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Sanctions Busters in the post-Cold War environment

Did the post-Cold War environment change the incentives for sanctions busters, and does a change in incentives affect the chances of success or failure of economic sanctions?

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I. Introduction

For over five decades, the Castro regime has been able to withstand U.S. sanctions by taking advantage of sanctions-busting support. A number of third-party states provided the country with sanctions-busting assistance, motivated by different factors. First, the Soviet Union and the People's Republic of China provided Cuba with major amounts of support during the Cold War (Leogrande & Thomas 2002, 342). However, when the Cold War ended, the job was taken over by the governments and firms of Venezuela, Canada, Europe and Mexico (Early 2011, 382). Although the sanctions busting of the Soviet Union was driven by political considerations, the sanctions busting by the later countries was evidently done for profit (Early 2011, 382).¹ After the end of the Cold War and the collapse of the Soviet Union, the super power rivalry was over and policies shifted into different directions.

Although the case of Cuba might not be a reliable prototype, changes in the world since 1992 may have changed motives and the effectiveness of economic sanctions. The case is fascinating for a number of reasons. First, the international support in the case shows the substantial role that third parties to sanctions disputes can play in busting the sanctioning efforts. Because of their efforts, the Soviet Union and the People's Republic of China were capable of undercutting the sanctioning efforts of the United States (Early 2015, 15). Second, the incentives of third parties to engage in sanction busting seem interesting too. This is particularly the case since the sanction busting activities are expensive and not affordable for everyone or in every case. The motivation to engage in sanction busting against the efforts made by the United States requires an explanation, especially since the key interests of third party states' can influence the amount of sanctions busting support they are willing to hand over to the target (Early 2011, 387). Did the post-Cold War environment change incentives for sanctions busters, and does a change in incentives affect the chances of success or failure of economic sanctions?

The Cold War being over caused the Soviet empire to break down and rearranged foreign challenges to the United States (Elliott & Hufbauer 1999, 403). However, the passage of time did not decrease the use of economic sanctions, there was even a peak in the annual number of sanctions cases in the first half of the 1990's (Hufbauer et al. 2007, 125). The international economy has become even more integrated and new goals and armed conflicts arise all over the world that may change the focus of economic sanctions policy (Elliot &

¹ More information about the foreign trade based sanctions busting by third parties is to be found in research by Leogrande and Thomas (2002) and Kaplowitz (1998). According to Leogrande and Thomas, the Soviet Union provided over 65 billion dollars of assistance to Cuba from 1960 to 1990.

Hufbauer 1999, 403). Next to that, growing interdependence may have increased the freedom of movement and the ability to sanctions-bust for third party countries (Early 2009, 68). This thesis offers a comprehensive explanation of the incentives of sanctions busters that have emerged in the pre-Cold War and post-Cold War period, and demonstrates the effect of sanctions-busters incentives on the effectiveness of economic sanctions.

2. DEFINITIONS AND MOTIVES OF SANCTIONS BUSTERS

2.1. Economic sanctions

Economic sanctions can be described as ‘*the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations*’ (Hufbauer et al. 2007, 3). However, there is a shared belief among scholars that economic sanctions generally do not work, considering that sanctions appear to be successful in only around 23 to 34 percent of the time (Hufbauer et al. 2007; Bapat and Morgan 2009, 1082).² Because of the limited effectiveness of economic sanctions, much of the literature about economic sanctions has focused on the factors associated with why they were a success or a failure. The existing work has shown a number of factors, including the target costs and sender costs, the regime type of the target state, the type of the sanctions imposed, the international support for economic sanctions and the involvement of a sanctions buster, that may affect the outcomes of sanctions (e.g. Early and Spice 2015; Lektzian and Souva 2007, Hufbauer et al. 2007; Drezner 2000; Drury 1998;). According to a range of literature, assistance to the target of a sanctions buster reduces the likelihood of the target yielding (Hufbauer et al. 2007, 9; Lektzian and Souva 2007, 866; Early 2009, 2011, 2015). McLean and Whang agree and argue that sanctions busting is an important factor in predicting the effectiveness of economic sanctions (McLean and Whang 2010, 428). They state that economic sanctions are not likely to be effective when sanctions busters are able and willing to compensate for the target’s economic losses (McLean and Whang 2010, 429).

Unexpectedly, the literature does not offer a lot of research that focuses on the causes and consequences of the behavior of sanctions busters, in particular when concerning its

² Pape (1997) is even more skeptical and uses a more strict definition of economic sanctions with which he concludes that only 5 sanctions succeeded instead of the 40 sanctions that Hufbauer et al. argued (Pape 1997, 93). Elliott (1998) argues that there are differences in the research design of Hufbauer et al. and Pape, which causes the differences in the outcomes. In the work of Hufbauer et al., combinations of economic sanctions and other policy, such as military policy, are not excluded from the research. This causes a distinction in the research, since there is a difference between looking at sanctions on their own, and looking at them as a substitute for another policy. Drury (1998) agree that economic sanctions often fail to alter the behavior of target states.

intuitive links to the failure of economic sanctions. Thus, a more nuanced explanation is useful on how differences in sanctions busters' motivations can affect their effectiveness in undercutting the sanctions success.

2.2. Sanctions busters

Sanctions-busters are third party states that dramatically increase their trade and/or foreign aid with the target state after economic sanctions have been imposed against it (Hufbauer et al. 2007; Early 2009, 2011). Understanding the motivations that drive sanctions busters is important to determine how much support a target state can be expected to receive. Early argues that there are two profiles for the types of sanctions-busting activities that occur (Early 2015, 9). The first type of activities, similar to the EU-Cuba case, is mainly driven by profits and relies on the use of international trade (Early 2015, 9). However, the second type of sanctions-busting activities is motivated by political behavior and employs international trade and foreign aid to bust sanctions (Early 2015, 9). While the aid-based sanctions busting is mostly associated with costs, the trade-based type of sanctions busting can actually be profitable. When trade opportunities with the target state are very profitable, the third-party sanctions buster will be more likely to emerge to exploit those trade opportunities (Kaempfer and Lowenberg 1999; Drezner 2000; Early 2015).

Given the difference of the two types, it is expected that they occur for different motivations and undermine the effectiveness of economic sanctions in different ways. Yet, potential profits in both types of sanctions busting can be so great, that the economic interests of third-party firms can override their own country's foreign policy interest in supporting their allies (Bapat 2003), which makes it hard to prevent actors from busting sanctions. This is especially true since sanction-busting traders are able to mask the nature of their transactions by middlemen who use creative ways of financing and transporting the embargoed products.³ The willingness of countries to engage in sanctions-busting on the side of target states is affected by (i) the interest of the government in making the sanctions succeed or fail (ii) the relationship between the two countries and (iii) how the economic sanctions affect their profits with the targeted state (Early 2015, 62).

³³ Early (2015) starts his book with an example of creative sanctions busting by middleman in Dubai. Since Iran was subject to U.S. economic sanctions, Iran needed to find a new commodity to trade. It chose a stable trade that was not subject to the sanctions: gold. Dubai was used as a middleman between Iran and Turkey (where Iran was getting the gold in return of lira), to avoid bad publicity. Since one could only import 50 kilograms of gold per person, many individual trips were made to Dubai. This method made it possible to ship \$1,45 billion of Turkey's gold to the UAE (Early 2015, 2).

3. MOTIVES

3.1. Sanctions busters motivated by profits

The enforcement theory of Drezner presumes that the greatest threats to the success of sanctions are the profit-driven actors that will engage in sanctions busting by exploiting the economic opportunities that they create (Drezner 2000). Drezner states that institutions can help preventing sanctions busting activities by providing monitoring and enforcement capabilities (Drezner 2000). The trade aid sanctions busting is more attractive for third party states to engage in than in aid based sanctions busting, because it has a higher chance of profitability. Even if a third party state is politically motivated, this method is still the most attractive because of the profitability. It should therefore be expected that there occur mostly commercial motivated sanctions busters in the research. According to Early, the trade-based type of activities upgrades third-party components and brings political profits for their leader, whereas aid-based sanctions busting only costs resources and does not offer leaders as much in political benefits (Early 2015, 63). McLean and Whang focus on the target states' major trading partner when looking at the impact of a third party state on the target's compliance with the senders demand. They conclude that the sanctions are more likely to succeed when the sanctioned country's major trading partners choose the side of the sender state (McLean and Whang 2010, 427).

Another factor that contributes to the profitability of trade-based sanctions is the situation in which the target and sender country have a defense pact relationship. Nevertheless, this story works for allies of both the target and sender states as well: they seem to be more likely to engage in sanctions busting than other states (Early 2015, 151). Since they may be more economically and politically connected to each other, they tend to be less likely to let the situation escalate. And finally, geography is expected to have an impact on the effectiveness of trade-based sanctions busting. A close distance between the countries is expected to make an extension in trade relations more easily and more beneficial for both of them (Early 2015, 77).

3.2. Sanctions busters motivated by politics

Foreign aid based sanctions busting only seems to occur under very special circumstances. Early defines extensive sanctions-busting aid as '*the act of providing a target state with a significant, sustained increase in foreign aid for the purpose of helping it offset the costs and/or consequences of the sanctions imposed against it*' (Early 2015, 80).

However, the target states in most cases cannot rely on aid packages, since they may be contributed only once or twice and the target state cannot be sure about the future contribution (Early 2015, 80). This makes aid-based sanctions busting a less reliable source for target states than trade-based sanctions activities. According to Early, third-party governments are motivated by two motives: to support an ideologically cordial state or potential clash with the sender government (Early 2015, 81): both political motives.

Nevertheless, foreign aid based sanctions busting is an expensive business and is not always an available option. An example of aid-based sanctions busting is the Berlin blockade, where the U.S. could only use foreign aid since Berlin's isolation made it impossible to give trade-based aid. It cost around \$200 million (Bilirakis 1998).⁴ Another example of aid-based sanctions busting and its major costs is the case of the U.S. sanctioning efforts against North Korea. China has provided North Korea with fuel, food and industrial machinery (Nanto and Manyin 2011, 407). Only governments can impose aid-based sanctions busting, because of the high costs of extensive aid based sanctions busting.

4. EFFECTS

4.1. Effects sanctions busters

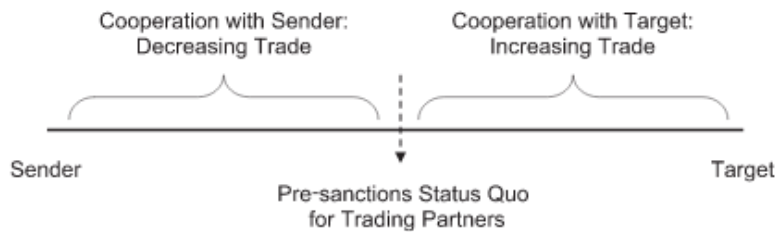
In order to understand the effect of sanctions busters motives on the success or failure of economic sanctions, it is important to understand the effects of sanctions-busters activities in general. Most explanations in existing literature on the effect of sanctions busting rely on the logic that states have less reason to cave in to the sender's demand when the target state can cost-effectively substitute the trade denied to them by sanctions (Early 2011, 383). It is argued that even if only one country gives substantial assistance to the target state, the likelihood of success of the sanctions diminishes (Lektzian and Souva 2007; Martin 1992). Sanction busting in countries like Iran, North Korea, Cuba and South Africa appear to have undermined the effectiveness of the economic sanctions imposed against them (Early 2011, 382). Because of the effect sanctions busting has on the effectiveness of economic sanctions, the motives and its effects on the outcome are an important issue for policymakers and academic communities.

⁴ Early (2015) refers fort his statement to Balirakis, Gus. 1998. "Fiftieth Anniversary of the Berlin Airlift." *Congressional Record* U.S. House of Representatives. June 25. This was not available.

4.2. Effects trade based sanctions busting

When it comes to trading partners, they can react in two different ways to the sanction: they can allow the goods from the target state into their own market or offer their own products to the target state (McLean and Whang 2010, 430). This is displayed in Figure 1.

Figure 1. Two Facets of International Cooperation (McLean and Whang 2010, 430)



These two reactions bring two different scenarios. In a country that has trading partners who could absorb the surplus of embargoed products, its firms would probably sell their products just below the regular price. However, a target state that does not have a significant trading partner that is able to absorb the surplus will probably get stuck with its products. The consequence is that it will have to sell its products at a very low price. This demonstrates the advantage of having a third-party state that is ready and willing to buy the embargoed products. In the second case, the target country has to adjust a lot more to stand the imposed economic sanctions than in the first case: the target costs are much higher and effectiveness of economic sanctions increases (Wagner 1988).⁵ When a targeted state has a third-party state on its side, it does not need to spend money on replacing its commercial linkages.

4.3. Effects aid based sanctions busting

Aid based sanctions busting can be an influence on the target country's leader's reputation, as he can demonstrate to outsiders that he has support from other countries. However, any foreign aid provided could contribute to the sanctions busting, not only the aid that is motivated by extensive aid-based sanctions busters. Generally, the foreign aid seems to have a positive effect on the economy of the receiving state (Kosack & Tobin 2006, 231). Aid

⁵ Wagner (1988) suggests that any expectation of effective sanctions must be based on the bargaining process that shows how the costs of sanctions would induce the target to make concessions on the issue. Target costs is one of the factors that the literature assumes will increase the sanctions effectiveness (Morgan and Schwebach 1997; Hufbauer et al. 2007; Bapat and Morgan 2009)

based sanctions busting though can have a negative effect on the certainty in the budget-making process of the target state. When aid resources are abruptly drawn back, governments have to find another way to cover their foreseen expenses (Early 2015, 40).⁶ This can cause the government to cut certain programs and other spending. In contrast, when targeted states suddenly receive an aid that they were not expecting, they might be able diminish the damage that is caused by the imposed sanction (Early 2015, 41). Thus, foreign aid seems to have a positive effect on the economy of the receiving state, but the impact of the foreign aid depends on the targets reliance on it.

II. Changes in the world

The literature argues that a sanctions busters can undermine the effectiveness of economic sanctions. Evaluating the effects of motives of sanctions busters can thus offer important insight into the explanations for how sanctions busters can undermine sanctions effectiveness. The Cold War being over potentially changes the incentives for sanctions-busting actors (Early 2009, 68). For example, in a couple of Cold War cases,⁷ target countries turned sanctions to their economic advantage by getting opponents of the sender country to provide new funds to ‘*make a stand*’ against the policy statements of the rival power (Hufbauer et al 2007, 60). These incentives would not be likely to occur on the same scale in the world as it is today. The indication that allies of the states imposing sanctions are actually more likely to become extensive sanctions busters than non-allied states implies that incentives have become less politically motivated after the Cold War ended (Early 2009). In summary form, the following hypotheses are included:

Hypothesis 1: Political motivations for sanctions busters have declined in the post-Cold War period.

Hypothesis 2: Commercially motivated sanctions-busting activities are more likely to undercut sanctioning efforts than political motivated sanctions-busters activities.

Hypothesis 3: There is a relationship between sanctions busters motives and success.

This research tells us more about how third party responses affect sanctions outcomes.

⁶ The sudden withdrawal of aid is also referred to as ‘aid-shocks’.

⁷ For example the U.S.A. in the USSR v. Yugoslavia case and the Soviet in the U.S.A. v. Ethiopia case.

Given the fact that sanctions busters can undermine sanctioning efforts, scholars and policymakers should take the issue especially seriously. If policymakers want to obtain great effectiveness with their economic sanctions, they should invest in making sure extensive sanctions-busters are disrupted, and for doing that it is essential to find out the incentives and their impact on economic sanctions.

5. RESEARCH DESIGN

The research performed is exploratory research that tests the hypotheses that have been formulated. A *'mixed method'* approach is used, which joins statistical analysis with case-study analysis (Lieberman 2005, 435).⁸ This research design is most appropriate for answering the research question, because it provides direction for more focused case studies and comparisons (Lieberman 2005, 435). The quality of the research is improved, since the best characteristics of both statistical and case-study approaches are combined in one method. This method of analysis thus pays attention to the exploration of general relationships, but combines this with greater attention to specific cases (Lieberman 2005, 435).

Hufbauer, Schott and Elliott (2007) have written the most influential work on economic sanctions in their book *Economic Sanctions Reconsidered: History and Current Policy*. Their original data set includes 204 cases from 1914 to 2006. For the statistical analysis, their 'Black Knight' variable⁹ is used to create new variables that identify the third parties and their motives to sanction-bust.¹⁰ Only the 39 cases that include a sanctions buster are relevant to the analysis. This approach seeks to determine the third party states that notably increase their trade or aid with the target state after sanctions have been imposed against the target state, and what third parties motivates to engage in sanctions busting activities. As formulated in the research question, the focus of the research is on the *effect* of the potential change in incentives on the success or failure of economic sanctions. After the statistical analysis, a number of country cases are analyzed to investigate the specific groups or actions and/or individuals within a given country. Since, as Achen and Snidal argue, "*case studies (...) allow a close examination of historical sequences in the search for causal processes (and) provides a sense of whether the theoretical story is compelling*" (Achen and

⁸ This method is called the *nested analysis* by Lieberman (2005).

⁹ Hufbauer et al. subscribe to these countries as 'Black Knights', though, in the data set they are measured by the *Internationalassistance* variable. The data set includes 39 cases in which a Black Knight was found, but some cases are coded double.

¹⁰ The TIES data set does not include a variable that is similar to the black knight variable

Snidal 1989, 168-169). Hence, whereas previous work has relied on a dichotomous measure of whether sanctions states have had international cooperation from third-party states, these new measures are capable of evaluating which third-party states have engaged in sanctions-busting and for what motive.

5.1. The newly introduced variables

Given the theoretical expectations that links the motives of sanctions busters with sanctions success, there are two independent variables. One for the countries that emerge in the sanctions busting, and one for their motivations. The Hufbauer et al. (2007) book comes with a compact disc that includes background information which they used for coding their variables. This information captures different dimensions related to the history of the relation between the sender and target states as well as facts related to the implemented sanctions. The information on the CD has been read and classified in different categories to form the new variable. The paragraphs about the overall history and the paragraphs about ‘attitudes of other countries’ provided the most relevant information for coding the cases.

The first variable captures the countries that emerged in the cases as sanctions busters. To code the countries that acted as extensive sanctions busters, the approach seeks to identify third party states that have increased their trade with the targeted state sufficiently after the sanction was implemented, and states that donated sufficient amounts of specific goods to support the target state. This contribution includes money, significant increase in trade relationships, but also foreign aid like food-aid.¹¹ These might not directly look like sanction busting activities, but might still cause the target country to be better able standing the sanctions’ consequences. An example is the USSR v. Yugoslavia case, in which the U.S. contributed \$50 million of aid, consisting mostly food, to relieve the effects of drought on the economy.¹² This variable provides an overview of the sanctions-busters a target has received significant assistance from.

The second variable captures the motives of the sanctions busters. A variable has been coded for the type of incentives that are linked to the sanctions busters that sanction busted in a particular case. Reading the history of the case and linking these facts to the relationship between the target and sender states has made this possible. Hence, it is important to keep alliances between the countries in mind. This is done for all the target and sanction busters’

¹¹ Cases in which food-aid was provided: USSR v. Yugoslavia case, Turkey/Azerbaijan v. Armenia, USSR/Russia v. Turkmenistan, and US v. Bolivia.

¹² The U.S. was politically motivated to stop the Soviet Union holding the Eastern bloc firm.

relations separately for all 39 cases. Early has changed his terminology slightly (Early 2009, 2015)¹³, but in this thesis the newest terminology is used since it is the most recent to reflect his thinking on the topic. All the separate cases are concluded to be based on profits ('commercial motive') or politics ('political motive'). These motives are taken for all sanctions busters, and then all coded into one variable for each case. This variable has been coded as "*only commercial*", "*commercial and political*" and "*only political*". Table 1. provides an overview of the sanctions-busting cases and the sanctions busters motives.

¹³ Though in the thesis motives are labeled to be profit-based or politics-based, in some cases the motives are labeled differently, using for example liberalism and realism (Early 2009). Yet, the politic and profits-based label seem to suite better to the analysis since these labels are used most recently (see Early 2015).

Table 1: Sanctions-busting cases

<i>Sanctions busters motives</i>	<i>Sanctions case: Sender v. Target</i>	<i>Start Year</i>	<i>End Year</i>	<i>Identified as SBs</i>	<i>Sanctions busters (c = commercial; p = political; 9 = missing)</i>
Only commercial	U.S.A. & Chincon v. China	1949	1970	2	Canada, West Germany
	U.S.A. & Chincon v. China*	1949	1970	2	Canada, West Germany
	U.S.A. & South Vietnam v. North Vietnam	1975	1998	1	France
	U.S.A. & South Vietnam v. North Vietnam	1954	1974	1	France
	USSR v. Albania	1961	1965	1	China
	UN v. South Africa	1962	1994	4	Iran, UK, Western allies, France
	UN & UK v. Rhodesia	1965	1979	2	Portugal, South Africa
	UN & ECOWAS v. Sierra Leone	1997	2003	1	Liberia
	Political and commercial	League of nations & UK v. Italy	1935	1936	4
Arab league v. Israel		1946	--	4	EC (9), Egypt (9), Japan (c), U.S.A. (p)
U.S.A. v. Pakistan		1979	2001	3	France (c), Saudi Arabia (p), China (p)
ECOWAS & UN v. Liberia		1992	1998	2	RUF (p+c), AFRC (p+c)
Only political	UK v. Germany	1914	1918	1	U.S.A.
	USSR v. (U.S.A.) UK (France)	1948	1949	2	U.S.A., UK
	USSR v. U.S.A. (UK, France)	1948	1949	2	U.S.A., UK
	USSR v. (U.S.A., UK) France	1948	1949	2	U.S.A., UK
	USSR v. Yugoslavia	1948	1955	2	U.S.A., UK
	U.S.A. & UN v. North Korea	1950	--	2	China, Soviet bloc nations
	U.S.A. & UN v. North Korea	1950	--	2	China, Soviet bloc nations
	U.S.A. v. Cuba	1960	1989	4	Russia, Canada, Mexico, Spain
	U.S.A. v. Cuba	1960	1989	4	Russia, Canada, Mexico, Spain
	U.S.A. v. Ceylon	1961	1965	1	UK
	U.S.A. & Western allies v. GDR	1961	1962	1	SU
	UK v. Malta	1971	1971	3	Libya, Italy, U.S.A.
	U.S.A. v. Ethiopia	1977	1992	4	SU, Cuba, Easy Germany, Israël
	Arab league v. Egypt	1978	1983	1	U.S.A.
	China v. Vietnam	1978	1988	1	USSR
	U.S.A. v. Bolivia	1979	1982	1	Argentina
	U.S.A. v. Poland	1981	1987	1	USSR
	Netherlands v. Suriname	1982	1991	3	U.S.A., Brazil, Libya
	U.S.A. v. Angola	1986	1992	2	SU, Cuba
	Turkey & Azeraijan v. Armenia	1989	--	2	Russia, U.S.A.
	U.S.A. & Saudi Arabia v. Jordan	1990	1994	2	Japan, Germany
	U.S.S.R./Russia v. Turkmenistan	1991	1995	1	U.S.A.
	U.S.A. & EU & Japan v. The Gambia	1994	1998	3	Taiwan, Libya, Cuba

The variables from Table 1. offer the ability to account for the varying levels of success of sanctions-busting support a target state receives and the potentially important distinctions in the motives of the support offered by the third party. According to Hufbauer et al. (2007), the blueprint for successful imposed sanctions is easy: the costs of acting defensive by the target must be greater than its costs to comply with the sender's demand (Hufbauer et al. 2007: 50). The original success variables included values of 1, 2, 3, 6, 8, 9, 12 and 16 (Hufbauer et al. 2007: 50). A value of 9 or higher is evaluated to be successful sanctions and a value less than 9 is considered to be a failure (Hufbauer et al. 2007: 50). To operationalize the sanctions success, a dichotomous variable is then coded for whether each imposed sanction was a success or not (0 = no success; 1 = success).

Table 2. Motives of sanctions busters

Sanctions-Busters motives	N	Percent
Only commercial	8	20.5
Commercial and political	4	10.3
Only political	23	59.0
Missing	4	10.2
Total	39	100

Table 2 provides the summary statistics for the new variables. As the table shows, there are more *politically* motivated than *commercially* motivated and *commercial and political*. This is a surprising outcome, since the existing literature argues that most sanction busting is commercial motivated.

6. ANALYSIS

6.1. Bivariate relations

First is tested if the percentage of sanctions busted is higher in the pre-Cold War then in the post-Cold War period. Table 3. provides an overview of the percentage of sanctions busted in the pre-Cold War and post-Cold War period.

Table. 3 The percentage of sanctions busted in the pre- and post-Cold War period

Sanctions Busted	Cold War	
	Pre-1992	Post-1992
Sanctions not busted	77.5%	93.2%
Sanctions busted	22.5%	6.8%
Total	100.0	100.0
N	160	44

Chi-Square= 5.488 with a significance of .019

$\Phi = -.164$ with a significance of .019

Table 3 shows that the percentage of sanctions busted occurred higher in the pre-Cold War period. In the pre-Cold War period, 22.5% percent of the sanctions were busted compared to only 6.8% in the post-Cold War period. With a significance of .019, this is quite strong evidence. This may be explained by the superpower rivalry that ruled during the Cold War and the strong alliances that were present at the time.

Hypothesis 1 is tested, which stated that political motivations have declined in the post-Cold War period. There would be expected to occur a change in incentives to more commercially motivated and less political motivated, because of the shift in sanctioning policies after the Cold War (Hufbauer et al. 2007, 125). To test the hypothesis, cases have been divided into pre- and post-Cold War cases.

Table. 4 Motives for sanctions buster pre-Cold War and post-Cold War

Sanctions busters motives	Cold War	
	Pre-1992	Post-1992
Only commercial	21.9	33,3
Commercial and political	9.4	33,3
Only political	68.8	33,3
Total	100.0	100.0
N	32	3

Chi-Square= 2,059, with a significance of .357

$\Phi = .243$, with a significance of .357

It is difficult to determine an actual change in incentives since there are only three post-Cold War cases included in the HSE dataset. This might also be the cause of the significance level of .357, which is not significant. However, the post-Cold War period overall gives a more equal distribution among incentives for third party countries to sanction bust. Yet, there seem to be fewer politically motivated sanctions busters in the post-1992 environment. This confirms hypothesis 1 which stated that political motivations have declined in the post-Cold War period.

The large number of politically motivated sanctions busters in the pre-Cold War period may be caused by the superpower rivalry between the U.S.A. and the USSR. They were engaged in all politically motivated sanctions busting, except for two cases. Those cases were U.S.A. v. Ceylon (1961-1965) and U.S.A. v. Bolivia (1979-1982). The Soviet Union did not engage in the first case since the case was about expropriation, but it did offer Ceylon to sell its oil at 25% below the world market price (Olson 1977, 207-208). However, this action was not marked as extensive sanctions busting. The economic sanctions of the U.S.A. against Bolivia were implemented to promote democracy, human rights and counteract drug trafficking. Although one could expect the Soviet Union to bust the sanctions to counteract against the spread of democracy, Bolivia was probably not an interesting target for them because the country is surrounded by non-communist states. When looking at the data concerning when the sanctions started and ended, sanctions busting activities that occurred around the years of the Cold War clearly seem to be mostly motivated by politics.

Post-Cold War cases

The three cases available from the post-Cold War period will be discussed quickly to form an overall picture of possible change in incentives after the Cold War. The first case is the Economic Community of West African States (ECOWAS) & UN v. Liberia (1992-2006), in which there appeared political and commercial motivated sanctions busters. The economic sanctions were implemented to stop the civil war and to end support for Revolutionary United Front in Sierra Leone (UN Security Council Resolution 788, 1992). However, the Revolutionary Unified Front (RUF) and the Armed Forces Revolutionary Council (AFRC) were marked as sanctions busters. The RUF violated the UN Sanctions arms, continued to smuggle diamonds via Liberia¹⁴ and kept 500 UN peacekeepers hostage. The RUF controlled lots of the diamond mining areas, which provided their income. That is why they are marked

¹⁴ This occurred from the report by the Committee established pursuant to resolution 1132 (1997) concerning Sierra Leone, S/1998/1236, 31 December 1998. See back-ground information on case 92-1 in the HSE-dataset.

to be political and commercial motivated: the mines were their income and caused them to be motivated to bust the sanctions, but they were originally political motivated.

The second post-Cold War case is the U.S.A. & EU & Japan v. The Gambia sanctions (1994-1998). The sanctions were implemented to restore democracy in the country. Although, Gambia extended its ties with Taiwan, Libya and Cuba, which were also providing Gambia with at least some form of aid after the coup.¹⁵ There was no evidence that they provided the aid for commercial reasons, and some of them have restored diplomatic relations with the country, which is why they are marked to be political motivated.

The third and last post-Cold War case is the UN & ECOWAS v. Sierra Leone case (1997-2003) about the restoration of democracy. Liberia was marked as sanctions buster, for commercial incentives. The illegal diamond trade of Sierra Leone continued because Liberia continued to exchange their weapons for diamonds from Sierra Leone, with the ‘*permission and the involvement of the Liberian government officials at the highest level*’.¹⁶ Since the diamonds seem to play such a large role in the sanctions busting activities, it is marked to be commercially motivated.

It is hard to conclude in which direction motives for sanctions busting are heading. The post-Cold War environment may have opened ‘fresh diplomatic fronts’ across different affairs like human rights, democracy, terrorism and more (Hufbauer et al. 2007: 126). This small case study shows that the economic sanctions are indeed often implemented to restore democracy. Overall, there seem to be less politically motivated sanctions busters in the post-Cold war period, but time will show if there is an actual shift in sanctions busters motives.

6.2. Success

Hypothesis 2 is tested, which states that commercially motivated sanctions-busters are more likely to undercut sanctioning efforts than politically motivated sanctions-busters activities. Table 5 provides an overview of the effectiveness of economic sanctions under different motives.

¹⁵ Taiwan has provided the country with around \$80 million (*The Economist*, 21 September 1996, 45) and when Gambia opened diplomatic relations with Taiwan it got \$35 million in aid return (*Washington Post*, 30 April 1996). Libya and Cuba are also marked to provide the country with aid by Hufbauer et al. (2007), based on the Report of Reuters 18 October (see back-ground information on the HSE dataset on case 94-4).

¹⁶ The full text is from the Report of the Panel of Experts appointed pursuant to Security Council Resolution 1306 (2000) paragraph 19, in relation to Sierra Leone, December 2000. See the back-ground information on the HSE dataset on case 97-1.

Table 5. The effectiveness of the economic sanctions under different motives

Success of sanctions	Motives of Sanctions-Busters			Non Sanctions-Busters cases
	Com.	Com/Pol.	Pol	Non Sanctions-Buster
No success	87.5	75.0	78.3	62.4
Success	12.5	25.0	21.7	37.6
Total	100.0	100.0	100.0	100.0
N	10	4	21	165

Chi-Square= 4,389, with a significance of .356

$\Phi = .147$, with a significance of .356

Table 5 shows that *commercial and political motivated* sanctions busters are least effective in undercutting sanctions. There is not a big difference between *commercial and political* and exclusively *political* motivated sanctions busters when it comes to the sanction busting effect on the outcome of the sanctions. However, *commercial motivated* sanctions busters seem to be most successful in undercutting sanctioning efforts, since the success rate of the sanctions is the smallest under commercially motivated sanctions busters. This confirms hypothesis 2 that commercially motivated sanctions busters are more likely to undercut sanctions effectiveness. When comparing this rate with the average rate of success for economic sanctions without a sanctions buster ($\pm 38\%$), it seems that commercially motivated sanctions busters indeed make economic sanctions quite less effective. However, there is no strong relationship (significant > 0.05) and are too few to make a strong assumption.

6.3. Case study approach on success and failure of each incentive

To understand the different outcomes for the same sanctions busters' motivations, a small case study is done between two cases for every sanctions buster's motive. Two cases with commercial motivated sanctions busters will be discussed, in one case the economic sanctions turned out successful and in the other did not. The same will be done for two commercial and politically motivated sanctions busters' cases, and for two only political motivated sanctions busters' cases.

Commercially motivated sanctions busting turned out to be quite effective from Table 5, since it seems to reduce the likelihood of sanctions being effective. The case of UN &

South Vietnam v. North Vietnam (1954-1998) is an example of effective commercial sanctions busting. In this case, France acted as a sanctions buster for purely commercial reasons. The French government faced a dilemma: the economic and other interest in Vietnam north did not make it possible to ignore the Hanoi Regime. Hufbauer et al. (2007) cite the book of Kendrick (1974), where he argues that the French did decide to stay 'commercially attached' with Hanoi until 1966.¹⁷

However, the commercially motivated sanction busting was not effective in the case of UN & UK v. Rhodesia (1965-1979). The sanctions were implemented to bring majority rule. In this case, the sanctions were actively opposed by Portugal and South-Africa (Hufbauer et al 2007, 106), who actually became major conduits for imports and exports for Rhodesia (Grieve 1968, 438). The governments of the sanctions busting firms were clearly aware of the sanctions busting activities that were taking place (Minter and Schmidt 1988, 220). According to Minter and Schmidt, the massive sanctions busting activities by foreign actors made the illegal Rhodesian regime continue to survive (Minter and Schmidt 1988, 220). Although the final successful outcome of the sanctions may depend largely on the military might of the guerilla forces, the sanctions did make a significant long-term contribution to the outcome despite the sanctions busting activities (Minter and Schmidt 1988, 208).

Political and commercial motivated sanctions busting combined was effective in undercutting the sanctioning efforts in the U.S.A. v. Pakistan case (1979-2001). These economic sanctions were originally implemented against nuclear/missile proliferation in Pakistan (Hufbauer et al. 2007, 12). France acted as commercially motivated sanctions buster, since Pakistan agreed with France for purchase of nuclear fuel reprocessing plant. In contrast to France, Saudi Arabia and China busted the sanctions for political incentives (Hufbauer et al 2007).¹⁸ Since Pakistan was quite dependent on foreign aid, international sanctions would be expected to have a significant impact on its economy (Mistry 1999, 757). However, sanctions did not have a successful outcome, since economic pressure was not enough to influence Pakistan on changing vital national security issues (Mistry 1999, 769).

In the ECOWAS & UN v. Liberia case (1992-2006), the political and commercial motivated sanctions busting did not undermine the sanctioning efforts effectively. The sanctions were originally designed to assist the peace process in Sierra Leone (Ganesan & Vines 2004, 14). This is an extraordinary case, since Security Resolution 1343 was the first

¹⁷ See background information on case 54-4 on the Hufbauer et al. (2007) CD-rom. The book of Kendrick (1974) was not available.

¹⁸ See background information on case 79-2 on the Hufbauer et al. (2007) CD-rom. They refer to the book of Tahir-Kheli (1982) for this information, it was not available.

imposed sanction by the council on a target for its refusal to comply with sanctions on another target (Ganesan & Vines 2004, 14). When the sanctions were attended by international enforcement effort from the new UN Security Council package of sanctions, they became effective.

Exclusively politically motivated sanctions busters occurred the most. One example of ineffectively undercutting the sanction efforts by politically motivated sanctions busters is the U.S.A. v. Ceylon case (1961-1965). The UK emerged as a politically motivated sanctions buster, since its interest in Ceylon extended well beyond oil, unlike the US interests (Hufbauer et al 2007, case 61-1). However, sanctions turned out to be successful anyway, probably because Ceylon had severe economic problems (Hufbauer et al. 2007, 63).

An example of effectively undercutting sanctions efforts by politically motivated sanctions busting is the China v. Vietnam case (1978-1988). According to Path, the sanctions were a punishment for Vietnam, because of its anti-China policy and its links to the communists in Russia (Path 2012, 1040). The USSR acted as a politically motivated sanctions buster and was enthusiastic about its possible role as provider of aid to the country. The sanctions did not succeed, because of Vietnam's strong sense of entitlement to China and the sensitivity of the issues in case (Path 2012, 1057).

Although motives may have an impact on the success or failure of economic sanctions in the cases above, it is important to find out if this relation actually is significant in predicting the outcome. This is especially important since there are multiple factors that have an impact on the success or failure of economic sanctions.

6.4. Binary logistic regression

However, the existing literature does not offer a lot of research when it comes to the impact sanctions busters' motives may have on the success or failure of economic sanctions. This is quite surprising considering that a range of literature argues that a sanction buster can reduce the effectiveness of economic sanctions (Hufbauer et al. 2007, 9; Lektzian and Souva 2007, 866; Early 2009, 2011, 2015). To find out if sanctions busters motives affect the outcome of economic sanctions, hypothesis 3 is tested. *Hypothesis 3* states that there is a relation between sanctions busters motives and success of economic sanctions.

The binary logistic regression is used to further discuss the analysis of the impact and relationship of sanctions busters' motives on success of economic sanctions. The dependent variable is the dichotomous variable for success, coded 0 if not successful and 1 if successful. The independent variables are the newly created variable for motives and post-Cold War, to

see if they have an impact on predicting the success or failure of economic sanctions. The motive variable is used as indicator variable, in which the reference category are the non-sanction buster cases.

Table. 6 Binary Logistic Regression for the success of sanctions with Sanction Buster

	Model 1	Exp(B)
(Constante)	-,540* (,185)	,583
Commercial motivated	-1,423 (1,082)	,241
Political motivated	-,746 (,536)	,474
Com. and Pol. Motivated	-,592 (1,166)	,553
Pre- or Post-Cold War	,130 (,359)	1,139
-2LL	252,924	
Pseudo R ²	,024	
Nagelkerke R ²	,033	
N	204	

Chi-square: 4,794 with a significance of ,309

***p < 0,001, **p < 0,01, * p < 0,05

Table 6 shows estimation results from the three different specifications of the motives. Moreover, the estimated effect of assistance from a sanctions buster on sanctions success lends support to the existing literature that assumes that the sender country is less likely to achieve its goals if other countries counteract with the economic sanctions (Lektzian and Souva 2007; Martin 1992; Early 2011, 2015). All three types of sanctions busters motives have a negative impact on the success of economic sanctions compared to the reference category of non-sanction buster cases. The probability of *success* of the economic sanction with the new variables is:

$$P(\text{success}) = \frac{e^{-,540-1.423*\text{commercial}-.746*\text{political}-.592*\text{com\&pol}+.130*\text{PostCW}}}{(e^{-,540-1.423*\text{commercial}-.746*\text{political}-.592*\text{com\&pol}+.130*\text{PostCW}})+1}$$

To summarize the findings briefly, the results support H2 but do not support H3. First of all, the motive variables are not statistically significant. Hence, H3 is disconfirmed: there is no relation between sanctions busters motives and success of economic sanctions. Motives cannot be used as an explanation for the success or economic sanctions. However, the small number of cases contributed to the lack of significance. Since this was the only population that was available, it is representative for this population (Argyrous, 2011). The *odds* (odds ratio) show that the odds of sanctions success is .241 with a commercial motivated sanctions buster, .474 with a political motivated sanctions buster and .553 with a combination of the two, compared to one non-sanction buster cases having success. This shows that sanctions busters make sanctions less successful, but since the outcomes are not significant, it does not guarantee a link with motivations behind the sanction busting,

Second of all, the estimated results reported in Table 6 are consistent with H2, which states that commercial motivated sanctions-busters are more likely to undercut sanctioning efforts than political motivated sanctions-busters activities. If the sanction buster is motivated by a combination of both commercial and political motivations, or by exclusive political motivations, the sanction busting' effect on sanctions success is not that different. However, when the sanction buster is motivated by commercial reasons exclusive, the sanction busting has way more impact on the sanctions success. The *odds* (odds ratio) show that the odds of sanctions success with a commercial motivated sanctions buster are .241 compared to one non-sanctions busters cases having success.

The last variable in the specification of sanction buster is the post-Cold War variable. The variable is not statistically significant. However, sanctions implemented in the post-Cold War environment seem to be more likely to become successful. The *odds* of sanctions success in the post-Cold War are 1,139 greater than in the pre-Cold War environment. The lower percentage of sanctions busters in the post-Cold War environment might account for this result.

7. CONCLUSION

The sanctions busters' assistance to the target reduces the likelihood of the target yielding. Given that the strategic interests of third party states' can affect the nature of sanctions busting support they are willing to provide to the target, motives appear an interesting topic to take a closer look at. The question here is if incentives have changed in the post-Cold War period, and if a change in incentives has an impact on the success or failure of economic sanctions. To find out, a new variable was constructed to capture the sanctions buster's motive and link it to the level of success of the economic sanctions.

The analysis found that the percentage of sanctions busted was higher in the pre-Cold War period than thereafter. This supports the broader view that the superpower rivalry of the Cold War made countries more willing to bust sanctions. The first hypothesis concerning a change in motives can be accepted, since the analysis show that the distribution of the cases among the various motives changed. More specifically, political motivations have indeed declined in the post-Cold War environment. An explanation for the shift in motives may be the superpower rivalry between the USSR and the U.S.A.

In addition to the previous findings, this article tested a second hypothesis, which stated that commercially motivated sanctions busters activities are more likely to be effective in undercutting sanctioning efforts than politically motivated sanctions busting activities. The analysis found that the combination of political and commercial motives, or exclusively political motives, have quite the same impact on the success rate of economic sanctions. Interestingly, the impact on the sanctions turn are a lot bigger when there emerged a commercially motivated sanctions buster in the case. With this outcome, hypothesis two can be accepted.

Finally, hypothesis three states that there is a relationship between sanctions busters motives and success or failure of economic sanctions. The analysis found that the inclusion of a sanction buster in the case indeed reduces the changes on success of the economic sanctions. Again, the commercially motivated sanctions busting seems to have a greater impact on the changes on success of economic sanctions than the other motivations. However, hypothesis three is not accepted since the different motives and their effects on the outcome are not statistically significant. The small number of cases may have contributed to this outcome.

However, moving forward, especially one direction of research merit pursuit. Future studies should explore on a greater scale how the post-Cold War environment changed incentives for sanctions busters to sanctions bust the sanctions efforts. It is likely that the growing economic interdependence increases the ability to sanctions-bust (Elliott 1998). The TIES-dataset should be used to examine the results on a bigger scale with respect to sanction busters. Empirical data needed is not readily available, but should be newly coded with background information. However, this research and models could be expanded to accommodate the research on a bigger scale, to examine if there occurs a statistically significant relation between sanctions busters motives and success.

8. BIBLIOGRAPHY

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