Economic Coercion

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Abstract and Keywords

Economic coercion is a threatened or actual imposition of economic costs on one state by another with the objective of extracting a policy concession. While the first wave of research on economic coercion focused primarily on its effectiveness, more recently scholars broadened the scope of inquiry to include states' motivations for using economic coercion, their choice of coercive instruments, and the scale of coercive efforts. In addition, scholars have evaluated a broad range of indirect and unintended outcomes of economic coercion. Overall, this field of International Political Economy (IPE) research is problem-driven; consequently, the shared focus on the use and outcomes of economic coercion results in a significant degree of engagement and collaboration among sanction scholars.

Keywords: economic coercion, economic sanctions, sanctions effectiveness, government stability, sanction design, targeted sanctions, sanction enforcement, unintended effects

Introduction

In an international dispute, each state seeks to secure the best possible outcome for itself, while paying the lowest cost in the process. Often, this desire results in a disputant's use of economic coercion against the opponent. Economic coercion is a threatened or actual imposition of economic costs on one state by another with the objective of extracting a policy concession. Such a concession can require the coerced party to implement a policy that the coercer favors, or abandon a policy that the coercer opposes. In either case, the coercer's action lowers the target's expected utility from pursuing the policy path the coercer wishes to avoid, which makes it more likely that the target will act in ways consistent with the coercer's preferences.

Economic coercion then hinges on a state's ability to generate costs for its opponent. Scholars identify conditions when this is feasible, and analyze how coercers can maximize such costs. The state of complex interdependence that exists in modern economic relations extends to a large number of areas, from trade and investment to economic agreements and development aid. These diverse forms of economic interdependence and especially asymmetries in economic relations create leverage that can be used against the more dependent state in coercive bargaining.

Economic costs that underpin coercion do not necessarily lead to political costs for the leadership of the targeted country. In fact, coercion can generate political benefits through rally-around-the-flag effects. Therefore, coercive efforts can fail not only because economic costs were not sufficiently high to make concessions a more preferred course of action, but also because economic coercion resulted in political benefits and, hence, strengthened the target's bargaining position.

Throughout the chapter, the terms "economic coercion" and "economic sanctions" are used interchangeably, following the established convention in the field.[1] Baldwin (1985) points out some definitional differences between the terms, and distinguishes them from "economic statecraft." However, the differences between "economic coercion" and "economic sanctions" are sufficiently minor to be safely ignored. For instance, unlike "economic coercion," the term "economic sanctions" can be used in some contexts as a narrow legalistic concept linked to enforcement of international law (Baldwin 1985, 35). At the same time, I will avoid referring to "economic statecraft" because it includes a broader range of economic instruments than economic coercion: whereas the latter covers only negative economic measures, such as restricted trade or foreign aid, the former also encompasses positive economic measures, such as lower tariffs or investment guarantees.

This chapter provides an overview of key contributions to the study of economic coercion. I begin by reviewing the research on states' motivations for using economic sanctions and highlighting instrumental and symbolic explanations offered by sanctions scholars. Once a state chooses to coerce its opponent, the next critical choice concerns the type of coercive instrument and the scale of coercive effort. After a discussion of sanction design, I examine the literature on effectiveness of economic coercion. The main conclusions that emerge from this literature relate to the design and enforcement of sanctions: both play a vital role in determining whether the sender achieves its goal. In addition to assessing the coercer's ability to secure concessions, scholars have evaluated other sanctions outcomes. These outcomes are unintended (i.e., different from the sender's main objective), although they can increase the sender's odds of achieving desired concessions, and frequently indirect because economic costs associated with coercion generate side effects, even when senders design targeted sanctions. Finally, I conclude by addressing the issue of "constructive non-engagement." Scholarship on economic coercion does not experience this issue: the shared focus on the problem of economic coercion results in a significant degree of engagement and collaboration among sanction scholars.

Why Do Countries Use Economic Coercion?

Economic coercion presents a puzzle that is similar to the rationalist puzzle of war (Fearon 1995): ex post, both economic and militarized forms of coercion are inefficient. They generate costs for at least one of the involved parties, and typically for both. The size of such costs is usually greater for militarized conflict, although existing studies suggest that in some cases sanctions can impose economic damage and human costs comparable to losses attributed to wars (Allen and Lektzian 2013; Mueller and Mueller 1999). Given that both sides in a dispute are aware of such costs, they should try to avoid costly conflict by settling their dispute before coercion can be used. Yet, there may be something preventing the two sides from reaching such a settlement ex ante.

While Fearon's main conclusion is that war is a result of private information or commitment problems, sanctions studies have only considered the first mechanism, and entirely overlooked the second. If states in a dispute cannot reach an agreement due to private information about intentions, resolve, or capabilities, the states may have no choice but resort to inefficient economic conflict to send a credible signal revealing this private information (Ang and Peksen 2007; Drezner 1999; Lektzian and Sprecher 2007; Morgan and Schwebach 1997). However, for a signal to be credible, it has to be costly, and subsequent research suggests that, on average, sanctions are not sufficiently costly for the sender to be informative (Whang and Kim 2015). Similarly, sanction threats reveal no new information to the sender's opponents, and hence have no signaling value (Whang et al. 2013). Therefore, due to the lack of evidence in support of the signaling mechanism, sanctions scholarship has concluded that states do not use sanctions to reveal private information (Morgan 2015).[2]

The commitment mechanism requires the presence of preventive motivations. Specifically, a target of sanctions should be unable to make a credible commitment to comply with the terms of the present agreement in the future due to shifting dyadic capabilities. In this case, the sender imposes sanctions to prevent the shift that would create incentives for the target to renege in the future. For instance, a major trading partner of a rapidly growing state may recognize that a settlement of a bilateral dispute (e.g., a dispute over human rights violations) may not be sustainable in the long run if the gap in economic capabilities between the two states is rapidly closing. Hence, the major trading partner may prefer to impose sanctions to slow down the rapid economic growth of its opponent, thereby decreasing the probability that the target would be tempted to abandon the agreement later, when it reaches and surpasses the sender's economic capabilities. Fearon (1995) points out that states often bargain over objects that can themselves contribute to states' capabilities. Negotiations over a country's nuclear program illustrate this scenario. Even though both the country pursuing the nuclear program and its opponents may prefer to reach a settlement rather than engage in economic conflict, the nuclear program itself is a source of bargaining leverage. Thus, the country may prefer to be subjected to sanctions rather than close the program because the country does not trust its opponents not to take advantage of its weakened bargaining leverage in the future. Research in this area is required to assess whether there is any evidence that commitment problems can account for the use of economic coercion.

Given the absence of evidence for signaling or commitment mechanisms, many scholars have implicitly or explicitly concluded that economic coercion may not be inefficient ex post, after all. In other words, we may observe economic coercion because the benefits that the target receives from pursuing its chosen course of action exceed economic and other costs imposed by sanctions (Smith 1995). Otherwise, the target would concede immediately after sanction initiation or even at the threat stage. The sender also needs to care about the target's behavior more than about costs that the sender experiences as a result of sanctions, and the sender may receive significant political benefits for demonstrating its opposition to the target's behavior. If sanction costs imposed by the sender limit the target's resources and force policy adjustments, then economic coercion has instrumental value.

Existing research offers some estimates of sanction costs for target and sender countries. Specifically, overall economic losses experienced by target countries tend to be modest. According to Hufbauer et al. (2007), on average, target economies experience a 2.9 percent decline in their gross national product (GNP) under comprehensive sanctions, combining trade and financial restrictions, when Iraq sanctions are excluded from the sample. In some cases, however, economic damage can be substantial: for Iraq, the United Nations (UN) embargo in the 1990s resulted in the loss of approximately half of the country's annual GNP (Hufbauer et al. 2007, 105). When Iraq is included in sanction cost calculations, the estimate of overall economic losses goes up to 4.2 percent of GNP (Hufbauer et al. 2007, 198). Similarly, Neuenkirch and Neumeier (2015) indicate that annual real per capita gross domestic product (GDP) growth rate decreases by 0.9 percent under US sanctions, and by 2.02 percent under UN sanctions. In contrast, aggregate economic costs for senders, which tend to have larger economies, are typically inconsequential (Hufbauer et al. 2007, 109). When senders anticipate that sanctions could generate noticeable economic costs, they can choose to abstain from economic coercion (von Soest and Wahman 2015b).

Political costs and rally effect

Politically, economic coercion has a mixed impact on target governments. Allen (2008) finds that sanctions are politically costly for democratic governments where anti-government protest is less risky for dissatisfied citizens, whereas autocratic governments appear to benefit from sanctions because opposition can be curbed more effectively, and leadership can use its control over economic resources to appease supporters. Moreover, authoritarian leaders use sanctions as an opportunity to consolidate their hold on power (Peksen and Drury 2010). Personalist autocracies may be an exception to this finding: these regimes tend to depend on external sources of revenue more than other autocratic regimes, and at the same time have lower institutional capacity to withstand economic costs imposed by sanctions (Escribà-Folch and Wright 2010, 2015; Peksen 2019). Similarly, Marinov (2005) shows that economic coercion increases government instability, measured as leadership turnover, more dramatically in democracies than in autocracies.

At the same time, the result linking democratic institutions in a target country with greater political costs has come under scrutiny, as scholars seek to assess whether political leaders may be able to generate a rally in support of their policies that led to economic coercion. The rally effect was initially described in the context of military conflict (Mueller 1973), but sanctions scholars quickly recognized that economic coercion could produce a similar rally effect (Kaempfer and Lowenberg 1988). Such rallies can occur during international crises when citizens experience greater patriotism and feel less critical toward their country's leadership (Schultz 2001). Under these circumstances, citizens should be unlikely to protest against their government and seek to overthrow it. On the contrary, they should give more support to the government and unite in opposition to the sender country. Grossman et al. (2018) provide experimental evidence of this effect. Their survey experiment shows that sanctions boost popular support for the policy that resulted in sanctions, as well as hostility toward the country imposing sanctions. The study identifies a moderate decrease in public support for the incumbent, but only because survey participants preferred a more hawkish position in the dispute with the coercer.

The result reported in Grossman et al. (2018) may be limited due to its focus on one target country (Israel), which is a mature democracy; at the same time, it is consistent with findings from a study conducted in a less stable democratic target country (Ukraine). Seitz and Zazzaro (2020) analyze survey data of Ukrainian households and provide evidence of a rally effect during a dispute with Russia. When the sender country applied economic coercion against Ukraine by restricting gas exports, individuals with a greater exposure to rising gas prices expressed more support for the Ukrainian government's policy of cooperation with the European Union (EU) and a more negative opinion regarding economic integration with Russia.

While the rally effect hypothesis receives support in settings with democratic accountability mechanisms, other studies find a similar pattern in the context of Russia, a less democratic target (Alexseev and Hale 2020; Frye 2019). Public support for the country's leadership increases when survey participants recall the policy that caused the imposition of sanctions (i.e., the Crimea annexation). On the flip side, individuals do not feel more supportive of the government due to sanctions, and those individuals who were more skeptical of Russia's president and experienced greater economic adversity tended to offer lower approval of the government, contrary to the rally hypothesis. This research suggests that public approval of the target government and public support for the government's policies may diverge, generating a complex mix of political costs and benefits for target leadership. In addition, authoritarian regimes supported by strong claims to legitimacy and without significant links to the sender are in a better position to turn sanctions into a boost for their legitimacy and, hence, experience a rally-around-the-flag effect (Grauvogel and von Soest 2014). Further theoretical and empirical work should unpack the impact of economic coercion on target leaders' political calculus and, consequently, their willingness to resist sanctions.

Scholars have also revisited the conclusion that autocratic regimes remain robust in the face of economic coercion and provided evidence of increased political instability in autocratic countries targeted by sanctions. Grauvogel et al. (2017) argue that sanctions can communicate to target countries' domestic audiences that sender countries disapprove of target governments and their policies, and hence have a positive view of domestic protest in target countries. Empirical analyses offer support for this argument: domestic protests intensify when sender countries issue sanction threats. Citizens of countries with electoral authoritarian regimes take advantage of their right to vote, and deliver significant losses to incumbent governments by voting against their candidates. While democracies also experience some voter backlash in elections, sanctions are more costly for autocratic governments (Park 2019). Escribà-Folch and Wright (2015) evaluate the relationship between sanctions and political stability of autocracies and find that economic coercion does destabilize these regimes; however, failed autocracies are replaced by new autocratic regimes, rather than democracies.

Political costs and benefits for the coercer

When it comes to sender countries, regardless of their ability to extract concessions, an exercise of economic power appears to provide political benefits to sender leadership. Sanctions scholars argue that governments have incentives to impose sanctions in international disputes because that generates domestic political benefits (Kaempfer and Lowenberg 1992; Lindsay 1986). For instance, US presidential approval ratings increase following sanction imposition (Whang 2011). Moreover, domestic support does not appear to depend much on success of economic coercion. Heinrich et al. (2016) show that sender country voters' support for sanctions increases modestly when the voters expect the target to offer immediate concessions. McLean and Roblyer (2016) also report that voters are more likely to support sanction imposition when they anticipate a more successful outcome. However, voters' expectations of sanctions effectiveness are consistently lower than expert-provided estimates of success, indicating a skeptical attitude among general public regarding sanctions' instrumental value. Hence, concerns regarding sanctions effectiveness may not serve as a significant constraint on sender governments' ability to receive symbolic benefits from sanctions imposition. Moreover, governments may be incentivized to resort to economic coercion whenever they need to increase their approval among domestic audiences, or show their active approach to addressing an international dispute.

Any political costs that the sender may experience as a result of sanctions appear to stem from foreign relations. Specifically, potential senders are reluctant to undermine strategically important partners by damaging their economies and weakening them politically. Nielsen (2014) and von Soest and Wahman (2015a) indicate that senders prefer not to sanction friendly authoritarian governments that support the senders' international agenda by voting with the sender countries in the United Nations General Assembly. McLean and Radtke (2018) identify a more nuanced relationship. They argue that the removal of a friendly regime is costly, while the replacement of a hostile government is a benefit. Sanctions are more likely when they are most beneficial for reaping the political benefit or contribute the least to the political cost, which means that senders prefer to coerce friendly regimes when they are stable, and adversarial regimes when their stability is already low.

How Do Countries Design Coercive Policies?

Hufbauer et al. (1985) describe main types of economic coercion as "withdrawal, or threat of withdrawal, of customary trade or financial relations." Similarly, the manual for the Threat and Imposition of Economic Sanctions (TIES) dataset adopts a broad view on coercive instruments, which states apply to "limit or end their economic relations" to impose costs on their opponents. Given a wide range of economic exchanges that states engage in, specific coercive instruments are also diverse, and include restrictions on flows of goods, services, people, and capital between two or more states. Individual instruments can be used individually or in combination, but they can also be scaled up or down, depending on the preferred level of coercive effect. For instance, imports from the target to the sender can experience minor restrictions, or a complete ban—or the sender can choose some middle ground, potentially leaving room for escalation in the future.

An important development in sanction design occurred during the 1990s, as policymakers and political scientists converged on the pessimistic conclusion that sanctions do not work very well in extracting concessions, but they can lower the quality of life for people in targeted countries. Sanctions against Iraq illustrated these conclusions vividly: the country was a target of harsh sanctions that cut its GNP in half but did not yield any concessions from Saddam Hussein's regime. At the same time, the sanctions resulted in high levels of humanitarian suffering among Iraq's population, especially among its most vulnerable groups, such as women and children. According to Garfield (1999), between 100,000 and 227,000 deaths among young children during the period from August 1991 to March 1998 can be attributed to economic sanctions. Gordon (2010) provides an even higher estimate of deaths among children of the age five years old or younger—over 500,000. Just as sanctions against Iraq were failing to coerce the government and harming the population, political scientists began providing evidence that sanctions did not work more generally. The dataset compiled by Hufbauer et al. (1990) put forth the estimate of sanction success of 34 percent.[3] Pape (1997) criticized this estimate as overly optimistic and provided his own estimate—5 percent.

Subsequently, senders began tailoring, or targeting, their sanctions. Such targeted sanctions seek to limit economic costs to some individuals, groups, or economic sectors within the target state, while leaving the rest of the country and its economy unaffected. Even though such targeting may ameliorate the problem of collateral damage to some extent, effectiveness of targeted sanctions tends to be lower than that of comprehensive sanctions, especially when the target government views the disputed issue as highly salient (Ang and Peksen 2007; Cortright and Lopez 2002a, 2002b; Elliott 2002). Moreover, targeted sanctions may generate unintended spillovers, which deliver indirect economic, social, and political effects to a broader population (Biersteker et al. 2016). Therefore, targeted sanctions appear to sacrifice effectiveness without offering a satisfactory solution to the problem of collateral damage (Early and Schulzke 2019).

Senders may tailor the coercive impact of sanctions not only to spare the target country's population, but also to minimize their own costs. While senders typically experience low economic costs in aggregate terms, individual firms and economic sectors may suffer significant losses. Hence, to shield established economic relations, the sender government can turn to sanctions instruments with a more restricted impact on bilateral economic exchanges, such as aid sanctions (Lektzian and Souva 2003; McLean and Whang 2014). Moreover, in some cases sanctions can generate substantial benefits to an important domestic economic constituency, such as banks and financial institutions (Hakelberg 2016).

Multilateral approach to coercion

The coercive impact of economic sanctions can be increased through coalition building. Typically, one sender country can generate a limited impact on its opponent's economy. An important exception is a target country's largest trading partners, which can impose immediate and substantial costs, thereby forcing the country to concede quickly (McLean and Whang 2010). In the absence of such a sizable economic leverage, bilateral sanctions tend to deliver only mild shocks to targeted economies because "black knights" take advantage of the opportunity to increase their economic exchanges with the target and, hence, weaken the impact of sanctions through sanction-busting (Early 2011; Hufbauer et al. 1990). Target states can also engage in illicit trade to obtain goods and services that are no longer available through regular trade channels.

To mitigate the problem of sanction-busting, senders can organize multilateral coalitions. The more countries join such a coalition, the harder it becomes for the target to find alternative markets and receive financial support (Ang and Peksen 2007; Early 2015). The resulting increase in sanction costs makes economic coercion more successful in extracting concessions from the target. However, multilateral coalitions can be significantly weakened by the incentive to free-ride: members of the coalition prefer to let others pay the costs of disrupted economic exchanges, sanction monitoring, and compliance enforcement, while reaping benefits from maintaining or even strengthening their relationships with the target. International institutions can counter this incentive and promote cooperation among senders by monitoring and reporting on compliance with sanctions, addressing bargaining and enforcement issues, and providing mechanisms for punishing sanction-busting behavior among coalition members (Bapat and Morgan 2009; Drezner 2000; Drury 1998; Early 2015, 2011; Early and Spice 2015; Martin 1992).

When Does Economic Coercion Succeed?

The early wave of quantitative studies of sanctions effectiveness concluded that economic coercion failed to achieve its stated objectives most of the time. Success estimates ranged from moderately pessimistic—34 percent success rate provided in Hufbauer et al. (1990)—to extremely pessimistic—just 5 percent, according to Pape (1997). Yet, the consensus soon came under scrutiny in a new set of sanctions studies, which pointed out that success of economic coercion depends on state interactions prior to its initiation. Hence, analysts need to account for selection effects at the threat stage (Lacy and Niou 2004; Nooruddin 2002; Smith 1995). If a sender is capable of imposing significant costs on a target, coercion may succeed at the threat stage. The target may calculate that benefits from resistance are lower than sanction costs, and hence acquiescence to the threat is a better choice (Drezner 2003). Given this, we may only observe sanctions when targets are strongly committed to their disputed policies and anticipate sufficiently low economic costs, or have options for mitigating or avoiding such costs altogether. The low rate of success in these challenging cases does not mean that economic coercion is generally ineffective.

This important development in sanctions research led to a re-assessment of sanctions effectiveness. Morgan et al. (2014) calculated that up to 56 percent of sanctions episodes in their dataset end favorably for the sender if negotiated settlements are coded as successes and the sample is limited to completed episodes. In a study of nonproliferation sanctions, Miller (2014) finds that, despite the low success rate of observed sanctions (14.3 percent), coercion was in fact remarkably successful in deterring nuclear proliferation. Economic dependence on the US and, hence, vulnerability to US sanctions drastically reduce a state’s willingness to pursue a nuclear weapons program in the period when the US began implementing nonproliferation sanctions.

Factors of success

Subsequent research provides further evidence of selection effects and explores determinants of success at different stages of economic coercion. In their sensitivity analyses, Bapat et al. (2013) identify a set of sanction characteristics that are associated with sanctions success. Specifically, indicators for financial sanctions and multiple disputed issues have a positive effect on success rates of imposed sanctions, but the opposite effect on threatened sanctions. This indicates that the sender-target interaction changes as the dispute progresses from threats to actual coercion. The study also evaluates a broad range of results from previous research to test their robustness in a comprehensive setting. One key conclusion reinforces the notion that economic coercion critically depends on the sender’s ability to impose substantial costs on its opponent: variables gauging this ability (i.e., institutional support for sanctions, and target costs) have a robust positive relationship with target concessions at both stages of sanctions.

Other results from the sensitivity models provide further evidence of the link between sanctions design and their success, and largely correspond to conclusions reported in other studies of sanctions effectiveness. When a sender initiates sanctions over a highly salient issue, such as a matter of national security, the target is more likely to concede, as Ang and Peksen (2007) argue. Bapat et al. (2013) refine this result to show that, if an issue is highly salient, the target prefers to offer concessions before sanctions imposition. Also, coercive efforts associated with complex disputes, which involve multiple issues, increase the likelihood of success at the imposition stage, according to Bapat et al. (2013). This result departs from a previous study showing that, unless they have institutional backing, multi-issue sanctions are more prone to failure (Bapat and Morgan 2009). At the same time, financial sanctions succeed at higher rates than other types of sanctions because they impose more severe and immediate costs (Bapat et al. 2013; Dashti-Gibson et al. 1997; Early 2015; Hufbauer et al. 1990; Rosenberg et al. 2016). Despite their short-term effectiveness, financial sanctions may incentivize target governments to adjust by de-dollarizing their economies to reduce vulnerability to financial restrictions in the long run, thereby undermining senders' ability to use these coercive measures in the future (McDowell 2020).

At the threat stage, Bapat et al. (2013) identify additional determinants of sanctions effectiveness, although the results are less robust. When the US is the sender, and positive incentives accompany coercive measures, targets are less likely to resist sanction threats. In contrast, export restrictions increase resistance, as do democratic institutions in the target country. The positive relationship between democracy and the target's resistance raises an important question regarding the influence of democratic institutions on a country's willingness to resist economic coercion. While some previous studies suggest that democracies should be quick to acquiesce, this result shows the opposite: democracies are more resilient targets. In fact, a recent study provides further support for this conclusion: Kavakli et al. (2020) show that threats of economic coercion are less successful when issued against democracies, compared to autocracies, and imposed sanctions are no more or less effective when imposed against democracies. Therefore, high political costs borne by governments of democratic targets do not appear to translate into a higher likelihood of concessions. While further research is necessary to explain this intriguing puzzle, one study suggests that scholars may need to shift their attention from democratic institutions, broadly defined, to institutions aimed at constraining the executive power. When a political system imposes significant political constraints on the executive branch, economic coercion aimed at such a country tends to be more successful because the target government is more limited in developing and implementing policy responses to counter coercive measures (Jeong and Peksen 2019).

In addition to sanction design, presanction bilateral relations between target and sender countries serve as significant determinants of the sender's bargaining leverage and, consequently, the likelihood of extracting desired concessions. Economic exchanges are particularly important, especially when such exchanges create a highly asymmetric relationship that can make the more dependent party vulnerable to economic coercion in the future. The target's trade dependence on the sender significantly increases sanctions effectiveness, especially when the sender is the target's top trading partner (Bapat et al. 2013; Hufbauer et al. 2007; McLean and Whang 2010). Akoto et al. (2020) suggest that the importance of target trade dependence declines with growing intra-industry trade, which in turn increases the target's ability to resist economic coercion. Consequently, concessions become less likely as the share of target-sender intra-industry trade exchanges goes up.

Sender-target financial links vary in their effects on sanctions success. On the one hand, significant aid flows make the recipient of these flows vulnerable to coercion, which in turn increases the country's willingness to acquiesce to its donor's demands (Early and Jadoon 2019). On the other hand, foreign direct investment (FDI) can reduce the sender's bargaining leverage. Kim (2013) argues that FDI through cross-border mergers and acquisitions makes sender companies more vulnerable to sanction-related costs and target retaliation, which heightens domestic opposition to the sender government's potential coercive action. As a result, the sender is less likely to resort to sanctions.

While multilateralism in sanction imposition has been extensively investigated in the literature, the use of multilateral institutions as an additional source of leverage remains a mostly uncharted territory with one notable exception. Peksen and Woo (2018) suggest that a powerful sender country, such as the US, can use its influence within international organizations to amplify sanction costs. The study focuses on International Monetary Fund (IMF) assistance, and shows that sanctioned countries are less likely to receive IMF funds. Since the IMF is the lender of last resort for countries facing economic challenges, the US government's ability to restrict a target's access to IMF support provides this sender with a particularly damaging coercive instrument.

Powerful senders can also wield their substantial structural power in international financial and communication networks (Farrell and Newman 2019). The US in particular benefits from asymmetries within these networks, which allows the sender to obtain informational advantage during a dispute with another country or cut off the opponent's access to these vital international networks. Such power dramatically increases sanctions effectiveness. At the same time, less powerful countries that are targeted by such coercive measures may attempt to address their vulnerabilities by seeking out alternative arrangements. In the long run, these adjustments could erode the ability of the US and its Western allies to weaponize economic interdependence and, hence, reduce the effectiveness of their coercive measures against other countries.

Sanction enforcement

Once sanctions are in place, the success of coercion depends on the sender's willingness and ability to enforce the sanctions. For instance, the sender government may be reluctant to enforce sanctions if it is concerned that such an action would undercut its firms' competitiveness, given that third-party firms can continue trading with the target. The government must also consider costs of monitoring firms' compliance and punishing sanction-busters. Therefore, for successful enforcement, sender firms need to account for a significant share of the target's market but not so large as to make evasion too tempting for sender firms and enforcement too costly for the sender government (Bapat and Kwon 2015).

In addition, illicit activities that help the target circumvent sanctions can make enforcement costs prohibitively high (Early 2015). Opting for more limited, tailored sanction instruments instead of broad, comprehensive coercion does not appear to reduce these costs (Tostensen and Bull 2002). The sender's ability to enforce sanctions is constrained by the target's outside options. If the target can identify third parties that are willing and able to replace the target's reduced or lost relationship with the sender, the sender's enforcement capacity declines and the target's expected utility from resistance increases significantly. Existing research points to third parties' economic capabilities and prior economic relationship with the target as measures of their ability to replace the sender, while ideological or alliance ties provide the reason to engage in sanction busting (Early 2015, 2012; Peksen and Peterson 2016). A more nuanced argument links the target's high value to its trading partners and the partners' connectedness to the international trade network, to the target's ability to resist sanctions successfully (Peterson 2020). More broadly, in the absence of a coordinated coercive effort, global markets quickly adjust to the sender's restrictions, providing the target with a path for circumventing sanctions (Gholz and Hughes 2019).

Targets may also turn to international credit markets to obtain financing necessary to weather economic sanctions. When the cost of such credits is not too high, that is, when the target's credit rating is strong, economic coercion is less likely to succeed and, hence, senders avoid using sanctions altogether (Cilizoglu and Bapat 2020). Furthermore, a country's existing relationship with a regional or global power can insulate the country from sanctions (von Borzyskowski and Vabulas 2019).

The key mechanism for enhancing third-party cooperation is by securing support from an international institution, such as the UN or the EU (Drezner 2000). Yet, the sender may be unable to obtain such support. When it does, the primary sender still needs to ensure that other states comply with sanctions. Martin (1993) shows that rates of compliance improve when the primary sender uses linkage politics, tying compliance to credible threats of punishment or offers of side rewards. In some cases, the sender can resort to secondary sanctions to ensure that third-party states comply with its sanctions against the target (Han 2018). Another factor shaping compliance rates is the size of a sanctioning coalition. Not all institutions are equally effective in enhancing the sender's coercive efforts. Early and Spice (2015) argue that smaller international institutions, such as the Arab League, tend to be more successful than larger ones, such as the UN. More restrictive membership allows countries to achieve deeper cooperation, while minimizing cheating due to less costly monitoring and enforcement in smaller groups. Consequently, sanctions backed by larger institutions allow more sanction busting to go undetected and unpunished, thereby weakening enforcement quality.

What are Unintended and Indirect Outcomes of Coercion?

The dominant approach to evaluating outcomes of economic coercion traditionally centered on the sender's ability to achieve stated goals. Yet, the recognition of the humanitarian toll of sanctions, especially of the UN embargo against Iraq, gave rise to a diverse and rapidly growing field of research into unintended and indirect outcomes of economic coercion. When an individual sender or a sanctioning coalition imposes economic costs on the target country, the losses limit the target's resources. This exogenous shock to the target's economy and government resources leads to a variety of adjustments, many of which have nothing to do with the dispute that produced sanctions, and may contribute to or cut against the sender's ability to achieve desired concessions. These unintended and typically indirect changes receive attention in a rapidly expanding line of research, which investigates how sanctions affect target countries on a range of dimensions, from civil conflict and economic inequality, to public health and human rights. Some of these studies also consider effects of sanctions on third parties, including third-party states, multinational corporations, and non-state actors. A much smaller body of research considers unintended and indirect effects of economic coercion on the sender country, which represents an overlooked area in this otherwise active research subfield.

Domestic conflict

Most studies in this area focus on the direct effect of economic coercion applied with the goal of ending civil conflict. However, none of them restrict the empirical scope of their analyses to sanctions threatened and/or imposed with the explicit objective of conflict termination. Hence, there is a gap between what these studies aim to analyze and what they can actually accomplish with existing data. Consequently, these findings are suggestive of the impact that economic coercion can have on civil war onset, duration, or termination, but do not serve as direct evidence.[4]

Existing studies conclude that sanctions do not affect the likelihood of civil war onset (Thyne 2006). At the same time, civil war duration is linked to sanctions, but the relationship is complex. On their own, sanctions may not have an effect, but when coupled with military force, they can reduce war duration (Lektzian and Regan 2016). Escribà-Folch (2010), in contrast, finds that sanctions do reduce the duration of civil conflicts, and the effect grows over time. Total economic embargoes appear to be particularly effective in terminating civil wars, through either negotiations or one side's victory. Yet, before a war comes to an end, conflict intensifies under economic sanctions (Hultman and Peksen 2017). This result holds not only for actual sanctions, but also for sanction threats. Only an imposition of an arms embargo leads to a reduction in battle-related fatalities, which can be attributed to the warring parties' reduced capacity for violence.

Economic spillover effects

While economic and human costs of sanctions, as well as greater political uncertainty, may temporarily reduce financial flows to the target country, existing research suggests that such negative effects may be short-lived. Specifically, economic coercion may only have a short-term negative effect on the target's attractiveness for foreign investors. Even though US firms are more hesitant to invest in countries targeted by US sanctions during the threat stage, the firms quickly reverse their stance after sanction imposition (Biglaiser and Lektzian 2011). Moreover, third-party investors fill any void left by sender country firms (Lektzian and Biglaiser 2013). If the political and economic environment in the target country remains risky, firms can adjust by shifting their investments to third-party countries with strong links to the target economy. This allows investors to take advantage of the established links, thereby minimizing relocation costs (Barry and Kleinberg 2015). Even when the sender designs sanctions to deliver a sizable economic impact on the target economy, foreign investments decrease only temporarily, without any significant long-term effect (Mirkina 2018).

A similar pattern holds for foreign aid allocations. Even in the case of sanctions backed by a multilateral organization, such as the UN, aid flows remain unaffected. Moreover, US bilateral sanctions improve the target's ability to attract aid because aid donors typically have political or commercial motivations for providing financial assistance. Sanctions rarely change these aid-giving motivations and, hence, donors continue (or even increase) their support for aid recipients during sanctions (Early 2015; Early and Jadoon 2016).

The target's financial stability, in contrast, appears to suffer from economic coercion. While the target's financial relations may return to presanction levels soon after sanction imposition, the temporary increase in political risk may generate doubts about the government's ability to maintain its exchange rate commitment. More costly sanctions enhance risk perceptions and make governments more vulnerable. Therefore, sanctions increase the government's susceptibility to speculative attacks, which often result in currency crises (Peksen and Son 2015). Similarly, deteriorating economic conditions in the target country and doubts about its access to international capital markets can trigger banking crises under sanctions (Hatipoglu and Peksen 2018).

Economic disruptions caused by sanctions can incentivize subnational actors, such as individuals and companies, to shift more of their activities to the informal sector, as these actors seek to obtain or sell sanctioned goods and services, compensate for declining formal incomes, and cut costs (Early and Peksen 2019). Furthermore, such activities can bring these subnational actors in contact with criminal groups and contribute to an increase in crime and corruption in target countries. This unintended adverse effect can linger even after sanctions are lifted (Andreas 2005).

Public goods provision

Sanction-related economic damage leads to reduced government spending on public goods provision, including healthcare, education, and public safety. Target governments' adjustments can further exacerbate the impact of these reduced expenditures by reallocating resources to benefit the supporting coalition or protect themselves against increased internal and external risks (Escribà-Folch 2012; McLean and Whang 2021). Due to rapid drops in government funding, public goods are underprovided, and existing studies document adverse consequences of this underprovision in studies of public health and safety.

Scholars provide evidence of sanctions' detrimental effects on nutrition, infectious disease incidence, and the quality of public health infrastructure in individual target countries, such as Cuba (Garfield and Santana 1997), Haiti (Gibbons and Garfield 1999), and Iraq (Daponte and Garfield 2000). These country-specific studies show that, while mortality rates among vulnerable groups, such as women and children, remained mostly unaffected in Cuba, there was an increase in mortality rates among Haitian children in the age bracket between one and four years. Moreover, in Iraq, the mortality rate for children quadrupled. A more comprehensive large-N analysis suggests that child mortality may indeed increase under sanctions as target country residents lose access to health providers and treatment, and struggle to satisfy basic needs. Peksen (2011) reports that economic coercion is positively correlated with child mortality in target countries, and the size of this impact increases with sanction costs. A related study also suggests that non-democratic countries suffer from public safety underprovision under sanctions, as companies adjust to the exogenous economic shock by cutting safety spending, and governments fail to enforce safety standards. Consequently, more people are injured and experience other adverse impacts from industrial and transportation accidents (McLean and Whang 2020).

Inequality and discrimination

While costs generated by restricted trade or other economic exchanges and experienced by the target country's population result directly from foreign governments' exercise of economic coercion, the target government could in principle shield less affluent and more vulnerable groups by redistributing some of its remaining resources in their favor. Yet, research shows that the opposite happens: these groups are disproportionately impacted by resource reductions in target countries. Sanctioned governments may seek to divert more resources to their supporting coalitions to maintain their loyalty under challenging economic circumstances (Escribà-Folch 2012; Wood 2008). Such government support can increase economic strength and political influence of well-connected interest groups, which will demand continued redistribution through protectionist policies even after sanctions are lifted (Pond 2017). Furthermore, autocratic governments may seek to avert domestic protest and rioting by amplifying economic deprivation among the most impoverished groups to make it harder to organize and increase costs of overthrowing the government (Oechslin 2014).

Neuenkirch and Neumeier (2016) confirm that the poverty gap indeed increases under sanctions, and coercive measures that are comprehensive and multilateral are especially harmful in this regard. Similarly, income inequality increases substantially when sanctions are in place (Kirshner 1997). Financial sanctions, restricting investments and foreign aid, cause a particularly large shift toward a more unequal income distribution (Afesorgbor and Mahadevan 2016). In addition to less affluent populations, ethnic groups can bear the brunt of shrinking resources and governments' deliberate resource reallocation. Peksen (2016) reports that minority groups are more likely to experience ethnic-based discrimination in multiethnic target countries, especially when governed by autocratic regimes. Multilateral and comprehensive sanctions deliver a more sizable impact than other types of sanctions.

Human rights

The research on the link between economic coercion, on the one hand, and target countries' respect for human rights and democratization, on the other, presents contradictory findings. Future studies may settle the debate, but existing work provides evidence of negative and positive effects of sanctions on human rights, as well as results indicating the lack of a relationship between the two variables. A subset of studies identifies a clear pattern of deteriorating protection for a broad range of human rights, including physical integrity rights, and civil and political freedoms, during sanctions (Peksen 2009; Peksen and Drury 2010; Wood 2008). Surprisingly, targeted sanctions are no better in this regard than comprehensive sanctions: Carneiro and Apolinario (2016) find that the two sanction types have an equal negative effect on rights to physical integrity. For women, economic coercion leads to deterioration of their social, economic, and political standing in target countries, and women in less affluent countries experience the greatest damage (Drury and Peksen 2014).

Another subset of studies directly challenges these findings. In particular, Gutmann et al. (2020) show that, after accounting for selection effects, there appears to be no relationship between sanctions and respect for basic human rights or economic rights. Moreover, women's economic rights appear to be improving under sanctions, in contrast to the conclusion in Drury and Peksen (2014): women in sanctioned countries join the labor force to replace lost household income, thereby elevating their economic status. The negative relationship between sanctions and respect for human rights only holds in the case of civil and political freedoms (Gutmann et al. 2020). At the same time, sanctions that specifically aim to promote democratization appear to succeed in achieving this goal. Von Soest and Wahman (2015a) argue that the association between this type of sanctions and democratization hinges on destabilization of targeted authoritarian regimes, and show that EU, US, and UN sanctions against non-democracies in the post-Cold War period increase the probability of government and regime change. The positive impact may also serve as a lesson to authoritarian regimes that do not experience sanctions, but are sufficiently similar to the target of sanctions imposed for human rights abuses. Economic coercion warns authoritarian governments about the dangers of indiscriminate human rights abuses, and results in improvements in human rights practices—or at least prevents them from further deterioration (Peterson 2014).

Conclusion

The research on economic coercion has come a long way. It emerged in early case studies of individual sanctions episodes (e.g., Galtung 1967), and developed into a broad field of studies exploring various aspects of economic coercion with nuanced theories and diverse methodological approaches. Throughout this enormous transformation, scholars of economic coercion have shared the same motivation: they want to understand this process, its determinants, and implications. Therefore, scholarship on economic coercion has always been problem-driven, and remains so, as researchers break new ground in the study of sanctions.

New research questions arise as the field seeks to explain rapidly changing instruments of economic coercion and political responses to coercive pressures. The rise of financial sanctions and other targeted instruments and a subsequent emergence of numerous studies on targeted sanctions illustrate how developments in the policy world create entirely new areas of research within the field. At the same time, at no point in the evolution of this International Political Economy (IPE) field was there any significant evidence of divisions over theoretical approaches or methodological tools. The field has grappled with a number of scholarly debates (e.g., do sanctions play an informational role?), but such debates encourage more engagement, not less. While early research on economic coercion was mostly comprised of detailed case studies of individual sanctions episodes, especially high-profile sanctions regimes against Cuba and South Africa (e.g., Galtung 1967; Schreiber 1973), the emergence of large-N studies in the 1990s did not change the problem-driven character of sanctions research. Scholars in this field continued puzzling over sanctions success rates and motivations for governments' use of economic coercion. Over time, studies introduced new methods to the field, including increasingly sophisticated large-N statistical tests, game-theoretic modeling, and survey experiments. Yet, the breadth of available research instruments has made the field richer and more sophisticated, rather than more compartmentalized, and a variety of qualitative and quantitative approaches coexist while providing this field with greater substantive depth and analytical power.

Future research on economic coercion will continue drawing its motivation from shortcomings in existing studies of sanctions, and puzzles linked to real-world events and processes. For instance, more work is required to understand the connection between sanction design and enforcement. Similarly, the role of non-state actors, such as domestic and multinational firms, individuals, and criminal groups, remains poorly understood. Another notable blind spot is the post-sanction period: researchers have mostly overlooked the issues of post-sanction recovery in target countries and in sender-target relations.

When it comes to research questions inspired by real-world developments, the rise of right-wing nationalism may shift the balance of costs and benefits from economic coercion for both potential senders and targets. If public opinion places an increasing priority on showing strength internationally, there may be a rise in deadlock outcomes, as neither side will have incentives to budge and sanction duration will increase significantly. Such a development could magnify economic, political, and social costs of sanctions, without producing any concessions. The use of economic coercion may also change with technological transformations, which can provide new mechanisms for imposing costs on opponents, while minimizing coercers' exposure. Today, countries can engage in cyber-attacks against opponents, imposing economic damage on adversaries, while shielding themselves from retaliation through plausible deniability (Guitton 2017). Scholarly and real-world puzzles in the area of economic coercion will remain abundant in years and decades to come.

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Notes:

(1) In addition, I will use “a coercer,” “a sender,” or “a sanctioner” when referring to the state engaging in coercion, and “a target” or “a coerced/sanctioned state” when referring to the state experiencing coercion.

(2) Existing channels for reducing informational asymmetries may also be of limited usefulness under sanctions: Bas et al. (2017) find that neither trade links nor joint membership in international organizations reduces uncertainty in sanctions episodes.

(3) The three main datasets used in sanctions research are the Threat and Imposition of Economic Sanctions dataset, covering all sanctions episodes initiated during the 1945–2005 period; the Targeted Sanctions Consortium Database, which includes targeted UN sanctions between 1991 and 2014; and the Hufbauer, Schott, and Elliott dataset, with sanctions episodes from the 1914–2000 period.

(4) A study by Radtke and Jo (2018) is an interesting exception: it relies on novel data on UN sanctions against rebel groups, rather than governments, and shows that UN sanctions can limit rebel groups’ capacity, thereby increasing odds of successful conflict resolution.

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