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*Part I*

Anatomy of inducements

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# 1 Introduction: the domestic distributional effects of sanctions and positive inducements

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*Etel Solingen*

In June 2009 the streets of Tehran were burning, literally and figuratively. The Obama administration faced a crucial dilemma in its effort to prevent Iran from acquiring nuclear weapons. Should President Obama openly support the persecuted opposition, as some argued, and if so, what language should he use? Should he abstain from any response, so as to avoid intruding in the internal turmoil brewing within Iran's regime? Should the US administration "talk" to Ahmadinejad or to his competitors within Iran's ruling coalition? Should the nuclear issue be raised in the repressive post-election context to signal the economic and other opportunity costs of the regime's behavior for the Iranian public? Could positive outreach by the president toward the Iranian regime yield any fruit? Were positive inducements offered too little or too much? Were sanctions too punitive or toothless? Was support extended to Iran's (and Syria's) opposition adequate considering stronger endorsement of popular uprisings in Egypt, Libya, and Tunisia in early 2011? Are security assurances to nuclear proliferators a proven means to obviate their quest for nuclear weapons?

The intractability of these dilemmas is the subject of extensive public discussion worldwide.<sup>1</sup> Notably, the international relations scholarly literature on sanctions and nuclear nonproliferation offers limited answers to most of these questions and has largely neglected more systematic analysis of the domestic distributional consequences of external attempts to influence target states' nuclear postures.<sup>2</sup> A domestic distributional focus requires particular attention to *cui bono* (who gains) and

<sup>1</sup> Opposition to Iran's nuclear program was very strong across most countries surveyed by a Pew (2010) public opinion poll.

<sup>2</sup> For important exceptions in the broader literature dealing with human rights and terrorism, see Crawford and Klotz (1999) and O'Sullivan (2003) *inter alia*. Work specific to sanctions in nuclear proliferation includes Litwak (2007), Lebovic (2007), Jentleson and Whytock (2005/2006), and Solingen (1995). To conform to the general

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*cui malo* (who loses) from sanctions and positive inducements, and how those, in turn, affect the outcome. This volume thus seeks to contribute to the study of nonproliferation statecraft in several ways.<sup>3</sup>

First, it looks primarily and systematically into domestic distributional costs and benefits. This focus follows a turn to domestic politics as a major influence on the demand-side for nuclear weapons in the nonproliferation literature, a turn that replaced an over-concentration on presumed external security “imperatives.”<sup>4</sup>

Second, it seeks to identify the specific causal mechanisms or paths connecting international sanctions and inducements to their outcomes. One set of mechanisms, among others, derives from the assumption that leaders presiding over different domestic political economy models respond differently to international sanctions and inducements.<sup>5</sup> Another set stems from differences in regime type (democracies vs. autocracies).

Third, replacing a more common focus on the effects of sanctions alone, this book also examines the effects of positive inducements on domestic actors in target states.

Fourth, it begins to explore whether different stages in the development of a nuclear program are more amenable to different types of external inducements, as expected from principles of prospect theory and arguments about audience costs. Whereas the North Korean regime would have to give up tested nuclear weapons, the Iranian regime would have to retreat from a program that has not yet yielded nuclear weapons, at least according to published reports as of 2011 (though many assert that Iran has certainly been pursuing capabilities to build nuclear weapons).<sup>6</sup> Clearly, the two circumstances could have different implications for domestic receptivity to different kinds of inducements.

literature we adopt the term “sender” to refer to states extending inducements (sometimes referred to as “sanctioning” states), and “target” to refer to the state to which inducements are being extended (sometimes referred to as “sanctioned” states).

<sup>3</sup> Statecraft can be defined as a government’s use of various instruments – diplomatic, economic, military – in the service of foreign policy objectives. See, inter alia, Mastanduno (2008).

<sup>4</sup> See, inter alia, Lavoy (1993), Solingen (1994a, 2007a, 2010), Sagan (1996/1997), Liberman (2001), and Potter and Mukhatzhanova (2008).

<sup>5</sup> The primary focus of Solingen (2007a) was to identify domestic patterns of motivations to acquire or renounce nuclear weapons as the main “dependent variable,” addressing only indirectly how different states respond to sanctions and positive inducements.

<sup>6</sup> On Iran’s violations, see the February, May, and November 2011 IAEA reports discussing new evidence of Iran’s weaponization activities at [www.iaea.org](http://www.iaea.org). See also “New Hints Emerge of Iranian Nuke Drive: Experts,” NTI, *Global Security Newswire*, July 6, 2011. US Defense Secretary Gates argued that he “personally believe(s) [Iranian leaders] are intent on acquiring nuclear weapons” (quoted in “Military Action Won’t Stop Iranian Nuclear Program: US,” *AFP*, November 16, 2010). Admiral Mullen said

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Fifth, it considers the relative effectiveness of targeted versus comprehensive forms of both sanctions and inducements, particularly in the context of varying domestic political economy models and regime types.

Sixth, it reflects on the gap between intended and unintended or unforeseen domestic distributional effects of sanctions and inducements.

Seventh, it revisits the problems of collective action among senders, on the supply-side of sanctions and inducements, a well-known barrier to achieving objectives. The fact that multilateral sanctions tend to be more effective than unilateral ones is not a particularly novel insight, nor one subject to much contention. Furthermore, given the prominence of this topic in the literature and much less emphasis on domestic distributional considerations in target states, this volume pays special attention to the latter. It also raises the possibility, however, that the organization of collective action under US primacy may be altered by new underlying reconfigurations of international economics and politics, including the rise of China and regional powers such as Turkey, Brazil, India, and others.

Eighth, it relies on a variety of analytic and research methods, novel conceptualizations, new quantitative data, comparative historical analysis based on newly declassified archival evidence, and detailed process-tracing of in-depth case studies.<sup>7</sup>

In line with Baldwin's (1985, 1998) conceptualization, sanctions and inducements are instruments of statecraft specifically geared to change the target state's behavior. A working definition of sanctions (which might also be labeled negative inducements) refers to international instruments of statecraft that punish or deny benefits to leaders, ruling coalitions, or broader constituencies in a given state, in an effort to dissuade those targets from pursuing or supporting the acquisition of nuclear weapons. The literature often refers to negative inducements as sanctions and the two terms are sometimes used interchangeably in

he has no doubt Iran is trying to develop nuclear weapons (Pessin 2010). Assistant Secretary of State for Verification and Compliance Rose Gottemoeller (2007: 106) declared "Iran's evident drive toward nuclear weapons is the other major proliferation crisis the international community has been grappling with for well over a decade." Ahmadinejad's spiritual mentor Ayatollah Mohammad Taqi Mesbah Yazdi has repeatedly called for producing the "most advanced" "special weapons" that are a monopoly of a few. Ayatollah Ali Khamenei has denied Iran's pursuit of nuclear weapons. A hardline Iranian website called Yazdi an "Imam," a title not awarded to Khamenei (Associated Press, "Top Cleric: Iran Has Right to 'Special Weapons,'" June 14, 2010).

<sup>7</sup> George and Bennett (2005) describe process tracing as the effort to link a series of hypothesized interrelated causal processes and observed outcomes.

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this volume as well. Conversely, positive inducements are benefits or rewards extended to leaders, ruling coalitions, or broader constituencies in target states, with the expectation that they will persuade recipients to eschew nuclear weapons. Chapter 3 includes a fine-grained listing of sanctions and positive inducements, and provides data and historical context to these different forms. The body of work addressing positive inducements in various issue areas – but particularly in nonproliferation – is generally smaller and more recent than the one on sanctions.<sup>8</sup>

Notwithstanding our particular concentration on external mechanisms geared to dissuade states from pursuing nuclear weapons, this volume is informed by a broader literature exploring other objectives of statecraft such as improving human rights, preventing ethnic cleansing and civil conflict, or curtailing support for terrorism.<sup>9</sup> However, the tendency to aggregate results of sanctions and inducements in different issue areas can also conflate effects; obscure causal mechanisms specific to the issue we seek to understand; and perhaps even perpetuate the high level of disagreement over whether or not sanctions or inducements “work.”<sup>10</sup> This volume thus limits the scope of inquiry to nuclear proliferation, which can partially circumvent the problem of heterogeneity in desired objectives that affects many studies of sanctions. Work with such specific focus is rare, only a small subset of comprehensive studies across different issue areas. It is also often unguided by a coherent set of hypotheses and prone to plunge into policy prescriptions even as conditions presumed to maximize the chances for success remain ambiguous. Disagreements regarding the effectiveness of sanctions and inducements on Iraq, Iran, Libya, North Korea, and others before them are far from settled; the lessons learned are still unclear and often

<sup>8</sup> Among precursors, see Baldwin (1971a), Solingen (1995), Davis (1999), Davis, Jr. (2000), Bernauer and Ruloff (1999), Wallensteen and Staibano (2005), and Kahler and Kastner (2006). For more recent efforts, see Reardon (2010) and Nincic (2011).

<sup>9</sup> The broader literature focusing largely on sanctions includes, inter alia, Galtung (1967), Doxey (1971), Baldwin (1985), Nossal (1989), Kaempfer and Lowenberg (1992), Kirshner (1995), Haass (1998), Pape (1997), Crawford and Klotz (1999), Haass and O’Sullivan (2000), Chan and Drury (2000), Davis, Jr. (2000), Rowe (2001), Cortright and Lopez (2002), O’Sullivan (2003), Mansfield (2004), Biersteker (2004), Biersteker *et al.* (2005), and Hufbauer *et al.* (2007), among many others.

<sup>10</sup> Hufbauer *et al.* (1990a) found that sanctions were partially effective in 40 out of 115 cases (34 percent) between 1914 and 1990. Pape (1997) found that only five of the cases listed in Hufbauer *et al.* (1990a) met his own definition of success, which is at odds with studies by Baldwin (1985), Martin (1992a), and Cortright and Lopez (1995). As Elliott (1998) and Baldwin (1998) argued, coding the effects of sanctions dichotomously – as either a success or failure – is a mistake. A focus on causal mechanisms helps transcend findings that imply correlations but are less concerned with the process linking cause and effect.

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subject to debate. Our effort here certainly does not end this debate but hopefully helps advance it.

The cases unfolding over the past two decades, in particular, offer the opportunity to explore in greater detail the domestic distributional effects of external instruments, including both intended and unintended ones, on target states and nonproliferation efforts. Academic research on globalization and democratization in the post-1989 world has deepened our understanding of general distributional effects of international influences on the domestic politics of states.<sup>11</sup> Globalization acts as an incentive for some constituencies to support engagement with the global political economy but as a disincentive for others who might be adversely affected by such engagement. This creates different sets of motivations underlying domestic responses to international inducements and threats of punishment. Those who stand to lose from economic openness pressure governments for protection and import-substitution. Those who stand to gain from openness pressure governments for liberalizing trade, investments, and financial exchanges with the rest of the world. Both positions have implications for the kinds of trade-offs that different actors are likely to tolerate with respect to external sanctions or inducements regarding their nuclear policy. International sanctions imposed on account of non-compliance with the nonproliferation regime can deprive domestic actors of goods, services, and international access to markets and technology. Sanctions can also, by contrast, benefit other actors by enhancing their control over the domestic economy. Whether or not positive inducements have the polar opposite effects of sanctions remains contested. There is far more agreement on the fact that democracies tend to be more vulnerable to sanctions than autocracies.

Elucidating how these instruments of external influence work in the nuclear area may benefit the broader study of sanctions and inducements in international relations. The latter encompasses a sizeable literature which has only recently addressed more systematically who the precise targets of such instruments ought to be, and how the issue of *cui bono* and *cui malo* within target states affects outcomes. That broader literature highlights several difficulties that carry over into the more discrete arena of dissuading proliferators from developing nuclear weapons. One such difficulty is the proper identification of the precise objective stipulated by sender states, or the benchmark against which outcomes can or should be evaluated. Objectives can change over time, may have a hierarchical structure, and can be divided into tactical and

<sup>11</sup> For an overview of that wave of research, see Solingen (2009a).

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strategic components. Several objectives may be pursued at once – some truly and privately, some ostensibly and publicly – leading to elusive estimations of success or failure.<sup>12</sup> The policies of the United States, Japan, China, and South Korea vis-à-vis North Korea, for example, are overtly directed at rolling back the latter's nuclear weapons and sensitive exports program. Yet unstated objectives of either replacing the regime altogether or, at the other extreme, acknowledging its nuclear status, occasionally surface. Senders' ultimate objectives may not even be the target's policy reversal in and of itself but rather to signal to third parties that non-compliance with the NPT or with IAEA safeguards obligations carries a heavy price. If so, the precise benchmark for evaluating the policy's success would be the extent to which additional potential proliferators desist from such designs in light of sanctions endured by other targets.

But the path not traveled by others is not easy to assess and raises an important methodological difficulty that afflicts some of the literature on sanctions more broadly, particularly – but not only – its quantitative branch. The problem of selection effects entail the plausibility that sanctions are only applied in instances where targets estimate (correctly or incorrectly) that sanctions will not work in their own particular case.<sup>13</sup> This would exclude from the analysis the many potential cases where targets estimate that they are too vulnerable to sanctions, and hence refrain from pursuing the proscribed behavior, biasing results. If included, those cases would have been counted as “success.” When others discontinue nuclear weapons programs because they estimate a priori that the cost (raised by sanctions) may be too high to bear, this arguably constitutes *ex ante* compliance. Sanctions are not necessary in such cases, but their imposition on others might have had consequential effects that should be factored in.

The nonproliferation literature makes sporadic reference to such demonstration effects but a proper assessment of how other countries weighed the effects of sanctions applied to Iraq, Iran, Libya, or North Korea, among others, is elusive and beyond the scope of this volume. As Rowe (2010) notes, the non-event (no sanction) is often unobservable. Furthermore, evidence for its putative effects is even harder to get (and interpret) than is evidence from cases that had endured sanctions. Indeed, the causes for why some states abandoned nuclear ambitions

<sup>12</sup> Baldwin (1985, 1999/2000). Furthermore, it is difficult to differentiate between states that “found it good policy to resist the temptation to mobilize those nuclear resources [and those that] were not tempted” (Schelling 1976: 80).

<sup>13</sup> Drezner (1999), Nooruddin (2002), and Lacy and Niou (2004).



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have never been easy to determine, and can rarely be simply traced to the potential threat of sanctions. There is extensive disagreement over what effectively accounted for restraint in cases where the capability was there but nuclear weapons were nonetheless renounced.<sup>14</sup> The problem is aggravated by cases that were over-determined, where many factors influenced the decision to abstain from acquiring nuclear weapons, including potential sanctions, the nature of domestic ruling coalitions and political economy models, public opinion opposed to nuclear weapons, or the preferences of a crucial ally. A final, related source of selection bias is the inability to ascertain the precise universe of cases that should be taken into account.<sup>15</sup>

Summing up the point on selection bias, many targets might want to avoid sanctions to begin with, and they are usually excluded from the relevant universe of cases under analysis in studies of sanctions. The secretive nature of nuclear weapons discussions, decisions, and actual programs exacerbates the barriers to inclusion of all relevant cases.

### **Domestic distributional effects in target states: understanding causal mechanisms**

Many of the difficulties afflicting both the broader study of sanctions and inducements and work focusing primarily on nonproliferation stem from the limited attention paid to the causal mechanisms linking external instruments to outcomes.<sup>16</sup> In his pioneering study Johan Galtung introduced what he considered a “general theory of economic sanctions,” in an effort to map what he labeled the “mechanisms of economic boycott.”<sup>17</sup> Galtung defined the general theory as a causal process leading from the imposition of a partial or total boycott to

<sup>14</sup> See, inter alia, Reiss (1988, 1995), Reiss and Litwak (1994), Dunn (1998), Solingen (1994a, 2007a), and Rublee (2009) for cases that historically abstained from acquiring nuclear weapons (arguably Egypt, Taiwan, South Korea, Japan, Brazil, Argentina, and others), because they were self-deterred by the threatened or hypothetical application of sanctions or because they relied on positive security assurances from the United States to come to the target’s defense, or for other domestic reasons. Nuclear weapon states can also offer negative security assurances that they would not attack the target state. For a more detailed analysis of distributional consequences of security assurances, see Solingen and Wolf (2009).

<sup>15</sup> Collier (1995).

<sup>16</sup> Causal mechanisms explain phenomena by opening up the black box and showing the cogs and wheels of the internal machinery, the continuous and contiguous chain of causal or intentional links between *explanans* and *explanandum* (Elster 1989). Causal mechanisms are probabilistic rather than deterministic and they may or may not be observable (Hedström and Ylikoski 2010).

<sup>17</sup> Galtung (1967: 378).

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value-deprivation, political disintegration, and eventual compliance. However, all three terms – value-deprivation, political disintegration, and compliance – are hard to operationalize. The thresholds required for each to have their expected causal effects are thus undefined, a problem that continues to plague the analysis of sanctions and inducements. Furthermore, as Baldwin suggests, rather than a single theory there are many different causal mechanisms through which economic sanctions can and have worked, and there are many causal logics that can lead to various theories of economic sanctions.<sup>18</sup> This point is particularly apt for a volume concerned with a wider range of inducements, not just sanctions, which compounds the range of causal mechanisms deserving attention.

Sanctions and inducements affect individuals (leaders, producers, consumers, rent-seekers, and others) who respond to them in ways that shape collective outcomes. *Agent-based* models in the social sciences focus on the incentives of individuals, their estimation of others' incentives (including senders), their responses, and the effects of those responses on others, all of which result in some aggregate outcome. Other models emphasize *institutional* effects on individual choices (the absence of democratic checks and balances, for instance) that, in turn, may or may not lead to compliance with external instruments of statecraft. Yet other models emphasize *structural* constraints and opportunities that can skew outcomes toward or against compliance (availability of substitutes or natural resources, for instance). Agent-based, institutional, and structural models help map the range of causal mechanisms that may be at work in responses to sanctions and inducements. At the same time, differentiating between agent-based, institutional, and structural models is not always straightforward.

A focus on such causal mechanisms demands a departure from what has been an excessive reliance on the assumption that states are coherent actors, an assumption that has handicapped both our understanding of the demand for nuclear weapons and of sanctions more generally.<sup>19</sup> In both cases the unitary actor assumption has precluded a proper appreciation of the complexity entailed in mapping target states' responses to sanctions and inducements. The rather recent relaxation of the unitary actor assumption leads naturally to proper attention to domestic

<sup>18</sup> Baldwin (1998: 193). Political disintegration, for instance, may be neither necessary for attaining compliance, as the 2003 Libyan nuclear reversal suggests, nor sufficient. See also Crawford and Klotz (1999).

<sup>19</sup> For exceptions, see Kaempfer and Lowenberg (1988, 1992, 1999), Morgan and Schwebach (1996), Kirshner (1997), Baldwin (1998), and Rowe (2001).