

TARGETED SANCTIONS: WHEN ARE THEY EFFECTIVE?

НЫСАНАЛЫ САНКЦИЯЛАР ҚАНДАЙ ЖАҒДАЙЛАРДА ТИІМДІ БОЛАДЫ?

ЦЕЛЕВЫЕ САНКЦИИ: В КАКИХ СЛУЧАЯХ ОНИ ЭФФЕКТИВНЫ?

by

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## Abstract

Given the increasing use of targeted sanctions despite the ongoing debate on the effectiveness of targeted versus non-targeted sanctions in the existing literature, the aim of this thesis is to investigate when targeted sanctions are more likely to be effective than non-targeted sanctions in terms of achieving desired policy objectives. The thesis achieves this aim in several steps. First, instead of debating on sanctions effectiveness in general, this work aims to disaggregate sanctions by their “targetedness” which allow us to see how the design might influence the success of sanctions. Second, using selectorate framework (Buono de Mesquita et al. 2005) as a starting point of my theory, I explore whether designing sanctions in accordance with political institutional constraints of the targeted state can predetermine sanctions success. Third, given the importance of the threat stage along with the imposition stage, I examine the effect of sanctions design at two different stages of a sanction episode. To account for the threat and imposition stages on empirical part, I use an updated Threat and Imposition of Economic Sanctions dataset (Morgan, Bapat, and Kobayashi 2014), which is the only dataset that embraces both stages of a sanction episode. The underlining argument of this study claims that targeted sanctions can be effective if articulated in accordance with the targeted state’s conditions. Specifically, the model suggests that in small winning coalitions, targeted sanctions are more likely to be effective than non-targeted sanctions. While empirical evidence on the imposition stage provides mixed support for theoretical arguments, findings on the threat stage allow me to claim that the design of sanctions do have positive relationship on sanctions success. Thus, the clear implication of this study for policymakers entails that choosing the right design of sanctions consistent with targeted state’s political conditions is one of the crucial (but often times neglected) determinants of sanctions effectiveness.

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## Chapter 1

### Introduction

In 1990, United Nations Security Council imposed comprehensive sanctions on Iraq with the aim of coercing the target to give up its policy in regard to Kuwait. This sanctions imposition case revealed the sanctions crisis and put on the agenda three substantial and overlapping issues. First, comprehensive sanctions inflict wide humanitarian damage on mass public. Sanctions imposed on Iraq "... have contributed to more deaths than all WMD throughout history" (Mueller and Mueller 1999, 50).<sup>1</sup> Second, non-targeted sanctions are used as a tool of political blame of senders. In Iraqi case, "Baghdad was quite successful in blaming the UN for the humanitarian crisis..., both within the country and worldwide" (Brzoska 2003, 520). Condemnations from humanitarian groups raised the issue of morality of non-targeted, broad sanctions (Weiss 1999). Third, comprehensive sanctions do not seem to work, at least in non-democratic states. Iraqi population suffered a widespread humanitarian damage, while ex ante policy objectives of sanctions imposition were "modestly" achieved. If sanctions so costly failed to achieve desired altering in target's policy, then the effectiveness of sanctions in general is called into doubt.

This and other no less striking examples of comprehensive sanctions imposition called into question the effectiveness of sanctions in general.<sup>2</sup> Scholars and policymakers fail to find a touch point in the sanctions effectiveness debate. While scholars put under question the effectiveness of sanctions as a foreign policy instrument, states continue utilizing sanctions as

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<sup>1</sup> For more on the consequences of comprehensive sanctions in Iraqi case, see Alnasrawi (2001), Cortright and Lopez (1999), Hoskins (1997), and Rogers (1996).

<sup>2</sup> For more cases on comprehensive sanctions imposition and their consequences, see – Haiti: Gibbons (1999), Gibbons and Garfield (1999), Weiss (1999); Yugoslavia: Doxey (1996), Garfield (1999); Cuba: Gottstein (1999), Fisk (2000), McGillivray and Stam (2004).

a tool of coercion with increasing frequency and there are numerous cases when sanctions did succeed.<sup>3</sup> This paradox prompts us that maybe sanctions can be effective if articulated in accordance with the targeted state's conditions. Hence, instead of debating on the effectiveness of sanctions in general, this work aims to disaggregate sanctions and see under which conditions particular design of sanctions will work better than other designs.

In terms of sanctions design, scholars and policymakers are more or less unanimous, differentiating sanctions by their "targetedness". First group of sanctions is referred as non-targeted sanctions. Labeled as "blunt instrument" (Allen and Lektzian 2013), non-targeted sanctions are aimed on a state comprehensively, not specifying particular groups or concrete economic sector.<sup>4</sup>

Second group of sanctions - targeted sanctions - are considered as "precision-guided munitions" (Drezner 2011, 96) of the economic statecraft which are designed with the aim of addressing the problems that were generated by non-targeted sanctions. First, targeted sanctions minimize the comprehensive suffering of mass public as they are particularly aimed at domestic actors responsible for policies that sender side intends to change. Specifically, since the innocent population is out of focus in targeted sanctions imposition, such type of sanctions are considered as more ethical from human rights perspective.<sup>5</sup>

In terms of sanctions effectiveness issue, however, there is lack of even moderate agreement between scholars and policymakers. There is an ardent debate over the relative effectiveness of targeted sanctions versus non-targeted ones, which insofar have created far

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<sup>3</sup> Hufbauer et al. (2007) argues that sanctions succeed in one third of all imposed cases.

<sup>4</sup> As it was illustrated by Iraqi case, such comprehensive sanctions called into question the sanctions enterprise in general. Recognizing this fact pushed some scholars and policymakers to advocate for targeted sanctions, in hope that they will be more "politically effective and attentive to vulnerable population" than non-targeted ones (Weiss 1999, 507).

<sup>5</sup> I do not claim that targeted sanction do not have unintended humanitarian consequences. My argument is that targeted sanctions are aimed at those who responsible for the policy changes, while non-targeted sanctions are primarily directed against innocent people.

more heat than light. Given that the use of targeted sanctions as a foreign policy tool dramatically increased in recent decades, and probably will continue to grow, at the expense of non-targeted sanctions, it is essential to investigate conditions *under which targeted sanctions do succeed*.

To identify when targeted sanctions are more likely to succeed than non-targeted ones, this thesis introduces a set of new theoretical arguments. Namely, since sanctions are employed with the aim of altering some undesirable behavior within the target states, treating targeted states as unitary actors, which is common in the sanctions literature, would not allow demonstrating the conditions in target states under which sanctions would be effective. To fill this gap, I disaggregate the target state that will give us more insight regarding which conditions within the target state predetermine the sanctions effectiveness. In addition, I use selectorate framework (Bueno de Mesquita et al. 2005) as a starting point for my theory, explaining how domestic institutions' characteristics influence the choices made by the leader in the face of threats to his/her political survival (i.e. when sanctions are employed). This extension of the selectorate theory (Bueno de Mesquita et al. 2005) to clarify the relationship between the designs and effectiveness of sanctions constitutes the first contribution of this thesis to the study of economic sanctions.

In addition to the application of selectorate theory (Bueno de Mesquita et al. 2005) to the study of economic sanctions, this work also provides another theoretical innovation. Some scholars argue that most of the studies that investigate the effect of sanctions suffer from selection bias since they are mainly concerned with imposition stage, disregarding the stage on which sanctions can succeed without reaching the imposition. Threat stage, as sanctions scholars emphasize, is an important, but most of the time neglected part of the sanction episode (Drezner 2003; Krustev 2009; Lacy and Niou 2004; Morgan and Miers 1999). There is a

convincing evidence that the threat stage might be more effective than the imposition stage, therefore examining sanctions effectiveness limiting the focus to only one of these stages will unavoidably lead to distorted results caused by nonrandom sample selection. With this in mind, this study aims to cover both stages of sanction episode that will enable us to understand more about sanctions success.

Building on these insights, this paper aims at contributing to the existing literature on sanctions effectiveness by examining *when targeted sanctions are successful in terms of achieving desired policy objectives*. Achieving this aim proceeds in several steps. First, I disaggregate sanction by their “targetedness” which allow us to see how the design might influence the success of sanctions. Second, I use selectorate framework (Bueno de Mesquita et al. 2005), which let us to examine whether designing sanctions in accordance with political institutional constraints of the targeted state can predetermine the success of sanctions. Third, given the importance of threat stage along with imposition, I examine the effect of sanctions design at two different stages of sanction episode. To account for the threat and imposition stages on empirical part, I use the Threat and Imposition of Economic Sanctions dataset (Morgan, Bapat, and Kobayashi 2014), which is the only data that embraces both stages of sanction episode. Taken together, this thesis offers new theoretical insights and empirical evidence to one of the most heated debates in the sanctions community.

In the next section, I review the existing corresponding literature on economic sanctions. Reviewing such literature will allow me to clarify how this particular work builds on prior studies and fills the gap in the literature left by others.

## 1.1 Literature Review

Economic sanctions have increasingly been employed by states as a foreign policy tool in recent years. Whether sanctions were used as a substitute for or complementary to the use of military force, the fact is that the imposition of such coercive measures are growing with drastic tendency: according to one of the most comprehensive study, the number of sanctions cases more than doubled every decade within 1971-2000 period (Morgan, Bapat and Krustev 2009).

Given that the use of sanctions as a foreign policy tool dramatically increased in recent decades, and probably will continue to grow, it is essential to investigate under which conditions they are more likely to succeed. Only two decades ago, the conventional wisdom was that economic sanctions are not effective foreign policy coercion instruments. Study by Hufbauer, Schott and Elliott (1990), widely cited among sanctions scholars, reports that economic sanctions often fail to bring about major changes in target states' behavior. The study concludes that a small number of sanctions, nevertheless, can be successful under certain conditions (Hufbauer et al. 1990). This finding pushed sanctions scholars to investigate conditions under which sanctions succeed.

Most of the existing sanctions literature conceptualizes sanctions episodes as a bargaining issue, considering sanctions as a policy tool used by the sender to alter some disputed behavior of the target state. According to bargaining theory, the costs imposed by the sender state on the target state is the most important determinant of sanctions effectiveness. The bargaining framework, thus, suggests the simple logic: the higher the costs for the target state, the higher the likelihood that sanctions will succeed (Drezner 2003; 2011; Drury 1998; Hufbauer et al. 1990; Morgan and Schwebach 1997). This basic finding led to numerous studies by sanctions scholars identifying the factors that can affect the sanctions costs to both the

sender and the target. Scholars propose different standards by which sanctions effectiveness should be judged. For instance, some scholars argue that the costs of sanctions to target will increase, and hence will lead to sanctions success, if sanctions threaten the large share of trade (McLean and Whang 2010), or if imposed through international institutions (Bapat and Morgan 2009; Bapat et al. 2013; Drezner 2000).

Regime type is also considered as one of the indicators of sanctions success. Conventional wisdom states that sanctions employed on democratic states are more likely to be effective than those imposed on non-democratic states (Lektzian and Souva 2003; 2007). But, in reality, we are witnessing the fact that sanctions are mainly imposed on non-democratic states, and part of them were successful.<sup>6</sup> Thus, regime type on its own is not a sufficient indicator of sanctions success.

One more factor that is debated as one of the main determinants of sanctions effectiveness is the “targetedness” of sanctions. There is a heated dispute between policymakers and scholars on whether targeted sanctions are more effective than non-targeted sanctions or vice versa. Deducting from bargaining perspective, which suggests that “the higher the costs are, the more likely it is that sanctions succeed (Kobayashi 2013, 7), it is quite intuitive to believe that non-targeted sanctions are more likely to be effective in a sense that they induce greater costs if the target does not give in to the senders’ demands (Cortright and Lopez 2002; Drury 1998).<sup>7</sup> However a bunch of empirical studies suggest the opposite trend, demonstrating that non-targeted sanctions are not quite effective in achieving their ex ante goals.<sup>8</sup> Advocates

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<sup>6</sup> The TIES dataset indicates that there are 968 observations in which sanctions were imposed on non-democratic states (Morgan, Bapat, and Kobayashi 2014).

<sup>7</sup> Costs caused by the employment of non-targeted sanctions are considered as more comprehensive (Cortright and Lopez 2002; Drezner 2011; Drury 1998), since non-targeted sanctions do not differentiate between responsible and innocent actors, and thus impose more extensive costs than targeted sanctions.

<sup>8</sup> For the reviews of the non-targeted sanctions’ failures, see footnotes 1 and 2.

of targeted sanctions argue that targeted sanctions are more likely to be effective since they are particularly aimed at domestic actors responsible for policies that the sender side intend to change (Drezner 2003; Kirshner 1997). The disagreements between theoretical expectations as well as empirical findings in regard to relative effectiveness of targeted versus non-targeted sanctions suggest that it is high time to reexamine this question.

Another debate taking place in regard to sanctions effectiveness is selection bias. Scholars argue that a sanction episode consists of two stages: sanctions threatening and sanctions imposition (Bapat et al. 2013; Drezner 2003; Morgan and Schwebach 1997). Thus, referring only to sanction imposition in examining sanctions effectiveness may result in the problem of nonrandom sample selection. This, in its turn, might lead to mixed empirical evidence for hypotheses regarding the imposed sanctions. Proponents of sanctions threats argue that if threats are credible enough, sanctions can be “successful” without reaching the imposition stage (Drezner 2003; Krustev 2009; Lacy and Niou 2004; Morgan and Miers 1999). Therefore, the threat stage is important to consider in examining determinants of sanctions effectiveness.

On the empirical side, the issue of considering only sanctions imposition is also projected on the datasets available. For instance, a majority of studies on sanctions effectiveness relies on the comprehensive Hufbauer, Schott and Elliott (HSE) dataset, which covers only sanctions imposition.<sup>9</sup> Since threats are found to be so critically important in sanctions episode from theoretical perspective, it is imperative to account for the threat stage along with sanctions imposition stage on the empirical side. To date, only one comprehensive dataset on sanctions covers both stages of sanctions episodes. The TIES dataset, collectively

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<sup>9</sup> For works, where the HSE dataset underlies the research, see Drury (1998), Early (2009), Jing, Kaempfer and Lowenberg (2003), Lam (1990), Morgan and Schwebach (1997), Lektzian and Souva (2003), Marinov (2005).

gathered by Morgan, Bapat, Krustev, and Kobayashi, entails data on sanction threats along with imposition and covers the 1945-2005 period.<sup>10</sup> Thus, due to its coverage of threats and imposition stages, the TIES dataset is the most appropriate leverage in fulfilling this given project's objectives.

To resume, this study aims to address three shortcomings within the existing literature. First, since we are witnessing the tendency of sanctions imposition mainly on non-democratic states, it is imperative to examine under what conditions sanctions are more likely to succeed in such states. Second, the tendency of sanctions imposition is skewed to the targeted design of sanctions, which raises the question of the relative effectiveness of targeted versus non-targeted sanctions. There is a lack of comprehensive studies with internally consistent theoretical perspectives that investigate how the specific design of sanctions can influence sanctions effectiveness. Few studies have addressed this issue, and most of them neglect providing a solid theoretical background. And third, taking into account the arguments made by sanction threats advocates, I will consider the threat stage along with the imposition stage, which I believe, provide us with better underpinnings of sanctions success. Thus, this study aims to investigate whether the success of sanctions depends on their design chosen in accordance with the regime type of the target state. The empirical analyses will cover the threat and imposition stages.

Thus, the purpose of this study is to fill gaps identified in the extant literature. Addressing these gaps will allow us to trace whether sanctions designed in accordance with domestic processes of the target state are more likely to lead to effective sanctions outcomes, and on which stage of a sanction episode it is more likely to occur. It will shed light on the

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<sup>10</sup> For the description of the first version of the dataset, see Morgan, Bapat and Krustev (2009), for the description of the updated version – Morgan, Bapat, and Kobayashi (2014).

relationship between institutional perspectives of target states, the design of sanctions, sanctions stages and sanctions success.

## **1.2 The Plan**

The project proceeds in six chapters. Chapter 2 and 3 deal with the theoretical part of the study. The reason why theory is presented in two chapters is that, in Chapter 2 the theory touches only the imposition stage of sanctions, mostly studied by scholars. Given that much empirical evidence illustrates the importance of the threat stage in a sanction episode, the theoretical framework that captures sanctions threats is explained separately from the imposition stage, in Chapter 3.

Chapter 4 reviews in detail the methodology employed in the study. More specifically, it provides information on datasets and the statistical model utilized, dependent and independent variables that are constructed along with control variables that are found to be important factors of sanctions success by other studies.

Chapter 5 presents the empirical results of the study, followed by robustness checks and an interpretation of the outcomes.

Chapter 6 reviews the main arguments along with the findings presented in the study. Admitting some limitations of this study does not undermine the potential implications of the arguments presented in this work.

## Chapter 2

### Theory on Targeted Sanctions Effectiveness: Imposition Stage

#### 2.1 Introduction

In order to investigate the conditions within a target state that predetermine the effectiveness of targeted sanctions, I offer a theory on targeted sanctions effectiveness, which explains how domestic institutional characteristics predetermine the sanctions success. Namely, drawing on selectorate theory (Buono de Mesquita et al. 2005), I investigate how economic sanctions, and their designs in particular, threaten the survival of target leaders. Because regime types play a key role in mediating any threats to leadership survival, I focus on how regime types condition the effectiveness of targeted and non-targeted sanctions.

In the following sections, I first describe basic premises of selectorate theory (Buono de Mesquita et al. 2005). Then, I present my theory by applying selectorate framework to sanctions effectiveness and derive a set of testable empirical hypotheses.

#### 2.2 Selectorate Theory

My theory for targeted sanctions effectiveness is based on selectorate theory (Buono de Mesquita et al. 2005) which explains how domestic institutions' characteristics influence the choices made by leaders. According to the theory, any political system comprises the following groups of actors: a leader, a challenger (one that aims to take the place of the leader), winning coalition (main backers of the leader, drawn from selectorate), selectorate (those who have a say, although not significant, in choosing the leader), and the disenfranchised (people outside the selectorate). Any leaders' main goal is political survival, i.e. to stay in office. To achieve this goal, leaders need to maintain the political support of their winning coalitions by providing

them with a mix of private and public goods from the pool of budgetary resources available. Public goods are the goods available to everyone; private goods are special privileges distributed only to main backers of the leader.<sup>11</sup> A leader's decision on which combination of private and public goods to allocate depends on the size of selection institutions.

When the selectorate is large and the winning coalition is relatively small, it is efficient for the leader to provide ample personal benefits for the winning coalition members in the form of private goods, thus pleasing them and motivating them to support him, while providing the rest (i.e. selectorate) with public goods. In large winning coalitions, there are more backers to please and providing them with private goods is too expensive, meaning that, all else being equal, the costs of maintaining support of the winning coalition members are too high. Therefore, it is more favorable for the leader to provide key supporters with public goods as well. Thus, the size of selection institutions shapes the leader's decisions regarding resource allocation.

In its turn, the winning coalition's size and the leader's decision on resource allocation determine the level of loyalty of the main backers to the incumbent. Loyalty of the supporters is an essential element of any incumbent's political survival. Consistent with the logic of simple probability, in societies with large winning coalitions, defection of the key backers is more likely to occur. The point behind this is as follows: any members of winning coalitions are drawn from the selectorate. The smaller the winning coalition, or the larger the selectorate, the less likely the probability that any defector would be included into the new government's staff. And vice versa, members of large winning coalitions, once defected, are more likely to become a part of a challenger's newly formed government than members of small winning coalitions

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<sup>11</sup> On the examples of private and public goods, see Bueno de Mesquita et al. (2005, 29).

as there are more places to fill in in broad-based coalitions. In sum, as the size of the winning coalition gets smaller, the probability that the challenger chooses any of the current backers of the incumbent to his/her new government also gets smaller. In addition to this risk, in case of exclusion from the new government, members of small winning coalitions will bear higher costs by losing access to private benefits, while large winning coalition members' losses will not be so high, since they will continue to receive public benefits regardless of the situation. The risk of exclusion and costs of losing personal benefits makes members of small winning coalitions have a higher *loyalty norm* to the current leader than those of large winning coalitions (Bueno de Mesquita et al. 2005, 65). Because of the loyalty norm, a leader with a large winning coalition cannot keep his/her backers from defecting to a challenger by offering them personal benefits. Thus, we can conclude that as the size of a winning coalition increases, the level of the loyalty norm decreases, and hence, the tenure of the leader diminishes as well.

In sum, selectorate theory (Bueno de Mesquita et al. 2005) implies that in states with small winning coalitions, leaders are more likely to stay in office longer, since they provide private benefits to their key supporters and thus maintain their loyalty. However, there are some threats that can challenge the survival of the leader regardless of selection institutions' size. The list of challenges include domestic and/or revolutionary threats to individual leaders and foreign challenges in the form of external military attack.<sup>12</sup> In addition, political survival can be challenged by the lack of resources necessary to maintain the support of key backers. In the next sections, I will apply selectorate theory (Bueno de Mesquita et al. 2005) to examine sanctions effectiveness and try to demonstrate under which conditions targeted sanctions can threaten a leader's political survival. But before proceeding to an examination of sanctions

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<sup>12</sup> For further discussion on threats to political survival, see Bueno de Mesquita et al. (2005, 23).

effectiveness, it is worth explaining why some leaders choose to pursue policies that can threaten their survival.

### **2.3 Explaining leader's conduct of policy from selectorate perspective**

In accordance with selectorate theory (Buono de Mesquita et al. 2005), private and public goods are provided by the leader from the pool of resources, which in turn, are extracted from taxation. Extending this logic, I assume that resources the state extracts from the population depend on the condition of the economy in the state. In its turn, the conditions of the economy are partially dependent on external factors, since most states have economic relationships with external actors. Thus, revenues from economic ties with external actors should also constitute the pool of resources to be allocated by the leader among selection institutions.

The leader allocates resources among selection institutions with the aim of staying in office. To maximize his/her power, the leader conducts some kind of policy. The motivations behind leader's certain policy decisions fall into the simple motive of maintaining the budget available for private and public goods and thus holding the loyalty of his/her main backers. Since my theory suggests that revenues generated from external economic ties also constitute the pool of available resources, and in the case of conducting unlawful policies the target state will be exposed to particular level of costs, it is in the leader's interest to implement policy that will maintain the inflow of external profits to the pool of available resources. Of course, the level of dependency is an important factor. Assuming that the leader is aware of the state's level of dependency on the economic relations with others, the more dependent the state on external relations, the more the leader will strive to conduct certain type of policy that complies

with international law since s/he anticipates that the costs of such defiant behavior can be very high.

However, leaders sometimes implement certain policies that do not comply with international law. Assuming that a leader is motivated to maximize and prolong his/her power and that s/he is aware of the level of dependency on economic relations with external actors, the following question comes up: why does the leader pursue certain policies that can hinder the inflow of revenues to the resource pool and consequently, threaten his/her survival in office? My theory suggests that a leader will pursue the goal of prolonging his/her tenure in office in any case; hence, conducting some unlawful policy also carries the motivation to stay in office and maximize power. Assuming that the leader makes cost-benefit calculations whenever she/he conducts some kind of policy (especially a rule-breaking one), she/he must be ex-ante aware about some negative consequences of his/her certain policy decisions. Hence, my theory suggests that a leader will not pursue some policy/actions that are condemned by others unless the potential benefits of this particular policy/action outweigh or are more salient than the potential costs of coercion imposed by external actors.

When the leader conducts some policy deemed to be unacceptable by external actors and/or at odds with international rules, the international community will attempt to alter this policy by imposing one or more types of coercion tools. One such foreign policy instrument aimed at signaling, coercing or constraining the unlawful behavior of the target state is sanctions. In the next subsection, I consider the imposition of sanctions in general, and then turn to the design of sanctions and their effects on a leader's political survival.

## 2.4 Understanding the imposition of sanctions from selectorate perspective

Sanctions are a foreign policy tool aimed at persuading a target state to change one or more of its policies by means of deteriorating its economic situation. In aiming to cast high costs of non-compliance on the target state, external actors can impose sanctions by limiting economic ties with the target.<sup>13</sup> As have been stated earlier, the fact that the leader conducts a particular policy deemed to be undesirable by external actors suggests that the leader has found that pursuing this policy is more beneficial or salient than complying with the rules. To make the target state acquiesce to the demands, the sender might impose sanctions on the target. However, a target leader might estimate the imposition of sanctions as impotent, meaning that his/her preceding cost-benefit analysis was right and the utility and salience of conducting a certain policy is much higher than the costs of acquiescing to the demands (Hovi, Huseby, and Sprinz 2005).

However, the target might underestimate the sanctions potency, meaning that the costs of sanctions, once they are employed, might appear to be higher than anticipated in cost-calculations. In this case, the leader realizes that the imposition is credible, meaning that the cost-calculation made by the leader before was fallacious, and the costs of non-compliance appeared to be unexpectedly higher than the benefits of conducting certain policy, and s/he will yield to the demands. Hence, imposed sanctions do sometimes work, but they work only when costs of sanctions appeared to be *unexpectedly* high for the target.

Unexpectedly high costs are more likely to be imposed from senders who have extensive economic relations with the target. Unexpected costs is the gap between the

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<sup>13</sup> There is an argument in the sanctions literature, stating that sanctions are threatened before they are imposed. I will come back to this argument later in the next subsection.

anticipated costs calculated by the target state before sanctions are employed and the real target costs once sanctions are imposed.

Stemming from this logic, the higher the unexpected costs of sanctions imposition, the higher is the probability that sanctions will succeed:

***H1:** Imposed sanctions are more likely to succeed as the share of unexpected costs to the target state increases.*

It is worthwhile to note that the first hypothesis differs from a hypothesis that has been tested in previous studies. While prior studies have investigated whether costly sanctions are more successful than less costly ones, my hypothesis focuses on the *unexpected* costs of sanctions. Although the logic seems fairly obvious, it has not been proposed or tested in the existing literature of sanctions.

Now, in order to investigate whether the success of sanctions depends on their design chosen in accordance with the size of winning coalition, I split up sanctions by their “targetedness”.

## **2.5 “Targetedness” of sanctions**

There are a wide range of sanction types used by international community. The range of sanctions include, but not limited to asset freezes, travel bans, export/import restrictions, total/partial economic embargoes, foreign aid termination, and even total blockade.<sup>14</sup> It seems difficult to define which sanctions, or set of sanctions, would work best in achieving desired policy objectives in a particular situation. However, one distinction that helps in choosing the appropriate set of sanctions is their “targetedness”. Sets of sanctions are found to be non-

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<sup>14</sup> For comprehensive review on sanction types, see Biersteker et al. (2012, 115-17), Hufbauer et al. (2008, 44-48).

targeted, i.e. comprehensive sanctions, when they hurt population/economy in general, not specifying particular groups. Targeted sanctions, on the other hand, are designed to be focused on particular groups, individuals or economic sectors, thus lessening comprehensive humanitarian consequences that non-targeted sanctions usually cause. For the sake of simplicity, I differentiate sanctions by their targetedness. Thus, my theory is built around comparing targeted and non-targeted sanctions.

Before proceeding to developing the argument on how different design of sanctions work in different polities, it is pertinent to outline why the design of sanctions is important for sanctions success from selectorate perspective (Bueno de Mesquita et al. 2005).

## **2.6 “Targetedness” of sanctions from selectorate perspective**

Consistent with selectorate theory (Bueno de Mesquita et al. 2005), society consists of different groups, and each group has its own preferences. For instance, selectorate members want to gain more public goods and/or become the member of the winning coalition. The winning coalition strives for higher private goods. The leader wants to stay in power and the challenger, in his/her turn, wants to depose the leader. Sanctions, if effectively designed, will be able to affect these groups in a way favorable to sender states. Sanctions imposed on the selectorate will decrease the share of public goods; in large winning coalitions, such situation will lead to domestic and/or revolutionary challenges from the public and will threaten the political survival of leaders. Sanctions employed on small winning coalition members will diminish the stake of their private goods, decreasing the gap between public and private goods. Consequently, the loyalty norm, based on the key backers’ fear of being deprived of private benefits, will also decrease. In this situation, dissatisfied key supporters will demand reallocation of resources or will turn to the challenger’s side in hope of restoring of their shares

of private/public goods. Sanctions imposed on the leader will force him to cut the pool of available resources and sometimes even deposit his/her self-discretionary goods to resource allocation. The scarcity of resources, in its turn, constitutes a major threat to the political survival of the leader, since the leader maintains his/her standing in office by ensuring sufficient public and private benefits. Thus, the success of sanctions depends more on the extent to which a particular group of actors are hurt rather than on their impact on the targeted state as a whole. That said, identifying and targeting the right groups is the key to maximizing the effectiveness of sanctions.

## **2.7 Non-targeted sanctions from selectorate perspective**

Now, in order to investigate whether the success of sanctions depends on their design chosen in accordance with the size of winning coalition, I split up sanctions by their “targetedness”.

First, let us consider the imposition of non-targeted sanctions. Non-targeted sanctions are imposed on a state comprehensively, not specifying particular groups or concrete economic sector. Such sanctions will cut the pool of resources that should be allocated to both private and public goods. The leader, in his/her turn, needs to make decision concerning the share of private and public goods to be distributed. Here, the size of selection institutions comes into play.

In states with a small winning coalition, non-targeted sanctions, if imposed, will be less likely to succeed since a leader’s survival in this polity depends on a small group of people. Of course, the leader might concede to the sender’s demands and thereby bring the recovery of the pool of resources. However, as my theory implies, leaders pursue the goal of prolonging their tenure in office in any case; hence, conducting some unlawful policy also carries the motivation

to stay in office and maximize power. Thus, instead of acquiescing, it is more likely that the leader will reallocate the resources in a way beneficial to the winning coalition (in the expense of public goods since selectorate have insignificant role in such polities). Reallocation of resources will lead to a gap increase between the values of private and public goods. In its turn, as the gap between public and private goods widens, key supporters of the leader will be afraid of losing their personal benefits. In addition, since the probability that members of the winning coalition will be included to the challenger's new government is pretty small, their loyalty norm to the incumbent leader will also increase. Thus, in states with small winning coalitions, non-targeted sanctions are less likely to achieve required policy altering.

The case of U.S. sanctions imposition on Cuba clearly depicts the inability of non-targeted sanctions to bring about the desired policy changes within the target state. The U.S. had imposed a wide range of non-targeted sanctions (investment, trade sanctions, trade embargo) on Cuba since 1960 as a counterthrust to Castro's close relationships with the Soviet Union and "as a response to Cuba's mass expropriation of US properties" (Hufbauer et al. 2009, 146). After the collapse of the Soviet Union in 1991, Castro's regime was also expected to crumble. However, the survival of Castro's regime pushed the U.S. to tighten the course of sanctions, but, despite these efforts, Fidel Castro remained in power. Moreover, through blaming the U.S. for state's economic suffering and presenting Cuba as an innocent victim of American tyranny, Castro succeeded in demonstrating himself as a defender of state's independence. Consequently, it is not surprising that the U.S. was regularly condemned for its sanctions against Cuba at the UN (Hufbauer et al. 2009, 147).

Consistent with the theoretical argument presented above and the example, *non-targeted sanctions in states with small a winning coalition are not only ineffective; they even prolong the tenure of the leader by increasing the loyalty norm.*

The situation is different in states with large winning coalitions. Everyone in such a polity benefits mainly from public goods, hence imposed sanctions will cut the resources to be allocated on these particular public goods, diminishing their proportion. Leader in this situation will also have two alternatives: either to yield to the demands of the sender, and thus restore the inflow of resources; or to stay firm to his/her policy and, as a result, deal mainly with his/her numerous backers' discontent. Backers, in their turn, will be more likely to defect since they will benefit from receiving public goods no matter whether they will support the incumbent leader or defect.

Consistent with the theoretical argument presented above, I argue that *non-targeted sanctions are more likely to be effective in states with a large winning coalition than in states with a small winning coalition.*

With the aim of a succinct illustration of the interaction between *non-targeted sanctions* and the *size of winning coalition*, Table 1 on the effectiveness of non-targeted sanctions is created.

**Table 1: Effectiveness of Non-Targeted Sanctions**

|                        |   | Size of winning coalitions |   |
|------------------------|---|----------------------------|---|
|                        |   | Large                      | Small   |
| Non-targeted sanctions | A target leader <b>struggles to satisfy</b> many winning coalition members by <b>allocating</b> Resources |                            | A target leader <b>satisfies</b> small number of winning coalition members by <b>reallocating</b> Resources |
|                        | =   |                            | =   |
|                        | <b>Success</b><br>(more likely to make concessions)   |                            | <b>NO Success</b>   |

Consistent with my theory, Table 1 demonstrates that non-targeted sanctions' effectiveness varies inversely with the size of winning coalitions. Specifically, non-targeted sanctions are more likely to bring about the desired policy changes when imposed on states with large winning coalitions. However, in the case of non-targeted sanctions imposition on polities with small winning coalitions, the effectiveness is more likely to be brought to nought.

Based on the theoretical assumptions made in regard to non-targeted sanctions success and comparing the illustrations presented above, the following hypothesis is derived:

*H2: Non-targeted sanctions' imposition are more likely to succeed as the size of winning coalition increases.*

Now, having described the imposition of non-targeted sanctions, let us consider the imposition of targeted sanctions. This will help us to define whether, and if yes, when targeted sanctions are more likely to be effective than non-targeted sanctions.

## **2.8 “Non-fungibility” of targeted sanctions**

Before proceeding further, it is worth pointing out the crucial assumption regarding targeted sanctions. Namely, I argue that targeted sanctions can only be considered as targeted if imposed on private goods that are non-fungible, i.e. private goods which “cannot be easily shifted to other groups outside the core” (Kirshner 1997, 58).<sup>15</sup> While fungibility refers to the interchangeability of the goods, non-fungibility means that one particular type of goods cannot be exchanged for other goods, since the difference between them are material. To make it more clear to understand from a sanctions perspective, let us consider the imposition of import

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<sup>15</sup> For instance, in case of targeted sanctions imposition on Trujillo regime in Dominican Republic, sanctions were imposed on sugar – the main source of wealth of ruling family. Despite the fact that the ruling family was excessively wealthy and had control over almost the whole state economy, sugar holdings constituted 1/3 of their total assets. Hence, this targeted sanctions were not expected to dissipate over some time; on the contrary they were expected to worsen the ruling family's situation even further (Kirshner 1997, 58).

restrictions of particular types of goods versus the imposition of travel bans. In the first case, when import restrictions, for instance on a range of food products, are imposed, goods under sanctions can easily be exchanged by other similar items: a target state might begin to produce such products on their own, or reach an agreement with other exporters. In contrast, when travel bans are imposed on particular people, this restriction cannot be compensated since entry restrictions to particular states cannot be easily compensated by other opportunities (i.e. by providing entry to other states, or by providing material compensation). To elaborate, if travel bans are imposed on some individuals who have business in the sending state, this restrictions will cause a lot of inconvenience to the individuals, since it cannot be easily substituted by other types of goods, even by financial indemnification. Let us consider more complicated case: asset freezes. Consistent with my theory, asset freezes are also targeted sanctions, and hence they are also non-fungible. It is common for business and political elites to hold their assets in other countries. Sometimes, these particular other countries might appear to be the senders of sanctions in case of a target's unlawful behavior. Of course, theoretically, asset freezes might be compensated just by reimbursement of money from the leader's personal account, however, empirically, it would be difficult. First, asset freezes are usually imposed on business elites that support the regime; hence, taken together, asset freezes even on a couple of main backers might constitute an unattainably-large sum to redistribute by the leader. Second, even if the leader succeed in reimbursing the money, asset freezes might nevertheless impede the flow of business conducted by some actors from targeted state. As Hufbauer et al. (2013) clearly put it, "...[O]nce freeze is announced, anything owned by the target country, its corporations, or residents is potentially vulnerable" (Hufbauer et al. 2013, 96) ... thus causing resentment of the business elites.

To resume, the non-fungibility of goods on which sanctions are imposed constitute the main difference between non-targeted and targeted sanctions. We now turn to a discussion of targeted sanctions imposition on different polities.

## **2.9 Targeted sanctions from selectorate perspective**

Targeted sanctions are aimed only at domestic actors/groups responsible for policy change, i. e. a leader and his/her winning coalition. Let us first consider the situation within states with small winning coalitions. Based on our non-fungibility assumption, which states that a leader will not be able to redistribute the resources to shift the burden of sanctions on a population, targeted sanctions will cut the pool of resources that are allotted mainly to private goods. In this case, the share of private goods will decrease, while the share of public goods will remain the same as before the imposition of sanctions. Consequently, the gap between the private benefits and public goods becomes narrow. This situation will motivate members of the coalition to pressure the incumbent leader to change policy, since their personal benefits are limited now and looks more like public benefits, which they will gain without being a member of the winning coalition. Moreover, there still exists the probability, even little one, that once defected, they can be chosen as a member of challenger's new government. Therefore, if leader wants to stay in power, s/he will attempt to save the support of his/her backers by conceding to the sender's demands, and thus restoring the inflow of resources. Otherwise, there is a high probability that supporters will decide that their interests can be better served under new leadership. Consequently, members will be more likely to defect and the leader, in his/her turn, will more likely be deposed by a challenger.

The case when targeted sanctions are imposed on states with large winning coalitions is almost similar to the case when non-targeted sanctions are imposed on such state. Namely,

large selectorate and large winning coalition make leaders and their supporters even more vulnerable to imposed sanctions, since sanctions will reduce the pool of resources dedicated for the allocation of public goods.<sup>16</sup> Therefore, in states with large winning coalitions, targeted sanctions will be effective because supporters will be more likely to defect, since they have higher probability that they will be selected to challenger's new government. Also, supporters will be more willing to defect because they will benefit from receiving public goods no matter whether they will support the incumbent leader or not. Threats to the leader's political survival will compel the leader either to concede to the demands of the sender or to be ready for being deposed.

As in the case of non-targeted sanctions, Table 2 summarizes the interaction between the concepts of *targeted sanctions* and the *size of winning coalition*. Consistent with my theory, this table illustrates that, due to its undistracted focus, targeted sanctions are expected to be effective regardless of the size of the winning coalition.

**Table 2: Effectiveness of Targeted Sanctions**

|                    |   | Size of winning coalitions |   |
|--------------------|---|----------------------------|---|
|                    |   | Large                      | Small   |
| Targeted sanctions | A target leader <b>struggles to satisfy</b> many winning coalition members by <b>allocating</b> Resources | =                          | A target leader <b>cannot easily reallocate</b> Resources, and <b>thus cannot satisfy</b> his/her winning coalition |
|                    | <b>Success</b><br>(more likely to make concessions)   |                            | <b>Success</b><br>(more likely to make concessions)   |

<sup>16</sup> Targeted sanctions imposed on states with large winning coalitions will cut the inflow of resources dedicated to public goods, since key supporters in such polities also receive public, not private goods.

Based on the theoretical assumptions made in regards to targeted sanctions success and comparing the illustrations presented above, the following hypothesis is derived:

*H3: Targeted sanctions imposition are more likely to succeed regardless of the size of winning coalition.*

### 2.10 Targeted versus non-targeted sanctions

Based on the theoretical assumptions that have been made so far in regards to sanctions effectiveness, it seems clear that the design of sanctions along with the size of selection institutions matters. Sanctions, effectively *designed* in accordance with the *size of a winning coalition*, have a higher probability to succeed. Consistent with the theoretical arguments presented above, Table 3 incorporates Table 1 and Table 2, summarizing the interaction between proposed concepts and illustrating the variation of sanctions outcome subject to sanctions design and a targeted states' winning coalition size. Table 3 illustrates that non-targeted sanctions will be more likely to work in states with large winning coalitions rather than in states with a small group of key supporters. Targeted sanctions, due to their narrow focus, are more likely to succeed regardless of the size of a winning coalition.

**Table 3: Effectiveness of Non-Targeted Versus Targeted Sanctions**

|                        | Size of winning coalitions |            |
|------------------------|----------------------------|------------|
|                        | Large                      | Small      |
| Non-targeted sanctions | Success                    | No Success |
| Targeted sanctions     | Success                    | Success    |

Table 3 reports that there is a variation of a sanction outcome within states with small winning coalitions. The variation, as my theory suggests, depends on the design of sanctions in place. Based on this logic, the key premise of my theory claims that *targeted sanctions are more effective than non-targeted sanctions when imposed on states with small winning coalitions*. Framing this assumption into a testable hypothesis, the following one is derived:

**H4:** *When the size of the winning coalition is small, targeted sanctions imposition is more likely to be effective than non-targeted sanctions imposition.*

## Chapter 3

### Theory on Targeted Sanctions Effectiveness: Threat Stage

#### 3.1 Introduction

So far, the theory has dealt only with the imposition stage of the sanctions, but there is a considerable number of works in the sanctions literature that talk about the crucial, but often times neglected role of sanctions threats (Drezner 2003; Hovi, Huseby and Sprinz 2005; Morgan 2015; Morgan, Bapat and Kobayashi 2014; Morgan and Miers 1999). The argument that brings together sanctions threats studies is that sanctions can be threatened first before they are imposed. If threats are credible enough, sanctions can be “successful” without reaching the imposition stage. In cases when the target state refuses to take sanctions threats seriously, the sender decides whether to impose sanctions or leave things as they are. Thus, in most instances, imposed sanctions are those sanctions that were employed because the target state’s leader did not concede to threat demands, which means that the leader decided that threat was not too credible or the issue salience was high enough for him to deny the demands. That said, it is clear that imposed sanctions are, in a sense, failed threats. Therefore, in observing only imposed cases disregarding the essential role of sanctions threats might bias our evaluation of sanctions effectiveness.

To illustrate, let us consider the case of successful sanctions threats employed by Mercosur and the U.S. to Paraguay. In 1996, General Cesar Oviedo, the Paraguayan army commander, and his 5000 troops besieged the capital, demanding the incumbent President Juan Carlos Wasmosy to reverse his decision regarding the dismissal of General Oviedo from the position of army commander (Hufbauer et al. 2009, 107). To prevent the subversion of a democratic government, Mercosur members expressed the threat of sanctions, including the exclusion of Paraguay from Mercosur. The U.S. also warned about serious consequences in case of non-compliance. In the wake of such threats, General Oviedo lost the support of his

main backers (officers), who consequently betrayed him by shifting to the side of the President. Thus, President Wasmosy regained the approval of the public and the army, and the coup attempt failed (Hufbauer et al. 2009, 107). In this way, sanctions threats succeeded without reaching the imposition stage.

Stemming from this logic, it becomes evident that referring only to sanction imposition in examining sanctions effectiveness may result in the issue of nonrandom sampling. This, in turn, is more likely to lead to mixed empirical evidence for hypotheses regarding the imposed sanctions. Hence, selection bias caused by a limited focus on the imposition stage is considered as the main reason for why the existing empirical evidence regarding sanctions effectiveness is mixed and/or weak.

Thus, I expand my analysis to include threats of sanctions. Theoretically, this means that I must revisit my theory and demonstrate if the logic applies not only to imposed sanctions but also to threats of sanctions. Empirically, including sanction threats in our analysis would require data on sanctions threats, which are obviously difficult to identify and collect. As I will explain in the next section, a team of scholars have recently collected data on sanctions threats, which I will utilize in my empirical analysis. Because a sample of sanctions threats should be less contaminated with strategic selection and thus less biased than that of imposed sanctions, I expect to find systematic relationships between the designs and the effectiveness of sanctions.

In the next section, I will examine whether the logic of the sanctions imposition stage is applicable to the sanctions threat stage.

### **3.2 Sanctions threats from selectorate perspective**

In case of sanctions imposition, my theory implies that sanctions are more likely to succeed as the unexpected costs to the target state increases. In contrast to sanctions

imposition, sanctions threats do not impose costs on the target. Threats do not limit or interrupt economic ties with the target state, thus the question that comes up is how are threats able to succeed? The answer is that threats, if designed appropriately, provide the target with information that the costs will be imposed on the target if it denies complying with the sender's demands. After receiving the threat message, the leader evaluates whether his/her preceding cost anticipations were right. If the leader estimates the threat as not credible enough, i.e. not worthy of concessions, s/he is more likely to ignore threats and continue pursuing unlawful policies. In this situation, the leader finds conducting a defiant policy with all ensuing consequences (i.e. sanctions imposition) to be more beneficial or salient than complying with the rules. However, other scenarios can influence the leader to disregard a threat. The leader might estimate threats as not potent, considering the preceding cost-benefit analysis as accurate and deciding that the utility of conducting a certain policy is much higher than acquiescing to the demands of sender states. The leader might also suppose that sanctions will be imposed regardless of his/her compliance or non-compliance. Hence, it seems more profitable to continue pursuing certain policy construed as undesirable by a sender, since the sender does not make a credible promise that sanctions will not be imposed even if the leader yields to the demands.

However, due to incomplete information along with uncertainty that states face in cost-calculations, the target might underestimate the threats' potency. Specifically, if the leader realizes that the threat is credible, meaning that the cost-calculation made by the leader before was fallacious, and costs of non-compliance are anticipated to be unexpectedly higher than the benefits of conducting a certain policy, the leader will yield to the demands. In that case, sanctions will succeed even before they are imposed. That said, sanctions that are found to be credible and unexpectedly high for the target are more likely to succeed at the threat stage.

Consistent with the logic of sanctions imposition, unexpectedly high costs are more likely to be threatened by senders who have extensive economic ties with the target. To reiterate, the more a target state is dependent on economic relationship with the sender, the larger is the share of revenues from these relations in the pool of available resources. The larger the proportion of external revenues (from particular sender state) in resources, the larger the stake that will be under the threat of being cut from the pool of resources in case sanctions imposition. To resume, sanction threats posed by those who have a significant role in the target's economy will inform the target that, in case of defiance, the flow of revenues to the target will be interrupted. Hence, sanctions threats endanger the political survival of the leader by menacing to cut the resources she/he uses to maintain the political support of his/her main backers.

Stemming from this logic, the following hypothesis is derived:

***H5:** Sanctions threats are more likely to succeed as the share of revenues from external relationships with the sender in the pool of available resources increases.*

Now, in order to investigate whether the success of sanctions threats also depends on their design chosen in accordance with the size of a winning coalition, I split up sanctions threats by their “targetedness”.

### **3.3 “Targetedness” of sanctions threats**

We already know that there exists a wide range of sanctions types, and that the imposition of sanctions might take roots from the threats. Hence, if the design of sanctions matter at the imposition stage, I assume that it should also matter at the threat stage. Consistent with the sanctions imposition theory, I consider sanctions threats from their “targetedness” perspective.

In the next section, I will apply selectorate theory (Buono de Mesquita et al. 2005) to sanction threats success in order to examine whether sanctions threats effectiveness also depends on their design chosen in accordance with the size of winning coalition.

### **3.4 Non-targeted sanctions threats from selectorate perspective**

First, let us consider non-targeted sanctions threats. Such threats signal that, in case of non-compliance, potential sanctions will be directed on a state comprehensively, not specifying particular groups or concrete economic sector. Sanctions threats menace cutting cut the pool of resources that should be allocated to private and public goods. The leader, in his/her turn, needs to determine a course of actions: s/he can either acquiesce and thus avoid potential sanctions imposition, or resist and continue pursuing a policy. The leader's decision in this situation, I argue, depends on the size of selection institutions within the state.

In states with a small winning coalition, the leader is less likely to acquiesce to the demands, since, in case of potential sanctions impositions, s/he is more likely to reallocate the resources in a way beneficial to the winning coalition ( in the expense of public goods since the selectorate have an insignificant role in such polities). Consequently, the scenario of non-targeted sanctions imposition on states with small winning coalition comes into play: reallocation of resources will lead to a gap increase between the values of private and public goods. As the gap widens, key supporters of the leader will be afraid of losing their private benefits. In addition, since the probability that members of the winning coalition will be included to the challenger's new government is pretty small, their loyalty norm to the incumbent leader will increase as well. Hence, non-targeted sanctions threats are ineffective in states with small winning coalitions, since they are unable to coerce the leader to comply with the demands.

In states with large winning coalitions where the main backers also benefit mainly from public goods, non-targeted sanctions threats are more likely to be effective since they jeopardize the resources to be allocated on these particular public goods. The leader in this situation will also have two alternatives: either to yield to the demands of the sender, and thus avert the threat of flow interruption, or to stay firm to his/her policy and, as a result, deal mainly with his/her numerous backers' discontent. Backers, in case targeted sanctions threats escalate to the imposition stage, will be more likely to defect since they will benefit from receiving public goods no matter whether they will support the incumbent leader or not.

Thus, my theory suggests that *non-targeted sanctions threats are more likely to be effective in states with large winning coalitions than in states with small winning coalitions.*

In phrasing this into a testable hypothesis:

**H6:** *Non-targeted sanctions threats are more likely to succeed as the size of a winning coalition increases.*

Now, having described non-targeted sanctions threats, we now turn to the discussion of the effectiveness of targeted sanctions threats in different polities. This will help us to define whether the logic of targeted sanctions imposition applies at the threat stage as well.

### **3.5 Targeted sanctions threats from selectorate perspective**

First, it is worth reiterating the crucial assumption that, I argue, distinguishes targeted sanctions from non-targeted sanctions, i.e. the non-fungibility of the goods on which targeted sanctions are imposed.<sup>17</sup> In small winning coalitions, targeted sanctions threats, consistent with my non-fungibility assumption, put in jeopardy the resources granted for the private benefits of domestic actors/groups responsible for policy change (i. e. the leader and his/her winning coalition). In this case, there is a threat of private goods reduction, while the share of

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<sup>17</sup> For more detailed review on fungibility, see Subchapter 2.7.

public goods does not fall under this threat. Consequently, if the leader denies acquiescing, and sanctions are imposed, the gap between the private benefits and public goods will become narrow. This situation will motivate members of the coalition to pressure the incumbent leader to change policy, since their personal benefits are limited now and looks more like a public benefits, which they will gain without being a member of the winning coalition. Therefore, if the leader wants to stay in power, s/he will attempt to save the support of his/her backers by conceding to the sender's demands, and consequently retaining the inflow of resources. Otherwise, in cases when threats escalate to imposition stage, there is a high probability that supporters will decide that their interest cannot longer be served under this particular leadership. Consequently, members will be more likely to defect and the leader, in his/her turn, will more likely be deposed by a challenger.

In the case when targeted sanctions are threatened on states with large winning coalition, the probability that such threats will succeed is high. To elaborate, a large selectorate and a large winning coalition make leaders and their supporters even more vulnerable to sanctions threats, since sanctions, if imposed as a consequence of the targets' disregard of threats, will reduce the pool of resources dedicated for the allocation of public goods.<sup>18</sup> Therefore, in states with large winning coalitions, targeted sanctions threats are more likely to be effective since supporters will be more likely to defect, because they have higher probability that they will be selected to a challenger's new government. Also, supporters will be more willing to defect because they will benefit from receiving public goods no matter whether they will support the incumbent leader or not. The threat to the leader's political survival will compel him/her either to concede to the demands of the sender or to be ready for sanctions imposition, which is more likely to have a negative effect on his/her tenure.

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<sup>18</sup> Targeted sanctions imposed on states with large winning coalitions will cut the inflow of resources dedicated to public goods, since key supporters in such polities also receive public, not private goods.

Comparing threats of targeted sanctions on states with different winning coalition size, the following hypothesis is derived:

*H7: Targeted sanctions threats are more likely to succeed regardless of the size of a winning coalition.*

### 3.6 Targeted versus non-targeted sanctions threats

Based on the theoretical assumptions that have been made so far in regards to non-targeted and targeted sanctions threats, it seems clear that sanctions design does matter both at the threat and imposition stages. Sanctions threats, if designed effectively in accordance with the size of a winning coalition, have a higher probability to succeed. For an annotation of the theoretical arguments on sanction threats, let us refer to Table 3 that resumes my theory on the success of sanctions imposition, but is also applicable to the sanctions threat stage.

**Table 3: Effectiveness of Non-Targeted Versus Targeted Sanctions**

|                               | Size of winning coalitions |            |
|-------------------------------|----------------------------|------------|
|                               | Large                      | Small      |
| <b>Non-targeted sanctions</b> | Success                    | No Success |
| <b>Targeted sanctions</b>     | Success                    | Success    |

In a similar fashion to the logic applied at the imposition stage, threats of non-targeted sanctions will be more likely to work in states with large winning coalitions rather than in states with small groups of key supporters. Threats of targeted sanctions, due to their narrow focus, will be more likely to succeed regardless of the sizes of winning coalitions. Comparing these assumptions, we see the variation at the sanctions outcome in cases with small winning coalitions depending on chosen sanctions design. Based on this logic and consistent with my

theory on sanctions imposition, I can deduct that *targeted sanctions are more effective than non-targeted sanctions when threatened on states with small winning coalitions*. Framing this assumption in testable hypothesis, the following one is derived:

**H8:** *When the size of a winning coalition is small, targeted sanctions threats are more likely to be effective than non-targeted sanctions threats.*

### **3.7 Conclusion**

In terms of the targetedness of sanctions, I can argue that the logic of my theory on sanctions imposition applies also at the threat stage. Namely, in small winning coalitions, targeted sanctions threats are more likely to be successful than non-targeted sanctions threats. Having said that, it is critical to note that even if hypotheses are almost similar for both stages, threatened and imposed sanctions should not be treated as similar. Since a threat is an imperative stage in a sanction episode and effective sanctions should already succeed at the threat stage, I argue that sanctions threat stage is a better representative of a sanction outcome.<sup>19</sup> Considering only imposed sanctions, therefore might bias our evaluation of sanctions effectiveness. This, in turn, underlines the importance of considering threats in my project.

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<sup>19</sup> For further review, see Drezner (2003), Krustev (2009), Lacy and Niou (2004), Morgan and Miers (1999).

## Chapter 4

### Research Design

#### 4.1 Introduction

This chapter reviews in detail the methodology employed in the study. More specifically, it provides information on datasets and the statistical model used, dependent and independent variables that are constructed along with control variables that are found to be important factors of sanctions success by other studies.

#### 4.2 Data

Since my theory deals with the threat stage along with the imposition stage, the empirical part of my work requires data on sanctions imposition *and* threats, which are obviously difficult to identify and collect. The majority of studies on sanctions effectiveness rely on a comprehensive HSE dataset, which only covers sanctions imposition stage.<sup>20</sup> However, since there are some cases where sanctions threats are well enough to ensure sanctions success, there is a strong reason to believe that the HSE dataset suffers from selection bias. To address this issue of nonrandom sampling, I will utilize a dataset that covers both stages of a sanction episode. The Threat and Imposition of Economic Sanctions (TIES) is a comprehensive and unique dataset recently collected by a team of scholars, namely by Morgan, Bapat, Krustev and Kobayashi.<sup>21</sup> The TIES includes 1412 observations “in which one or more states threatened and/or imposed economic sanctions on a single target state” within 1945-2005 time span (Morgan et al. 2014, 542). All economic sanctions data required for the analysis of this study is drawn from this dataset.

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<sup>20</sup> For works, where HSE dataset underlies the research, see Drury (1998), Early (2009), Jing, Kaempfer and Lam (1990), Lowenberg (2003), Lektzian and Souva (2003), Marinov (2005), Morgan and Schwebach (1997).

<sup>21</sup> For the description of the first version of the dataset, see Morgan, Bapat and Krustev (2009), for the description of the updated version – Morgan, Bapat, and Kobayashi (2014).

The TIES data defines 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, 542-543). To be considered as a sanction episode, the case must involve both the single target and one or more sender states. While the number of senders might be more than one in one sanction case, it is important to note that all sanction cases include only a single target. This means that if sanctions were imposed on multiple targets, different cases were created for every target. Also, cases are considered as economic sanctions only when a sender aims at changing a target’s behavior, meaning that cases when restrictions were implemented for domestic policy reasons only are not qualified as sanctions in this dataset (Morgan et al, 2014).

A sanction episode begins when a sender(s) initiates threats of the potential sanctions imposition. If threats fail to coerce the target to alter its behavior, the sender(s) chooses whether to accept the status quo or to follow through on the threats and impose sanctions. If the sender(s) chooses the latter alternative, the targets have the option to stand firm or to acquiesce.<sup>22</sup> The TIES contains information about the outcomes of both the threat and imposition stages (Morgan et al, 2014), which I use to test my hypotheses. I conduct two sets of analyses constructing two different dependent variables, which will be presented later in the chapter.

To draw the winning coalition variable, I used three datasets: Logic of Political Survival Dataset (Bueno de Mesquita 2003), Polity IV Project (Marshall, Jaggers and Gurr 2014) and Democracy Time-Series Data (Norris 2009). Logic of Political Survival Dataset is a collective, comprehensive effort by Bueno de Mesquita, Smith, Siverson and Morrow - begetters of selectorate theory (Bueno de Mesquita et al. 2005). The dataset is widely used by

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<sup>22</sup> The TIES include cases where threats did not forerun sanctions imposition. While it seems possible that sanctions can be imposed without preceding threats, it also can mean that threats were made behind the curtain, or that the TIES coders detected no record of statements on sanctions threats.

researchers who investigate the role of selectorate model in explaining politics. Since the dataset covers the 1800-2000 time period, while my temporal domain lies within 1945-2005, I used other two datasets to fill in the missing data of *Winning coalition* variable. Three variables out of four that are needed to construct the *Winning coalition* variable are taken from Polity IV (Marshall, Jaggers and Gurr 2014). The Polity IV Project is a comprehensive dataset, which covers patterns of authority and regime changes in all independent countries with more than 500 000 in terms of population.<sup>23</sup> The recent version of the dataset includes 167 countries and covers the 1800-2013 time period. The last variable needed to create the *Winning coalition* variable was drawn from the Democracy Time-Series Data. Organized by Pippa Norris (2009), this dataset comprises political, economic and social characteristics of all independent states from 1971 to 2007. Together, the Polity IV and the Democracy Time-Series Data complement data on *Winning coalition* variable for 2000-2005 time span.

### 4.3 Unit of Analysis and Samples

Since my theory considers the cases of sanctions imposition and threat, the unit of analysis of this study is a sanction episode, which is defined as a threat and/or imposition of sanctions by a sender on a target state (Morgan, Bapat, and Kobayashi 2014, 1). In terms of sampling, as my hypotheses capture two different stages of sanction episode, I will conduct two sets of analyses using two different samples along with two different dependent variables. The first set of analyses deals with sanctions imposition, testing Hypotheses 1 to 4. The dependent variable is *Imposition Success*, which indicates whether imposed sanctions successfully led to changes in a target state's policy.<sup>24</sup> The dataset generated to test this set of analyses includes all of the cases in the TIES dataset that indicates the imposition of sanctions,

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<sup>23</sup> The dataset and the codebook are available at <http://www.systemicpeace.org/inscrdata.html>

<sup>24</sup> The detailed review on dependent variables is presented in the next section.

and excludes (1) cases with missing values, (2) threat cases where the target state acquiesced to the demands of the sender state(s) prior to sanctions imposition and (3) cases in which threats failed, but sender(s) did not impose sanctions. This leaves me with a total of 554 cases of sanctions imposition, of which 314 cases, or 56.7 % ended with success.

The second dataset is constructed for testing the threat stage (Hypotheses 5 to 8). The dependent variable here is *Threat Success*, which indicates whether sanctions threats were successful and thus did not reach the imposition stage.<sup>25</sup> The dataset for this set of analyses was created by excluding (1) sanction cases with missing values and (2) cases in which threats were not employed prior to imposition. This leaves me with 629 cases where sanctions were threatened, 204 of which (32.5%) ended with success.

In the next section, my dependent variables are explained in detail.

#### **4.4 Dependent Variable**

As already mentioned, for the first set of analyses, I test hypotheses 1 to 4, by analyzing all cases where sanctions were imposed. Consistent with the first part of my theory that explains the effectiveness of imposed sanctions, I construct *Imposition Success* as dependent variable, which indicates whether imposed sanctions successfully led to changes in a target state's policy. It is designed as a dummy variable coded as 1 (i.e. Success) if the TIES indicates that the target capitulated or partially capitulated or that the imposition case ended with a negotiated settlement, and 0 (Failure) otherwise.

In the second set of analyses, I test Hypotheses 5 to 8, which capture threat stage in a sanctions episode. The dependent variable for these analyses is *Threat Success*, which indicates whether sanctions threats were successful and thus did not reach the imposition

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<sup>25</sup> The detailed review on dependent variables is presented in the next section.

stage. I define a threat case as Successful (coded as 1) if the TIES reports that the target capitulated, or partially capitulated, or that the threat case ended with a negotiated settlement, and Failure (coded as 0) otherwise. Because a sample of sanctions threats should be less contaminated with nonrandom sampling and thus less biased than that of imposed sanctions, I expect to find systematic relationships between the designs and the effectiveness of sanctions.<sup>26</sup>

#### 4.5 Independent Variables

To test my hypotheses, I have constructed the following independent variables:

Targeted Sanctions. The first two independent variables, which are the main interest of this study, is *Imposed Targeted Sanctions* and *Threatened Targeted Sanctions*. As my theory suggests, targeted sanctions are aimed only at domestic actors/groups/entities responsible or close to those who are responsible for policy change. Ideally, I would use data that indicates whether threatened and/or imposed sanctions were targeted or non-targeted. However, until now, no consistent measure of targeted and non-targeted sanctions existed. In my search for a better operationalization of these variables, I came up with two ways of measuring them. The first was proposed by Bapat et al. (2013), using *Threatened Targeted Interest* from the TIES dataset as the underlining variable. According to this study, a sanction is recorded as *Smart Sanctions (Targeted)* (coded as 1) “if sanction was intended to target the regime leadership, business interests, or the military” (Bapat et al.2013, 83) and 0 otherwise. That said, it is worth pointing out the problems that this measurement entails. First, there is a missing value problem. Out of 1412 observations, 458 cases (32.5%) are missing. Second,

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<sup>26</sup> It is important to note that we may see better evidence for sanction threats because the number of observations is obviously larger in the sample of threats than in that of imposed sanctions. I consider this when I interpret findings in the following sections.

this measurement is more relevant to the threat stage, since it captures only the “interests the sender(s) intended to impose costs on” (Morgan et al.2013, 6), disregarding the actual effects of sanctions if imposed. In case of sanctions imposition, it still can be relevant, but it will cover only those cases, in which sanctions were imposed *and* threatened before being imposed. However, the TIES dataset indicates that there are 359 cases in which sanctions were imposed without prior threats. Therefore, the number of observations at imposition stage will be even smaller than at threat stage.

Due to such significant measurement problems, I opted for constructing one more way for measuring *Imposed Targeted Sanctions* and *Threatened Targeted Sanctions* variables, again using the TIES data. Utilizing *Sanction type* and *Implementation of Diplomatic Sanctions* variables, I construct *Imposed Targeted Sanctions* as a binary variable, coded as 1 if the TIES indicates that following types (and only those types) of sanctions were imposed: asset freezes, travel bans, partial economic embargoes, any type of diplomatic sanctions, and 0 (which basically means *Imposed Non-Targeted Sanctions*) otherwise. I am left with 847 cases, of which only 153 cases or 18% are *Imposed Targeted Sanctions*.

To construct *Threatened Targeted Sanctions*, I use *Sanction Type Threatened* and *Diplomatic Sanctions* variables from TIES. Specifically, I code *Threatened Targeted Sanctions* as 1 if the TIES indicate that following types (and only those types) of sanctions were threatened: asset freezes, travel bans, partial economic embargoes, any type of diplomatic sanctions, and 0 (i.e. *Threatened Non-Targeted Sanctions*) otherwise. After coding, I am left with 885 cases, of which 296 cases (33.5%) are *Threatened Targeted Sanctions*.

I admit that my aggregate measures of targeted sanctions are not so elegant, and have a number of limitations. However, I believe that, so far, these measurements represent the most appropriate way of targeted sanctions estimation, since better ways of operationalization

require data unavailable presently (i.e. dataset which indicates whether threatened and/or imposed sanctions were targeted or non-targeted).

Size of Winning Coalition (W). My theory implies that sanctions effectiveness is dependent on the design along with the political constraints within the target state. Consistent with selectorate theory (Buono de Mesquita 2005), political constraints in the theory are represented by the size of political supporting groups of the incumbent. Thus, second independent variable is the Size of Winning Coalition, symbolled as *W*. Winning coalition is the group of main backers of the leader. As mentioned in the section on selectorate theory (Buono de Mesquita et al. 2005), the size of selection institutions shape the leader's political decisions. I operationalize this variable in accordance with Buono de Mesquita et al. (2005).<sup>27</sup> Since my temporal domain covers the 1945-2005 period, I draw ready-made *W* variable for 1945-2000 time span from The Logic of Political Survival Dataset (Buono de Mesquita et al. 2003). To fill in the rest of the period, I combine regime type variable and a set of executive recruitment variables. The conjunction of the variables takes place by assigning points to *W* in accordance with particular cases of component variables. First component, *REGTYPE* (stands for regime type) is taken from Democracy Time-Series Data (Norris 2009). When *REGTYPE* is not missing, and not military-civilian (coded as 2) or military (coded as 3), I assign one point to *W*. The rest of variables are drawn from Polity IV dataset (Marshall, Jaggers and Gurr 2014). One of the variables – *XRCOMP* – estimates the competitiveness of executive recruitment, and take several values: 1 stands for the case when the chief executive inherits his/her position or rigs the elections (which means that the leader needs small a

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<sup>27</sup> As Buono de Mesquita et al. (2005) acknowledge, the measurement of winning coalition size is still in its infancy, meaning that operationalization authors provide is quite primitive and crude. However, better way to measure winning coalition size has not been found yet. Moreover, the approximations proposed by the authors seem to be adequate to evaluate whether the tendencies of policies are aligned with the expectations that stem from selectorate theory.

amount of supporters); 2 and 3 stand for a higher level of accountability to the backers, indicating the larger size of winning coalitions. Thus, we award an additional point to  $W$  when  $XRCOMP$  equals or is larger than 2. The third variable stands for the openness of executive recruitment, coded as  $XROPEN$ . One more point is given to  $W$  in case the executive is signed on in a comparatively open setting, not by hereditary (meaning that point is assigned when  $XRCOMP$  is greater or equal 2). The last component of our composite index is competitiveness of participation, abbreviated as  $PARCOMP$ . A point is given when  $PARCOMP$  equals 5, meaning that persistent, enduring political groups that regularly compete for the political influence at the state level exist. In summary, the resulting measure of  $W$  ranges from 0 to 4. For the sake of simplicity, I divide the measures by 4, which is the maximum value of  $W$ . Thus, we are left with the normalized values from 0 to 1, where the decrease of value stands for smaller winning coalition. Thus, when hypotheses states, for example, that *Imposed Targeted Sanctions* are more likely to succeed as the size of winning coalition decreases, I expect a negative signed number to be indicated on  $W$ .

The logic behind  $W$  lies in the argument that sanctions should succeed if threatened/imposed on states with a large  $W$ . However, sanctions threatened/imposed on states with a small  $W$  are not always successful, but conditional on sanctions design. I expect that the larger  $W$  size should increase the chance of non-targeted sanctions succeeding. Conditional on small winning coalitions, I expect targeted sanctions to be more effective than non-targeted sanctions.

Unexpected costs. This variable is constructed to test the *Hypothesis 1* on sanctions imposition. The concept is as follows: the larger the gap between the expected and the actual target costs, the more likely that sanctions imposition will succeed. This variable is constructed using two variables from the TIES dataset. Specifically, *Unexpected costs*

presents the difference between *Anticipated Target Economic Costs* and *Target Economic Costs*. Both of these variables are coded as 1 (minor), 2 (major) and 3 (severe). Using this information, I code *Unexpected costs* as 1 if there is a difference between level of anticipated and real costs (i.e., if *Anticipated Target Economic Costs* is coded as 1/2, while *Target Economic Costs* on the same observation is coded as 2 or 3/3 respectively, I code *Unexpected costs* as 1), and 0 if there is no difference between two variables or the difference is in the downward way (i.e. if *Anticipated Target Economic Costs* is coded as 2/3, while *Target Economic Costs* on the same observation is coded as 1/ 1 or 2 respectively). Out of 438 cases, in 61 cases (13.9 %) costs were unexpected. All other things being equal, the larger gap between these two variables should increase the chances that sanctions succeed.

Share of External Revenues. The last independent variable - *Share of External Revenues* - is constructed to test the hypothesis on the effectiveness of threatened sanctions. As the theory suggests, the more a target state is dependent on economic relationships with a sender, the larger is the share of revenues from these relations in the pool of available resources. Therefore, the larger the proportion of such revenues in resources, the larger the share of the pool of resources will be under threat when sanctions are imposed. This variable is measured as the proportion of sender-target trade over target's GDP from the year before sanctions were imposed. The variable is constructed using data on countries' GDP and bilateral trade volumes drawn from Gleditsch (2002) and from the World Development Indicators (World Bank, 2014). All other things being equal, a larger proportion of revenues from external relationships with the sender in the pool of available resources should increase the chance that sanctions will succeed.

#### 4.6 Control Variables

I also include several control variables with the purpose of ensuring that the statistical results are robust. These particular variables have been chosen since they have been extensively studied as factors that influence threatened and/or imposed sanctions success.

The first control variable deals with the argument that sanctions promoted through international organizations are more likely to be credible and effective consequently (Martin 1993; Bapat and Morgan 2009; Bapat, et al. 2013). Namely, Bapat et al. (2013) argues that sanctions threatened and/or imposed under the auspices of international organizations are found to be more likely to succeed. Moreover, this relationship, as the authors claim, is robust across a wide range of model specifications, which allows me to expect the positive relationship between international organizations involvement and sanctions success on both – threat and imposition- stages. The variables are labeled as *IO Imposed Sanctions* and *IO Threatened Sanctions* variables, and coded as 1 if more than one sanctions were imposed / threatened respectively through an international organization, and 0 otherwise.

The second control variable deals with the existing arguments in the sanctions literature, which argues that threatened and/or imposed on issues that are highly salient to the target, are less likely to succeed (Bapat and Morgan 2009; Lacy and Niou 2004). Again, Bapat et al. (2013) found a systematic robustness of this variable under various model specifications. Based on that, I expect that both sanctions threats and imposition are more likely to fail (regardless of the design) due to the salience of an issue to the target. Hence, I expect *Target Issue Salience* to be negatively related with sanctions success in both sets of analyses. *Target Issue Salience* is also constructed using the TIES dataset, namely *Issue* variable. The issue is coded as salient (coded as 1) for the target if sanctions are directed at (1) preventing the target from exercising non-military power over third states (2) preventing military actions by the target state, (3) overthrowing the target's regime in power, (4) regulating conflicts stemming

from territorial disputes, (5) inducing the target state to improve human rights practices, (6) preventing the target state from supplying weapons or materials to a third states, and “0” otherwise.

#### 4.7 Statistical Model

The model used for testing the given hypotheses is chosen in accordance with the dependent variables. Since the dependent variables, constructed for both set of analyses, are binary and represent success (coded as 1) or failure (coded as 0) of sanctions, I utilize logit regression as the main statistical model. Logit model is extensively used in sanctions literature to predict the sanctions outcome.<sup>28</sup> Since I investigate the relationship between sanctions effectiveness and sanctions design, which, I argue, depends on the type of polity within the target state, the logit model includes an interaction term.

For the first set of analyses (imposition stage), I specify the logit model in the following way:

$$Imposition\ Success_i \sim \prod_{i=1}^n \left( \frac{\exp(\alpha + \beta_1 \times UnexpCosts_i + \beta_2 \times ImpTargSanc_i + \beta_3 \times W_i + \beta_4 \times ImpTargSanc_i \times W_i)}{1 + \exp(\alpha + \beta_1 \times UnexpCosts_i + \beta_2 \times ImpTargSanc_i + \beta_3 \times W_i + \beta_4 \times ImpTargSanc_i \times W_i)} \right)^{y_i} (1 - \left( \frac{\exp(\alpha + \beta_1 \times UnexpCosts_i + \beta_2 \times ImpTargSanc_i + \beta_3 \times W_i + \beta_4 \times ImpTargSanc_i \times W_i)}{1 + \exp(\alpha + \beta_1 \times UnexpCosts_i + \beta_2 \times ImpTargSanc_i + \beta_3 \times W_i + \beta_4 \times ImpTargSanc_i \times W_i)} \right))^{1-y_i}$$

where  $UnexpCosts_i$  is the difference estimated between *Anticipated Target Economic Costs* and *Target Economic Costs*. Since my theory suggests that the larger the gap between the expected and the actual target costs, the more likely that sanctions imposition will succeed, I expect  $UnexpCosts_i$  to be positively related with success of sanctions imposition ( $\beta_1 > 0$ ).

Hypothesis 2 in the first set of analyses deals with *Non-targeted Sanctions*, implying that the

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<sup>28</sup> Following authors utilized logit repression as their main statistical model in investigating sanctions effectiveness: Drury (1998), Jing, Kaempfer and Lowenberg (2003), Marinov (2005), Martin (1993), Lam (1990), etc.

imposition of such sanctions are more likely to succeed as the size of  $W_i$  increases. Therefore, I expect Non-targeted sanctions (if  $ImpTargSanc_i = 0$ ) to be positively related with imposed sanctions success ( $\beta_3 > 0$ ). In terms of Hypothesis 3, which claims that targeted sanctions are more likely to be effective regardless of the values of  $W_i$ , I expect  $ImpTargSanc_i$  to be positively related to imposed sanctions success regardless of the values of  $W_i$  (i.e.  $\beta_2 > 0$ ). If Hypotheses 2 and 3 find empirical support, then Hypothesis 4 (which states that targeted sanctions are more effective than non-targeted sanctions when imposed on states with small winning coalitions) should also be supported. Outlining the effect of “targetedness”, which is denoted as  $(\beta_2 + \beta_4 W_i)$ , and if  $\beta_2 > 0$ . I expect  $\beta_4 < 0$ ,

Similarly, for the analyses on threat stage, the logit model is specified as follows:

$$Threat\ Success_i \sim \prod_{i=1}^n \left( \frac{\exp(\alpha + \beta_1 \times ShareExtRev_i + \beta_2 \times ThreatTargSanc_i + \beta_3 \times W_i + \beta_4 \times ThreatTargSanc_i \times W_i)}{1 + \exp(\alpha + \beta_1 \times ShareExtRev_i + \beta_2 \times ThreatTargSanc_i + \beta_3 \times W_i + \beta_4 \times ThreatTargSanc_i \times W_i)} \right)^{y_i} \left( \frac{\exp(\alpha + \beta_1 \times ShareExtRev_i + \beta_2 \times ThreatTargSanc_i + \beta_3 \times W_i + \beta_4 \times ThreatTargSanc_i \times W_i)}{1 + \exp(\alpha + \beta_1 \times ShareExtRev_i + \beta_2 \times ThreatTargSanc_i + \beta_3 \times W_i + \beta_4 \times ThreatTargSanc_i \times W_i)} \right)^{1-y_i}$$

I expect to see the same signs of the coefficients as in the imposition stage. Specifically, I expect  $ShareExtRev_i$  to be positively related to threat success ( $\beta_1 > 0$ ), since my theory implies that sanctions threats are more likely to succeed as the share of revenues from external relationships with the sender in the pool of available resources increases. Consistent with my theory at the imposition stage, Hypothesis 6 claims that *Threatened Non-targeted Sanctions* are more likely to succeed as  $W_i$  increases, meaning that I should expect  $\beta_3 > 0$ .  $ThreatTargSanc_i$  are expected to be positively related to threat success regardless of  $W_i$ , since threatened targeted sanctions are more likely to be effective regardless of the values of  $W_i$ , which entails  $\beta_2 > 0$ . Lastly, if hypotheses 6 and 7 are right, I expect to find support for Hypothesis 8, which claims that targeted sanctions are more effective than non-targeted sanctions when threatened on states with small winning coalitions.

That said, it is worth mentioning that I expect to find more systematic relationships between the effectiveness and the designs of sanctions at threat stage since the sample of sanctions threats should be less contaminated with strategic selection and thus less biased than that of imposed sanctions.

## Chapter 5

### Empirical Analyses

#### 5.1 Introduction

This chapter provides empirical results retrieved from hypotheses testing. I first report my results from logit analyses for the imposition stage and then turn to the threat stage of sanctions episodes. A descriptive summary of the variables can be found in the Appendix.

#### 5.2 Empirical Results: Imposition Stage

Before proceeding to reporting the results on imposition stage, it is worth mentioning that I consider two ways of measuring Imposed Targeted Sanctions. The first one is operationalized based on *Sanction type* and *Diplomatic sanctions* variables (drawn from TIES), and presented in Table 4. The second way of measurement was presented by Bapat et al. (2013), and utilized in Table 5.

Table 4 reports the coefficient estimates from the logit model for the first set of analyses, pertaining to Hypotheses 1 to 4. While Model 1.1 includes only the key independent variables, Model 1.2 includes control variables to the analyses. I first discuss the results for Hypotheses 1 to 4 presented in Model 1.1.

In general, statistical findings corroborate the theoretical implications, however with some exceptions. The results from model 1.1 support Hypothesis 1 (*H1: Sanctions are more likely to succeed as the share of unexpected costs to the target state increases*). As I expected, *Unexpected Costs* are positively related with success of sanctions imposition ( $\beta_1=1.124$ ) and statistically significant at 0.01 level across both Models.

Hypothesis 2, which states that *Non-targeted sanctions' imposition are more likely to succeed as the size of winning coalition increases*, finds no support from the data. Instead of

the expected positive relationship, we are witnessing a statistically insignificant negative estimate ( $\beta_3 = -1.101$ ).

In terms of Hypothesis 3 which implies that *Imposed targeted sanctions are more likely to succeed regardless of the size of winning coalition*, findings maintain the directions of expected relationships, ( $\beta_2 = 0.976$ ), supporting the argument.

**Table 4: Coefficients from Logit Regressions of Imposed Sanctions Success**

|  | <i>Model</i><br>(1.1) | <i>Model</i><br>(1.2) |
|--|-----------------------|-----------------------|
| <i>Unexpected Costs</i>                      | 1.124***<br>(0.380)   | 1.243***<br>(0.408)   |
| <i>Imposed Targeted Sanctions</i>            | 0.976<br>(1.065)      | 0.438<br>(1.186)      |
| <i>W</i>                                     | -1.101<br>(0.545)     | -1.086<br>(0.599)     |
| <i>Imposed Targeted Sanctions</i> × <i>W</i> | -0.114<br>(1.378)     | 1.387<br>(1.508)      |
| <i>IO Imposed Sanctions</i>                  |                       | 1.947***<br>(0.439)   |
| <i>Target Issue Saliency</i>                 |                       | -0.240<br>(0.361)     |
| <i>Constant</i>                              | 0.616<br>(0.435)      | 0.374<br>(0.495)      |
| Observations                                 | 554                   | 554                   |

Standard errors are reported in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Finally, I find marginal (but consistent with the expectation) support for Hypothesis 4, which implies that, conditional on small winning coalition, targeted sanctions are more likely to be effective than non-targeted sanctions ( $\beta_2 = -0.114$ ).

This impression of the analysis slightly changes after including control variables. Again, we find strong and statistically significant support for Hypothesis 1 ( $\beta_1 = 1.243$ )

corroborating the theoretical argument that the larger the gap between the expected and the actual target costs, the more likely that sanctions imposition will succeed.

Hypothesis 2 on Non-targeted Sanctions effectiveness again finds no support from the findings, demonstrating the opposite relationship to what was expected ( $\beta_3 = -1.086$ ).

Considering the success of *Imposed Targeted Sanctions*, I again find marginal but positive support for my theoretical argument. Specifically, the estimate ( $\beta_3 = 0.438$ ) is positively related with sanctions success, implying that imposed targeted sanctions are more likely to be effective regardless of the size of a winning coalition. In terms of interaction term, including control variables to the model changed the relationship in the opposite direction, no longer supporting the argument that imposed targeted sanctions are more likely to be effective than non-targeted sanctions when imposed on states with small winning coalitions.

Since I am particularly interested in testing the hypotheses, I will skip a detailed discussion of the control variables. However, several things are worthy of attention. First, both *Target Issue Salience* and *IO Imposed Sanctions* appear to influence success of imposed sanctions in expected directions. The estimate for *Target Issue Salience* supports the argument that the more salient the issue for the target, the less likely that sanctions imposition will succeed (Bapat and Morgan 2009; Lacy and Niou 2004). However, the estimate for *Target Issue Salience* is insignificant, confirming Bapat et al. (2013) statements that only a handful of factors are found to be robust indicators of imposed sanctions success. *IO Imposed Sanctions* is the illustration of such a robust predictor, which is consistent with general arguments presented by Martin (1993), Bapat and Morgan (2009).

I conducted a second analysis on the imposition stage, using a different measurement on Imposed Targeted Sanctions, proposed by Bapat et al. (2013). The results are reported in Table 5.

**Table 5: Coefficients from Logit Regressions of Imposed Sanctions Success (with Bapat et al. (2013) measurement of Targeted sanctions)**

|                                      | <i>Model</i><br>(2.1) | <i>Model</i><br>(2.2) |
|--------------------------------------|-----------------------|-----------------------|
| <i>Smart Sanctions (Targeted)</i>    | 0.479*<br>(0.286)     | 0.676**<br>(0.314)    |
| <i>Unexpected Costs</i>              | 1.087***<br>(0.389)   | 1.277***<br>(0.422)   |
| <i>W</i>                             | -1.689***<br>(0.546)  | -1.529**<br>(0.625)   |
| <i>Smart Sanctions(Targeted) × W</i> | 1.226**<br>(0.479)    | 1.080**<br>(0.520)    |
| <i>IO Imposed Sanctions</i>          |                       | 2.195***<br>(0.451)   |
| <i>Target Issue Salience</i>         |                       | -0.224<br>(0.377)     |
| <i>Constant</i>                      | 0.757*<br>(0.416)     | 0.203<br>(0.502)      |
| <i>Observations</i>                  | 255                   | 255                   |

Standard errors are reported in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

As we can see, the number of observations has halved (note that there are 554 observations in Model 1.1/1.2 while only 255 observations in Model 2.1/2.2). This model also supports my argument on the effect of unexpected costs on imposed sanctions success, reporting a positive and statistically significant relationship. However, Hypothesis 2 is totally rejected by coefficients presented in Models 2.1 and 2.2, presenting statistically significant estimates in opposite directions ( $\beta_3 = -1.689$ ), and basically arguing that Non-targeted sanctions are less likely to be effective as the size of winning coalition increases. Measuring targeted sanctions in accordance with Bapat et al. (2013) entails stronger support for Hypothesis 3 than Model 1.1 and Model 1.2. Specifically, targeted sanctions are more likely

to be effective regardless of coalition size of target state ( $\beta_2=0.479$ ). The conditional term, however, finds no support from the dataset, rejecting Hypothesis 4, which suggests that targeted sanctions are more likely to effective than non-targeted sanctions when imposed on states with a small winning coalition.

The reason behind such haphazard results of sanctions success at the imposition stage may be explained by the strategic selection issue. In addition, Bapat et al. (2013) way of measurement seems inapplicable to imposition stage, since it does not consider the actual costs of imposed sanctions. Because Bapat et al. (2013) way of measurement should be more appropriate to threat cases along with the fact that a sample of sanctions threats should be less contaminated with nonrandom sampling (and thus less biased than that of imposed sanctions), I expect to find better systematic relationships between the designs and the effectiveness of sanctions at the threat stage. By this, it once more confirms the importance of threat stage in sanction episode.

### 5.3 Empirical Results: Threat Stage

Now, we turn to reporting the results from the logit model on the threat stage. Again, I first present the coefficient estimates using one type of measurement of targeted sanctions (generated on the basis *Sanction type* and *Diplomatic sanctions* variables) in Table 6. Table 7 reports on the logit model in which targeted sanctions measurement proposed by Bapat et al. (2013) was utilized.

Table 6 provides mixed support for Hypotheses 5 to 8. Specifically, it buttresses Hypothesis 5, claiming that the Share of External Revenues and Threat Success are positively correlated ( $\beta_1=1.253$ ). However, the estimates on the effectiveness of non-targeted sanctions threats are in the opposite directions to what Hypothesis 6 predicts ( $\beta_3=-0.738$ ). The positive coefficient on *Threatened Targeted Sanctions* is consistent with Hypothesis 7 and implies

that, regardless of the winning coalition size, threatened targeted sanctions are likely to be effective. The estimates presented in this table also confront the predictions made by Hypothesis 8, demonstrating a positive coefficient ( $\beta_4=0.799$ ). The rejection of Hypothesis 4 stems from the problem that these findings support Hypothesis 7, while rejecting Hypothesis 6. As I mentioned in theory section, Hypothesis 4 would only be supported if Hypothesis 6 and 7 are buttressed.

**Table 6: Coefficients from Logit Regressions of Threatened Sanctions Success**

|  | Model<br>(3.1)     | Model<br>(3.2)       |
|--|--------------------|----------------------|
| <i>Threatened Targeted Sanctions</i>                   | 0.516<br>(0.793)   | 0.350<br>(0.826)     |
| <i>Share of External Revenues</i>                      | 1.253<br>(1.576)   | 0.925<br>(1.884)     |
| <i>W</i>   | -0.738<br>(1.096)  | -0.961<br>(1.148)    |
| <i>Threatened Targeted Sanctions</i> $\times$ <i>W</i> | 0.799<br>(1.148)   | 0.647<br>(1.191)     |
| <i>IO Threatened Sanctions</i>                         |                    | 0.840***<br>(0.205)  |
| <i>Target Issue Saliency</i>                           |                    | -1.206***<br>(0.280) |
| <i>Constant</i>  | -1.274*<br>(0.748) | -0.882<br>(0.806)    |
| Observations   | 629                | 629                  |

Standard errors are reported in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

To check if my findings depend on particular decisions made in my research design, I also run the analysis using alternative measurement of Threatened targeted sanctions. Table 7 reports the coefficient estimates from logit model using Bapat et al. (2013) operationalization of threatened sanctions. In Models 4.1 and 4.2 I observe that *Share of*

*External Revenues* is positively (i.e. as predicted) related to Threat Success. Hypothesis 6, which predicts a positive relationship between non-targeted sanctions threat and Threat Success, is marginally supported by the results ( $\beta_3=0.276$ ). However, once I control for several variables, I find this particular estimate to be in the opposite direction ( $\beta_3=-0.169$ ).

**Table 7: Coefficients from Logit Regressions of Threatened Sanctions Success (with Bapat et al. (2013) measurement of Targeted sanctions)**

|                                       | <i>Model</i><br>(4.1) | <i>Model</i><br>(4.2) |
|---------------------------------------|-----------------------|-----------------------|
| <i>Smart Sanctions (Targeted)</i>     | 0.477<br>(0.486)      | 0.607<br>(0.513)      |
| <i>Share of External Revenues</i>     | 1.324<br>(0.487)      | 1.091<br>(0.693)      |
| <i>W</i>                              | 0.276<br>(0.473)      | -0.169<br>(0.511)     |
| <i>Smart Sanctions (Targeted) × W</i> | -0.249<br>(0.624)     | -0.438<br>(0.658)     |
| <i>IO Threatened Sanctions</i>        |                       | 0.650***<br>(0.197)   |
| <i>Target Issue Salience</i>          |                       | -1.616***<br>(0.276)  |
| <i>Constant</i>                       | -1.151***<br>(0.362)  | -0.730*<br>(0.402)    |
| Observations                          | 690                   | 690                   |

Standard errors are reported in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Alternative measurement of Targeted sanctions, as expected, has a positive relationship with Threat Success. The coefficient estimate on the interaction term is negatively related to threatened sanctions success, which is consistent with Hypothesis 8. This findings change little when I include my control variables. In Model 4.2, the effect of targeted sanctions on threat success remains positive, and the coefficient on interaction term remains negative,

as predicted Hypothesis 8.

#### **5.4 Discussion**

So far, the findings of empirical analyses at the imposition stage provide mixed results. Consistent with the main implication that Bapat et al. (2013) draw from their research, such findings may be justified by the strategic selection inherent to the samples of imposed sanctions, therefore it is not surprising to see no systematic relationship at the imposition stage.

The first way of operationalizing targeted sanctions seems to provide better results on the imposition rather than on threat stage. As for the alternative measurement proposed by Bapat et al. (2013), on the threat stage this way of operationalization presented better and clearer results, demonstrating support for almost all of the hypotheses, while causing major problems when employed on the imposition stage (missing values, contradicting results).

While it is quite difficult to make any inferences based on the results on the imposition stage, on the threat stage we can notice some promising patterns. According to the estimations presented in Table 7, we can argue that sanctions, effectively designed in accordance with a target state' internal conditions do have positive effect on sanctions success. These results may imply that, despite the contradictions of the results at the imposition stage, it might be the case that patterns revealed at the threat stage are also applicable at the imposition level.

## Chapter 6

### Conclusion

This thesis started with the premise that sanctions can be effective if designed in accordance with the targeted state's conditions. I argued that targeted sanctions are more effective than non-targeted sanctions when imposed on states with small winning coalitions, i.e. non-democracies. While existing studies debated the effectiveness of sanctions in general, the contribution of this project to the existing literature advocates for disaggregating sanctions by their "targetedness" and exploring under which conditions the particular design of sanctions will work better than other designs. Using selectorate theory (Buono de Mesquita et al. 2005) as a framework for clarifying the relationship between the designs and effectiveness of sanctions, I have investigated whether designing sanctions in accordance with the political institutional constraints of a targeted state can predetermine the success of sanctions. In addition, given the importance of the threat stage along with the imposition, I examined the effect of sanctions design at two different stages of a sanction episode. To account for the threat and imposition stages empirically, I used the newly updated comprehensive Threat and Imposition of Economic Sanctions dataset (Morgan, Bapat, and Kobayashi 2014), which is the only data to date that embraces both stages of a sanction episode. While the empirical evidence on imposition provides mixed support for my theoretical arguments, the findings on the threat stage, nevertheless, allow me to claim that the design of sanctions does have a positive relationship on sanctions success.

There are several clear implications of this study. First, choosing the right design of sanctions consistent with targeted state's political conditions is one crucial (but often times neglected) determinants of sanctions effectiveness. Second, this study clearly suggests that

the imposition stage represents an inadequate sample of sanctions episodes, and thus, if we are to avoid the bias in our evaluation of sanctions effectiveness, it is crucial to analyze both imposed *and* threatened sanctions. In terms of policy implications, we can draw a parallel between this given work's results and current sanctions cases like Russia and derive the following arguments: (1) since the state is considered as non-democracy, i.e. state with small winning coalition, the targeted part of the Western sanction on Russia is more likely to be effective than the non-targeted part; (2) the fact that sanctions are imposed illustrates that these sanctions have already failed (at the threat stage) - and thus (3) it is likely that sanctions are not going to achieve the desired policy objectives in this case.<sup>29</sup>

Despite the fact that this study has many limitations and shortcomings that need to be addressed, it, nevertheless, sheds light on the relationship between the institutional perspectives of a target state, the design of sanctions, sanctions stages and sanctions success. In terms of limitations, the rough and straightforward operationalization of variables must be mentioned. This, in its turn, provides issues for future research. First, and the most pertinent direction, is to develop the concept of targeted sanctions more thoroughly. There is a wide range of empirical works on targeted sanctions, which lacks, however, sound theoretical grounds. This study was a first attempt in generating a theoretical underpinning of targeted sanctions. The second venue for future research develops case study analyses on targeted sanctions effectiveness. This study has focused mainly on providing theory and conducting large-N study on targeted sanctions effectiveness. However, there is a need for conducting research on the current sanctions cases like Iran and Russia, and exploring whether targeted sanctions threat/imposition makes the difference in sanctions outcomes. Overall, this is a

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<sup>29</sup> On the evidence that targeted part of sanctions imposed on Russia did succeed, see Dreyer and Popescu (2014), and Dolidze (2015).

project in-progress and I may wish to perform case study analyses on this topic should I decide to pursue a PhD.

### Appendix

**Figure 1: Descriptive Statistics:** represents the descriptive statistics of the variables

|   | (1)<br>N | (2)<br>mean | (3)<br>sd | (4)<br>min | (5)<br>max |
|---|----------|-------------|-----------|------------|------------|
| <i>Threat Success</i>                           | 629      | 0.325       | 0.469     | 0          | 1          |
| <i>Imposition Success</i>                       | 554      | 0.567       | 0.496     | 0          | 1          |
| <i>Target Issue Saliency</i>                    | 1,412    | 0.213       | 0.410     | 0          | 1          |
| <i>IO Threatened Sanctions</i>                  | 1,412    | 0.254       | 0.435     | 0          | 1          |
| <i>IO Imposed Sanctions</i>                     | 1,412    | 0.110       | 0.314     | 0          | 1          |
| <i>Unexpected Costs</i>                         | 438      | 0.139       | 0.347     | 0          | 1          |
| <i>Share of External Revenues</i>               | 1029     | 0.0378      | 0.0683    | 0          | 0.670      |
| <i>Smart Sanctions (Targeted)</i>               | 954      | 0.619       | 0.486     | 0          | 1          |
| <i>Imposed Targeted Sanctions</i>               | 847      | 0.181       | 0.385     | 0          | 1          |
| <i>Threatened Targeted Sanctions</i>            | 885      | 0.922       | 0.268     | 0          | 1          |
| <i>W</i>  | 1,365    | 0.738       | 0.274     | 0          | 1          |
| <i>Imposed Targeted Sanctions</i> × <i>W</i>    | 824      | 0.116       | 0.279     | 0          | 1          |
| <i>Threatened Targeted Sanctions</i> × <i>W</i> | 850      | 0.688       | 0.319     | 0          | 1          |
| <i>Smart Sanctions (Targeted)</i> × <i>W</i>    | 915      | .4740437    | .4275407  | 0          | 1          |

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