Crises, coercion, bargaining

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Departing debate

If you see this sign – it's your time to answer the questions

Who is the most typical target of sanctions?

Are sanctions just a form of economic warfare?

How does one measure whether sanctions are "just"?

What's the alternative to using sanctions?

Contents

- Crises and common denominators
- Coercive diplomacy aims
- Coercion degrees
- Graduated response
- Combining instruments
- Bargaining theory
- Strategic interaction

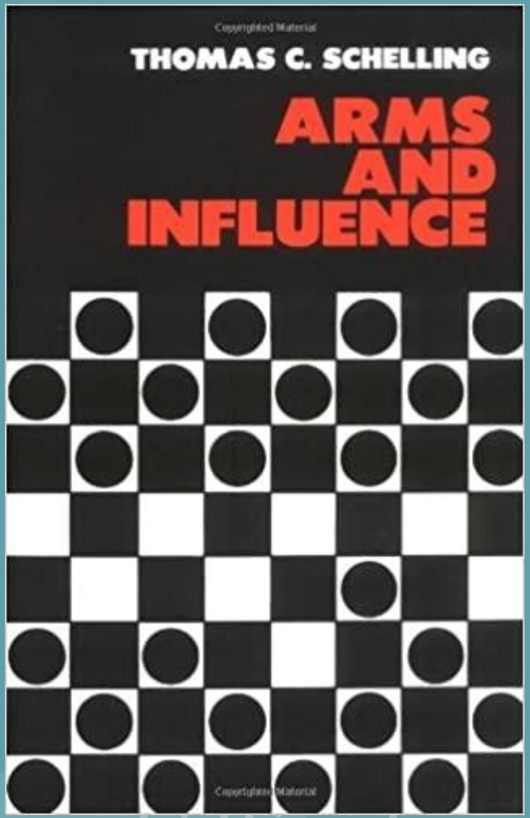
Crisis diplomacy vs. coercive diplomacy

- **Crises:**
  - **Time-sensitive** (eliminates instruments such as arbitration/adjudication)
  - **Likely escalation** or increase of losses

- **Coercive diplomacy**
  - may or may not have such a time element
  - is preceded by regular diplomacy, dissonance, or even latent conflict

- **i.e. coercive diplomacy may be a state of affairs outside of crisis**

What's coercion



Deterrence – discourage, seek inaction in target's sought and intended steps

Compellence – force to take initiative, take unplanned action desired by the sender (including cessation) (the slippery slope of compliance)

Compellence easier than deterrence (expected utility)?
Give examples of both.
Which is more prevalent?

Or is it? (prospect theory) – different risk aversion

Prospect theory leads us to conclude that the adversary is more likely to opt for the sure bet of compliance in deterrence situations and will tend to choose the risky gamble of defiance in compellence situations (Schaub 2004)

Coercion degree?

Deterrence

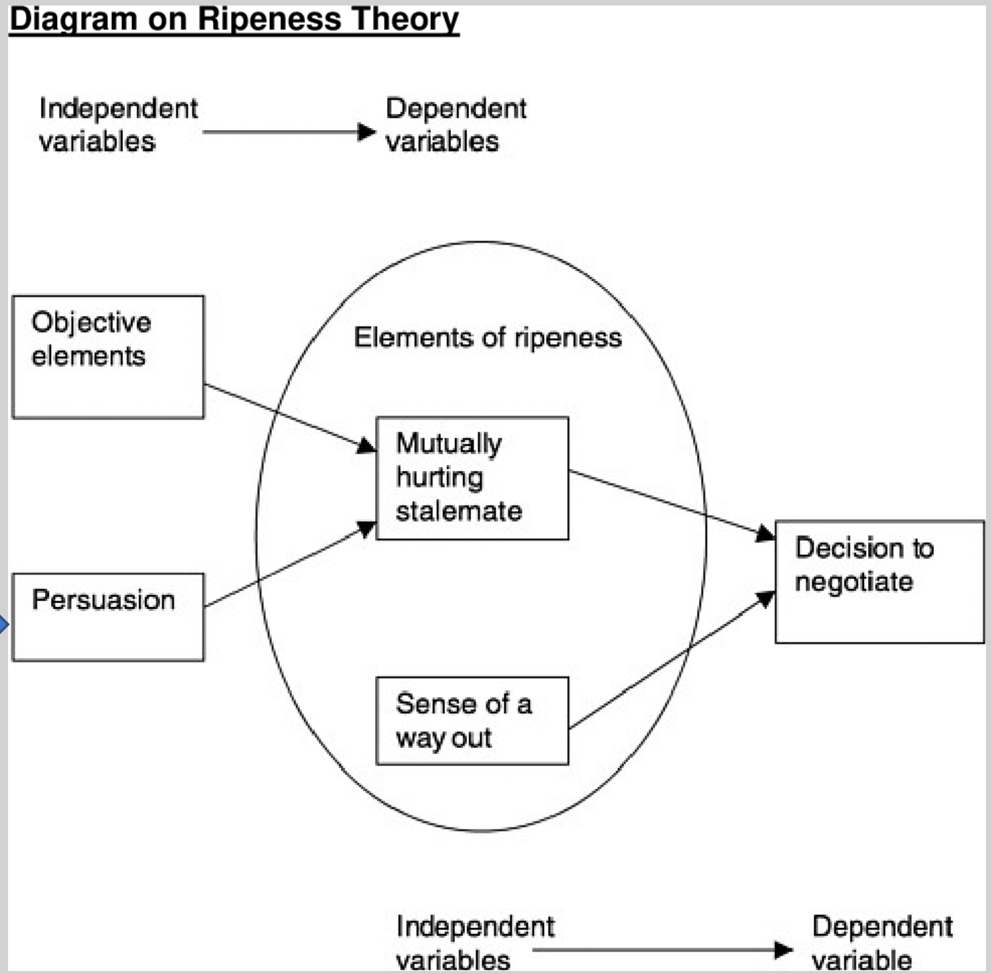
- May be indefinite
- Time is less important
- Less specific demands
- Less targeted knowledge required
- One cannot know the full reasons for refraining from action on the part of the target
- Less likely to escalate to conflict

Compellence

- Finite and concrete
- Time is crucial
- Very specific demands
- More targeted knowledge required
- Compellence requires concrete action to be taken, identifiable and traceable to threat
- More likely to escalate into conflict

Sanctions and crises

- **economic factors influence** the incentive structure of belligerents and provide resources to finance armed conflict
- they contribute to the initiation, perpetuation or termination of armed conflict
- amid negotiations/mediations economic instruments can serve to **entice, constrain, or coerce actors**
  - the capability of influence stems from third-party leverage in negotiations



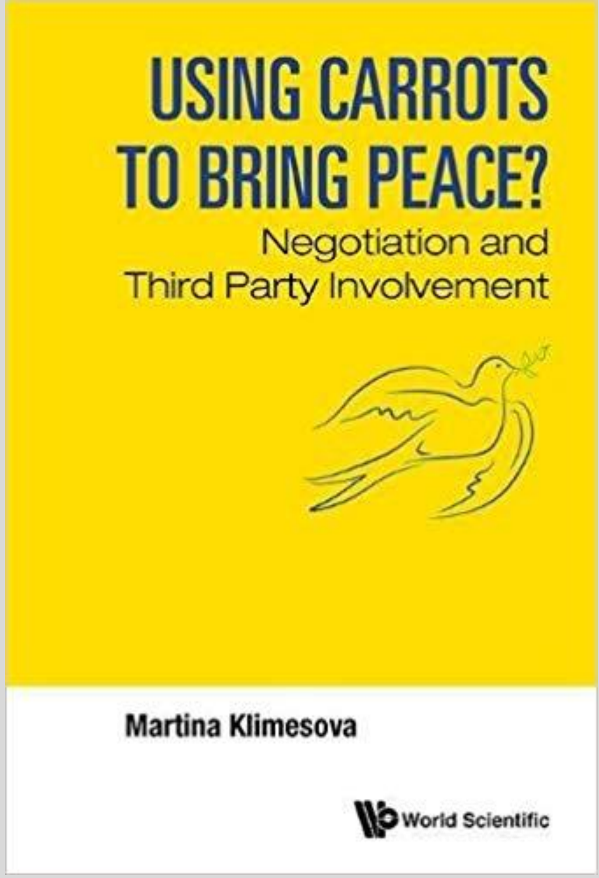
Stepping up pressure

Appendix 2: Overview of economic mediation tools

Level of third-party intervention	Mediation Strategy	Tools	Objectives	Actors
Low	**Communication** *Information management*	Information creation Information sharing	Establish a common understanding of the economy Foster trust Manage expectations Convince parties to engage Highlight opportunity costs	United Nations World Bank IMF Companies Research institutes
	Formulation *Economic governance*	Taxation arrangements Budget transparency Natural resource funds Sharing agreements Commodity tracking systems	Framework for economic governance Joint futures Increase predictability	United Nations World Bank IMF Development agencies Companies
High	**Manipulation** *Incentives and threats*	**Development aid** Development projects/Quick impact projects/Peacebuilding projects **Investment** Joint ventures/Project financing/Insurance/Export credit **Employment creation** Informal markets/Infrastructure/Tools **Markets** Market access/Trade facilitation/Markets for trust **Sanctions** Commodity sanctions/Financial sanctions/Travel bans	Identify positive-sum outcomes Make peace dividends more credible Ensure compliance Increase the costs of non-settlement	Governments World Bank IMF Companies Insurances Banks ECAs

- *Wennmann 2007 (Money matters)*

Flip side of the coercion coin



Trade	Finance
- Trade Embargo	- Aid Suspension
- Trade Boycott	- Aid Reduction
- Tariff Increase	- Asset Freeze
- Extraterritorial Trade Sanction ("Blacklisting")	- Expropriation
- Withholding Credit	- Withholding Payments to International Organizations
- Preclusive Buying[7]	- Capital Controls
- Product Dumping	- Currency Manipulation/Attacks
- Aviation Embargoes	- Bond Ratings Restrictions

Trade	Finance
- Tariff Reductions	- Financial Grants
- Preferential Trading Arrangements	- Loan Capital Disbursements
- Product Quotas	- Investment Guarantees
- Direct Purchase[8]	- Encouraging Private Investment
- Disbursements from International Financial Organizations	- Support for Aid and Loan Capital
	- Debt Relief

Third Party		Incentives	Threats/Disincentives
Economy/Trade/Finance	states	***access to regional markets:*** favorable access to international/regional markets (e.g. GSP Plus status in the EU[64]), "*credit forgiveness*" (Boyce, 2004) ***long-term economic assistance:*** soft loans, debt relief ***trade incentives:*** favorable trade tariffs, most-favored nation status, extending subsidies to exports and imports, providing export or import licenses, guaranteeing investments, encouraging capital imports and exports (Griffiths and Barnes, 2008: 13)	***sanctions and embargos:*** general trade sanctions, sanctions, formal restrictions to access to certain markets, selected embargos on commodities related to warfare, target sanctions (sanctions targeted at key figures, freezing of personal bank accounts/assets – targeted financial sanctions), freezing of organizational assets ***access to regional markets:*** withdrawing favorable conditions for access to regional markets
	IGOs/IFIs	***financial assistance:*** debt relief, soft loans, assistance with macroeconomic stabilization ***participation of IFIs in conflict resolution efforts:*** engagement of IFIs can result in their greater commitment to and focus on the specific conflict-affected country, at the same time, the IFIs can offer technical know-how and support which can also be extended to the post-conflict period	***sanctions:*** targeted financial sanctions and tariffs, termination of debt relief and soft loans programs ***fiscal reforms:*** conditioning fiscal reforms to granting economic assistance (mostly IFIs, Boyce, 2002)
	NGOs	advisory assistance, projects on capacity building and increasing economic literacy	termination of advisory assistance, termination of projects

Persuassion

Combination of:

- *Suassion – dissuasion*
- *Incentives – discentives*

- Interruption of customary trade/exchange WITH a demand or reprimand is considered a sanction *(compare slashing of aid from UK budget to cessation of military aid from US to Pakistan)*

- Give examples of how incentives are used to achieve the same result as sanctions
- How easy is it to combine the two?

Bargaining theory and strategic interaction

Morgan 1994: 17

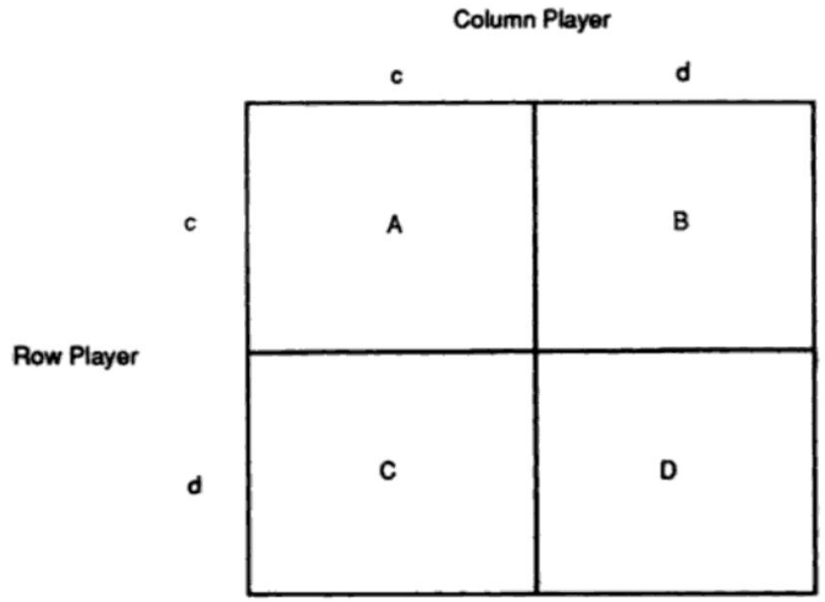


Fig. 1. The bargaining problem in normal form

The players are assumed to be rational self-interest maximizers with complete information regarding the structure of the game—including the opponent's preference ordering over possible outcomes.[6] Matrices are usually structured so that the players have two strategies, cooperative (c) and noncooperative (d). Although the game can incorporate any number of strategies, very few have been constructed to permit more than two. Certainly, nations in crisis have more than two options, but most of these can be classified as cooperative or noncooperative, and this matrix can provide a sufficiently accurate representation of most crisis situations (Snyder and Diesing 1977, 83).

Within this framework, the distinctive structures of various bargaining situations are represented by the players' preference orderings over the four outcomes. Bargaining is viewed as a situation of strategic interaction, in which the decisions made by each of two interdependent actors affect the payoffs going to both. The structure of a particular game can be used to determine what choices actors playing the game are likely to make and, by extension, provide insight into why actors behave as they do in the real-world situations that these models approximate. As an example of this type of analysis, we can refer to Snyder and Diesing's (1977, 90–92) treatment of the Agadir crisis as a Prisoner's Dilemma.[7]

- Subset of game theory
- Cost-benefit calculation
- Rational actors
- Payoff matrices
- Note the strategic interaction

- *Does the target care primarily about the sender's demands in relation to sanctions? Or not?*

Strategic interaction and "normalizing"?

- Normalizing – creating or shaping universally acceptable behavior
- *If targets can anticipate the cost of sanctions, those that would capitulate in the face of sanctions might do so when sanctions are threatened but before they are imposed*. (Morgan 2015)
- *"Each appears to pay close attention to its own costs—targets are more likely to acquiesce to a threat when their expected costs are high, and senders are very good at designing sanctions that are costly to the target but not to themselves"* (Morgan 2015:749)

Same Morgan, but 1994 →