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Biased, But Surprisingly Effective: Economic Coercion after the Cold War

INTRODUCTION¹

Economic sanctions face a major puzzle: senders – i.e., governments and international organizations such as the European Union (EU) and the United Nations (UN) – frequently employ them to elicit concessions from a target, be it an organization or a sovereign state, that is accused of acting against the values of the Western powers or the international community. However, the popularity of restrictive measures among the foreign-policy-making elite does not correspond to the public image that economic coercion enjoys. In June 2014, only 46 percent of German interviewees supported stronger sanctions against Russia (Onderco 2017). This lack of support is likely due to the belief that such an escalation would hurt own interests and that coercive plans were doomed to failure in the first place. An unholy coalition of the far right and far left, often supported by business and trade union leaders, has repeatedly called for a suspension of the sanctions.

This article analyzes the sanction threats and impositions by the EU, the UN, and the US in the period between 1989 and 2015, demonstrating that the popular perception of economic coercion is largely mistaken. We show against the backdrop of high-profile failures that the sanction threats and impositions of the United States and the two International Governmental Organizations (IGOs) were often striving to achieve the dominant goal of protecting key liberal values such as the protection of free elections and human rights, but that the design of the coercive measures was frequently flawed.

Our analysis focuses on the onset and the effectiveness of sanctions. We compare realized and potential sanctions, demonstrating first what we call the ‘double bias’ in the sanction regimes of the three senders. This deficiency can manifest itself in what we dub ‘over-sanctioning’ or ‘under-sanctioning’. The latter category implies that certain potential targets are punished lightly or not at all despite their misdeed. Over-sanctioning includes cases

where a potential target falls victim to a sanction for reasons contradicting the liberal values that the EU, the UN, and the US have defended in the post-Cold War era. This form of bias also represents instances in which the senders exerted economic coercion in an excessive manner that did not match the extent to which other targets were sanctioned by the respective sender because of similar alleged misbehaviors.

We show in a second step that sanctions frequently reach their goals. Depending on the measure of effectiveness, economic coercion has worked on average in 30 to 50 percent of all examined cases in the post-Cold War era. The analysis demonstrates that the European Union was more successful with its sanctions than the United States. This is, however, largely a consequence of the ability of the latter sender to coerce targets into the desired change of behavior through a mere sanction threat (Weber and Schneider 2019a). Our analysis also rejects the optimistic expectation that targeted sanctions are more effective than traditional coercive measures, such as import or export restrictions. We conclude with a comparison of the success rate of sanctions against other foreign-policy tools and a discussion of how the current excessive usage of restrictive measures will affect the capacity of the EU and the US to issue successful sanctions in the future.

THE TRANSFORMATION OF THE WESTERN SANCTION REGIME

At the height of the Cold War, Thomas C. Schelling sketched the strategic understanding of economic sanctions that still holds today (Schelling 1967). According to the Nobel laureate, sanctions follow the logic of deterrence: a sender tries to convince a target through the threat or the imposition of costly measures to alter its behavior or to abandon a planned action. To be credible, sanctions need, in this perspective, to be costly for both the target and the sender. This strategic nature of economic coercion suggests that, in cases where economic integration of the sender and the target is sufficiently large, both sides experience losses after the onset of the arm-twisting attempts. On the other hand, this strategic reasoning contradicts the still widespread perception that economic coercion is ‘stupid’, to quote Helmut Schmidt’s comment on the Western reaction to the annexation of Crimea (Palmer and Spörl 2015). Without a credible threat to hurt oneself in the event of non-compliance, sanctions do not work.

Early sanctions research was quite pessimistic about the success of sanctions. The more recent literature is more optimistic, pointing out that pioneering studies did not take threats into account, which senders frequently issue before the implementation of sanctions (Morgan et al. 2014). This omission often biases estimates of how effective sanctions are.



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Another line of criticism argues that the humanitarian side effects of sanctions often dwarf the losses that the targeted political leaders have to endure in the wake of economic sanctions. Sensationalist reports about how the sanctions against the regime of Saddam Hussein increased child mortality in Iraq spurred the way for the introduction of what have been called ‘smart sanctions’. These sanctions, which are now referred to in a more modest way as ‘targeted measures’, take aim at a country’s political and economic elites through travel bans, the freezing of personal assets, and other costly steps. Recent research shows that such targeted sanctions do not function differently than traditional sanctions, as the targeted governments try to shield their supporters against economic losses through a shift in public spending and increased subsidies (Ahn and Ludema 2019). Our own studies show that we cannot rule out that the average sanction has adverse humanitarian side effects, but that the estimated scale of the negative public health repercussions was relatively small (Schneider and Shevchuk 2019). Since the early 2000s, sanctions have also been increasingly targeting a country’s financial sector. One exemplary case are the joint sanctions by the EU, the UN, and the US against Iran and its ambition to become a nuclear power, starting in 2006. Sanctions that include financial measures are, however, not necessarily more effective than conventional tools of economic statecraft (Weber and Schneider 2019b).

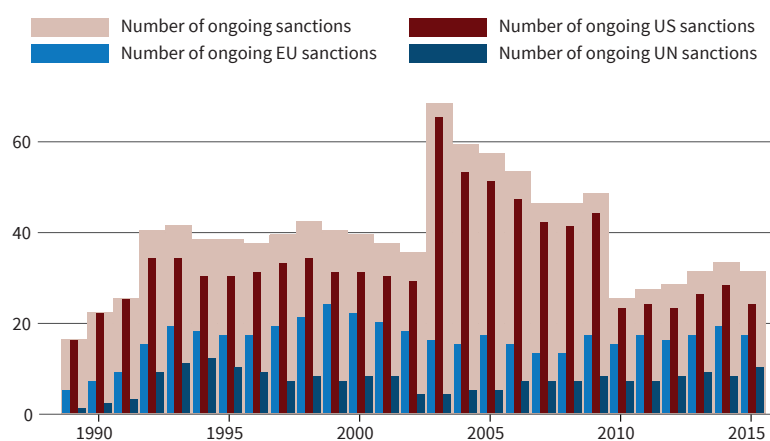
The three senders on which we focus here issued 325 sanction threats and impositions during the liberal era that started in 1989 with the collapse of the Berlin Wall and ended in 2016 with the Brexit referendum and the election of the 45th US President. Figure 1 shows how the 209 sanctions that the three senders imposed alone or jointly with each other evolved over time. A sanction threat preceded 148 of these cases – and an additional 116 threats did not result in sanctions being imposed.

Note that the increasing number of ongoing sanctions in the early 2000s is largely a consequence of the attempt by President George W. Bush to prevent allies and other states from signing and ratifying the Rome Statute of the International Criminal Court. This episode indicates that sanctions did not always follow a liberal agenda in the time period under examination. If we compare the official motives of the senders for threatened and imposed sanctions, all senders examined here frequently refer to human rights violations, the development of nuclear weapons, or other offenses against the liberal world order as reasons for the coercive measures. One can broadly differentiate between sanctions imposed because of domestic issues within the target state and those imposed because of motives related to international security (e.g., political or military interventions, territorial disputes, production and proliferation of drugs and weapons, alignment choices, and support of terror organizations). Two out of three sanctions by all senders were imposed because of domestic issues in the target state. If one takes into account the series of US sanctions relating to the formation of the International Criminal Court, half of the imposed US sanctions refer to international issues.

Figure 2 shows the number of threatened and imposed sanctions per sender or combination of senders. The United States relied most frequently on this foreign-policy tool in the 1990s and early 2000s. The US’s superpower status and low internal decision-making costs explain why it was the most frequent sender. The US President can initiate sanctions through executive acts, while the European Union needs the consent of all 28 – after Brexit, 27 – member states. The EU, with its higher decision-making costs, is the second most active sender and also frequently builds alliances with the US or the UN.

The sanction profiles of the three senders differ geographically and with regard to the instruments used. The United States imposed sanctions against countries on all continents during the time period covered in this article. While the EU is also globally active, the supranational organization did not participate in sanction initiatives in Latin America until 2017, when it joined the US in taking coercive measures against Venezuela. The UN, by contrast, is mainly active in sanctioning African countries. However, these sanctions are significantly more severe than the ones imposed by the two other senders because the UN almost never imposes aid

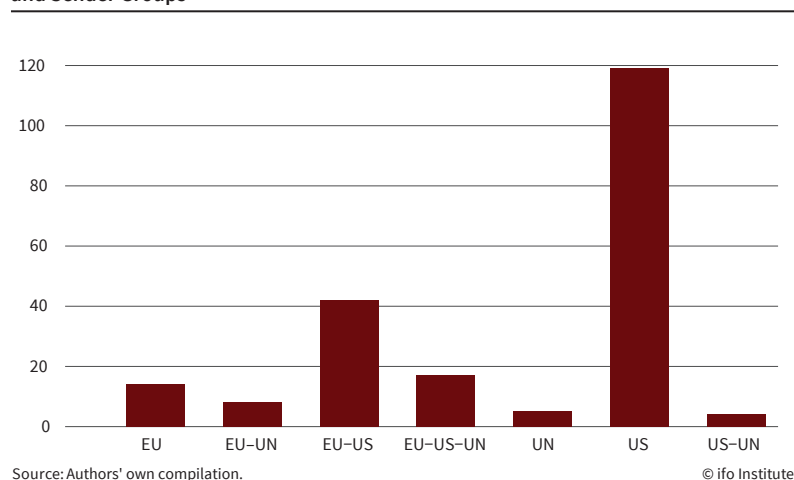
Figure 1
Ongoing Sanctions per Year by the EU, the US, and the UN (1989 to 2015)



Source: Authors' own compilation.

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Figure 2
The Frequency of Sanction Threats and Impositions Divided by Senders and Sender Groups



sanctions – the most common type of EU and US sanctions.

BIAS IN THE IMPOSITION AND DESIGN OF SANCTIONS

When senders consider the imposition of sanctions and the strength of the respective measures, they can introduce two kinds of biases to their regime of coercive measures – mistakes that we call under- and over-sanctioning and that are akin to statistical errors or judicial misjudgments. Under-sanctioning includes instances of what amounts to ‘impunity’ and ‘dilution’. The equivalent mistakes for cases of over-sanctioning are ‘wrongfulness’ and ‘excess’.

The EU and the UN more frequently refused to sanction countries that violated liberal norms than the US (impunity). The EU also weakened imposed sanctions more frequently than its transatlantic partner (dilution). Conversely, the US relied more frequently on sanctions for non-liberal purposes than the other senders (wrongfulness), and both the EU and the US occasionally scaled sanctions up to such an extent that the measures no longer corresponded to the alleged offenses towards the liberal order (excess). To illustrate such errors with concrete cases, we have counted the number of times that a real or potential country was subjected to the wrong treatment. This miscalculation refers to the divergence between the predicted probabilities of

being targeted or still falling subject to a sanction and the predicted intensity in comparison to what was really imposed.²

Instances of over-sanctioning resemble the ‘conviction of the innocent’ and include wrongful and excessive sanctions. Examples of countries that have been subject to continued sanctions without objective reasons for doing so include Togo for the EU and Cyprus for the US (Table 1). Some of these wrongful cases include measures that have not been lifted despite their obsolescence in

light of changing circumstances. Sanctions that were too intense in comparison to the treatment of similar offenders include Myanmar (EU), Haiti (UN), and Iran (US). Excessive punishments might backfire, as they can increase solidarity with the targeted leaders or because they give this executive an opportunity to divert attention from the domestic problems towards the alleged repulsive behavior of the senders.

Examples of under-sanctioning include states whose illiberal policies did not provoke sanctions. A telling case of EU impunity was, for instance, Russia, which offended liberal values well before the annexation of Crimea. India escaped US sanctions despite its nuclear armament policy and its announcement in 1997 that it did not intend to ratify the Non-Proliferation Treaty. Some culprits were punished, but, given their behavior, too lightly. This form of bias was for instance manifested in the EU’s sanctions against Belarus. Strategically important Uzbekistan similarly benefited from the dilution of the sanctions that the US had imposed on it. Sudan was also repeatedly able to avoid harsher sanctions from the UN, where the unanimity requirement in the Security Council prevented the implementation of costlier measures.

We have examined econometrically the reasons for the double bias in the liberal sanction regime. The EU and the US are more likely to cave in to demands

² The calculations are based on zero-inflated ordered probit models with standard errors clustered on target states (Schneider and Weber 2019).

Table 1
Illustrative Under- and Over-Sanctioned Countries, 1989–2015

Sender	Under-sanctioned targets		Over-sanctioned targets	
	No sanctions	Sanctions too light	Sanctions	Sanctions too severe
European Union	Russia (4 yrs)	Belarus (5 yrs)	Togo (12 yrs)	Myanmar (14 yrs)
United Nations	n.a.	Sudan (5 yrs)	n.a.	Haiti (1 yrs)
United States	India (5 yrs)	Uzbekistan (8 yrs)	Cyprus (6 yrs)	Iran (7 yrs)

Source: Authors' own calculation.

for lighter sanctions if there are close economic ties to the target or if the country is economically powerful. A strong diaspora of the target in the two senders, by contrast, increases the chance of forceful economic measures. Although both the EU and the US thus give in to the pressure from powerful lobbies to scale the sanctions down or up, both senders react more strongly to what we call the ‘objective reasons’ for sanctions. Human rights violations, military coups, and the latency of a nuclear weapons program are among the offenses of the liberal world order that have increased the chance of economic sanctions in the post-Cold War era.

UNILATERAL SANCTIONS ARE LESS EFFECTIVE

Sanctions are deemed effective in the deterrence logic of Nobel laureate Schelling if the target makes the demanded policy concession. The first quantitative assessment of sanctions argued that the scope of the sanctions and thus the senders’ level of ambition should also play a role in these evaluations (Hufbauer and Schott 1985; Hufbauer et al. 1990). This reasoning has led to the development of a 16-point scale that considers the product of two four-point scales for policy outcome and sanction contribution. A sanction is considered effective if its score is nine or above. In the period that we examined, the effectiveness of the 209 imposed sanctions was 33 percent. The track record of both the EU and the UN was, at 45.7 percent (81 sanctions) and 41.2 percent (34), much better than that of the US, which imposed sanctions in 182 cases and had a success rate of 30.2 percent.

The main reason for this divergence is that the US is more successful with its threats than both the EU and the UN. The Threats and Imposition of Economic Sanctions (TIES) database (Morgan et al. 2014) and the similar EUSANCT Dataset (Weber and Schneider 2019b) also assess threats and their effectiveness. Table 2 shows how successful the three senders were with their measures. We distinguish here between unilateral and multilateral measures for the US and the EU. As UN sanctions are by definition multilateral, we differentiate for those cases of economic coercion where the EU or the US issued separate sanctions with an extended scope.

The EU was successful only with four of its 16 unilateral sanction threats, and only nine percent of its 67 multilateral warnings to the target reached their goals. An example of a successful threat was against its own member state Croatia, which had planned to protect its citizens against prosecution abroad, but caved in to the demand to drop the planned reform. The UN had a success rate of 22.2 percent with its 45 threats; and 42.9 percent of its 21 sanctions together with the EU or the US were successful. A successful threat by the UN occurred against Bulgaria: the post-Communist state was among the busters of an arms embargo. The US was successful with 40.7 percent of its unilateral threats, whereas the ratio of successful threats by the US within multilateral teams was about seven percentage points lower.

Both the EU and the US were less successful with their unilateral sanctions than with their multilateral ones. Examples of successful multilateral efforts where the EU had the lead include the sanctions against Guatemala (1993, HSE score 16), Iran (2006, HSE score 12), and Malawi (1992, HSE score 16). Successful unilateral sanctions of the US were for instance imposed against Bolivia (1991, HSE score 16), Kuwait (1991, HSE score 9), and Laos (1994, HSE score 12). The sanctions in 2002 against tiny Mauritius resulted in the acceptance of a bilateral treaty through which transfers of US persons to the International Criminal Court were prohibited.

CONCLUSION

While the leading role of the United States in the use of sanctions is not surprising, skeptics of the European integration project might be surprised to learn that the supranational organization has established itself as the second most important sender of sanctions. Institutional reforms have enabled the EU to use economic sanctions as a foreign-policy tool and thereby compensate for its lack of military power.

The success rate of economic sanctions that we report is similar to the effectiveness of related foreign-policy instruments. Mediation efforts in countries suffering political instability were for instance

Table 2

Success Rates of Sanction Threats and Impositions (Number of Cases in Parentheses)

	All senders	EU	EU unilateral	UN	UN without EU/US	US	US unilateral
Threats	29.9% (264)	9.0% (67)	25.0% (16)	22.2% (45)	42.9% (21)	33.0% (200)	40.7% (155)
Sanctions	50.7% (209)	63.0% (81)	50.0% (10)	64.7% (34)	75.0% (4)	48.4% (182)	41.3% (109)
All cases	57.5% (325)	61.8% (102)	47.4% (19)	64.9% (57)	61.9% (21)	56.9% (276)	55.4% (195)

Source: Authors’ own calculation.

successful in 53.8 percent of all cases examined,³ and another examination shows that roughly 50 percent of the US military interventions from 1990 to 2016 fully reached their objectives (Kavanagh et al. 2019).

We acknowledge that the liberal sanction regime that we describe in this article has never been a perfect one. The occasional misuse of economic power to coerce allies and other nations into a submissive foreign policy and the surprisingly frequent targeting of relatively innocent actors certainly contribute to the impression in the developing world and elsewhere that economic sanctions often do not aim at the betterment of international affairs. As we have shown, the sanction regime is considerably biased; if a target country is politically or economically important, only minuscule concessions are demanded, if any at all.

Nevertheless, we have also shown that the liberal sanction regime was working quite well overall from 1989 to 2015. The higher effectiveness of multilateral measures bodes ill for the unilateral course that the 45th US President pursues. If the EU and the US, after the election of a new President, want to restore their fairly effective sanction regime, they should employ economic coercion neither routinely nor indiscriminately. They should rather reconsider the main insight of Schelling's conjecture that a sanction policy needs to be credible and that sanction threats and impositions should therefore be designed carefully.

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³ Calculation based on the dataset presented in Regan and Meachum (2014).