economic sanction threats inconsistently across different types of issues because they face greater disincentives to impose sanctions over some policy demands. States engaged in reputation building may be more concerned about their enforcement record in some issue areas than in others, because they expect to engage in more numerous or salient confrontations over these issues in the future. If the reliability of a state's commitment to carrying out threats varies across issues, it is plausible that an international audience of potential targets will be able to observe this variation and draw the type of bounded inferences hypothesized by Downs and Jones (2002). In other words, potential targets will adjust their predictions of the sender's ability and willingness to carry out a sanction threat only in connection with sanctions cases that involve similar issues at stake. This expectation is summarized in the following proposition:

- **Hypothesis 1c**: States are more likely to concede to a sanction threat when the sender has a stronger record of carrying out such threats *in cases over similar issues* than when the sender has a weaker record.

The following empirical analysis will examine whether a sender state's past record of enforcing sanctions in disputes over a particular issue is helpful in predicting subsequent outcomes of sanction threats over the same issue. It is important to note that for the purpose of the initial analysis undertaken here, this argument does not require assumptions about how a sender's behavior will differ across contexts. Instead, it simply posits that the sender's behavior will vary more widely across different contexts than within similar contexts, all else being equal.[56] If the above refinement to the reputational inference argument is on the mark, we should expect a stronger record of imposing sanctions to be associated with a greater probability of observing successful coercion in the form of target state concessions or negotiated settlements. If the results conform to this expectation, it will provide some initial support for the idea that context-specific reputations influence target decision-making and that they do so in the manner hypothesized by the general argument outlined in Chapter 3.

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[56]The notion of context-specific reputations does not, however, imply that inferences drawn about the sender's credibility are entirely specific to the case at hand. Reputations must value some cross-situational consistency to be considered valid explanatory variables in their own right (Huth 1997, 82). Like the broader version of the reputation variable considered in the previous analyses undertaken in this dissertation, the information provided by context-dependent reputations is assumed here to accumulate over time and is thus qualitatively different from the particular characteristics of the current case.

6.4 Research Design

In order to evaluate the proposition that issue-specific reputations influence threat effectiveness, I use a subset of sanctions cases drawn from the sample employed in the previous analyses. Specifically, I focus on sanctions cases that involve sender demands related to the target state's economic policies. Based on the coding of issues at stake in the TIES data set, the sub-sample includes any case where sanctions were used to compel the target state to alter a trade practice or to punish a target state for engaging in a particular trade practice. Examples of the demands regarding trade practices include calls to end protectionist measures, tariffs, trade restrictions, or devaluations. The subset also contains any case from the original sample where sanctions were threatened in order to compel the target state to enact specific economic reforms. Demands for trade reforms include the implementation of IMF reforms, the liberalization of a controlled economy, or the enactment of specific economic legislation (Morgan, Krustev and Bapat 2006).

Why focus on economic sanction threats in disputes over economic issues? Two reasons make this a good place to look for the effect of context-specific reputational inferences. First, economic disputes are a distinct category of interstate conflict. They differ from other types of conflict, such as those over military interventions, support for terrorism, or nuclear proliferation, in the sources of costs and benefits for both senders and targets.[57] They are also likely to involve somewhat different policy-making processes than other types of disputes. The second reason is that sanction threats over economic issues are quite common,

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[57]Differences between trade conflicts and conflicts over other non-military issues can sometimes be less clear-cut. Disputes over human rights violations, for example, can have important economic implications for both sender and target states. For example, sanctions use to alter the policies that sustain sweatshops and other labor rights violations in low-income countries have the potential to influence international trade and investment patters in addition to their obvious human rights dimension. For the sake of consistency, I nonetheless rely on the TIES coding of issues at stake to identify disputes over economic practices.

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sufficiently so for sender states to be able to form distinct reputations in the eyes of opponents. If reputations are influential but issue-specific, it should be possible to detect their impact here. Indeed, Odell's (2000) study of U.S. trade negotiations, reviewed in Chapter 2, produced some initial anecdotal evidence that opponents indeed consider the sender's reputation for resolve in choosing a response to sanction threats. Finally, much of the existing research on the determinants of threat effectiveness in sanctioning has also focused on economic disputes (Bayard and Elliott 1994; Zeng 2004; Odell 2000). Looking for effects of issue-specific reputations in this policy area, one may uncover evidence of omitted variable bias in previous work and be able to suggest fruitful avenues for further research.

The sub-sample consists of 133 directed-dyad observations covering sanctions cases initiated between 1973 and 2000, the majority of which took place in the early 1990s. The sample contains 16 sender states and 33 target states. Of these cases, 56 (42%) ended with unconditional target concessions or negotiated settlements. Sanctions were imposed in 38 cases, while the sender state retracted its threat without having obtained its goals and without imposing sanctions in 39 cases.

The basic procedure used to create issue-specific reputation scores is the same as outlined in Chapter 4. I adapt this process by generating running counts of *threats issued and resisted* and *sanctions imposed*, drawing only on the cases included in the sub-sample. The result is a reputation score that is updated only when the sanctions cases involve demands over trade practices or reforms. In other words, while a sender may threaten sanctions over other policy issues, its record of imposing sanctions in these other cases does not alter its reputation for resolve in economic conflicts. Senders are again assigned reputation scores of 0.5 when they

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first appear in the data in order to avoid having these observations dropped from the analysis.[58]

The dependent variable is again a dichotomous indicator of threat effectiveness. It takes a value of 1 whenever a sanctions case ended with complete or partial, unconditional target acquiescence or with a negotiated settlement between sender and target. The outcome variable takes a value of 0 when the case ended after sanctions imposition or with the sender failing to carry out its threat to implement sanctions in the absence of target concessions.

Control variables included in the following analysis are identical to those used in previous analyses. The results presented below report estimated coefficients for the sender-to-target ratio of GDP as a measure of relative economic power in the dyad, rather than the ratio of military capabilities. While these measures are highly correlated and have produced nearly identical results in earlier analyses, a case can be made that the specter of military escalation should be less of a concern in the cases considered here. It is intuitive that the balance of economic power more closely captures the costs and benefits of escalation in economic disputes. I again report findings for both operationalizations of sanctions costs commonly found in the literature. Tables 6.2 and 6.3 located at the end of this chapter provide descriptive statistics and collinearity diagnostics for the estimation sample.

6.5 Analysis

Given the binary dependent variable, the logistic regression is an appropriate statistical method for testing Hypothesis 1c. Table 6.1 presents coefficients and standard errors for three models for the sample of sanction threats issued within context of disputes over trade

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[58]The reader may refer back to Chapter 4 for a more detailed discussion of the rationale behind this imputed value.

practices or trade reforms, as well as a measure of overall model fit.[59] Model 6.1 in first two columns contains findings for the general monadic reputation score used in previous analyses. In Model 6.2, reported in the third and fourth columns, this general score is replaced with the context-specific reputation variable. Finally, Model 6.3 includes both versions of the reputation scores, which allows us to assess their joint impact of the effectiveness of sanction threats.[60]

Turning first to the main independent variables, the findings confirm earlier conclusions about the impact of general monadic reputations but produce unexpected results for the issue-specific reputation measure. There is evidence to support the contention that a stronger record of imposing sanctions *in all cases* is a strong predictor of coercive success in economic disputes as well. The coefficients for *Sender Reputation* reported in Model 6.1 are positive and statistically significant, albeit less so than for the full sample of sanctions cases. Model 6.2, which includes the context-specific measure as the sole proxy for sender reputation, provides no support for the hypothesis that issue-specific enforcement records influence sanctions outcomes at the threat stage. Coefficients for this variable are negative but far from reaching conventional levels of significance (p=0.391 and p=0.249 in columns 3 and 4, respectively).

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[59]Collinearity between these variables is much less of a concern here than in the comparison between monadic and dyadic reputation scores because the general monadic score draws on a much larger and more diverse set of observations than the issue-specific reputation score. The two measures are correlated at 0.3 in the estimation sample and their signs are consistent across model specifications. The predictors *International Organization* and *GATT/WTO Dyad* are highly collinear in this sample, thus the former was excluded from the analysis.

[60]Findings for the null model, which includes only the secondary predictors, are largely consistent with the results presented here. Coefficients for all controls retain their signs and level of statistical significance with the exception of *GATT/WTO Dyad*, which improves in significance (p=0.019 and p=0.026, respectively), and *U.S. Sender*, which becomes insignificant.

Table 6.1 Determinants of Sanction Threat Effectiveness (Logistic Regression), Trade Disputes.

Variable	Model 6.1		Model 6.2		Model 6.3	
Sender Reputation	3.114	3.129			4.517	4.884
	(1.475)**	(1.454)**			(1.681)***	(1.591)***
Context-specific Sender Reputation			-0.949	-1.231	-2.872	-3.381
			(1.106)	(1.068)	(1.221)**	(1.195)***
Sender Trade Dependence	-7.941		-6.594		-6.092	
	(2.465)***		(3.486)†		(3.091)**	
Target's Trade Share		-0.353		0.386		0.445
		(1.930)		(2.527)		(1.966)
Sender Veto Players	-0.002	-0.661	-0.631	-1.225	0.838	0.524
	(3.294)	(3.427)	(3.966)	(3.986)	(2.829)	(2.841)
Target Trade Dependence	0.669		0.472		-0.487	
	(2.405)		(2.310)		(2.296)	
Sender's Trade Share		-0.563		-0.643		-1.252
		(1.054)		(1.012)		(1.064)
Prior Relations	0.087	-0.619	-0.202	-0.716	-0.404	0.929
	(3.435)	(3.005)	(2.009)	(1.593)	(2.730)	(2.328)
Relative Power (Economic)	-9.435	-6.818	-9.324	-6.410	-8.573	-6.661
	(5.307)†	(5.508)	(5.757)	(5.886)	(5.236)	(5.430)
Target Democracy	-1.382	-1.415	-1.446	-1.485	-1.210	-1.290
	(0.509)***	(0.509)***	(0.544)***	(0.531)***	(0.508)**	(0.505)**
Threat Clarity	1.099	1.066	1.253	1.198	1.092	1.065
	(0.444)**	(0.451)**	(0.438)***	(0.455)***	(0.494)**	(0.513)**
GATT/WTO Dyad	-0.999	-0.967	-0.942	-0.894	-0.979	-0.909
	(0.568)†	(0.576)†	(0.589)	(0.595)	(0.533)†	(0.549)†
U.S. Sender	1.013	1.199	0.913	1.067	0.983	1.295
	(0.505)**	(0.598)**	(0.537)†	(0.643)†	(0.508)†	(0.608)**
N	133	133	133	133	133	133
Log Likelihood	-67.011	-67.974	-69.263	-69.981	-65.185	-65.424
Wald χ^2 (df)	53.55	35.60	35.52	31.01	57.06	34.36
Adjusted Count R^2	0.29	0.27	0.38	0.33	0.28	0.45

Numbers in parentheses are robust standard errors, adjusted for clustering by dyad.
Statistical significance in two-tailed tests: ***$p<0.01$ **$p<0.05$ †$p<0.1$.

Note also that the overall model fit, reported here in the form of the adjusted count R^2, is somewhat worse for this second set of estimations.[61]

The third model specification estimates simultaneously the effect of the general and the context-specific measures of sender reputation. It produces significant findings for both variables but in some unexpected ways. Coefficients for *Sender Reputation* are again positive as predicted and significant. Results for the sender's context-specific reputation, however, run counter to expectations: rather than increasing the likelihood of target concessions, a greater reputation for carrying out sanction threats in trade disputes appears to be associated with coercive failure. While the coefficient for *Context-specific Reputation* retains its negative sign from the previous model, it is now much larger and statistically significant at 95% and above.

One possible explanation for this result is that senders who consistently enforce economic sanction threats are perceived as doing so because they derive some benefits from the sanctions themselves. In addition to being tools of coercion, economic sanctions can also function as protectionist trade policies that may increase the wealth of some (if hardly all) economic actors in the sender state. If a record of sanctions imposition is interpreted as revealing a penchant for protectionism, target states may suspect that no matter what the sender's demands are for policy change in the target, they only serve as an excuse for altering existing trade relations in the sender's favor. If that is the case, a sanction threat will be perceived as essentially non-contingent and the target will have little to gain from giving in, and thus may be more likely to stand firm. If a sender state's past record of sanctioning behavior indeed reveals private information that is specific to a policy area, and if the

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[61]The adjusted count R^2 reports the proportion of correctly guessed outcomes beyond the number that would have been correctly guessed by choosing the largest marginal (Long and Freese 2006, 110-1).

measure created here captures the extent to which such information is available to a given target, this finding suggests that being a consistent sanctioner may backfire for senders, at least in trade disputes. Although this result in part contradicts the expectations derived from the theoretical argument proposed in this dissertation, it lends support in at least one very important regard: reputations, as inferences from past behavior, appear to matter significantly in economic statecraft.

The control variables yield interesting results as well. Measured as a proportion of GDP, a sender's dependence on bilateral trade with the target appears to decrease the likelihood of successful coercion. Although the level of significance for this predictor varies somewhat across model specifications, its coefficient is positive throughout. This result is consistent with earlier findings. In contrast, no such evidence is found for an alternative operationalization of bilateral trade dependence as a proportion of total trade. Conclusions about the impact of prospective sender costs on threat effectiveness in trade disputes are thus again sensitive to how one conceives of such costs.

Among the secondary independent variables, the target state's regime type and the clarity of a threat again emerge as strong predictors of positive outcomes for the sender. As predicted, target states make concessions at greater rates when confronted with sanction threats that spell out in precise terms the sender's demands and punishments for defiance. Again counter to the original expectations, sanctions episodes involving democratic target states are significantly less likely to end successfully as defined here. Why should it be so difficult to coerce democracies? It is possible that democratic leaders, who are more dependent on public approval than their autocratic counterparts, worry more about appearing weak in the face of foreign threats. While a population may pay limited attention to the

minutiae of foreign policy conducted by their elected leaders, attempts at blackmail by outside forces, even trading partners, are likely to draw public notice. Citizens and domestic political opponents alike may be expected to punish incumbent leaders who appear unwilling to stand up and resist pernicious pressures from abroad.

In contrast to findings for the full sample, joint membership in the GATT or WTO does appear to influence the outcomes of economic sanction threats in trade disputes. Coercive success appears to be less forthcoming in these dyads. One explanation for such a finding is that membership in these international institutions raises expectations of being able to resolve trade disputes in other ways. The institutional framework may provide for better communication between sender and target and more numerous opportunities for bargaining, such that targets expect to obtain more favorable outcomes. Target states may also eschew outright concessions or settlements in response to threats because the institutional rules and processes provide recourse against sanctions impositions by senders.

The hypothesis that greater prospective sanctions costs for the target state will increase the probability of concessions is not supported by the findings for this sub-sample. It appears that in the trade disputes examined here, greater economic dependence on the sender state has no significant influence on targets' decisions to cooperate with the sender's demands. Interestingly, the economic balance of power also does not appear to affect outcomes significantly in this type of dispute.[62] No support is found for the hypotheses that threat effectiveness is influenced by either domestic constraints in the sender state or the nature of

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[62]In a departure from earlier analyses, findings for the strength of relative military power actually differ from those for relative economic capability. A more favorable balance of military capabilities for the sender does appear to have a negative impact on the chances for observing successful coercion. This effect is similar to that detected for the full sample but somewhat weaker in statistical significance. The coefficient is significant at $p<0.05$ for only three model specifications and at $p<0.1$ for the remaining setups.

prior relations in the dyad. Finally, the target state's economic health measured as its average 5-year-growth in GDP also does not affect the probability of target concessions.[63] These findings confirm earlier results for the full range of sanctions cases.

6.6 Conclusion

This empirical analysis leads to the conclusion that a sender's reputation has strong yet contradictory effects on outcomes in trade disputes involving the threat of economic sanctions. Success is at least in part a product of the sender's general prior record of enforcing such threats *and* its history of doing so in previous trade disputes. Moreover, general and context-specific sender reputations appear to pull target states in opposite directions: a stronger record of carrying out threats over any issue increases the likelihood of concessions, while a stronger record of imposing sanctions in trade disputes diminishes the chances of observing concessions.

How can these findings be reconciled? One explanation, which has already been invoked in the previous chapter, is that sender states that have not yet acquired a significant record of sanctioning in a particular issue area will be judged on the basis of their general enforcement record. In the cases examined here, many sender states may have had few opportunities to impose sanctions in trade disputes, either because they rarely use sanction threats in conflicts

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[63]Again, coefficients for this variable were estimated in a separate logistic regression. They are not reported in Table 5.4 because the predictor does not seem to contribute substantially to an explanation here: coefficients are consistently negative but far from significant and the inclusion of this variable affects neither sign nor significance of any of the remaining predictors. Moreover, missing data points lead to the loss of a significant number of observations (N=111).

over economic policy or because their threats typically succeed.[64] This dearth of context-specific observations may lead targeted states to look beyond the sender's enforcement record in trade disputes to more readily available information, in particular if the sender has built up a general reputation for resolve in disputes over other issues. In contrast, when targets face a sender with a long history of imposing sanctions (or failing to do so) in trade disputes, they may draw on this stream of information instead because it is more relevant to predicting the sender's response in a current crisis over economic policy.

This observation again raises questions about the number of prior sanctions episodes required to make reputational inferences sufficiently relevant and reliable in the eyes of targeted states. The findings in this chapter also suggest that more research is needed in order to illuminate in greater detail the use of reputations in conflict resolution. Based on the empirical results derived here, it appears that stronger overall records of threat enforcement increase the probability of concessions, while more consistent sanctions imposition in economic disputes diminishes this probability. If separate streams of information about the sender's resolve in different issue areas exist, and if they have the potential to exert countervailing influences on the target's decision to concede, how do policy makers assess and weigh this information?

The findings presented in this and the previous chapter make apparent the limitations of large-n quantitative research designs for studies of reputational inference. Empirical results presented in Chapter 4 of this dissertation clearly demonstrate a correlation between the past monadic and general enforcement records of sender states and outcomes in sanctions cases.

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[64]To investigate this possibility, a separate analysis was performed limiting the sample to sender states which had been involved in two or more sanctions cases at the time of the current episode. The subsample had an N=121, dropping only 12 observations. Coefficients for all predictors were consistent in sign and significance with the findings reported for the full sample of trade disputes. It is possible that the cutoff of two or more prior episodes falls below the threshold required for reputation formation.

Moreover, these correlations are in the direction predicted by the theoretical argument proposed by this dissertation and thus provide initial support for the notion that historical information affects threat credibility through the formation of sender reputations for resolve. However, additional qualitative research may be needed to increase confidence in the existence of this causal relationship and the sophisticated inferences and judgments postulated by it. The next chapter summarizes the main findings generated by this project and outlines a research agenda designed to further our understanding of reputation formation and evolution in economic coercion.

6.7 Summary Statistics

Table 6.2 Descriptive Statistics, Trade Disputes.

Variable (N=133)	Mean	Std Dev.	Minimum	Maximum
Coercive Success	0.4210526	0.4955946	0	1
Sender Reputation	0.706491	0.169551	0	1
Context-specific Sender Reputation	0.5562338	0.1910437	0	1
Sender Trade Dependence	0.0256915	0.0603144	0.000125	0.37543
Target's Trade Share	0.1055257	0.1614048	0.000406	0.80037
Target Trade Dependence	0.0681828	0.0984967	0.000768	0.422463
Sender's Trade Share	0.2125609	0.2014244	0.002335	0.80037
Sender Veto Players	0.4038389	0.0857892	0	0.690258
Sender Democracy	0.9548872	0.2083362	0	1
Prior Relations	0.0014764	0.1379059	-0.84204	0.302269
Relative Power (Economic)	1.049703	0.0729174	0.87946	1.121193
Target Democracy	0.7593985	0.4290648	0	1
Threat Clarity	0.2105263	0.4092238	0	1
GATT/WTO Dyad	0.7094737	0.4092240	0	1
Target Economic Health (N=111)	3.883273	3.31497	-13.8118	10.86
U.S. Sender	0.6316541	0.4749357	0	1

Table 6.3 Collinearity Diagnostics (based on Model 6.3).

Variable	Variance Inflation Factor	Tolerance
Sender Reputation	1.35	0.7422
Context-specific Sender Reputation	1.44	0.6927
Sender Trade Dependence	1.63	0.6146
Sender Veto Players	1.25	0.7995
Target Trade Dependence	1.58	0.6333
Prior Relations	1.20	0.8318
Relative Power (Economic)	2.89	0.4972
Target Democracy	1.53	0.6524
Threat Clarity	1.22	0.8194
GATT/WTO Dyad	1.61	0.6336
U.S. Sender	1.58	0.3864

Chapter 7

Conclusion

7.1 Summary

Over the course of the last three decades, economic coercion has become a staple of world politics. The end of the Cold War, combined with growing international trade and finance, has provided ample opportunities for the use of threats and impositions of economic sanctions. In principle, they allow for the resolution of interstate disputes at lower levels of escalation. In fact, policy makers often tout economic sanctions as a less bloody alternative to military force. Understanding the conditions under which economic coercion can succeed is a research project that has important implications for foreign policy decision makers, as well as for scholars investigating the effects of economic interdependence on international interactions.

Existing research has made significant strides in explaining when imposed economic sanctions should succeed in obtaining desired policy changes. Despite a wealth of insight produced by sanctions scholars over the past decades, our understanding of economic coercion has long been hampered by a failure to appreciate the strategic interaction that leads to sanctions imposition. There is reason to believe that a large number of economic coercion attempts never progress to this stage because targeted states find it in their best interest to acquiesce in order to avoid being sanctioned. Building on game-theoretic models of coercion,

scholars have come to agree that the most successful uses of economic coercion should end before sanctions are imposed (Drezner 2003, 648). Uncovering the conditions under which threats of economic sanctions are likely to succeed in coercing states helps us gain a more complete understanding of the process and efficacy of economic coercion.

This dissertation contributes to the study of economic coercion by investigating the causes of sanctions effectiveness at the threat stage, asking why targeted states sometimes concede but resist threats at other times. A small number of studies have begun to explore this question, focusing in particular on the economic costs of sanctions to the parties involved, the cost of concessions to the target, the institutional structure of foreign policy making, and the larger strategic environment of economic coercion attempts. I argue that in concentrating primarily on factors that characterize a current dispute, scholars have overlooked the impact of historical lessons on the target's decision calculus.

To the extent that threats and imposition of economic sanctions are public events, states are able to observe the consistency with which a sender state in fact carries out its threats in cases where target acquiescence is not forthcoming. These observations can generate expectations about the sender's resolve in sanctioning, and specifically, the likelihood with which it will carry out sanction threats in future confrontations. In short, states acquire reputations in the eyes of future opponents for being tougher or weaker enforcers of threats based on their past behavior in similar situations. These reputations provide a basis for assessing the credibility of a current threat and targeted states will adjust their strategic responses accordingly. Threats issued by sender states with weaker reputations for resolve will be less likely to succeed in coercing concessions than those issued by states with stronger reputations.

From this basic argument, I derived three hypotheses about reputational inferences that varied with regard to the breadth of past observations, which targeted states are assumed to consider when assessing the sender's current resolve. The first proposition suggests that targeted states will consider the sender's previous enforcement record in its entirety up until the year of the current confrontation. This view assumes that under duress, and uncertain about the probability of sanctions imposition, states will consider the widest possible range of relevant information; here, the sender's enforcement record in sanctions cases against any previous target over any issue under dispute. The empirical findings presented in Chapters 4 strongly support this contention. Monadic sender reputations were found to be a strong predictor of sanctions outcomes, and stronger reputations proved to be consistently associated with coercive success, regardless of whether success was defined narrowly as unconditional concessions or more broadly as including negotiated outcomes.

Two additional propositions argue that targeted states may also use observations of the sender's past actions selectively, either relying more heavily on direct experiences with the sender state or drawing context-bound inferences from past episodes involving similar stakes. These hypotheses were tested using relevant subsets of the full sample of sanctions cases. Results of the dyadic reputation argument, presented in Chapter 5, indicate that direct experiences do not affect sanctions outcomes in the way predicted by the theoretical argument, while a sender's monadic reputation appears to exert significant influence over the target's decision to cooperate with demands. Examining a sample of sanctions cases over trade issues, Chapter 6 produced interesting yet contradictory findings with regard to the role of context-dependent inferences in economic coercion. A stronger record of past threat enforcement *in trade disputes* appears to diminish the chances for coercive success, while a

stronger record of enforcement in *all* disputes again increases the likelihood of target concessions as predicted by the theoretical argument. Taken together, the empirical findings of this dissertation provide significant support for the contention that past behavior affects future outcomes. Senders that have imposed sanctions more reliably overall are more likely to obtain target cooperation than senders whose record is less consistent in this regard.

In addition to these novel insights, the large-n quantitative analyses undertaken in this dissertation has produced a number of interesting findings about predictors of sanctions effectiveness given primacy in alternative explanations. The strongest and most consistent results are those related to sanctions costs, threat clarity, and the balance of power in the dyad. Overall, sanction threats appear to be more likely to induce concessions when the prospective costs of sanctions to the sender are lower, indicating that sanctions imposition may appear more likely to targets in these cases. Targeted states have been found to be more likely to cooperate with the sender's demands when the terms of these demands and threatened punishments are clear rather than ambiguous. Finally, and unexpectedly, a more favorable balance of economic or military capabilities for the sender state appears to undermine the effectiveness of sanction threats, confirming suspicions in the extant literature that economic coercion is viewed as a substitute for more potent means of coercion, and that its use may signal weakness rather than strength.

7.2 Tentative Policy Implications

The theoretical argument presented in this dissertation and the supporting empirical evidence herein suggest that states may have incentives to build and maintain reputations for resolve in economic coercion. If a weak reputation diminishes the odds of obtaining concessions from

targeted states without having to impose sanctions, then a record of making empty threats can become a significant liability for states in international bargaining. This is particularly true when alternative means of conflict resolution, such as threats of military intervention, are unavailable or when the costs and risks associated with their use are prohibitive.

Clearly, one way to safeguard a reputation is to refrain from making idle threats that may be expedient for expressive purposes but are unlikely to be upheld if challenged. Consider the recent confrontation between the European Union and Russia in August 2008, alluded to in Chapter 1. The conflict arose over Russia's military intervention in neighboring Georgia, which was widely condemned as a violation of Georgian sovereignty. Should the European Union have threatened economic sanctions against Russia in order to force the removal of Russian armed forces from Georgia? The findings presented in Chapter 4 suggest that any such threats would have had limited prospects for success for at least two reasons: on the one hand, Russia is one of the main trading partners for the EU and the region's foremost supplier of natural gas. The prospective costs to the EU of imposing economic sanctions on Russia were substantial, particularly if Russia had chosen to retaliate in kind. Moreover, to the extent that the EU's economic sanction threats are essentially multilateral endeavors, the results reported in Chapter 4 in part suggest that the odds of successful coercion were further diminished. Unsurprisingly, support for the use of economic sanctions against Russia appeared to be weak among foreign policy leaders in EU member states (ZEIT ONLINE, 2008a). Nevertheless, reports also indicate that sanction threats were briefly considered—but ultimately dismissed—as a possible response that would give voice to European concerns about Russia's continued aggressive involvement in her near abroad (ZEIT ONLINE, 2008b).

My theoretical argument about the role of reputations in economic coercion suggests that the EU's reluctance to threaten sanctions was well-founded: given that actual sanctions imposition was an unlikely outcome, any sanction threat would have been a bluff and one that Russia was likely to call. If the argument proposed here is on the mark, the main result would have been to undermine the credibility of EU sanction threats in the future, an outcome made all the more undesirable by the very real prospect of future confrontations with an increasingly assertive and nationalistic Russia.

Another implication of the findings presented here is that states have incentives to impose sanctions on some recalcitrant targets even when doing so would be costly in the short term and the prospects for subsequent success are limited. In fact, as Morgan and Miers (1999, 16) note, "the failure of imposed sanctions is the price senders pay to maintain the credibility of a threat of sanctions, which can often induce targets to change their behavior." Making good on costly threats could be viewed as an investment in future bargaining power. The discussion of sanctions costs in Chapter 3 nonetheless raises an important concern. States must weigh the benefits of such reputation-building efforts not only against current potential short-term costs, but against long-term consequences as well. Repeated demonstrations of one's willingness to abandon economic ties in pursuit of political gain may deter some potential trading partners from entering into commercial relations with the sanctioning state. Similarly, states may be loath to impose sanctions simply to demonstrate resolve if by doing so they relinquish the ability to exert influence in a future confrontation over issues that are deemed more vital than the one currently in dispute. The lesson to be drawn from this discussion is that while some states clearly have incentives to build and maintain reputations for credibility, other considerations may make it difficult to manipulate one's image in the

eyes of potential opponents. The most promising course of action to enhance this image may thus be to refrain from obvious bluffs.

7.3 Avenues for Further Research

In introducing a novel explanation for sanctions effectiveness, this dissertation also directs attention to a number of issues related to reputation formation and evolution that may generate further research. The discussion of findings for Chapters 5 and 6, for example, raises questions about how many observations of threat enforcement are needed to generate a reputation in the eyes of potential opponents. Chapter 5 indicates that dyadic reputations do not significantly affect target acquiescence. One plausible interpretation of this non-finding is that individual targets may have had insufficient opportunity to interact with a particular sender and were thus unable to gather the kind of direct experience that would allow for conclusive credibility judgments. How much information about an opponent do states require, on average, in order to form an opinion, and how much more information is needed to provide a sufficient amount of confidence in one's judgment? A more fine-grained analysis may reveal how reputations and states' confidence in the information provided by them evolve over time.

While this dissertation found no support for a hypothesized effect of the sender's domestic political environment on the effectiveness of its sanction threats, future research should nonetheless pay closer attention to the nature of decision-making within states. I have adopted here a state-centric view, arguing that reputations for resolve accrue to these entities as a whole. Although this has been the predominant practice in empirical research on reputational inference, attributions of the type predicted here may also occur at other levels

(Huth 1997, 78). Leader-centric research has gained renewed prominence in recent years and holds promise for the study of reputation in economic coercion.[65]

Over the lifetime of a state, key decision makers can and often do change. Leadership turnover may be the result of a state's institutional structure, as is the case in democracies, which hold periodic elections. If individual leaders differ in their interests and preferences in policy-making, due to personal attributes or in response to the constituencies they represent, leadership turnover may have an important impact on the formation of reputations in sanctioning as well. In contrast to their predecessor in office, a new leader may adopt a hawkish rather than dovish approach to foreign policy or have a greater interest in military containment than in human rights issues. If the political behavior of a leader is driven by a different set of factors than that of their predecessor, and if other states are sufficiently aware of these differences, it becomes plausible that reputations for resolve in economic coercion leave office together with the departing leader or administration. Targeted states would then adjust their expectations about threat enforcement accordingly, drawing inferences only across sanctions cases initiated by the same leader.

It is likely that reputations for resolve are neither completely leader-driven nor solely attributed to states. In fact, the reality probably lies somewhere in between. While leaders change, some aspects of foreign policy-making may be resistant to change, such as intelligence gathering and processing procedures, or a more general foreign policy tradition that persists over time. A future analysis of the leader-centric perspective on reputational inference could account for both of these sources of reputation information and their individual and combined influence on the success of economic coercion.

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[65] For examples of recent scholarship in this tradition, see Gelpi and Grieco (2001), Guisinger and Smith (2002), Chiozza and Goemans (2003), McGillivray and Stam (2004), and Wolford (2007).

More broadly, further qualitative research may be needed to substantiate the claim that state reputations for reliable threat enforcement shape the decisions of policy makers in targeted states. While the correlations between past enforcement and outcomes presented in the previous chapters are clearly supportive of the general theoretical argument, this evidence is necessarily circumstantial because key elements of the hypothesized causal mechanism are unobservable. Reputation and credibility are constructs that are assumed to exist within the minds of actors in international politics. The process of inference by which actors are assumed to connect observations of past behavior with the consequences of their strategic choices in a current situation is intuitive: as individuals, we commonly judge others on the basis of their previous behavior, just as others consider our past actions as evidence of our current abilities and intentions. Whether these processes are also present in the type of international bargaining situation analyzed here cannot be established conclusively by comparing initial conditions to different outcomes. A more direct test of a theory of reputational inference in economic coercion may entail an examination of records and communications produced by policy makers who had to ponder the credibility of a sanction threat and its implications for an appropriate response. Such an analysis may also reveal how policy makers weigh different sources of clues available to them about an opponent's credibility, such as reputation and the prospective costs of sanctions, both of which appear to influence the probability of target concessions.

This dissertation set out to increase our understanding of the 'hidden hand' of economic coercion: the ability of states to use cross-border economic ties for political leverage merely by threatening sanctions. In pursuit of this goal, I have adopted a large-n quantitative research design using recently published sanctions data that provides a more representative

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sample of sanction threats and impositions than had been available previously. This approach has allowed me to evaluate a wide range of propositions about the determinants of threat effectiveness, contributing new insights to the scientific study of economic coercion. Most importantly, by incorporating information about states' past behavior as enforcers of sanction threats, this dissertation has identified a significant predictor of coercive success previously overlooked in studies of economic sanctions efficacy. Historical information may inform target decision-making just as much as the material characteristics of the current crisis situation: states that have more consistently demonstrated their willingness to impose economic sanctions in the past are more likely to obtain concessions in subsequent confrontations. If conditions in the international state system continue to make economic sanctions an attractive alternative to military coercion or inaction, potential sanctioners might do well to mind their reputations.

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