Smart Sanctions or Silly Statecraft? The Efficacy of Targeted Sanctions

Cesar Andalon
University of San Diego

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Abstract

Sanctions are a common tool of economic statecraft that policy makers utilize for a variety of purposes including promoting democracy, human rights, and curtailing belligerent behavior. While much of the existing literature on sanctions have emphasizes the value in inflicting the maximum amount of economic pain on the target state in order to force acquiescence, this has the potential to lead to significant humanitarian costs on the target state's civilian population. The policy makers' solution to these negative externalities has been targeted or "smart" sanctions. These are sanctions that are specifically tailored to target a narrow group within the target state's ruling elite or a specific sector of the target's economy. The logic being that economic pressure placed on those in authority can both make altering the target state's behavior more effective, and also, mitigate the potential for collateral damage associated with comprehensive sanctions. Smart sanctions represent an avenue of sanction literature that has yet to be fully explored, and therefore, this paper analyzes the conditions under which smart sanctions are most effective utilizing the Threats and Imposed Economic Sanctions Database (TIES).

Introduction

It is a well-reputed fact that the use of economic sanctions pre-dates Christianity, the Roman Empire, and most other institutions currently in existence today. It was brought to fame, or infamy, with Pericles' Megarian decree in 432 BC following the kidnapping of several women; this effectively isolated the Megarians to the point of starvation. This decree was credited by Aristotle as significantly contributing to the outbreak of the Peloponnesian War[1]. The effects that drove the Megarians to war were the result of crippling comprehensive sanctions that have since been deployed as a tool of statecraft by countless nations over the proceeding two millennia. The pain inflicted by these sanctions, as will be discussed later on in this paper, has often been attributed as the principal driver of success in sanction episodes. Maximum damage, however, can lead to the sort of collateral damage that makes diplomats and policy makers alike think twice of employing a comprehensive sanctions regime. A testament to this fact is the case of U.N. backed comprehensive sanctions against Iraq following the country's invasion of Kuwait in the 1990s.

As prolific sanction scholar Drezner notes, sanctions against Iraq in the 1990s were the most exacting in history, resulting in hundreds of billions of dollars in lost revenue and catastrophic inflation for the price of food. More importantly, however, Drezner describes how these sanctions were ultimately to be blamed for the deaths of hundreds of thousands of innocent Iraqi civilians; charges that were etched into the historical record following an interview with the then U.S. Ambassador to the United Nations Madeleine Albright where she stated that, despite being confronted with the cost of half a million civilian lives, "the price is worth it"[2] . Reports published years later would refute the claims many propagated about the number of casualties associated with sanctions (the figures were found to be doctored by Saddam Hussein's government officials)[3]. While sanctions did in fact contribute to the deaths of civilians, the maliciously inflated figures proffered by Saddam's government were, and at times still are, utilized as arguments against the employment of sanctions. For the relevancy of this paper, however, another important truth emerged from this saga, the desire to re-examine the effectiveness of comprehensive sanctions. This re-examination reflected the belief that perhaps comprehensive sanctions are too exacting, leading to the genesis behind many policy makers greater consideration towards precise, "smarter" use of sanctions[4].

It is this form of sanctioning that constitutes the focus of this paper. Smart sanctions are the precision guided munitions of economic statecraft. What makes smart sanctions more intelligent than their blunter, comprehensive counterparts is the ultimate target of a sanction regime. Smart sanctions target specific, narrow interests within, or at least associated, the governing regime of

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[1] Hufbauer, Gary Clyde. *Economic Sanctions Reconsidered*. 3rd ed., Peterson Institute for International Economics, 2009. [pg. 9-10]

[2] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

[3] Sly, Liz. *Saddam Hussein said sanctions killed 500,000 children. That was 'a spectacular lie.'* The Washington Post. 8/4/2017.

[4] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web

the target state[5]. The premise of this line of sanctioning is that states are able to wield economic pressure on a target state while averting the sort of externalities that were present in the case of Iraq in the 1990s.

The issue with smart sanctions, however, is that there is a gap in the extant empirical research that has been done to measure their efficacy. This can, in part, be attributed to several factors that will be explored in the proceeding section but has resulted in a highly relevant matter of international relations that has yet to be fully explored. Relevant indeed, as smart sanctions constitute a razon-thin majority of total sanction episodes[6]. Thus, the least measured variant of sanction regime is also the most popular form of sanction regime. It is precisely this fact that this paper seeks to ameliorate. An issue such as sanctions that has the potential to cripple economies, cost thousands of lives, and even lead to war warrants an in-depth understanding to better assist policy makers as to their potential use.

This paper will examine the existing gap in sanctions literature by analyzing the determinants of smart sanction efficacy. It will do so by reviewing and expanding upon existing literature in the field. This paper will then offer a theoretical foundation for the effectiveness of smart sanctions as well as accompanying hypotheses related to the theory promulgated by this paper. Subsequently, independent research will be presented on the determinants of smart sanction success by analyzing the ways in which targeting specific parties contributes to the sanction objectives. The conclusions drawn from the analysis of this research will then be utilized to determine whether smart sanctions present successful alternatives to their comprehensive counterparts and under what conditions.

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[5] Nurullayev, Dmitriy. "Art of Economic Statecraft: When Pain Matters." *Journal of Military and Strategic Studies*[Online], 19.1 (2018): n. pag. Web. 8 Mar. 2019.

[6] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

Literature Review

Given the fact that sanctions have been utilized as a tool of statecraft for thousands of years, the field of sanctions research is understandably rich in literature discussing their efficacy in achieving foreign policy objectives. While the literature may be voluminous and diverse in respective conclusions, several patterns emerge from an analysis of existing research. What follows will be an overview of extant scholarly research on the determinants of sanction success, as well as several prominent overarching theoretical debates that are ongoing in the field. To begin with, however, there is a historical theoretical debate between scholars on first how to define "success". Baldwin, one of the most acclaimed scholars of economic statecraft for example, takes a more encompassing view of what success means in terms of sanction outcomes, stating that a gradation approach that allows for levels of success is useful in avoiding the behavioristic bias in measuring success[7]. Conversely, Pape takes issue with Baldwin's assessment and argues that sanction outcomes should only be measured by their intended effect on the target state's behavior[8]. Ultimately, scholars that rely on databases for their empirical research tended to prefer the more circumscribed, and easier to measure, definition of success offered by Pape.

Before delving into the determinants, a brief note on methodology. There seems to be a distinct skew towards utilizing similar datasets to test theory. For instance, in the empirically tested literature, which constitutes most of the literature used in this paper, a majority of the sources employed the Hufbauer, Schott, and Elliott (HSE) database, while the rest used some combination of the Threats and Imposed Economic Sanctions (TIES) database, case studies, and smaller, less popular datasets. This is an important distinction because it may have impacted the empirical findings used to support many scholars' theories. The potentiality of a data skew derives from the selection bias present in the HSE database. Kaempfer and Lowenberg make this criticism explicit, stating that the HSE database focuses solely on episodes in which sanctions were imposed, but that is an issue as sanctions are only placed on the most intractable situations thereby biasing the results towards sanction failure[9]. Bapat et al. ameliorate this issue by utilizing the TIES database which does take into account both the threat and imposition stage of sanction episodes[10].

Upon analysis of the exhaustive literature on the effectiveness of sanctions, several patterns emerge that warrant review. First, the most universally accepted determinant of sanction success is the total economic cost to the target state including imposed *and* anticipated economic costs. This was corroborated by both theoretical and empirical findings, regardless of which

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[7] Baldwin, David A. "The Sanctions Debate and the Logic of Choice." *International Security*, vol. 24, no. 3, 2000, pp. 80–107., doi:10.1162/016228899560248.

[8] Baldwin, David A., and Robert A. Pape. "Evaluating Economic Sanctions." *International Security*, vol. 23, no. 2, 1998, p. 189., doi:10.2307/2539384.

[9] Kaempfer, William, and Anton Lowenberg. "Chapter 27 The Political Economy of Economic Sanctions." *NeuroImage*, Academic Press, 8 Mar. 2007, www.sciencedirect.com/science/article/pii/S1574001306020278

[10] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

methodology was used and by countless of the authors including the creators of the TIES database[11]. The second consistent finding was that the target state's perception of the sender state's sanctioning capability and intent were crucial variables in whether the target would acquiesce. U-Jin Ang captures this variable by operationalizing it as "High Issue Salience" which is found to be statistically significant in the probability of sanctions succeeding[12]. Furthermore, Kim analyzes the factor credibility plays in the success of sanctions during the threat stage which was operationalized as capability and trade linkage. Kim determined that the greater the sender state's capability, and the greater the dependency on trade with the sender state the target was, the increased probability that the target would perceive a threat of sanction to be credible and acquiesce[13].

An important component that many authors employ as explicatory variables in sanction success is that the sender state possesses adequate capability. Again, capability is typically measured in another widely agreed upon determinant of sanction success, trade linkage. Trade linkage is tied to the amount of leverage and pain the sender state is able to inflict onto the target state. So, as Lenway makes clear in her article, the greater the target's dependence on the sender, the greater the amount of pain that is able to be applied which in turn leads to a greater likelihood of sanctions succeeding[14]. Several authors also make clear that it is not just the trade linkages between the sender and target state either. Early, among others, highlights the importance third parties play in the outcomes of sanction episodes. Early makes clear that the effectiveness of sanctions is dependent on the support from third parties towards the sanction regime. Specifically, those third parties that have strong pre-sanction trade linkages with the target[15]. Another pair of scholars, McLean and Whang, go as far as to state that "sanctions busting" behavior exhibited by third parties is perhaps why U.S. sanctions have failed so often[16].

Sanctions against countries with which the sender has cordial relations with, even alliances, are also shown to be more effective than otherwise[17]. Support of international organizations is also demonstrated to increase the probabilities of success, and quite importantly, many authors cited the need to tailor sanctions to the specific objectives they are being utilized to achieve[18]. There was some contention over traditionally accepted determinants, however, as some scholars such

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[11] Bapat, Navin A., et al. "Determinants of Sanctions Effectiveness: Sensitivity Analysis Using New Data." *International Interactions*, vol. 39, no. 1, 2013, pp. 79–98., doi:10.1080/03050629.2013.751298.

[12] Ang, Adrian U-Jin. "When Do Economic Sanctions Work? Asymmetric Perceptions, Issue Salience, and Outcomes." *Political Research Quarterly*, vol. 60, no. 1, 1 Mar. 2007, pp. 135–145. *JSTOR*, www.jstor.org/stable/10.2307/4623813?refreqid=search-gateway:75a349dd8468863a1d3c2a7e9aa27d5f.

[13] Kim, Dong-Hun. "Coercive Assets? Foreign Direct Investment and the Use of Economic Sanctions, by Dong-Hun Kim." *51st Annual Transportation Research Forum, Arlington, Virginia, March 11-13, 2010*, Transportation Research Forum, 1 Jan. 1970, ideas.repec.org/a/taf/ginixx/v39y2013i1p99-117.html.

[14] Lenway, Stefanie Ann. "Between War and Commerce: Economic Sanctions as a Tool of Statecraft." *International Organization*, vol. 42, no. 2, 1988, pp. 397–426. *JSTOR*, www.jstor.org/stable/2706681.

[15] Early, Bryan R. "Alliances and Trade with Sanctioned States." *Journal of Conflict Resolution*, vol. 56, no. 3, 2011, pp. 547–572., doi:10.1177/0022002711420961.

[16] McLean and Whang: Mclean, Elena V., and Taehee Whang. "Friends or Foes? Major Trading Partners and the Success of Economic Sanctions." *International Studies Quarterly*, vol. 54, no. 2, 2010, pp. 427–447., doi:10.1111/j.1468-2478.2010.00594.x.

[17] Bonetti, Shane. "Distinguishing Characteristics of Degrees of Success and Failure in Economic Sanctions Episodes." *Applied Economics*, vol. 30, no. 6, 1998, pp. 805–813., doi:10.1080/000368498325507.[

[18] Biersteker, Thomas, and Peter Van Bergeijk. "How and When Do Sanctions Work? The Evidence ." *ISS*, no. 25.

as Drezner assert that multilateral sanctions are less effective due to the enforcement problems they create[19]. Pape goes even further as an ardent critic of sanctions use, stating that even widely agreed upon determinants like total economic cost to the target state are not conducive to success, but rather, increase the humanitarian costs to civilians[20].

The humanitarian costs of sanctions is something that is widely present across the spectrum of sanctions literature. Drezner specifically cites the reported impact sanctions had on Iraq's economy in the 1990s as the principle impetus that drove policy makers to find an alternative to comprehensive sanctions: targeted or "smart" sanctions[21]. The literature is partially contested regarding smart sanctions, with scholars such as Gibson et al., who utilize the HSE dataset, arguing that targeted sanctions impose direct costs on the ruling elites with only minimal consequences on the civilian population[22]. Furthermore, Nurullayev, who utilizes the TIES database, argues that smart sanctions are most effective when specifically targeting the military elite[23]. Others remain skeptical, however, with one of the loudest voices of dissent being Drezner who states that there is little evidence to show that smart sanctions are more effective than comprehensive sanctions, but rather, that they may actually be worse. He further states that smart sanctions may only be a cure for the "do something" desire for action from domestic audiences[24]. The assertion that the total cost of comprehensive sanctions is something that Hovi et al. corroborated upon analysis of the HSE database's 20 smart sanction cases[25]. There does appear to be some point of agreement from both proponents and opponents of smart sanctions, further research is needed. Drezner concludes his criticism of smart sanctions with the following caveat, "Any assessment of targeted sanctions at this juncture must be labeled as preliminary…the opportunity exists for more rigorous testing"[26].

To fill this gap and conduct more rigorous testing of the effectiveness of smart sanctions is the ultimate goal of this paper. The proceeding section will cover the main theoretical arguments and accompanying hypotheses which will be tested in later sections.

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[19] Drezner, Daniel W. "Serious About Sanctions." *The National Interest*, no. 53, 1998, pp. 66–74. *JSTOR*, www.jstor.org/stable/42897162.

[20] Pape, Robert A. "Why Economic Sanctions Do Not Work." *International Security*, vol. 22, no. 2, 1997, p. 90., doi:10.2307/2539368.

[21] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

[22] Dashti-Gibson, Jaleh, et al. "On the Determinants of the Success of Economic Sanctions: An Empirical Analysis." *American Journal of Political Science*, vol. 41, no. 2, 1997, p. 608., doi:10.2307/2111779.

[23] Nurullayev, Dmitriy. "Art of Economic Statecraft: When Pain Matters." *Journal of Military and Strategic Studies*[Online], 19.1 (2018): n. pag. Web. 8 Mar. 2019.

[24] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

[25] Hovi, Jon, et al. "Are Targeted Sanctions More Effective Than Comprehensive Sanctions ." *The Graduate Institute Geneva*.

[26] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

Theory

As was mentioned in the preceding sections, targeted sanctions have received some focus among researchers in the field. This focus, however, was typically on whether smart sanctions as a whole were more successful relative to their comprehensive counterparts. To this point, the main theoretical claims offered by this paper involve specific interest group analysis within targeted sanction regimes. Two specific groups will be the focus: targeting business interests and targeting the military.

Business Interest Group Theory

To begin with, what is meant by "business interests" is explicitly defined by the authors that created the TIES database. Specifically, when sanction regimes are "designed to target a particular industry or industries of the target state" they are considered targeting business interests[27]. With the definition out of the way, this paper argues that targeting a country's business interests will be a more effective way of achieving successful sanction outcomes. This is represented by the following hypothesis:

> *H1: Targeting a country's business interests will be more successful than comprehensive sanctions*

The basic logic behind this assertion is that by targeting the relevant industries within the target state, the target's economic interests would be jeopardized in a more focused way that will force acquiescence. Furthermore, by virtue of being a targeted sanction, this approach can help mitigate against a significant impediment associated with sanction failure: sender costs. As sanctions literature highlights, the higher the cost of the sanction regime to the sender, the less likely the sender will enforce the sanctions thereby creating an incentive for failure[28]. Even more so, targeted business interest sanctions can narrowly focus on strategically relevant industries of belligerent countries. It can accomplish this by targeting particularly crucial sectors of the target country's economy; this would therefore ensure that maximum pain would be inflicted where it matters most for the target.

Importantly, countries whose economic wealth is concentrated in only a few industries may be especially vulnerable to such sanctions. An example of this would be Russia's energy sector following current President Vladimir Putin's decision to consolidate the country's energy industry. Now two companies, Rosneft and Gazprom, alone account for a substantial portion of the country's economic productivity[29]. An important assumption of this theory in favor of

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[27] Morgan, T. Clifton, et al. *Threat and Imposition of Sanctions (TIES) Data 4.0 UsersíManual Case Level Data*. National Bureau of Economic Research, June 2013, www.nber.org/ens/feldstein/ENSA_Sources/TIES/tiesusersmanualv4.pdf

[28] Bapat, Navin A., and Bo Ram Kwon. "When Are Sanctions Effective? A Bargaining and Enforcement Framework." International Organization, vol. 69, no. 1, 2015, pp. 131–162., doi:10.1017/S0020818314000290

[29] Stratfor. "Russian Rivalries: A Tale of Two Energy Firms." *Stratfor Worldview*, Stratfor, 7 Sept. 2017, worldview.stratfor.com/article/russian-rivalries-tale-two-energy-firms.

targeting business interests is that powerful industries will also be able to put pressure on their respective governments in order to get sanctions lifted. Whereas comprehensive sanctions would inflict pain scattershot, the focused pain of targeting business interests would create incentives for those targeted industries to lobby their governments into acquiescing to the sender's demands. The target government would have greater incentives to respond to key sectors that the country is dependent upon. In democratic countries, industries may organize lobbyists to pressure the legislative and executive branches to acquiesce to the sender's demands. In more autocratic countries, large and powerful industries may be a legitimizing factor for the government (e.g., rentier states) which would make their complaints far more salient than those that ordinary citizens would air under a comprehensive sanction regime.

Military Interest Group Theory

The second theory this paper elucidates and argues for concerns the targeting of a country's military via smart sanctions. Again, for a broad definition of this line of sanctioning, the definition from the authors of the TIES database will be employed. That is, when sanctions are directed only towards the target's military including to "deny the military weapons, funds, spare parts, or other necessary equipment"[30]. The following hypothesis will form the foundation of this theory:

> *H2: Targeting a country's military is more likely to produce successful outcomes than both targeting other interest groups and comprehensive sanctions*

Underlying this hypothesis is the theory that a country's military holds a uniquely salient role in the state's governance. This is a role that is present in both democratic and non-democratic states. Nurullayev outlines a similar logic in his paper following an analysis of military sanctions. Specifically, he notes that states are especially sensitive to issues concerning their military capabilities and therefore will take greater care towards avoiding disruption; Nurullayev also adds that autocratic regimes are particularly vulnerable to the interests of their military, as the military is often the only group capable of overthrowing the country's regime[31].

Further, targeting a country's military is also a significantly more confrontational measure than targeting a few members of the government or a specific industry. Some states may even view it as an act of intentional provocation. As a result of this, military sanctions are more likely going to be utilized around issues of high saliency for the sender. Scholars such as Kim have demonstrated that both credibility and a sufficiently severe outcome are necessary to get targets to acquiesce. The credibility of threats are partially contingent on the target's perception of the sender's willingness to follow through with their threats; this may be thought of as sender issue

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[30] Morgan, T. Clifton, et al. *Threat and Imposition of Sanctions (TIES) Data 4.0 UsersíManual Case Level Data*. National Bureau of Economic Research, June 2013, www.nber.org/ens/feldstein/ENSA_Sources/TIES/tiesusersmanualv4.pdf

[31] Nurullayev, Dmitriy. "Art of Economic Statecraft: When Pain Matters." *Journal of Military and Strategic Studies*[Online], 19.1 (2018): n. pag. Web. 8 Mar. 2019.

saliency[32]. As referenced above, targeting a country's military interests could be a drastic and escalatory action that won't likely be implemented on issues that are not salient for the sender. Targeting a country's military, therefore, is a clear signal that a threat is credible given the implied importance of the issue. The second variable, severity of outcome, is also a characteristic of targeting a country's military for the reasons already enumerated in this theory. The military is tied to national security and the existence of both democratic and non-democratic regimes. So, restrictions placed on this arm of the state could significantly inhibit the government's ability to exercise authority both domestically and internationally. In sum, targeting a country's military would be both credible enough as a threat *and* severe enough once imposed to force the target into acquiescence.

[32] Kim, Dong-Hun. "Coercive Assets? Foreign Direct Investment and the Use of Economic Sanctions, by Dong-Hun Kim." *51st Annual Transportation Research Forum, Arlington, Virginia, March 11-13, 2010*, Transportation Research Forum, 1 Jan. 1970, ideas.repec.org/a/taf/ginixx/v39y2013i1p99-117.html.

Research Design

Data

With the proliferation of sanction regimes, there is ample evidence from which to draw on in order to validate this paper's two hypotheses. In particular, there are two major databases that have aggregated sanctions episodes for several decades worth of instances: The HSE database and the TIES database. For this paper, the TIES database presented the optimal choice with which to proceed for two important reasons. First, as was mentioned in the literature review, the HSE database suffers from a selection bias by focusing predominantly on cases of imposed sanctions whereas the TIES database encompasses both the threat and imposition stages of sanction episodes. Second, the HSE database consists of only 174 cases in total[33], whereas the TIES dataset accounts for 1413 total cases[34].

Given the lively discussion in the literature regarding what constitutes a sanction and what does not, it is also important to clarify what is defined as a sanction for the purposes of this analysis. Given that TIES data will be utilized, it is necessary to utilize what the authors of the TIES database classified as a sanction episode. Specifically, "By definition, a sanction must 1) involve one or more sender states and a target state, and 2) be implemented by the sender in order to change the behavior of the target state." Cases begin on the day a sanction is either threatened or implemented, with each additional threat and implementation constituting a new case[35]. Last updated in 2013, the TIES database captures data from the period 1945 to 2005 and offers additional variables to that will be utilized for this paper's analysis; though substantial recoding and database work was needed.

Dependent Variable

For this study, the dependent variable will be the final outcomes of sanction episodes. This will be the basis from which to analyze the impact of targeting specific interest group. To this end, the TIES database provides a useful variable that explicitly captures these outcomes; aptly titled, the variable is referenced in the TIES database as "final outcome"[36]. These outcomes range from 1 to 10 and are coded in an unordered fashion. In actuality, there are only five distinct outcomes, but the database captures those outcomes for both the threat and imposition stages. These outcomes include: capitulation by the Sender, stalemate, negotiated settlement, target partial acquiescence, and target complete acquiescence[37]. For the purposes of analysis, however, these variables were recoded on a 1 to 3 ordered scale that ranges from Failure, Neutral, and Successful outcomes. Recoding in this way made for a better data from which to run an ordinal

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[33] Hufbauer, Gary Clyde. *Economic Sanctions Reconsidered*. 3rd ed., Peterson Institute for International Economics, 2009

[34] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

[35] Ibid

[36] Morgan, T. Clifton, et al. *Threat and Imposition of Sanctions (TIES) Data 4.0 UsersíManual Case Level Data*. National Bureau of Economic Research, June 2013, www.nber.org/ens/feldstein/ENSA_Sources/TIES/tiesusersmanualv4.pdf

[37] Ibid

regression model. Failure captures two variables, capitulation by the Sender and stalemate; this is due to the fact that neither result in any alteration in the target's behavior and may in fact have placed the sender into a worse position. Negotiated settlements were coded as Neutral as they involved both the target and sender compromising to alter the target's disputed behavior. Success, therefore, encompasses either a partial or total change in the target's behavior.

One final note concerning this paper's dependent variable before proceeding, is that only sanction episodes with definitive final outcomes were included for analysis. The database provided an additional category for sanction episodes that were either currently in progress at the time of the database's creation or who's outcomes were too ambiguous to be explicitly coded[38].

Independent Variables

There are four independent variables employed in this study, and like the dependent variable, they originated from the TIES database under the umbrella variable "Threatened Targeted Interest"[39]. Due to this paper's focus on military and business interests, these groups were both captured as independent variables from the TIES database and have already been defined in the preceding Theory section. As much of the existing smart sanctions literature has attributed their theoretical efficacy to their ability to target the country's top government leadership, a third independent variable to measure this was utilized. The variable is aptly named "Leadership" and captures instances in which sanctions episodes explicitly focuses members of the target state's leaders currently in power. The final independent variable is also an important control variable. While the preceding three were focused on aspects of targeted interest groups, it is still necessary to capture these variables relative utility compared to comprehensive sanctions. To this end, the variable in the TIES database for comprehensive sanctions is utilized as a reference point to aid this paper's analysis[40]. This variable, coded in this paper as "comprehensive", encapsulates sanctions episodes in which costs are specifically *not* targeted toward any particular interest group but are instead distributed across the entire state.

As nominal variables, these controls were coded in nominal fashion as follows:

Military Interests = 1
Business Interests = 2
Leadership Target = 3
Comprehensive Sanctions = 4

It is important to highlight the fact that there were many situations in which a sanction episode involved utilizing these several of these variables simultaneously. For instance, one such case

[38] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

[39] Morgan, T. Clifton, et al. *Threat and Imposition of Sanctions (TIES) Data 4.0 UsersíManual Case Level Data*. National Bureau of Economic Research, June 2013, www.nber.org/ens/feldstein/ENSA_Sources/TIES/tiesusersmanualv4.pdf

[40] Ibid

involved the sender targeting both military *and* business interests in a single instance. Due to this paper's intent to discriminate among the optimal interest group to target in a sanction regime, it was necessary to exclude cases that involved multiple forms of targeting in a single episode. This was primarily the result of inevitable issues regarding the ability to attribute an outcome to a particular variable.

Regression Model

For specific analysis, the constitution of the dependent and independent variables largely dictated the appropriate statistical model from which this study's data would be analyzed. Given the ordinal nature of the dependent variable, an ordinal logistic model was ultimately employed for these purposes. The only note regarding the independent variables relative to the regression model is that the "comprehensive" variable was used as a reference against which to compare the other three variables.

The final aspect of this paper's research design that must be addressed is the nature of the raw data itself, and specifically, what was filtered out prior to running any form of regression analysis. The TIES database contains a broad swath of issues that resulted in the threat and/or imposition of sanctions. One of these issues, however, involves trade-only disputes. These are sanctions that specifically arose as a result of a trade dispute between the sender and target states[41]. Most scholars contend that sanction regimes are primarily defined by their intent to alter the target state's political, foreign policy, and/or security behavior. Seminal studies such as those published by Solingen, which is more of an aggregate of several independent studies from various authors, highlights this fact by describing the underlying political objectives of sanctions as the means of giving the actions their meaning[42]. Traditional sanction regimes still capture trade sanctions as the means of a sanction episode, but the distinction is rooted in the ends of a sanction regime. As the creators of the TIES database reference, many scholars, therefore, argue that because the goals of trade-only sanction regimes are not related to foreign policy or security disputes, but rather due to a trade dispute between the sender and target states, they are should be studied independently[43]. Foreseeing this, the authors made it quite simple to control for issues whose ends are only trade related which this paper took advantage of and excluded before running any regression models.

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[41] Ibid

[42] Solingen, Etel. *Sanctions, Statecraft, and Nuclear Proliferation: Sanctions, Inducements, and Collective Action*. Cambridge University Press, 2012.

[43] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

Analysis

In total, this paper captured 340 unique sanction episodes involving threat or imposed sanctions. It is important to keep in mind the dependent variable that the results below are in reference to: final sanction outcomes. This means that the higher the beta coefficient, the greater the levels of successful outcomes associated with that interest group relative to comprehensive sanctions.

Table 1: Total Aggregated Outcome

Independent Variable(s)	Beta Coefficient(s)	Standard Errors
Targeted Military Interest	0.935	0.266
Targeted Business Interest	0.016	0.269
Targeted Leadership	-0.269	0.665
Comprehensive Sanctions	0*	.
Pseudo R-Square	0.022	

Comprehensive sanctions were used as the reference category for the data analysis which is why its Beta Coefficient is set to 0

Business Interest Group Analysis

Table 1 above contains the aggregated data for both threat and imposed sanction episodes included as part of this study. Prima facie, the results appear to counter this paper's initial hypothesis that targeting a country's business interests would be more successful than comprehensive sanctions. In fact, the results indicate that targeting business interests results in nearly identical levels of success relative to comprehensive sanctions. What is important, however, is to consider the different stages of a sanction episode. That is, to analyze the results from the threat stage and from the imposition stage. So, this is precisely what was done and the results of which can be found below in Table 2 and Table 3 respectively.

Table 2: Threat Stage Outcome

Independent Variable(s)	Beta Coefficient(s)	Standard Errors
Targeted Military Interest	1.515	0.448
Targeted Business Interest	0.272	0.342
Targeted Leadership	-0.417	1.212
Comprehensive Sanctions	0*	.
Pseudo R-Square	0.041	

Comprehensive sanctions were used as the reference category for the purposes of data analysis which is why its Beta Coefficient is set to 0

As a threat, Table 2 provides evidence that supports the hypothesis that targeting a country's business interests will be more successful than comprehensive sanctions. The positive beta coefficient for the independent variable representing targeted business interests indicates that this form of sanctioning results in more successful outcomes relative to comprehensive sanctions. A measure of nuance is required, however, as the results from the imposition stage analysis, illustrated in Table 3, provides evidence to the contrary.

Table 3: Imposition Stage Outcome

Independent Variable(s)	Beta Coefficient(s)	Standard Errors
Targeted Military Interest	0.503	0.351
Targeted Business Interest	-0.433	0.453
Targeted Leadership	-0.358	0.801
Comprehensive Sanctions	0*	.
Pseudo R-Square	0.015	

Comprehensive sanctions were used as the reference category for the purposes of data analysis which is why its Beta Coefficient is set to 0

Table 3 provides strong evidence *against* the efficacy of targeting a country's business interests. Specifically, this form of sanctioning was empirically the least successful interest group analyzed relative to comprehensive sanctions. While it is generally expected that sanctions will be more successful during the threat stage of a sanctions episode due to the failure bias of imposed sanctions that was previously discussed, the dichotomy between the results from the threat stage and the imposition indicate a significant chasm between targeted business interests and comprehensive sanctions that warrants analysis[44].

Regarding the threat stage, targeted business interests may be more successful than comprehensive sanctions for several reasons. To begin with, these results may support the argument presented in the literature review that pointed to the importance of credibility in successful threat outcomes in a sanctions episode. Kim, for instance, established that credibility during the threat stage is a key component of successful outcomes[45]. Targeting a country's business interests can be interpreted as more credible than a threat of comprehensive sanctions for two distinct reasons. First, these sanctions are easier for a country to carry out than comprehensive sanctions. They only involve a specific industry or set of industries as opposed to the entire country, which from the standpoint of the sender, places less of its interests at risk. This represents lowers costs to the sender which lowers the barriers to sanction imposition, and therefore, increases the target's perception that the threat is both legitimate and at risk of being carried out unless it alters its behavior.

Additionally, due to the fact that targeting a state's business interests is so specific in nature, it may be less difficult to assemble a multilateral sanction coalition than it would be with onerous comprehensive sanctions that may require greater analysis of possible repercussions and additional levels of coordination. As noted in the literature review, there is some disagreement among scholars regarding the efficacy of multilateral sanctions, but empirical testing has validated its efficacy[46]. Furthermore, targeting business interests may be able to garner international organizational support more readily than comprehensive sanctions as well. This is due to the effects described by Hovi et al. whereby targeted sanctions are able to mitigate the collateral damage associated with comprehensive sanctions[47]. Diminished fears of humanitarian impacts may then asway international organizations into supporting a targeted sanctions regime. Furthermore, in terms of both multilateral and international organizations, because it is business interests that are being targeted (not the political leadership, military, or entire country), it may also be more palatable to join the sanction regime. The logic follows that because senders are more able to garner international support for targeted business interest sanction regimes than

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[44] Kaempfer, William, and Anton Lowenberg. "Chapter 27 The Political Economy of Economic Sanctions." *NeuroImage*, Academic Press, 8 Mar. 2007, www.sciencedirect.com/science/article/pii/S1574001306020278

[45] Kim, Dong-Hun. "Coercive Assets? Foreign Direct Investment and the Use of Economic Sanctions, by Dong-Hun Kim." *51st Annual Transportation Research Forum, Arlington, Virginia, March 11-13, 2010*, Transportation Research Forum, 1 Jan. 1970, ideas.repec.org/a/taf/ginixx/v39y2013i1p99-117.html.

[46] Bapat, Navin, and T. Clifton Morgan. "Multilateral Versus Unilateral Sanctions Reconsidered: A Test Using New Data." OUP Academic, Oxford University Press, 2 Dec. 2009, academic.oup.com/isq/article/53/4/1075/1813604.

[47] Hovi, Jon, et al. "Are Targeted Sanctions More Effective Than Comprehensive Sanctions ." *The Graduate Institute Geneva*.

their comprehensive counterparts, they would offer a more compelling threat and therefore succeed more often.

This is only the first half of the puzzle, however, the results from Table 3 demonstrate how targeting business interests results in substantially less successful outcomes than comprehensive sanctions. This too may be attributed to several reasons. These results may lend support to the argument made by Hovi et al. that targeted sanctions may only be more successful as threats rather than imposed punishments due to their lack of "teeth"[48]. This argument is in line with much of the extant literature on sanctions that holds that comprehensive sanctions are more likely to be successful because they are better able to exact economic pain on the target. Importantly, targeting specific business interests may also provide the target state with easier opportunities for sanction evasion relative to comprehensive sanctions. Instead of having to reroute the country's entire economy to avoid comprehensive sanctions, the target could focus all of its efforts on finding alternative sources of trade for one or more industries; thus, making them less likely to be effective at forcing acquiescence. Finally, these results may be evidence for Drezner's long held argument that targeted sanctions are simply means by which leaders appease their domestic audience's appetite for action. This is encapsulated by the "do something" logic of sanction imposition[49]. The underlying premise being that targeting a country's business interest present viable ways through which a leader can demonstrate concrete action against another state's belligerence without any intention of achieving the sanction's declared objectives. These three factors would then undermine any of potential success factors that were present during the threat stage.

Military Interest Group Analysis

Looking at Tables 1, 2, and 3 it is clear that the one consistent interest group associated with successful outcomes is the military. Regardless of whether it is the threat stage, imposition stage, or aggregated total that is being analyzed, targeting military interests are substantially more likely to lead to successful outcomes than any other interest group including comprehensive sanctions. These results, thus, strongly support this paper's second hypothesis concerning the efficacy of targeting a country's military interests. Furthermore, this data lends support to Nurullayev's argument that targeting a country's military leads to the most successful outcomes[50].

It seems apparent then that the military holds a unique position among the different interest groups within a government. As the theory section of this paper posits, this may be due to its role in defending the country's national security interests internationally, but perhaps also as a means of retaining legitimacy domestically. This duality would present salient issues to both democratic and non-democratic regimes. Employing sanctions by targeting a country's military is, therefore, akin to playing a two-level game with the target, threating both the state's standing at-home and

[48] Ibid

[49] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

[50] Nurullayev, Dmitriy. "Art of Economic Statecraft: When Pain Matters." *Journal of Military and Strategic Studies*[Online], 19.1 (2018): n. pag. Web. 8 Mar. 2019.

abroad. It may also plausibly be that military sanctions are significantly more escalatory than most other sanction types, and therefore, if a target refuses to alter its behavior it may run the risk of precipitating some form of conflict. Reflecting on this paper's past argument regarding both the credibility and severity of military sanctions then may further explain their noted association with successful outcomes in all stages of a sanction episode.

It should be observed, however, that there is a notable deviation in the relevant levels of success associated with targeting military interests depending on the stage being analyzed. While still the substantially more associated with successful outcomes among the measured interest groups and comprehensive sanctions, military targeting noticeably drops in success during the imposition stage relative to the threat stage. This suggests that not even military interests are immune from the failure bias associated with imposed sanctions. This may also be due to the logic explained in the preceding analysis section whereby comprehensive sanctions may simply be more effective during the imposition stage due to its ability to exact greater economic pain on the target country. As the reference category for the regression model, an increase in the successful outcomes associated with comprehensive sanctions would make it appear as though military sanctions are less successful during the imposition stage; assuming of course that the success rate for military sanctions remained static in both stages. So, perhaps it is not that military sanctions are less effective during the imposition stage, but rather comprehensive are more effective during the impositions stage that explains the drop in successful outcomes for military sanctions.

Leadership Interest Group Analysis

While not directly one of the primary focuses of this paper, sanctions that target a country's leadership were nonetheless included in this paper in order to offer a more expansive perspective of the efficacy of targeted sanctions writ-large. The results from the regression analysis were demonstrated how unsuccessful this form of sanctioning was empirically. Out of all the interest groups analyzed, leadership sanctions were the least successful as a whole (see Table 1). Looking at performance at the individual stage level (Tables 2 and 3) further demonstrates their ineffectiveness relative to comprehensive sanctions.

While there could be several theoretical explanations as to why leadership sanctions are so comparatively unsuccessful, one plausible explanation may be that leaders are simply more willing to incur the costs. To elaborate, it may be that, as the heads of their respective governments, leaders are more willing to incur the costs of foreign imposed sanctions. By doing so, targeted leaders may be able to increase their domestic support by a rally-around-the-flag effect. The assumption here being that a leader would value the increased levels of domestic support over whatever financial or monetary gains they would personally be exposed to as part of a leadership sanction regime.

Conclusion

Scholarship on sanctions has traditionally focused on the determinants and efficacy of comprehensive sanction regimes. Accordingly, the purpose of this paper was to provide greater analysis of the lesser examined field of targeted sanction regimes, including the void in the literature concerning the targeting of business interests. Through empirical analysis, significant evidence was found in support of the hypothesis that targeting military interests will result in more successful outcomes than targeting other interest groups or comprehensive sanctions. Evidence regarding the targeting of business interests presented a far less compelling case of this line of sanctioning's efficacy relative to comprehensive sanctions.

It should further be noted, however, that while the theory and analysis portion of this paper laid out several plausible explanations for the outcomes presented in the empirical results, further research is necessary in order to provide a more definitive conclusion. While beyond the scope of this paper, one avenue of further research would be to determine if targeted sanctions are in fact more associated with greater levels of multilateral and international organizational support. Examining the effects of polity in the use of targeted sanctions would also be worthwhile given the theoretical arguments of some that targeted sanctions would be more effective against autocratic regimes[51]. Case study analysis may also be beneficial in lending a more explanatory hand in the results found in this paper and better illustrate mechanisms driving targeted sanctions. Perhaps most importantly, however, would be to analyze the conditions in which military sanctions are imposed and/or threatened. Specifically, analyzing if military sanctions are more associated with the onset of militarized conflict or employed more often *during* militarized conflict; doing so may may elaborate on the results provided by this paper.

Given the trend of states utilizing sanctions with greater frequency, continued acknowledgement must be paid to the fact that the overall effectiveness of both comprehensive and targeted sanction regimes is still poor, and that the rate of success is substantially impacted by the stage of a sanction episode (threat vs. imposed)[52]. Empirically, sanctions are still more likely than not to fail at realizing their declared objectives, though importantly, the results presented in this paper demonstrate the ways by which policy makers may design more effective targeted sanction regimes in the future.

[51] Drezner, Daniel W. "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice." International Studies Review 13.1 (2011): 96–108. Crossref. Web.

[52] Morgan, T., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science, 31*(5), 541-558. Retrieved from http://www.jstor.org/stable/26271378

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