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The rise and success of economic sanctions

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Conflict and Punishment in a Liberal Order

The Rise and Success of Economic Sanctions



Dawid Walentek

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UNIVERSITEIT VAN AMSTERDAM

Faculteit der Maatschappij- en
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Conflict and Punishment in a Liberal Order

The Rise and Success of Economic Sanctions

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Summary

This thesis investigates the rise of economic coercion that has followed the end of the Cold War. Although liberal scholars argue that the advancement of liberal institutions and popular objection to violence in international relations should result in cooperation and peace between states, research shows a substantial increase in the use of economic sanctions since the end of the Cold War. This thesis argues that liberal institutions — democracy and international organisations — paradoxically create incentives and constraints that stimulate threats of, imposition of, and cooperation on, economic sanctions. Since the end of the Cold War resulted in an advancement of liberal institutions, it also generated scope for increased use of economic sanctions. Consequently, in a liberal world order, the exercise of power in international relations is being rechannelled into economic coercion.

In order to establish and explain the relation between liberalisation of the world order and rising frequency of economic coercion, this thesis explores four strands of literature and engages with qualitative and quantitative research. First, it assesses whether economic peace holds, and whether democracies are less likely to engage in economic coercion against one another. Second, it establishes a domestic audience benefit to a political leader for engaging in economic sanctions, and a domestic audience cost for not pursuing a threat of economic sanctions. Third, it studies the effectiveness of threats of economic sanctions with respect to three mechanisms related to coercion: economic cost, domestic audience cost and uncertainty about the costs. Fourth, it looks into the interaction between domestic politics and international negotiations to explain the robustness of cooperation on economic sanctions.

To begin with, scholars have debated whether democratic peace, a theory that democracies do not wage war against one another, also holds in the realm of economic sanctions, and leads to economic peace. There is a substantial amount of evidence both for and against this, and some findings have been extremely sensitive to changes in research design, with new data or changes in statistical methods leading to divergent results. Using the updated TIES data set and improved methodology, this thesis provides new insight, finding that democracies are more likely to issue economic

sanctions, that there is no economic peace, and that, in fact, democracies are more likely to sanction one another. It argues that, as democratic political leaders seek to secure a broad coalition and use sanctions to address domestic foreign policy and protectionist demands, lack of economic peace is consistent with the public choice approach to economic sanctions. In addition, this thesis finds that, when in conflict with another democracy, democracies may substitute war with economic sanctions. Consequently, democratisation — seen as a source of peace in international relations — can lead to a decrease in war but an increase in economic coercion, rechannelling the exercise of power in a liberal order and potentially even increasing the level of conflict.

Having established that economic sanctions may be a tool that political leaders in democracies use to gain broad support and secure their positions — the public choice approach — this thesis turns to an empirical assessment of the implications of this relation. In general, scholars offer two competing explanations for the use of economic sanctions, instrumental and symbolic. The instrumental explanation proposes that the motivation for the use of economic sanctions stems from policy makers' desire to change the behaviour of the target state and contradicts the public choice approach to economic sanctions. However, given the low effectiveness of economic sanctions, some scholars propose an alternative explanation, namely that economic sanctions are imposed to address the expectations of the domestic audience, so the motivation is symbolic, being focused on a domestic audience benefit. This thesis assesses those arguments and whether a political leader experiences a domestic audience boost for imposition of economic sanctions. Unlike other studies, it also tests whether multilateral efforts offer an additional increase in popularity and, following crisis bargaining literature, whether issuing an empty threat results in a domestic audience cost. To do this, this thesis employs a difference-in-differences method and studies the change in the approval rating of US presidents, using the TIES data set for information on economic sanctions and monthly Gallup data on US presidential approval ratings. It finds that political leaders receive a domestic audience benefit of roughly one percentage point for imposing an economic sanction, and a domestic audience cost of roughly two percentage points for issuing an empty threat. There is no evidence for an additional boost in approval rating for multilateral efforts. The results provide further evidence for the domestic motivation of economic coercion, aligning with the findings of this thesis on economic peace and the public choice approach to economic sanctions. This also helps relate crisis bargaining literature to research on economic sanctions.

From the findings it follows that if political leaders do experience a domestic audience cost for not following up on a sanction threat, threats of democratic leaders should be more successful, because backing down may be costlier than engaging in a sanction. Consequently, this thesis examines when and why threats of economic sanctions lead to successful extraction of policy concessions. Scholars have developed three (not mu-

tually exclusive) hypotheses that explain success of sanction threats: (a) the coercive, (b) the informational and (c) the public commitment hypothesis. The underpinning mechanisms for these hypotheses are, respectively, the economic cost of sanctions, uncertainty about the resolve of the sender, and domestic audience cost for issuing empty threats. This thesis empirically tests these three hypotheses on effectiveness of threats, and assesses how variation in the three mechanisms affects effectiveness of threats relative to imposed sanctions. For the expected economic cost, the thesis uses the TIES data; to measure uncertainty, it generates a network of diplomatic relations, based on Formal Alliance data, utilising methods from complex network theory; and to assess public commitment, it uses the democracy score based on the POLITY IV data. The results show that effectiveness of threats strongly increases with economic cost to the target. However, threats become increasingly effective relative to imposed sanctions for lower uncertainty and higher domestic audience cost; the latter being in line with the expectations built on the findings of this thesis on economic peace and the symbolic role of economic sanctions. This chapter also offers insight into the role of international organisations in the increase of economic coercion: Trade and diplomatic ties appear to play a strong role in facilitating the success of sanction threats, making economic coercion a more appealing tool of foreign policy in a liberal world.

Finally, as the research finds no evidence for the symbolic motivation for cooperation on economic sanctions, this thesis provides an in-depth analysis of a highly relevant case of a multilateral sanction regime: the EU sanctions against Russia. In response to Russia's actions in Ukraine in 2014, the EU introduced sanctions against Moscow. Despite initial polarisation among EU member states, the sanctions have been consistently renewed. This raises the question of how sanctions resilience can be explained. Despite accounts highlighting the influence of leadership by Germany (and France), commitment to norms, and the personal engagement of key policymakers, such as previous President of the European Council Donald Tusk, the EU's ability to uphold the sanctions package against Russia in the face of uneven support among member states remains puzzling. With the help of a two-level game framework, according to which actors make decisions based on the interplay between the domestic and international levels, this thesis investigates the persistence of the sanction regime with reference to the interaction between the Council of the EU and domestic politics in the member states, arguing that the interaction between both levels sustains the consensus at the European Council for sanctions against Russia. An exploration of domestic factions in Spain and Poland, two member states displaying respectively typical attitudes of a "dove" and a "hawk" towards Russia, searches for the presence of at least one actor whose stance deviates from the mainstream, thus facilitating consensus in the Council. This investigation adds weight to the argument that international organisations play a role in facilitating the increased frequency of economic coercion. In this case, they create scope for multilateral economic sanctions by addressing the two-level game that political leaders engage in when seeking consensus on economic coercion.

In summary, through engaging with four strands of literature on economic coercion in four linked empirical investigations, this thesis offers an answer to the question why there are more sanctions in a liberal order, concluding that the increase in the frequency of threats, imposition and cooperation on economic sanctions results from the incentives and constraints that democratic leaders face. It further argues that membership of international organisations also influences the rise of economic sanctions, and that international organisations appear to increase the effectiveness of sanction threats and imposition, and make cooperation on multilateral sanctions more likely. The results extend our understanding of the relation between liberal institutions and the likelihood of conflict in international relations. While democracy and international organisations may have a negative effect on military conflict, they appear to positively stimulate economic coercion. Thus, the claim of liberal institutionalism that democracy and international organisations bring cooperation and peace holds only with respect to war, not with respect to economic sanctions. This thesis shows that, in fact, liberal institutions can stimulate states to threaten, impose and cooperate on economic sanctions, leading to a policy substitution and policy inflation with respect to economic coercion. The implication of this dynamic is that, as a result of the liberalisation of world politics after the Cold War, rather than disappearing, the exercise of power in international relations is changing. This thesis proposes that economic coercion is not only a threat to the liberal world order, but also its product.

Samenvatting

Deze dissertatie onderzoekt de opkomst van economische dwang die volgde op het einde van de Koude Oorlog. Hoewel aanhangers van de liberale stroming binnen de politieke wetenschappen betogen dat de uitbreiding van liberale instituties en maatschappelijke weerstand tegen geweld in internationale betrekkingen zou moeten leiden tot samenwerking en vrede tussen staten, wijst onderzoek uit dat er sprake is van een substantiële toename in het gebruik van economische sancties sinds het einde van de Koude Oorlog. Deze dissertatie stelt dat liberale instituties — democratie en internationale organisaties — paradoxaal genoeg prikkels en beperkingen creëren die het dreigen met, het opleggen van en samenwerking op het terrein van economische sancties stimuleren. Aangezien het einde van de Koude Oorlog resulteerde in een groei van liberale instituties, genereerde dit daarmee ook het potentieel voor het opleggen van meer economische sancties. In een liberale wereldorde komt de uitoefening van macht in internationale betrekkingen tot uiting als economische dwang.

Om het verband aan te tonen tussen de liberalisering van de wereldorde en het groeiende gebruik van economische dwang verkent deze dissertatie vier stromingen binnen de literatuur en maakt zij gebruik van kwantitatief en kwalitatief onderzoek. Ten eerste onderzoekt zij of economische vrede bestendig is en of democratieën minder geneigd zijn economische dwang tegen elkaar te gebruiken. Ten tweede verkent zij de noties van een binnenlands politiek voordeel voor een politieke leider die economische sancties toepast en binnenlandse politieke kosten voor het niet uitvoeren van het dreigen met een economische sanctie. Ten derde onderzoekt zij de effectiviteit van het dreigen met economische sancties gerelateerd aan drie mechanismen van dwang: economische kosten, binnenlandse politieke kosten en onzekerheid over de kosten. Ten vierde kijkt deze dissertatie naar de interactie tussen binnenlandse politiek en internationale onderhandelingen om de robuustheid van samenwerking op het terrein van economische sancties te verklaren.

Er bestaat onenigheid tussen wetenschappers over het punt of democratische vrede, een theorie die stelt dat democratieën niet tegen elkaar oorlog voeren, ook leidt tot economische vrede. Er is een substantiële hoeveelheid bewijs zowel voor als tegen deze

stelling en sommige bevindingen zijn erg gevoelig gebleken voor veranderingen in onderzoeksontwerp, waarbij nieuwe data of wijzigingen in statistische methoden leidt tot afwijkende resultaten. Gebruikmakende van de geüpdatete TIES data en verbeterde methodologie biedt deze dissertatie nieuwe inzichten, aantonende dat democratieën meer geneigd zijn om economische sancties toe te passen, dat economische vrede niet bestaat en dat democratieën zelfs meer geneigd blijken elkaar te sanctioneren. Deze dissertatie stelt dat, aangezien democratische politieke leiders zoeken naar een brede coalitie en sancties gebruiken om binnenlandse eisen aan buitenlandbeleid en protectionisme te vervullen, een gebrek aan economische vrede consistent is met een *public choice* benadering van economische sancties. Verder wijst deze dissertatie uit dat wanneer democratieën met elkaar in conflict zijn, zij economische sancties gebruiken in plaats van oorlog te voeren. Dit betekent dat democratisering — wat gezien wordt als een bron van vrede in internationale betrekkingen— kan leiden tot een afname in oorlog, maar een toename in economische dwang. De toepassing van macht in een liberale wereldorde wordt dus omgeleid naar economische dwang en kan zelfs samengaan met een toename van het niveau van conflicten.

Na te hebben aangetoond dat economische sancties een instrument kunnen zijn dat politieke leiders in democratieën gebruiken om brede steun te vergaren en hun positie te verstevigen — de *public choice* benadering — richt deze dissertatie zich op een empirische analyse van de implicatie van deze relatie. In het algemeen gebruiken onderzoekers twee rivaliserende verklaringen voor het gebruik van economische sancties: instrumenteel en symbolisch. De instrumentele verklaring stelt dat de motivatie voor het gebruik van economische sancties voortvloeit uit de wens van beleidsmakers om het gedrag van de getroffen staat te veranderen en spreekt de *public choice* benadering van economische sancties tegen. Maar, gezien de lage effectiviteit van economische sancties, stellen sommige wetenschappers een alternatieve verklaring voor, de symbolische, die opwerpt dat gezien de lage effectiviteit van economische sancties het doel van economische sancties ligt in het adresseren van de verwachtingen van het binnenlands publiek. De motivatie is symbolisch, gericht op het bereiken van voordeel bij het binnenlands publiek. Deze dissertatie beoordeelt deze argumenten en onderzoekt of een politieke leider politiek voordeel behaalt bij het binnenlands publiek door het opleggen van economische sancties. Anders dan andere studies test deze dissertatie of multilaterale sancties een toevoegde stijging in populariteit teweeg brengen en, *crisis bargaining* literatuur volgende, of een loos dreigement resulteert in kosten bij het binnenlands publiek. Om dit te onderzoeken gebruikt deze dissertatie een *difference-in-difference* methode en bestudeert zij veranderingen in de populariteitscijfers (*approval ratings*) van Amerikaanse presidenten, gebruikmakende van de TIES data voor informatie over economische sancties en maandelijkse Gallup data over de populariteitscijfers voor Amerikaanse presidenten. Deze dissertatie toont aan dat politieke leiders een binnenlands publieksvoordeel bereiken van ongeveer een procent voor het opleggen van een economische sanctie en binnenlandse publiekskosten ervaren van ongeveer twee procent voor het maken van loze dreigementen. Er is geen

bewijs voor een toegevoegde stijging in populariteit bij multilaterale sancties. Deze resultaten bieden aanvullend bewijs voor een binnenlandse motivatie voor economische dwang en sluiten aan bij de bevindingen in deze dissertatie over economische vrede en de *public choice* benadering van economische sancties. Dit helpt ook om *crisis bargaining* literatuur te relateren aan onderzoek naar economische sancties.

Uit de bevindingen volgt dat als politieke leiders kosten ervaren bij het binnenlands publiek als gevolg van het niet uitvoeren van een economisch dreigement, dreigementen van democratische leiders meer succesvol zouden moeten zijn omdat zich terugtrekken kostbaarder is dan het uitvoeren van een sanctie. Deze dissertatie onderzoekt of en wanneer het dreigen met economische sancties leidt tot het succesvol binnenhalen van beleidsconcessies. Wetenschappers hebben drie hypothesen (die elkaar niet onderling uitsluiten) geïdentificeerd die het succes van sanctie-dreigementen verklaren: a) de dwang b) de informationele en c) de publieke verplichting hypothese. De onderliggende mechanismen voor deze hypothesen zijn, respectievelijk, de economische kosten van sancties, onzekerheid over de vastberadenheid van de zender en binnenlandse publiekskosten voor het maken van loze dreigementen. Deze dissertatie test deze hypothesen over de effectiviteit van economische sancties empirisch en bepaalt hoe variaties in de drie mechanismen de effectiviteit van dreigementen gerelateerd aan de opgelegde sancties beïnvloeden: voor de verwachte economische kosten gebruikt de dissertatie de TIES data; om onzekerheid te meten genereert zij een netwerk van diplomatieke relaties gebaseerd op Formal Alliance data, gebruikmakende van methoden uit *complex network* theorie; en om de publieke verplichting te beoordelen gebruikt zij de democratie score gebaseerd op de POLITY IV data. De resultaten tonen dat effectiviteit van sanctie-dreigementen groeit naarmate de verwachte economische kosten voor de getroffen staat groter zijn. Daarentegen zijn dreigementen in toenemende mate effectief ten opzichte van opgelegde sancties bij lagere onzekerheid en hogere binnenlandse publiekskosten; dit laatste is in lijn met de verwachtingen die voorkomen uit de bevindingen van deze dissertatie over economische vrede en de symbolische rol van economische sancties. Dit hoofdstuk biedt ook inzicht in de rol van internationale organisaties in de toename van economische dwang: handels — en diplomatieke banden lijken een sterke rol te spelen in het faciliteren van het succes van sanctie-dreigementen en maken economische dwang een aantrekkelijker instrument van buitenlandse politiek in een liberale wereld.

Ten slotte, aangezien het onderzoek in eerste instantie geen bewijs vindt voor de symbolische motivatie voor samenwerking bij economische sancties, biedt deze dissertatie een diepgaande analyse van een zeer relevante casus van een multilateraal sanctie regime, namelijk de EU sancties tegen Rusland. In reactie op de acties van Rusland in Oekraïne in 2014 introduceerde de EU sancties tegen Rusland. Ondanks aanvankelijke onenigheid tussen EU lidstaten onderling zijn de sancties consequent verlengd. Dit roept de vraag op hoe de bestendigheid van sancties verklaard kan worden. Ondanks het benadrukken van de invloed van de leiderschap van Duitsland (en Frankrijk), de

toewijding aan normen en de persoonlijke betrokkenheid van centrale beleidsmakers zoals de voormalige President van de Europese Raad Donald Tusk blijft het vermogen van de EU om het pakket van sancties tegen Rusland te behouden gezien de ongelijke steun onder lidstaten raadselachtig. Met behulp van een *two-level framework* volgens welke actoren beslissingen maken gebaseerd op het samenspel tussen binnenlandse en internationale niveaus onderzoekt deze dissertatie de bestendigheid van sanctie-regimes met betrekking tot de interactie tussen de Raad van Europa en binnenlandse politiek in deelstaten, stellende dat de interacties tussen de twee niveaus de consensus binnen de Europese Raad voor sancties tegen Rusland in stand houdt. Een verkenning van binnenlandse politieke groeperingen in Spanje en Polen, twee lidstaten die typische kenmerken vertonen van een “*dove*” en een “*hawk*” richting Rusland, identificeert de aanwezigheid van ten minste een actor wiens houding afwijkt van de standaard, hetgeen consensus faciliteert in de Raad. Deze bevinding ondersteunt het argument dat internationale organisaties een rol spelen in het faciliteren van de toegenomen frequentie van economische dwang: in dit geval creëren ze de mogelijkheid voor multilaterale economische sancties door het *two-level* spel te adresseren dat politieke leiders spelen wanneer ze consensus zoeken voor economische dwang.

Samengevat biedt deze dissertatie, middels het betrekken van vier stromingen in de literatuur op het gebied van economische dwang, een antwoord op de vraag waarom er meer sancties worden toegepast in een liberale orde, concluderend dat de toename in de frequentie van het dreigen met en het opleggen van en de samenwerking bij economische sancties een uitkomst is van de prikkels en beperkingen waar democratische leiders mee geconfronteerd worden. Verder betoogt zij dat lidmaatschap van internationale organisaties ook invloed heeft op de groei van economische sancties en dat internationale organisaties de effectiviteit van sanctie-dreigementen en opleggingen lijken te vergroten en samenwerking bij multilaterale sancties waarschijnlijker maken. De resultaten vergroten ons begrip van de relatie tussen liberale instituties en de kans op conflict in internationale betrekkingen. Hoewel democratie en internationale organisaties mogelijk een negatief effect hebben op militair conflict lijken ze economische dwang te stimuleren. Dit betekent dat de bewering dat liberaal institutionalisme samenwerking en vrede brengen alleen stand houdt in relatie tot oorlog en niet in relatie tot economische sancties; dit leidt tot substitutie en inflatie van beleid met betrekking tot economische dwang. De implicatie van deze dynamiek is dat, als gevolg van de liberalisering van de wereldpolitiek na de Koude Oorlog, het uitoefenen van macht in internationale betrekkingen niet is verdwenen, maar veranderd. Deze dissertatie stelt dat economische dwang niet alleen een bedreiging maar ook een product is van de liberale wereldorde.

1 | Introduction

“Mankind are so much the same, in all times and places, that history informs us of nothing new or strange in this particular. Its chief use is only to discover the constant and universal principles of human nature, by showing men in all varieties of circumstances and situations, and furnishing us with materials from which we may form our observations and become acquainted with the regular springs of human action and behaviour. These records of wars, intrigues, factions, and revolutions, are so many collections of experiments, by which the politician or moral philosopher fixes the principles of his science, in the same manner as the physician or natural philosopher becomes acquainted with the nature of plants, minerals, and other external objects, by the experiments which he forms concerning them.”

David Hume (Of Liberty and Necessity)

For readers of international relations, “nations dwell in perpetual anarchy, for no central authority imposes limits on the pursuit of sovereign interest” (Oye, 1986, 1) — and realist scholars see this Hobbesian state of nature as an obstacle to international cooperation and as the condition underlying interstate conflict (Grieco, 1988; Mearsheimer, 1994; Downs et al., 1996; Waltz, 2000). Nevertheless, cooperation does emerge among states, despite the absence of a central authority to enforce contracts. Scholars argue that liberal institutions — democracy and international organisations — allow for cooperation between governments and bring peace, that these institutions constrain political leaders from unilateral action (Bueno de Mesquita et al., 1999), help solve the sanctioning problem (Axelrod and Keohane, 1985; Abbott and Snidal, 1998), align interests (Oye, 1986; Fortna, 2003) and generate economic interdependence (Keohane and Nye, 1977; Farrell and Newman, 2019).¹ The core argument of liberal institutionalist scholars is that “in a world politics constrained by state power and divergent interests [...], international institutions operating on the basis of reciprocity will be components of any lasting peace” (Keohane and Martin, 1995, 50).

¹In this thesis I follow North’s (1993) conceptualisation of institutions as “the rules of the game”, both formal and informal, that structure the behavior of states in international relations.

While governments operating within a liberal institutional framework may not change their selfish nature — seeking “power or plenty” (Viner, 1948) — they are exposed to a set of constraints and incentives that support cooperation and peace. For liberal intuitionists, states, when constrained by liberal institutions, appear to become a Faustian “part of that power which eternally wills evil and eternally works good”.

Since the end of the Cold War, there has been an unprecedented rise in cooperation among states, driven by diffusion of liberal institutions like democracy and international organisations (IOs) (Hafner-Burton and Montgomery, 2008a; Goldstein et al., 2007; Acharya, 2004; Elkins and Simmons, 2004; Ikenberry, 2018), a rise that has been associated with a decline in military conflict in international relations (Russett et al., 1998; Goldstein, 2011; Pinker, 2011). The two trends, liberalisation of the international order and decline in military conflict, appear to provide empirical support for the liberal institutionalists’ argument, and scholars point out that, since the end of the Cold War, we have experienced a “humanitarian revolution”, where societies have developed a “growing repugnance towards institutionalized violence” (Goldstein and Pinker, 2011). (Pinker, 2011, xxiii-iv) argues that, since 1989, “organized conflicts of all kinds — civil wars, genocides, repression by autocratic governments, and terrorist attacks — have declined throughout the world”, and that this achievement should be credited to the on-going societal civilising process. The past 30 years thus appear to be marked by international cooperation and peace resulting from “economic openness, multilateral institutions, security cooperation and democratic solidarity” (Ikenberry, 2018, 7) and underpinned by moral progress (Pinker, 2011).

However, the decline of war does not mean that interstate conflict more broadly is in decline. Economic sanctions have substantially intensified since the end of the Cold War (Morgan et al., 2014), despite the continuous advance of liberal institutions.² For example, “the UN Security Council has approved 30 sanctions regimes targeting 24 different countries since 1966. Of the 30 sanctions episodes, however, only two [...] were established during the Cold War” (Peksen, 2019, 635). It therefore appears that the rise of liberal institutions — democracy and IOs — has coincided with *both* a decrease in military conflict *and* an unprecedented increase in economic sanctions, threatened, imposed and involving cooperation.

The consequences of economic coercion cannot be overlooked: such sanctions have been shown to increase the rate of child mortality (Daponte and Garfield, 2000) and negatively affect public health (Garfield, 2002), to increase ethnic violence (Zhike

²I define economic sanctions as “actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies”, following (Morgan et al., 2014, 542). Furthermore, I see economic sanctions as an attempt by a sender state to exercise power over a target state in Dahl’s (1961) sense — a sender getting a target to do something that the target would not otherwise have done, through the use of economic coercion.

and Ting, 2017), to increase income inequality (Afesorgbor and Mahadevan, 2016), to negatively affect those living in poverty (Neuenkirch and Neumeier, 2016), to increase human rights violations (Peksen, 2019; Li and Drury, 2004) and to impede press freedom Peksen and Drury (2010).³ Paradoxically, since voters see economic coercion to be “consistent with democratic values”(McLean and Roblyer, 2017, 234), economic sanctions appear to be a form of violence perfectly compatible with Pinker’s (2011) humanitarian revolution. In fact, over a century ago, economic sanctions were already being seen as a modern and humane form of coercion by democratic leaders. In a speech in Indianapolis in 1919, US President Woodrow Wilson said that “a nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside the nation boycotted, but it brings a pressure upon the nation which, in my judgment, no modern nation could resist” (quoted in (Hufbauer et al., 2007, 9)).

Thus, while it may indeed hold that “war really is going out of style” in a liberal world (Goldstein and Pinker, 2011), there is no evidence of a decline in conflict among states. In fact, the opposite may be true. This thesis focuses on this broad question of how a liberal order and the prevalence of democracies among great powers affect the level and manner in which conflicts among states occur. Despite the increased frequency of economic sanctions and their negative consequences, to date scholarship has mainly focused on assessing the effectiveness of economic sanctions. Such research has set out to establish under what conditions economic sanctions work (Peksen, 2019; Jeong and Peksen, 2019; Lektzian and Patterson, 2015; Bapat and Kwon, 2015; Ang and Peksen, 2007; Drezner, 2011, 1999), whether multilateral efforts are more likely to succeed (Miers and Morgan, 2002; Heine-Ellison, 2001; Drezner, 2000; Bapat and Morgan, 2009), how effective threats of economic coercion are (Drury and Li, 2006; Eaton and Engers, 1999; Peterson, 2013; Smith, 1995; Whang et al., 2013; Drezner, 2003) and the effect of economic sanctions on trade (Hafner-Burton and Montgomery, 2008a; Early, 2012; Peksen and Peterson, 2016; Barry and Kleinberg, 2015; Pond, 2017).

This thesis takes the debate further, questioning the promise of liberal institutionalist scholars that liberal regimes will bring both cooperation and peace (Russett et al., 1998; Pinker, 2011; Goldstein, 2011). Since most previous scholarship focuses on explaining the success of sanction imposition, this thesis thus addresses a gap in the literature on economic sanctions by setting out to explain instead how and why liberal institutions, specifically democracy and IOs, have contributed to an increase in economic coercion.

³I use the terms economic sanctions and economic coercion interchangeably in this thesis.

To achieve this, this thesis employs a mixed methods approach and a broad range of data. Its inferences are based on a range of statistical techniques: difference-in-differences, OLS or logistic regressions, and qualitative analysis of interview materials and primary sources. It uses quantitative methods to assess the relation between democracy and the propensity of a state to engage in economic sanctions, domestic response to the use of and cooperation on economic coercion and the effectiveness of threats of economic sanctions; it uses qualitative methods to assess the determinants of stability of cooperation on economic sanctions. The quantitative analysis is conducted on a broad set of data: the TIES (Morgan et al., 2014) data set for observations on economic sanctions, the Polity IV (Marshall et al., 2018) and the Political Regimes (Boix et al., 2013) data sets for information on democracy level, the Formal Alliances (Gibler, 2009) data set for observations on alliances between states, the Correlates of War Trade Data (Barbieri et al., 2016) and the Expanded Trade and GDP (Gleditsch, 2002) data sets on economic exchange, the Gallup polling data on US presidential approval ratings and, lastly, the US Bureau of Labor Statistics data for information on key economic indicators in the US. The qualitative data consists of interviews with high-ranking diplomats of EU member states and EU officials collected during fieldwork in Brussels and in national capitals. In addition, this thesis also uses complex systems methods to generate information about the alliances of states that do not share a direct tie, by transforming the dyadic Formal Alliances data set into a network setting.⁴ Based on an empirical investigation of the discussed data, this thesis advances the following three arguments:

First, democracies are more likely to impose economic sanctions and are more likely to sanction one another than non-democracies if there is a prospect of conflict. This result contrasts starkly with the democratic peace argument and the liberal prediction that democracies will not engage in conflict with each other. **Second**, that this finding is driven partially by the incentives and constraints resulting from a democratic regime. An elected political leader faces a domestic audience benefit from addressing foreign policy issues, and a domestic audience cost for issuing an empty threat. As democracies tend to have higher domestic audience cost (Fearon, 1997, 1994; Schultz, 1999), a public threat issued by a democracy is a strong signal of the sender's resolve to impose a sanction. I argue that this dynamic, combined with the domestic audience benefit, makes democracies keener to issue threats of economic sanctions, in the hope of a successful intervention and securing the domestic audience benefit. However, if the threat fails, the same mechanism drives democracies to imposition because they face a high domestic audience cost for backing-down.

Third, this thesis argues that IOs, the centrepiece of a liberal order, also play a role in the increased use of economic sanctions. IOs create conditions for building consensus among governments on multilateral sanctions by allowing political leaders to solve the

⁴Replication data, data cleaning do-files and analysis do-files are available upon request.

two-level game problem and settle on a sanction regime satisfactory to both dovish and hawkish states. States are therefore more likely to cooperate on economic coercion and benefit from the higher effectiveness of multilateral efforts (Bapat and Morgan, 2009). In addition, IOs strengthen trade ties between states, creating more scope for economic damage from sanctions (Chang and Lee, 2011). The thesis shows that a higher economic cost of sanctions makes both threats and imposed sanctions more likely to succeed, potentially making economic sanctions a more appealing tool of foreign policy. It also shows that IOs help to reduce uncertainty about the costs and benefits of sanctions to the sender and the target: as uncertainty decreases, threats of economic sanctions become increasingly effective.⁵ IOs bring states closer to each other and thereby reduce the level of uncertainty, which, in turn, positively affects the effectiveness of threats of economic sanctions, and makes such threats an increasingly appealing tool.

Why are there more sanctions in a liberal order? In summary, this thesis concludes that the increase in the frequency of threats, imposition and cooperation on economic sanctions stems, in part, from the incentives and constraints that democratic leaders face. It argues that membership in IOs also plays a part in the rise of economic sanctions, apparently increasing the effectiveness of sanction threats and imposition, and making cooperation on multilateral sanctions more likely. This study extends our understanding of the relationship between liberal institutions and the likelihood of conflict: while democracy and IOs may have a negative effect on military conflict, they seem to positively stimulate economic coercion. Hence, the promise of liberal institutionalism holds only with respect to war, but not with respect to economic sanctions, and possibly conflict in general. This thesis shows that liberal institutions can stimulate states to threaten, impose and cooperate on economic sanctions, leading to policy substitution and policy inflation with respect to economic sanctions. Effectively, the exercise of power in international relations is transforming — not vanishing — as a result of the liberalisation of world politics after the Cold War. Providing important insight into the current dynamics of conflict using economic instruments, this thesis suggests that such conflict and unrest are not just a threat to the liberal world order; rather, they are, at least to some extent, its products.

The remainder of this introductory chapter addresses the key debates in the literature on conflict and sanctions in four sections, preparing for each of the four empirical chapters that comprise the body of the thesis. First, the argument for the existence of an economic peace among democracies is assessed (related to Chapter 2). Second, the work and evidence on the symbolic role of economic sanctions is discussed in relation to Chapter 3, thus addressing the issue of domestic audience cost and domestic audience benefit resulting from economic coercion. Third, related to Chapter 4, the

⁵I operationalise uncertainty as the distance between a sender and a target of economic sanctions in a network of diplomatic ties, generated with data on formal alliances between states.

chapter summarises the debates on the effectiveness of threats of economic sanctions in relation to the economic cost of the policy, domestic audience cost of the sender state and uncertainty about the costs faced by the sender and the target. Fourth, (related to Chapter 5), it discusses the work on international cooperation on economic sanctions and domestic politics, uncovering the two-level stability component of multilateral sanction regimes. Next, it offers a brief summary of the empirical findings of the thesis and relates them to the broader argument on the re-channelling of violence in international relations. The final section of this Introduction then offers a detailed description of the thesis and discusses the current publication stage and the role of co-authors for each of the four articles that comprise the work.

1.1 Economic peace revisited

Chapter 2 contributes to the debate on the presence, or absence, of conflict between or among democracies and the role of economic sanctions in emerging conflicts, assessing whether democracies are more likely to issue economic sanctions and to sanction one another, and attempting to establish what motivates the behaviour of democracies with respect to strategies of economic coercion.

In political science, it is widely assumed that democracies do not wage war against one another (Bueno de Mesquita et al., 1999). Scholars suggest that this special relation ought to also extend to economic coercion because domestic constraints (Lektzian and Souva, 2003) and political norms (Cox and Drury, 2006) structure the behaviour of democratic political leaders also with respect to sanctions. However, empirical research on economic peace shows a complex variety of findings (Lektzian and Souva, 2003; Cox and Drury, 2006; Hafner-Burton and Montgomery, 2008b; Wallace, 2013), leaving the relationship between economic and democratic peace a puzzle.⁶ The concept of democratic peace rests on the expectation that voters will punish a political leader who loses a military conflict and that democracies are resilient targets of military interventions (Bueno de Mesquita et al., 1999). As a consequence, democratic political leaders have few incentives to engage in military conflict with one another, as it may cost them their office. Furthermore, researchers argue, democracies share a common value system, which stimulates cooperation and alternative solutions to conflict (Dixon, 1994). Theoretical work on economic peace — the absence of economic means as a way of pursuing conflicts between states — is based on these assumptions, that either the structure of incentives (structural framework) or political norms (normative framework) motivate peace between democracies in the domain of economic coercion (Cox and Drury, 2006; Lektzian and Souva, 2003) despite obvious ongoing conflicts of interest of varying intensity.

⁶In fact, the chapter discuss a democratic economic peace; however, for the sake of simplicity and consistency with current literature I use the term economic peace.

However, the theoretical building blocks of democratic peace theory do not match empirical work on economic sanctions. To begin with, research suggests that voters are not interested in the instrumental role of economic sanctions (i.e. success of the policy) and political leaders also experience a domestic audience benefit over failed sanctions (Whang, 2011). Second, empirical work does not provide evidence that democracies are resilient targets of economic sanctions (Bapat and Kwon, 2015). An alternative theoretical model for analysis of economic sanctions and democracy, the public choice framework (Kaempfer and Lowenberg, 1988), appears to be better aligned with empirical data on economic coercion and democracy. According to it, once democratic political leaders have considered sanctions as a response to a given conflict, they are more likely to issue them, regardless of the target, because they seek and can obtain broad domestic support. Economic coercion may thus engender and enhance such support by addressing the security, protectionist and humanitarian expectations of the voters. It appears that the structural, normative and public choice theoretical frameworks for considering economic peace vie for best accounting for states' behaviour with respect to economic coercion.

The second chapter translates these three frameworks into three sets of observable implications. First, if both the structural economic peace and public choice arguments hold, democracies should be less likely to sanction one another, be more likely to issue sanctions, and be less likely to be a target of economic sanctions. Second, if only the structural economic peace argument holds, democracies should be less likely to sanction one another and be less likely to be a target of economic coercion. Third, if only the public choice approach argument holds, democracies should only be more likely to issue economic sanctions, regardless of the target. So, in order to establish whether there is an economic peace and to determine the underlying mechanism, the second chapter tests the following hypotheses: i) whether democracies are less likely to sanction one another; ii) whether democracies are more likely to issue economic sanctions; and iii) whether democracies are less likely to be a target of economic sanctions. In addition, the economic peace literature provides two additional suggestions that require empirical assessment: whether the presence of an economic peace is driven by the non-typical behaviour of the US (Hafner-Burton and Montgomery, 2008b), and whether economic peace holds only for security issues (Wallace, 2013).

The results of the quantitative analysis in Chapter 2 show that democracies are more likely to engage in economic sanctions, but that there is no evidence for democracies being less likely to receive sanctions. The hypothesis that democracies are more likely to issue economic sanctions should therefore be accepted and the hypothesis that democracies are less likely to be a target of economic sanctions should be rejected. In this sense, the results indicate that there is no economic peace between democracies; in fact, the data points in the opposite direction: democracies appear to be systematically more likely to sanction one another. Consequently, the findings contradict the hypothesis that democracies are less likely to sanction one another. Ultimately, this

thesis finds neither evidence for the structural nor for the normative economic peace theory, but it does find evidence for the public choice approach to the behaviour of democracies in relation to economic sanctions. It finds that democracies appear more likely to issue economic sanctions, regardless of the target, and that there is evidence that they are actually more likely to sanction one another. With regard to the role of US, the most frequent 'sanction sender' of all, the analysis finds no evidence for the argument that the observable aggregate behaviour of democracies with respect to economic sanctions is driven by the policy of the US. Indeed, there is no evidence that the behaviour of the US with relation to other democracies is exceptional in the first place. There is also no evidence to support the argument that the results on economic peace are driven by economic sanctions over security issues; rather, they appear to be driven by the broad range of potential conflicts in general.

The findings of Chapter 2 contribute to the debate on the variation in the frequency of economic sanctions over time. Since the end of the Cold War, scholars have observed a major increase in the use of economic sanctions (Morgan et al., 2014), an increase that is contrary to the expectations of the academic debates on cooperation and peace (Keohane and Martin, 1995), while, in turn, coinciding with a wave of democratisation. The common expectation was that advances in the liberal economic and political order would reduce grounds for conflict, and so render economic sanctions an obsolete tool of foreign policy (Hufbauer et al., 2007). However, as theory suggests (Kaempfer and Lowenberg, 1988) and empirical research shows (Whang, 2011), sanctions may play an important symbolic role in democratic states, where political leaders are focused on addressing the domestic audience rather than solely on solving international conflict (providing sanctions with an instrumental role). Thus, the findings — that democracies are more likely to issue sanctions and sanction one another — combined with the 'symbolic role' argument, suggest that the increase in the frequency of economic coercion may be a consequence of democratisation. The peace-building effect of democratisation, as argued by democratic peace scholars, may not be sufficient to offset the sanction-enhancing effect of democracy, leading to a rise in the frequency of economic means to deal with conflicts of interest.

The evidence presented in Chapter 2 is likely to also have a broader and important implication for our understanding of international conflict in general. If, as the evidence indicates, there is a higher propensity for democracies to sanction and to sanction one another, this suggests a policy substitution and policy inflation effect. As war between democracies is rare, due to either normative or structural limitations on democratic leaders (Bueno de Mesquita et al., 1999), sanctions may be a viable alternative for politicians to address the 'active foreign policy' expectations of voters. Precisely because democratic leaders have to address a broader audience (Kaempfer and Lowenberg, 1988) and obtain a domestic audience benefit should they choose to employ sanctions (Whang, 2011), they may be increasingly tempted to engage in economic coercion. That there is no similar dynamic among autocracies adds further

weight to the substitution and inflation arguments. It is possible that democracies — in general — are less likely to experience (economic) conflict. However, if this does occur, they are more likely to issue a threat of sanctions and to pursue this with actual imposition. Given the rise in the frequency of economic sanctions imposition, it appears that any pacifying effect of rising democratisation is insufficient to offset the drive of democracies to issue sanctions. Consequently, one observes a higher frequency of conflict pursued through economic sanctions in international relations. This evidence contradicts arguments that are based on democratic citizens' moral repugnance for coercion (Pinker, 2011; Goldstein, 2011) and the pacifying effect of democracy (Russett et al., 1998; Ikenberry, 2018). In addition, the evidence supports the policy substitution and policy inflation argument and suggests that democratisation does not reduce the propensity for conflict between states; it only changes the means through which that conflict is pursued.

Thus, the findings of the second chapter of this thesis raise an important question: if domestic political considerations motivate the behaviour of political leaders in relation to economic coercion, underpinning the policy inflation effect, we should be able to observe an associated empirical manifestation. In particular, following from the crisis bargaining literature (Schultz, 1999) and the symbolic effects of sanctions literature (Whang, 2011), in the data on popularity of political leaders, we should observe a domestic audience cost for issuing of an empty threat of economic sanctions and a domestic audience benefit for engaging in economic coercion. The third chapter of this thesis addresses this question in detail.

1.2 Symbolic role of economic sanctions

Chapter 3 contributes to the debate on the symbolic role of economic sanctions, responding to the question of whether political leaders obtain a domestic audience benefit for engaging in economic coercion and a domestic audience cost for not pursuing a threat of economic sanctions. It also determines whether there is an additional domestic audience benefit for engaging in multilateral efforts on economic coercion.

In the literature, the symbolic — or expressive — motivation for economic sanctions is rooted in research that points to the domestic audience for foreign policy decisions and the presence of a domestic benefit to a political leader who pursues a particular foreign policy (Page and Shapiro, 1983; Holsti, 1992; Oppermann and Viehriig, 2009). The symbolic role of foreign policy starkly contrasts with the Almond-Lipmann consensus (Holsti, 1992) that “public opinion on international affairs is inconsistent and largely irrelevant for foreign policy making” (Heinrich et al., 2017). Scholars interested in the symbolic role of economic sanctions argue that democratic leaders benefit from a surge in domestic popularity for issuing economic sanctions (Galtung, 1967; Kaempfer and

Lowenberg, 1988; McLean and Roblyer, 2017; Heinrich et al., 2017; Barber, 1979), even if the sanctions are a failure (Whang, 2011).

However, the domestic audience benefit for economic sanctions is “difficult to quantify” (Whang, 2011, 788). As a result, work on symbolic motivations for economic sanctions emphasises theory development (Kaempfer and Lowenberg, 1988), single-case study approaches (Galtung, 1967) or experimental methods (McLean and Roblyer, 2017; Heinrich et al., 2017; Nomikos and Sambanis, 2019). The result is an inability to estimate whether the domestic audience benefit is present in the empirical data and, if it is, how large it is. Scholars have also overlooked the potential symbolic value of international cooperation, despite finding persistent evidence for the relevance to voters of international cooperation on foreign policy issues (Irondelle et al., 2015; Todorov and Mandisodza, 2004). Researchers of the symbolic role of economic sanctions also overlook the crisis bargaining literature (Schultz, 1999, 2001; Fearon, 1997, 1994), in whose framework the sender state decides whether to threaten the target with economic sanctions, or accept the status quo. If a threat is issued which the target does not give in to, the sender has to decide whether to follow up on or back down on the sanction. However, backing down is not well-received by voters, because “publics dislike leaders who say one thing and do another” (Kertzer and Brutger, 2016, 234) and penalise a leader who issues an empty threat. However, to date there has been no thorough empirical assessment of the presence of a domestic audience cost in relation to economic coercion.

To summarise, in research on the symbolic role of economic sanctions, scholars show the presence of a domestic audience benefit (Whang, 2011), but do not identify the size of the effect. Scholars also have yet to determine whether an additional domestic audience benefit results from international cooperation on economic sanctions (Todorov and Mandisodza, 2004; Irondelle et al., 2015). Researchers also overlook the crisis bargaining literature (Schultz, 1999; Fearon, 1994) and the prospect of a domestic audience cost for an empty threat of sanctions. Chapter 3 therefore addresses these gaps, testing three hypotheses: first, that the popularity of a political leader in a sender state should increase when economic sanctions are introduced to target another state; second, that the popularity of a political leader in a sender state should increase more when multilateral, as opposed to unilateral, economic sanctions are introduced to target another state; and third, that the popularity of a political leader in a sender state should decrease if an economic sanction is threatened but not imposed.

The results of the econometric analysis support two of these three hypotheses on the symbolic role of economic sanctions. First, for a US president, issuing a threat of economic sanctions and subsequently failing to follow this up with an imposition results in a domestic audience cost equal to a 2.3 percentage point drop in the approval rating, on average (month to month). This is consistent with the domestic

audience cost hypothesis, where the public is assumed to penalise political leaders who do not follow up on threats of coercion. Second, the analysis shows that, for a US president, imposing a unilateral economic sanction results in a domestic audience benefit equal to a 1.3 percentage point increase in the approval rating, on average (month to month). This result is consistent with the domestic audience benefits hypothesis, where the expectation is a boost in popularity resulting from imposition of an economic sanction. Finally, there was no statistically significant relationship between imposing a multilateral as opposed to a unilateral economic sanction and the approval rating of a president. The third hypothesis — the presence of an additional domestic audience benefit for a multilateral effort on economic sanctions — was therefore not supported.

The third chapter of this thesis thus contributes to our understanding of the symbolic motivation arguments for economic sanctions. It observes that, paradoxically and in contradiction to the liberal institutionalist argument (Russett et al., 1998; Ikenberry, 2018; Keohane and Martin, 1995), democracy may also stimulate conflict, rather than cooperation and peace. It finds, in the data on the approval ratings for US presidents, evidence of the presence of a domestic audience benefit for issuing economic sanctions and a domestic audience cost for issuing empty threats, and no evidence of additional benefit to be gained by US presidents from engaging in multilateral economic sanctions. These results are consistent with both the empirical (Whang, 2011) and the experimental (McLean and Roblyer, 2017; Heinrich et al., 2017) research on the symbolic role of economic sanctions. This provides empirical evidence for the theoretical prediction resulting from the crisis bargaining literature on the presence of a domestic audience cost for not following up on threats of coercion (Schultz, 1999; Fearon, 1994). Furthermore, it offers an empirical foundation for a broad body of work based on the crisis-bargaining model and the underpinning assumption of domestic audience cost (Whang and Kim, 2015; Drezner, 2003; Morgan and Campbell, 1991; Whang et al., 2013; Lacy and Niou, 2004; Whang, 2011; Blanchard et al., 2000; Lektzian and Sprecher, 2007; Dorussen and Mo, 2001; Lektzian and Souva, 2003; Wallace, 2013; Hart, 2000).

From a broader perspective, the findings of this chapter provide further support for the argument that economic coercion, as a response to conflicts latent or otherwise, produces potential policy substitution and policy inflation effects that are the result of the emergence of liberal institutions. As there appears to be no domestic audience cost for a failed intervention, democratic leaders may choose economic sanctions as an alternative to military conflict. However, if the threat fails, backing down on the commitment appears politically costly, potentially inducing leaders to engage in economic coercion. In addition, the presence of a domestic audience benefit may result in political leaders being overly keen to engage in economic coercion, leading to a policy inflation effect. This would be in line with the public choice framework discussed in the second chapter of this thesis, where political leaders have to address

broad demands from their voters and consequently are keener to engage in economic coercion. Thus, the set of incentives and constraints resulting from voters' responses to economic sanction may contribute to the rise in the frequency of economic coercion. Furthermore, the behaviour of the public does not appear to be consistent with the argument on moral progress on violence made by liberal scholars (Pinker, 2011), or the expectation related to the constraining role of democracy on conflict (Russett et al., 1998).

These conclusions of Chapter 3 invite us to revisit important aspects of the work on crisis bargaining in international conflict and the research on cooperation on economic sanctions. First, following from the crisis bargaining theoretical framework (Schultz, 1999), if democratic leaders are penalised for backing down on a previously issued threat, they ought to be more likely to succeed at the threat stage. Results from the third chapter of this thesis establish that democratic leaders do experience a domestic audience cost — which should have empirical implications for the effectiveness of threats of economic coercion issued by democracies. The hand-tying effect of domestic audience cost for democracies (Fearon, 1997; Schultz, 1999) should make threats of economic sanctions issued by democratic senders more likely to succeed. Second, Chapter 3 finds no evidence of an additional domestic audience benefit from multilateral efforts. This may suggest that instrumental, rather than symbolic, motivations drive cooperation on economic coercion between states. These two issues — the systematic determinants of effectiveness of threats of economic sanctions and the possibility of instrumental motivation for cooperation on economic sanctions — are considered in the fourth and fifth chapters respectively.

1.3 Effectiveness of threats of economic sanctions

Chapter 4 contributes to the debate on the effectiveness of threats of economic sanctions, investigating whether a sanctions sender is more likely to succeed at the threat stage when the target's expected economic cost is high, when the sender's domestic audience cost is high, or when uncertainty about the economic and audience costs is low.

In the literature on economic sanctions, and on conflict more generally, the various game theory models of threat effectiveness share a number of characteristics and produce similar predictions to guide empirical research (Schultz, 1999; Signorino, 1999; Drezner, 2003; Lacy and Niou, 2004; Whang et al., 2013; Fearon, 1994). Chapter 4 of this thesis discusses the three main hypotheses (coercion, information and public commitment) arising from the formal models that study threat effectiveness. First, the coercive hypothesis claims that, with an increase in the economic costs of a sanction, relative to the size of the target's economy, success becomes more likely at the threat stage (Whang et al., 2013). This hypothesis is in line with the scholarship

on economic sanctions, where the cost of economic coercion is a strong indicator for potential success (Morgan and Schwebach, 1997; Drury, 1998; Drezner, 1999; Bapat and Kwon, 2015; Whang and Kim, 2015).

Second, in the game theory models on sanction threats, senders are divided into two categories: high or low resolve (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004), where the resolve of the sender is her private information and is reflected in her own payoffs, with high resolve senders having higher domestic audience cost relative to sanction imposition cost (and low resolve senders, the opposite). As a consequence, high-resolve senders issue genuine threats and, if the target resists, do follow up with a post-threat sanction imposition. Conversely, low-resolve senders issue empty threats and do not follow up with an imposition. Consequently, targets that can correctly identify a low resolve sender can ignore a threat without risking a sanction imposition. However, targets that mistake a high resolve sender for a low resolve sender may submit themselves to undesired economic coercion episode. Scholars argue that threat issuance addresses the uncertainty problem and allows a target state to distinguish a high resolve from a low resolve sender (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004). Chapter 4 extends this argument and suggests that threats unequally address the uncertainty faced by the target state and that incompleteness of information is not constant, but varies between pairs of states (Spaniel and Smith, 2015). The chapter proposes that, as diplomacy is the tool at states' disposal to assess the viability of a coercive threat and prospects of a conflict (Katagiri and Min, 2019), diplomatic relations can be used as a measure of the uncertainty that states face in international conflict. The measure of diplomacy employed, formal alliances, follows an established approximation in studies of diplomacy and conflict, where alliances are seen as an empirical manifestation of close diplomatic ties (Christensen and Snyder, 1990; Walt, 1985). The thesis proposes that, during conflict, states with strong diplomatic relations operate with less uncertainty about each other and can showcase their resolve more clearly. Consequently, as in the case of complete information in the crisis-bargaining model, a mere threat is likely to succeed — otherwise, following from backward-induction, it would not have been issued.

Third, the public commitment hypothesis posits that democracies are more likely to experience higher domestic audience cost and, as a result of the implied prior higher commitment, are more likely to succeed at a threat stage relative to the need for actual imposition of sanctions (Fearon, 1994; Schultz, 1999). In the game theory literature on sanction threats, scholars assume a domestic audience cost for issuing an empty threat and propose that this cost is both publicly known and increases with the level of democracy of the sender (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004). This suggests that a threat is genuine only if the economic cost of imposing a sanction is greater than the domestic audience cost; otherwise a rational

sender will not follow up on a threat with imposition. Consequently, these scholars argue that democratic senders are more likely to succeed at the threat stage.

The expectations arising from the literature on threat effectiveness can thus be summarised in three hypotheses: first, the coercive hypothesis posits that threats are more likely to succeed if the expected target's cost from economic sanctions is high; second, the informational hypothesis proposes that threats are more likely to succeed if the diplomatic ties between a sender and a target of economic sanctions are strong; third, the public commitment hypothesis states that threats are more likely to succeed if the sender of economic sanctions is a democracy.

In line with previous research on the effectiveness of sanction threats, the analysis first finds evidence for the coercive hypothesis. The expected economic cost of sanctions to the target state is a strong predictor of threat success. When the data is tested to observe whether the effect of expected economic costs on success is different for threats and imposed sanctions, the results show no statistically significant difference for the effectiveness of threats and imposed sanctions, [even] taking into consideration the expected economic cost to the target.

Second, the informational hypothesis, the expectation that uncertainty will affect the effectiveness of threats, is tested. As our proxy for incomplete information is not statistically significant in relation to the success of threats of economic coercion, there is no observable evidence in favour of the informational hypothesis. However, the analysis also assesses the relative effectiveness of threat versus imposed sanctions and finds variation between the effectiveness dynamics of stopping at the threat stage versus proceeding to imposing sanctions, taking into account diplomatic relations as a measure of uncertainty. These findings indicate that the less states know about each other (measured by distance on the diplomatic network), the less likely threats of economic sanctions are to succeed, relative to imposed sanctions. The data also demonstrates that where there are close diplomatic ties, threats are more likely to succeed than imposed economic sanctions.

Third, the public commitment hypothesis is tested. As the proxy for domestic audience cost (the democracy score of the sender) is not significantly statistically related to the success of threats of economic coercion, no evidence in favour of the public commitment hypothesis is found; the democracy score of the sender does not influence the success rate of economic sanctions threats. However, there is a statistically significant relationship between the relative effectiveness of threatened only, relative to imposed, sanctions if the democracy score of the sender is taken into account. As the democracy level of the sender increases, so too does the effectiveness of sanction threats relative to imposed sanctions.

The findings in the fourth chapter of this thesis provide support for, and further enrich, the current scholarship on the effectiveness of sanction threats (Whang et al., 2013). The chapter contributes to the literature by unifying the diverse scholarship on the effectiveness of threats. It also assesses the conditions under which threats of economic sanctions are more successful relative to imposed sanctions. The chapter further proposes a novel and clear specification of uncertainty, and argues that diplomatic relations between states can be used as a measure of uncertainty in inter-state conflict. This enables moving beyond a dyadic approach towards a more network-based understanding. By employing a network-measure estimation of the density of diplomatic relations between sender and target, where states may not share a direct alliance, a contribution is made to the data-generating process that helps further advance the use of complex systems methods in the study of economic sanctions and international conflict.

Finally, the findings relate to the broader discussion of the liberal peace addressed above. The data shows that threats of economic sanctions are an increasingly popular tool among policy-makers, particularly since the end of the Cold War. This appears to be due to increasing economic internationalisation (Keohane and Nye, 2000; Ikenberry, 2018; Chang and Lee, 2011) and to the post-Cold War wave of democratisation and international organisations — traditionally understood as an expected source of peace by much of the social science community (Keohane and Martin, 1995; Dixon, 1994; Gartzke, 2007; Russett et al., 1998). According to the analysis, these mechanisms underpin the increased use of threats of economic sanctions because they also increase the prospective effectiveness of this tool. This results in both policy substitution and policy inflation on economic sanctions. The work on the general behaviour of democracies in relation to economic sanctions and on the symbolic role of economic coercion, discussed in the first and second chapters, respectively, provides further weight to this argument. The second chapter of this thesis indicates that democracies are more likely to engage in economic sanctions, suggesting that democratic leaders benefit politically from sanctions imposition and are penalised for issuing empty threats. Consequently, when faced with resistance, democracies are more likely to issue economic sanctions — even if success is unlikely, so inflating the frequency of economic coercion.

The fourth chapter also raises a question. The results indicate the role of diplomacy, and international institutions more broadly, as ingredients in the growing effectiveness of threats of economic sanctions. Besides, the third chapter, on the symbolic role of economic sanctions, indicates that multilateral efforts are likely to be driven by instrumental considerations of democratic leaders. This leads to the question whether networks of international organisation may also help to facilitate cooperation on economic coercion and restructure the constraints and incentives faced by democratic senders. The fifth and final empirical chapter of this thesis addresses this question,

and assesses how international organisations may stimulate cooperation on economic sanctions between democracies.

1.4 Cooperation on economic sanctions

Chapter 5 examines, as a case, the imposition and robustness of EU sanctions against Russia. The analysis establishes the extent to which the position of key states in shaping EU foreign policy, Germany and France, and the domestic constraints on other EU member states — hawks and doves on Russia, contributed to the continuous renewal of the sanctions package against Russia.

The literature indicates that several factors militate against the maintenance of EU economic measures against Russia. The first is the Common Foreign and Security Policy (CFSP) decision-making procedure. Since the renewal of CFSP acts requires unanimity, a sanctions regime can be stopped with a single vote, granting effective veto power to each member state (Chelotti, 2016; Portela, 2010). Second, the likelihood of the collapse of the sanctions against Russia is underscored by the costly character of the sanctions regime. This is one of the few cases in which the EU has imposed economic sanctions involving a major cost to the private sector (Onderco, 2017). Third, past experience with EU sanctions on major powers suggests a brief sanction regime duration (Portela, 2010) as resistance to the sanctions package generally became visible quickly in a number of member states (Onderco, 2017).

In line with mainstream sanctions scholarship (see the discussion above), most current studies evaluate the economic and political impact of the measures on Russia (Aalto and Forsberg, 2016; Christie, 2016; Connolly, 2016; Fritz et al., 2017; Moret et al., 2016), or of Russian countersanctions against EU imports (Hedberg, 2018) or the cost of EU sanctions for its member states (Dobbs, 2017; Moret and Shagina, 2017), while others explore the significance of the sanctions package for EU foreign policy. Although Russia has traditionally been one of the most divisive issues for EU foreign policy, its inability to split member states on the sanctions underscores the strong normative character of this particular EU foreign policy measure (Karolewski and Cross, 2017).

European studies scholarship has long established the prominence of the three largest member states, France, Germany and the UK, in the formulation of EU foreign policy (Hill, 2004). However, recently, in a departure from the traditional focus on the 'big three', the growing centrality of Germany in spearheading the sanctions regime has received more attention. Szabo's (2014), for example, claims that Western policy towards Moscow relied increasingly on German Chancellor Angela Merkel to lead mediation efforts with Russian President Vladimir Putin. Several other scholars suggest that the personal engagement of Donald Tusk, who was the Prime Minister of

Poland at the time of imposition in 2014 before becoming President of the European Council, or individual leaders' commitment to upholding international norms, account for the consensus on EU sanctions (Forsberg, 2016; Orenstein and Kelemen, 2017; Pospieszna, 2019; Sjursen and Rosén, 2017). While scholarship maintains that German leadership was central to the imposition of economic sanctions against Russia, it does not explain the resilience of cohesion on the measures and overlooks the position of other member states. Although the role of Germany, France and the UK in shaping EU foreign policy may well be dominant, their ability to bring reluctant states on board the sanctions effort might also be overstated. The question of how the EU managed to maintain the sanctions package against Russia in the face of uneven support among member states requires further research.

The theoretical framework developed to address the puzzle presented in the fifth chapter of this thesis is a two-level game approach. While the academic debate on EU sanctions policy focuses either on the domestic or on the international level, respectively, the analysis here shows that the domestic and international dimensions interact. Neither an exclusively domestic nor a purely international account of the EU sanctions on Russia can disentangle the causal mechanisms that sustained cooperation in the Council. Instead, the persistence of EU sanctions against Russia can be explained through a two-level game framework driven by the structural constraints and incentives faced by political leaders of EU member states. In that framework, the political leader is the individual who negotiates in the Council, and the domestic groups are the party in power, the main opposition parties, public opinion, and the business elites of the respective member states. The policy spectrum on which the bargaining takes place ranges from no sanctions at all — the position of the 'doves' like Austria, Cyprus, Italy, or Spain — to an aggressive limitation of trade and financial exchange with Russia coupled with restrictions on individuals from entry to the EU, which is the position of the 'hawks' like the Baltic states, the UK and Poland (Webber, 2019). Each EU member state has its own win-set, a policy spectrum that it finds acceptable on Russian sanctions, shaped by the interaction between the positions on sanctions of the ruling party, the opposition party, the public and the business elite. In addition, on account of France and Germany's central role in EU foreign policy-making, any renewal of sanctions must be compatible with their foreign policy preferences. However, the fifth chapter departs from the expectation that, for sanctions to be extended, Germany and France must endorse the sanctions policy. This is revealed as a necessary but not a sufficient condition: in order to keep the consensus around sanctions, the leaders of France and Germany need to bring other member states on board. Consequently, based on the Putnam's two-level game framework on international negotiations and the insights from the literature on EU sanctions against Russia, the following propositions are considered: first, presence of a domestic group dissatisfied with the sanction policy in hawkish member states facilitates cohesion in Council negotiations; second, presence of a domestic group favourable to the sanction policy in dovish member states facilitates cohesion in Council negotiations.

Poland and Spain have been selected to empirically illustrate the argument, because their respective approaches to sanctions on Russia represent typically hawkish and dovish stances. Empirical material from elite interviews conducted with representatives of the Member States in Brussels and selected European capitals between December 2017 and May 2018 is used. Officials were questioned about their countries' positions on the renewal of existing sanctions on Russia. This was complemented by aggregate data and secondary sources. We find that the annexation of Crimea and Russian military support for separatist forces in eastern Ukraine transformed the constellation in the Council. The political and diplomatic crisis that ensued helped overcome the traditional dove-hawk cleavage, permitting a unified stance of condemnation that crystallised into sanctions. Member states distrustful of Moscow advocated the introduction of sanctions against Russia and, later, their strengthening. Berlin and Paris hardened their attitudes and galvanised consensus among the member states (Webber, 2019). Prior to the Ukrainian crisis, the Franco-German position towards Russia had resembled that of southern European countries. However, after becoming involved in the Normandy format, Berlin and Paris adopted a leadership role in maintaining cohesion.⁷ The Council's decisions to extend the sanctions' duration has routinely followed an update from the French President, first Hollande and later Macron, and German Chancellor Merkel to the European Council on the state of implementation of the Minsk agreements, which leads to restrictive measures being renewed for another six months.

Chapter 5 confirms expectations that endorsement by Germany and France is a necessary condition for other EU member states, both hawks and doves, to unanimously agree on renewing EU sanctions against Russia. The Polish government has been at the forefront of the promotion of sanctions against Russia from the beginning, contending that the EU should react resolutely to the violation of international law and of Ukraine's sovereignty (Sus, 2018). It consistently advocated prolonging and strengthening sanctions on Russia (Polish Institute of International Affairs, 2015; Siddi, 2017). For Warsaw, the sanctions package appears to be part of a policy of ensuring the security of its Eastern border, which is its top foreign policy priority (MFA, 2018). Successive Polish Prime Ministers opposed the removal of sanctions, holding that, as long as Russia fails to comply with Minsk obligations, there can be no question of lifting sanctions (MFA, 2017).

The voice most critical of economic sanctions against Russia in Poland comes from the business elite. Russia is a leading trading partner of Poland, thanks to long-standing ties (Onderco, 2017). The most vocal opponent to EU sanctions against Russia in Poland is the agricultural sector. Thus, while Poland displays an aggressive approach to sanctions on Russia, strong Polish-Russian business ties, and a concentration of

⁷The Normandy format talks are held by Germany, France, Ukraine and Russia, and focus on the war in the Donbas region.

economic pain in the agricultural sector, constrain Warsaw's demands on the stringency of sanctions, forcing the political leadership in Poland to relax their approach to negotiations on economic sanctions. Consequently, and paradoxically, this domestic dynamic creates the scope (win-set) for a consensus on sanctions against Russia with less hawkish EU member states. This finding provides support for our first proposition, that the presence of a domestic group dissatisfied with the sanction policy in hawkish member states facilitates cohesion in Council negotiations.

Spain's low profile in the sanctions on Russia is reflected in the limited attention it receives in academic discussions on the subject, which focus on the attitude of EU members located in proximity to Russia (Onderco, 2017; Siddi, 2017, 2018). Even though two different parties alternated in power during the period under study, the official position of the Spanish government towards the sanctions on Russia remained unaltered. The current Foreign Minister, Josep Borrell of the Socialist Party, complained: "Spain is one of the countries most disadvantaged by Russian measures reacting to European sanction" (quoted in Abellán (2018)). This resonates with the line followed by his Conservative predecessor García-Margallo, who lamented that the country had racked up big losses from the sanctions (El Diario, 2015). Such statements contradict evidence about the differential impact of sanctions and countersanctions on EU member states, which conclude that Spain is one of the least affected economies (Moret et al., 2016). Spanish leaders have remained sceptical of the sanctions on Russia, and domestic actors are mainly disinclined towards their continuation. Even so, the government in Madrid is not seeking to challenge the EU consensus on sanctions, and the issue receives little attention in Spain. Thus, I find no support for the second proposition (nor evidence against it), that the presence of a domestic group favourable to the sanction policy in the dovish member states facilitates cohesion in Council negotiations. However, the ambivalence of the Spanish political elite and the low salience of the issue domestically allows Madrid a level of conformity with respect to sanctions. Consequently, Spain's spectrum for agreement at the Council is greater than one might expect given its traditional dovish position on Russia.

With the help of a two-level game framework that incorporates the positions of various domestic groups, Chapter 5 contributes to an understanding of the ongoing consensus among EU member states concerning the extension of sanctions against Russia. Starting from the expectation that Franco-German support was necessary but not sufficient to account for sanctions resilience, the explanation for EU consensus is found in the interaction of the domestic and the international level. The analysis confirms the expectation that at least one domestic group opposes sanctions in hawkish member states. I find that the Polish business elite's strong exposure to Russia worked as a constraint on the government's preference for robust measures, thus broadening the win-set in the Council negotiations for the Polish government. In the Spanish case, conformity with EU consensus is observable among political elites, in both govern-

ment and opposition. The elite support appears driven by solidarity with EU partners and lack of salience of the issue in the public debate in Spain.

These findings have broader implications for the analysis of leadership in the inter-governmental forum of the CFSP. First, while the current emphasis on Germany's centrality to EU foreign policy formulation is warranted, the resilient consensus on the Russian sanctions is not exclusively due to (Franco-) German leadership. Importantly, the acquiescence of member states might depend on the presence of at least one domestic group whose preference diverges from that prevailing among other actors on the domestic scene. Thus, contrary to current scholarship on EU foreign policy, cohesion results not merely from leaders' influence or commitment to norms, but from the structure of domestic and EU-level politics. Seen in this light, sanctions against Russia may well persist even in the event of change in political leaderships. These findings are, paradoxically, in line with the argument of liberal institutionalists, that international organisations and democracy can stimulate cooperation (Keohane and Martin, 1995). However, while liberal scholars have equated cooperation with peace, Chapter 5 shows how EU Council dynamics interact with domestic constraints to support the emergence and maintenance of a surprisingly robust multilateral sanctions regime. Thus, liberal institutions can also stimulate coercive cooperation. This further supports the argument that potential policy substitution and policy inflation with respect to economic sanctions results from the liberalisation of the world order — here, in relation to multilateral economic coercion.

1.5 Overview of the argument

This thesis investigates the rise of economic responses to conflict that has followed the end of the Cold War. Liberal scholars argue that liberal institutions and public repugnance towards violence should result in cooperation and a reduction in conflict among states (Keohane and Martin, 1995; Pinker, 2011; Goldstein, 2011; Ikenberry, 2018). However, the data reveals a major increase in the frequency of economic sanctions since the end of the Cold War (Morgan et al., 2014). This work shows that, in reality, democracies are more likely to engage in economic sanctions and are even more likely to sanction one another, because democracy and international organisations create incentives and constraints that stimulate threats, imposition and cooperation on economic sanctions. As the end of the Cold War produced increasingly liberal regimes, a number of mechanisms for the increased use of economic sanctions by governments emerged in parallel. This indicates that the international exercise of coercive power is not fading away in a liberal world order, but is instead being rechannelled. This research thus contributes to the debate on the effects of liberalisation on world politics, showing that the growth of liberal institutions results in more economic sanctions, a manifestation of interstate conflict frequently overlooked by liberal scholars. This analysis also contributes to the literatures on economic peace, crisis bargaining, the

symbolic role of foreign policy and the stability of multilateral coercion. The core argument is that liberal institutions stimulate the use of (threats of) economic sanctions. This affects our understanding of key tenets of liberal institutionalism, but also of the roots of the recent rise in economic coercion.

As such, this thesis should encourage further reflection on the features of international relations that systematically affect states' decisions to engage in conflict and economic coercion. Economic sanctions are not, as president Wilson argued a century ago, a peaceful tool of foreign policy; they can come at major cost to the population of the target state, economically and also with respect to human rights or public health. This thesis highlights how, contrary to commonly-held understandings in the academic literature, democracy and international organisations, institutional cornerstones of the liberal world order, may stimulate more conflict. In a liberal order, conflict and the response to it is rechannelled from the military to the economic domain. These findings recommend a reconsideration of the ways in which liberal institutions associated with the post-Cold War period were supposed to constrain state behaviour, and of the notion of certain moral progress of democratic societies in relation to the use of coercion in international affairs.

Importantly, this thesis does not argue that states should not impose economic sanctions, nor that war would be a better alternative to sanctions in the cases under study. What it asks is why the premise of liberalism — that liberal regimes bring peace — holds for military conflict, but not for economic coercion and perhaps not for the level of conflict as such. The findings presented contribute to our understanding of the nature of conflict in international relations and of the exercise of power by states. Given that economic coercion is not without cost, a thorough understanding of the phenomenon is relevant well beyond the field of political economy. It is beyond the scope of this thesis to assess whether the sanctions under study would have been incidents of war under different circumstances or would have been mere diplomatic rows. In some cases, we would probably observe a policy substitution effect, where events that would not have resulted in economic sanctions in a different setting are upgraded (from diplomatic coercion) or downgraded (from war) to sanctions. In other cases, we would probably observe a policy inflation effect, where states are more likely to succeed, cooperation is easier to achieve and sustain, or political leaders seek avenues to boost popularity, which leads to sanctions in domains where otherwise no conflict would occur at all. A senior British diplomat at the GIGA Institute in Germany said: "sometimes you know you will not go to war and you also know that it is not enough to issue a diplomatic statement; then you have to think about sanctions."⁸ As liberal institutions advance, an increasing number of elected political leaders ask themselves the same question, and, by the same token, as sanctions are increasingly likely to

⁸The diplomat requested full anonymity. The interview took place in the fall of 2019.

succeed and become easier to cooperate on, this may induce decision-makers to act on, rather than only to consider them.

1.6 Structure of the Thesis

This thesis is organised as follows. The second chapter addresses the issue of economic peace and the behaviour of democracies in relation to economic sanctions as a coercive response to perceived conflict with other states. The chapter is based on a single-authored article, currently under review with *International Studies Quarterly*. The article was awarded the European International Studies Association Best Graduate Paper Award in 2019. Chapter 3 discusses the symbolic role of economic sanctions and the associated domestic audience cost and benefit. The chapter is based on a single-authored article, currently under review with *International Political Science Review*. In Chapter 4, the analysis identifies the conditions under which threats of economic sanctions succeed relative to their actual imposition. The chapter is based on a co-authored article, currently at the revise and resubmit stage with *International Interactions*.⁹ Chapter 5 then discusses the unexpected resilience of the EU sanctions regime against Russia and cooperation on multilateral economic sanctions. The chapter is based on a co-authored article, forthcoming with the *Journal of European Integration*.¹⁰ Finally, the thesis concludes and main points are underlined.

⁹The author of this thesis is the first author on this article and has contributed the majority of the work. Authors' full names, positions and affiliations, as they appear in the article: Walentek, Dawid (PhD candidate, University of Amsterdam), Broere, Joris (PhD Candidate, Utrecht University), Cinelli, Matteo (Post-doc, University of Rome), Dekker, Mark M. (PhD Candidate, Utrecht University), and Haslbeck, Jonas M. B. (Post-doc, University of Amsterdam).

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2 | Economic Peace Revisited

This article has been awarded the European International Studies Association (EISA) Best Graduate Paper Award in 2019. It is currently under review with the journal *International Studies Quarterly* (Walentek, D.).

2.1 Introduction

Democracies do not go to war with one another (Bueno de Mesquita et al., 1999). However, does this special relation between democracies extend beyond the military domain, to economic sanctions?¹ Although researchers have argued that domestic structural constraints that democratic leaders face (Lektzian and Souva, 2003), or norms that they follow (Cox and Drury, 2006) ought to make democracies less likely to sanction one another, empirical findings on the presence of economic peace are mixed (Lektzian and Souva, 2003; Cox and Drury, 2006; Hafner-Burton and Montgomery, 2008b), and the relationship between economic and democratic peace remains unclear.²

The expectation of democratic peace is based on the theoretical premises that political leaders are voted out of office in case of a war that is lost, and that democratic societies are resilient targets of military interventions (Bueno de Mesquita et al., 1999).³ The argument is that interaction between these structural characteristics of democracies makes war between them unlikely. Scholars also go beyond the structural argument and point to normative factors underlying democratic peace, for example, a common value system shared by democratic societies (Dixon, 1994). These structural and normative approaches to democratic peace are mirrored in the theoretical work on economic peace, which argues that the same set of constraints that restrains democratic leaders from engaging in war ought to diminish the prospects for economic sanctions (Lektzian and Souva, 2003; Cox and Drury, 2006). However, the theoretical frameworks on economic peace, derived from democratic peace literature, contrast with the recent empirical research on economic sanctions. First, scholars find that voters favour economic coercion regardless of the outcomes of the policy and the democracy level of the target state (Whang, 2011). Second, there is no evidence that democracies are more resilient targets of economic sanctions, nor that democratic leaders are less likely to impose sanctions on important economic partners (Bapat and Kwon, 2015). This would suggest that the building blocks of the democratic peace theory are not empirically supported with respect to economic peace and, consequently, the relationship between democratic and economic peace is not straightforward. It may be that the public choice approach (Kaempfer and

¹I define economic sanctions, following (Morgan et al., 2014, 542), as “actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies”.

²I define economic peace as a propensity of “democratic states to be less likely to sanction one another compared to other regime types” (Wallace, 2013, 479).

³In this chapter, I use three operationalisations of democracy: (i) continuous, based on the Polity IV data and varying from 0 to 10, where a higher score indicates more democratic institutions; (ii) dichotomous, based on the Polity IV data, in which a score of 7 or more indicates a democracy; and (iii) dichotomous, based on the Political Regime data, in which countries are either a democracy or an autocracy. This approach mirrors past research on economic peace (Wallace, 2013) and conflict (Boix et al., 2013).

Lowenberg, 1988) to economic sanctions allows for more accurate predictions with respect to the interaction between economic coercion and democracy. In the public choice model, democracies are more likely to issue sanctions because the objective of elected leaders is to build broad domestic support, and through economic sanctions they address both foreign policy and protectionist demands from voters, regardless of the policy's outcome.

Work on economic peace, apart from theoretical concerns, also raises a number of empirical questions. The results on the presence of economic peace are sensitive to every new data set and to methodological choices of researchers (Hafner-Burton and Montgomery, 2008b; Wallace, 2013). With respect to the data, I study the prospect of economic peace using the updated TIES data set (Morgan et al., 2014), the Polity IV data set (Marshall et al., 2018), and the Political Regimes data set (Boix et al., 2013). While the most recent work on economic peace (Wallace, 2013) is based on the first edition of the TIES data set, the updated TIES contains 59% more cases and covers additional years (Morgan et al., 2014). With respect to research design, I assess whether more democratic states are more (or less) likely to issue sanctions, to receive sanctions, and to sanction one another.

Unlike past studies, I (i) conduct the empirical analysis with a logistic regression, (ii) treat threats-only of sanctions as a counterfactual to imposed sanctions, and (iii) offer an improved specification and interpretation of the interaction effect. Previous research employed a rare event logit model that is highly sensitive to changes in the non-event (i.e. no sanctions dyad) section of the sample. However, the updated TIES data set offers both information on imposed sanctions and on threats only, allowing change of the statistical method from a rare-event logit to a logistic regression, where I operationalise the dependent variable as dichotomous threat-only or imposed sanction.⁴ In contrast, as statistical analysis does not distinguish between relevant counterfactual events to a sanction imposition (i.e. an unrealised sanction threat) and alternative means of coercion (e.g. war or diplomacy), combining all outcomes into non-sanctions could result in a biased estimate. Finally, other researchers have treated the main effects in the regression models as unconditional when introducing the interaction term, resulting in an incorrect interpretation of the regression results as, when an interaction term is present, the main effects cannot be interpreted in a simple additive form, nor is their significance level informative (Brambor et al., 2006). I address this concern in this chapter by offering the regression results with and without the interaction term, and by interpreting the regression coefficients appropriately.

⁴The original TIES data set also offered cases of sanction threats only. Wallace (2013) decided to remove these from the analysis and censor the sample, from 888 to 585 cases. The argument for studying only imposed sanctions was to keep the research design as close to previous studies as possible. The HSE data set used in previous research, unlike the TIES data, offered no information on threats-only.

This chapter has the following structure. In the next section I discuss the literature related to democratic and economic peace and identify the main tenets in the current scholarship. After that, I outline the research design for this study, discussing the data, variables and the econometric model employed. Finally, I present the results of the regression analysis and conclusions.

2.2 What drives peace

2.2.1 Democratic peace literature

Democratic peace, one of the major tenets in political science, rests on the argument, and repeated empirical evidence, that democracies do not wage war against one another. It emerged in its current form nearly 200 years after Kant's work on perpetual peace, where a similar argument is presented (Russett et al., 1998), as a field of research focused on establishing a statistical relation between democracy and peace (Babst, 1972; Small and Singer, 1976). After establishing the presence of this relation, scholars went on to assess the mechanisms underpinning the apparent democratic peace, focusing predominantly on the structural (Bueno de Mesquita et al., 1999) and normative (Dixon, 1994) constraints that prevent democratic leaders from engaging in war.

The structural approach to democratic peace emphasises two aspects: the resilience of democratic states in face of conflict and lack of appetite among voters for war. With respect to the first argument, democratic states are considered resilient targets of military interventions, because of the rally-round-the-flag effect. Citizens in democracies strongly resist a foreign intervention, making a successful military campaign against a democracy unlikely (Mueller, 1970; Bueno de Mesquita et al., 1999).⁵ And, as voters in democracies tend to punish leaders who lose a war, democracies are less likely to target other democracies with military intervention (Bueno de Mesquita et al., 1999). With respect to the latter, citizens being the ones bearing the burden of a military confrontation, in terms of both economic cost and human loss, makes war efforts unlikely to be popular with voters. This makes war a difficult platform to build political capital on, further reducing the prospects of a war between democracies (Morgan and Campbell, 1991). Thus, following the structural democratic peace argument, a political leader interested in preserving power will be less likely to engage in military conflict with another democracy, fearing a prolonged war that eventually fails and the popular discontent that accompanies a military intervention, both of which are likely to remove a politician from office. With respect to the normative approach, scholars argue that, as a result of shared norms and liberal values, democracies are less inclined to engage in military conflict with other democracies. The

⁵Machiavelli in "the Prince" raised a similar argument too, but did not take it further, as Kant did.

argument is that democratic states have developed a sense of community, and also frequently institutionalise this communal sentiment. In turn, these institutions allow the non-violent resolution of conflict between democracies (Dixon, 1994; Maoz and Russett, 1993).⁶

2.2.2 Economic peace literature

The idea of democratic peace and the particular behaviour of democracies in conflict situations has prompted a search for parallel trends for economic sanctions. Following the structural democratic peace argument and borrowing from the public choice approach to economic sanctions (Kaempfer and Lowenberg, 1988), Lektzian and Souva (2003) propose that the presence of democratic institutions makes democracies less likely to sanction each other but more likely to issue sanctions relative to non-democracies. Both characteristics are a result of the constraints that democratic leaders face. First, following the democratic peace argument, due to high costs of a failed foreign policy — removal from the office — incumbents prefer weak targets. Consequently, as democracies are known for their resilience, democratic leaders are more likely to select nondemocracies as targets of economic sanctions, and are less inclined to sanction one another. Second, relating to the public choice approach, winning coalitions in democracies tend to be broad and encompass a large variety of interest groups, concerning, for example, security, human rights or protectionist demands. Consequently, democratic leaders are more prone to use sanctions in order to stay in office because they have to satisfy a broader audience than their autocratic counterparts, for whom a number of concerns, like championing human rights abroad, are not relevant to staying in power.

Lektzian and Souva (2003) find empirical support for their structural economic peace argument, and observe that democracies are both more likely to issue sanctions and less likely to sanction one another. Nevertheless, other recent empirical evidence suggests that, regardless of the policy outcome, democratic leaders receive a domestic audience benefit from the use of economic sanctions (Whang, 2011), and that there is no empirical evidence for democracies being more resilient in face of economic coercion (Bapat and Kwon, 2015). Furthermore, the structural democratic peace and public choice approach to sanctions — two frameworks that, according to Lektzian and Souva, work together — may contradict one another. If the benefit to a democratic leader from pursuing a sanction policy resulting, for example, from sheltering a domestic industry (Pond, 2017), is greater than the cost resulting from a failed policy attempt, then we should not observe economic peace, only a higher propensity among democracies to issue sanctions. On the other hand, if the public choice theory is correct that sanctions cannot generate a coalition broad enough to boost popular-

⁶Literature on the democratic peace is broader than the discussed publications; however, scholars engaged in economic peace research relate mostly to the concepts discussed in the listed articles. For a broader overview of the democratic peace literature see Hayes (2012)

ity (Bapat and Kwon, 2015), the economic peace argument still may hold because of the economic costs and risks for the democratically elected political leader associated with losing an inter-state conflict.

We can summarise the above in three sets of observable implications. First, if both the structural economic peace and the public choice argument hold, we ought to observe that democracies are less likely to sanction one another, more likely to issue sanctions, and less likely to be a target of economic sanctions. Second, if only the structural economic peace argument holds, we ought to observe that democracies are less likely to sanction one another and less likely to be a target of economic coercion. Finally, if only the public choice approach argument holds, we ought to only observe that democracies are more likely to issue economic sanctions, regardless of the target.

Although Cox and Drury (2006) provide empirical evidence on economic democratic peace through methodological improvements, they highlight the effects of norms, rather than institutions, on the relations between democracies. This follows the normative argument in the democratic peace literature (Dixon, 1994) that democracies are more likely to pursue a norms-based foreign policy. Since democracies advocate human rights and democratisation with economic sanctions, they exhibit a higher propensity to target non-democracies with economic coercion. Cox and Drury (2006) further argue that the fact that democracies do not sanction each other is a result of shared values. This contrasts with Lektzian and Souva (2003), who argue that only strong economic ties and structural incentives drive economic peace between democracies. However, recent scholarship on economic sanctions contradicts the normative economic peace framework. Rather than supporting the argument that economic sanctions serve the purpose of human rights promotion, it finds that they are oriented towards the domestic audience of the sender state (Whang, 2011).⁷ If the normative account on economic sanctions holds true, we should at least observe that democracies are less likely to sanction one another and more likely to issue economic sanctions in general. In order to assess these theoretical arguments, this chapter tests the following three hypotheses:

H1: Democracies are less likely than non-democracies to sanction one another

H2: Democracies are more likely than non-democracies to issue economic sanctions

H3: Democracies are less likely than non-democracies to be the target of economic sanctions

⁷In fact, economic sanctions show a poor record with respect to addressing human rights issues (Peksen, 2009).

Besides broader theoretical frameworks, scholars of economic peace have arrived at a number of puzzling empirical conclusions. To begin with, Hafner-Burton and Montgomery (2008b) suggest that the findings of Cox and Drury (2006) and, indirectly, those of Lektzian and Souva (2003) are the result of limited data and methodological weaknesses. Hafner-Burton and Montgomery show that democracies indeed issue sanctions more often (public choice argument), but are *not* less likely to sanction one another (economic peace argument). They argue that, in the previous studies, it is the specific behaviour of the United States (US) that drives the presence of economic peace among democracies. They propose that the theoretical argument of public choice on economic sanctions holds, but that economic peace — whether driven by norms or structure — is only present because of the US. If Hafner-Burton and Montgomery are correct, democracies are more likely to issue economic sanctions and the US is the only democracy less likely to sanction other democracies:

H4: The US is the only democracy less likely to sanction other democracies rather than non-democracies.

Second, Wallace (2013) proposes that the work of Hafner-Burton and Montgomery (2008b) suffers itself from a data bias, so that, while it shows that democracies are more likely to issue sanctions (public choice argument) and are less likely to sanction one another (economic peace argument), this is only true for security issues. For non-security issues (e.g. trade or environmental policy), following Wallace, there is no economic peace between democracies. Furthermore, in Wallace, the special role of the US proposed by Hafner-Burton and Montgomery is absent, suggesting that, with respect to economic coercion, the US may act just as other democracies do. Wallace therefore argues that all sides of the argument on economic peace are partially correct: there is an economic peace, but it only holds for security issues. So, if Wallace's argument holds, there should be a different dynamic with respect to imposition of economic sanctions, subject to the type of the issue:

H5: Economic peace between democracies holds only for sanctions in the security domain.

2.3 Research design

2.3.1 Data

Threat and Imposition of Sanctions The TIES (v4.0) data set (Morgan et al., 2014) is currently the most complete collection of data on economic sanctions; it

draws on 1,412 cases and covers the period from 1945 to 2005.⁸ The key contribution of this data set is information on sanction threats, for 1,053 cases. This allows researchers to distinguish between imposed sanctions and threats only, creating scope for a counterfactual analysis. The HSE (Hufbauer et al., 2007) data set does not incorporate information on sanction threats. In the TIES data set 48% of sanction are in the trade domain. The remaining 52% are sanctions related to non-trade issues, for example non-proliferation. The US is the most active actor with respect to economic coercion, and has participated in 48% of the cases in the data set. If a negotiated settlement outcome and an on-going case are treated as failures, the effectiveness of economic sanction in the TIES data is 27%. If negotiated settlement is treated as a success but the on-going cases still as a failure, the success rate of sanctions increases to 40%. In this study, I employ the latter definition of success, as is common in research using the TIES data (Bapat and Kwon, 2015; Bapat and Morgan, 2009).

POLITY IV The Polity IV data set (Marshall et al., 2018) provides information about the level of democratisation of states over time.⁹ The observations, from 1800 to 2017, offer insight into the quality of democracy among 167 states. I use the democracy score (*DEMOC*) variable, which varies from 0 to 10, a numerical score for the number of democratic institutions that a country has, where 0 is a full autocracy, where citizens have no influence on the government, and 10 stands for a fully democratic society, with a complete array of democratic institutions. However, the democracy score is only available for 1,221 sender states and 1,249 target states and for 1,100 sender-target pairs.¹⁰ Focusing solely on cases where a public threat was issued decreases the number for the sender-target democracy dyad further, to 807 cases.

Political Regimes The Political Regimes (PR) data set (Boix et al., 2013) allows us to test the robustness of the findings.¹¹ This data set contains information about the democracy level of 219 countries between 1800 and 2007, focusing not only on institutions, as in the Polity IV data set, but also on political contestation and popular participation. This allows testing of the findings from a different perspective on democracy and autocracy. The authors of the PR data set use a dichotomous coding, where states are either a democracy or an autocracy. I observe the PR democracy score for 1,239 sender states, 1,323 target states and 1,165 sender-target dyads in the sample.

⁸Available at: <http://sanctions.web.unc.edu>. Nb: Although the coders of the TIES data set do not treat policies aimed at protection of a domestic industry as sanctions, they do record sanctions with the objective of changing a trade policy of another state.

⁹Available at: <http://www.systemicpeace.org/inscrdata.html>.

¹⁰If an economic sanction is multilateral, I use the democracy score of the primary sender of the sanction, as identified by the TIES data coders.

¹¹Available at: <https://journals.sagepub.com/doi/suppl/10.1177/0010414012463905>.

With respect to the relation between the PR and Polity IV data, I observe the following. The (dichotomised) democracy score of the sender state based on the Polity IV data set (a state is a democracy for a score equal to or higher than 7) is strongly correlated with the corresponding score in the PR data set ($r=0.92$). The (dichotomised) democracy score of the target state resulting from the Polity IV and the PR data set is less, yet still strongly, correlated ($r=0.86$). The dichotomous democracy score of the sender-target dyad based the Polity IV and the PR data set are also strongly correlated ($r=0.87$). While the PR data set also provides information on democratic transition or breakdown, too few of the observations in the TIES data set are states in transition (< 25), so the information cannot be used in the econometric analysis.

Correlates of War Trade Data The Correlates of War (COW) Trade Data set (Barbieri et al., 2016) allows us to combine data on economic sanctions with trade data in order to assess the role of trade dependency on economic peace.¹² The COW Trade Data offers information on trade flows for the years 1870 to 2014, both bilateral and total trade figures. Given the scarcity of bilateral trade data in this study, and substantial scope for bias in this type of data (Linsi and Mügge, 2019), I use the total trade figures. This limits the ability to assess the trade dependency between the sender and the target, but allows study of the general dependency on trade and openness toward global markets (Gartzke, 2007). I observe total trade (in current USD) for the sender of the economic sanctions in 1,238 cases.¹³ However, taking into account public threats of economic sanctions and information on the democracy level of the sender and the target reduces the sample to 780 cases.

2.3.2 Variables

Misspecifications in previous research To begin with, scholars (Hafner-Burton and Montgomery, 2008b; Cox and Drury, 2006; Lektzian and Souva, 2003; Wallace, 2013) use the Polity IV data to identify the level of democratic institutions present in a particular sender or target state in a particular year. Polity IV offers the *DEMOC* variable that ranges from 0 to 10, where 0 means complete lack of democratic institutions. Polity IV also offers a negative part of the scale, *AUTOC*, that informs us how authoritarian the regime is and ranges from 0 to -10. While scholars of economic peace use the combined score *POLITY* (ranging from -10 to 10) for the estimations, if a state scores 7 or more on the democracy (i.e. *DEMOC* or *POLITY*) score, they transform the dependent variable into a dummy that is equal to 1 (meaning democracy) in the analysis.

The approach to data transformation discussed above leads to two concerns. First, given that the studies of economic peace focus on how the degree of democracy affects

¹²Available at: <http://correlatesofwar.org>.

¹³In case of a multilateral sanction, I report the total trade figure for the primary sender — as reported by the TIES data set authors.

interaction between states, the negative part of the variation, present in *AUTOC*, may lead to unnecessary bias. If a country scores zero on the democracy score (*DEMOC*), then neither the structural nor the normative mechanism for democratic peace can be realised. Rather than being interested in how variation in democracy and authoritarianism affect economic peace, we want to assess how an increasing presence of democratic institutions affects the behaviour of states in relation to economic sanctions. Consequently, we are only interested in the part of the variation offered by the *DEMOC* score of the Polity IV data set.

The second concern is that the transformation of a continuous variable into dummies brings risks. Dichotomising observations reduces the prospects of finding statistically significant relations between variables because it has the same effect as removing up to a third of the data (MacCallum et al., 2002). This is particularly relevant here because research on democratic peace already grapples with a small sample problem (Hafner-Burton and Montgomery, 2008b). Besides, the attribution of a particular numerical score to a level of democracy in a country-year observation risks being the coder's arbitrary choice. Following the continuous character of the data could help hedge against a potential bias resulting from coding differences. Another problem related to dichotomising continuous variables is that it increases the risk of type I error (Austin and Brunner, 2004), which is highly relevant for research on economic peace, because recent scholarship primarily focuses on indicating a type I error in the literature: correcting for the wrongly assigned effect of democracy on interstate economic coercion (Hafner-Burton and Montgomery, 2008b; Wallace, 2013).

The second concern appears most pressing because the frequent change in the significance level of the key independent variables in research on economic peace may be partially due to dichotomisation. Consequently, in this study, to account for potential bias, I use the continuous score on the *DEMOC* variable from the Polity IV data set. Still, in the results section of this chapter, I offer a robustness check with dichotomised variables that identify a country as a democracy for a score of 7 or higher on the *DEMOC* variable. The results from this robustness check do not yield different findings compared to the main results based on a continuous democracy score.¹⁴

Dependent variable *Imposition* is a binary variable that allows us to observe whether the sender decides to move from the threat level to actual imposition of economic sanctions. The variable is generated from the TIES data set.

Independent variables *Democracy score sender* and *Democracy score target* are variables that, based on the Polity IV data set, identify the level of democracy of the sender state and of the target state, respectively. I use these two variables to study

¹⁴Scholars of democratic peace have already called for the use of a continuous democracy variable so that the findings are not merely an artefact of data separation (Bennett, 2006).

whether democracies are more or less likely to issue and receive sanctions, and to generate the interaction effect necessary for testing the economic peace hypotheses. The two scores vary from 0 to 10, where 10 is a full democracy and 0 an autocracy. Dyad democracy score is an interaction between the democracy levels of the sender and the target. The higher the score, the more democratic the sender-target pair, up to a maximum possible score of 100.¹⁵

Interaction effect An additional concern related to research design choices made by authors on the economic peace (Wallace, 2013; Hafner-Burton and Montgomery, 2008b; Cox and Drury, 2006; Lektzian and Souva, 2003) is the use of the interaction term. In order to assess whether joint democracy decreases the prospects of economic sanction incidents, they multiplied the (dummy) democracy score of the sender with the (dummy) democracy score of the target. While this is a plausible approach, they have also interpreted the main effects in the regression models as if the interaction term were not present. However, once variables are interacted, the main effects cannot be interpreted as unconditional (in an additive manner), with some exceptions (Afshartous and Preston, 2011), and ought to be ignored (Brambor et al., 2006). Consequently, because the interaction term is present in all cases, the results on the propensity of democracies to issue, or to be a target of, economic sanctions cannot be correctly interpreted from the models presented in the literature on economic peace.¹⁶

The difficulties with interaction effects are also evident in research design when Hafner-Burton and Montgomery (2008b) and Wallace (2013) test for the role of the US on democratic peace. Since this is a three-way interaction term consisting of the democracy score of the sender, target and a dummy variable for the US, not all interactions are present in the regression model. That is likely to substantially bias the results (Brambor et al., 2006) and makes interpreting the findings on the role of the US with respect to economic peace difficult.¹⁷

In addition, the strategy in Wallace (2013) to divide the sample into subsamples in order to assess the role of issue salience could be solved through a control variable in the regression model that specifies the issue salience. Alternatively, a three-way

¹⁵In order to allow for easier cross-study comparison and more meaningful interpretation of the interaction term, I standardise the democracy score and the interaction term (Afshartous and Preston, 2011). In the summary table and the regression models, I refer to the variables with an (std) prefix to indicate the standardisation. I standardise the variables to a standard deviation of 1 and a mean of 0. This operation does not have any effect on the significance level or the sign in the regression results.

¹⁶Thus, in a model $y = b_1x + b_2z + b_3xz$ there is no unconditional effect of z on y , because of the presence of the interaction effect. This becomes clear when we take the first order derivative of y with respect to x : $dy/dx = b_1 + z$; the effect of x on y is conditional on the value of z . Mere interpretation of the b_1 coefficient becomes meaningless.

¹⁷To see how x affects an interaction between z and w , we must specify all terms. Thus, $y = b_1x + b_2z + b_3w + b_4xz + b_5zw + b_5xw + b_7xzw$, and the last (b_7) coefficient is of interest.

interaction could be employed, although, as argued in the previous paragraph, all the interaction terms need to be specified in the regression. In this study, I choose the latter and provide a three-way interaction in the regression for issue salience so as to be able to compare my findings with those of Wallace.

Control variables For control variables, I refer to the findings on the effectiveness of economic sanctions and sanction threats and the indicators associated in the scholarship with probability of interstate conflict. I account for the trade dependence and market openness (Gartzke, 2007) of the sender of economic sanctions by controlling for the (natural logarithm of) total exports of the sender state, based on the COW Trade Data. I expect that part of the variation in the decision of states to engage in economic coercion is determined by the strength of the trade ties between the sender and the target of economic coercion. I also control for the reputation effect (Peterson, 2013) by accounting for the commitment of the sender in past sanction episodes, based on the sender's commitment indicator in the TIES data set. Threats of sanctions from senders that have a poor record of commitment to past imposed sanctions may be treated differently by targets, as the eventual cost of conflict may be negligible. I also control for the objective of the sanction, following the specification offered by the TIES data set. I introduce the *Trade* variable, which separates economic sanctions with a trade and economic liberalisation objective from other sanctions (Morgan et al., 2014). Following Wallace (2013), I control for security objectives, and offer a control variable that separates economic measures with a security objective from other sanctions.¹⁸ This follows from the expectation that part of the trend in the sample can be explained by the issue type of the sanction regime. Next, I control for whether the sanction is multilateral (Bapat and Morgan, 2009), based on the information on sanction senders from the TIES data set. A higher number of senders is likely to systematically affect the decision to engage in economic coercion. I also control for the role of the US (Wallace, 2013; Hafner-Burton and Montgomery, 2008b; Haas, 1997) with a dichotomous variable that takes a value of one if the US participated in the sanction regime as a sender, based on the TIES data set. This responds to the suggestion that US involvement drives findings with respect to economic coercion. By introducing a squared term of the dyadic democracy score, I also test whether the dyadic relation between the sender's and the target's democracy level and sanction imposition is non-linear. This is because scholars find that similar regime types — both democracies and autocracies — are less likely to engage in conflict, suggesting that there is not only a democratic peace but also an authoritarian one (Bennett, 2006). Finally, I offer a robustness test of the results with the Political Regimes (Boix et al., 2013) data set, which I use to obtain an alternative to the Polity IV measure

¹⁸I identify the following categories from the TIES data set as security-related: "Contain Political Influence"; "Contain Military Behavior"; "Destabilize Regime"; "Release Citizens, Property, or Material"; "Solve Territorial Dispute"; "Deny Strategic Materials"; "Retaliate for Alliance or Alignment Choice"; "End Weapons/Materials Proliferation" and "Terminate Support of Non-State Actors".

of democracy of the sender and the target and the dyadic sender-target democracy score.

Role of success Part of the variation in the sample can be explained by success of threats: senders do not follow up with an imposition of economic measures because the policy demand has been met at the threat stage. In fact, the crisis bargaining literature suggests that those economic sanctions most likely to succeed should end at the threat stage (Drezner, 2003), that democracies ought to be more likely to succeed at the threat stage (Schultz, 1999), and that threats are more successful for economically interdependent states (Whang et al., 2013). Thus, based on the crisis bargaining literature, democracies should be less likely to impose sanctions, a result partially arising from the success rate at the threat stage. In addition, this mechanism should also apply to democratic dyads, resulting in what scholars identify as economic peace, the propensity of democracies not to issue economic sanctions against one another.

The objective of this study is to assess whether democracies exhibit different behaviour with respect to sanction imposition, in general and against one another. Hence, cases that succeeded at the threat stage may appear beyond the scope of this study, as the sender has no reasons to impose the sanction. Even so, the crisis bargaining literature suggests that it is precisely the high effectiveness of democracies at the threat stage that may drive economic peace, offering an alternative theoretical underpinning for this empirical phenomenon. Consequently, removing the successful cases of economic coercion from the sample could lead to biased results, as we could overlook a potential powerful driver of economic peace, namely, success at the threat stage. I therefore do not remove successful threats from the sample.¹⁹

2.3.3 Data overview

Table 2.1 provides an overview of the variables used for the statistical analysis:

¹⁹I conducted a test on a censored sample, removing cases of successful threats, and the results were consistent with the findings reported in this chapter.

Table 2.1. Summary statistics.

Variables	N	Mean	SD	Min	Max
Start Year	1,412	1,986	15.63	1,945	2,005
Threat	1,412	0.746	0.436	0	1
Imposition	1,412	0.598	0.490	0	1
Case ID	1,412	706.5	407.8	1	1,412
US	1,412	0.521	0.500	0	1
Trade	1,412	0.517	0.500	0	1
Security	1,412	0.305	0.461	0	1
Multilateral	1,412	0.262	0.440	0	1
Past Commitment	1,250	2.342	0.601	1	3
Success	1,412	0.408	0.492	0	1
Democracy Score Sender	1,221	8.376	3.316	0	10
Democracy Score Target	1,249	6.272	4.093	0	10
(Ln) Total Exports Sender	1,238	25.02	2.269	16.59	27.43
Dyad Democracy Score	1,100	51.47	42.04	0	100
(Std) Demo Sender	1,221	0	1.000	-2.526	0.490
(Std) Demo Target	1,249	0	1.000	-1.532	0.911
(Std) Dyad Demo	1,100	100	1.000	-1.224	1.154
Dummy Demo Sender	1,221	0.835	0.372	0	1
Dummy Demo Target	1,249	0.622	0.485	0	1
Dummy Demo Dyad	1,100	0.509	0.500	0	1
Dyad Democracy Score ²	1,100	4,416	4,188	0	10,000
(Std) Dyad Demo ²	1,100	0	1.000	-1.054	1.333
Political Regime Demo Score Sender	1,239	0.829	0.377	0	1
Political Regime Demo Score Target	1,323	0.639	0.480	0	1
Political Regime Dyad Demo Score	1,165	0.524	0.500	0	1

2.3.4 Econometric model

Difficulties with the rare-event logit Scholars of economic peace (Hafner-Burton and Montgomery, 2008b; Cox and Drury, 2006; Lektzian and Souva, 2003) employ a rare event logit model (King and Zeng, 2001) in their empirical analyses.²⁰ However, this approach has issues. While the rare event logit is useful when studying events that occur with relatively low frequency, its estimator suffers from a bias if the event occurs rarely in *absolute* terms (Leitgob, 2013). For example, the rare event model provides efficient estimates if an event occurs once in a thousand times and the rare event was observed happening a hundred times. However, as the number of observations decreases in the less frequent category, so, does the efficiency of the estimator. This quality of the rare-event model raises concern about its applicability to research on economic peace. In the less frequent category (democracies that sanction one another), researchers observe only five cases of economic sanctions so, despite the use of a rare-event logit model in the analysis, the predictions on economic peace presented by Hafner-Burton and Montgomery (2008b), Lektzian and Souva (2003) and Cox and Drury (2006) may suffer from bias.

Furthermore, the research design correction of Cox's article proposed by Hafner-Burton and Montgomery (2008b) may also suffer from a research design problem.

²⁰Note that Lektzian and Souva (2003) do not report the model type used for the analysis in their article, but given the sample size and the distribution of economic sanctions they probably do use a rare event logit.

The solution that Hafner-Burton offers for Cox and Drury (2006) is to increase the number of non-events (i.e. cases of no economic sanctions), adding more country-pair years. Consequently, authors only increase the number of observations in the more frequent category (i.e. no sanctions). However, this does not solve the fundamental problem for the source of bias in the rare event logit, that there are only a few observations in the less frequent category. In addition, the model proposed by King and Zeng (2001) has the propensity to overcorrect bias as the sample size decreases (Leitgeb, 2013). Consequently, the change in the significance of the variables in the regression after the correction offered by Hafner-Burton to Cox's work may result from the rare-event model specification, rather than actual data improvement.

Wallace (2013), in an attempt to address previous research design misspecifications, bases his analysis on the TIES data set, which has more observations than the HSE data set used in previous research on economic peace. However, that study conducts the analysis only on the 585 cases of implemented sanctions available in the TIES data set, removing the 303 cases of sanction threats from the study. It does not report how many cases of sanctions involving two democracies are in the full and the restricted samples reported in the article. This makes it difficult to assess whether it also suffers from too few observations in the less frequent group (i.e. two democracies sanctioning one another), and what type of information is foregone by censoring the sample to imposed sanctions only. Besides, Wallace shows that when the data is separated into two subsets (i.e. security and non-security economic sanctions), the coefficients for democratic peace are only significant for the former. However, this result could be driven by the bias resulting from decreasing the number of the less frequent category and an uneven split between the two categories. Given that the number of observations of two democracies issuing sanctions against one another has been low in previous studies, a narrow difference between the two samples may have led to Wallace's different results.²¹

Potential remedies The updated TIES data set offers a potential remedy to the problems associated with the rare event logit. Its data provides information about the use of threats of economic sanctions and their actual imposition.²² Due to the temporal relation between the two, as threats come before imposition, the observed

²¹For example, we have a sample with an event that occurred 5 times and 100 non-event observations. The event can be split into two categories, let us say category (a) with 3 events and category (b) with 2 events. Wallace (2013) proposes to conduct two separate regressions, one for category (a), where we have 3 events and 100 non-events (because the non-events cannot be categorised), and then another regression with 2 events and 100 of the same non-events. Given the sensitivity of the rare-event logit, it is possible that the former regression will show significant coefficients but not the latter. However, this is an artefact of the model. Besides, the inability to separate the non-events into the two categories makes this approach subject to potential omitted variable bias and confounding.

²²Wallace (2013) already indicated that the presence of sanction threats in the TIES data set offers opportunities for further research and improved research design.

threats-only can be used as a counterfactual observation in this sample. Since, in the TIES data set, the coders could observe a public threat for 75 per cent of the cases (1,053 of 1,412), the dependent variable becomes imposition of sanctions (escalation from a threat to an economic sanction), and I can conduct the analysis with a logistic regression. Besides, the argument that threats-only offer a counterfactual for imposed sanctions has been acknowledged in the literature on economic sanctions (Drezner, 2003; Smith, 1995; Eaton and Engers, 1999; Lacy and Niou, 2004) and war (Schultz, 1999). The use of threats as counterfactuals is also relevant from the perspective of the mechanism potentially underlying economic peace: the higher propensity of success experienced by democracies at the threat stage in an interstate conflict, as suggested in the crisis bargaining literature (Schultz, 1999; Whang et al., 2013).

The distribution of the observations in the TIES data set on imposition, success and democracy of the sender and the target of economic sanctions has the following structure. In the part of the sample where threats are made public and are observed by the coders, threats succeed in 48% of the cases, and imposed sanctions succeed in 38%. Unsuccessful threats are followed by imposition in 62% of the cases.²³ In 287 cases, the threat of economic sanctions is followed by an imposition where both the sender and the target were democracies.²⁴ This is a substantial increase compared to previous research on economic peace, where there were only five cases of two democracies sanctioning one other (Cox and Drury, 2006; Hafner-Burton and Montgomery, 2008b; Lektzian and Souva, 2003). Finally, in the TIES data set there are 486 cases of threats followed with a sanction and 567 cases of threats-only. In 617 cases, the conflict (i.e. either a threat-only or imposition of economic coercion) involved a democratic dyad, and in 436 cases at least one party in the conflict was not a democracy. There are also 117 cases of a democracy following up on a sanction threat to a non-democracy, and 50 cases of a non-democracy pursuing a sanction threat against a democracy.

The frequency of the observations offered by the TIES data set and the presence of the threat-only counterfactual to an imposed sanction make it possible to use a logistic regression, with *imposition* as a dependent variable in place of the rare-event logit. Neither the absolute frequency of democratic dyads sanctioning one another (287 cases), nor its relation to the complete sample (1,053 if threats were made public,

²³We can also assume that threats were also issued in the 359 cases where coders could not find a public record (e.g. due to language limitations). This has only marginal effect on the sample, decreasing the number of successful impositions by 2%, to 36%. In the appendix, I provide a study with the non-threat events, coded as threats that failed and resulted in a (successful or failed) sanction imposition. The results from this analysis are consistent with the findings presented in the main body of the chapter.

²⁴If we assume that countries that score seven or more on the Polity IV *DEMOC* score are democracies, so following the common approach in research on economic peace (Wallace, 2013).

1,412 otherwise) motivate the use of a rare-event logit for the empirical analysis.²⁵ However, there are two concerns related to the logistic regression and the research design advocated in this chapter; selection bias and inconsistency with past research. I address both in the next subsections.

Selection bias The study of threats and imposition suffers from a potential bias, a selection problem. This misspecification occurs when the observations in the sample are non-randomly selected (Vance and Ritter, 2014). In this data, I only observe cases of threats that either (i) escalate to an imposed sanction or (ii) where the sender settles for the status quo and does not follow up on the threat. However, I do not observe (iii) instance when there was a conflict, but the sender has not issued a threat.²⁶ Hence, the outcome variable (to impose a sanction or issue a threat only) is subject to a type of a selection process — issuing of a threat of economic sanctions — so may produce a non-random sample. As a result, since the error term may be correlated with the independent variables, there is a risk that the estimator is biased (Vance and Ritter, 2014; Brandt et al., 2007).

Nevertheless, there are two arguments against the use of a selection model in this study. First, the variable of interest may be (i) whether a threat of economic coercion is pursued with a sanction policy or not, rather than (ii) whether a conflict escalates to a threat of economic coercion or not. A selection problem is present only in the latter case. Studies that employ a selection model cannot observe a *clear-cut* counterfactual (e.g. research on foreign aid) and must design strategies to address this issue (Vance and Ritter, 2014). The TIES data set, unlike the HSE data on economic sanctions, allows researchers to avoid this problem through the inclusion of the threat stage and a clear specification of the outcome variable. This is also in line with the argument, in the literature on economic sanctions effectiveness, for inclusion of threats and the use of threats-only as a counterfactual observation (Lacy and Niou, 2004; Drezner, 2003; Eaton and Engers, 1999; Smith, 1995; Whang et al., 2013).

A second argument against the use of a selection model relates to assumptions about the data subject to censoring in selection models. The most common empirical strategy to address the selection problem is the use of a Heckman model in statistical software (Vance and Ritter, 2014). However, this model treats censored data as missing, in this case implying the presence of a latent threat that is not observable to the researcher (e.g. a threat of economic sanction communicated via diplomatic channels and not announced publicly or leaked). Consequently, the use of a Heckman model does not address the problem of non-random selection in the TIES data set, because the underlying assumption (i.e. censored observations are latent threats) is

²⁵Based on a *DEMOC* score of seven or higher.

²⁶Although we do observe cases where no threat has been issued but a sanction has been imposed, they may be the result of imperfect data collection.

not fully consistent with the expectations about the empirical world.²⁷ While some of the potential non-events (non-sanction country-pair per year) are certainly latent threats, many (if not most) country dyads are either not in conflict or are involved in another type of conflict, for example a public diplomatic row.

Consistency Another reason to question the use of threats-only as counterfactuals is the limited consistency between this chapter and previous research on economic peace. The empirical strategy of previous scholars (Cox and Drury, 2006; Hafner-Burton and Montgomery, 2008b; Wallace, 2013; Lektzian and Souva, 2003) was to test whether democracies are more likely to send, receive or target one another with economic coercion if part of a “potential economic conflict” dyad. The empirical strategy in this chapter is to assess whether democracies send, receive or target one another with economic coercion if there is a prospect of conflict and the use of sanctions (i.e. in the case when a threat of economic sanctions has been issued). This research could be argued to be a special case of the broader work on economic peace and part of a common effort to establish whether it exists. However, this reasoning may be misleading for two reasons.

The first reason is that research on economic peace treated all non-sanction years for country-pairs identified as having potential for economic coercion as counterfactual. While this was treated as sufficient to allow for broad claims about whether there is economic peace in general, the consequences of unclear specification of “potential conflict” were overlooked. The combining of conflict dyads with non-conflict dyads and the treatment of both as equally counterfactual to onset of economic sanctions is an empirical choice that results in a confounding effect of the true counterfactual (i.e. sender settling for the status quo in face of actual conflict) in cases where no conflict was present. This leads to an inefficient regression model, where, due to the confounding effect of the relevant and the not relevant non-events, the results of the statistical analysis are difficult to interpret. This is particularly important in this research because the mere significance and sign of the explanatory variables are of key interest.

Second, other types of conflict, diplomatic or military, are overlooked, as if assuming that all non-sanction year dyads are also non-conflict dyads. This results in an aggravation of the confounding effect and further undermines the validity of the empirical analysis conducted on economic democratic peace. There might have been cases where there was the prospect of an actual conflict and the use of economic sanctions but where the issue was eventually resolved through military or diplomatic means (Pape, 1997).

²⁷There are also a number of difficulties related to the Heckman model resulting from problems in specifying selection predictors (Brandt et al., 2007).

In this chapter, I am faced with a trade-off between consistency with previous research and improvements in research design. I have decided to prioritise the latter, because a misspecified empirical strategy would neither inform the reader about the accuracy of the past research on economic peace in the light of the new data (i.e. TIES), nor, given the problems in the empirical strategy associated with past studies, would it provide a scientific contribution on its own. In addition, given that researchers of economic peace were, in fact, concerned with “potential economic conflict” dyads, as they specify in their research design, rather than all possible dyads, part of this trade-off is only apparent.

Model specification The dependent variable has the following specification:

$$Y(Imposition) = \begin{cases} 1, & \text{if a sanction is imposed} \\ 0, & \text{if a sanction stops at the threat level} \end{cases} \quad (2.1)$$

The objective is to test for the presence of economic peace with the following baseline model:

$$P(Imposition) = \frac{1}{1 + \exp\{-(\beta_0 + \beta_1 V + \beta_2 I + \beta_3 VI + \beta_4 C)\}} \quad (2.2)$$

Where V is the democracy score of the sender, I is the democracy score of the target, VI is the sender-target dyad democracy score and C is the control variable. Note that I use more than one control variable in the analysis.

2.4 Results

2.4.1 Economic peace and uniqueness of democracies

Table 2.2 presents the results of the logistic regression of the continuous and standardised variable of the democracy score ($DEMOC$ based on Polity IV data set) of the sender and the target of economic sanctions (Model (1)) and an interaction term between the two (Model (2)).²⁸ I also test for potential non-linear relation between the democracy of sender-target dyad and probability of sanctions imposition (Model (3)), and for the role of the US (Model 4) and the impact of security as the issue motivating sanctions imposition (Model (5)). In Model (4) and Model (5), I use a three-way interaction model.²⁹ The dependent variable in the regression is imposition

²⁸All analysis is conducted using Stata 13.

²⁹If we are interested in an interaction between three variables, for example a , b and c , then in the regression model we need to specify seven constitutive terms: $y = a+b+c+a*b+b*c+a*c+a*b*c$.

of economic sanctions after issuing a threat. The control variables follow from the literature on economic peace and effectiveness of (threats of) economic sanctions.

In Model (1), I show that the level of democracy is positively and significantly related to the prospects of sanction imposition ($OR=1.452$, $p=0.01$). This supports the public choice theoretical framework for economic sanction of Kaempfer and Lowenberg (1988), who argue that democratic leaders serve broader domestic constituencies and, consequently, are more likely to engage in economic coercion. The chapter finds no evidence for democracies being less likely to receive sanctions, as is also argued by scholars of economic peace, based on the rally-round-the-flag effect found in literature on democratic peace (Mueller, 1970), which suggests that democracies are more resilient and, consequently, less appealing targets of coercion. Hence, I accept H2, that democracies are more likely to issue economic sanctions, and I reject H3, that democracies are less likely to be a target of economic sanctions.

Results from Model (2), where the interaction term between democracy of the sender and the target state is introduced, suggest that there is no economic peace between democracies. In fact, the results point in the opposite direction, with democracies appearing to be more likely to sanction one another ($OR=1.987$, $p=0.1$). This dynamic is depicted in Figure 2.1, where I plot the predicted probability of sanction imposition and dyad democracy score. I therefore reject H1, that democracies are less likely to sanction one another. Moreover, given that I reject H1 and H3, but accept H2, I do not find evidence for either the structural or the normative economic peace argument, but I do find evidence for the public choice approach to the behaviour of democracies with respect to economic sanctions. Democracies are more likely to issue economic sanctions, regardless of the target, and there is evidence that they are actually more likely to sanction one another.

Model (3) incorporates the squared dyad democracy score in order to identify a potential non-linear relation in the data. Although the squared term is not statistically significant, this does not exclude a potential non-linear relation. I conduct a joint significance test to assess whether both the linear and quadratic dyad democracy score coefficients are zero and find evidence for a potential non-linear relation ($p=0.1$). I investigate this relation further and assess the location of the vertex of the function and estimate that it is located at the edge of the distribution (value of 99.2, where the maximum is 100). This suggests a semi-concave relation between probability of sanction imposition and dyad democracy score. Thus, I do not find evidence for an autocratic peace. This relation is graphically depicted in Figure 2.1.³⁰

Model (4) provides no evidence for the proposition that the observable aggregated behaviour of democracies with respect to economic sanctions is driven by the policy

³⁰The appendix provides a sensitivity analysis of the results from Table 2.2, Model (3).

of the US, as suggested by Hafner-Burton and Montgomery (2008b). The three-way interaction term $US*(std) dyad demo$ is not statistically significant. I therefore reject H4, that the US is the only democracy less likely to issue economic sanctions against other democracies. I find no evidence for particular behaviour of the US in relation to other democracies. Furthermore, in Model (5), I do not find evidence to support the proposition in Wallace (2013), that economic peace is subject to economic sanctions over security issues. The three-way interaction term $Security*(std) dyad demo$ is not significant. Consequently, I can reject H5, that economic peace is driven by security issues.³¹

Finally, in order to study the detailed structure of the relation between democracy level of the sender and the target state and the probability of sanction imposition, I offer a contour plot in Figure 2.2. This visualisation of the results in Table 2.2 (Model (3)) allows disaggregation of the dyadic democracy score and taking greater advantage of the continuous variables used in the analysis. In Figure 2.2, I observe that states with a democracy score of 7 or higher show a large variation in their behaviour towards imposition of economic sanctions, i.e. they are not likely to impose sanctions against states with a low democracy scores, and increasingly likely to impose sanctions as the democracy score of the target increases. In contrast, senders with a democracy score of 3 or lower are largely indifferent in their sanctioning behaviour to the democracy level of the target state. This result suggests that a small number of democratic institutions have no constraining effect on leaders. While senders with a democracy score between 3 and 7 are more likely to impose sanctions against more democratic targets, the dynamic is not as strong as for states with a democracy score of 7 or higher. These findings are consistent with the traditional cut-off point for a state to be considered a democracy — a score above 6 (Jeong and Peksen, 2019) or above 7 (Wallace, 2013) on the Polity IV scale. These predictions are not present in the scholarship to date.³²

³¹The appendix provides a three-way test with the *Trade* variable, following Morgan et al.'s (2014) suggestion that trade-related sanctions may follow a different dynamic to other sanctions, as they are often imposed “automatically” due to WTO rules or a Free Trade Agreement specification. However, I do not find evidence for this argument in the data.

³²After removing cases of successful threats from the sample, the dynamics presented in Figure 2.2 are still consistent with the main results for senders with a democracy score equal to or higher than 7 and equal to or smaller than 3. For senders with a democracy score between 3 and 7, there is less variation in the predicted probability of sanction imposition, probably due to a smaller sample size.

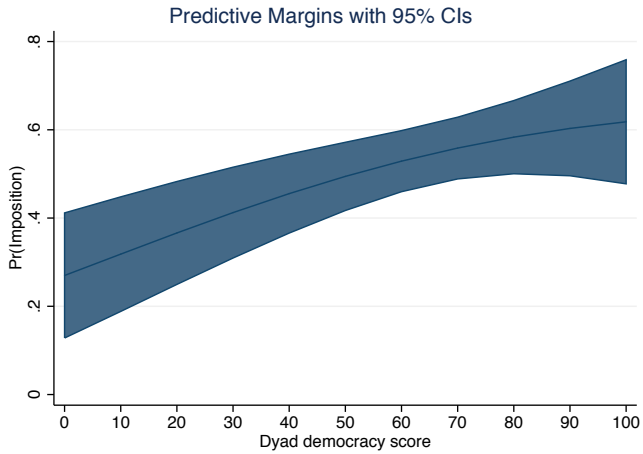


Figure 2.1. Impact of dyadic democracy score on predicted probability of sanction imposition.

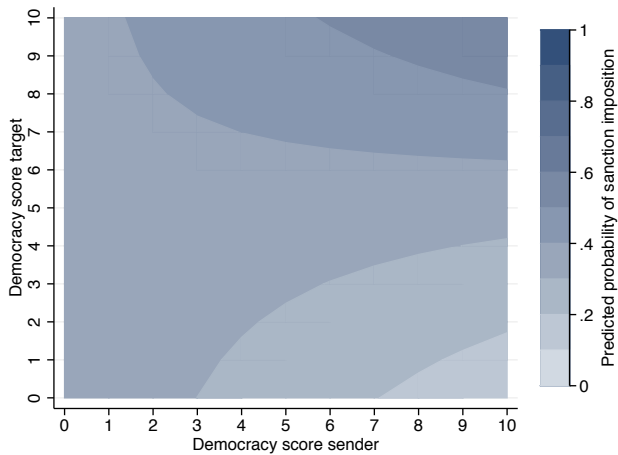


Figure 2.2. Contour plot of predicted probability of sanction imposition for democracy score of the sender and the target (DEMOC score).

The results are consistent with the public choice theoretical framework developed by Kaempfer and Lowenberg (1988) for the behaviour of democracies with respect to economic sanctions. This framework highlights that democratic leaders seek a broad support base in order to stay in power, and sanctions provide scope for addressing both foreign policy and domestic demands, resulting in a higher propensity among democracies to engage in economic coercion. I find no support for the economic peace theory: democracies do not appear less likely to sanction one another. In fact, I find evidence for an opposite dynamic. There is also no evidence for economic autocratic peace, that autocratic states are less likely to sanction one another.

These results are consistent with recent empirical research on economic sanctions, which shows that democracies are not more resilient targets of economic coercion relative to non-democracies (Bapat and Kwon, 2015). This contrasts with the fundamentals of economic peace theory. Scholars also suggest that economic coercion plays less of an instrumental role in the pursuit of foreign policy than a symbolic one (Whang, 2011; McLean and Whang, 2014), that democratic leaders experience a domestic audience benefit for imposing economic sanctions regardless of the policy outcome, the target state or the issue at stake. This overlaps closely with the “expressive” motivation for economic sanctions highlighted by Kaempfer and Lowenberg (1988).

Finally, the evidence that I present for a higher propensity among democracies to sanction and to sanction one another may indicate a policy substitution and a policy inflation effect. As, due to normative and/or structural limitations on democratic leaders, war between democracies is rare (Bueno de Mesquita et al., 1999), sanctions may be a viable alternative for politicians to address the expectations of voters of an active foreign policy. And, as democratic leaders have to address a broader audience Kaempfer and Lowenberg (1988) and obtain a domestic audience benefit for sanctioning (Whang, 2011), they may be increasingly tempted to engage in economic coercion. Lack of a similar dynamic among autocracies adds further weight to the substitution and inflation argument.

It is still possible that democracies are generally less likely to experience (economic) conflict; and that they are more likely to issue a threat of sanctions and pursue it with an imposition only in the rare cases that it does. However, given the rise in the frequency of economic sanctions (Morgan et al., 2014), it appears that the pacifying effect of rising democratisation (Russett et al., 1998; Marshall et al., 2018) is not sufficient to offset the drive of democracies to issue sanctions, which leads to a higher frequency of economic coercion in international relations, and is consistent with the TIES data. This further supports the policy substitution and policy inflation argument and suggests that democratisation does not reduce the propensity of conflict between states; it only changes the means of conflict.

Table 2.2. Democracy and economic sanctions — continuous score, all years. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio	Model (4) Odds ratio	Model (5) Odds ratio
Imposition					
(Std) Demo Sender	1.452*** (±0.195)	0.961 (±0.242)	0.945 (±0.237)	0.896 (±0.243)	0.387 (0.419)
(Std) Demo Target	1.016 (±0.0857)	0.547* (±0.186)	0.541* (±0.185)	0.586 (±0.199)	0.232 (0.341)
(Std) Dyad Democracy		1.987* (±0.729)	3.139** (±1.608)	2.257** (±0.921)	5.708 (±8.668)
US*(Std) Demo Sender				0.292 (±0.398)	
US*(Std) Demo Target				0.124 (±0.265)	
US*(Std) Dyad Demo				1.046 (±0.0552)	
Past Commitment	0.961 (±0.129)	0.971 (±0.130)	0.965 (±0.129)	0.971 (±0.131)	0.960 (±0.130)
Multilateral	1.619** (±0.361)	1.669** (±0.375)	1.702** (±0.385)	1.640** (±0.371)	1.523* (±0.356)
(Ln) Total Exports Sender	0.994 (±0.0551)	0.986 (±0.0557)	0.984 (±0.0558)	0.994 (±0.0566)	0.963 (±0.0552)
US	0.698* (±0.151)	0.707 (±0.153)	0.708 (±0.153)	0.0770 (±0.215)	0.725 (0.160)
Trade	1.154 (±0.240)	1.129 (±0.235)	1.139 (±0.236)	1.133 (±0.237)	0.995 (0.211)
Security	1.419 (±0.351)	1.390 (±0.345)	1.421 (±0.353)	1.391 (±0.342)	7.135 (13.21)
(Std) Dyad Demo ²			0.640 (±0.222)		
Security*(Std) Demo Sender					3.578 (±3.947)
Security*(Std) Demo Target					2.706 (±4.098)
Security*(Std) Dyad Demo					0.962 (±0.0361)
Constant	1.065 (±1.538)	1.341 (±1.969)	1.399 (±2.057)	1.041 (±1.541)	3.055 (±4.565)
Observations	715	715	715	715	715
Control variables	YES	YES	YES	YES	YES
Interaction term	NO	YES	YES	YES	YES
Three-way interaction	NO	NO	NO	YES	YES
Pseudo R2	0.0187	0.0222	0.0238	0.0250	0.0344
Log Lik	-485.4	-483.7	-482.9	-482.3	-477.7

2.4.2 Robustness of the results

I use two additional tests to assess the robustness of the findings. First, in Table 2.3, I replicate Wallace (2013), limiting the sample to the years 1971-2000. In Model (1) and Model (2), I implement my methodological choices: I use the continuous variables instead of the dichotomous and treat the sanction threat as a counterfactual. In Model (3) and Model (4), I use a dichotomous specification of democracy, replicating past studies of economic peace. Following Wallace, I code countries as democracies if

the Polity IV *DEMOC* score is equal to or higher than 7. Both the continuous and dichotomous results are consistent with the main findings: (i) democracies are more likely to issue economic sanctions; (ii) there is no evidence for democracies being less likely to receive economic sanctions; (iii) there is no evidence for economic peace; (iv) democracies appear more likely to sanction each other. In addition, the standard errors are larger in the study based on the dichotomised variables. This addresses the previous concerns about the consequences of dichotomising continuous variables. The regression results are presented in Table 2.3.

Table 2.3. Democracy and economic sanctions — replication of Wallace's study. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio (Continuous)	Model (2) Odds ratio (Continuous)	Model (3) Odds ratio (Dummy)	Model (4) Odds ratio (Dummy)
Imposition				
(Std) Demo Sender	1.505** (±0.256)	0.553 (±0.241)		
(Std) Demo Target	1.104 (±0.112)	0.242** (±0.147)		
(Std) Dyad Democracy		5.221*** (±3.336)		
Past Commitment	0.669** (±0.126)	0.696* (±0.132)	0.667** (±0.126)	0.685** (±0.129)
Multilateral	1.404 (±0.377)	1.426 (±0.389)	1.399 (±0.374)	1.469 (±0.399)
(Ln) Total Exports Sender	0.926 (±0.0846)	0.900 (±0.0872)	0.934 (±0.0797)	0.915 (±0.0791)
US	0.629* (±0.160)	0.644* (±0.164)	0.624* (±0.157)	0.642* (±0.162)
Trade	1.112 (±0.286)	1.065 (±0.275)	1.110 (±0.285)	1.055 (±0.272)
Security	1.280 (±0.407)	1.263 (±0.407)	1.298 (±0.413)	1.243 (±0.400)
Dummy Demo Sender			3.642*** (±1.685)	0.345 (±0.376)
Dummy Demo Target			1.191 (±0.244)	0.0779** (±0.0873)
Dummy Demo Dyad				17.61** (±20.02)
Constant	17.37 (±41.47)	36.32 (±91.71)	4.164 (±8.739)	66.89* (±157.7)
Observations	522	522	522	522
Control variables	YES	YES	YES	YES
Interaction term	NO	YES	NO	YES
Years 1971-2000	YES	YES	YES	YES
Pseudo R2	0.0296	0.0430	0.0328	0.0437
Log Lik	-350.7	-345.9	-349.6	-345.6

Second, in Table 2.4, I provide an empirical test using the Political Regimes (PR) data set, which emphasises political competition and the role of suffrage in assessment of democracy more than the Polity IV data set. The results from the robustness test with the PR data set are consistent with the main results: democracies appear more

likely to issue economic sanctions (Model (1)) and there is no economic peace; in fact, democracies seem more likely to sanction one another (Model (2)).

Table 2.4. Democracy and economic sanctions — Political Regimes data set. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio
Imposition		
Democracy Score Sender	2.772*** (±0.987)	0.909 (±0.627)
Democracy Score Target	0.959 (±0.163)	0.270* (±0.189)
Dyad Democracy Score		3.842* (±2.776)
Past Commitment	1.062 (±0.136)	1.064 (±0.137)
Multilateral	1.669** (±0.361)	1.738** (±0.380)
(Ln) Total Exports Sender	1.046 (±0.0510)	1.039 (±0.0513)
US	0.709 (±0.151)	0.723 (±0.154)
Trade	1.212 (±0.239)	1.192 (±0.235)
Security	1.708** (±0.410)	1.670** (±0.403)
Constant	0.0918** (±0.108)	0.307 (±0.415)
Observations	762	762
Control variables	YES	YES
Interaction term	NO	YES
PR Data	YES	YES
Pseudo R2	0.0240	0.0272
Log Lik	-514.2	-512.5

2.5 Conclusion

The main purpose of this chapter has been to provide insight into the behaviour of democracies with respect to economic sanctions. Drawing on an updated TIES data set on economic sanctions, I conclude that there is no economic peace between democracies, i.e. democracies are not less likely to sanction one another, even after accounting for a special role of the US or issue salience. This indicates that there is no direct relation between democratic peace and economic peace, which contrasts with past research (Hafner-Burton and Montgomery, 2008b; Cox and Drury, 2006; Wallace, 2013; Lektzian and Souva, 2003). In fact, I find evidence that democracies are more likely to sanction one another, which may signal a policy substitution effect. Besides, I find that, compared to non-democratic states, democracies are more likely to issue economic sanctions, which may signal a policy inflation effect. This is in

line with the public choice theoretical approach to economic sanctions (Kaempfer and Lowenberg, 1988) and recent empirical research on the effectiveness of economic sanctions (Whang, 2011), and suggests that besides a possible instrumental role, sanctions may play an important symbolic role in democratic states.

This research contributes to the on-going debate on the variation in the frequency of economic sanctions over time. Since the end of the Cold War, scholars have observed a major increase in the use of economic sanctions (Morgan et al., 2014), an increase contrary to the expectations of the academic community and coinciding with the post-Cold War wave of democratisation. The general expectation was that advances in the liberal economic and political order would make economic sanctions an obsolete tool in foreign policy (Hufbauer et al., 2007). However, as theory suggests (Kaempfer and Lowenberg, 1988), and empirical research shows (Whang, 2011), sanctions, being focused on addressing the domestic audience rather than on solving international conflict, may play an important symbolic role in democratic states. Thus, my findings, combined with the symbolic argument, suggest that the increase in the frequency of economic coercion may be a consequence of democratisation, so a policy inflation effect. Furthermore, the peace-building effect of democracy, as argued by democratic peace scholars (Bueno de Mesquita et al., 1999), may not be sufficient to offset the sanction-enhancing effect of democratisation, or may produce a policy substitution effect (sanctions for war), further contributing to the rise in the frequency of economic coercion. This is a counter-intuitive outcome: advances of liberal institutions, such as democracy, might be expected to be a source of peaceful cooperation in international relations rather than of coercion (Keohane and Martin, 1995). That this is not so is particularly striking given the negative implications of economic sanctions for poverty (Neuenkirch and Neumeier, 2016), inequality (Afesorgbor and Mahadevan, 2016), human rights (Drury and Li, 2006) or international trade (Pond, 2017).

The key findings of this chapter — the propensity of democracies to sanction and to be sanctioned — highlight an important question. Since the strength of domestic incentives and constraints, among other factors, distinguishes democracies from autocracies and drive political behaviour, we ought to observe an empirical implication of the mechanism that underpins the findings of this thesis on economic peace. Based on the literature on the effect of democracy on conflict and focusing on payoffs to political leaders — the crisis bargaining (Schultz, 1999) and the symbolic literature (Whang, 2011) — we can develop number of expectations. First, there should be a domestic audience cost for issuing of an empty threat of economic sanctions, as voters are expected to penalise political leaders who say one thing and do another. Second, there should be a domestic audience benefit for engaging in economic coercion, for example in the data on popularity of political leaders, as voters are expected to appreciate when their interests (e.g. human rights, security or protectionist demands) are being served. Consequently, for additional validation of my claims about economic peace, I need to further investigate the issue of economic coercion in a liberal world

order and bring together separate strands of literature — economic peace, crisis bargaining and the symbolic role of sanctions. I need to assess the presence of a domestic audience cost and benefit with respect to economic sanctions for democratic leaders. The third chapter of this thesis addresses these questions in detail.

3 | US Domestic Politics and Economic Sanctions

This article is under review with *International Political Science Review* (Walentek, D.).

3.1 Introduction

Economic sanctions are an increasingly popular tool of foreign policy and are increasingly multilateral (Morgan et al., 2014; Hufbauer et al., 2007; Baldwin, 1999).¹ However, the rise in their frequency, both unilateral and multilateral, is puzzling. Scholars note that economic sanctions rarely work (Bapat and Kwon, 2015; Jeong and Peksen, 2019; Shin et al., 2015; Hufbauer et al., 2007; Drezner, 1999, 2011; Morgan et al., 2014; Morgan and Schwebach, 1997), if they work at all (Pape, 1997). Besides, cooperation between senders of economic sanctions has no conclusive effect on the success of the policy (Drezner, 2000; Heine-Ellison, 2001; Bapat and Morgan, 2009; Miers and Morgan, 2002). Why then, given the odds of failure, do states impose and cooperate on economic sanctions?

The literature provides two competing explanations: motivations for economic sanctions can be either instrumental or symbolic (McLean and Roblyer, 2017). This chapter considers the symbolic role of economic sanctions. In it, I assess whether US presidents experience a domestic audience benefit for imposing economic sanctions, whether there is an additional benefit from multilateral economic sanctions, and whether there is a domestic audience cost for issuing empty threats. Unlike previous research, I examine the symbolic role of multilateral efforts and offer an estimate of the effect size. I find that US presidents experience a domestic audience benefit of around 1 percentage point for issuing economic sanctions and a domestic audience cost of around 2 percentage points for issuing empty threats.² I do not find an additional domestic audience benefit for multilateral efforts on economic sanctions. My results support the argument that foreign policy decisions are, in part, driven by domestic considerations, in sharp contrast to the Almond-Lipmann consensus (Holsti, 1992) on public opinion and foreign policy. However, this result does not hold for multilateral economic sanctions, indicating a potential instrumental purpose of cooperation.

In this chapter, I first discuss the literature related to the instrumental and the symbolic role of economic sanctions. Second, I present my research design and discuss the data, variables and methods used for the quantitative analysis. Third, I discuss the results of the analysis and provide a robustness test. Finally, I conclude the chapter with a brief summary of my findings, and relate them to the broader literature on economic sanctions.

¹I define economic sanctions as “actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies” (Morgan et al., 2014, 542), and refer to multilateral economic sanctions if there is more than one sender country identified by the TIES data set authors.

²Measured as monthly change in approval rating.

3.2 Instrumental and symbolic role of sanctions

Work on the instrumental motivation for economic sanctions focuses on the effectiveness of the tool. Researchers set out to identify the conditions under which sanctions result in policy concessions from the target state and study when international cooperation is likely to lead to success (Baldwin, 1985; Morgan and Schwebach, 1997; Drezner, 1999; Baldwin, 1999; Ang and Peksen, 2007; Bapat and Kwon, 2015; Jeong and Peksen, 2019; McCormack and Pascoe, 2017; Hufbauer et al., 2007; De Vries et al., 2014; Giumelli, 2015; Drezner, 2000; Doxey, 1972; Miers and Morgan, 2002; Heine-Ellison, 2001; Martin, 1993; Bapat and Morgan, 2009). Following (Whang, 2011, 788), “the instrumental use explanation focuses on the extent to which the sender’s goals are accomplished as a result of sanctions,” and goals are understood as success in international affairs. This approach to the motivation underpinning economic sanctions is consistent with the Almond-Lipmann consensus (Holsti, 1992), where “public opinion on international affairs is inconsistent and largely irrelevant for foreign policy making” (Heinrich et al., 2017, 99), so the foreign policy is a field left to experts.

The competing — symbolic (or expressive) — motivation for economic sanctions is rooted in research that contrasts with the Almond-Lipmann consensus and points to the interest in foreign policy of the domestic audience and the presence of a domestic benefit to a political leader for pursuing a particular foreign policy (Page and Shapiro, 1983; Holsti, 1992; Oppermann and Viehrig, 2009). These scholars argue that political leaders enjoy a domestic audience benefit for issuing economic sanctions (Galtung, 1967; Kaempfer and Lowenberg, 1988; McLean and Roblyer, 2017; Heinrich et al., 2017; Barber, 1979), regardless of the policy outcome (Whang, 2011). Voters appear to value economic sanctions because “when military action is impossible for one reason or another, and when doing nothing is seen as tantamount to complicity, then something has to be done to express morality” (Galtung, 1967, 411), and voters in democracies favour policy instruments that are “consistent with democratic values” (McLean and Roblyer, 2017, 234). Here, economic sanctions, as opposed to military interventions, appear to serve well.³

The benefits resulting from the symbolic value of economic sanctions are, however, “difficult to quantify” (Whang, 2011, 788). Researchers interested in the symbolic motivation for economic sanctions therefore focus on theory development (Kaempfer and Lowenberg, 1988) or employ a single-case study approach (Galtung, 1967) or experimental design (McLean and Roblyer, 2017; Heinrich et al., 2017; Nomikos and

³One could argue that symbolic motivation for sanction is also instrumental, as sanctions become an instrument of domestic politics. For the sake of consistency with current research, I retain the symbolic-instrumental distinction in this chapter, where the former refers to sanctions as an instrument of domestic politics and the latter to sanctions as an instrument of foreign policy (with a focus on coercing the target state to adopt a policy change).

Sambanis, 2019).⁴ As a consequence, scholars cannot estimate how much a political leader benefits from issuing economic sanctions. In addition, despite evidence that the symbolic value of international cooperation is highly relevant for voters when assessing the legitimacy of a foreign policy intervention, researchers have not yet studied it (Irondele et al., 2015; Todorov and Mandisodza, 2004). We therefore ask: how large is the domestic audience benefit for a political leader imposing an economic sanction, and is there an additional benefit from engaging in multilateral efforts?

Scholars pursuing the study of symbolic motivation for economic sanctions also ignore a body of research that incorporates both the symbolic and the instrumental motivation of policy-makers and the role of the domestic audience, the crisis bargaining literature (Schultz, 1999, 2001; Fearon, 1997, 1994). In that strand of research, the sender state has to decide whether to threaten the target with coercion, or to settle for the status quo, and, if the target does resist the threat, to decide whether to follow up on the threat with coercion or back down. However, backing down on a threat is penalised by the voters because the “audience costs are about inconsistency: whether because of instrumental concerns about the country’s reputation or normative concerns about national honor, publics dislike leaders who say one thing and do another” (Kertzer and Brutger, 2016, 234).

Given the experimental (McLean and Roblyer, 2017; Heinrich et al., 2017), and empirical (Whang, 2011), evidence for the presence of a domestic audience benefit for imposing an economic sanction, there should also be a domestic audience cost for issuing empty threats. While research has focused on the instrumental value of threats of economic sanctions (Drezner, 2003; Whang et al., 2013) or inclusion of empty threats into the data on sanctions (Eaton and Engers, 1999; Fearon, 1994; Smith, 1995), the possible domestic audience cost of issuing an empty threat of economic sanction has not been considered. I therefore pose the following two additional questions: is there a domestic audience cost for issuing an empty threat of economic sanctions and, if yes, how large is it?

To summarise, economic sanctions rarely work (Morgan et al., 2014; Hufbauer et al., 2007), if at all (Pape, 1997), and the benefit from multilateral efforts is unclear (Bapat and Morgan, 2009; Miers and Morgan, 2002). Despite this, economic sanctions, both unilateral and multilateral, are increasingly popular (Morgan et al., 2014). To address this contradiction, scholars point to both instrumental motivation (achieving a foreign policy objective) and symbolic motivation (gaining domestic support) for economic sanctions (Bapat and Kwon, 2015; Morgan and Schwebach, 1997; Whang, 2011; McLean and Roblyer, 2017). In the research focused on symbolic motivation, scholars propose the presence of a domestic audience benefit for issuing economic

⁴With the notable exception of Whang (2011), where the presence (but not size) of an audience benefit is identified empirically for US presidents.

sanctions (Whang, 2011) but do not identify the size of the effect. They also overlook a potential additional domestic audience benefit resulting from multilateral efforts (Todorov and Mandisodza, 2004; Irondelle et al., 2015), the crisis bargaining literature (Schultz, 1999; Fearon, 1994), and the prospect of a domestic audience cost for issuing an empty threat. Consequently, in this chapter I set out to: (i) identify the size of the domestic audience benefit for issuing economic sanctions, (ii) establish whether there is an additional domestic audience benefit for issuing a multilateral economic sanction, and (iii) study whether there is a domestic audience cost for issuing empty threats, and if yes, how large it is.

My three key expectations, based on the literature on the symbolic motivation for economic sanctions and the crisis bargaining literature, are summarised by the three hypotheses below:

H1: The popularity of a political leader in a sender state increases when economic sanctions targeting another state are introduced.

H2: The popularity of a political leader in a sender state increases more when multilateral, as opposed to unilateral, economic sanctions to target another state are introduced.

H3: The popularity of a political leader in a sender state decreases if an economic sanction is only threatened but not imposed.

3.3 Research design

3.3.1 Data

I use the updated TIES data set (Morgan et al., 2014) for information on economic sanctions and the Gallup data on US presidential approval ratings, following Whang (2011).⁵ I censor the sample to months in which only a single threat or imposition of an economic sanction has occurred. This is because months with multiple events potentially bias the results because I cannot distinguish between the effect of a threat-only and imposed sanction (or a combination of multiple of the two), and the effect of a multilateral and a unilateral economic sanction.

To follow up on research on the symbolic motivation for economic sanctions (Whang, 2011), I use the data on US presidential approval ratings. The US is among the most prolific users of economic sanctions and accounts for more than half of the sanction episodes in the TIES data set (Morgan et al., 2014; Hufbauer et al., 2007). In addition, scholars argue that "US presidents have been perceived as accountable

⁵The TIES data set is available at: <http://sanctions.web.unc.edu>.

for foreign affairs, especially in security-related areas" (Whang, 2011, 792), which makes it more likely to observe empirical implications of the theoretical framework.⁶

In the sample, I retain both successful and failed threats and imposition cases. The temporal delay of the success of sanctions makes it difficult to assess the extent to which a particular success contributed to a change in the approval rating at the moment of imposition or when a threat was issued but not followed up with an imposition. Potentially successful threats and failed impositions in the sample bias the results (decreasing the domestic audience cost and the domestic audience benefit, respectively) if the public is concerned about the instrumental value of the policy (e.g. no domestic audience cost for a successful threat and no domestic audience benefit for a failed imposition). Still, given the difficulty with the indeterminate delay of success and the fact that the bias in the data works against my theoretical predictions (i.e. we need to observe strong effects in the data to reach an acceptable level of statistical significance), I retain both successful and failed cases of threats-only and sanctions imposition in the data set.⁷

Table 3.1 provides an overview of the sample:

Table 3.1. Summary statistics.

Variables	N	Mean	SD	Min	Max
Year	253	1,982	14.56	1,948	1,999
Democrat	253	0.510	0.501	0	1
Change infl	253	0.307	0.302	-0.400	1.400
Change approval	252	0.0759	4.082	-9.133	23.50
Change app lag	253	0.319	4.104	-14.33	13
Change unempl	253	-0.0221	0.210	-1.500	0.600
President	253	4.964	3.169	1	10
P year	253	2.545	1.135	1	4
Target state	253	542.4	294.3	20	1,000
Imposition	253	0.605	0.490	0	1
Security	253	0.395	0.490	0	1
Multilateral	253	0.225	0.419	0	1
Democracy score target	209	5.129	4.391	0	10
Inter sanction	252	1.794	2.674	0	18
Sqr inter sanction	252	10.34	32.71	0	324

⁶This approach may, potentially, undermine the external validity of my research for states where foreign policy is not clearly associated with a single political actor, but an array — for example, in the case of the European Union. On the other hand, lack of a clearly identifiable figure responsible for foreign policy does not mean that voters in democracies other than the US respond differently to use of economic sanctions. The challenge of how to measure this response is beyond of the scope of this chapter but does create scope for further research.

⁷I conducted a robustness test to assess the role of success. Removing successful threats from the sample had no effect on the result for the domestic audience cost of an empty threat and removing cases of failed imposition had no effect on the results for the domestic audience benefit of imposing a sanction. This supports my research design choice to keep successful threats and failed impositions in the sample, and is also in line with Whang (2011), who argues that voters are not concerned with the outcome of an economic sanction.

3.3.2 Variables

The dependent variable (DV) is *change approval*, which indicates how many percentage points the president's average monthly approval rate has changed (i.e. difference between next month's and this month's approval rating). The score is based on the Gallup poll of the approval rating of US presidents and is averaged from daily reports (Whang, 2011). Figure 3.1 shows the change in the approval rating in the sample (thus only months that followed an empty threat or an imposition of a sanction), organised by the type of economic sanction: threat only or imposition. The rising popularity of economic sanctions as a US foreign policy tool, identified by scholars (Morgan et al., 2014; Hufbauer et al., 2007), is also visible in the sample, as the data points in Figure 3.1 are increasingly clustered over time.

Independent variables (IVs) are (i) imposition of sanctions, *imposition*, in contrast to issuing a threat only and (ii) *multilateral*, indicating whether an economic sanction or a threat only is unilateral or multilateral. Data on imposition and cooperation on sanctions is derived from the TIES data set (Morgan et al., 2014). Both variables are binary: *imposition* takes a value of 1 if the sender pursues the sanction threat with an imposition and 0 if the sender issued a threat only, and *multilateral* takes a value of 1 if the action is multilateral and 0 if the US is the only sender.

Control variables are based on the past research on the motivations for economic sanctions. To account for potential heterogeneity in the approval rating change of presidents' policy at different stages of the presidency (Whang, 2011), I control for the year in presidency (*p year*). It is possible that presidents at later stages of their tenure are more harshly assessed by their voters. The *p year* variable ranges from 1 to 4 and I generate three *p year* dummy variables (to avoid perfect multicollinearity). I also control for the party of the president with a dichotomous *democrat* variable that is equal to 1 for a president from the Democratic party and equal to 0 for a Republican president. This variable accounts for a potential heterogeneity in voters' response to a threatened-only or an imposed economic sanction subject to the voter base of each president. It is likely, for example, that a Republican president receives an additional domestic audience benefit for hawkish behaviour and a Democratic president a lesser domestic audience cost for dovish foreign policy.

I also control for the month to month (i.e. difference between last month's and this month's value) change in inflation and unemployment, with the *change infl* and *change unempl* variables, respectively. These two economic variables help to account for domestic developments likely to influence change in the presidential approval rating. Following Whang (2011), I use data from the US Bureau of Labor Statistics on unemployment and inflation. I also control for the democracy level of the target state to account for potential voter preferences regarding the sanctioned regime (Heinrich et al., 2017; Allen, 2008; McLean and Roblyer, 2017). I use the *DEMOC* score

from the Polity IV data set to assess the democracy level of the target state. The *democracy score target* variable ranges from 0 to 10, where 0 is a fully authoritarian regime, and 10 a country with a complete set of democratic institutions (Marshall et al., 2018). In addition, I control for issue salience by introducing a *security* dummy variable, which takes a value of 1 if the sanction is related to a security issue.⁸

Finally, in order to control for a potential temporal relation (Whang, 2011), I generate the *inter sanction* variable to account for the duration (in months) between episodes of threats or imposition of economic sanctions. Given the increasing clustering of economic sanctions over time (see Figure 3.1), this is particularly relevant. It is possible that the effect — domestic audience cost or benefit — is less prominent if the policy is issued with high frequency. I also add a squared term to control for non-linear relation (*sqr inter sanction*), and to account for a potentially convex or concave relation of frequency in imposition (Whang, 2011). It is possible that only very high and very low sanction frequency periods have an effect on presidential approval rating — as voters receive a strong signal, due to uniqueness and clustering — and there is a U-shaped relation between frequency and change in approval ratings. Finally, I control for the past, month to month, change in the approval rating with the *change app lag* variable to account for potential autocorrelation in the approval rating data — as past changes may affect future changes in presidents' popularity.

⁸I identify the sanction issue by use of the TIES data set and assign the following categories as security issues: "Contain Political Influence"; "Contain Military Behavior"; "Destabilize Regime"; "Release Citizens, Property, or Material"; "Solve Territorial Dispute"; "Deny Strategic Materials"; "Retaliate for Alliance or Alignment Choice"; "End Weapons/Materials Proliferation" and "Terminate Support of Non-State Actors".

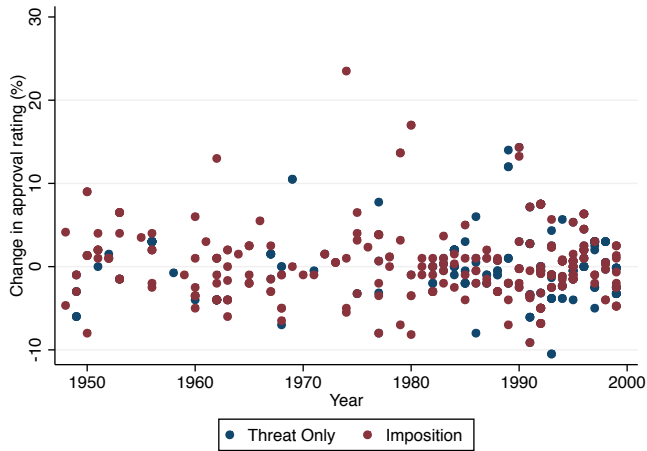


Figure 3.1. US presidents' monthly approval rating change.

3.3.3 Methods

In order to study the relation between changes in the approval rating and economic sanctions, I employ a difference-in-differences model. This is a quasi-experimental approach used to establish the effect of a particular treatment by comparing the outcome for the treatment and the control group at the pre-intervention and the post-intervention stage (Bertrand et al., 2002). In this study, the treatment is the imposition of a multilateral economic sanction, and the control is a unilateral economic sanction. The pre-intervention period is a threat only and the post-intervention period is an imposition of an economic sanction. In this analysis, we observe four moments: (i) unilateral threats, (ii) unilateral imposition, (iii) multilateral threats and (iv) multilateral imposition. Through this set-up, the difference-in-differences model allows estimation of: (i) the domestic audience benefit of an imposition of a unilateral economic sanction; (ii) the additional audience benefit of an imposition of a multilateral sanction; and (iii) the domestic audience cost of an empty threat of a unilateral sanction.

The key assumption for the use of the difference-in-differences model is the parallel trend between the treatment and the control group, which suggests that, in the absence of a treatment (multilateral sanction), the difference between the treatment and the control group is constant in the pre (threat only) and post (imposition) intervention periods (Angrist and Pischke, 2009). In this context, it means that had a particular sanction regime not been multilateral, it would have been viewed by US citizens like other unilateral economic sanctions issued by the US. For example: had the US sanctions against Iran been unilateral, they would, on average, have resulted

in as much domestic audience benefit as other unilateral sanctions. The observational implication of this assumption is that US multilateral efforts are not systematically different from unilateral economic sanctions, bar the number of senders, and, consequently, that the treatment effect on approval rating stems from cooperation — and not, for example, from the selection of high-profile cases for multilateral efforts that generate more domestic audience benefit (Bapat and Morgan, 2009). In the data, I observe that at the threat-only stage, multilateral efforts do not result in a change in the approval rating statistically different from that of unilateral sanctions, which supports the parallel trend assumption. In order to use the difference-in-differences model, I make a general assumption that the preferences of US voters are comparable over time with respect to US involvement in global affairs (Holsti, 1992).

In this study, I specify the difference-in-differences model as follows:

$$\Delta Approval_{(i,t)} = \beta_0 + \beta_1 Multilateral + \beta_2 Imposition + \beta_3 Multilateral \times Imposition + \beta_4 Control\ variables + \epsilon \quad (3.1)$$

3.3.4 Endogeneity

Studying the impact of economic sanctions on approval ratings risks endogeneity, and it is possible that the true causal process is the reverse, that a president whose rating has slumped may seek to revert this trend by a decisive foreign policy action. Alternatively, a president with an increasingly strong position may feel sufficient confidence to pursue aggressive foreign policy. The advantage of the difference-in-differences model is that it allows addressing the reverse causation problem (Angrist and Pischke, 2009). The dependent variables indicate whether and by how much the presidential rating changes, on average, in the month after the imposition or issuing of an empty threat of economic sanctions relative to the month when the sanction was imposed or only threatened.

Still, addressing the potential bias in the econometric model does not rule out the theoretical possibility that leaders impose economic sanctions to either make up for lost popularity or as a result of strong approval ratings. Besides, political leaders may be both “forward” and “backward” looking, and an economic sanction may help to address a slump in the approval ratings *and* boost future ratings. To address this, I conduct a robustness test in which I assess how past changes in the approval rating (month to month) influence the prospect of imposition of an economic sanction. I conduct a logistic regression, where the outcome variable is imposition of an economic sanction, given a previously issued threat, and the independent variable is past change in approval ratings. A positive (negative) and significant coefficient on the past approval rating variable in the robustness test would indicate that a rise (fall) in

approval ratings increases the odds of imposition of an economic sanction. I control for issue salience, economic factors (inflation and unemployment), democracy level of the target state, year in presidency, political party of the president and time between imposed sanctions by drawing on the control variables discussed in the previous subsection. The results of the robustness test are consistent with past studies (Whang, 2011), and indicate that political leaders do not impose economic sanctions because of a slump or boost in their approval rating.

3.4 Results

In Table 3.2, I report the results of the difference-in-differences estimation, where I examine the effect of imposition of economic sanctions (unilateral and multilateral) and issuing empty threats on the approval rating of US presidents. I test the forward-looking hypothesis, where the expectation is that: (i) there is a domestic audience benefit for issuing economic sanctions, (ii) there is an additional domestic audience benefit for issuing multilateral economic sanctions and (iii) there is a domestic audience cost for issuing an empty unilateral threat.⁹ Following the set-up of the regression model, the coefficient of the model's constant indicates the average effect of issuing a unilateral empty threat of economic sanctions on the approval rating of a US president. The coefficient of the variable *imposition* indicates the average effect of imposing a unilateral economic sanction on the approval rating of a US president, and the coefficient of the interaction term of the variables *multilateral* and *imposition* indicates the additional average effect of a multilateral effort on the approval rating of a US president relative to the imposition of a unilateral economic sanction.

In Models (1) and (2), in Table 3.2, due to the small sample size for the analysis and the consequent potential for a non-normal distribution in the approval rating data (Mooney, 1996), I use bootstrapped standard errors. Model (1) shows only the four regression coefficients of the difference-in-differences estimate; in Model (2) I add control variables to the regression model. In Models (3) and (4), I use robust standard errors to account for potential heteroskedasticity resulting from outliers in the data set and president-specific variation in popularity (i.e. sub-population in the sample). In Model (3), as before, I only show the difference-in-difference estimate coefficients; in Model (4), I add the control variables to the regression model. In Model (5) and (6), I use clustered standard errors and, to account for potential bias resulting from the correlation of the error term within each cluster, I cluster on the target state of economic sanctions. Since particular target states, regardless of which president is in the White House, are likely to generate consistent reaction from the public across time (e.g. North Korea), observations within clusters may not be independently and identically distributed.

⁹Unfortunately, the difference-in-differences model does not allow for estimation of the effect of an empty multilateral threat.

Table 3.2 provides support for two out of the three of the hypotheses. First, in Models (2), (4) and (6), the coefficient for the regression model's constant is negative and significant ($p=0.05$). The coefficient's size for the regression model's constant is 2.3, indicating that issuing a threat of an economic sanction and not following up with an imposition results in a domestic audience cost equal to a 2.3 percentage point drop in the approval rating, on average (month to month).¹⁰ This finding is consistent with the domestic audience cost hypothesis, where the public is expected to penalise political leaders who do not follow up on threats of coercion.

Second, in Models (2) and (3), the coefficient for the variable *imposition* is positive and statistically significant ($p=0.1$). The coefficient size is 1.3, indicating that imposing a unilateral economic sanction results in a domestic audience benefit equal to a 1.3 percentage point increase in the approval rating, on average (month to month).¹¹ This result is consistent with the domestic audience benefit hypothesis, where a boost in popularity resulting from imposition of an economic sanction is expected. Finally, I do not find a statistically significant relation between imposing a multilateral economic sanction and the approval rating of a president. The coefficient for the interaction term *multilateral * imposition* is not statistically significant, indicating that there is no support for the third hypothesis of an additional domestic audience benefit for a multilateral effort on economic sanctions.

Among the control variables, I observe the presidency year dummy to be significant ($p=0.01$), indicating a potential importance of the year in office for the variation in the approval rating. In addition, Table 3.2 shows that the *inter sanction* and *sqr inter sanction* control variables are statistically significant (both at $p=0.5$ in Model (4) and (6), in Model (2) only the variable *inter sanction* at $p=0.1$). This suggests the presence of a temporal and non-linear relation between the use of threats of economic coercion and approval ratings. The domestic audience cost for issuing empty unilateral threats appears to be less severe if the threats are neither very infrequent nor very frequent. Finally, the dummy variable *security*, which addresses issue salience, is negative and significant ($p=0.1$), albeit only in Model (6), indicating a potential negative effect on the approval rating of US president for not acting upon security-related foreign policy concerns.

¹⁰For reference, the US trade war with China led to a 2 to 3 percentage point decrease in the approval rating (month to month) of President Trump in the summer of 2019 (see: <https://edition.cnn.com/2019/09/10/politics/trump-approval-rate-economy-poll/index.html>).

¹¹For reference, the US response to Iraq's invasion of Kuwait resulted in a 14 percentage point increase in the approval rating (month to month) of President Bush Senior in the summer of 1990 (see: <https://news.gallup.com/poll/4912/bush-job-approval-reflects-record-rally-effect.aspx>).

Table 3.2. Change in approval rating — difference-in-differences estimation. Standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Change approval						
Multilateral	-0.335 (±1.066)	0.418 (±1.270)	-0.335 (±1.049)	0.418 (±1.185)	-0.335 (±1.112)	0.418 (±1.257)
Imposition	0.886 (±0.565)	1.320* (±0.708)	0.886 (±0.576)	1.320* (±0.724)	0.886 (±0.702)	1.320 (±0.827)
Multilateral * Imposition	-0.382 (±1.310)	-1.136 (±1.530)	-0.382 (±1.294)	-1.136 (±1.503)	-0.382 (±1.263)	-1.136 (±1.616)
Democrat		0.521 (±0.598)		0.521 (±0.593)		0.521 (±0.539)
Democracy score target		-0.0220 (±0.0667)		-0.0220 (±0.0667)		-0.0220 (±0.0601)
Security		-1.064 (±0.647)		-1.064 (±0.646)		-1.064* (±0.622)
P year (2nd)		3.042*** (±1.069)		3.042*** (±1.061)		3.042*** (±1.094)
P year (3rd)		0.608 (±0.735)		0.608 (±0.715)		0.608 (0.747)
P year (4th)		0.997 (±0.783)		0.997 (±0.782)		0.997 (0.740)
Change infl		0.609 (±1.374)		0.609 (±1.392)		0.609 (±1.209)
Change unempl		-1.239 (±1.028)		-1.239 (±0.966)		-1.239 (±0.941)
Inter sanction		0.518* (±0.269)		0.518** (±0.236)		0.518** (±0.218)
Sqr inter sanction		-0.0266 (±0.0229)		-0.0266* (±0.0154)		-0.0266* (±0.0138)
Change app lag		0.0340 (±0.0805)		0.0340 (±0.0783)		0.0340 (±0.0922)
Constant	-0.313 (±0.342)	-2.308** (±1.146)	-0.313 (±0.352)	-2.308** (±1.153)	-0.313 (±0.477)	-2.308* (±1.260)
Observations	252	208	252	208	252	208
R-squared	0.011	0.119	0.011	0.119	0.011	0.119
Control variables	No	Yes	No	Yes	No	Yes
SE	Bootstrap	Bootstrap	Robust	Robust	Clustered	Clustered

Table 3.3 provides a robustness test of the results, which, responding to the concern that political leaders may be backward looking and impose economic sanctions in order to address a decrease in popularity, or when they are experiencing a surge in popularity, assesses potential reverse causality in the research design. To this end, I conduct a logistic regression, where the dependent variable is the dichotomous *imposition* (equal to 1 for an imposed sanction and 0 for a threat only). The independent variable is a lagged change in the approval rating — month to month difference prior to the sanction imposition or the issuing of a threat. The independent variable is not statistically significant in either Model (1) or in Model (2), suggesting that political leaders may not be backward looking with respect to the use of economic coercion. However, three control variables are statistically significant. The coefficient for the dichotomous *security* variable is positive and significant ($p=0.01$), indicating that

the political leader may be more likely to impose sanctions on issues of high salience, rather than resort to threats only. A rise in inflation (month to month) may also increase the chances of sanction imposition ($p=0.5$), suggesting that US presidents may respond with international coercion to distract the public from domestic economic difficulties. Finally, I observe that presidents appear less likely to engage in economic coercion in the election year ($p=0.1$), indicating that starting a new conflict when facing re-election or leaving office may not be a desirable move for US presidents.¹²

Table 3.3. Imposition of economic sanctions — logistic regression. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1)	Model (2)
Imposition		
Change app lag	-0.00113 (±0.0301)	0.0155 (±0.0422)
Democrat		-0.459 (±0.323)
Democracy score target		-0.0550 (±0.0384)
Security		0.944*** (±0.349)
P year (2nd)		0.113 (±0.466)
P year (3rd)		0.331 (±0.444)
P year (4th)		-0.821* (±0.456)
Change infl		1.196** (±0.604)
Change unempl		1.025 (±0.704)
Inter sanction		0.118 (±0.154)
Sqr inter sanction		-0.00693 (±0.0137)
Constant	0.426*** (±0.129)	0.174 (±0.556)
Observations	253	209
Control variables	No	Yes

3.5 Conclusion

The objective of the research presented in this chapter was to study the symbolic motivation for economic sanctions. To this end, I determined whether political leaders

¹²The appendix provides an additional robustness test, replicating the difference-in-differences estimate from Table 3.2 with a quantile regression, to account for the potential non-normalities in the distribution of the dependent variable (Bertrand et al., 2002). The results are consistent with the main estimates. In addition, the appendix provides a sensitivity analysis of the results from Table 3.2, Model (2).

experience a decrease in popularity for issuing an empty threat of economic sanctions, an increase in popularity for imposing an economic sanction, and an additional boost in voters' approval for engaging in a multilateral effort. The theoretical framework of domestic audience benefits and costs resulting from foreign policy decisions of political leaders underpinned the expectations. I observe that, paradoxically, democracy may stimulate conflict rather than peace, and that the objectives of foreign policy choices may not be as instrumental as they appear.

I find evidence of the presence of a domestic audience benefit for issuing economic sanctions of around 1 percentage point (increase) in the approval ratings, and a domestic audience cost for not following up on threats of around 2 percentage points (decrease) in the approval ratings for US presidents. I find no evidence of an additional benefit from engaging in a multilateral economic sanction. The results are consistent with both the empirical (Whang, 2011) and a strand of the experimental (McLean and Roblyer, 2017; Heinrich et al., 2017) research on domestic audience benefit and economic sanctions. I also provide empirical evidence for the theoretical prediction arising from the crisis bargaining literature on the presence of a domestic audience cost for not following up on threats of coercion (Schultz, 1999; Fearon, 1994). This offers an empirical foundation for the broad body of work based on the crisis-bargaining model and the underlying expectations of domestic audience cost (Whang and Kim, 2015; Drezner, 2003; Morgan and Campbell, 1991; Whang et al., 2013; Lacy and Niou, 2004; Whang, 2011; Blanchard et al., 2000; Lektzian and Sprecher, 2007; Dorussen and Mo, 2001; Lektzian and Souva, 2003; Wallace, 2013; Hart, 2000).

I find no evidence for an additional domestic audience benefit from multilateral efforts, which may suggest that instrumental motivation drives cooperation on economic coercion. This supports the most recent research on multilateral sanctions, where cooperation appears to bring more effectiveness in changing the target's policy (Bapat and Morgan, 2009). Thus, despite the apparent concern of the public for multilateral efforts in international conflict, cooperation on economic coercion could be driven by instrumental, rather than symbolic, motivation (Todorov and Mandisodza, 2004).

There is also a difference between the size of the domestic audience benefit and the domestic audience cost. One potential explanation for this is the "belligerence cost" (Kertzer and Brutger, 2016), whereby the domestic audience benefit is offset by those voters that do not favour coercion in international relations, so some voters penalise the president for inflicting economic pain on another nation. Alternatively, it may arise from those constituencies that directly suffer from the economic sanctions (McLean and Whang, 2014), where the president would be penalised for inflicting economic pain on a group in her own population — either as a result of the US sanction, or due to counter-sanctions from the target state, which occur frequently (Cranmer et al., 2014).

The findings in this chapter contribute to the research on the symbolic motivation for economic sanctions, by building on the previous scholarly work that moved beyond the instrumental aspect of sanctions and addressed the role of the domestic audience in foreign policy decisions of democracies (Heinrich et al., 2017; McLean and Roblyer, 2017; Whang, 2011). By merging both the domestic audience costs and the domestic audience benefits frameworks into a single research design, this study also helps to relate the crisis bargaining literature to research on the symbolic motivation for economic sanctions. This chapter also proposes directions for future research — theoretical, empirical and experimental — on the role of multilateral sanctions and the domestic audience in different political systems, which is a topic that has so far received little scholarly attention in spite of its major real-world implications.

This chapter also provides further support for the argument for potential policy substitution and policy inflation with respect to economic coercion. It shows that the advance of liberal institutions may generate incentives and constraints resulting from voters' response to economic sanction that contribute to the rise in the frequency of economic sanctions. The presence of a domestic audience benefit, regardless of the policy outcome, may drive the frequency of economic coercion — policy inflation. The fact that, unlike stepping back from violence, sanction failure does not appear to be penalised by voters may make economic sanctions a more appealing tool than military intervention, resulting in a policy substitution. As stepping back from threats is politically costly, the domestic audience cost may also drive democracies to imposition of sanction, further strengthening the policy inflation effect and driving democracies to imposition of sanctions, even if they are not likely to succeed.

Finally, the conclusions from this chapter point towards two other strands in the literature, crisis bargaining in international conflict, and cooperation on economic sanctions. The findings from the second and third chapter of this thesis raise a number of questions with respect to these two strands. First, I find that democratic leaders are likely to be penalised by voters for not following up on a sanction threat. If this holds, then democracies ought to be more likely to succeed at the threat stage — as the crisis bargaining theoretical framework also argues (Schultz, 1999). The hand-tying effect of domestic audience cost for democracies (Fearon, 1997; Schultz, 1999) should make threats of economic sanction issued by democratic senders more likely to succeed. Second, I find no evidence of an additional domestic audience benefit from multilateral efforts. Consequently, it may be that instrumental, rather than symbolic, motivation is the driver of cooperation on economic sanctions, and that domestic considerations play a lesser role here. I address these two issues, systematic determinants of effectiveness of threats of economic sanctions and instrumental motivation for cooperation on economic sanctions, in the next two chapters of this thesis.

4 | Success of Economic Sanctions Threats: Coercion, Information and Commitment

This article is currently at the revise and resubmit stage with *International Interactions* (Walentek, D., Broere, J., Cinelli, M., Dekker, M., and Haslbeck, J.). I have contributed the majority of work to this article. This article has been developed with the support of the Centre for Complex Systems Studies (CCSS).

4.1 Introduction

In 1991, the US and the USSR sponsored a multilateral peace conference in Madrid, with the objective of advancing the Israeli Palestinian peace process and normalising the diplomatic relations in the region. That conference was unique in bringing the representatives of Israel, Palestine, Jordan, Lebanon and Syria to one table. However, it was at risk because Israel was proceeding with the construction of new settlements in the Occupied Territories. At first, the Prime Minister of Israel, Yitzhak Shamir, refused to suspend construction of the settlements, so undermining the prospect of the Madrid Conference. The Bush administration put pressure on the Israeli government by threatening to cancel a loan of USD 10 billion for the housing project and making it conditional on freezing of construction activities in the Occupied Territories. The Israeli administration eventually conceded to this threat by the US, which took a heavy toll on the government of Prime Minister Shamir and contributed to electoral defeat (Drezner, 1999).

The US-Israeli dispute over the settlements in the Occupied Territories is an example of a successful threat of an economic sanction.¹ However, it is unclear what led to the threat's success: (a) the expected economic cost to Israel, (b) the close diplomatic ties between the two countries and resulting certainty in Israel about Washington's resolve, or (c) the determination of the US due to domestic pressure on the Bush administration.² This relates to a broader body of research on the question of "why some economic sanction threats lead to concessions" (Whang et al., 2013, 65) while others do not.

Scholars propose that the success of sanction threats in extracting policy concessions from a target state is subject to three mechanisms: (a) the potential economic cost of a sanction to the target, (b) the target's uncertainty about the resolve of the sender to impose the sanction, and (c) the domestic audience cost faced by the sender for backing down on a threat (Drezner, 2003; Lacy and Niou, 2004; Whang et al., 2013). These three mechanisms are summarised in the literature in three hypotheses: (a) the coercive, (b) the informational, and (c) the public commitment hypothesis. So far, scholars have operationalised the first hypothesis (coercive) using the economic ties between the sender and the target of sanction threats (Schultz, 1999; Whang et al., 2013), the second (informational) by using the public issuing of a sanction threat

¹I consider economic sanctions to be "actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies" (Morgan et al., 2014, 542).

²I use the terms economic sanctions and economic coercion interchangeably.

(Whang et al., 2013; Lacy and Niou, 2004), and the third (public commitment) by using the level of democracy of the sender state (Schultz, 1999; Fearon, 1994).³

The purpose of this study is to combine the diverse literature and examine these three not mutually exclusive hypotheses, in order to provide an answer to the question of when and why threats of economic sanctions are successful in extracting policy concessions. To do this, I first address the coercive hypothesis with the TIES data set (Morgan et al., 2014) by investigating how the target's expected cost of economic sanctions, measured by the news coverage surrounding the sanction threat, influences the success of threats of economic coercion. Despite their validity and reliability, event specific observations on the expected costs of economic sanctions offered by the TIES data set have not yet been used to study threats of economic sanctions. As complete trade embargos are rarely threatened or imposed (Drezner, 2011), previous studies (e.g. Whang et al. (2013)) have used aggregate trade data, thus overlooking the complexity of targeted sanctions.

Second, to address the informational hypothesis, I generate a proxy for the uncertainty that states face. To this end, I produce a diplomatic network based on the Formal Alliance data set (Gibler, 2009) and generate a measure of diplomatic relations between pairs of states, which is my proxy for uncertainty. This novel method allows moving beyond a dyadic approach to data on diplomatic ties, and provides a richer depiction of relations between states. Unlike previous research, which models uncertainty as constant and argues that threats of economic sanctions help to extract concession equally for all states (Schultz, 1999; Fearon, 1994; Whang et al., 2013), I propose a novel theoretical contribution to the crisis-bargaining framework: uncertainty varies between pairs of states, subject to their diplomatic relations.

Third, I use the Polity IV data set (Marshall et al., 2018) to test the public commitment hypothesis and assess the relation between the democracy level of a sender state, my proxy for domestic audience cost (Fearon, 1994), and the effectiveness of sanction threats. Finally, for each of the three mechanisms, I study the relative effectiveness of threats of sanctions and imposed sanctions. On the basis of the crisis-bargaining literature (Schultz, 2001, 1999), I expect threats of economic sanctions to be more effective than imposed sanctions for higher levels of target's economic cost, higher levels of sender's domestic audience cost and lower level of uncertainty.⁴

³While it is likely that other variables also affect the success of sanction threats, in this chapter, following the crisis-bargaining literature (Schultz, 1999), I elaborate on the role of the three listed mechanism (economic cost, uncertainty and domestic audience cost).

⁴In fact, for high values of economic cost, information completeness or domestic audience cost, I ought to observe only successful threats or status quo outcomes (Drezner, 2003), following from applying the backward induction logic to the crisis-bargaining model. However, more variables than specified in the crisis-bargaining framework affect states' decisions, introducing unaccounted for variation into the empirical data.

In this research, I find empirical support for the coercive hypothesis. The success of threats of economic sanctions appears to be statistically related to the target's expected cost of economic sanctions. I also observe that, when the sender and the target share close diplomatic ties and the sender is a democracy, threats of economic sanctions are systematically more effective than imposed sanctions. In relation to expected economic cost of a sanction, I find no systematic difference between the effectiveness of sanction threats and imposed sanctions. These results are in line with the research on the effectiveness of threats of economic sanctions, which supports the coercive hypothesis (Whang et al., 2013). In addition, I provide empirical support for the predictions of the crisis bargaining theoretical model (Schultz, 1999; Fearon, 1994), where effectiveness of threats, in relation to imposed sanctions, ought to increase with information and domestic audience cost.

Unlike previous studies, I test all three mechanisms arising from the crisis-bargaining framework in a single study. I also investigate the relative effectiveness of threats in relation to imposed sanctions, and offer a clear specification of the role of uncertainty. Consequently, this chapter enriches our understanding of the mechanisms driving the success of threats of economic sanctions (Whang et al., 2013). The results also support findings in the broader literature on interstate conflict and in relation to research on the symbolic role of economic sanctions (Whang, 2011), domestic audience cost (Kertzer and Brutger, 2016), the role of information (Drezner, 2003; Schultz, 1999) and the impact of economic cost (Bapat and Kwon, 2015). My work also provides empirical support for the long-standing call for inclusion of threat data in the study of effectiveness of economic sanctions, as both the rate of and the mechanisms driving success at the threat and the imposition stage can differ systematically (Drezner, 2003; Smith, 1995; Eaton and Engers, 1999).

Besides generating new insight in the study of why and when threats of economic sanctions succeed, this study also offers a novel methodological contribution. The network approach to the diplomatic relations between states, where I use data on formal alliances to map out global diplomatic ties, allows capturing more information than a dyadic method, and leads to more robust empirical findings. Even if a sender and a target state do not share a direct alliance, I can assess their relation using the distance between them on the diplomatic network. In contrast, a dyadic approach can only distinguish between the presence and absence of a direct alliance. The network approach to economic coercion and diplomatic relations also relates both to an older call in the literature on economic sanctions for a network vision (Galtung, 1967), and to the more recent descriptive results uncovering the complex nature of sanctions (Cranmer et al., 2014; Peterson, 2018) and international relations more generally (Farrell and Newman, 2019; Thurner et al., 2019). The behaviour of states appears not only to be conditioned by their direct ties, but also by the broader constellation of international relations and a network of indirect connections, so relying solely on dyadic data can be misleading.

The chapter is organised as follows. In Section 4.2, I begin with an overview of the relevant literature and motivate the three hypotheses to be tested. In Section 4.3, I provide an overview of the research design and discuss the data and the econometric model for this study. Following that, in Section 4.4, I present the results of the empirical analysis and a brief discussion of the findings. Finally, in Section 4.5, I conclude and elaborate on the potential further research avenues addressing sanction threats.

4.2 Literature and theory

In this section, I first discuss the literature on the effectiveness of economic sanctions in general. Scholars have produced a large body of research that identifies the conditions under which economic sanctions are more likely to succeed. This serves as a starting point to the further elaboration of when threats of economic sanctions are successful and offers guidance for the selection of control variables for the empirical section of this chapter. After that, I focus on the literature on the effectiveness of threats of economic sanctions, and also more broadly on the effectiveness of threats in international conflict. I identify three main hypotheses in the literature, and, based on those, generate three hypotheses and empirically test them.

4.2.1 Literature on economic sanctions

The use of economic sanctions has been increasing since the end of World War II (Morgan et al., 2014), arguably because they allow for flexible use of economic power to coerce states in a world where options for military intervention are limited (Whang and Kim, 2015). This increasing use has not escaped scholarly attention, and researchers have focused on mapping the conditions for successful imposition of economic coercion. Next, I discuss the key determinants for success of economic sanctions that are covered in the literature.

First, the impact of economic sanctions on the economy of the target state appears to be systematically related to the effectiveness of the tool (Morgan and Schwebach, 1997; Drury, 1998; Bapat and Kwon, 2015; Whang and Kim, 2015; Drezner, 1999). This follows from an intuitive understanding of the mechanism underlying sanctions' success: Citizens, or elites, pressured by economic hardship resulting from economic sanctions, force the government to change its policy and offer concessions to the sender state.

Second, effectiveness has been linked to the democracy level of the target and the sender of economic coercion (Lektzian and Souva, 2003; Cox and Drury, 2006; Jeong and Peksen, 2019). Democratic targets are expected to be more resilient when faced with economic sanctions as a result of the rally-round-the-flag effect. Citizens of a

target state are more likely to defend their country, and the ruling government, if political power is transferred through an electoral process (Maoz and Russett, 1993). Compared to non-democratic senders, democratic senders also appear more likely to achieve a policy change in the target state through economic sanctions. Research suggests that this is an outcome of the institutional constraints and incentives placed on the elected political leaders in the sender state: Democratic leaders are motivated to select weak targets because voters appreciate effectiveness in foreign policy, which inflates the success rate for democracies. Relative to authoritarian regimes, democratic leaders are also motivated to mobilise a larger amount of resources during a conflict, because a lost international conflict may be penalised by the voters and result in a lost election (Bueno de Mesquita et al., 1999).

Third, the reputation of the sender state matters for the effectiveness of economic sanctions (Peterson, 2013). Research operationalises reputation as the past commitment to sanction threats: Aggregated past empty threats of sanctions are expected to make future successful imposition of economic coercion less likely. Data supports this argument: Targets are more willing to accommodate demands of a sender that shows a strong record of commitment to economic coercion (Peterson, 2013).

Fourth, the number of issues at stake that the sender(s) want(s) to address with economic sanctions can also be associated with the effectiveness of the tool (Miers and Morgan, 2002; Bapat and Kwon, 2015): As the number of issues increases, the prospect of success of a sanction regime decreases. In addition, the type of issues at stake matters for the effectiveness of economic sanctions. Senders of economic sanctions are less likely to succeed for issues of high salience, for example security-related matters (Li and Drury, 2004; Drury and Li, 2006; Ang and Peksen, 2007; Morgan et al., 2014).

Fifth, research shows that multilateral economic sanctions are more effective than unilateral sanctions (Morgan et al., 2014). This finding is consistent with the results on the role of the costs of economic coercion, given that multilateral economic sanctions generate more economic pressure on the target state (Morgan et al., 2014). In addition, scholars note a higher effectiveness of economic sanctions introduced through international organizations (IOs) (Bapat and Morgan, 2009), which are very frequently multilateral, too (Morgan et al., 2014). IOs appear to help to address the problems associated with multilateral efforts: the need for coordination and supervision to reduce the chance of free-riding among the senders and breaches of the sanction regimes.

4.2.2 Literature on threats of economic sanctions

Economic sanctions are an increasingly popular tool in foreign policy (Morgan et al., 2014), and there is a growing literature dedicated to economic sanctions that end,

and succeed, at the threat stage. Scholars are interested in “when and why sanction threats succeed in extracting concessions from the targeted country” (Whang et al., 2013, 65). Researchers want to understand why it is that, in some instances, the sender needs to enforce economic coercion in order to obtain a concession from the target state, while in other cases, a mere threat of economic sanctions is sufficient.

The early work on sanction threats focuses on a research design flaw in studies of economic sanctions, the omission of the threat stage in the empirical analysis (Smith, 1995; Eaton and Engers, 1999; Drezner, 2003; Lacy and Niou, 2004). According to (Lacy and Niou, 2004, 38), “empirical studies that examine cases only in which sanction were imposed systematically omit a class of cases that represent successful sanctions”, but where the success occurred at the threat stage. In addition, scholars argue that, since targets prefer to avoid costly potential conflict, successful sanctions are, in fact, most likely to already end at the threat stage (Drezner, 2003; Fearon, 1994). Thus, studies that omit the threat stage, by introducing selection bias to the empirical analysis, also systematically underestimate the effectiveness of economic coercion.

The TIES data set (Morgan et al., 2014) resolved this issue by recording both sanction threats and imposed sanctions. This allowed researchers to address the selection bias resulting from the missing observations of threats not followed by an imposition in the past sanctions data (Hufbauer et al., 2007). A new wave of research on sanction threats emerged (Drezner, 2003; Lacy and Niou, 2004; Whang et al., 2013), with the starting point that, in an interstate conflict, there is a possibility of settlement without resorting to actual coercion (Fearon, 1994; Whang et al., 2013). Researchers model economic sanction as a sequential game, in which the sender and the target decide, in turns, whether to issue a threat of economic sanctions (sender), resist the threat of economic sanctions (target) if a threat is issued by the sender, and follow up on the threat with imposition (sender) if the target resists (Drezner, 2003; Lacy and Niou, 2004; Whang et al., 2013). Scholars argue that the sender and the target play a game of incomplete information, meaning that the payoffs at each sequence of the game-tree are private information: Actors know their own payoffs, but do not know the payoffs of the opponent.⁵

In literature both on economic sanctions and, more generally, on conflict, the game theory models of threat effectiveness share a number of characteristics and produce similar predictions to guide empirical research (Schultz, 1999; Signorino, 1999; Drezner, 2003; Lacy and Niou, 2004; Whang et al., 2013; Fearon, 1994). In the next paragraphs, I discuss the three main hypotheses resulting from the formal models of

⁵The game theory models of economic sanction threats follow earlier work on inter-state conflict and the role of threats, the crisis bargaining literature (Fearon, 1994; Schultz, 1999; Signorino, 1999). I therefore refer to this family of theoretical models as the crisis bargaining framework.

threats effectiveness, coercion, information and public commitment. I also address the mechanisms underlying these three hypotheses: the economic cost of sanctions, uncertainty about the sender's resolve and domestic audience cost of empty threats.

Coercion The coercive hypothesis posits that increasing the economic costs of sanctions relative to the size of the target's economy makes it more likely that economic coercion succeeds at the threat stage (Whang et al., 2013). Scholars assume that economic sanctions are costly in most cases and that there is an outcome that is satisfactory for both parties without resorting to actual economic coercion (Drezner, 2003; Fearon, 1994). This hypothesis is consistent with the general research on economic sanctions, which indicates that the cost of economic sanctions is a key predictor of sanctions' success (Morgan and Schwebach, 1997; Drury, 1998; Drezner, 2003; Bapat and Kwon, 2015; Whang and Kim, 2015) and the game theory modelling on the relation between economic costs and threats effectiveness (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004). This argument can be summarised by the following hypothesis:

H1: Effectiveness of sanction threats increases as the expected cost to the target of a sanction regime increases.

Information The informational hypothesis expresses the expectation that a threat of economic sanctions changes the belief of the target about the resolve of the sender (Schultz, 1999; Whang et al., 2013). Scholars refer to this change in expectations as signalling, learning or belief updating, all referring to the same process, that issuing a threat addresses the uncertainty of the target about the sender's determination to follow up on a threatened sanction. This understanding rests on the assumption that a target expects a possibility of a sanction imposition from a sender as a response to her hostile policy, yet is uncertain about the sender's assessment of the status quo: here a threat helps to reveal to the target the sender's resolve to engage in economic coercion.

This information is relevant because, as in the formal models of sanction threats, senders are of two types, with high and low resolve, respectively (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004). The sender's resolve is her private information and is reflected in her own payoffs: high resolve senders have higher domestic audience cost relative to sanction imposition cost, and the opposite is the case for low resolve senders. As a consequence, high resolve senders issue genuine threats and, if the target stands firm, do follow through with an imposition after a sanction threat. On the other hand, low resolve senders issue empty threats and do not follow through with imposition. Consequently, following the theoretical model proposed by sanction threats scholars, targets that can correctly identify a low resolve sender can ignore the threat without risking a sanction imposition. At the same time, targets that mistakenly identify a high resolve sender for a low resolve

sender may submit themselves to undesired, and costly, economic coercion. This is particularly relevant under the assumption that there is a possible settlement between the sender and the target state that does not require the use of economic coercion (Fearon, 1994).

Scholars argue that issuing a threat addresses the uncertainty problem and allows a target state to distinguish a high resolve from a low resolve sender (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004). I extend this argument, and suggest that threats unequally address the uncertainty faced by the target state and that the incompleteness of information is not constant, but varies between pairs of states (Spaniel and Smith 2015).⁶ This chapter proposes that, as diplomacy is the tool at states' disposal to assess the viability of a coercive threat and prospects of a conflict (Katagiri and Min, 2019), diplomatic relations are a measure of uncertainty that states face in international conflict. The measure of diplomacy, formal alliances, follows an established approximation in studies of diplomacy and conflict — where alliances are an empirical manifestation of close diplomatic ties (Christensen and Snyder, 1990; Walt, 1985). I propose that states with strong diplomatic relations operate during conflict in a setting with little uncertainty and can more clearly showcase their resolve. Consequently, as in the case of complete information in the crisis-bargaining model (Schultz, 1999), a mere threat is likely to succeed; otherwise, following from backward induction, it would have not been issued. Thus, the adaptation of the informational hypothesis takes the following form:

H2: As the diplomatic distance between the sender and the target of economic sanctions increases, threats of economic sanctions become less effective.

Public commitment Finally, the public commitment hypothesis posits that democracies are more likely to experience higher domestic audience cost and, as a result, are more likely to succeed at a threat stage, compared to non-democracies (Fearon, 1994; Schultz, 1999).

In the game theory literature on sanction threats, scholars assume a domestic audience cost for issuing an empty threat and suggest that this cost is both publicly known and increases with the level of democracy of the sender (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004; Fearon, 1994). The formal models of sanction threats suggest that a threat is genuine only if the cost of imposing a sanction is greater than the domestic audience cost; otherwise a rational sender will not follow up on a threat if faced with resistance. Consequently, scholars argue that democratic

⁶For an extensive and formal discussion on the difference between uncertainty and domestic audience cost in determining success of threats see work of Dekker et al. (2020).

senders are more likely to succeed at the threat stage. I summarise this argument with the public commitment hypothesis below.⁷

H3: The more democratic a sender of economic sanctions is, the more likely it is that her threats succeed.

4.3 Research design

This section discusses the data, the variables and the econometric model I use to empirically test the above hypotheses.

4.3.1 Data

In this chapter, for observations on economic sanctions, I use the Threat and Imposition of Sanctions (TIES) data set (Morgan et al., 2014). For information on the diplomatic ties between states, I use the Formal Alliances data set (Gibler, 2009). The data on democracy level of the sender and the target state is collected from the Polity IV data set (Marshall et al., 2018). I next discuss each of the data sets in detail.

TIES (v.4.0) is the largest data set and most up to date collection of observations of economic sanctions (Morgan et al., 2014). It covers 1,412 cases and spans the period from 1945 to 2005.⁸ The authors use a broad definition for economic sanctions: “actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies” (Morgan et al., 2014, 542). Restrictions on trade that serve only a domestic purpose, for example, sheltering an infant industry, are not coded as sanction incidents. The data set includes both impositions and threats of economic sanctions, where threats “may be initiated in several ways, such as through verbal statements by government officials, drafting of legislation against a target state or the passage of a conditional law against a target state stipulating that sanctions will be imposed if certain target behaviors are not changed” (Morgan et al., 2014, 543).

In the TIES data set, sanctions were imposed in 60 percent of the threatened cases; 48 percent of sanctions were of high salience (non-trade), the remaining 52 percent trade-related. The most frequent sender of sanctions is the US, with involvement in 48 percent of sanction incidents, though fewer than in the classic sanction data set of Hufbauer et al. (2007), referred to as HSE (after the authors) in the remainder of this

⁷I acknowledge that authoritarian regimes may also experience a domestic audience cost, an outcome shown, for example, in Weiss (2013). To account for this, I tested the effect of a squared democracy term, following Bennett (2006), but the coefficient of the squared democracy variable was not statistically significant, nor was the joint significance test.

⁸Available at: <http://sanctions.web.unc.edu>.

chapter. Sanctions appear less effective in the TIES than in the HSE data set and are considered a success in only 27 percent of cases (for the “strict estimate”, following the TIES authors’ guideline). However, with a more relaxed definition of success, which includes negotiated settlements, the success rate increases to 40 percent, 6 percent above the rate in the HSE data set.

Formal Alliance (v.4.1) is a data set that identifies diplomatic relations between states from 1816 until 2012 (Gibler, 2009). The authors of the data set seek to “identify each formal alliance between at least two states that falls into the classes of defence pact, neutrality or non-aggression treaty, or entente agreement.”⁹ The US is the country most frequently present in the data set, and Latin America is the region with the densest networks of formal alliances. The data set registered alliances for 180 distinct states in total.

I use the Formal Alliances data to generate a variable that approximates the diplomatic relations between states. First, I generate a network of the global diplomatic ties based on the Formal Alliance data set, and then compute the shortest path measure for each economic sanction sender-target pair from the TIES data set. This variable provides information about the minimum amount of alliances between country A and country B needed to get from A to B in the diplomatic network. This is referred to as the “shortest path”. In other words, I derive how many “hand-shakes” the sender and the target are away from one another at the time of the sanction, based on the Formal Alliance data. I interpret the shortest path variable as a measure of uncertainty that states face when involved in an international conflict, and use this variable to test the informational hypothesis, that the longer the path, the larger the uncertainty. This network method allows going beyond the dyadic approach and capturing greater variation in international relations (Cranmer and Desmarais, 2016; Cranmer et al., 2014). To illustrate the network method, I provide an overview of alliances for France in Figure 4.1. The lighter the colour on the map, the closer this state is to France in the diplomatic network, based on the Formal Alliance data.¹⁰

⁹Available at: <http://www.correlatesofwar.org/data-sets/formal-alliances>.

¹⁰This approach to measuring diplomatic ties faces a limitation for states that pursue a policy of neutrality with respect to international conflict, for example Switzerland or Sweden. As neutral states rarely engage in alliances, the path measure of diplomatic distance exhibits low reliability for such actors. However, states that pursue a policy of neutrality in international relation are rarely involved in conflict and coercion, both as senders and as targets.

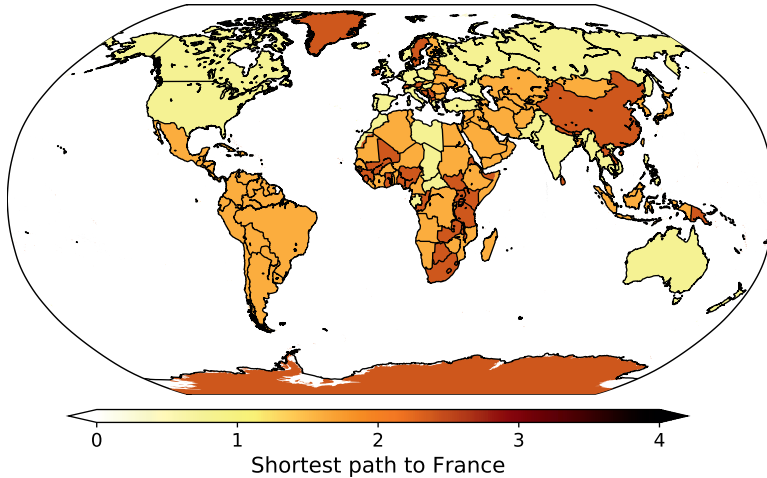


Figure 4.1. Shortest paths between France and any other country in the Formal Alliance diplomatic network.

Figure 4.2 provides an overview of the complete diplomatic network that I use to generate the shortest path for each pair of states, based on the Formal Alliance data. The node's (the circle representing a state) size indicates the aggregate number of formal alliances that a state has. The width of the link (the line connecting states) between a country-pair is related to the duration of the agreement. The colouring of the nodes indicates clusters generated with the Louvain method (Blondel et al., 2008). Such clusters do not necessarily indicate a direct alliance, rather a high number of common allies. As a result, two countries may be in the same cluster (the same node colour) without having a direct alliance but by being only a single "handshake" apart through a high number of intermediary states, as is, for example, the case for Iraq and Ethiopia.

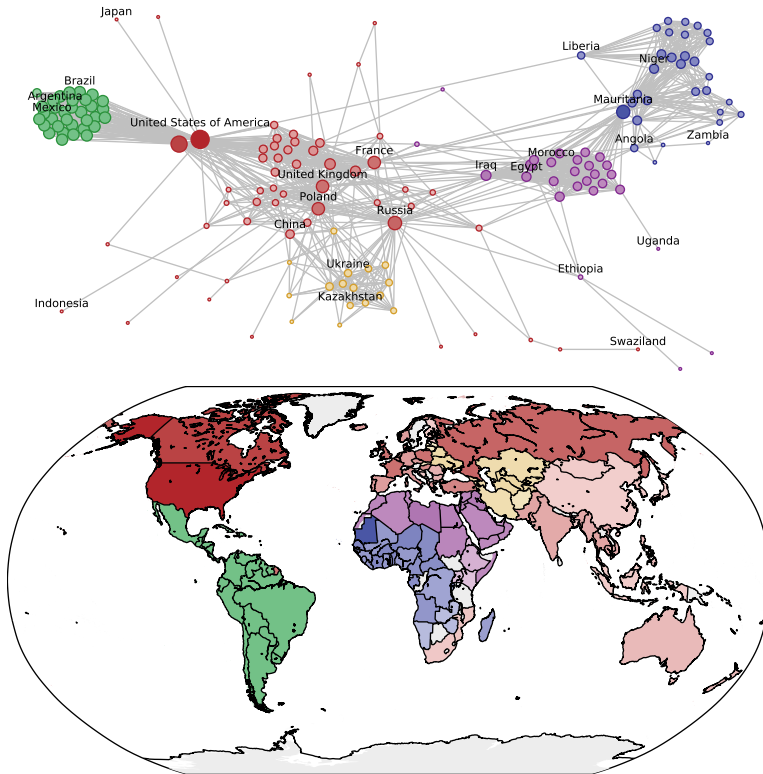


Figure 4.2. Top: diplomatic network of all countries based on the Formal Alliance data. Bottom: clusters from the above diplomatic network plotted on a map.

Polity IV (Marshall et al., 2018) is a data set that traces the level of democracy for independent countries with a population of more than half a million inhabitants.¹¹ The data spans the years 1800 to 2017; in its last year it covered 167 countries. I use the *DEMOC* score from the Polity IV data, which assigns a score ranging from 0 to 10 to a country on a year-basis, where 0 represents an absence of democratic institutions (i.e. an authoritarian state) and 10 a state with all democratic institutions operating.¹² Scholars consider a country with a *DEMOC* score of 6 or more (Jeong and Peksen, 2019) (or 7 and above (Wallace, 2013)) democratic. I use this distinction only when discussing visualisations of the findings, and do not use a dichotomised democracy variable for the empirical analysis.

¹¹Available at: <http://www.systemicpeace.org/inscrdata.html>.

¹²For example, for the year 2000, the US has a *DEMOC* score of 10, Cuba a score of 0 and Mexico a score of 8.

4.3.2 Variables

In this section I introduce the dependent, independent and control variables used in this research. I also present a summary table of the variables used in the statistical analysis.

Dependent variable *Success* is a dichotomous variable based on the TIES data set that indicates the success or failure of an economic sanction episode (threat only or imposition). It takes a value of 0 for a failure and 1 for a successful event of economic coercion. I consider a policy change and a negotiated settlement a success. I code an ongoing case as a failure. In my sample, 40 percent of sanctions resulted in a success.¹³

Independent variables I use three independent variables in the analysis. First, to test the coercive hypothesis (Morgan and Schwebach, 1997; Drury, 1998; Bapat and Kwon, 2015; Whang and Kim, 2015), I account for the economic cost of a prospective sanction for the target state. I assess the impact of the variation in the expected sanction cost for the target of economic coercion on threat effectiveness. The data for the variable *Expected cost target* is gathered from the TIES data set; the variable is discrete and varies from 1 to 3, where 1 represents minor, 2 major, and 3 severe economic cost. The data on expected economic cost is based on news coverage surrounding sanction threats. Authors of TIES searched in the NexisLexis library for reporting that followed a sanction threat and indicated potential economic cost specific to that threat. In the TIES data set there are 863 observations for expected target cost and 875 observations for expected sender cost.

As a robustness test for the coercive hypothesis, I use lagged (by one year) trade data, based on the Expanded Trade and GDP Data from Gleditsch (2002). I generate a trade dependency index for the target state, *Dependence target*, that indicates the share of the bilateral trade (imports and exports) between the sender and the target as a share of the total trade (all imports and exports) of the target state. The closer the index is to 1, the higher the dependence of the target on trade with the sender state. The results of the robustness test for the coercive hypothesis are consistent with the main findings.¹⁴

¹³This operationalisation of success is common in research on economic coercion (Morgan et al., 2014).

¹⁴As economic sanctions are rarely complete trade embargos (Drezner, 2011), the TIES data on expected cost of economic coercion offers higher reliability than aggregated trade data. For example, recent EU-Russia sanctions, where Russia's main export (natural gas) was excluded from sanctions, show that goods or services that form a large share of bilateral trade may not be covered by a sanction regime and, consequently, aggregated trade data may suffer from low validity as an indicator in studies of economic coercion.

Second, to test the information hypothesis, I use the *Path* variable (Schultz, 1999; Whang et al., 2013; Drezner, 2003; Lacy and Niou, 2004; Fearon, 1994), which indicates the distance (i.e. the shortest-path) between the sender and the target of economic sanction on the diplomatic network, generated with the Formal Alliance data. The distance varies from 1 (a direct alliance) to 5 (four states-alliances between the sender and the target). I expect the uncertainty about the opponent's resolve to increase as a function of the distance between the sender and the target in the alliance network, and that effectiveness of sanctions threats will decrease with the distance between states on the Formal Alliance network.¹⁵ Due to missing observations in the Formal Alliance data set, I was only able to compute the shortest path measure for 1,058 out of 1,412 available observations in the TIES data set.

For robustness, I generate a dichotomous variable, *Alliance*, which indicates a direct alliance between a sender and a target of economic sanctions, based on the Formal Alliance data set. The variable is equal to 1 if the target and sender share a direct alliance; otherwise it takes a value of 0. Although the results are consistent for the network and dyadic variables, the analysis with the use of the *Path* variable yields more robust results. This highlights the value of introducing a network approach to the study of economic sanctions and conflict.¹⁶

Third, in order to test the public commitment hypothesis, I account for the democracy level of the sender of economic sanctions (Fearon, 1994; Lektzian and Souva, 2003; Cox and Drury, 2006; Whang et al., 2013; Jeong and Peksen, 2019). I use the *DEMOC* measure from the Polity IV data set that assigns a score ranging from 0 to 10 to countries, where 0 is an autocracy and 10 a complete democracy. I observe the *Democracy score* for 1,269 senders and 1,293 targets of economic sanctions in the TIES data. This is consistent with other studies of economic sanctions and democracy (Wallace, 2013). I use the score for the first or primary sender of economic sanctions (sanction leader), as indicated in the TIES data set, to avoid inflation of the variable for cases of multilateral sanctions (Jeong and Peksen, 2019). In the empirical analysis I use the continuous specification of the democracy score, because dichotomising

¹⁵The shortest path variable is generated based on the first or primary sender indicated in the TIES data set. Thus, for multilateral sanctions, it reflects the position of the sanction leader and not the whole sanctioning group. Otherwise the coefficient would inflate substantially for multilateral sanctions and I would not be able to distinguish between co-senders that are as involved as the primary sender. This approach is consistent with current research on economic sanctions (Jeong and Peksen, 2019).

¹⁶I also attempted to measure the diplomatic relations using data on the presence and seniority of diplomatic missions for the sender-target dyad, with the Correlates of War Diplomatic Exchange Data Set (Bayer, 2006). However, too few observations available in the Diplomatic Exchange data set match the TIES sample on threats of economic sanctions to support a statistical analysis. This further highlights the limitations of a dyadic approach to the study of uncertainty in international relations.

observations leads to data distortion comparable to a 30 percent sample reduction (MacCallum et al., 2002; Austin and Brunner, 2004).

However, as a robustness test, I do use a dichotomous measure of democracy based on the Political Regimes data set (Boix et al., 2013). The variable *Democracy Score Sender (PR)* indicates whether the sender state is a democracy (equal to 1) or an autocracy (equal to 0). The results of the robustness test of the public commitment hypothesis are consistent with the main findings.

Control variables First, I control for the reputation of the sender state (Peterson, 2013) by generating the *Past commitment* variable, which is the average of the sender's commitment to past sanction regimes. The commitment variable is offered by the TIES data set; it is discrete and varies from 1 (weak commitment) to 3 (strong commitment). Second, I control for issue salience and security matters (Li and Drury, 2004; Cox and Drury, 2006; Ang and Peksen, 2007; Wallace, 2013; Morgan et al., 2014). The dichotomous variable *Salience* separates issues into non-trade and trade related, where 1 indicates a non-trade related sanction. The dichotomous variable *Security* indicates whether a sanction regime covers security-only issues. I base the categorisation for the security variable on issue type information provided by the authors of the TIES data set.¹⁷ In addition, given its dominant position in the global economy and foreign policy power (Haas, 1997; Hafner-Burton and Montgomery, 2008b; Farrell and Newman, 2019), I control for the role of the US as a sender. To this end, I use a dichotomous *US* variable. The final variable I control for is whether the sanction regime is multilateral (Martin, 1992; Miers and Morgan, 2002; Bapat and Morgan, 2009), based on the information available in the TIES data set. The variable *Multilateral* takes a value of 1 if there was more than one sender of economic sanctions; for unilateral sanctions it is equal to 0.

There are a number of missing observations in the data, for the *Path*, *Expected cost sender*, *Expected cost target*, *Democracy score sender* and *Democracy score target* variables. Besides, a public threat has not been registered for all sanction events in the TIES data set. As a result, the sample for the regression analysis is censored in relation to the complete TIES data set. If I only study cases with a public threat and control for the expected cost of the target and the sender and democracy score of the target and the sender, the sample reduces to 487 observations.¹⁸ If I only study cases with a public threat and control for the expected cost of the target and

¹⁷I identify the following categories in the TIES data set as security issues: "Contain Political Influence"; "Contain Military Behavior"; "Destabilize Regime"; "Release Citizens, Property, or Material"; "Solve Territorial Dispute"; "Deny Strategic Materials"; "Retaliate for Alliance or Alignment Choice"; "End Weapons/Materials Proliferation" and "Terminate Support of Non-State Actors".

¹⁸While it is possible that the domestic audience cost of the target state and the economic cost of the sender state are also relevant to the success of threats, I do not discuss mechanism related to them in this chapter.

the democracy score of the sender, the sample reduces to 556 observations. In this chapter, because it offers more observations and is necessary to test the hypotheses, I use the latter specification of the variables. However, in the appendix I provide the results of a regression with both target's and sender's expected cost and democracy score variables — the results are consistent with the main findings. In addition, for all analyses in this chapter, I use cases of economic sanctions where a public threat has been issued and registered in the TIES data set.

Data overview Table 4.1 presents an overview of the variables that I use for the regression analysis.

Table 4.1. Summary statistics.

Variables	N	Mean	SD	Min	Max
Threat	1,412	0.746	0.436	0	1
Imposition	1,412	0.598	0.490	0	1
Success	1,412	0.408	0.492	0	1
Expected cost sender	875	1.056	0.240	1	3
Expected cost target	863	1.246	0.498	1	3
Dependence target	811	0.170	0.193	0	0.935
Path	1,058	1.432	0.696	1	5
Alliance	1,058	0.663	0.473	0	1
Democracy score sender	1,269	8.437	3.268	0	10
Democracy score target	1,293	6.399	4.079	0	10
Democracy score sender (PR)	1,239	0.829	0.377	0	1
US	1,412	0.521	0.500	0	1
Saliency	1,412	0.483	0.500	0	1
Security	1,412	0.305	0.461	0	1
Multilateral	1,412	0.262	0.440	0	1
Past commitment	1,247	2.327	0.599	1	3

4.3.3 Econometric model

In the econometric model the dependent variable is $P(\text{Success})$: the probability that an economic sanction results in a policy concession from the target state. I am interested in the effects of: (i) the target's expected economic cost, (ii) the uncertainty about the costs of the sender and the target and (iii) the democracy level of the sender on the effectiveness of sanction threats. These three independent variables (IVs) relate to the three hypotheses that I have specified: (i) coercive, (ii) informational and (iii) public commitment.

Recalling the theory section, with respect to the coercive hypothesis (**H1**), I expect the effectiveness of sanction threats to increase as the expected cost to the target of a sanction regime increases. For the informational hypothesis (**H2**), I expect that as the diplomatic distance between the sender and the target of economic sanctions increases, threats of economic coercion become less effective. Finally, for the public commitment hypothesis (**H3**), I expect that the more democratic a sender of economic sanctions, the more likely her threats are to succeed.

Furthermore, based on the crisis bargaining literature (Fearon, 1994; Schultz, 1999; Drezner, 2003), I expect to observe a different dynamic for imposed and threatened economic sanctions with respect to their effectiveness. To address this theoretical expectation, I introduce a factor variable *Imposition* as an interaction term in the regression to separate the two trends for each of the hypotheses (Brambor et al., 2006). *Imposition*, a dichotomous variable coded as 0 for threats not followed by an imposition and as 1 for imposed sanctions, allows separation of the two slopes for the study of the effectiveness of imposed sanctions and threats.

I use the following logistic regression model to test each of the three hypotheses:

$$P(\text{Success}) = \frac{1}{1 + \exp\{-(\beta_0 + \beta_1 V + \beta_2 I + \beta_3 C)\}} \quad (4.1)$$

and the model below to test whether the probability of success of threats relative to imposed sanctions statistically differs for the three hypotheses:

$$P(\text{Success}) = \frac{1}{1 + \exp\{-(\beta_0 + \beta_1 V + \beta_2 I + \beta_3 VI + \beta_4 C)\}} \quad (4.2)$$

where V is the independent variable that depends on the hypothesis I test, I is the dichotomous *Imposition* variable that separates threatened-only and imposed sanctions, and VI is the product of those two variables — the interaction term in the analysis. C is a control variable. Note that in the regression analyses, I include more than one control variable.

4.4 Results and discussion

In this section, I present the empirical tests of the three hypotheses that may account for the effectiveness of threats of economic sanctions and a brief discussion of the findings.¹⁹

4.4.1 Coercion

First, I test the coercive hypothesis. The expectation is that as the costs of a sanction regime increase for a target, the prospect of success at the threat stage increases as well. In Table 4.2, I present the results of the estimates of the relation between economic costs and sanction threats success. I employ a logistic regression and show

¹⁹While, in this section, for clarity's sake, I test the three mechanism separately, in the appendix, I provide a test with all main IV combined. It has no effect on the findings.

the results in form of odds ratios (this holds for all regressions in this chapter). In Model (1) of Table 4.2, where the sample is limited to sanctions terminated at the threat stage, I observe that expected costs of the target state strongly predict threat's success ($OR=5.862$, $p=0.01$). I therefore find evidence in favour of the coercive hypothesis and in line with previous research on effectiveness of sanction threats (Whang et al., 2013). I also see that the result holds for the robustness test, reported in Model (3), where higher dependence of the target on trade with the sender state is a statistically significant predictor of success of sanction threats.

I further test whether the effect of expected economic costs on success is statistically different for threats and imposed sanctions. I address this question with the inclusion of an interaction between the dichotomous *Imposition* variable and the discrete *Expected target cost* variable and by expanding the sample to include both threatened-only and imposed sanctions. I report the results of the interaction in Model (2) of Table 4.2. I do not observe the interaction to be statistically significant, and do not find a sufficient difference in the effectiveness of threats and imposed sanctions, subject to the expected economic cost of the target. I do observe the same (non-)result for the robustness test in Model (4).

A selection mechanism — cases with severe expected economic cost for the target — might be expected to succeed at the threat stage but fail when they are imposed (Drezner, 2003), because the issue is most likely of vital importance to the target state (e.g. economic sanctions against Iraq cost the country close to 50 percent of its GDP, yet failed (Hufbauer et al., 2007)). However, the literature suggests that, once sanctions are in place, policy-makers are willing to accommodate domestic business demands and adjust sanction regimes (McLean and Whang, 2014). This may create a temptation for the target to resist a threat, particularly in the face of an expected high cost, and to yield only if no concessions are made by the sender to its domestic business sector after the sanction is imposed.

Table 4.2. Estimation results for the economic cost mechanism. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio	Model (4) Odds ratio
Success				
Expected cost target	5.862*** (± 2.087)	4.919*** (± 1.540)		
Imposition		1.077 (± 0.639)		0.644 (± 0.214)
Imposition * Expected cost target		0.639 (± 0.302)		
Dependence target			8.765** (± 8.491)	12.45*** (± 11.74)
Imposition * Dependence target				0.360 (± 0.433)
Democracy score target	0.947 (± 0.0326)	0.966 (± 0.0233)	0.947 (± 0.0344)	0.951* (± 0.0275)
Path	0.916 (± 0.169)	1.175 (± 0.158)	1.027 (± 0.210)	1.247 (± 0.202)
US	1.312 (± 0.404)	1.461* (± 0.322)	1.590 (± 0.742)	1.587 (± 0.573)
Salience	0.680 (± 0.257)	1.027 (± 0.268)	0.711 (± 0.262)	1.119 (± 0.322)
Security	0.558 (± 0.235)	0.991 (± 0.293)	1.518 (± 0.654)	1.807* (± 0.584)
Multilateral	1.284 (± 0.458)	1.258 (± 0.314)	3.693*** (± 1.733)	2.948*** (± 0.995)
Past commitment	2.002*** (± 0.496)	1.529** (± 0.262)	1.563* (± 0.389)	1.454* (± 0.296)
Constant	0.0341*** (± 0.0261)	0.0331*** (± 0.0203)	0.145*** (± 0.106)	0.0964*** (± 0.0587)
Observations	280	556	223	402
Interaction term	NO	YES	NO	YES
Pseudo R2	0.142	0.111	0.0723	0.111
Log Lik	-165.9	-334.4	-142.1	-240.3

Following Brambor et al. (2006), I provide a graphic representation of the results of the regressions with an interaction term by plotting the predicted probabilities. This allows intuitive interpretation of the regression results and the role of the moderating term. In Figure 4.3, based on Table 4.2, Model (2), I depict the predicted probabilities of success of economic coercion for threats and imposed sanctions, subject to the expected cost of the target. In the figure there are two slopes, one for threats and another for imposed sanctions. The vertical axis depicts the predicted probability of success and the horizontal axis the expected cost of economic sanctions to the target, based on the TIES data set.

I observe that the effectiveness of threats increases with the expected costs to the target state, consistent with both the literature (Whang et al., 2013) and the expectations about the conditions under which threats of economic sanctions succeed. However, the two slopes follow the same, upward, trend closely, so there is no sys-

tematic difference in the effect of economic cost for the target state on effectiveness of threats of economic sanctions compared to imposed sanctions.

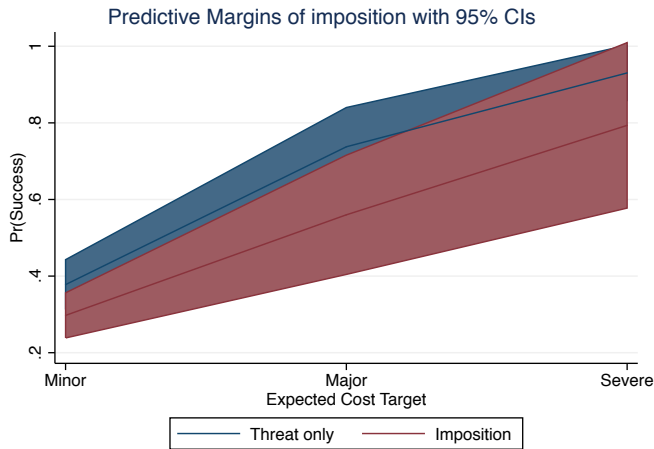


Figure 4.3. Impact of expected target cost of economic sanctions on effectiveness of threats and imposed economic sanctions.

4.4.2 Information

Second, I have hypothesised that the level of uncertainty between the sender and the target state is systematically related to the effectiveness of sanction threats. In order to test this mechanism (the informational hypothesis), I use the network-based *Path* variable. In Model (1) of Table 4.3, where the sample is limited to sanctions terminated at the threat stage, I observe that the proxy for information incompleteness — the *Path* variable — is not statistically significantly related to the success of threats of economic coercion. Thus, I do not find evidence for the informational hypothesis.

In Model (2) of Table 4.3, I report the results of an estimation for the variable *Path* and the *Imposition* moderating term. This interaction allows us to assess whether there is a different effectiveness dynamic for the threatened-only and imposed sanctions, subject to the diplomatic relations — my measure of uncertainty. In Model (2), I observe a positive and statistically significant result for the *Imposition * Path* interaction term ($OR= 1.729$, $p=0.05$). The coefficient's odds ratio for the interaction term indicates that there is a statistically significant difference between the two slopes. The coefficient of the interaction term indicates that the less states know about each other (measured as distance on the diplomatic network), the less likely threats of economic sanctions are to succeed, relative to imposed sanctions. I also observe that, in the situation of close diplomatic ties, threats are more likely to succeed than imposed economic sanctions.

The results of the robustness test are consistent with the main findings. In Model (3) of Table 4.3, I do not find a statistically significant relation, but in Model (4), where the interaction term *Imposition * Alliance* is present, I do observe a significant and negative relation ($OR=0.49$, $p=0.1$). It is worth noting that the coefficient for the *Imposition * Alliance* interaction is statistically significant at a lower level than for the interaction with the *Path* variable; this underlines the robustness of a network approach.

Table 4.3. Estimation results for the uncertainty mechanism. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio	Model (4) Odds ratio
Success				
Path	0.916 (± 0.169)	0.915 (± 0.159)		
Imposition		0.292*** (± 0.127)		1.022 (± 0.330)
Imposition * Path		1.729** (± 0.470)		
Alliance			1.113 (± 0.313)	1.112 (± 0.297)
Imposition * Alliance				0.490* (± 0.195)
Expected cost target	5.862*** (± 2.087)	4.046*** (± 1.032)	5.884*** (± 2.098)	4.016*** (± 1.026)
Democracy score target	0.947 (± 0.0326)	0.967 (± 0.0232)	0.947 (± 0.0327)	0.968 (± 0.0232)
US	1.312 (± 0.404)	1.379 (± 0.306)	1.314 (± 0.405)	1.399 (± 0.309)
Salience	0.680 (± 0.257)	1.036 (± 0.270)	0.679 (± 0.257)	1.044 (± 0.271)
Security	0.558 (± 0.235)	0.925 (± 0.278)	0.558 (± 0.236)	0.917 (± 0.276)
Multilateral	1.284 (± 0.458)	1.215 (± 0.305)	1.287 (± 0.458)	1.235 (± 0.309)
Past commitment	2.002*** (± 0.496)	1.577*** (± 0.269)	1.992*** (± 0.494)	1.570*** (± 0.267)
Constant	0.0341*** (± 0.0261)	0.0584*** (± 0.0345)	0.0282*** (± 0.0213)	0.0480*** (± 0.0274)
Observations	280	556	280	556
Interaction term	NO	YES	NO	YES
Pseudo R2	0.142	0.115	0.142	0.114
Log Lik	-165.9	-333	-165.9	-333.4

Figure 4.4 depicts the results of the logistic regression of the *Path* variable moderated by the *Imposition* variable (Table 4.3, Model (2)). In the figure there are two slopes — one for threats and another for imposed sanctions. The vertical axis, as in the previous figure, depicts the predicted probability of success, and the horizontal axis the distance between the sender and the target on the diplomatic network, measured by the shortest path.

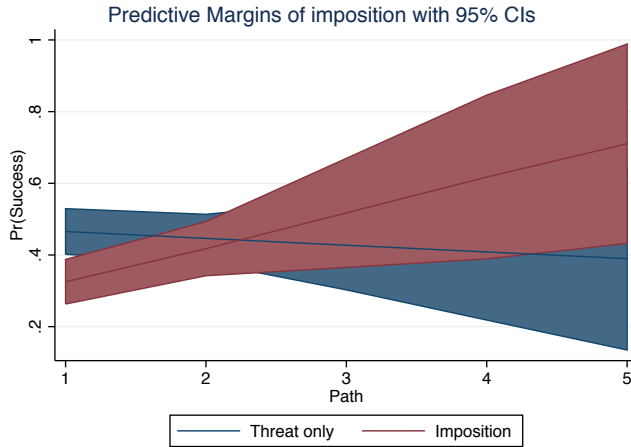


Figure 4.4. Impact of distance on the diplomatic network between the sender and the target on the effectiveness of threats and imposed economic sanctions.

In Figure 4.4, I observe that, for a direct alliance (path of length one), threats are more effective than imposed sanctions. However, as the distance increases between the sender and the target, the effectiveness of threats decreases and the cleavage between the effectiveness of imposed sanctions and threats increases. This finding is consistent with the crisis bargaining literature (Schultz, 1999), where higher effectiveness of threats is associated with more information (e.g. comparison of the complete and incomplete information game), and the scholarly expectation that threatened sanctions are likely to be more successful than imposed sanctions for cases close to a complete information setting (Drezner, 2003).

The private signals literature suggests an alternative interpretation of this result. In that strand of research, developed counter to the crisis bargaining literature, scholars look into the alternative to public commitment (e.g. publicly announced threats of economic sanctions) and focus on private signals — information shared between diplomats outside public scrutiny. Researchers show (Katagiri and Min, 2019; Kurizaki, 2007), both theoretically and empirically, that private signals may have a stronger effect on the target’s evaluation of the resolve of the sender, relative to public commitment, and “hands-tying” through publicly made threats (Fearon, 1997) is not a necessary condition for successful coercion. Research on private signals does not, however, specify whether all states can (equally) engage in private diplomacy. Potentially, my finding — that threats of economic sanctions are more successful than imposed sanctions when the sender and the target share close diplomatic ties — may indicate

the role played by private signals in interstate conflict. In this case, my variable would be a proxy for the ability to issue private signals.

4.4.3 Public commitment

Third, in the literature review section of this chapter, I have proposed that senders with a high domestic audience cost (i.e. democratic states) are more likely to succeed at the threat stage of an economic sanction. I test this mechanism (the public commitment hypothesis) with the *Democracy score sender* variable, my proxy for domestic audience cost. The underlying assumption is that, as the number of democratic institutions in a state increases, the more responsive a political leader will be to the voters. I also test whether there is a statistically significant difference in the effectiveness of threats and imposed sanctions, subject to the democracy score of the sender. To this end, I interact two independent variables: *Democracy score sender* and *Imposition*.

In Model (1) of Table 4.4, I provide the results of the regression analysis of the dependent variable *Democracy score sender*, where I limit the sample to cases of economic sanctions terminated at the threat stage. I observe that my proxy for domestic audience cost — *Democracy score sender* — is not statistically significantly related to the success of threats of economic coercion, measured with the *Success* variable. Thus, I do not find evidence in favour of the public commitment hypothesis; I observe that the democracy score of the sender does not influence the success rate of economic sanctions threats.

In Table 4.4, Model (2), I report the results of the estimations for the independent variable *Democracy score sender* and the moderating term *Imposition*. In Model (2) I obtain a statistically significant ($OR=0.858$, $p=0.05$) negative relation between the effectiveness of threatened and imposed sanctions, subject to the democracy score of the sender. The coefficient estimate indicates that, as the democracy level of the sender increases, so does the effectiveness of sanction threats relative to imposed sanctions.

The results of the robustness test are consistent with the main findings. In Table 4.4, Model (3), I do not observe a statistically significant result for the dichotomous measure of democracy based on the Political Regime data set. However, the interaction term *Imposition * Democracy score sender (PR)* is statistically significant ($OR=0.227$, $p=0.05$) and points in the same direction as the result in Model (2) based on the continuous Polity IV democracy score.

Table 4.4. Estimation results for the public commitment mechanism. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio	Model (4) Odds ratio
Success				
Democracy score sender	1.085 (± 0.0608)	1.098* (± 0.0585)		
Imposition		2.625 (± 1.746)		2.700 (± 1.712)
Imposition * Democracy score sender		0.858** (± 0.0605)		
Democracy score sender (PR)			1.549 (± 0.797)	1.858 (± 0.927)
Imposition * Democracy score sender (PR)				0.227** (± 0.153)
Expected cost target	3.880*** (± 1.239)	3.170*** (± 0.750)	3.926*** (± 1.272)	3.190*** (± 0.765)
Path	0.835 (± 0.159)	1.132 (± 0.152)	0.812 (± 0.159)	1.107 (± 0.149)
US	1.160 (± 0.394)	1.453 (± 0.367)	1.419 (± 0.475)	1.595* (± 0.407)
Salience	0.642 (± 0.215)	1.131 (± 0.275)	0.644 (± 0.223)	1.137 (± 0.279)
Security	0.688 (± 0.290)	0.917 (± 0.274)	0.611 (± 0.258)	0.856 (± 0.254)
Multilateral	1.231 (± 0.446)	1.462 (± 0.368)	1.399 (± 0.518)	1.513 (± 0.392)
Past commitment	1.906** (± 0.488)	1.390* (± 0.238)	2.134*** (± 0.541)	1.519** (± 0.261)
Constant	0.0258*** (± 0.0237)	0.0244*** (± 0.0175)	0.0240*** (± 0.0214)	0.0243*** (± 0.0171)
Observations	264	536	267	536
Interaction term	NO	YES	NO	YES
Pseudo R2	0.105	0.0880	0.121	0.0959
Log Lik	-163.2	-332.8	-161.5	-329.4

In Figure 4.5, I plot the predicted probabilities, based on Model (2) from Table 4.4, of the success of a threat only and an imposed economic sanction, subject to the democracy score of a sender. In the figure there are two slopes, one for threats and another for imposed sanctions. The vertical axis depicts the predicted probability of success, and the horizontal axis the democracy score of the sender state based on the *DEMOC* score for the Polity IV data set. The interaction suggests an increasing role of domestic audience cost and a relatively low ability of authoritarian leaders to issue successful threats. This result is consistent with the theoretical predictions of the crisis bargaining model (Schultz, 1999; Fearon, 1994, 1997). Political leaders with a low domestic audience cost, like autocrats (Allen, 2008), appear unlikely to succeed at the threat stage, because public commitment may not “tie their hands” (Fearon, 1997). In addition, the theoretical prediction that, relative to autocracies, democracies are more likely to succeed at the threat stage (Fearon, 1994) is also confirmed in Figure 4.5, as threats become increasingly more successful than imposed

sanctions for a democracy score above 6, which is a common reference point in the literature for a state to be considered a democracy (Jeong and Peksen, 2019).

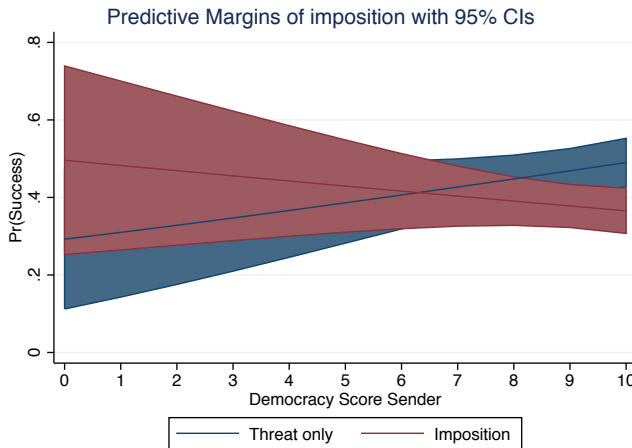


Figure 4.5. Impact of democracy level of the sender on effectiveness of threats and imposed economic sanctions.

4.5 Conclusion

The purpose of this research has been to bring together the diverse literature on the effectiveness of threats, and to study when and why threats of economic sanctions lead to policy concessions. I also assessed the conditions under which threats of economic sanctions are more successful than imposed sanctions. I first identified the main theoretical frameworks used for the study of threat effectiveness. Based on the literature, I then derived three, not mutually exclusive, hypotheses to study the effectiveness of sanction threats: (a) the coercive, (b) the informational and (c) the public commitment hypotheses. These three hypotheses specify three mechanisms that affect the effectiveness of sanction threats: (a) economic cost, (b) uncertainty and (c) domestic audience cost.

I have also proposed a novel and clear specification of uncertainty and argued that diplomatic relations between states can be used as a measure of uncertainty in interstate conflict. Based on the Formal Alliance data, I have generated a network of diplomatic relations. This innovative method has allowed moving beyond a dyadic approach and measuring the diplomatic relation between sender and target, even if they do not share a direct alliance. This contribution to the data-generating process

may help advance the use of network methods in the study of economic sanctions and international conflict.

The results of the empirical analysis support the coercive hypothesis. I show that the target's expected cost of economic sanctions is systematically related to the effectiveness of threats of economic coercion. I also show that the further the sender and the target are from one another on the diplomatic network, the less effective sanction threats are relative to imposed sanctions, pointing to the role of uncertainty. I further show that the more democratic a sender of economic sanctions is, the more likely is the success of a sanction threat relative to imposed sanctions — indicating the role of domestic audience cost in determining the success of threats. My findings provide support, and further enrich, recent work on the effectiveness of sanction threats (Whang et al., 2013). Previous research overlooked the aspect of relative effectiveness of threats vis-a-vis imposition in relation to the three causal mechanism and provided limited specifications and operationalisations of expected economic cost, uncertainty and domestic audience cost. To support further study of the three theoretical frameworks discussed in this chapter, the measures of economic costs, uncertainty and democracy should be improved. In particular, the use of alternative indicators to capture diplomatic ties — and, effectively, the degree of uncertainty — is likely to be of benefit to the political economy community.

Since the network approach to the measure of uncertainty in international relations can be more broadly applied, this work sets out prospects for future research. Scholars interested in military conflict, types of aid allocation or economic policy diffusion may benefit from the network of diplomatic ties that I have constructed for this chapter. It could also help answer recent calls to more thoroughly address the complex and interdependent nature of international relations (Farrell and Newman, 2019; Cranmer and Desmarais, 2016; Thurner et al., 2019; Peterson, 2018).

The findings of this study have implications for the broader research on economic sanctions and conflict. Data shows that threats of economic sanctions are an increasingly popular tool among policy-makers, particularly since the end of the Cold War (Morgan et al., 2014). It is possible that the increasingly international nature of economic activities (Keohane and Nye, 2000; Chang and Lee, 2011) and the post-Cold War wave of democratisation and international organisations — traditionally seen as a source of peace by the social science community (Keohane and Martin, 1995; Dixon, 1994; Gartzke, 2007; Russett et al., 1998; Ikenberry, 2018; Pinker, 2011; Goldstein, 2011) — are mechanisms underlying the increase in the use of threats of economic sanctions, as the prospective effectiveness of the tool increases, resulting in an inflation of the use of this tool in international conflict. As (Eaton and Engers, 1999, 409) write, “governments often seek influence beyond their borders”, and it is possible that the more likely they are to succeed, the more often they will take a chance.

However, this chapter also raises a question. To begin with, I find that diplomacy and trade — forms of liberal institutions — positively influence the effectiveness of threats of economic sanctions. Next, in the third chapter of this thesis, on the symbolic role of economic sanctions, I concluded that cooperation on economic sanctions is likely to be driven by instrumental considerations, so the prospective effectiveness of the sanction regime. This raises the question whether international organisations, also a liberal institution, can help to smoothen cooperation on economic coercion and restructure the constraints and incentives faced by democratic leaders. The final empirical chapter of this thesis addresses this question and looks at how international organisations may stimulate cooperation on economic sanctions between democracies.

5 | The Resilience of EU Sanctions against Russia: A Two-Level Game Explanation

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5.1 Introduction

When the European Union (EU) was confronted with Russia's annexation of Crimea and the destabilization of eastern Ukraine in the spring of 2014, it applied economic sanctions under its Common Foreign and Security Policy (CFSP) in the course of that same year. While the crisis in Eastern Ukraine initially galvanized a strong reaction in the European Council, the traditionally diverse attitudes of its member states towards Russia soon surfaced, evidencing the existence of three different approaches. One group is deeply distrustful of Moscow and adopts a hawkish approach with a robust sanctions policy at its core. At the opposite end of the spectrum, a Russophile group of member states advocates a rapprochement with Moscow. In between both camps, some member states adopt a moderate position. These diverging attitudes towards Russia among EU member states appear determined by diverse economic and cultural links as well as geopolitical and historical experiences (Siddi, 2017).

Capitalizing on these divisions, Russia attempted to split domestic opinion on sanctions and aggravate mistrust among member states in the hope of obstructing the renewal of EU sanctions and, more generally, EU foreign policy (Forsberg, 2016; Karolewski and Cross, 2017; Natorski and Pomorska, 2017). Moscow strengthened bilateral ties with selected EU capitals, supported Kremlin-friendly parties, spread disinformation ahead of elections (Karlsen, 2019; Orenstein and Kelemen, 2017), and imposed counter-sanctions in the form of a food embargo which penalized vulnerable EU economies (Hedberg, 2018). Aware of the political and economic costs associated with the sanctions package and later with the counter-sanctions, some member state governments openly criticized the measures following their enactment (Moret and Shagina, 2017; Naumescu, 2017). Consequently, in the aftermath of the enactment of sanctions, prospects for their continuation seemed far from promising. Still, the EU sanctions package has survived unaltered for more than five years. This chapter addresses how the EU was able to preserve the cohesion around sanctions against Russia.

In order to account for this cohesion between member states, I employ a two-level game framework where foreign policy makers make decisions based on the interaction between the domestic and the international levels, i.e. between individual member states acting in the Council of the EU and in their respective domestic arenas. I focus on three variables to explain policy positions: the attitude of the governmental elites, public opinion and the position of the business elite. I show that the continued extension of the sanctions package on Russia was supported by structural cohesion among EU member states rather than merely by the dominance of influential member states or the personal traits of leaders.

The chapter is organised as follows. First, I provide an overview of the sanctions package against Russia and discuss how the literature has approached it. Next, I

outline the two-level game framework to explain the persistence of EU sanctions against Russia. The section that follows analyses the factors accounting for the sanctions' resilience at the EU decision-making level as well as the domestic dynamics in two member states featuring opposing levels of support for the sanctions, Poland and Spain. The chapter then concludes by outlining implications for future research.

5.2 Why the survival of sanctions seemed unlikely

The EU introduced punitive measures against Russia in response to the annexation of Crimea and the destabilisation of Ukraine from March 2014 onwards (European Council, 2014). Different restrictions limiting relations with Russia were adopted in three rounds, from March to September 2014 (Szép, 2019). These included the suspension of the EU-Russia Summit and bilateral meetings with EU member states, the freezing of talks on visa facilitation as well as on a new bilateral agreement, targeted sanctions against individuals and entities, and an economic embargo on Crimea. Following the downing of Malaysia Airlines flight MH17 over Ukraine in July 2014, an act widely blamed on Russian-backed separatists, the EU restricted access to primary and secondary capital markets for some Russian banks and companies, banned trade in arms as well as the export of dual-use goods for military purposes, and limited access to some technologies and services for oil production and exploration. In March 2015, the Council tied the termination of sanctions to the implementation of the Minsk Agreements, which had been adopted between Kiev and Moscow for the alleviation of the armed conflict in eastern Ukraine. Pending full implementation, sanctions have been extended periodically.

Several factors militated against the continued extension of EU economic measures against Russia. The first is the CFSP decision-making procedure: The EU enacts sanctions against third parties in the framework of its CFSP. Once sanctions are enacted, they are subjected to periodic renewal, which must be agreed on unanimously. Because the renewal of CFSP acts requires unanimity, a sanctions regime can be discontinued on account of a single negative vote, effectively giving veto power to each member state, although termination of CFSP sanctions regimes typically results from a gradual phasing out of the package rather than the wielding of vetoes (Chelotti, 2016; Portela, 2010). While the Council received a mandate from the European Council to impose sanctions (Szép, 2019), such a mandate does not guarantee continued renewal. In response to human rights violations during the Chechen war of 1999, for instance, the European Council mandated the adoption of sanctions but the Council of Ministers agreed on little more than suspending the signature of a scientific agreement and redirecting technical assistance towards humanitarian aid, weak measures that were lifted shortly afterwards (Portela, 2010; Wilde de, 2000).

Second, the likelihood of termination of the Russia sanction regime is further increased by the character of the package. Along with the measures imposed on Syria, Iran and Côte d'Ivoire, this regime is one of the unusual EU economic measures that heavily impact the private sector. Traditionally, the EU has shied away from imposing sanctions on Moscow, a major economic partner. Previous experience with EU bans on major powers further supports the expectation of short-lived sanctions. Some signs of resistance to the 2014 sanctions package on Russia surfaced soon after imposition, suggesting they might indeed be short-lived. Criticism was voiced by members of the executive in various EU member states (Giumelli, 2017). In the years that followed the enactment, then-Spanish Foreign Minister José-Manuel García-Margallo declared that sanctions were “beneficial for no one” (Rettman, 2015). Greek Prime Minister Alexis Tsipras criticised them as “not productive” (BBC News, 2016). According to Bulgarian President Roumen Radev, sanctions are “not a solution to the problem” (Salles, 2016). Italian Prime Minister Giuseppe Conte stated that EU sanctions on Russia made Italy “sad” (Vergine, 2019). Resistance became evident in the tenuous public support in some member states (Onderco, 2017), and was accompanied by uneven patterns of alignment with the measures by EU neighbours (Hellquist, 2016). Moscow’s lobbying of the EU member states with affinity to Russia further increased the chances of a veto. The counter-sanctions adopted by the Kremlin in retaliation took the form of a food ban strategically targeting exports from the most vulnerable EU member states while benefiting key elites within Russia (Hedberg, 2018; Pospieszna, 2019).

A sign that the impetus for sanctions had subsided was the reinstatement of the voting rights of Russia at the Council of Europe by its Parliamentary Assembly, revoking the 2014 decision to suspend them after the annexation of Crimea. While the Council of Europe is unrelated to the EU, the June 2019 vote in its Parliamentary Assembly can serve as an indicator of lawmakers’ attitudes towards the persistence of sanctions. A survey of the votes of MPs from EU countries reveals that a majority of MPs from most EU member states opposed the continued suspension of Russia from the organisation (PACE, 2019). And yet, in a display of unity, the Council of the EU has consistently renewed the sanctions regime. The EU has maintained sanctions against Russia despite the presence in some European capitals of a “sizeable contingent of sanctions sceptics waiting for political cover to make a move” (Dobbs, 2017, 32). The maintenance of sanctions vis-à-vis Moscow has been characterised as unprecedented (Fischer, 2017; Moret and Shagina, 2017; Webber, 2019). How does scholarship explain the unexpected survival of EU sanctions against Russia?

5.3 Overview of existing literature

Most studies on the EU sanctions on Russia focus on three aspects. In mainstream sanctions scholarship examining the effectiveness of sanctions by assessing their im-

pact on the political behaviour of targeted decision-makers in the face of economic losses and political isolation (Biersteker et al., 2016; Hufbauer et al., 2007; Peksen, 2019), a number of studies have evaluated the economic and political effects of the measures on Russia (Aalto and Forsberg, 2016; Christie, 2016; Connolly, 2016; Fritz et al., 2017; Moret et al., 2016), of Russian counter-sanctions against EU imports (Hedberg, 2018), or the cost of EU sanctions for its member states (Dobbs, 2017; Moret and Shagina, 2017).

A separate strand of research has explored the significance of the sanctions package for EU foreign policy. Most such research has focused on explaining the EU's decision to impose sanctions on Moscow (Sjursen and Rosén, 2017). Some scholars regard the imposition of sanctions on a major power like Russia as underscoring the normative character of EU foreign policy (Karolewski and Cross, 2017). However, a majority of studies focus on distilling the implications of sanctions imposition on Russia for leadership in EU foreign policy. European studies scholarship has long established the prominence of the three largest member states — France, Germany and the UK — in the formulation of EU foreign policy (Hill, 2004). In the use of sanctions as a foreign policy tool, “big three” leadership reached its apex in the sanctions package wielded in the nuclear crisis with Iran, when it became institutionalized in the EU3 format (Harnisch, 2007; Rynning, 2008).

In the case of the current sanctions on Russia, the literature highlights the role of Berlin, London and Paris in championing the sanctions policy (Cadier, 2018; Moret and Shagina, 2017; Natorski and Pomorska, 2017; Nitoiu, 2018), albeit not always without some scepticism (Howorth, 2017; Kuzio, 2017). In a departure from the traditional focus on the “big three”, the growing centrality of Germany in spearheading the sanctions regime, as well as her recourse to mini-lateral frameworks (Helwig, 2019), receives particular attention. This is partly due to the outcome of the referendum on British EU membership of June 2016: While London was one of the key advocates driving the adoption of sanctions on Moscow in 2014, its influence declined subsequently (Nitoiu, 2018).

The debate has centred on the nature of German leadership on EU sanctions and its significance for European foreign policy. Szabo (2014) claims that Western policy towards Moscow relied increasingly on German Chancellor Angela Merkel to lead mediation efforts with Russian President Vladimir Putin. Similarly, Forsberg (2016) argues that Germany grew willing to bear the economic cost of imposing sanctions on Russia in retaliation for breaches of international law while concurrently pursuing cooperation and dialogue. Nitoiu (2016) contends that, continuing its traditional post-Cold War *Ostpolitik*, Berlin reluctantly adopted a leadership role in the Ukraine crisis, but Siddi (2018) sees German leadership as the culmination of a long-standing quest. Some scholars shift the emphasis to individual leaders whose personal engagement accounts for the consensus on EU sanctions, pointing to Donald Tusk, who was

the Prime Minister of Poland at the time of imposition in 2014 before becoming President of the European Council (Pospieszna, 2019), or German Chancellor Angela Merkel (Forsberg, 2016; Orenstein and Kelemen, 2017; Sjursen and Rosén, 2017).

All the research has, however, so far focused on the process leading to the imposition of sanctions over the central months of 2014, i.e. on how agreement for the initial imposition of sanctions was forged (Sjursen and Rosén, 2017; Szép, 2019), and relatively little attention has been paid to how consensus was sustained over the years that followed. While scholarship maintains that German leadership was central to the imposition of sanctions against Russia, it does not explain the survival of cohesion around the permanence of the measures and overlooks the positions of other member states. While the role of Germany, France and the UK in shaping EU foreign policy is important, their ability to bring reluctant states on board requires further unpacking. The question is, thus, how did the EU manage to maintain the sanctions package against Russia in the face of uneven support among member states? This is particularly relevant given that relations with Russia are traditionally amongst the most divisive issues in EU foreign policy (Chandler, 2013; Siddi, 2017), and in the light of evidence that bigger member states did not force their will on smaller member states to achieve consensus (Szép, 2019) (Interviews 1, 2, 3, 4 and 5, 2017).

The present chapter considers EU member states' unity vis-à-vis sanctions against Russia, showing that cohesion results from the interaction between the EU and domestic levels, which includes the interplay of various groups of actors: government, business elites and the public. I argue that it is the structure of the relations that political leaders face — both domestically and at EU level — that sustains cohesion in the European Council on sanctions against Russia.

5.4 Theoretical framework

While the academic debate on EU sanctions policy exhibits a focus on either the domestic or the international angle, this analysis of the process of EU sanctions renewal on Russia shows that the domestic and international dimensions are intertwined. Neither an exclusively domestic nor a purely international account of the EU sanctions on Russia can disentangle the causal mechanism that have sustained cooperation in the Council of the EU. Instead, I argue that the persistence of EU sanctions against Russia can be explained with the help of a two-level game framework and is driven by the structural constraints and incentives faced by political leaders of EU member states. As (Putnam, 1988, 427) explains: “debating whether domestic politics really determine international relations, or the reverse, is useless. The answer to that question is ‘both, sometimes.’” Only through theorising and empirically testing the interaction between the domestic and international levels can we fully grasp the policy-making process in the Council on sanctions on Russia.

In order to apply Putnam's two-level game framework, I make two assumptions about the negotiation process in the Council: (i) member states would have pursued a different policy (i.e. no sanctions) in the absence of negotiations in the CFSP framework, and (ii) pressure from a group of member states was required for multilateral sanctions to be adopted. In other words, an agreement on sanctions imposition and renewal in the Council required both a degree of pressure from a number of EU partners *and* is not a policy outcome that would have occurred had there been no CFSP framework and Council negotiations.

The framework also assumes that there is a national political leader who operates both at Council level and in domestic politics, and who holds the authority to approve or veto the renewal in the Council. At the national level, domestic groups pressure the leader to select policies that maintain their welfare, while leaders seek to secure the broadest possible support among voters.¹ Following Putnam (1988), and in line with research that employs a two-level game framework (Collinson, 1999; Forwood, 2001; Hertog, 2008), I consider both domestic groups and political leaders as rational and utility-maximising agents. I assume that two domestic groups directly relevant to the political leader are the business elite and public opinion.

I further formulate some assumptions about the negotiations in the Council, again in line with Putnam's (1988) two-level framework. At the international level, political leaders attempt to reach an agreement that addresses the domestic expectations they, respectively, face. The negotiation occurs at two stages. First (Level I), the political leaders bargain over the policy, reaching a tentative agreement. Second (Level II), domestic groups assess the policy proposal and decide whether to support it. If domestic groups give sufficient support, the political leader will back the tentative agreement, giving rise to what is described as a win-set. According to Putnam, the win-set for a given Level II constituency is "the set of all possible Level I agreements that would 'win' — that is, gain the necessary majority among the constituents — when simply voted up or down" (Putnam, 1988, 437). The bargaining process between the national leaders at Level I is a zero-sum game, meaning that hawkish member states opt for strong to very strong sanctions and dovish ones for no sanctions or minimal sanctions. A shift towards either extreme (i.e. no sanctions or a full embargo) would dovetail with the preferences of only one group. In other words, the

¹In accordance with a rational choice approach, I define "welfare" as the components of the utility of an actor. In this framework, stakeholders derive utility from foreign policy and trade. While losses from trade may be more painful for business than for voters, foreign policy issues may matter more for voters than for business (Whang, 2011). Consequently, an economic sanction may be welfare-increasing for some groups, like voters, because the foreign policy gain is a public good (i.e. non-competitive and non-exclusive) while the trade cost is a quasi-private good (i.e. it mostly harms those employed in the sector under sanctions). However, not all companies suffer from sanctions, while some actually benefit (Pond, 2017). Consequently, while on the aggregate level sanctions are likely to be welfare-decreasing in economic terms, a political leader may base her support on constituencies experiencing a gain — or at least not a loss — from sanctions.

policy preferred by one side of the negotiating table is the least favoured by the other side. However, each of the negotiating parties has a spectrum, a win-set, of potential policy drafts that are acceptable, and when there is an overlap between the win-sets of the negotiating parties, an agreement is reached.

This theoretical set-up leads to a number of expectations consistent with the two-level game literature (Collinson, 1999; Putnam, 1988). First, the larger the win-set of a political leader, the higher the chance of an agreement. Second, the degree of support from domestic groups to the political leader defines the win-sets, structuring the distribution of gains between the involved parties at the negotiation stage. Third, I assume that the political leader has no individual preference beyond utility-maximising behaviour, that she merely reflects the preferences of the domestic groups that support her.² Fourth, the structure of the domestic and EU-level interaction drives the outcomes at the level of the Council. As long as these structural features are not altered, consensus remains in place.

I now apply the expectations resulting from the two-level game to Council negotiations on sanctions, a case for which this approach has been identified as potentially fruitful in the current scholarship (Fürrutter, 2019).³ In the Council, both the European Council and the Council of Ministers, EU members bargain with each other in negotiations that take place behind closed doors. Each member promotes its own interests, and negotiators may adjust their preference to reach an agreement as long as the outcome does not threaten key national interests (Szép, 2019). The political leader is the individual who negotiates in the Council. The domestic groups are the party (or parties) in power, public opinion and the business elites of the respective member states.

The policy spectrum on which the bargaining takes place ranges from no sanctions at all — the most preferred position of “doves” like Austria, Cyprus, Hungary, Italy, or Spain — to an aggressive limitation of trade and financial exchange with Russia coupled with restrictions on individuals from entry to the EU — the most preferred position of “hawks” like the Baltic republics, the UK or Poland (Webber, 2019). The presence of the hawkish states supports the second condition listed in this section for

²Putnam (1988) offers an extension of this baseline framework, in which political leaders are merely transmission belts of public sentiments. However, deviation from this assumption is neither necessary for the two-level framework to offer predictive power, nor is it empirically justifiable due to the unavailability of reliable data on private sentiments of political leaders that are not aligned with her political party.

³Some authors claim that, in the study of EU policy-making, the two-level game framework ought to be expanded (vertically, horizontally, cross- institutionally, intra-institutionally and allowing for repeated interactions) (Torreblanca, 1998; Naurin and Rasmussen, 2011; Beyers and Dierickx, 1998; Larsén, 2007; Collinson, 1999). However, adding complexity to the theoretical framework does not *per se* yield additional explanatory power — as demonstrated in studies that successfully use Putnam’s original two-level approach (Hertog, 2008; Forwood, 2001).

a two-level game to occur; namely — pressure from a group of member states was required for multilateral sanctions to be adopted. Next, each EU member state has its own win-set, a policy spectrum that it finds acceptable on Russian sanctions, shaped by the interaction between the position on sanctions of the ruling party in relation to the preferences of voters and the position of the business elite. In addition, Franco-German agreement constitutes a pre-condition for successful cooperation on foreign policy in the EU (Hill, 2011): On account of their dominant role in EU foreign policy-making, any renewal of sanctions must be compatible with their preferences. This is also in line with the first condition for a two-level game to take place; namely — member states would have pursued a different policy in the absence of negotiations in the CFSP framework. Finally, while the UK played a key role at the time of both sanctions imposition and renewal (Foreign Affairs Committee, 2017), London's influence shifted in favour of the Franco-German couple after the negative outcome of the referendum on EU membership of June 2016 (Nitoiu, 2018).

In line with previous research (Hill, 2011), I argue that, for sanctions to be extended, Germany and France must endorse the sanction policy. However, this is a necessary but not a sufficient condition: In order to maintain the consensus around sanctions, the leaders of France and Germany need to bring other member states on board, both the hawkish and the dovish. How was this accomplished? Based on a variation of the two-level game framework, I argue that the presence of a domestic faction whose preference deviates from the general pattern among domestic factions enlarges the win-set of the leaders of those member states occupying extreme positions, thereby increasing the chances of agreement in the Council.⁴ Consequently, I formulate the following propositions:

Proposition 1: The presence of a domestic group dissatisfied with the EU sanction policy against Russia in hawkish member states facilitates cohesion in Council negotiations.

Proposition 2: The presence of a domestic group favourable to the EU sanction policy against Russia in the dovish member states facilitates cohesion in Council negotiations.

To illustrate these expectations, I select Poland and Spain as case studies, as they are two EU member states whose approaches to sanctions on Russia diverge. Both

⁴While this research design considers the role of business elites, this does not suggest that EU countries see their relations with Russia exclusively through an economic lens. Instead, I believe that historical and geopolitical factors account for the stark variation in their threat perception, resulting in hawkish and dovish approaches towards Moscow. Such considerations combine with the likely cost of sanctions and counter-sanctions in shaping these countries' stances towards the extension of sanctions against Russia. The selected domestic actors reflect the differentiated attitudes of elite and public opinion in each case study.

have large economies, comparable population sizes, and lack a tradition of employing sanctions in their foreign policy. Prior to the adoption of sanctions in 2014, neither of them mentioned this tool in their national security strategies (Gobierno de España, 2013; MFA, 2012).⁵ Both countries experienced a change of government in the years following sanctions imposition, but did not substantially alter their stance on the renewal of the measures. Apart from these similarities, they represent a typically hawkish and dovish approach, respectively, in accordance with their diametrically opposed threat perceptions of Russia: Poland, which considers Russia a major security threat, adopted a typically hawkish approach to Moscow in the EU context. At the opposite end of the spectrum, Spain does not regard Russia as a threat to its security, and displays a dovish approach towards Moscow.

Empirical material was assembled in original semi-structured elite interviews conducted with representatives of the Member States in Brussels and selected European capitals between December 2017 and June 2018.⁶ This was complemented with aggregated data (i.e. surveys, opinion polls and trade statistics) and secondary sources (i.e. speeches, media interviews and official statements).

5.5 Dynamics between the Council of the EU and domestic politics

Prior to the Ukraine crisis, the Working Party on Eastern Europe and Central Asia (COEST), the principal forum for managing EU-Russia relations, was characterised by a cleavage between member states distrustful of Russia and those open to cooperation with Moscow. The group suspicious of Moscow consisted of the Baltic republics and Poland, followed by Sweden, Denmark, Romania, the UK and, less virulently, Finland (Dobbs, 2017). On the opposite end of the spectrum were southern European countries like Bulgaria, Cyprus, Greece, Italy, Slovenia, Portugal and Spain, but also Hungary and Austria (Webber, 2019), who were inclined to engage with Russia due to burgeoning economic ties, cultural and religious links and/or the absence of recent conflicts (Natorski and Pomorska, 2017; Nitoiu, 2016). In between these two camps, key members France and Germany adopted an intermediate position, albeit leaning towards engagement.

⁵The 2017 Polish Foreign Policy Strategy mentions sanctions twice, both times in connection to Russia (MFA, 2017).

⁶Representatives from Poland, Spain, Finland, Germany, Estonia and Cyprus were interviewed anonymously. See appendix for list of interviews.

5.5.1 Franco-German leadership and consensus-building in the Council

The annexation of Crimea and Russian military support for separatist forces in eastern Ukraine had a major impact on the traditional cleavage that characterised attitudes towards Moscow among EU member states: The political and diplomatic crisis that ensued gave way to a unified stance of condemnation that crystallised into sanctions. Berlin and Paris hardened their attitudes and galvanised consensus among the member states (Webber, 2019). Prior to the Ukrainian crisis, the Franco-German position towards Russia had approximated that of southern European countries. However, after becoming involved in the Normandy format, Berlin and Paris adopted a leadership role in maintaining cohesion behind sanctions.⁷

Notably, the exercise of leadership was facilitated by an alteration of the decision-making process. The usual practice is that the impulse for sanctions regimes originates at the Council Working Party dealing with the geographical area where the target is located: COLAT for Latin America, COASI for East Asia, MaMa for the Maghreb and Mashreq, etc. The issue is then taken up by the Council Working Party on External Relations (RELEX), before being transferred to the Committee of Permanent Representatives (COREPER), eventually reaching the Council of Ministers for endorsement.⁸ A “Council Decision” is then adopted under Title V of the Treaty on European Union (TEU), representing the political decision to wield sanctions.⁹ Those measures with a bearing on the single market, i.e. economic and financial bans, require the adoption of a “Council Regulation”, which gives effect to the bans reflected in the CFSP act.

The decision on sanctions against Russia is one of the few taken directly by the European Council, whose importance as a decision-maker in sanctions policy has increased since the Treaty of Lisbon came into force (Szép, 2019). However, a unique feature of the Russia sanctions is that responsibility for the regular renewal of the measures remains with the European Council, rather than with the Council of Ministers. Extensions of the sanctions package against Russia are agreed by the European Council, which directly mandates the RELEX group to prepare the relevant legal acts. The periodic extension of the sanctions package routinely follows an update from German Chancellor Merkel and the French President — first Hollande and later Macron — to the European Council on the state of implementation of the Minsk agreements, after which restrictive measures are renewed for another six months. The renewal of the

⁷The Normandy format are talks that involve representatives of Germany, France, Ukraine and Russia on solving the on-going conflict in the Donbas region.

⁸In 2004, the Working Party on Foreign Relations was tasked with the monitoring and evaluation of EU bans, while meeting periodically in a specific sanctions formation. The mandate for this formation includes the development of best practices in the implementation of restrictive measures.

⁹Art. 30 Treaty on European Union (TEU).

sanctions regime is decided on by the leaders because of Russia's key geopolitical importance, thereby elevating the matter to *Chefsache*, a "matter for bosses" (Webber, 2019).

The renewal process is aided by the European Council President, who facilitates informal discussions in the run up to official meetings (Pospieszna, 2019). Reportedly, no substantive debate on the prolongation of sanctions takes place (Szép, 2019). According to one diplomat interviewed, a renewed debate could bring the traditional cleavage between the member states back to life and undermine cohesion: "It is good that there is no discussion in COEST, because thanks to that there is a consensus" (Interviews 3, 2017).

Franco-German leadership is regarded as "asymmetric" on account of Germany's dominant role in the formulation of the policy response and France's initial hesitation to back strong measures (Siddi, 2018; Cadier, 2018). Still, the French stance remains key, as southern European countries such as Italy, Spain and Portugal take it as a point of reference (Webber, 2019). A diplomat interviewed observed that "if Paris softened its position vis-à-vis Russia, this might immediately cause countries from southern Europe, which traditionally align with France, to follow" (Interview 5, 2017).¹⁰

This analysis confirms the expectation that endorsement by Berlin and Paris, as a necessary condition for EU sanctions, was forthcoming. Franco-German agreement on sanctions against Russia created the condition for other EU member states — both hawkish and dovish — to agree on renewing measures against Russia. Thus, France and Germany play a necessary, but not sufficient, role in the imposition and renewal of economic sanctions against Russia. Although some member states do not favour sanctions, they regularly agree to their renewal, while others that favour stronger measures settle for the current package. This dynamic is further explored in the following sections.

5.5.2 Domestic politics in Poland

The Polish government has been at the forefront of the promotion of sanctions against Russia from the beginning, contending that the EU should react resolutely to the violation of international law and of Ukraine's sovereignty (Sus, 2018).¹¹ It consistently advocated prolonging sanctions against Russia (Polish Institute of International Affairs, 2015; Siddi, 2017). For Warsaw, the sanctions package is part of a policy of ensuring the security of its Eastern border, which constitutes its top foreign policy

¹⁰This special relation between France and southern European countries may indicate why the dovish member states have not defected to the status quo (i.e. no sanction) during the negotiations at the Council level and considered an agreement on sanctions a viable policy outcome.

¹¹I use the case study of Poland to illustrate the argument because Warsaw's domestic political perspective on and economic ties with Russia broadly reflect the dynamics between central European and Baltic member states and Russia (Onderco, 2017, 2019).

priority (MFA, 2018). Successive Polish Prime Ministers opposed the removal of sanctions, holding that as long as Russia fails to comply with Minsk obligations, there can be no question of lifting (MFA, 2017).¹² In addition, Polish leaders like former Foreign Minister Radosław Sikorski have criticised the sanctions for their weakness (Siddi, 2017). During his term as Prime Minister of Poland, Donald Tusk complained that the EU imposed sanctions on Russia “timidly and inconsistently” (Chancellery of the Prime Minister, 2014).

Support for sanctions spans the Polish political spectrum: The stance of opposition parties coincides with that of the government, although *Civic Platform*, in power in 2014, displayed a more conciliatory attitude towards Moscow than the ruling *Law and Justice* (Sus, 2018). While *Law and Justice* is identified as having a particularly negative view of Russia, most political parties in Central and Eastern Europe grew increasingly critical of Russia after 2015 (Onderco, 2019). Polish Members of the European Parliament have actively advocated the continuation of coercive measures against Moscow, appealing to the European Council, the European Commission and the High Representative for the extension of EU sanctions to Russia. All ten Polish MPs at the Parliamentary Assembly of the Council of Europe favoured the continued suspension of Russia in June 2019, albeit without success (PACE, 2019).

Polish civil society organisations, think-tanks in particular, have devoted substantial attention to the sanctions against Russia, stimulating a lively public debate. Public support for economic sanctions against Russia is high among Poles, who believe that sanctions appropriately address the ongoing conflict in Ukraine. Polls indicate that 68 percent of respondents favour the continuation of sanctions. Nearly half of Poles support a tightening of the sanctions regime, while only seven percent regard the sanctions as too severe (CBOS, 2015). Similarly, a 2018 survey indicated that 62 percent of Poles advocate the widening of sanctions, while only 32 percent oppose it (Friedrich Ebert Foundation, 2019).

The most critical voice regarding economic sanctions against Russia in Poland comes from the business elite, as, thanks to long-standing ties, Russia is a leading trading partner for Poland (Onderco, 2017). In spite of the sanctions, Russia continues to be a major market for Polish exports — in 2017 it accounted for 2.7 percent of all Polish exports, with a value of roughly USD 6,000 million, making Russia the seventh largest destination market for Polish exports, larger than Spain. The structure of Polish exports to Russia is very diverse: The first three categories of products (packaged medicaments, vehicle parts and beauty products) constitute less than 10 percent of the total value of Polish exports to Russia, and only a few categories constitute more than 2 percent of the export's value share. This indicates both ongoing and broad

¹²Nevertheless, the *Polish Foreign Policy Strategy 2017-2021* maintains that “isolating Russia is not Poland's policy goal” (MFA, 2017).

exposure of Polish exporters to the Russian market, in spite of the economic sanctions in place and a drop of nearly USD 3,000 million in the value of Polish exports to Russia since their imposition (United Nations, 2019). Poland is also a major importer of Russian goods: in 2017 Russia was the third largest exporter to Poland, after Germany and Italy, and took a 5.1 percent share of Polish imports, equivalent to USD 11,500 million (United Nations, 2019). However, it is worth noting that Russian exports to Poland are mostly fossil fuels — in 2017 they accounted for 77 percent of the value of Russian exports to Poland (United Nations, 2019). The reliance on energy supplies from Russia further highlights how intertwined the Polish and Russian economies are, and the structural limitations on how far the Polish government can pursue an aggressive sanction policy.¹³

The continued broad exposure of Polish exporters to the Russian market and reliance on Russian imports for energy consumption suggests that, despite broad support for sanctions among Polish voters, the business elite could have restrained the Polish government from pursuing a very strong stance on measures against Russia. Interviews conducted in Brussels in the spring of 2018 support this expectation. During two conversations (Interview 6 and 7, 2018) exposure of Polish exporters to the Russian market, the fundamental role of energy imports from Russia and the lobbying activity of the Polish business associations were indicated as causes for the diluting of Poland's, and, more broadly, hawkish states', position on sanctions against Russia.

Similarly, I find comparable evidence from the part of the Polish economy strongly exposed to the Russian market, the agriculture sector. It is the most vocal opponent of EU sanctions against Russia in Poland, and apples became emblematic of the pressure on the Polish farmers resulting from the sanctions.¹⁴ Poland is among the largest producers and exporter of apples in the world, and Russia is among the largest importers in this multi-billion dollar industry (Harper and Becker, 2019; United Nations, 2019). In February 2019, thousands of Polish farmers, mostly from the apple industry, protested against the hawkish position of Poland on sanctions: As one of the protesters said: "we were the only business affected. We are paying the price." (Harper and Becker, 2019). Besides the protest, it appears that the agriculture sector has been continuously lobbying the government to weaken its position. The association of Polish fruit producers, the "Fruit Union", issued a statement about the impact of the sanctions regime on the Polish apples market and called on Warsaw to re-assess its foreign policy (Maliszewski, 2018). The "Fruit Union" association was already active in pressuring Warsaw in 2014, when sanctions were designed and introduced, suggesting that "maybe under the pressure of the public opinion and political groups [in Poland] we have chosen a heavy form of confrontation [with Russia]"

¹³For a detailed account and visualisation of Polish-Russia trade ties, see Poland's page on the website of the Observatory of Economic Complexity at <https://oec.world/en/profile/country/pol/>.

¹⁴A slogan was coined in Poland to stimulate domestic consumption and help the apple producers "An apple a day keeps Putin away".

(TVN24, 2014). At the time, the Polish Ministry of Economy, headed by deputy Prime Minister Piechociński from the agrarian Polish Peasants Party, attempted to alleviate the pain in the agriculture sector by seeking compensation for the Polish farmers from the EU, and by actively promoting Polish agricultural exports through government programmes (TVN24, 2014).

Thus, while Poland displays an aggressive approach to sanctions on Russia, the strong Polish-Russian business ties, and concentration of economic pain on the fruit producers, may constrain Warsaw's demands on the strictness of sanctions. Such domestic dynamics may force the political leader in Poland to relax the approach to economic sanctions negotiations and not to pursue the harshest possible design of sanctions, despite Polish politicians indicating in public that EU sanctions against Russia are too timid. Consequently, and paradoxically, it is the domestic constraint that creates the space for a consensus on sanctions against Russia at the international level — expanding the win-set of Poland and bringing it closer to the less hawkish EU member states. This finding illustrates the first proposition of this chapter, that the presence of a domestic group dissatisfied with the sanction policy in hawkish member states facilitates cohesion in Council negotiations.

5.5.3 Domestic politics in Spain

Spain's low profile in the sanctions on Russia is reflected in the limited attention Madrid receives in academic discussions on the subject, which focus on the attitude of EU members located in proximity to Russia (Onderco, 2017; Siddi, 2017, 2018).¹⁵ Even though two different parties alternated in power during the period under study, the official position of the Spanish government towards the sanctions on Russia remained unaltered. The government of the centre-right *Partido Popular* (People's Party), in office until 2018, and that of the centre-left *Partido Socialista* (Socialist Party) that replaced it have been similarly ambivalent towards the sanctions package. Former Foreign Minister Josep Borrell from the *Socialist Party* complained: "Spain is one of the countries most disadvantaged by Russian measures reacting to European sanctions" (quoted in Abellán (2018)). This resonates with the line followed by his predecessor García-Margallo, who lamented that the country had racked up big losses from the sanctions (El Diario, 2015). Such statements contradict evidence about the differential impact of sanctions and counter-sanctions on EU member states, which concludes that Spain is one of the least affected economies. More generally, studies show that those leaders who complain the most tend to represent those countries that have suffered the least (Giumelli, 2017; Moret et al., 2016).

¹⁵I use the case study of Spain to illustrate the argument because Madrid's domestic political perspective on and economic ties with Russia broadly reflect the dynamics between southern European member states and Russia (Onderco, 2019, 2017).

Voicing support for a lifting of bans, Borrell indicated: “We wish for the normalisation of relations and are working towards it” (quoted in Abellán (2018)). Former Foreign Minister Alfonso Dastis claimed that the sanctions on Russia “made everybody feel uncomfortable” (quoted in Bonet (2017)). Spanish ambivalence is reflected in the statement by former Minister for Energy Álvaro Nadal that “sanctions apply to limited areas only, and room for cooperation remains”, noting “plenty of projects [...] under development” (El Diario, 2017). Madrid’s consent to frequent calls of Russian warships into Spanish harbours, estimated at 62 calls from 2011 to 2016 (Alandete, 2018), led a group of MEPs to complain that this practice helped the Russian army to maintain positions in Ukraine (González, 2016). Spain’s stance has been labelled as “favourably neutral” (Dunaev, 2018). In November 2018, during his first official visit to Spain since March 2014, Russian Foreign Minister Lavrov confirmed: “Spain is among the European countries that understands the anomaly in the current state of EU-Russia relations” (quoted in Abellán (2018)).

Even so, Spain has adhered consistently to the EU’s official position that the lifting of sanctions remains tied to the implementation of the Minsk agreements, and has refrained from threatening to veto the renewal of measures. Borrell conceded that Madrid supported sanctions against Moscow out of solidarity with European partners promoting a hard line on the Kremlin (quoted in Abellán (2018)). In summary, the Spanish position combines the rejection of a hard line on Moscow with a reluctance to obstruct the consensus at the Council and solidarity with the more hawkish member states (Andrés and Pedro de, 2015).

For the *People’s Party*, in power at the time of the enactment of sanctions, while Moscow’s actions in Ukraine were seen as objectionable, Russia remained an important neighbour for the EU and a key international player. The *Socialist Party*, in power since 2018, emphasises the need to adopt a co-operative attitude towards Russia. While generally Russia-friendly, neither of them challenged the consensus on sanctions. Only the leftist party *Podemos* (“We can”) deviates from this moderate pattern. Sympathetic to the Russian narrative on the Ukrainian conflict, it proposed the outright lifting of sanctions and Russia’s reinstatement to the G8 (Dunaev, 2018; Andrés and Pedro de, 2015). Views favourable towards Russia are found also at the opposite end of the Spanish political spectrum, where many conservatives see Russia as a bulwark against international terrorism (Delasheras, 2016). This constellation reflects how Russian activities geared to influence political dynamics in Europe target both extremes of the political spectrum (Onderco, 2019). Five out of six Spanish MPs at PACE voted in favour of reinstating Russian membership in the Council of Europe in June 2019, while one MP of the liberal party *Ciudadanos* (Citizens) abstained (PACE, 2019).

While business associations generally remain sceptical of the sanctions, most of them expressed their opposition discreetly. Only fruit and vegetable growers, the sector most

badly affected by Russian counter-sanctions (Instituto de Comercio Exterior, 2016), vocally complained about the sanctions. Prior to the enactment of sanctions, the Russian market absorbed 25 percent of Spanish fruit and vegetable exports (Álvarez, 2014). The agricultural association of the region of Valencia reported losses of some EUR 2,000 million and accused Brussels of confronting Moscow “on account of strictly political decisions alien to agriculture [...] not serving any other purpose than harming agricultural interests” (quoted in Amorós (2017)).

According to opinion polls, even though the Spanish public believes that responsibility for the conflict lies with Russia, it is opposed to the continuation of sanctions. Only 10 percent of respondents agreed with the maintenance of EU sanctions, while a majority — about 55 percent — favoured mediation or advocated alternatives to sanctions (Elcano, 2015). These figures reveal a lack of solidarity with Ukraine, whose ongoing conflict is seen as irrelevant to the security of Spain, and with the EU more generally. Reflecting the limited interest among the Spanish public for the topic, the think-tank community barely covered the issue, and civil society has not mobilised over it.

In summary, although Spain appears willing to conform with the consensus at the Council, Spanish leaders display an ambivalent position on the sanctions on Russia. While the public opinion and business elite are disinclined to the preservation of sanctions, broad interest in the conflict is lacking in Spain. Thus, on the one hand, this chapter finds no support for the second proposition, that the presence of a domestic group favourable to the sanction policy in the dovish member states facilitates cohesion in Council negotiations. On the other hand, this chapter does observe that the low salience of the issue coupled with the ambivalence of the political elite in Spain creates conditions for conformity and, eventually, cohesion at the Council. Effectively, the scope for agreement (the win-set) of Spain is larger than commonly assumed for a dovish state, and the issue's lack of domestic salience allows Madrid to support consensus at the Council.

5.6 Conclusion

In contrast to previous research that looked into the drivers for adoption of a sanctions package during the Russo-Ukrainian crisis of 2014 as well as its implications, the present analysis inquires why, despite Moscow's attempts to disrupt it, the consensus on the measures did not erode over time. This chapter explains the persistence of consensus among EU member states on the bi-annual extension of sanctions against Russia with the help of a theoretical framework based on a two-level multi-actor game that incorporates the positions of various domestic groups, using novel interview material. Departing from the assumption that Franco-German endorsement was necessary but not sufficient to account for sanctions resilience, I find the explana-

tion in the interaction between the domestic and EU level. The analysis confirms the expectation that the presence of at least one domestic group opposing sanctions in hawkish member states supports cohesion in the Council. However, it does not confirm the expectation that at least one domestic group needs to favour sanctions in dovish member states. This chapter argues that the Polish business elite's strong exposure to Russia may have worked as a constraint on the government's preference for strict measures against Russia. Consequently, and paradoxically, it is the domestic opposition to sanctions from part of the business elite that makes Poland more flexible at the Council negotiations and broadens the win-set for the Polish government. In the Spanish case, while I do not find vocal support for sanctions in the business elite or in public opinion, the ambivalence of the Spanish government and the low salience of the issue in Spain allowed the consequent government in Madrid to take a conformist position on sanctions against Russia vis-à-vis the more hawkish member states.

The findings of this chapter call into question some common assumptions made in the growing literature on EU sanctions on Russia. First, while the current emphasis on Germany's centrality to EU foreign policy formulation is warranted, the survival of cohesion on the Russia sanctions is not exclusively due to (Franco-)German leadership, nor is it simply the result of intergovernmental bargaining. Importantly, the acquiescence of member states may depend on the presence of at least one domestic group whose preference diverges from that prevailing among other actors on the domestic scene. In the case of member states hawkish on Russia, it is the exposure to trade with Russia that broadens their win-set and allows for consensus. Thus, cohesion results from the structure of domestic and EU-level politics, an aspect that scholarship has so far missed. EU cohesion on sanctions on Russia has survived changes of government in both Poland and Spain and, in light of this analysis, it may well persist even in the event of further changes in political leadership.

According to my analysis, it is even possible to argue that the Russian countersanctions on perishables might have had an unintended consequence: that of facilitating consensus by strengthening opposition to sanctions among the business elites in the hawkish member states, so creating a counterweight to the maximalist preferences of political elites and facilitating consensus at Council level by making it easier to find common ground with the dovish members. From this perspective, and paradoxically, instead of disrupting the consensus as initially intended (Hedberg, 2018), the countersanctions might have aided its continuation. In addition, Russian involvement in the Catalan quest for independence, aimed at sowing divisions in Europe, may solidify the position of Spain on sanctions, as Spanish public opinion may turn unfavourable towards Russia.

My findings have both relevance for policy and implications for the analysis of leadership in the intergovernmental forum of the CFSP. While Germany's newly-found role

as a leader in EU foreign policy certainly owes much to its willingness to bear the costs of the sanctions (Forsberg, 2016), its unexpected success in keeping all others on board over time is not merely due to “power of attraction”; it relies crucially on structural factors that allow the policy to be sustained at the domestic level. Furthermore, this research highlights the role that the European Union, and the Council in particular, play in coordinating multilateral coercion. The common criticism of the CFSP framework is that, with the effective veto right for each representative and divergent interest across the member states, it will prove dysfunctional. However, the divergent interests may, in fact, bring member states towards a common position — as shown by the two-level game framework illustration with the cases of Poland and Spain.

The results of this chapter are, paradoxically, in line with the argument of liberal institutionalists — that international organisations and democracy can stimulate cooperation (Keohane and Martin, 1995). However, while liberal scholars tend to assume that cooperation brings peace, international relations can also include cooperation on coercion. In this chapter, I have shown how the EU negotiation structures interact with the domestic constraints of political leaders of member states and, through this two-level dynamic, create scope for a multilateral sanctions regime to come in place and be surprisingly robust. Thus, I show that, while liberal institutions do stimulate cooperation, this is cooperation on coercion. This further supports the argument for potential policy substitution and policy inflation with respect to economic sanctions resulting from the liberalisation of the world order — here in relation to multilateral economic coercion. In addition, findings of this chapter provide further insight to the results of Chapter 2. Democracies are more likely to engage in international organisations (Keohane and Martin, 1995; Keohane, 1984; Keohane and Nye, 2000), what positively stimulates cooperation on economic sanctions and is in line with my finding that democracies are more likely to engage in economic coercion. This chapter also informs the result from Chapter 3, on the potential instrumental, rather than symbolic, role of cooperation on economic sanctions. It offers an invitation for further research into the instrumental aspect of cooperation on multilateral economic sanctions.

6 | Conclusion

This thesis has been composed of four empirical chapters. Chapter 2 revisited the argument for the presence of an economic peace between democracies. It asked whether the democratic peace also holds in the realm of economic sanctions. The results show that democracies are more likely to issue economic sanctions, and that economic peace is essentially absent. In fact, Chapter 2 shows that democracies are more likely to sanction one another than non-democracies. Chapter 3, examining the response of the domestic audience in sender states to economic coercion, finds that political leaders experience a domestic audience benefit for imposing an economic sanctions regime, and a domestic audience cost for issuing an empty threat. No evidence is found for an additional boost in approval rating for multilateral efforts. Chapter 4 examined when and why threats of economic sanctions lead to successful extraction of policy concessions. Its results show that the effectiveness of threats strongly increases with economic cost to the target, and also that threats become increasingly effective relative to imposed sanctions for lower uncertainty and higher domestic audience cost. Chapter 5 studied the resilience of the EU sanctions regime against Russia. It argued that the two-level interaction between domestic politics and the EU institutions sustains the consensus in the European Council behind sanctions against Russia. Through an exploration of domestic factions in Spain and Poland, two member-states displaying, respectively, typical attitudes of a “dove” and a “hawk” towards Russia, it searched for the presence of at least one important domestic actor whose stance deviates from the mainstream, effectively facilitating consensus in the Council.

This PhD thesis has generated a number of novel insights into the study of conflict in international relations. To begin with, this thesis shows that democracies are more likely to engage in economic coercion, and are more likely to target one another with sanctions relative to non-democracies. The relational dynamics among democracies do not reduce conflict or its pursuit through economic coercion; on the contrary. This finding contrasts with the current literature on economic peace, and also with the broader democratic peace argument that democracies do not engage in conflict with each other for either normative or structural reasons. Strikingly, this thesis finds that,

with respect to economic sanctions, the opposite is the case, as it appears that the peace-building effect of democracy is not sufficient to off-set the sanction-enhancing effect of democracy.

Second, this thesis argues that the incentives and constraints associated with democracy are the mechanism underlying the absence of economic peace and the tendency of democracies to engage in sanctions. A political leader in a democracy receives a domestic audience benefit for engaging in economic coercion and a domestic audience cost for stepping back from a threat of economic sanction. As democracies tend to have high domestic audience cost, a public threat issued by a democracy is likely to be followed up with imposition if it fails. This dynamic may make democracies more likely to issue threats of economic coercion, as they are more likely to succeed. However, if a threat is not successful, the same mechanism — of responsiveness to domestic audience — drives democracies to imposition, because backing down from a threat of sanctions is costly.

Finally, this thesis argues that IOs also play a role in the increase in the threat and imposition of economic sanctions. IOs create scope for cooperation on multilateral sanctions, as they allow states to engage in the two-level dynamic of international negotiations and deliver a sanction regime that will be acceptable for both the dovish and hawkish states in the negotiation process. Consequently, states are more likely to cooperate on economic coercion as they benefit from the higher effectiveness of multilateral sanctions. In addition, IOs stimulate economic exchange, thus creating conditions for more painful economic coercion. The thesis shows that a higher economic cost of sanctions makes both threats and imposed sanctions more likely to succeed, which is likely to make economic coercion a more appealing foreign policy tool. IOs are also relevant for reducing uncertainty about the costs and benefits of sanctions to the sender and the target. For a low level of uncertainty, threats of economic sanctions are highly effective. Since IOs generate a denser network of ties between states, they reduce the level of uncertainty, resulting in threats of economic coercion being more successful and, consequently, a more appealing foreign policy tool.

The novel insights generated by this thesis are of importance to current scholarship, and for our understanding of the world of foreign policy more broadly, for a number of reasons. To begin with, this thesis addresses a major research gap, the question of why there has been an increase in the use of economic coercion since the end of the Cold War. To date, scholars have focused extensively on the conditions for sanctions' success, overlooking the more fundamental question why states issue economic sanctions at an accelerating pace. The main conclusion of this thesis — that democracy and IOs positively stimulate the frequency of economic coercion — starkly contrasts with liberal expectations about the impact of liberal institutions on conflict

in international relations and the expectation of a rising repugnance towards conflict resulting from the liberal order.

Second, this thesis addresses, and merges, four separate strands of scholarship: on economic peace, crisis bargaining, the symbolic role of foreign policy and the stability of multilateral coercion. It shows that all four literatures are strongly intertwined and inform one another on the levels of theoretical concepts and empirical implications.

Third, the conclusion of this thesis relates to a topic at the heart of debate on global affairs, the acknowledgement that a liberal world order advances economic coercion allows us to see that the current turbulences experienced by liberal institutions may, paradoxically, be their own product. This is likely to be useful food for thought for policy-makers interested in preserving the liberal status quo. Finally, since economic sanctions are a costly tool in foreign policy, a thorough understanding of the mechanism underpinning their rising popularity is relevant. After all, sanctions generate a number of negative outcomes in the economic domain, affecting trade and economic growth, generating inequality and poverty, undermining human rights and freedom of expression, and reducing public health.

A broader, unified argument emerges from this thesis. Violence in international relations appears to have been rechannelled since the end of the Cold War, and political leaders have embraced forms of coercion that the public considers compatible with a liberal world order. At the same time, liberal institutions, for example, international organisations, have led to economic sanctions becoming more effective, easier to cooperate on and, consequently, more appealing to political leaders, for both symbolic and instrumental ends. These dynamics can lead to a policy substitution effect, whereby political leaders choose economic sanctions over alternative forms of coercion, and a policy inflation effect, whereby political leaders engage in conflict more frequently, using economic means. Thus, it appears that the exercise of power in international relations has re-shaped — “war really is going out of style”, thanks to liberalisation of the world order, yet the same forces stimulate economic coercion.

Given the increase in the use of economic sanctions, we can say that, since the end of the Cold War, there is more cooperation and less war, but not less conflict and cooperation to coerce. This suggests that the tenets of liberal institutionalism should be redefined, along with the argument of a peaceful turn in human affairs. The progress towards peace resulting from the liberalisation of the world order should be discounted by the frequency of economic coercion. The argument that “in a world politics constrained by state power and divergent interests [...], international institutions operating on the basis of reciprocity will be components of any lasting peace” (Keohane and Martin, 1995, 50) ought to specify that peace is meant solely as absence of military conflict, not conflict in general. While the public may have developed a repugnance towards military conflict, it is not against use of coercion, and economic

sanctions appear to offer a tool that fits the moral tenets of a liberal democratic society. Consequently, the recent acceleration in economic coercion and associated publicity, for example in relation to the decisions of the Trump administration, appears to be a result of the liberal world order, in addition to being a threat to it.

This thesis also leaves a number of questions unanswered. First, the operationalisation of uncertainty requires further empirical work. In this thesis, uncertainty is operationalised as distance on the network of formal alliances, a proxy for diplomacy. While the complex systems approach to international relations appears promising and creates scope for further research, it also generates a two-fold problem. To start with, there may be a better operationalisation of uncertainty than diplomacy. It may also be that formal alliances are a biased indicator of diplomatic ties. With respect to the former, it is likely that information in international relation is transferred through a number of channels — not just diplomacy, but also personal ties between the political elite, exchange of information through international organisations or communication through public statements in the media. While a formal alliance is certainly a strong signal of closeness between two states, an accumulation of weaker forms of interaction may be equally informative. This is particularly relevant for our other concern, bias in the use of formal alliances to measure diplomatic ties. Countries that pursue a policy of neutrality are less likely to form alliances and, consequently, are systematically underrepresented in a diplomatic network based on formal alliances. Although this bias may be of a lesser concern for studies of conflict, it should be addressed in research into role of uncertainty in international relations more broadly.

Second, it appears that cooperation on economic sanctions is driven (at least in part) by the instrumental considerations of political leaders. This calls for further theorising on the conditions under which states cooperate with one another to impose economic sanctions and, given the large number of multilateral sanction regimes available in the TIES data set, empirical testing of the theory. Given its apparent instrumental rather than symbolic nature, the theoretical research on cooperation on economic sanctions may benefit from game theory insight into cooperation and stability of cooperation (Nowak, 2006; Nowak and Sigmund, 2005; Hilbe et al., 2018). States appear to face a trade-off between pursuing sanctions individually, with a lower chance of success, or cooperating, and being more likely to succeed. Cooperation comes with the risk of defecting, as not all states appear to follow the sanction regimes equally strictly (Morgan et al., 2014). A state may engage in cooperation in the hope of higher effectiveness and pursue a sanction regime more strictly than had it been unilateral, yet the other sender state may not follow the sanction regime strictly, thus gaining both an economic and a security benefit. This creates a form of a prisoners' dilemma for senders and creates scope for further theoretical development and empirical tests on the conditions for states to cooperate on sanctions.

Third, we have a limited understanding of the symbolic role of economic sanctions in the EU and the negotiation dynamics at the level of the Council. With respect to the former, we do not know how citizens respond to the use of economic coercion by the EU, given that European sanction policy must be coordinated at the level of the Council and, unlike in the US case, foreign policy decisions are not so strongly concentrated on a single political actor within member states. It would be worth investigating whether EU sanctions are an elite project to exercise power over other states, with little regard for the public, as the Almond-Lippmann Consensus suggests, whether EU policy on economic sanctions does follow domestic audience motivation, or whether both play a role. More attention needs to be paid to the negotiation process at the level of European Council. Although I have proposed a prisoners' dilemma-like nature of negotiations on multilateral economic sanctions, in the European case it may be less of an enforcement and supervision problem and more of a coordination problem, as the two-level framework presented in this thesis already suggests. Given that the EU is an actor emerging as a leader in the use of economic coercion for foreign policy purposes, this would be an interesting, and highly relevant, research path.

There are certainly still a number of questions to be addressed to better understand power and coercion in a liberal order and the consequent rise and success of economic sanctions. However, this thesis already offers a novel insight that liberal institutions — democracy and international organisations — help to stimulate the frequency of threats, imposition and cooperation on economic sanctions. It finds that, paradoxically, while scholars traditionally see liberal institutions as a source of peace and cooperation, in practice liberal institutions create incentives and constraints that lead to an acceleration in the use of, and cooperation on, economic sanctions. The findings of this thesis thus starkly contrast with the notion of a “humanitarian revolution”, a growing repugnance of the public towards violence in international relation since the end of the Cold War. In fact, we observe the opposite, an acceleration of conflict in the form of economic coercion in international relations since the advancement of the liberal world order.

Appendix

A Additional information for Chapter 2

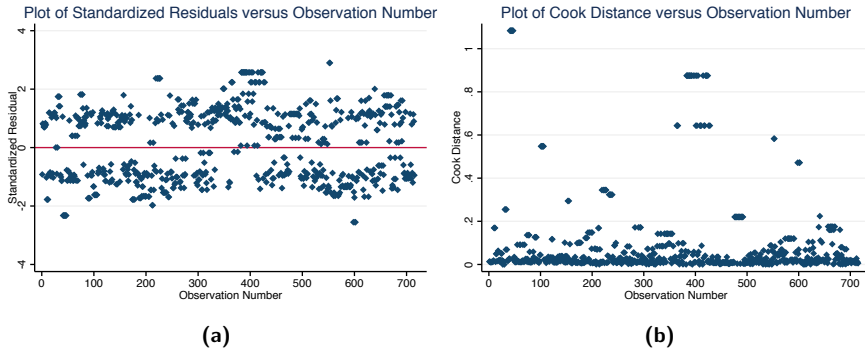


Figure A.1. Diagnostics for the logistic regression of democracy dyad with continuous scores and all years: (a) standardised residuals and (b) the Cook Distance.

Table A.1. TIES sample with absent threats coded as failed threats. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio
Imposition		
(Std) Demo Sender	1.302** (±0.138)	0.875 (±0.200)
(Std) Demo Target	0.975 (±0.0750)	0.546** (±0.159)
(Std) Dyad Democracy		1.929** (±0.604)
Past Commitment	1.003 (±0.118)	1.004 (±0.118)
Multilateral	1.212 (±0.249)	1.244 (±0.256)
(Ln) Total Exports Sender	0.986 (±0.0503)	0.985 (±0.0507)
US	0.552*** (±0.110)	0.557*** (±0.111)
Trade	1.226 (±0.235)	1.207 (±0.231)
Security	1.540** (±0.339)	1.545** (±0.340)
Constant	2.407 (±3.188)	2.508 (±3.343)
Observations	942	942
Control variables	YES	YES
Interaction term	NO	YES
Pseudo R2	0.0160	0.0200
Log Lik	-623.5	-621

Table A.2. TIES sample with a trade three-way interaction. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio
Imposition			
(Std) Demo Sender	1.452*** (±0.195)	0.961 (±0.242)	1.142 (±0.295)
(Std) Demo Target	1.016 (±0.0857)	0.547* (±0.186)	0.562 (±0.201)
Trade*(Std) Demo Sender			0.414 (±0.433)
Trade*(Std) Demo Target			0.615 (±0.868)
(Std) Dyad Democracy		1.987* (±0.729)	1.743 (±0.687)
Trade*(Std) Dyad Demo			1.018 (0.0358)
Past Commitment	0.961 (±0.129)	0.971 (±0.130)	0.996 (±0.134)
Multilateral	1.619** (±0.361)	1.669** (±0.375)	1.632** (±0.371)
(Ln) Total Exports Sender	0.994 (±0.0551)	0.986 (±0.0557)	0.973 (±0.0548)
US	0.698* (±0.151)	0.707 (±0.153)	0.716 (±0.157)
Trade	1.154 (±0.240)	1.129 (±0.235)	0.511 (±0.879)
Security	1.419 (±0.351)	1.390 (±0.345)	1.449 (±0.363)
Constant	1.065 (±1.538)	1.341 (±1.969)	1.617 (±2.381)
Observations	715	715	715
Control variables	YES	YES	YES
Interaction term	NO	YES	YES
Three-way interaction	NO	NO	YES
Pseudo R2	0.0187	0.0222	0.0281
Log Lik	-485.4	-483.7	-480.7

B Additional information for Chapter 3

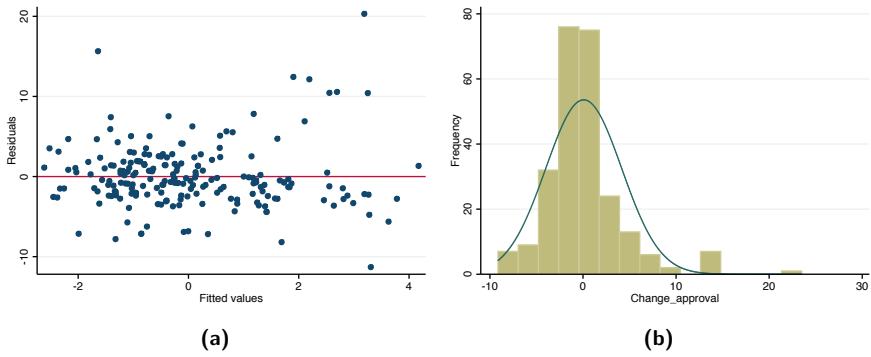


Figure B.1. Diagnostics for the difference-in-differences model with bootstrapping and control variables: (a) standardised residuals and (b) histogram of frequency in approval rating change.

Table B.1. Change in approval rating — quintile regression & diff-in-diff. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1)	Model (2)	Model (3)	Model (4)
Change approval				
Multilateral	-0.500 (±1.094)	-1.309 (±1.321)	-0.500 (±1.144)	-1.309 (±1.238)
Imposition	0.500 (±0.533)	0.986* (±0.596)	0.500 (±0.469)	0.986* (±0.520)
Multilateral * Imposition	-0 (±1.377)	0.379 (±1.582)	0 (±1.281)	0.379 (±1.418)
Democrat		0.447 (±0.555)		0.447 (±0.463)
Democracy score target		0 (±0.0609)		0 (±0.0571)
Security		-0.272 (±0.583)		-0.272 (±0.516)
P year (2nd)		2.054*** (±0.763)		2.054*** (±0.659)
P year (3rd)		0.998 (±0.753)		0.998 (±0.631)
P year (4th)		2.045*** (±0.700)		2.045*** (±0.640)
Change infl		0.300 (±1.167)		0.300 (±0.834)
Change unempl		-2.474** (±1.197)		-2.474** (±1.053)
Inter sanction		0.331 (±0.208)		0.331* (±0.199)
Sqr inter sanction		-0.0181 (±0.0197)		-0.0181 (±0.0159)
Change app lag		0.0296 (±0.0827)		0.0296 (±0.0529)
Constant	-0.500* (±0.296)	-2.642*** (±0.964)	-0.500 (±0.343)	-2.642*** (±0.821)
Observations	252	208	252	208
Control variables	No	Yes	No	Yes
SE	Bootstrap	Bootstrap	IID	IID

C Additional information for Chapter 4

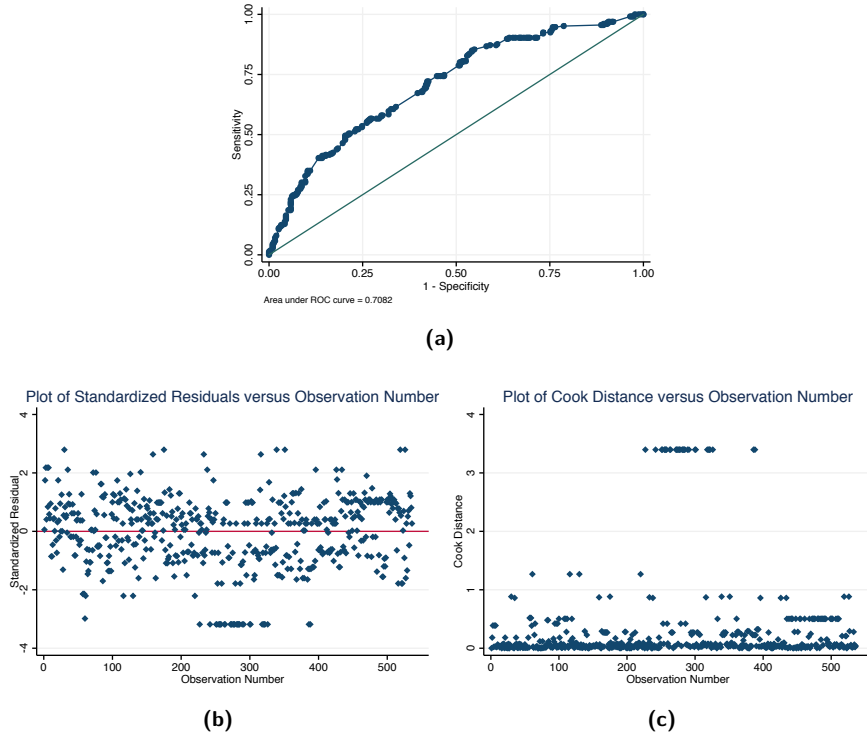


Figure C.1. Diagnostics for the logistic regression of the path variable with a moderating term: (a) The ROC curve, (b) standardised residuals and (c) the Cook Distance.

Table C.1. Estimation results for all three mechanisms combined. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio	Model (3) Odds ratio
Success			
Expected cost target	3.779*** (± 1.091)	3.880*** (± 1.239)	3.584*** (± 1.099)
Path	0.866 (± 0.158)	0.835 (± 0.159)	0.860 (± 0.159)
Democracy score sender	1.098** (± 0.0436)	1.085 (± 0.0608)	1.105* (± 0.0605)
Imposition			1.601 (± 1.702)
Imposition * Expected cost target			0.822 (± 0.385)
Imposition * Path			1.743** (± 0.474)
Imposition * Democracy score sender			0.853** (± 0.0622)
US		1.160 (± 0.394)	1.377 (± 0.353)
Salience		0.642 (± 0.215)	1.161 (± 0.286)
Security		0.688 (± 0.290)	0.891 (± 0.268)
Multilateral		1.231 (± 0.446)	1.404 (± 0.354)
Past commitment		1.906** (± 0.488)	1.441** (± 0.250)
Constant	0.0953*** (± 0.0564)	0.0258*** (± 0.0237)	0.0280*** (± 0.0225)
Observations	286	264	536
Control variables	NO	YES	YES
Interaction term	NO	NO	YES
Pseudo R2	0.0719	0.105	0.0940
Log Lik	-183.7	-163.2	-330.6

Table C.2. Estimation results for all three mechanisms with additional control variables. Robust standard errors are displayed in parentheses: *** indicates $p < 0.01$, ** indicates $p < 0.05$ and * indicate $p < 0.1$.

Variables	Model (1) Odds ratio	Model (2) Odds ratio
Success		
Expected cost target	4.262*** (± 1.516)	3.904*** (± 1.285)
Path	0.866 (± 0.171)	0.877 (± 0.165)
Democracy score sender	1.084 (± 0.0696)	1.109* (± 0.0671)
Imposition		1.500 (± 1.667)
Imposition * Expected cost target		0.756 (± 0.383)
Imposition * Path		1.762** (± 0.499)
Imposition * Democracy score sender		0.864* (± 0.0651)
Expected cost sender	1.182 (± 0.726)	0.827 (± 0.426)
Democracy score target	0.942 (± 0.0378)	0.966 (± 0.0268)
US	0.928 (± 0.321)	1.107 (± 0.294)
Salience	0.562 (± 0.210)	0.978 (± 0.260)
Security	0.605 (± 0.271)	0.923 (± 0.300)
Multilateral	1.168 (± 0.458)	1.391 (± 0.385)
Past commitment	2.020** (± 0.564)	1.459** (± 0.269)
Constant	0.0307** (± 0.0419)	0.0448*** (± 0.0500)
Observations	247	487
Control variables	YES	YES
Interaction term	NO	YES
Pseudo R2	0.126	0.0966
Log Lik	-149.1	-298.8

D Additional information for Chapter 5

List of Interviews:

- Interview 1: representative of EU member state, First Secretary to COEST at a Permanent Representation to the EU, Brussels, December 2017
- Interview 2: representative of EU member state, Delegate to COEST at a Permanent Representation to the EU, Brussels, December 2017
- Interview 3: representation of EU member state, Head of Section to COEST at a Permanent Representation to the EU, Brussels, December 2017
- Interview 4: representation of EU member state, Sanctions Expert at a Permanent Representation to the EU, Brussels, December 2017
- Interview 5: representative of EU member state, Secretary to the Ambassador at a Permanent Representation to the EU Brussels, December 2017
- Interview 6: representative of EU member states, Counsellor to COREPER at a Permanent Representation to the EU, Brussels, May 2018
- Interview 7: representative of EU member states, Head of Section to COEST at a Permanent Representation to the EU, Brussels, May 2018

Note: representatives from Poland, Spain, Finland, Germany, Estonia and Cyprus were interviewed and all requested to be listed as anonymous.

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