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# Sanctions and the proliferation of terrorism: Cases of Iran, Libya, and Bosnia-Herzegovina

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**Sanctions and the Proliferation of Terrorism:  
Cases of Iran, Libya, and Bosnia-Herzegovina**

An honors thesis presented to the  
Department of Public Administration and Policy,  
University at Albany, State University of New York  
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## **Abstract**

This study tests the hypothesis that the use of sanctions as a foreign policy tool produces favorable conditions for an increase in terrorism activity using cases of sanctions against Bosnia-Herzegovina, Libya, and Iran. Using literature as the basis for this hypothesis, data suggests that there is not significant evidence to support this theory using these cases. The circumstances surrounding the political environment and stability of each country tells different stories, where attributing rising terrorist activity to sanctions themselves ignores the complexity of foreign economies their political and social atmospheres in which they operate. This thesis alludes to several questions and opportunities for further study on the circumstances in which sanctions are applied that may correlate with rising terrorism.

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## Literature Review:

### A. Terrorism

Conditions that fuel the dynamics of terrorist activity involve complex interactions between several actors, where much of the literature on the onset of terrorism has focused on case studies to explain why individuals turn to violence. Cross-sectional studies outline overall patterns of key variables, suggesting that political violence manifests in the midst of instability from several situations. Ultimately, collective ideological violence is a social phenomenon illustrated by statistical and qualitative literature. For the purpose of this study, terrorism is defined as the “threatened or actual use of illegal force and violence by a non-state actor to attain a political, religious, or social goal through fear, coercion, or intimidation,” taken from the National Consortium for the Study of Terrorism and Responses to Terrorism (START).

Challenging the widely-held belief that terrorism is rooted in poor socio-economic conditions (Bush, 2002; Krueger & Maleckova, 2003), Gassebner and Luechinger (2011) analyzed cases of severe inequality, concluding they pose a higher risk of having terrorist activity compared to overall poverty measurements. Others test for the roots of terrorism by analyzing other variables in isolation, failing to find significant evidence that poverty alone provides conditions for increased violence (Abadie, 2006). Gurr’s (1970) original theory of relative deprivation compiles circumstances in which individuals are more likely to resort to violence in response to grievances. The ratio of perceived entitlement to opportunity compared to what individuals’ *actual* capabilities creates “relative deprivation,” leading to frustration and aggression, over time creating motives for political violence. Enders and Hoover see no direct correlation between per capita GDP and terrorism, but instead find a negative relationship between political and democratic freedom and terrorism levels, in which case countries with high

levels of income inequality tend to have higher levels of terrorist cases (2012). More importantly, lack of economic opportunity becomes a large factor in the decision to join a terrorist organization, along with lack of social and political power (Gassebner & Luechinger, 2011; Petersen, 2002). Certain groups benefit from political and economic instability and general economic grievances by taking advantage of the “losers” in such cases, creating an atmosphere of support for opposition groups for local communities (McClean et al., 2018). Inequality in isolation does not guarantee violent responses, but generates conditions that mobilizes group grievances, emotions, frustrations over “unmet expectations” and a “narrative” that collectively triggers violence (*World Bank United Nations*, 2018, p. 109). Leaders additionally have the ability to frame inequality from sanctions by blaming another party (*World Bank United Nations*, 2018), further shaping ideology that escalates emotional responses.

Political violence research demonstrates how terrorism seeks to exploit the human flow of emotion from state actors to react out of anger instead of using rational strategy (McConaghy, 2017). Sociologist theories elaborate on the types of emotions following loss of power and status, seeing that negative outlooks and blaming others for sudden loss of prestige incites violence (Kemper, 1978; Turner & Stets, 2005). McConaghy simplifies foreign policy decisions at state level, regarding the state as not functioning as a unitary actor but a collection of people with “competing and mutually clashing interests,” where individuals find themselves subject to emotional responses (p. 106). Having similar views, English (2010) sees terrorism as “too tempting a form of warfare” to dissolve, because emotions throw off the rationality in responsive thought processes. Ezrow (2017) demonstrates how terrorist organizations therefore use psychological tools to mobilize sympathizers and supporters, adding that globalization increases the scope and longevity of non-state actors, making internal issues externalized and vice-versa

and changing the scope of perceived inequality (p. 56). Additional research concludes a pattern of key variables likely to create conditions that favor an increase in terrorist activity: unemployment, repressive politics, lack of service from the state, lack of income to invest in defense, and unequal dispersion of goods (Patrick, 2010; Piazza, 2008; Von Hippel, 2002). Theoretically, these are all potential results from economic sanctions in target states.

## **B. Economic Sanctions**

Often used as alternative policy to force and doing nothing, economic sanctions are a tool for coercing governments into changing their behavior by cutting off their resources (Baldwin, 1999; Hufbauer et al., 2009; Leksian & Souva, 2013). Taking the form of trade, asset, and financial sanctions, the diplomatic goals of these economic policies vary from moderate to high, reflected by the amount of damage inflicted, and the effectiveness of sanctioning efforts vary depending on the analysis criteria (Hufbauer et al., 2009). In the past, traditional sanctions as a coercion tool were perceived by the international community as morally preferable to military force; however, literature suggests that sanctions bring about broad suffering and humanitarian crises in targeted countries, unintentionally inflicting pain and physical harm on the population (Pierce, 1996). Seeing that comprehensive sanctions abruptly disturb large ranges of people, the “collateral damage” seen in many cases has shifted the support toward more targeted policies (Cortright & Lopez, 2002). Compared to the just war theory, sanctions tend to affect noncombatants just as unethical war practices have, and the focus on targeted sanctions have not proven to be an entirely ethical alternative, either (Early & Schulzke, 2018). According to research by Early and Schulzke (2018), targeted sanctions not only pose a moral hazard by misleading policymakers into false claims of morality, but they also are ineffective when the

consequences are low. Therefore, in terms of achieving efficacy, policymakers often blur the line between broad-scope sanctions and targeted sanctions.

As the standard for measuring economic sanctions' success has evolved over time, effectiveness measures include analysis at different stages of implementation, including the threat stage (Drezner, 2003), as well as broader inclusion of these policies' goals (Biersteker et al., 2016; Whang, 2011). Most of the literature explains why sanctions are ineffective on their own, and how the costs often outweigh the benefits when considering collateral damage and negative unintended consequences (Andreas, 2005; Early, 2016; Feaver & Lorber, 2015; Peksen, 2009). Others detail how sanctions are effective in coercing target states when used with other tools or are cooperated with heavily by the international community (Biersteker et al., 2016; Cortright & Lopez, 2005; Hufbauer et al., 2007). The most concrete success rate of sanctions cases is about 33% according to *Economic Sanctions Reconsidered* (Hufbauer et al.), suggesting the need for either reevaluation of "effectiveness" or policy reform.

Seen in the light of "economic warfare," it is additionally argued that sanctions pose just as much of a danger to human life and well-being as weapons of mass destruction (Habibzadeh, 2018; Mueller & Mueller, 1999). A popular example is the comprehensive sanctions regime against Hussein's Iraq, where five hundred thousand children's deaths were reported (Gordon, 2010). Peksen and Drury (2010) argue that the economic hardship from sanctions decrease democracy levels because the targeted regimes use them as a tool to "consolidate authoritarian rule and weaken the opposition," further impairing sanction's ability to threaten their leadership. Consolidation of power and increased incentives to restrict political rights of opposition groups by the elite members of targeted countries harms civilians instead of intended targets (Peksen & Drury, 2010). Leaders frequently rationalize that receiving sanctions and surviving their

consequences at the expense of civilians is better than an alternative that threatens their position of power. In extreme cases, sanctions backfire by encouraging leaders to manipulate the media, become more repressive, and ultimately create more authoritarian regimes (Peksen, 2009; Wood, 2008).

Economic sanctions take several forms and justifications for their usage. For example, sanctions are employed as counterterrorism tools against sponsor states to eradicate the threat by targeting resources. In a study analyzing the imposition of sanctions to combat transnational terrorism, Bapat takes into account the skewed statistics on whether sanctions are in fact effective at reaching their goal, seeing that sanctions at the threat stage involve bargaining; when policy moves forward toward imposition, target states usually have already decided to not budge and take the economic damage (Bapat, 2016). National security policy tends to focus on state level analysis of security, but policymakers often fail to consider the full set of consequences that sanctions have on states' populations and not just their governments. There is a lack of research on whether the types of sanctions make a significant effect terrorism levels, but more is focused on whether foreign counterterrorism efforts directly impact the targeted populations. Bapat et al.'s study on the "incentive to misrepresent" concludes that some sponsor states act like host states in which governments do not take part in supporting the terrorist organizations on the international stage in order to avoid punishment; this creates uncertainty for those trying to combat transnational terrorism seeing that host states often do not have the capacity to eradicate the threat, and sanctioning them would only make matters worse (2015). Testing the dynamics of terrorist campaigns during sanctions, Mclean et al. (2018) concludes that sanctions can make terrorist campaigns survive or collapse based on the states' relationship with the groups. Opposition groups tend to benefit from consequential political instability (Collier & Hoeffler,

2005; Fearon & Laitin, 2003; Piazza, 2008). Distinguishing between terrorist sanctuaries and those states who fall victim to violent extremism should be considered before sanctions imposition to avoid such unintended consequences. Serving as an example that will be elaborated further in this study, Collins (2004) investigated political gains by economic means in the case of U.S. multilateral sanctions against Muammar Qaddafi's regime, aiming at the sponsor state of Libya. Pressures from multilateral sanctions drastically reduced Libya's state of sponsorship (Collins, 2004). Taking a deeper look at popular support for terrorist organizations, Bueno de Mesquita and Dickson (2007) see radicalization provoked from counterterror operations that backfire; they demonstrate that economic damage caused by counterterror activity or manipulation of counterterror efforts changes the population's perspective of the enemy and increases popular support for extremist groups. Other studies focus on coercive responses to terrorism in authoritarian versus democratic regimes; seeing that indiscriminate responses to terror is counterproductive for democracies, comprehensive sanctions tend to reduce the public's cooperation with government authorities and cause an increase support for terrorist groups in target states (Daxecker & Hess, 2013).

Choi and Luo's (2013) cross-sectional study on the implications of sanctions and poverty on international terrorism show that sanctions intensify economic hardships on the poor within countries and thus increase grievance to the point that citizens are more likely to support or engage in international terrorism. Leaders take advantage of the enemy, skewing the blame of hardship and consequential inequality on the sender state. As a negative externality to policy decisions, international terrorism was shown to be positively associated with economic sanctions in findings from a cross-sectional data analysis of 152 countries, producing an environment with more incentives to rebel the consequential social injustices, where "the likelihood of

international terrorism increases by 93%,” according to the study (Choi & Luo, 2013). The argument is that sanctions cause an “external shock” that drives already struggling populations to living standards below level of basic survival, thus leading to an “aggrieved poor” rather than institutional poverty. Assessing civil conflict in wake of deteriorating economic conditions must account for several variables. However, in terms of economic shocks of sudden negative growth, chances of conflict from resulting inequality and sudden hopelessness tend to rise despite the levels of democracy and relative wealth (Miguel et al., 2004). Abrupt natural resource declines have demonstrated to cause exponential and irreversible damage to the dependent public (Gawande et al., 2017) while sanctions are argued to pose similar harm (Cortright, Millar, & Lopez, 2001; Weiss et al., 1997). Strung to the desire for revenge and retribution (anger, fear, hatred) coming from being underrepresented or treated with injustice from the State, terrorist organizations recruit from vulnerable populations. Besides citizens taking part in terrorist activity, Abbott (1987) analyzes levels of support for these groups taking the form of moral or verbal support instead of physical. States react by imposing sanctions to countries at the “sponsor” level, inciting groups to commit direct acts of terror and taking part in recruiting (Abbott, 1987). These sanctions often fail because there is no formal trade between non-state actors as there is between states (Ezrow, 2017).

Sanctions intensify hardships and disperse them unevenly in targeted countries, functioning as external economic shocks. Leaders can then externalize blame from consequential economic grievances, manipulating the population to gather support and engage in violence against another actor depending on the regime type and power of the elite. Besides direct economic effects, whether unilateral or multilateral, targeted or traditional, sanctions also create political and social grievances that could mobilize actors to engage in terrorism. Literature

explains how terrorism stems from a mixture of factors such as regime type, rule of law, economic development, state failure, poverty, living conditions, ideology, war, and political instability, among others. A quick onset of deprivation stirs instability and psychological challenges that are exploited by the target country's elite or extremist factions. The dynamics of terrorist campaigns largely depend on social phenomenon and interactions between them, the state, and society. The complexity of politically violent behavior stems from grievances that bring people together physically or ideologically, and the onset can be determined using distinct cases. The premise of this argument is that economic sanctions generate social injustices resulting from adversity such as recessionary economies and lack of opportunity; these deteriorating situations resulting from economic warfare fosters an atmosphere that make populations resort to terrorist activity as their only outlet.

### **C. Individual Country Cases:**

Sanctions regimes against Bosnia and Herzegovina, Libya, and Iran are three cases facing different circumstances in terms of economic coercion depending on sanction type, diplomatic goals, sender states, and inflicted damage from these efforts. The following cases will outline these factors and provide literature about the effects and responses to sanctions during the time period in which they were sanctioned.

#### **Sanctions against Bosnia and Herzegovina, 1992-1995:**

The sanctions episode against Bosnia-Herzegovina was in response to atrocities from the Balkan war and the dismantling of the Socialist Federal Republic of Yugoslavia that was responsible for about 100,000 deaths recorded in what is also referred to as "the Bosnian Book of the Dead" (Tokaca, 1999). Bosnia and Herzegovina gained their independence on April 11, 1992

(GTD, 2018). Both the U.S. and Germany saw Serbian violence as the primary threat in the region, using coercive diplomatic tools to diminish the violence. The central government aggression between Serb and Croat national forces ended with the Dayton Accord, where the United States and European diplomats negotiated heavily on the fate of the territory using coercive economic policy as stepping stones in the process (Bose, 2002; Chandler, 2000; Keane, 2002). Ethnic cleansing, mass killings, destruction of religious establishments, and camps signaled intervention of the international community which inducing implementation of United Nations sanctions against the Federal Republic of Yugoslavia in 1992 under Resolution 757 and 787, with the objective to pressure the Yugoslav leader, Milosevic, to curtail support to the rebel Serbs in Bosnia, which would incite negotiation with Bosnian Serb leadership to end the war (S/RES/757; S/RES/787). These comprehensive sanctions were an extension of the targeted arms embargo in 1991 against the region to impede escalation of the violence, involving trade, and financial embargoes, as well as travel bans. UNSCR 942 tightened restrictions onto Bosnia-Herzegovina specifically in the form of a total economic embargo and asset freezes, hitting the country the hardest (S/RES/942, 1994). The UN Security Council's initial arms embargo was designed to hinder both opposition groups' and the government's ability to gain access to weapons. This effort to stop civilian deaths and ultimately improve conflict in the region involved pressuring negotiation onto all parties. However, the unintended consequences were broad and not distributed equally. The blockade unintentionally weakened the Bosnian Muslim (governmental) side because the Serbs and Croats had access to a plethora of outside relationships and supplies facilitated by neighbor countries taking part in "sanctions busting," (Burg & Shoup, 1999).

Several case studies on the effect of sanctions against Bosnia and Herzegovina, primarily by Peter Andreas, illustrate the evolvement of an extensive clandestine economy as citizens and opposition groups strategically maneuvered the blockade by forming organized criminal and trade networks through the black market with neighbor states, disproportionably dispersing arms to groups opposing the Bosnian government and prolonging violence. Several indicators show the decrease in livelihood based on dropping GDP severe drops in unemployment because of economic damage to the industrial production, and inflation (Yugoslav Federal Statistics Office, 1998). State services disappeared hand in hand with lower levels of government legitimacy, health conditions deteriorated, and feelings of isolation resulted from lack of transport (Garfield, 2001). Murders and suicide increased as the criminal sector took over most of civilian life, encompassing not only the smuggle economy, but also what Andreas (2005) describes as “thugs,” that reshaped the culture and provided an environment that gave few options for survival. Humanitarian impacts according to UNICEF include intellectual and cultural isolation, as well as internal control by the government on access to humanitarian goods and medicines although these items were exempt from the sanctions (Garfield, 2001). This exacerbated the suffering of vulnerable groups such as those depending solely on the private sector, the poor, and those without political connections. Survival largely depended on relationships outside of the regime and country, the black market, and in part on humanitarian aid (Andreas, 2004). This fostering of relationships between the population and criminal networks led to a study by Mincheva and Gurr (2010) about terrorist movements and criminal networks, which have been previously analyzed separately because of their objectives. They argue that terrorist organizations are driven by everyday crime in order to attain necessary resources. Without robbery, smuggling, drug trafficking, and human dependence for financing, these organizations

would likely not survive, and therefore they rely heavily on criminal networks whether they be created themselves or coordinated with established criminals. The relationship goes both ways, where the drive for profit or material gain takes advantage of militant movements, creating a business linkage or at least making more complex intertwining of the two actors. The arms embargo put the Serbs in a superior position to the Bosnian Muslims who sought survival through ties to the Islamic world, which, according to Mincheva and Gurr, was the beginning of criminal/terrorist ties (p. 194). Radical Islamic fighters, or the “mujahideen,” made up of several nationalities in the Middle East and Africa and members of terrorist organizations, fled to Bosnia starting in 1992 in effort to fight in the name of Islam. The lasting effects of the established criminal and jihadist network impacted Bosnian society socially, economically, and politically, while the international community also felt the implications a concentrated terrorist territory. (Andreas, 2004; Corpora, 2004; Mincheva & Gurr, 2010).

Interests of different parties during the Bosnian war complicate the situation in which foreign ties facilitate cultural integration. Innes (2005) studies terrorism sanctuaries created in Bosnia during the war, alluding to sanctions-busting allowing for a more criminalized network, as Andreas had, and creation of foreign relationships. However, he mentions that sanctuaries within another country means foreign terrorism is the focus, but it is a lot more complex as the interests of Bosnians are different and focused on the state. The war brewed an extensive increase in foreign and domestic terrorism as well as support from different parties toward different factions. The line between foreign and domestic terrorists has more to do with the relationship these people have with the state and what their stakes are in the war. The influx of international sanctuaries in the territory makes a need for distinguishing circumstances that made indigenous civilians turn to violent measures for political gains; the foreign and domestic

interests soon overlapped as parts of the population began to radicalize. An excerpt from Innes' *Terrorist Sanctuaries and Bosnia-Herzegovina: Challenging Conventional Assumptions* (2005) encompasses the factors worsened by economic sanctions alongside the war:

“Substate administrative structures, local communities and institutions, deficient border and document controls, and essentially unmonitored tracts of difficult terrain, have virtually guaranteed access to the kinds of resources that facilitate domestic and international terrorists: funds, false papers, weapons, communications, community-based support, refuge from police and judicial interference, and transshipment capabilities and opportunities.”

Giving insight on how these kinds of terrorist groups manipulate other actors, Peterson explains how emotions are used strategically to shape preferences, actors, and strategies for terror. Using violence to provoke government responses, terrorists mobilize populations into radicalization (Bueno de Mesquita, 2007). The actors in this case are the aggrieved population who make the decision to radicalize or not to; terrorism is thus strongly based on emotion trying to invoke responses to their violent behavior under the influence of anger and drive to blame and punish enemies (Peterson, p. 89). The adverse consequences of sanctions in the case of Bosnia and Herzegovina allowed for these jihadist groups to strategically emphasize a struggle against the government using these types of tools. As the Bosnian President played a role in recruiting foreign fighters against the Serbs, the mujahideen made a successful effort to recruit domestically and sought citizenship in the country after the Dayton Peace accords of 1995 (Mustapha, 2013). While the war gave reason for extremists to fight for Islam alongside the Bosnian government, sanctions were the catalysts to the extensive clandestine economy and a new network of foreign relationships that facilitated the smuggling of arms and human resources.

Cooperation between the foreign jihadist fighters and the local citizens grew, and parts of the local population radicalized alongside the extremist movement.

The statistical procedure keeps in mind these factors, where the number of attacks is the dependent variable in this study. GDP, war, .... Account for omitted variable bias in the regression

### **UN Sanctions against Libya 1992-2003:**

Economic sanctions employed as counterterrorism policy in the absence of force became popular in the 1990's. Targeted sanctions that are intended to ease detrimental unintended consequences on the civilian population became an alternative to comprehensive sanctions after the those on Iraq in 1990 yielded severe humanitarian costs (Weiss et al., 1997). Beginning in 1991, U.S. blacklisted numerous Libyan businesses in effort to inhibit Libya's involvement in the international economy in response to suspected support in the destruction of the Lockerbie Pan American flight 103 and Union de Transports Aeriens flight 772 in 1991. Support sought by the U.S., Britain, and France from the UN elicited Resolution 731 and 748 in 1992 that encompassed the following: arms embargo, air embargo, decreased diplomatic representation, and expulsion and denial of entry to suspected Libyans (SC/RES/731, 1992; SC/RES/748, 1992). Resolution 883 tightened sanctions due to noncompliance, further applying financial asset freezes on the government and a ban on oil equipment. The premise of these targeted sanctions was to seek justice for the terrorist attacks over Lockerbie and end the regime's support for international terrorism (S/RES/883, 1992). This case is often referred to as a success of targeted sanction strategy, where the sanctions were a central factor to negotiations that eventually brought the suspects to trial and eliminated Qaddafi's encouragement and potential sponsorship

of terrorist activity in 2003 when the UN sanctions were formally lifted (Cortright & Lopez, 2005; Hufbauer et al., 2009).

The effectiveness of these sanctions episodes was largely due to the hardships that came with the scope of economic pressure as well as other contributing factors that already existed. Besides immediate economic effects, the sanctions signaled to the international community the condemnation of their behavior, making it more difficult to keep an undamaged reputation. While intentionally designed to be targeted, the sanctions hit the general population with rising inflation, unemployment, and decreased living standards that was already widespread with economic mismanagement (Niblock, 2001; O'Sullivan, 2003). The energy, commercial, industrial, transportation and communications, and agricultural sectors suffered the most economically in part because of Qaddafi's recent efforts toward liberalization (Anderson, 1999; Niblock, 2001, p. 63). Higher prices for imported goods from both from sanctions and transport limitations made the underground economy more potent, delegitimizing the government as it was already relying on private businesses; the regime had less control over prices and distributing simple commodities. Because of the failing businesses, people were much more dependent on the limited state support and rations available. Socially, corruption became widespread, isolation emerged in groups, and the creation of an elite class emphasized the huge wealth gap few that were able to take advantage of the state's economic instability (Niblock, 2001). Politically, perhaps most interestingly, a "rally around the flag effect" developed as Qaddafi garnered support from the population by emphasizing an external threat, strategically strengthening his position of power (p. 89). Thus, the regime created a role for the traditional leaders to manage the population politically.

Collins evaluates strategies of dissuading state support of terrorism, using Libya as a case exemplifying the impacts of several tools: military force, unilateral sanctions, and multilateral sanctions as those described that were passed by the U.N. Qaddafi's practice of state-supported terrorism became non-existent after imposition of sanctions in 1992; this suggests that the effectiveness of this case is due to the "heightened scrutiny within the international community," and thus the interests at stake of the power 5 states of the UN security council led to widespread cooperation. The difference between this sanctions episode from other counterterrorist efforts is the consistency and perseverance together with compliance from international actors, even Arab states (Collins, 2004). Conversely, Drezner and Niblcok (2011) argue that the government had given up the terrorist support years before, and that other factors contributed to the change in terrorist activity, one of which being Muhammad Qaddafi's idealistic qualities (Jentleson & Whytock, 2005). This stresses the need for extensive analysis of different types of sanctions policies and their effects on terrorism, including the reasons that sanctions are imposed in the first place. Additionally, the notion of regime type plays a large role in this sanctions case. Literature suggests that authoritarian regimes are less vulnerable to coercion than democracies (Solomon, 2012). The UN was able to squeeze concessions out of Qaddafi, given his tendencies and personality.

For the purposes of this study, the case of Libya suggests further research on sanction's effects on the proliferation of terrorism given the type of sanctions imposed and the nature of the regime's leader. The data is limited to the number of terrorist attacks sponsored by Libya's government and those taking place within the country. It would worth analyzing data about the number of people who radicalize or join terrorist groups in such instances.

## **Sanctions regime against Iran 2010-2015**

The United States and Iran historically have undergone international disputes since the 1970's when President Jimmy Carter mounted the first U.S. sanctions against Iran. Since then, several sanctions episodes and diplomatic tensions have persisted over the decades under different United States presidents, for different justifications and with varying levels of intensification and relief. Sanctions against Iran date back to 1979 in response to the hostage crisis, where a group of Iranian students took 60 Americans from the U.S. embassy in Iran, due in part by rising anti-American sentiment. Hostilities from long-standing presence of sanctions since President Carter's administration may have conditioned Iran to tolerate and evade sanctions over the decades, adapting strategies that helped the country mitigate suffering from the costs. The United States' energy-related sanctions on Iran began its aggressive course in 1996 with the Iran and Libya Sanctions Act of 1996 (U.S. Department of Treasury, 2013). As sanctions had largely been unilateral, the scope of stringency against Iran's nuclear activity made Iran face additional pressure from international institutions in recent decades.

This case focuses on United States-led international sanctions regime beginning in 2010 until the Iran Nuclear Deal, or the Joint Comprehensive Plan of Action, was negotiated in 2015 by Iran and the P5+1 states. EU and UN sanctions began in 2006, but the cooperation of the global community to tighten its pressure toward nonproliferation strengthened during the 2010-2015, extending its influence on foreign actors.

### **United States Sanctions:**

Upon passing the Comprehensive Iran Sanctions, Accountability, and Divestment Act in 2010, the United States' goal to isolate Iran from the international financial system began its

strongest effort that included extra-territorial sanctions provisions to punish foreign entities that were involved in undercutting sanctions efforts. CISADA worked to amend and tighten the Iran Sanctions Act of 1996. Specifically, this round of sanctions targeted firms investing in Iran's energy sector or gasoline industry, as well as banks involved in certain Iranian business ventures connected to Weapons of Mass Destruction or terrorism. To be more effective in addressing Iran's nuclear development and support for international terrorism, diplomatic efforts to crack down on Iran's government was in the U.S. government's national interest especially after suspected emergence of atomic energy facilities and transport of dual-use technologies (H.R.2194, 2010). In 2011, President Obama signed the national Defense Authorization Act imposing new sanctions on the Central Bank of Iran and threatening third party countries' access to the U.S. financial system that undergo significant financial transactions with Iran, specifically importation of oil (U.S. Department of State). President Obama's administration further made an effort to reduce oil revenue address human rights abuses and money laundering through CISADA and related executive orders and laws such as E.O. 13553 and the Iran Threat Reduction and Syria Human Rights Act of 2012, and the Iran Freedom and Counter-Proliferation Act of 2012 (Belfer Center, 2015; Laub, 2015; U.S. Department of the Treasury).

#### United Nations Sanctions:

2006 marked the first set of sanctions consisting of an embargo on dual-use materials used in uranium production and banned any nuclear-related financial assistance, freezing assets of individuals and companies. Resolution 1929 signed in 2010 joined the United States in targeting Iran's financial sector and oil industry to promote nonproliferation. Secondary sanctions expanded to parties doing business with Iran, prohibiting nearly all involvement with

its financial and energy sectors. Reaffirming the provisions of previous resolutions, Res. 1929 recognizes “the potential connection between Iran’s revenues derived from its energy sector and the funding of Iran’s proliferation-sensitive nuclear activities,” serving as the basis to stringent amendments that complement the United States’ goals and the European Union (SC/RES/1929, 2010).

#### European Union Sanctions:

After freezing individuals’ and companies’ assets involved in Iran’s nuclear program in 2007 (Reg 423, 2007), the EU simultaneously strengthened its sanctions in 2010 along with the UN and U.S. Council Decision 2010/413/CFSP adopted measures outline in Resolution 1929 while also widening the scope of restriction from previous sanctions. To reiterate, this includes banned export to Iran of all arms and material, prohibited financial assistance to the nuclear activities, banned export of dual-use items and technologies, and provided a running blacklist of sanctioned people and companies. This added to the international effort by blocking European countries from doing business with Iran and its banks. The oil embargo instilled in 2012 magnified the damage on Iran’s economy, when the EU was previously the largest importer of Iran’s oil (Congressional Research Service).

#### Impacts of International Sanctions on Iran:

According to the Congressional Research Service, sanctions have had extremely detrimental effects on Iran’s economy while having little success of coercion and change in behavior. The financial and energy sanctions affect the whole Iranian economy because of its dependence on oil revenue, trickling into the general population. Iran’s GDP shrank by 9%

during the sanction's regime, and crude oil exports reduced from 2.5 million barrels per day to 1.1 million (Katzman, 2018). The unemployment rate rose to 20% until JCPOA negotiations in 2015, and the currency declined remarkably with subsequent inflation rates reaching 40% (United States Institute of Peace, 2015). Inequality skyrocketed in areas of education, health, food, and income, leaving seven million people living in poverty, detailed by the Minister of Labor Ali Rabiei (2014). Ordinary citizens struggled to obtain basic goods and services to survive alongside worsening humanitarian conditions (Heydarian, 2012).

In a study by Reza Farzanegan (2013), sanctions prompted increased corruption, rent-seeking, and a large extension to the black market creating several social and political implications similar to Mincheva and Gurr's theory of political and criminal linkages discussed in the case of Bosnia. The rising informal economy and its potential impact of fostering foreign relationships suggests coping mechanisms beyond simply economic relief, but also socially and culturally; those suffering from isolation may see the black market as a passage to an otherwise restricted global network. A compelling finding by Farzanegan suggests the informal economy could actually improve political stability by reducing income inequality (2013). The notion of elite manipulation and scapegoating can be exemplified rather concretely in this case, as well. Iranian leaders used external pressures to redirect blame to the United States and Britain over financial sanctions and trying to delegitimize reporting mechanisms (Choi & Luo, 2013; Schott, 2012). Using the poor and aggrieved in particular, Iranian leaders could take advantage of powerless civilians to retain their reputation by "othering" the aggressors. Choi and Luo (2013) reason the danger in this, where quickly deteriorating economic conditions and living standards could motivate populations to act violently against the perceived culprits.

Additionally, international sanctions created severe repercussions in the health industry over the past decade during the international sanctions period. Several studies have focused on individual diseases and lack of access to needed medicine. Although medicine was not formally sanctioned, they resulted in major difficulties of importing pharmaceutical drugs and ingredients to make them as well as the equipment needed to sustain adequate healthcare (Cheraghali, 2013; Gorgi, 2014; Hashemi-Meshkni, 2014).

Unintended consequences from international sanctions have produced economic decline, social and financial isolation, inadequate and unequal healthcare, social inequality from the soaring wealth gap, and elite manipulation despite the ineffectiveness of their goals. There is little evidence that shows significant slowing of Iran's nuclear program despite the international sanctions of 2010-2015; U.S. intelligence even suspects just the opposite: that the nuclear and missile program has expanded in "scale, reach, and sophistication" (Katzman, 2014). Factors that allude to the possibility of terrorism proliferation emerged in wake of international sanctions creating an economic shock that changed much of the Iranian environment in a very short amount of time.

## **Methods**

The purpose of this study is to assess how the use of sanctions as a foreign policy tool produces favorable conditions for an increase in terrorism activity using the proposed cases. The three countries differ in time period, type of sanctions imposed, preexisting political, social, and economic conditions, as well as the quantitative damage felt by the sanctions.

### **A. Variables and data**

The dependent variable, terrorist activity, is a numeric measure that accounts for all terrorist attacks, international or domestic, defined by the Global Terrorism Database as "the

threatened or actual use of illegal force and violence by a non-state actor to attain a political, economic, religious, or social goal through fear, coercion, or intimidation” (2018). To be coded as an incident, it must be intentional, entail some level of violence, and the perpetrators must be sub-national actors. As the armed conflict variable is included in this study, GTD does not include actions in the context of legitimate war activities. The data for this variable employs LaFree and Dugan’s Global Terrorism Database (GTD) (2017) that encompasses years from 1968 and stops in 2017. Economic sanctions is the focus of the independent variables, coded by ‘0’ in the absence of sanctions, and ‘1’ in the presence of sanctions, regardless of the sender states and type of sanction. This does not include threatened sanctions. These cases are derived from United Nations Sanctions lists and Resolutions, the United States Department of State archives, and the Office of Foreign Assets Control, Department of the Treasury.

The included control variables have been considered as factors contributing to terrorism as described in the literature review portion of this study: GDP per capita, unemployment, democracy, economic development, population growth, and armed conflict, and are used to reduce omitted variable bias. Other control factors that should be considered are absent because of lack of data that goes until the end of the Iran sanctions case.

GDP, unemployment, economic development, and national income are used to show the level of economic shock that the country faces during the imposition of sanctions, as well as indicators of inequality. Penn World Table (Heston et al., 2009) and the World Bank (2018) datasets are used to derive Real Gross Domestic Product per capita in U.S. current dollar amount and purchasing power parity (PPP) over GDP. National Income is derived from the World Inequality Database (Atkinson & Piketty, 2017). Both national income and PPP are used as a substitute for the GINI coefficient that would otherwise represent inequality in the countries but

is limited in data for the countries in this study. Theories of quickly onset inequality are based on domestic inequality versus the state compared internationally; these are the variables that represent such conditions within borders. The economic development variable uses these numbers to represent economic opportunity.

Annual population growth percentage variable may suggest inability for the government to provide security for a rapidly growing number of citizens. Eyerman (1998) and Savun and Phillips (2009) theorize that highly populated countries and those left without jobs are more difficult to police, making terrorist activity more likely. These numbers are from the U.S. Census Bureau (2017). Unemployment rate and inflation are used in conjunction with the economic development indicators to account for poverty levels, taken from the World Bank (2018).

Marshall, Monty, and Jaggers' updated Polity IV project (2017) codes countries' democracy levels, from full democracy (10) to full autocracy (-10) that is used for the democracy variable. This polity score uses qualities of executive recruitment, constraints of political competition and executive authority, as well as changes in the institution (Marshall et al., 2017). Bosnia and Herzegovina, for example, was in a period of central authority interruption, collapse, or transition during the sanctions period at the beginning of its independence, therefore the democracy variable is coded as '0'.

War is likely to increase levels of terrorism for much of the same reasons that sanctions are, causing similar hardships but adds dimensions of violence and death. Violent attacks that are acts of war are not considered as terrorist events that are perpetrated by non-state actors; the presence of interstate and intrastate armed conflict is accounted for by using UCDP/PRIO Armed Conflict Dataset (Gleditsch et al., 2002; Pettersson, Therese, & Eck, 2018).

Variables in this study's dataset amount to: GDP per capita, sanctions imposition (0 or 1), unemployment rate, democracy score, inflation, annual population growth, armed conflict (0 or 1), gdp adjusted for ppp, national income, and terrorist attacks. Terrorist attacks are coded in order to account for high numbers in heavily active years as (0) for those without any activity, (1) for attacks between 1 and 5, 2 for attacks between 6 and 10, (3) for attacks between 11 and 20, and (4) for those years having more than 20 attacks. Some missing data occurs with gdp adjusted for purchasing power parity and is therefore omitted as a variable in the Iran case. Inflation rate data is absent in the years analyzed for Bosnia-Herzegovina because of the institutional transition, where it is omitted as a control variable in the dataset for the country.

## **Results and Analysis**

### **A. Data Summary**

Running a multiple regression test against the terrcode (terrorist code) variable, 4 models show the statistical significance of each variable along with the variance, where the dataset encompasses a 10-15-year period depending on the available data before, during, and after sanctions imposition years. Model1 describes results combining the three cases together, omitting inflation because of Bosnia's lack of data collection for that variable. Model2 encompasses the same regression for Iran from 1990 until 2017, keeping in mind that they were under unilateral sanctions before the recent multilateral sanctions episode that this focuses on. Flaws in the GDP adjusted for PPP data collection after 2005 omits the variable from this test. Model3 represents the regression for Libya from 1990-2010, where Stata15 omitted armed conflict and democracy score for collinearity. Model4 does the same for Bosnia-Herzegovina starting when the country gained independence in 1991 until 2002, where the software automatically omits sanctions and democracy score because of collinearity.

The following Table compiles the coefficient results where the number in parenthesis describes the p-value:

<b>Variable</b>	<b>Model1</b>	<b>Model2(Iran)</b>	<b>Model3(Libya)</b>	<b>Model4(BH)</b>
National Income	-0.00007 (.001)	.00001(.949)	.00000(.975)	0.00056(.820)
GDP adjusted PPP	-.00003(.590)	--	-.00005(.875)	-.00307(.471)
Armed Conflict	.29701(.392)	.31579(.621)	--	1.5272(.722)
Annual Population Growth	.09755(.324)	.57742(.541)	-1.04151(.095)	0.12478(.893)
Inflation	--	.00998(.731)	.04378(.516)	--
Democracy Score	-.08725(.121)	-.73014(.265)	--	--
Unemployment Rate	-.04773(.156)	-.03827(.845)	.58290(.349)	-.26785(.807)
Sanctions Imposition	-.00996(.978)	.13441(.894)	.51116(.452)	--
GDP Per Capita	.00012(.173)	.00008(.709)	.00008(.578)	0.00249(.321)
Constant	3.16167(.000)	.10018(.988)	-8.98015(.515)	5.05876(.815)
$R^2$	0.429	0.1228	0.297	0.48

(regressions against terrcode instead of terrorist attacks because of possible outliers in heavily active years)

The models consistently result show no results of statistical significance amongst the independent variables and the dependent variable (terrcode). Overall, the combined data considering all the variables showed  $\text{Prob} > F = .015$  proving to be statistically significant at a 95% confidence level, rejecting the null hypothesis that in other words, all of the coefficients on the independent variables are equal to zero. However, none of the variables except for national

income and the constant show a  $p$ -value less than .05. Only 42.9% of the variance is explained by the compiled data.

Because of potential flaws in this model and presence of confounding variables, a regression test between sanctions and economic development variables was conducted:

```
. regress Sanct GDPPerCap UnempRat GDPadjPPP NatInc
```

Source	SS	df	MS	Number of obs	=	61
Model	3.65057655	4	.912644137	F(4, 56)	=	4.91
Residual	10.4149972	56	.185982093	Prob > F	=	0.0018
Total	14.0655738	60	.23442623	R-squared	=	0.2595
				Adj R-squared	=	0.2066
				Root MSE	=	.43126

Sanct	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
GDPPerCap	-.0000852	.0000349	-2.44	0.018	-.0001551 - .0000152
UnempRat	.0318354	.0112463	2.83	0.006	.0093063 .0543645
GDPadjPPP	.0000849	.0000213	3.98	0.000	.0000421 .0001276
NatInc	-.000015	7.25e-06	-2.07	0.043	-.0000295 -4.95e-07
_cons	-.3104738	.2146814	-1.45	0.154	-.7405324 .1195847

Showing statistical significance at the 95% level, the whole model correlates with changes in the independent variable (sanctions imposition). Adjusted  $R^2$  suggests that the model only explains around 20% of variability in the dependent variable. Most of these results suggest that sanctions account for changes in economic conditions, where unemployment rate and GDP adjusted for purchasing power parity per capita rise with a change from no sanctions imposition to sanctions imposition. Additional observations would make for better analysis. This test was run to then analyze sanctions imposition with cross tabulation tools across the different cases. This tool refers to a more specified analysis of occurrences of terrorism and sanctions imposition as categorical variables:

```
. tabulate sanct terrcode, chi2
```

Sanct	TerrCode					Total
	0	1	2	3	4	
0	12	10	8	6	3	39
1	10	4	4	3	1	22
Total	22	14	12	9	4	61

Pearson chi2(4) = 1.4625 Pr = 0.833

Throughout the 61 years examined, terrorist attack activity within the countries occurred 27 times in years during the absence of sanctions, and 12 years during 22 sanctioned years. The years with the most terrorist attacks (20+), occurred 3 out of 4 times during years that sanctions were not imposed.

Iran:

Iran's data proved to be insignificant against the dependent variable (terrcode) overall, and likewise with all the independent variables. To single out sanctions on their own, a cross tabulation table describes occurrences between the two categorical variables, sanctions imposition and terror code from a year to year basis:

```
. tabulate sanct terrcode, chi2
```

Sanct	TerrCode					Total
	0	1	2	3	4	
0	4	5	6	6	1	22
1	0	1	2	3	0	6
Total	4	6	8	9	1	28

Pearson chi2(4) = 2.2626 Pr = 0.688

Years where sanctions were not imposed, there were attacks in 13 out of the 22 years examined. Only 4 years had no terrorist attacks at all, and one year where there were more than 20 attacks. Attacks occurred in all the years that multilateral sanctions were imposed on Iran, however.

Libya:

From the regression, Libya had no signs of statistical significance from any part of the test. A

cross tabulation table organizes sanctions imposition and yearly terrorist activity in Libya:

```
. tabulate sanct terrcode, chi2
```

Sanct	TerrCode		Total
	0	1	
0	7	2	9
1	9	3	12
Total	16	5	21

Pearson chi2(1) = 0.0219 Pr = 0.882

No more than 5 terrorist attacks were conducted over a single year during the observation period.

2 years with terrorist activity occurred over the 9 years without sanctions, and 3 years out of 12

in during the sanctioned period.

Bosnia and Herzegovina:

Many flaws are present in the regression test for Bosnia and Herzegovina, especially with

multiple omitted variables. Therefore, a table comparing occurrences shows a better picture of

the focused independent variable against terrorist attack activity:

```
. tabulate sanct terrcode, chi2
```

Sanct	TerrCode				Total
	0	1	2	4	
0	1	3	2	2	8
1	1	0	2	1	4
Total	2	3	4	3	12

Pearson chi2(3) = 2.2500 Pr = 0.522

Out of the 8 years absent of sanctions, there were 7 years with terrorist activity, 2 of

which had more than 20 attacks. During the 4 years of sanctions, which was also during the

Bosnian war, there were attacks in 3 of them. Out of those, there were more than 10 attacks in each year.

Armed Conflict and Sanctions Cross-Tabulation tests:

The following tables organize the data amongst the three categorical variables: armed conflict, sanctions imposition, and terrorist activity on a yearly basis using the three countries together displayed by percentage:

```
. by sanct, sort: tabulate armcon terrcode, row nofreq chi2
```

```
-> sanct = 0
```

ArmCon	TerrCode					Total
	0	1	2	3	4	
0	40.00	28.00	16.00	4.00	12.00	100.00
1	14.29	21.43	28.57	35.71	0.00	100.00
Total	30.77	25.64	20.51	15.38	7.69	100.00

Pearson chi2(4) = 10.3183 Pr = 0.035

```
-> sanct = 1
```

ArmCon	TerrCode					Total
	0	1	2	3	4	
0	56.25	25.00	12.50	6.25	0.00	100.00
1	16.67	0.00	33.33	33.33	16.67	100.00
Total	45.45	18.18	18.18	13.64	4.55	100.00

Pearson chi2(4) = 9.0597 Pr = 0.060

These numbers suggest that armed conflict and sanctions together may affect the instability within a country, more than when both variables occur separately. Still, however, armed conflict seems to aggravate terrorist activity more than sanctions are.

## **B. Discussion**

The data fails to reveal a convincing argument that sanctions imposed on the cases of Iran, Libya, and Bosnia-Herzegovina, lead to higher occurrences of terror attacks as opposed to years that the target states are not subject to sanctions. Additional observations would make for better analysis in each case, however there are many more variables and circumstances present throughout the history of these countries that could affect the dependent variable. Datasets for other variables such as human rights abuses, the Gini coefficient, and underground economy indicators are inconsistent, have missing values for the years that this study is interested in, or stop before 2010. The GTD database itself stopped collecting data after 2018, where a similar study analyzing United States' withdrawal from the Iran Nuclear Deal would seek other sources of terror attack data. The economic development variables in this research study mostly depend on the presence of sanctions but are used separately to see whether they make a difference in each case's situation. Finding variables to illustrate inequality within a country was difficult because the most direct indicators that could have been used are missing data for one of the countries or has missing years. Collectively, national income is the only variable that has a significant effect on terrorist activity.

## **Conclusion and Implications**

Literature suggests that situations in Iran and Bosnia-Herzegovina's during sanctions imposition created circumstances for rising terrorist activity, while Libya had a more targeted sanctions strategy where the authoritarian leader had incentives to concede to pressure. The statistical data in this study goes against the hypothesis that sanctions as a foreign policy tool creates favorable conditions for increase in terrorism activity using cases of Bosnia-Herzegovina, Libya, and Iran.

The situations in each country were completely different, where the effects of sanctions may be closely associated with either war, adaptation to a history of sanctions, the type and personality of the regime's leader, or sanctions type. Attributing rising terrorist activity to sanctions themselves ignores the complexity of foreign economies their political and social atmospheres in which they operate. With more advanced statistical capability, there are ways to test these variables more closely to paint a better picture of sanctions' effects of terrorism. Further research should focus on the type of sanctions imposed, reasons for sanctions imposition and whether they are focused on counterterrorism, whether targeted states are hosts or sponsors of terrorism, and the ideological background of citizens. Libya's sanctions were initially shaped as counterterrorism tools and is considered to be one of the few targeted sanctions successes. Bosnia-Herzegovina was going through war and an institutional transition period that prompted sanctions. Iran has dealt with diplomatic hostility since the late 1970's that may have given the government and society the ability to live with the effects that were magnified during multilateral sanctions efforts.

The situations in each country were completely different, where the effects of sanctions may be closely associated with either war, adaptation to a history of sanctions, the type and personality of the regime's leader, or sanctions type. Attributing rising terrorist activity to sanctions themselves ignores the complexity of foreign economies their political and social atmospheres in which they operate. With more advanced statistical capability, there are ways to test these variables more closely to paint a better picture of sanctions' effects of terrorism.

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