



Duke University

PS 93

Guest Lecture, Fall 2009

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Lecture 14

**Wielding Economic Power:
Economic Sanctions & Foreign Aid**

Current U.S. Sanctions

<i>Country</i>	<i>Declared U.S. Concern</i>	<i>Type of Sanctions (in force since)</i>
Belarus	threat to democratic process, destruction of institutions	targeted restrictions on commercial transactions (2006)
Burma (Myanmar)	military coup; human rights violations, repression	comprehensive prohibition of trade and investment (1997, 2003)
Ivory Coast	human rights violations in the context of civil war	arms embargo, prohibition to provide military training; trade/financial restrictions (2003)
Cuba	Communism; hostility toward U.S.	restrictions on travel, remittances, commercial transactions, possible seizure of assets (1963)
Iran	Iranian pursuit of WMD; sponsorship of int'l terrorism	comprehensive prohibition of trade and investment, exc. carpets & food ('87, '95, '08)
North Korea	hostility toward U.S.; sponsorship of int'l terrorism	restrictions on imports from and financial transactions with N-Korea (2000, 2008)
Sudan	human rights violations; civil war	freezing of assets, geographically specific prohibition of trade, financial transactions (1997, 2006)
Syria	assassination of former Lebanese Prime Minister + 22 others	targeted freezing of assets, restrictions on trade and financial transactions (2005)
Zimbabwe	repression; threat to democratic process	targeted prohibition of all commercial transactions

Source: U.S. Treasury, Office of Foreign Assets Control (<http://www.ustreas.gov/ofac>)

Positive & Negative Sanctions

- Country A imposes **negative sanctions** on country B when it actually deprives or threatens to deprive B of something that is valued and expected by B
 - as punishment for B's behavior
 - or to forestall a specified behavior (by threat)
- Country A imposes **positive sanctions** on country B when actually rewards or promises to reward B with something valued and not otherwise expected by B
 - as reward for B's behavior
 - or to induce a specified behavior (through promise)
- "[not] expected by B" => baseline expectations matter
- behavior may consist of taking an action or refraining from it

U.S. Negative Economic Sanctions

<i>Country</i>	<i>Declared U.S. Concern</i>	<i>Type of Sanctions (in force since)</i>
Belarus	threat to democratic process, destruction of institutions	targeted restrictions on commercial transactions (2006)
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Negative Economic Sanctions

- Sanctions are usually influence attempts
- Sometimes declamatory politics

Various Kinds of Neg. Economic Sanctions

- targeted export/import tariffs or restrictions
- product boycotts; trade embargoes
- investment restrictions/prohibitions
- freeze or confiscation of assets
- travel restrictions
- freeze on preferential treatment; aid cut-off

(In)Effectiveness of Sanctions?

- *Imposed* sanctions successful in changing behavior in 1/3 cases during Cold War
- *Threatened* sanctions successful 50+% (Drezner)
- Probability of success equal or higher than rate of successful war initiation during Cold War

Why Do Sanctions (Sometimes) Work?

- Interdependence & Vulnerability
=> Economic Power *is* Political Power
- Early analyses of sanctions effectiveness:
macro-level: relative capabilities, trade
- Logic of costly signals
- Newer literature: focus on domestic politics
 - regime type
 - breadth of domestic support/challenges of targeted leaders
- "Smart Sanctions" Theory
- Targeting innocent by-standers (Solomon Major)

Ethical Dilemmas of Sanctions

- Sanctions can rarely be precisely targeted
=> penalize innocent civilian masses
for policies of governing elite?
- Perversely, worse in undemocratic target states
(population = hostage?)
- Humanitarian & Political Costs:
 - suffering and death (Mueller & Mueller)
 - long-term reputational damage in target country?

Foreign Aid

Foreign Aid

- Development Aid
- Humanitarian Aid/Emergency Relief
- Military Aid
- Technical Assistance/Administrative Training
 - including for:*
 - police forces
 - bureaucratic organization/administrative capacity (statistical offices)
 - economic policymaking (forecasting, central banking, antitrust enforcement)
 - engineering (esp. infrastructure: roads, bridges, etc.)
 - political institution-building, esp. in transition to democracy (building political parties, organizing elections)

Development Aid

- "official" vs. private development aid
- **Official Development Aid:**
Financial or in-kind resources given by the government of one country to the government or other recognized actors (local gov, NGOs, private entities) in another country to support the latter country's social, economic, or political development.
- **U.S. Agency for International Development (AID):**
"... extending a helping hand to people overseas struggling to make a better life, recover from a disaster or striving to live in a free and democratic country...
... U.S. foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world."
- **Economic Power *is* Political Power**

Political Use of Aid: Examples

- U.S. aid to Egypt (post-Camp David Peace Accord)
- U.S. aid to Afghanistan (2002ff)
- Australian aid to Nauru (2000-2008)
- PR China aid to Nauru (2002ff)
- Taiwan aid to Nauru pre-2002

Aid to Developing Countries: Reasons to Give ...

- Altruism, Pity, Improving Human Welfare
- Developing Markets Abroad for Exports
- Political Influence
(positive sanctions or potential for negative sanctions)
- Hidden Subsidies
for Donor Country Producers/Exporters (esp. tied aid)

Aid to Developing Countries: ... and Reasons NOT to Give

- Moral Hazard
- Aid Dependency "Trap"
- Political Influence
(positive sanctions or potential for negative sanctions)
- Hidden Subsidies
for Donor Country Producers/Exporters (esp. tied aid)

Aid to Developing Countries: The Numbers ...

- 0.7% of GDP target for "official" development aid (agreed by OECD countries at 1992 Earth Summit in Rio)
- OECD-DAC Countries that met target in 2007 & 2008: Sweden, Luxembourg, Norway, Denmark, Netherlands
- Average in 2008 (highest ever): 0.47%
- Below 0.3% in 2008:
Portugal (0.27),
Greece (0.2), Italy (0.2),
Japan (0.18), United States (0.18)
- U.S. aid: 0.1% (2000), 0.11% (2001), 0.13% (2002), ...
0.18% (2006), 0.16% (2007), 0.18% (= \$26,008m, 2008)

Source: OECD Aid Statistics

Where it Goes ...

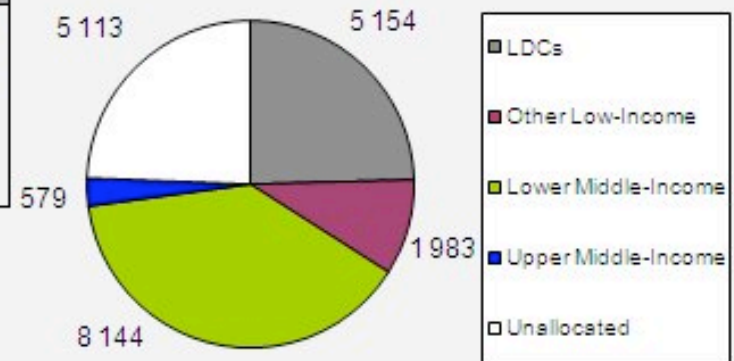
UNITED STATES

Gross Bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	23 532	21 787	-7.4%
Constant (2006 USD m)	23 532	21 231	-9.8%
ODA/GNI	0.18%	0.16%	
Bilateral share	90%	87%	

By Income Group (USD m)

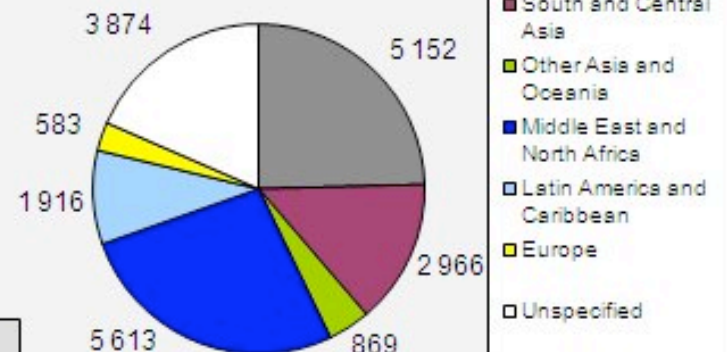
Clockwise from top



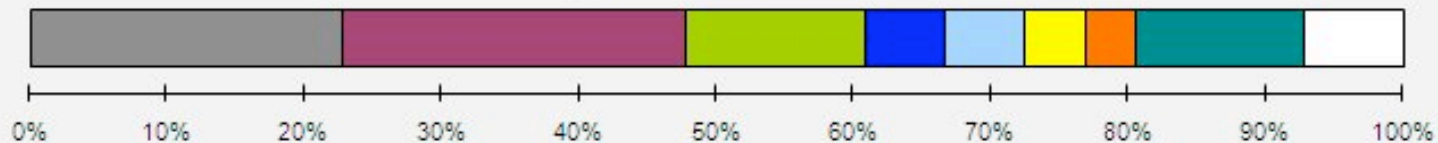
Top Ten Recipients of Gross ODA (USD million)

1 Iraq	4 266
2 Afghanistan	1 459
3 Sudan	725
4 Colombia	562
5 Egypt	541
6 Nigeria	514
7 Congo, Dem. Rep.	486
8 Pakistan	465
9 Ethiopia	344
10 Kenya	304

By Region (USD m)



By Sector



Education, Health & Population	Other Social Infrastructure	Economic Infrastructure
Production	Multisector	Programme Assistance
Debt Relief	Humanitarian Aid	Unspecified

www.oecd.org/dac

What Determines Government Aid Allocation?

Findings from Statistical Analyses

- Recipient need (inconsistent, sometimes not significant)
- Military alliances
- Geopolitical strategic importance (during Cold War)
- UN voting record (prospectively or retrospectively)
- UN Security Council membership
- Trade (export opportunities for donor country)
- "Good governance" (low corruption, democracy, after CW)

Aid to Less Developed Countries: Useful Distinctions

- Assistance given directly (bilateral aid) or indirectly *indirectly*: via international organization, such as World Bank, EU
- grants vs. loans
- "official" (governmental) vs. private

Private Development Aid

Private Development Aid

- Large Number of Small Donations by Private Individuals, often collected & allocated by development NGOs
- Foundation Grants (Gates Foundation etc.)
- Business Charitable Giving, often "in-kind"
- Volunteer Time & Projects by Religious Groups

Private Development Aid: 2 Questions

- Private-source Humanitarian/Development Aid ↑
- Total U.S. Private Aid > Gov. Foreign Aid (Rollins 2006)
- No Systematic, Aggregate Data

1. **What *Is* the Allocation of Private Development Aid Across Countries?**

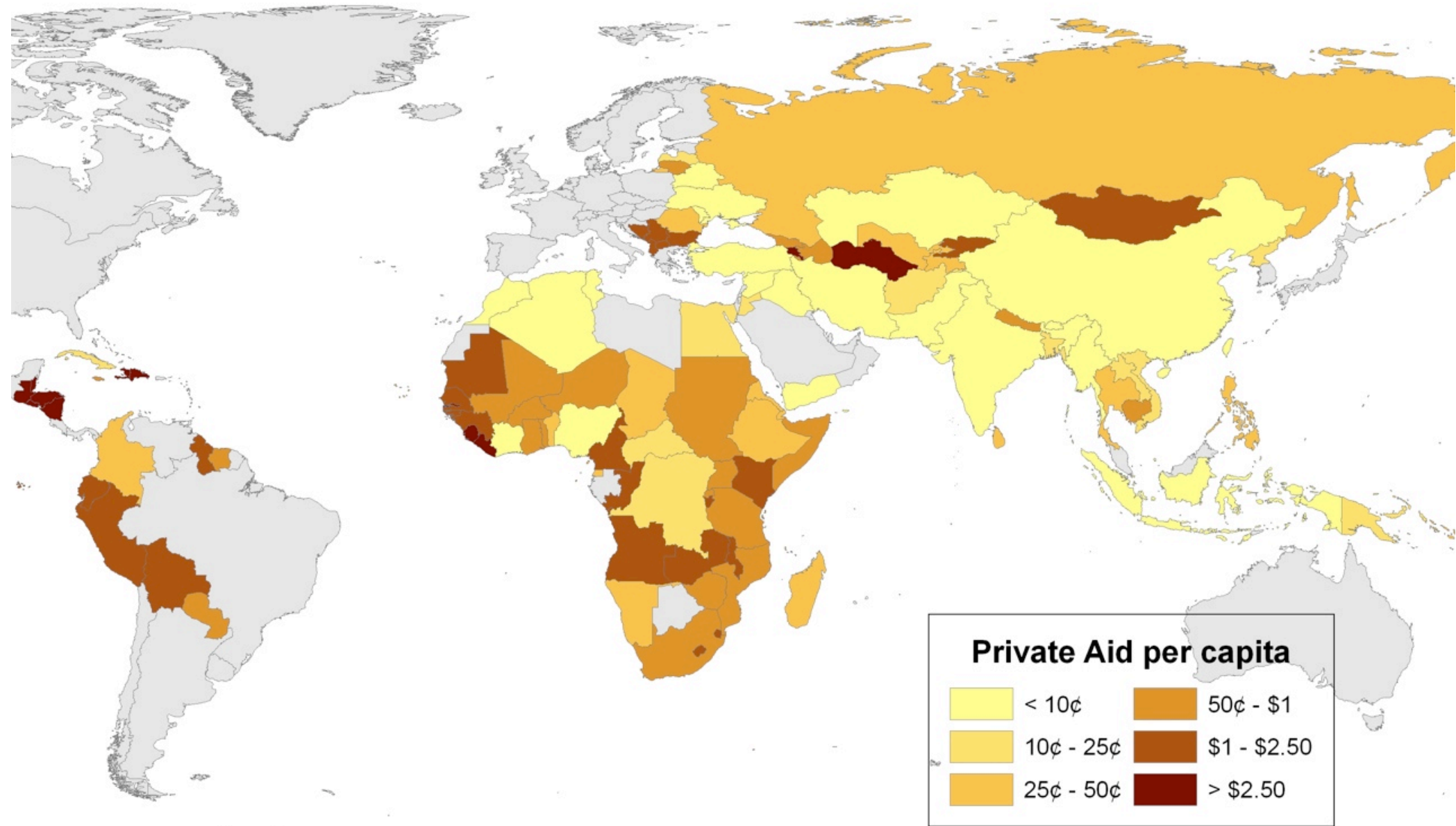
- Demand > Resources

2. **What *Explains* this Allocation of Private Aid?**

Research Project

- 4 Inter-related development issue areas:
 - health
 - education
 - water/sanitation/sewerage
 - emergency
- Expert surveys: Largest, most important NGOs/issue
 - not-for-profit
 - operational; carrying out on-the-ground projects
 - US-based or US fundraising
- ➔ 48 NGOs
 - Data for 40 of 47 (annual); 2001 total: \$ 1.612 billion
- ➔ aggregate, *per capita* private aid by country for 119 low/lower-middle income countries (WB definition)

Global Distribution of Private Development Aid



Why?

2 Perspectives on NGO Aid Allocation

- *IR Constructivism*: Norms ⇔ identities/roles ⇔ interests
 - Development NGOs as "principled issue-networks";
 - Deep normative commitment to helping the poor and needy;

Development NGO Discourses

- "Care strives to attack the underlying causes of poverty through health and and education projects" (CARE USA, 2005)
- "[We] extend care and protection to refugee children" (Save the Children 2004)
- "Enabling the world's children to realize their god-given potential by tackling the root causes of poverty" (World Visions 2005)

Why?

2 Perspectives on NGO Aid Allocation

- *IR Constructivism*: Norms ⇔ identities/roles ⇔ interests
 - Development NGOs as "principled issue-networks";
 - Deep normative commitment to helping the poor and needy;
 - Anecdotal and some scholarly support.
- ➡ "Idealistic View:" Allocation driven by objective recipient need.

Why?

2 Perspectives on NGO Aid Allocation

- *IR Constructivism*: Norms ⇔ identities/roles ⇔ interests
 - Development NGOs as "principled issue-networks";
 - Deep normative commitment to helping the poor and needy;
 - Anecdotal and some scholarly support.

➔ "Idealistic View:" Allocation driven by objective recipient need.
- *Organization Theory*:
 - Organizational structure & competition ⇔ instrumental pursuit of material resources and managerialist growth of the organization;
 - Project selection to maximize fundraising opportunities, given shifting public attention;
 - Support from practitioners' accounts and many scholars.

➔ "Cynical View:"
Allocation explained by media-driven *perceived* need.

Operationalization

- **Cynical View:**
 - Index of media coverage for each country (114/119)
 - based on qualitative content analysis of *New York Times* coverage (25,463 stories, LexisNexis keyword searches)
 - higher values = more frequent portrayal as place in need of humanitarian or development aid
 - ➔ operationalized hypothesis: positive coefficient
- **Idealistic View:**
 - Level of economic development: GDP *per capita* (from WDI)
 - widely available (113/119 countries)
 - commonly used measure in analyses of (gov) foreign aid
 - ➔ operationalized hypothesis: negative coefficient

Key Findings

Change in *per capita* private aid that results

Hypothesized Explanatory Variable	Mean	from a 1 std dev decrease from the mean	from a 1 std dev increase from the mean
Media coverage	6 (net) stories suggesting need	- 13.3¢ [-41.3¢ +18.5¢]	+ 17.0¢ [-16.9¢ +61.7¢]
Economic development	US\$ 748 (p.c. GDP)	+ 70.1¢ [+26.6¢ +\$1.24]	- 40.9¢ [-19.8¢ -65.4¢]

Based on OLS regressions that also controlled for:

- Christian population
- Political violence/instability
- Population size
- Latin America

Notes:

Grey indicates: not statistically significant (we cannot be sure that the estimate captures real effect)
 In brackets: 95% confidence intervals (with 95% probability, actual effect is between the min and max)
 Estimates based on simulations using CLARIFY (King, Tomz & Wittenberg 2000)

Alternative Measures of Objective Need

- Share of Population Living on <\$1/day (\$2/day)
- Share of Population Below Local Poverty-Line
- Human Development Index
- Physical Quality of Life Index
- Human Poverty Index

Other Factors

- Immigrants from potential recipient country in U.S. (+)
- Recipient country government corruption (–)
- U.S. government development aid (–)
- U.S. military aid (–)
- U.S. military personnel, military alliance (+)
- UN Security Council membership (–)
- Trade (with U.S.: –)
- U.S. government sanctions (–)

2 Major Lessons (Wielding Economic Power)

- Economic Power /s Political Power
- It Matters Who Wields Power in the Global Economy:
NGOs Allocate Private Development Aid Differently

Thank you!

Spring 2010: PS158/PPS181
"Non-State Actors in World Politics"

2010/11:

PS113/PS213, "Int'l Political Economy"
PS240 "Politics of European Integration"

Low or "Lower Middle" Income Countries (2000-2001, World Bank Classification)

Afghanistan	Congo, Dem. Rep.	Jamaica	Niger	Tajikistan
Albania	Congo, Rep.	Jordan	Nigeria	Tanzania
Algeria	Côte d'Ivoire	Kazakhstan	Pakistan	Thailand
Angola	Cuba	Kenya	Papua New Guinea	Togo
Angola	Djibouti	Kiribati	Paraguay	Tonga
Armenia	Dominican Republic	Korea (North)	Peru	Tunisia
Azerbaijan	Ecuador	Kyrgyz Republic	Philippines	Turkmenistan
Bangladesh	Egypt, Arab Rep.	Lao PDR	Romania	Uganda
Belarus	El Salvador	Lesotho	Russia	Ukraine
Belize	Equatorial Guinea	Liberia	Rwanda	Uzbekistan
Benin	Eritrea	Macedonia, FYR	Samoa	Vanuatu
Bhutan*	Ethiopia	Madagascar	São Tomé and Príncipe	Vietnam
Bolivia	Fiji	Malawi	Senegal	West Bank and Gaza
Bosnia and Herzegovina	Gambia, The	Maldives†	Serbia (and Montenegro)	Yemen
Bulgaria	Georgia	Mali	Sierra Leone	Zambia
Burkina Faso	Ghana	Marshall Islands*	Solomon Islands	Zimbabwe
Burundi	Guatemala	Mauritania	Somalia	
Cambodia	Guinea	Micronesia, Fed. Sts.	Sri Lanka	Latvia
Cameroon	Guinea-Bissau	Moldova	St. Vincent and the Grenadines	Lithuania
Cape Verde	Guyana	Mongolia	Sudan	South Africa
Central African Republic	Haiti	Morocco	Suriname	Turkey
Chad	Honduras	Mozambique	Swaziland	
China	India	Myanmar	Syria	
Colombia	Indonesia	Namibia		
Comoros	Iran, Islamic Rep.	Nepal		
	Iraq	Nicaragua		

N = 119; country name blue: no NYT coverage data; country name green: no GDP data

Development Aid NGOs

Identified via Expert Survey, included in Analysis

Academy for Educational Development	Catholic Relief Services	Mercy Corps
Action Against Hunger, USA	Christian Children's Fund	Oxfam, USA
Adventist Development & Relief Agency International	Concern Worldwide	Pathfinder International
Africare	Doctors Without Borders, USA	Plan International, USA
Aga Khan Foundation, USA	Family Health International	Population Action International
American Jewish Joint Distribution Committee	Helen Keller International	Programs for Applied Technology in Health
American Jewish World Service	International Aid	Rotary International Foundation
American Red Cross, Int'l Services	International Medical Corps	Save the Children, USA
American Refugee Committee	International Planned Parenthood Foundation	Sight First (Lion's Club)
AmeriCares	International Rescue Committee	Water Aid
CARE USA	International Trachoma Initiative	Water for People
Catholic Medical Mission Board	International Youth Foundation	World Learning
	JHPIEGO	World Relief
	Lutheran World Relief	World Vision, USA

Total private-source development aid disbursed by these 40 NGOs in 2001: US\$ 1,612 million
 (also identified, but only started in 2002: Engineers Without Borders, USA)

Identified NGOs Unwilling/Unable to Provide Financial Data

Action Aid, USA	Samaritan's Purse
American Councils (on International Education)	Winrock International
Church World Service	World Education
Population Services International	

NYT Media Analysis

- 25,463 Stories for 114 Countries
from 1/1/2000 - 12/31/2001 (LexisNexis kw searches)
- Stories portraying country in need: 1,599
- Stories portraying country w| no need: 225
- Stories with "neutral" coverage: 7,774
- Stories with no substantive coverage of the country: 15,865