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THE CARROT VS. THE STICK: A COMPARATIVE ANALYSIS OF SECONDARY
SANCTIONS VS. POSITIVE INDUCEMENTS IN GAINING EUROPEAN SUPPORT FOR A
U.S.-LED SANCTION REGIME

by

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B.A. May 2014, Savannah State University

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ABSTRACT

THE CARROT VS. THE STICK: A COMPARATIVE ANALYSIS OF SECONDARY SANCTIONS VS. POSITIVE INDUCEMENTS IN GAINING EUROPEAN SUPPORT FOR A U.S.-LED SANCTION REGIME

Andy Gomez
Old Dominion University, 2022
Director: Dr. Richard Maass

The United States has a history of imposing its will on other countries via aggressive sanction regimes. In many of those regimes, U.S. policymakers note that support from European partner states is paramount to the regime's success. Over the past 20 years, the U.S. and its European partner state's interests have had relatively aligned, fostering cooperation and implementation of like-minded policies against target states. The end of paralleled interests left policymakers with a conundrum, which stemmed the research question of this study. What circumstances determine whether secondary sanctions or positive inducements are more effective in gaining European support for a U.S.-led sanctions regime? Utilizing Mill's method of agreement (Mill 1869) and implementing the structured focused comparison case study approach (George and Bennett 2005) this study evaluates two cases in which European actors are being sought out to support a U.S.-led sanction regime. Both cases evaluated differ in various ways, however, contain two critical similarities, the U.S. need for partner state support and the unwillingness of the partner state to comply with the sanction's regime. Through the comparative framework outlined this study argues that specific conditions can facilitate higher efficacy secondary sanctions over positive inducements, and vice versa, even when the partner state does not desire to comply with the overall sanction's regime.

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INTRODUCTION

The use of sanctions, by the U.S., to impose its will upon states is not a new topic. The U.S. has been a part of sanction regimes for nearly a century. “During World War I, Congress passed the Trading with the Enemy Act (TWEA) that not only prevented trade with Germany but also authorized the seizure of German property in the United States.” (Alexander 2009, np). Although a dated tactic, recent political events have placed sanctions at the forefront of U.S. foreign policy tools. The dominance of the U.S. market, its international leadership roles, and its global power position provide substantial economic capability the U.S. can use to affect the calculus of other states. Although compelling, scholars realize that the track record the U.S. boasts from unilateral sanctions is not great. Policymakers recognize this as well, and as such, have sought continuous support from their European partners to achieve its desired goals. The pursuit of aid from European partner states has been received in a mixed way over the past 20 years. When the interests of both parties are in tandem the partner states comply with the U.S. sanctions toward a target state and have even been known to impose more stringent sanctions in addition. “After 2005, the nuclear controversy surpassed all strategic issues—energy, Middle East security, trade and even human rights—in EU-Iran relations. As a result, the EU policy increasingly resembled U.S. policy on Iran.” (Posch 2010, 1). When interests have diverged the rhetoric shifts substantially. This is exemplified by the relationship between the world and the U.S. as President Trump laid his America first agenda and began to upset the balance of the U.S. on the international stage. “The question of US-EU relations has become all the more pressing since the 2016 election of U.S. President Donald Trump. Trump has already challenged some of the core principles underlying transatlantic relations since the Second World War, including the US defense guarantee, open trade relations and the support for multilateral institutions and

agreements such as the Paris accord on climate change and the Iran nuclear accord.” (Riddervold and Newsome 2018, 505). “Trump’s retreat from the Paris climate deal, the Intermediate- Range Nuclear Forces treaty, the Open Skies agreement, and the World Health Organization (WHO) as well as his attacks against the WTO appellate body have rocked many Europeans’ belief that they share common ground with their most important ally.” (Blockmans 2021,5). These adverse actions coupled with President Trump's verbal dissent toward the EU put their relationship with the U.S. at a point of turmoil and dysfunctionality.

This provides a window from which this case seeks to provide a contribution. Through the research question, what circumstances determine whether secondary sanctions or positive inducements are more effective in gaining European support for a U.S.-led sanctions regime? Utilizing Mill’s method of agreement (Mill 1869) and implementing the structured focused comparison case study approach (George and Bennett 2005) this study evaluates two cases in which European actors are being sought out to support a U.S.-led sanction regime. Within the two cases, one involving Iran and the other Russia, I will analyze the causal mechanics that influenced the efficacy of secondary sanctions or positive inducements. Within these analyses due regard will be given to the considerations of both the sender state and the European partner state as to allow for a mapping of decision-making processes. The paramount importance of firms and their calculus is also a keynote of this study. Firms are vital to partner state economies and as such can act as the catalyst for gaining support. To demonstrate these occurrences, a framework of five standardized questions has been implemented and provides the comparative power necessary for this study to draw conclusions of not only scholarship, but also utility to policymakers. This thesis will evaluate each case highlighting specific circumstances and conditions that can provide policymakers cues and insights from which to make policy decisions

regarding European partner state support. Following the singular analysis, I compare both cases side by side and draw conclusions based upon the hypotheses of this study. From this evaluation, I find that the presence of four specific conditions in a case can aid policymakers in their decision-making as to which tool, secondary sanctions, or positive inducements, would gain them the desired support for the overall sanction regime. The four conditions are a product of the synthesis of both cases via the framework and as such yield two substantial insights. Primarily, the application of the framework can help policymakers in their quest to increase their efficacy at gaining European partner support, and secondarily it provides a branch from which future research can use to refine and expand its applicability.

This thesis begins with a chapter discussing the relationship between the U.S. and the European Union, its historical significance, and some legislation that is pertinent to this study. The following chapter reviews notable literature involving sanctions efficacy, multilateral sanction regimes, secondary sanctions, positive inducements, and sanctions against allies. This sets the stage for the methodology chapter that will outline the variables, hypothesis, limitations of this study, and the standardized questions to be used as the guiding framework of this study. The methodology is followed by two case studies, the first on the U.S. and Iran regarding the unilateral withdrawal from the JCPOA and the second of the U.S. and Russia regarding the Russian energy coercion and pipelines. The final chapter is a conclusion that utilizes the five standardized questions to conduct a comparative analysis of both cases and draw conclusions from which stemmed the four conditions that serve as this study's findings.

LITERATURE REVIEW

Sanction regimes are a highly researched topic, even so, there are still many unanswered questions. Research into sanction regimes is split between those who believe they are ineffective (the majority) and those who believe that they are effective. There is also the question of unilateral vs multilateral and which type of regime is more effective which has been addressed by various scholars. (Martin, 1994; Kaempfer and Lowenberg, 1999; Miers and Morgan, 2002; Bapat and Morgan, 2009; Bapat et. al. 2013). If multilateral sanction regimes illicit a different efficacy than that of unilateral sanction regimes, then a logical question to follow would be; how does a country go about gaining that multilateral support for a sanction regime? This question facilitates an opening for a contribution that this study will fill by way of secondary sanctions and positive inducements. Secondary sanctions and positive inducements alike, have been an instrumental part of foreign policy and diplomacy for decades and yet are not addressed in the sanctions debate literature as they should be. Gaining support for a sanction regime is something more than determining if a regime succeeds or fails, it has an inherent context of diplomacy and a strategic aspect as well. It also contributes to the efficacy debate inherently as it can sway the success or failure of a sanction regime. Inclusion of this into sanction debate literature will inherently provide policymakers with a reference point of which to start when seeking support for a sanction regime.

For this study, the secondary sanctions and positive inducements serve as two sides of the same coin as tools used by the U.S. to gain support for their sanction regimes. In order to understand the importance of these tools' literature on the sanctions debate, and both tools will be highlighted. This literature will highlight variables and circumstances that scholars debate determines the efficacy of sanctions regimes and as such will be used to complement the

forthcoming case study analyses. With the U.S. as a main proprietor of sanctions throughout the globe, an analysis of U.S. involvement in multilateral sanction regimes is vital to establishing a baseline knowledge from which to expand through a methodological analysis that follows. A final aspect of literature that is necessary for a composite understanding of this study is that of European sanction support. The interdependence of the U.S. and European actors is an unquestionable relationship. This being such, European actors still interact with other parts of the world that the U.S. may consider less favorable. Literature regarding their positionality on sanctions in general and how they have interacted with U.S. sanction regimes in the past will illuminate the contribution window that the case studies will contribute to. The circumstances that affect the efficacy of secondary sanctions and positive inducements in gaining European support can be seen to sample from the various literature disciplines to be explored below.

THE SANCTIONS EFFICACY DEBATE

The sanctions debate has a clear dividing line, that line is not in the middle but severely skewed to one side. Throughout the volumes of literature written on sanctions, many of them begin with an argument against the efficacy of sanctions. "The number of sanction episodes seems to be on the rise and sanctions have increasingly gained in popularity in recent years and such despite the fact that the literature does not present conclusive evidence that economic sanctions are an effective policy instrument." (Smeets 2018, 2). Even earlier than 2018, it was already considered conventional wisdom that sanctions efficacy was lacking. "The conventional wisdom of twenty years ago held that economic sanctions are not effective policy instruments." (Bapat et. al. 2013, 3). Assessments of unilateral U.S. economic sanctions grew substantially in the 1990s and "The consensus finding of these studies is that economic sanctions are not an effective tool of foreign policy." (Askari et.al 2003, 1). "Economic sanctions are likely to be

imposed when they are not likely to succeed in changing the target's behavior. Sanctions that are likely to succeed will do so at the mere threat of sanctions. Despite the unlikely success of sanctions, coercers must sometimes impose sanctions, even after the threat of sanctions has failed to change the target's behavior." (Lacy and Niou 2004, 25). This poses a general questioning of both the premise of sanctions and their continued use and a more important literary gap in covering how or what can be done to make sanctions more effective? Scholarly databases have quantified sanction regimes and their efficacy that lend more fuel to the argument of inefficacy. "The widely used Peterson Institute for International Economics sanctions database, which covers almost 200 cases, shows that sanctions fail to achieve their policy goals in about two out of three cases. The more recent research of the Targeted Sanctions Consortium (TSC) on United Nations (UN) targeted sanctions suggests an even lower rate of success: on average, in less than one in four instances." (Biersteker and Van Bergeijk 2015, 17). With an overpowering negative connotation, the debate from the majority side has left scholars with an overarching question as to why are sanctions used so frequently if literature is continually demonstrating that they are ineffective?

This question is answered by those who do believe in sanction regime efficacy but deem it is difficult to quantify based on the dynamics inherent to sanctions. A notable contribution to this argument regards nuclear proliferation and was authored by Nicholas Miller. In his article *The Secret Success of Nonproliferation Sanctions, 2014* Miller explains his view of the debate arguing "That economic and political sanctions are indeed a successful nonproliferation tool, but that selection effects have rendered this success largely hidden." (Miller 2014, 914). Miller builds on realist literature on sanctions and goes forward to describe that selection effects may dissuade a country from pursuing a nuclear option before its inception if they feel they are

susceptible to the sanctions that would follow, making the sanctions regime successful but difficult to quantify. Although this is a nuclear example it is comparable to substantial literature regarding the difficulties of selection effects and what they take away from quantifying sanctions efficacy. “The difficulty of observing threats that never need to be executed, particularly threats made behind closed doors, raises the possibility that selection bias has seriously affected empirical studies of economic statecraft” (Drezner 2003, 644). “Recent theoretical developments have attributed the lack of agreement in the empirical findings to a selection bias, stemming from looking only at cases of imposed sanctions. Many recent theories suggest that threats are an important part of sanctions episodes.” (Bapat et. al. 2013, 4). These positions on defending sanctions efficacy are pertinent but non-conclusive leaving both sides in a stalemate of efficacy contributions.

With the general sanction's efficacy debate discussed above, it is imperative to illuminate literature on two substantial aspects of this study. The first being multilateral sanctions regimes and the second being literature that discusses implications and efficacy of sanction regimes implemented on allies or partners. Depending on the purpose of sanctions unilateral or multilateral may both achieve the desired goal. For this study, the goals to be discussed are economic in nature. Unilateral sanctions have been utilized for this end by the U.S. and other actors throughout history providing for a sound literary comparison between unilateral and multilateral sanctions. Literature on the topic of economic sanctions is that multilateral sanctions are more effective. “Common sense suggests that an economic sanction imposed by only one nation- even a powerful nation- will not be as effective as when many countries gang up to impose their will on another country.” (Askari et. al. 2003,31).

“According to the economics literature, the impact of a trade embargo on a target nation’s welfare depends on the extent to which the embargo worsens the target’s terms of trade with the rest of the world. The greater the share of trade affected by the embargo, the greater will be the deterioration in the target’s terms of trade. Hence the presumption that multilateral sanctions, in which a large number of trading partners or potential trading partners join the sanctioning effort, will be more effective in inducing economic damage than unilateral sanctions. In the case of multilateral sanctions, it becomes much more costly for a target nation to find alternative markets or alternative sources of imports.” (Kaempfer and Lowenberg 1999, 38).

This is met in contrast by sanctions literature that deems unilateral is more effective.

"Systematic empirical research consistently demonstrates the opposite pattern: unilateral sanctions appear much more effective than do multilateral efforts." (Hufbauer, Schott, and Elliot 1990; Kaempfer and Lowenberg 1999; Drezner 2000; Miers and Morgan 2002; Bapat and Morgan 2009, 1075-1076). This puzzling dynamic has pushed scholars to reevaluate empirical research under new lenses. A major milestone in this research comes from the utilization of a more recent sanctions database allowing for the inclusion of more cases within the study of multilateral economic sanctions efficacy. The use of the Threat and Imposition of Economic Sanctions (TIES) database (Morgan, Bapat, and Krustev 2008) has allowed scholars to apply more cases toward the debate and “lead to the conclusion that, if we examine a greater number of cases over multiple dispute types, multilateral sanctions are indeed more effective than unilateral sanctions.” (Bapat and Morgan 2009, 1076). This was proven through the use of the TIES database which yielded results of "Multilateral sanctions were successful 55% of the time while unilateral sanctions were successful 40% of the time.” (Morgan, Bapat, and Krustev 2008, 103). There is criticism of these explanations under the thought that the participants in multilateral sanction regimes matter for this efficacy point. “Perhaps the most important characteristic of multilateral sanctions identified in previous research is whether an international institution was involved in the forming of the coalition.” (Lektzian and Biglaiser 2013, 68). The implementation

of multilateral sanctions by a global institution such as the United Nations has different results than if any group of international actors banded together to implement their own. (Askari et. al. 2003,32). This is also an intuitive point that is defended by examples of multilateral sanction regimes from OAPEEC, The League of Nations, and the United Nations (Askari et. al. 2003). The importance of this distinct factor in sanctions efficacy will be addressed further in both the U.S.-led sanctions regime portion and the case studies to follow.

The ability for multilateral economic sanction regimes to increase the impact on a target country is lucrative for states striving to ensure their goal is achieved. The literature on multilateral sanctions explains the reasoning for this but is lacking in a discussion on the topic of gaining support towards a multilateral sanction regime if it is not through an institution as noted above. The reasoning for international actors to band together to implement a sanctions regime are almost limitless. They can be mutual goals, economic benefits, or may even be due to the threat of secondary sanctions forcing their hand into participation. The discussion of these causal effects toward gaining support for non-institutional and institutional multilateral sanctions will be a key contribution of this study.

When discussing sanctions, the topic lends itself towards coercion and a tool that would not be immediately associated with use on allies or partners. Being that the U.S. is a major democratic power and a majority of its allies and partners follow suit, it is fitting to utilize democratic peace literature and other notable works to provide insight into where the contribution of this study differs from past scholarly works. Democratic peace literature acknowledges Immanuel Kant's theory that democracies do not go to war with each other and are further compelled by empirical evidence that proves it to be so (Cox and Drury 2006; Mello 2014; Kant 1975). A study of 115 distinct cases of sanctions being implemented from 1978-

2000 was used to the conclusion that most democracies are hesitant to sanction other democracies (Cox and Drury 2006). The results of this study brought forth a vital point for this study “The results further reveal that unlike other countries, the United States is not hesitant to sanction its allies.” (Cox and Drury 2006, 710). The lack of hesitation from the U.S. does not mean that considerations are not taken when utilizing sanctions against allies. Scholars who study the topic have demonstrated that aftereffects are prominent in sanctioning allies. “To compel their allies' participation, senders may have to employ unpopular coercive measures, such as extraterritorial sanctions. As the US-imposed "Helms-Burton Act" demonstrated, these policies can elicit extraordinary anger from allied governments and their constituencies—breeding resentment and potentially creating intra-alliance rifts.” (Early 2012, 555). These rifts are not subject to a purely causational relationship with sanctions imposed by an ally, but as will be discussed, a multitude of other pertinent factors that necessitate a break from the literature to explain the causation through the lens of not only sanctions on allies but the circumstances under which they are more or less effective.

The debate acknowledged above considers a variety of variables to provide justifications for defending one side or the other. Scholars have contributed a large selection of notable factors apart from those discussed above that contribute to sanctions efficacy. “The principal factors that determine the effectiveness of sanctions are when and how they are employed, to what end(s), the specific political and economic characteristics of the target country, and the state of the world.” (Askari et.al 2003, 67). Scholars propose that the success of sanction threats in extracting policy concessions from a target state is subject to three mechanisms: (a) the potential economic cost of a sanction to the target, (b) the target’s uncertainty about the resolve of the sender to impose the sanction, and (c) the domestic audience cost faced by the sender for backing down on

a threat.” (Drezner 2003; Lacy and Niou 2004; Whang, Mclean, and Kubersk 2013; Walentek et.al. 2021, 419). Expectations, credibility, strategic interaction, and relative power advantages are also notable factors that contribute heavily to sanctions efficacy. (Biersteker and Van Bergeijk 2015, 22; Onder 2021, 40). Some who defend the effectiveness of sanctions discuss that the study of them should be based on the targeted goals and not whether a regime failed. “By differentiating the effectiveness of sanctions according to their purpose, the research of the TSC has shown that sanctions intended to constrain or to signal targets are nearly three times as effective (27% of the time) as sanctions intended to coerce a change in behaviour (only 10% of the time).” (Biersteker and Van Bergeijk 2015, 19). For sake of brevity, the above-mentioned positions on the sanction's efficacy debate comprise only a small portion of the vast literature on the topic. Although the discussion is not all-encompassing it demonstrates a consistent avenue for contribution through the premise of this study.

U.S. INVOLVEMENT IN MULTILATERAL SANCTION REGIMES

Scholars accept that the U.S. has a longstanding history of utilizing sanctions as a foundation for various efforts on the global scale. Volumes of literature are written on some of the most well-known U.S. sanction regimes toward Iran (Katzman 2010; Beall 2015), North Korea (Lee and Choi 2009), and Russia (Nelson 2017). These efforts include but are not limited to nuclear nonproliferation, anti-terror, and human rights. “The United States commonly deploys unilateral economic sanctions against evil dictatorial regimes, fanatical terrorists, nuclear weapons proliferators, and international narcotraffickers.” (Meyer 2008, 906). Accepted as they may be literature has varying descriptions of the efficacy of U.S.-led sanction regimes. “Findings indicate that U.S. unilateral economic sanctions are even less successful in coercing target countries to modify their policies.” (Askari et.al 2003, 1). “In the protracted sanctions regimes

initiated by the United States against Cuba, Iran, and North Korea since the Cold War era, these have not only diminished the possibility of cordial relations between the countries but have also hindered their willingness to cooperate on other foreign policy issues.” (Peksen 2019, 285). Moving forward from these determinations made by scholars a suitable next steppingstone is a question of what about U.S. multilateral sanctions?

Stemming from literature demonstrating that multilateral sanctions are more effective than unilateral ones, the question of U.S.-led multilateral sanction regimes requires discussion. The topic of multilateral sanction regimes usually runs in tandem with thoughts of an international institution such as the UN. The literature demonstrates however, most UN sanction regimes began with a unilateral regime before. "The majority of UN sanctions are preceded by unilateral or regional sanctions. Of the 23 cases of sanctions contained in the TSC data, 18 (78 percent) were preceded by national or regional sanctions.” (Brzoska 2015, 1341). This trend demonstrates an aspect that international sanction regimes are causally a product of unilateral regimes including those that were initiated by the U.S. This relationship provides an interesting aspect of which contribution is necessary. The literature demonstrates that for the U.S., the process of gaining support for a sanction regime is a priority. From 1990 through 1998, the U.S. unilaterally imposed twelve sanctions but was a part of thirty-six multilateral sanction regimes (Askari et.al. 2003, 32). This represents the peak of a period coined as “the decade of economic sanctions” which demonstrates a continual increase in the ratio of U.S. multilateral vs. unilateral sanction regimes (Askari et.al. 2003). The U.S. being a leading member of the UN, their participation in UN sanction regimes only further contributes to the importance of multilateral sanctions to the U.S. Scholars make a point to discuss that multilateral support can be cause for an unsuccessful sanction regime. “Many unsuccessful cases, such as U.S. sanctions against Cuba

or attempts to impose a grain embargo against the Soviet Union in 1980, are attributed to a failure to gain international cooperation.” (Martin 1993, 408). Martin goes on to discuss that multilateral sanctions usually occur under a type of asymmetry of interests between potential sanctioners. (Martin 1993, 408). This asymmetry of interests has the potential to be influenced by an almost limitless number of factors. As noted previously the debate on what makes sanctions effective is controversial and therefore the factors that contribute to gaining multilateral support fall into a similar situation.

With the literary basis that supports logic showing multilateral sanction regimes are a goal; the door is opened for questions toward the achievement of that end. Keeping in line with that reasoning, an area lacking in the literature demonstrates the shift toward multilateral sanctions but what the literature does not provide is a substantial insight into causal factors that affect gaining the support of other actors. As noted asymmetry of interests can be anything, but this study seeks to determine how does the U.S. makes that asymmetry of interests favorable to both themselves and the actor so that they can gain multilateral support. Literature discussing domestic actors' support such as companies and organizations in the private sector provides compelling arguments toward their importance in facilitating sanction cooperation (Lektzian and Biglaiser 2013). This study departs from that literature and seeks to determine circumstances that affect the U.S. ability to gain support for their sanction regimes from other international actors in a specific and focused way. This specificity provided will contribute to the literature on U.S. involvement in multilateral sanction regimes in a way that is more internationally focused and of use to policymakers of the future.

SECONDARY SANCTIONS LITERATURE

Secondary sanctions are not a new concept or tool used by states, they do not however receive the measure of literature that they are warranted. In 1982 the U.S. utilized secondary sanctions via the prohibition of U.S. companies from providing parts and services toward the construction of a soviet led European pipeline while also and most controversially extended this prohibition to foreign subsidiaries of U.S. companies (Meyer 2008, 927). The definition of secondary sanctions is common among scholars with few variations. Meyer defines secondary sanctions as “Economic restrictions designed to deter third-country actors from supporting a primary target of unilateral sanctions.” (Meyer 2008, 906). One notable variation is the addition of a synonymous term coined extraterritorial sanctions. “Secondary or extraterritorial sanctions penalize third-country individuals and companies for dealing with sanctioned countries.” (Tirkey 2019, 1). Although sanctions range in a wide area of implementation their efficacy is a topic that is highly debated among scholars. Most of this debate is on primary sanctions, but secondary sanctions are not excluded. “Secondary sanctions have proved cringingly controversial and often politically counterproductive. By impeding the business interests of major U.S. trading partners that have not joined a U.S. sanctions effort, secondary sanctions can antagonize major trading partners of the United States and undermine U.S. efforts to rally consensus for more effective multilateral sanctions.” (Meyer 2008, 906). Even with this antagonization, secondary sanctions have become a first-choice tactic of U.S. policymakers. This first choice tactic is overused significantly. This is due to the dynamic way the U.S. implements Secondary sanctions as a punitive measure on both ally and adversary alike. “US secondary sanctions have been heavily criticized for their extraterritoriality and were once a source of serious tension between the USA and its allies.” (Han 2018, 475). They seek to apply coercive pressure on any actor who does not

act in accordance with the overarching goals of the regime. “Rather than enforcement through civil or criminal penalties, secondary sanctions rely on the ability of the U.S. government to leverage the dominance of the U.S. financial system to coerce foreign persons to forgo otherwise legal transactions with sanctioned persons.” (Bartlett and Ophel 2021, np). These sanctions are implemented to provide the necessary support for the sanction’s regime, cooperative or not, and makes a causal analysis of circumstances toward that efficacy a needed contribution to the literature.

The question that this study seeks to answer is not one of legality or controversy but one of causation and efficacy. This question is not organically new in a general discussion of secondary sanctions “Faced with a secondary sanction threat, under what conditions is the third party willing to participate in a multilateral sanction campaign?” (Han 2018, 475). “The choice between aiding the United States or the target of its economic sanctions forces third-party states to prioritize between the diplomatic relationships they have with both countries.” (Early 2012, 548). As noted above the implications of these choices have varying effects depending on whether the third party is an ally or adversary. Where this discussion seeks to break from standing literature is the implementation of secondary sanctions on specific allies of which other causal factors, to be discussed in the methodology section, have decisive input on their efficacy. Current literature utilizes game-theoretic models to emphasize the relationship between the sender state, the target state, and the third party, resulting in a determination of credibility as a major causal factor determining the efficacy of secondary sanctions (Han 2018). Others have made note of causal relationships between the sender state and the third party affected by secondary sanctions on the topic of cooperation “When the costs of cooperating are low, sender allies tend to be more supportive of its sanctions than other countries” (Early 2012, 568). This

study takes this analysis one step further to discuss the relative power between the sender state, and the target state with the third-party state with the goal of displaying how the relative power relationship, cost to the third party, and third-party dependency on the target state can influence credibility and ultimately efficacy of secondary sanction regimes.

POSITIVE INDUCEMENT LITERATURE

Positive inducements for international cooperation are a method used by many actors who try to gain support for goals and endeavors in a non-coercive way. Bargaining literature notes that the method of positive inducements is vastly understudied in international relations. “Among the numerous sections of the International Studies Association, not one is explicitly devoted to the issue of positive inducements in world politics. Although there are numerous data sets on wars (e.g., the Correlates of War data set), military interventions (e.g., the data set entitled “International Military Intervention, 1981–2005”), and economic sanctions, none are devoted to positive incentives.” (Nincic 2010, 139). Those who do study it have an assortment of methods that constitute positive inducements. The most obvious of which is monetary contributions that take the form of economic and foreign aid contributions. Another category inclusive of positive inducements is side payments. “Side-payments as an international bargaining tactic refer to compensation granted by policymakers to other countries (foreign policymakers or their state and societal constituencies) in exchange for concessions on other issues.” (Friman 1993, 388).

Within side-payments is the tool of issue linkages which is utilized substantially in contemporary literature and will serve as a prominent example of positive inducements in this study. Scholars have coined various definitions for the term while also discussing its importance. “Issue linkage—the simultaneous discussion of two or more issues for joint settlement—is

considered a key instrument by which states secure agreement.” (Poast 2012, 278). “A case of issue linkage occurs when one party in a dispute introduces a new issue into the dispute, demanding that any resolution address all of the issues.” (Lacy and Niou 2004, 26). “Issue-linkage may be employed by powerful states seeking to use resources from one issue area to affect the behavior of others elsewhere” (Axelrod and Keohane 2018, 239). Literature also discusses that the efficacy and study of issue linkages application are lacking much like that of positive inducements overall. “The truth is that, beyond some suggestive case studies and a few indirect statistical tests, there exists no direct and systematic evidence that issue linkages actually help states secure agreement” (Poast 2012, 278). Even so, literature provides tools to help understand issue linkages by defining three main types; tactical, fragmented, and substantive. Although issue linkages are associated with sanctions in literature, for the purpose of this thesis, Issue linkages are strictly viewed in instances of their application as a positive inducement. This is to help draw a direct line of logic allowing for an unfringed view of their contribution to positive inducements in international relations. “Issue linkages create benefits for parties that will otherwise find a treaty to be of little value or make clear to concerned parties that signatories will remain committed to a final agreement.” (Poast 2012, 278). That occurrence is exemplified via the application of positive inducements in the case study to follow. The pioneer of this concept Ernst B. Haas, describes the rationale for the concept, “The objective is simply to obtain additional bargaining leverage, to extract a quid pro quo not obtainable if the discussion remains confined to a single issue.” (Haas 1980, 372). “If used to provide a positive inducement, linking unrelated issues diminishes conflict during negotiations.” (Poast 2012, 281). Issue linkages prove to be a vital aspect of positive inducements as they possess the ability for states to diversify their negotiations toward a positive end for all parties involved. The ability to use issue linkages

exclusively in a positive light increases the power of an actor to achieve the desired result, even if it is less favorable for the subject state, by incentivizing their participation to a point where relative gains are equal to or greater than those of non-participation.

EUROPEAN SANCTION SUPPORT

When introducing the topic of European sanction support, a brief discussion highlighting the evolution of their relationship with the U.S. is necessary to provide context. The inception of the North Atlantic Treaty Organization (NATO) in 1949 marks a point where U.S. and European relations would begin to evolve into what exists in current times. Although not economic in nature, the European actors realized that collective security was a necessity and through the North Atlantic Treaty they were able to find such with the inclusion of the U.S. and Canada. “In this agreement, the United States, Canada, Belgium, Denmark, France, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, and the United Kingdom agreed to consider attack against one an attack against all, along with consultations about threats and defense matters.” (*North Atlantic Treaty Organization* 2021). This would open the door for economic relations as the European states would soon realize that they needed not only military cooperation but economic cooperation as well.

On November 23rd, 1990, the U.S. and the EC both signed the Declaration on EC-U.S. relations more commonly known as the Transatlantic Declaration (TAD) (EU Texts 2021). Scholars note that this document was very much a “top-down document” however it provided a long-term endowment of the U.S.- EC relationship and more importantly laid an institutional framework for consultation between the two states (Henrikson 1995, 2). This declaration can be viewed among the first formalized look of what goals and ideals brought the two actors together and what they both strive for within their cooperation. The declaration reinforced the commitment of both actors to NATO and its principles and then proceeded to lay out common

goals that serve the interests of both parties. Amongst those goals were the support of democracy, aid for developing countries, furthering of the multilateral trade system, and, most notably for this study, "safeguard peace and promote international security, by cooperating with other nations against aggression and coercion, by contributing to the settlement of conflicts in the world and by reinforcing the role of the United Nations and other international organisations." (Transatlantic Declaration 1990). The goal to cooperate against coercion is a key takeaway from this document as literature will show that the U.S. will not hesitate to utilize coercive tactics on allies and that the European actors have legislation defending against said coercion.

Although the declaration provides a concrete document formalizing the new bilateral relationship, it did not operationalize them, and therefore "It did not, in itself and by itself, *do* very much." (Henrikson 1995, 3). This created the necessity for further specifications about the true intentions and agenda of this newly formed relationship. In 1995 the New Transatlantic Agenda was established by the EU and the U.S. "The NTA set four major goals which are the framework for U.S.-EU joint action: 1) promoting peace, development, and democracy around the world; 2) responding to global challenges; 3) contributing to the expansion of world trade and closer economic ties; and 4) building bridges across the Atlantic by encouraging closer communication between people." (*New Transatlantic Agenda* 1996, np).

The underlying connotation of early EU-U.S. relations laid a tone of cooperation and commitment toward joint goals there was no shortage of disagreements and turmoil between the two actors. In 1996 the U.S. passed the Helms-Burton Act that implemented secondary sanctions and drove the EU toward resentment and action. Scholars note that the most controversial portions of this act were Title III and Title IV. These two titles rely on the concept of trafficking to grant them power. The act describes these occurrences of trafficking "The Cuban Government

is offering foreign investors the opportunity to purchase an equity interest in, manage, or enter into joint ventures using property and assets some of which were confiscated from United States nationals.” (Congress.gov H.R. 927 1996, 792). “Title III penalizes such activity by creating a right for U.S. nationals, whose claim to property confiscated by the Cuban Government has been certified under Title V of the International Claims Settlement Act, to sue those engaged in “trafficking” in U.S. federal courts.” (Davidson 1997, 1430). The act had an extremely broad acceptance as to who is considered "engaged". The breadth of this definition was purposeful and served to undermine international engagement with Cuba, however, it also created tension with Europe in the same vein. “Title III provides that such proceedings may lead to judgments against EU citizens to pay multiple compensation to a U.S. party” (Huber 1996, 701). The EU immediately condemned these actions.

In fairness to the EU, its unrest was not specifically caused by what the act sought to do with Cuba, but it was more than they realized they needed protection from third-party legislation affecting them, in other words, they needed to nullify the legality of secondary sanctions. In an effort to achieve this protection the EC came together to create “COUNCIL REGULATION (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom” (Council Regulation 1996, 1). Amongst the most important parts of this legislation is article four which “Article 4 prohibits, in categorical terms, the recognition and enforcement of any judgment of a court as well as any decision of an administrative authority located outside of the European Community giving effect to the Helms Burton Act or the D'Amato Act or to actions based thereon or resulting therefrom.” (Huber 1996, 704). This served to directly counteract article III of the Helms-Burton Act and nullify its enforceability. This would also

undermine the legality of secondary sanctions on the international stage. This debate is still relevant today as scholars now openly dissent U.S. secondary sanctions and continue to reinforce the Council regulation.

The legality of secondary sanctions has shown to play a role in the past decisions of the EU toward the U.S. and that trend continues. Rapidly following the U.S. unilateral withdrawal from the Joint Comprehensive Plan of Action (JCPOA), more commonly known as the Iran Nuclear Deal, the EU updated the Council regulation to nullify the reimposed secondary sanctions and allow for their firms to continue to do business with Iran. “On 8 May 2018, the United States announced they will no longer waive their national restrictive measures relating to Iran. Some of those measures have extra-territorial application and cause adverse effects on the interests of the Union and the interests of natural and legal persons exercising rights under the Treaty on the Functioning of the European Union.”. (Commission Delegated Regulation (EU) 2018/1100 2018, 1). In its 2021 Communication “The European economic and financial system: fostering openness, strength and resilience” of 19 January 2021, the Commission announced that it would consider amending the blocking statute to further deter and counteract the unlawful extra-territorial application of sanctions to EU operators by countries outside the EU.” (*Blocking Statute* 2021, np).

European involvement in sanction regimes is a product of their prime position for global involvement and a thriving European Union that conducts trade with the globe in its entirety. They have played a key role in both implementing sanctions but also in contesting U.S. sanctions. Within the European sphere, the EU can enact sanctions through the consensus of its member states. This creates a unique position in which the EU is an international institution but also has the characteristics of a state. Scholars have studied the EU and its sanctions

implementation over history and have discerned that their policies vary based on geographic location in proximity to Europe (Portela 2005, 85). Literature shows that there is a distinction of “strands within EU sanctions usage:

“EU sanctions practice features two distinct strands: Firstly, the EU decides and implements its own sanctions in the absence of a UN Security Council (UNSC) mandate. This is referred to as the EU’s autonomous practice. The EU has reached consensus on a number of sanctions regimes in the absence of pre-existing UNSC resolutions, thus developing a rich autonomous sanctions practice that has become more frequent and more sophisticated over the years. Secondly, it implements sanctions regimes decided on by the UNSC, which are mandatory. Here, the EU acts in effect as an implementing agency of the UNSC. The EU’s writ to implement UNSC sanctions is derived from the duty that individual EU member states assume as members of the UN to comply with Security Council resolutions and is justified on the basis of its responsibility to prevent distortions in the common market as well as considerations linked to the efficacy of implementation.” (Portela 2014, 1).

Within these two strands is the ability to choose to support or not to support any sanction regime that is not within the UNSC mandates. This ability compiled with global European interaction makes for a lucrative area to study the ability to gain support for sanction regimes. Though the U.S. and the majority of Europe are partners, literature, as noted above, has emphasized that enacting secondary sanctions on allies or partners does not dissuade the U.S. In the grand scheme of sanctions literature primary regimes against allies is not likely however secondary sanctions toward allies, including European actors, have been criticized and studied throughout the past thirty years.

During the period of the late 1990s through the early 2000s, the potential effects of secondary sanctions were not lost on the EU. The U.S. allies were rejecting their power to enforce secondary sanctions. This coupled with the “passage of the Helms-Burton Act and the Iran and Libya Sanctions Act of 1996 (ILSA), directed at the activities of non-U.S. companies in third countries, has provoked a prolonged dispute with the European Union (EU) and with several other U.S. allies and led to the making of a new European Community (EC) Regulation

designed to protect European businesses from their effects.” (Davidson 1997, 1425). This regulation was designed to protect the EU from secondary sanctions by any government enacting the. The regulation reads “COUNCIL REGULATION (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom” (Council Regulation 1996, 1). The implementation emphasizes the perspective of the European actors and their dissent for U.S. secondary sanctions. However, this does not mean that the sanctions were not effective. Recent trade data from 2019 demonstrates that secondary sanctions implemented to stunt trade with Iran were substantially effective at achieving their desired ends in Europe. “Following the re-imposition of US sanctions, EU oil imports have quickly ground to a halt, with other non-EU importing countries, such as China, India, Japan and South Korea also gradually reducing exposure to Iran’s oil market.” (Alcaro and Desi 2019, 8). This occurrence brings forth a crucial question of this study; what circumstances made these secondary sanctions work to gain the support of European actors, amongst others. Literature has made it clear the dissent toward secondary sanctions, yet it also illuminates a contradictory case of efficacy as well providing a well-placed opening for contribution.

This study does not dismiss the effects of positive inducements on European participation in sanctions regimes either. Scholars agree that the EU is not a military power by any traditional definition (Nielson 2013) however their economic prowess is a measure they are willing and capable to use. The EU's use of contractual negotiations, economic incentives, and less aggressive development policies (Nielson 2013, 729) cement their familiarity with the concept of positive inducements. Where this study departs from literature is to pose the question of the efficacy of positive inducements that are utilized to gain European support. As a proprietor of

positive inducements, literature discussing their use from the EU perspective does not provide insight into their considerations when faced with the opportunity to receive said inducements. These considerations are subject to influence by factors that this study seeks to directly evaluate and discern the circumstances upon which they are effective and to what extent.

CONCLUSION

The voluminous debate on sanctions efficacy provides sound cause for continued research into not only their efficacy but circumstances and tools that seek to affect it. It is necessary through the review of the sanctions debate, to broaden the questions being asked when considering how sanctions are studied and what constitutes effectiveness. All of the aforementioned areas in literature coincide with the question of this study; What circumstances determine whether secondary sanctions or positive inducements are more effective in gaining European support for a U.S.-led sanctions regime? This study, spurring from the interdisciplinary review of literature above, contributes an effective analysis and focused understanding of causal factors, circumstances, and a new frame on variables that not only affect sanctions efficacy but also how they are utilized as tools. The study to follow will utilize contributions from these disciplines to further the sanctions debate while providing a policy-relevant tool of literature that can be used for the future of foreign policy regarding sanction regime support.

METHODOLOGY

To examine the distinct causal variables that contribute to the efficacy of secondary sanctions and positive inducements in gaining European support for a U.S.-led sanctions regime, this study will utilize Mill's method of agreement (Mill 1869) implementing the structured focused comparison case study approach (George and Bennett 2005) on two cases in which European actors are being sought out to support a U.S.-led sanction regime. John Stuart Mill was a renowned eighteenth-century English language philosopher who "sought to combine the best of eighteenth-century Enlightenment thinking with newly emerging currents of nineteenth-century Romantic and historical philosophy." (Macleod 2020, np). Mill's method of agreement originates in one of his most notable works *A System of Logic, Ratiocinative and Inductive: Being a Connected View of the Principles of Evidence and the Methods of Scientific Investigation*. The method of agreement, in its simplest form, utilizes the comparison of two or more cases in which most of the independent variables are non-consistent with each other and yet the results of the case are similar, allowing for the determination of causation regarding specific independent variables. Mill explains the occurrence as follows:

"Let A, then, be an agent or cause, and let the object of our inquiry be to ascertain what are the effects of this cause. If we can either find, or produce, the agent A in such varieties of circumstances, that the different cases have no circumstance in common except A; then whatever effect we find to be produced in all our trials must, it would seem, be the effect of A." (Mill 1869, 222).

Mill's method provides the ability for comparison between the case studies to follow and in a more specific note, allows for the isolation of variables that will provide evidence of thoughts, actions, and occurrences in which secondary sanctions or positive inducements are circumstantially more effective than one another. Although Mill's method addresses the comparative nature and provides comparative power via literature, more structure is necessary to

facilitate both the specificity and application necessary of this thesis. To add to the applicability and merit of this study the structured focused comparison method pioneered by Alexander L. George and Andrew Bennett in their 2005 book: *Case Studies and Theory Development in the Social Sciences* will be utilized. This method provides a framework ensuring effective data collection by asking a set of standardized yet general questions of each case to ensure the acquisition of comparable data across all cases in a study (George and Bennett 2005, 69). This method also outlines the need for the “Universe- that is the “class” or “subclass” of events- of which a single case or group of cases to be studied are instances.” to be clearly defined (George and Bennett 2005, 69). With this precedent, the methodology of this study will be discussed in six parts. The first will be the case selection standards and justification of cases followed by the second section covering specific terminology as it applies to this study. The third section will explain the variables of this study and the fourth will cover the hypotheses. The fifth section discusses comparative tools and metrics, in keeping with the framework outlined above. The final section addresses notable limitations of the study.

CASE SELECTION STANDARDS AND CASE JUSTIFICATION

Case selection standards are a vital part of any theory or framework's applicability within Academia. For this study and its framework, the “universe” of cases are cases that meet two main criteria. First, the case must be an instance during which the U.S. has enacted a sanction regime toward a target state that it wants its European partners to support. The entanglement of the U.S. and Europe has been subject to almost every type of relationship that can be demonstrated on the international stage. From adversaries, neutrals, and now in modern times allies, the evolution of relations between both have become a crucial part of world history. This relationship has grown ever stronger with globalization, alliances, the establishment of NATO,

the UN, and an important institution for Europe, the EU. As history continues Europe has ascended to one of the major hubs for trade in the world. Their premier institution, the EU, accounts for 15.6% of the global imports and exports annually (The Economy 2020, np). For reference in 2017, the U.S. accounted for 14% of the world's exports and 18% of its imports (The EU, USA and China 2017, np). The ability to shut off a target state from partners who comprise nearly 30% of the global trade is a lucrative prospect to increase the efficacy of the sanction's regime.

Second, it must include the use of secondary sanctions or positive inducements toward those European partners in an effort to gain compliance. These sanctions can be targeted at both governments and partner state firms. For the applicability of this framework, secondary sanctions targeted at partner state firms provide the most insight into the causal mechanics behind compliance. This does not discount those targeted towards governments however, firms tend to act autonomously from their governments when pursuing their best interests, and as such sanctions on firms provide a more concrete causal path which is significantly less complex than the immense pressure of politics and political actions. Positive inducements included in the cases cover a wide range of possibilities. These include monetary contributions, omission of sanctions toward specific actors, and other actions that are specifically for the benefit of the partner states.

One additional consideration that does not impact the universe of cases so much as the process of selecting which case to study is that the cases must provide insight into the choices of both the sender state and partner state regarding the utilization of secondary sanctions vs positive inducements, the carrot vs the stick, to gain support for the U.S. ambitions. This means that evidence of the inception thought processes and reactions of both the government actors and firms must be available to analyze toward applying this framework. This study utilizes news

articles, scholarly articles, government documents, partner state leader speeches, amongst other forms of justification to validate these causal relationships. In line with these criteria two cases were chosen that provide not only insight into the carrot vs the stick, but also differ substantially allowing demonstration of the versatility that the framework of this study provides. The first case delves into the U.S. departure from the JCPOA and reinstatement of sanctions and the second explores the sanctions against the Russian-led Nord Stream 2 and TurkStream energy pipelines in Europe.

The U.S. has sought European support for a sanction regime against Iran on a few occasions, notably beginning around 2006 and leading to the JCPOA in 2014-15, and during current events, post unilateral JCPOA departure in 2018 (Aslan 2018; Meagher 2020). The history of their interrelationships on this very topic differs substantially from that of the modern case. Nearing the end of the Bush administration but lasting through the majority of the Obama administration, the buildup toward the JCPOA was one during which both the U.S. and EU interests were nearly parallel to each other. Mutual goals of nonproliferation made gaining European support easier, so easy that the EU over complied with the initial sanction regime and allowed for a dynamic to form that provided secondary sanctions to flourish. “The EU imposed new sanctions on Iran that went further than U.N. resolutions. The decision provided a ‘comprehensive and robust package of measures in the areas of trade, financial services, energy, transport as well as additional designations for visa ban and asset freeze, in particular for Iranian banks, the Islamic Revolutionary Guard Corps (IRGC) and the Islamic Republic of Iran Shipping Lines (IRISL),’ according to a press statement.” (Posch 2010, 6). This compliance is significant and demonstrates the foundations of secondary sanction efficacy in action. It would be unfair to say that the compliance was unanimous, there were some advocates for noncompliance. "Despite

protestation from some of its member states (e.g., Belgium), the EU fell into line with U.S. policy—essentially ratifying American use of secondary sanctions against a European banking system that has never before ousted a nation from its network." (Meagher 2020, 1014).

This precedent of compliance has opened the door for this case study to demonstrate the causal mechanisms that make secondary sanctions effective in gaining support for a sanction regime. This case to be examined differs from those of the past through a crucial aspect, mutual interests. In the past, as noted, the U.S. and the EU's interests aligned and thus fostered compliance, complementing secondary sanctions and the participation of firms. That is not the case in modern times. With the U.S. unilateral withdrawal from the JCPOA and subsequent reimposition of sanctions on Iran, the interests between the U.S. and the EU are quite the opposite.

Russian natural gas pipelines provide another case suitable for this framework to analyze. This is because the case regarding the Nord Stream 2 and TurkStream pipelines is prominent in recent sanctions literature. Even so, a dive into this case shows that the sanctions imposed on the pipelines are not what meets the eye. Some of the sanction discussions within these cases provide evidence of positive inducements that the U.S. has provided its partners to achieve its goals.

Russia has continually had a distinct goal of lowering the amount of natural gas transiting through Ukraine. To realize these goals Russia has taken advantage of its mass natural gas repositories to build pipelines directly to both Germany and Turkey, essentially bypassing Ukraine in the process. "Before Nord Stream 1 opened in 2011, about 80% of Russia's natural gas exports to Europe transited Ukraine. In 2019, about 45% of these exports transited Ukraine." (Belkin et.al. 2021, 1). With the completion of both pipelines these numbers will drop considerably more. The U.S. perceives these actions as tactics that will cause their partner states

to become majorly dependent on Russian energy exports and therefore it provides leverage against them. This also provides openings for Russian exploitation of Ukraine which is another area that is unfavorable to the U.S. Under this premise the U.S. utilized the Protecting Europe's Energy Security Act (Peesa), to implement sanctions against Russia. This also initiated secondary sanctions on firms that had a part in the physical construction of the pipeline. This plays an important role due to the firm Nord Stream 2 AG which was run by Russian energy giants Gazprom but operated out of a Swiss-based enterprise. "In April 2017, Nord Stream 2 AG signed the financing agreements for the Nord Stream 2 gas pipeline project with ENGIE, OMV, Royal Dutch Shell, Uniper, and Wintershall. These five European energy companies will provide long-term financing for 50 percent of the total cost of the project." ("Nord Stream 2." 2022, np)

The actions taken toward this firm by the U.S. represent a unique area for study. The U.S. elected to exempt Nord Stream 2 AG from sanctions, even with proof of sanctionable activities, in efforts to reinforce a distraught relationship with Germany. A State Department report sent to Congress concluded that Nord Stream 2 AG and its CEO, Matthias Warnig, an ally of Russian President Vladimir Putin, engaged in sanctionable activity." (Shalal et. al. 2021, np). This exemption paved the way for a pact between the U.S. in Germany that not only saw Germany guarantee to abide by U.S. sanctions should the case arise, but also to enhance them with their sanctions against Russia. The dynamics of this case provide value to demonstrate the dexterity of this framework.

Both cases noted above are exceptional for this study for multiple reasons. First, they fall in line with Mills' method of agreement in that both cases have different situations but end at the same conclusion, the U.S. gains the support they desire. Secondly, both cases meet the three criteria outlined for a case that will effectively utilize this framework for analysis. Thirdly, in

both cases the partner state does not want to comply with the U.S. sanction regime. This allows for the application of this framework toward an unusual occurrence and as such the can yield results that can practically aid policymakers. And finally,, both cases differ in various areas regarding the target state, political rhetoric, economic interactions, level of actor (Germany vs the EU) and the implications of compliance vs noncompliance. Together these demonstrate the versatility this framework provides.

TERMINOLOGY

Terminology is key in any project. The following section briefly aligns the terminology to be utilized throughout the remainder of this study.

Partner: The term “partner” will exclusively be utilized to describe the European actors that the U.S. seeks support from. This distinction is necessary to separate the target of the overall sanction regime (Iran or Russia) from the target of the secondary sanctions and positive inducements while also allowing for implementation across both case studies to follow without confusion. These European "partners" include both the EU for the purposes of the Iran case study and Germany who is the main proponent for the Russia case study.

U.S. Market: The term “U.S. Market” refers to the partner's market access from the U.S. perspective. "Market access refers to the ability of a company or country to sell goods and services across borders. Market access can be used to refer to domestic trade as well as international trade, although the latter is the most common context.” (Kenton 2021). This term is used to mean the access or lack of access to U.S. trade that can be amplified or inhibited by positive inducements or secondary sanctions.

Target State: The term “target state” will be used to describe the target of the overall sanction’s regime, for the purposes of the cases to follow this will be Russia or Iran.

Firm: The term “firm” is utilized to describe any business entity that is affected by or subjected to secondary sanctions or positive inducements. These include banks, large oil producers, and multinational corporations that are a target by U.S. methods.

VARIABLES

Clearly defining the variables to be discussed, analyzed, and tested is a crucial step in any project seeking to answer a question through research. This study is no different. To follow I will outline my dependent variable and two independent variables.

DV: The efficacy of U.S. methods at gaining European partner support for their sanction regimes.

The dependent variable for this study is the efficacy of U.S. methods at gaining European partner support for their sanction regimes. Within the evaluation of the cases in this study, this variable proves to be the product of the circumstances present within each case. Through analyzing both cases and the variables to be discussed below the analysis provides criteria and insight into what makes European partners support sanction regimes; more specifically, under what circumstances do positive inducements or secondary sanctions work better to gain the desired partner support?

IV1: Partner’s expected economic costs

The first independent variable is the partner’s expected economic costs. Coercion literature indicates that recent studies show sanctions efficacy directly related to the expected cost to the target state. "The success of threats of economic sanctions appears to be statistically related to the target's expected cost of economic sanctions." (Walentek et.al. 2021, 420).

“Sanctions are more effective when the cost on the target is high, and the target’s ability access markets for goods and services blocked by sanctions is low.” (Onder 2021, 39). This fits well

with the topic of secondary sanctions as they are threats toward U.S. partners to gain support for a sanctions regime directly targeted at another country. In essence, the partner country is the target of the secondary sanctions.

Though this makes secondary sanctions a threat, a direct application of coercive methods does not arrive at the most rational outcome. Implementing coercion literature would argue that the higher the economic cost to the partner country the higher the efficacy of secondary sanctions. This is true but it lacks perspective. The goal of secondary sanctions is to align partners' interests with those of the U.S. via support. This brings forth the argument that the cost of the secondary sanctions must be higher than the cost of complying with the U.S. desired sanction regime for partners to comply. Negative reinforcement is not the only option on the international stage. Positive inducements specifically issue linkages have been contributed to multilateral sanctions efficacy in literature as well. A liberal institutionalist perspective demonstrates that creating issue linkages creates a scope for mutually beneficial exchanges (Keohane and Martin 1995, 41). These beneficial exchanges that Keohane and Martin discuss require the understanding that both sides incur a cost. Intuitive as it may be, the sender state would prefer to minimize the cost that they would incur when trying to gain the desired support. This leads to logic that attempting to compensate the partner enough to outweigh or mitigate the cost would force the sender state to consider if the cost they are incurring themselves is beneficial to their overall goals. This brings forth an argument for the strategic use of positive inducements in that if the cost is high for a partner state to abide by the sanction's regime, utilizing positive inducements to offset the cost can foster cooperation. It is important to understand this variable is contingent upon any situation that is not a zero-sum game, as such

neither case to be examined falls into this category and further explanation for this logic is discussed in the limitations section to follow.

IV2: The impact of secondary sanctions or positive inducements targeted at Firms.

The second independent variable is the impact of secondary sanctions or positive inducements targeted at firms. Firms play an important role as most secondary sanctions and some positive inducements are not so much targeted at the state level but at the economic level from which firms stand to gain or lose substantially. Firms directly impact a state's economy and economic capability. As to be shown, even if a partner state does not want to abide by U.S. requirements, private sector actors and the firms associated with them are much less accepting of risk in general and even less so when losing access to the U.S. market is the potential punishment.

Both cases to be examined reflect this and thus allow for the argument that the secondary sanctions targeted at partner state firms are generally effective at ceasing actions undesirable to U.S. interests. As noted previously the EU would pass a resolution condemning secondary sanctions and attempting to protect its members from them, this however can be proved unsuccessful via the case studies to follow that demonstrate the sanctions do have an effect via firms' actions within the partner states. The quantification of this efficacy will be shown via a comparison of all firms subjected to both secondary sanctions and positive inducements. It will demonstrate those who elected to comply as well as those who elected to disregard and through this comparison and the causal discussion within the cases the importance of secondary sanctions and positive inducements targeted at firms will be realized.

HYPOTHESES

With the variables now justified for this study, a series of three hypotheses will seek to operationalize these variables towards the determination of causal circumstances.

H1: The higher the economic cost to the partner the higher the probability that positive inducements will convince partner states to support the sanction regime.

The first hypothesis of this study is the higher the economic cost incurred by the partner state if they were to abide by the overall sanction regime, the higher the probability that positive inducements will convince partner states to support that regime. Although this causal logic may seem counterintuitive, it is justifiable. The premise is derived from an understanding that European partner states place their goal of global validity above all else and as such, any risk toward their access or participation with the U.S. open market is a threat to those goals. If the cost of compliance is high, then simply increasing the cost with sanctions would not provide any leverage or sway toward U.S. ideals. In other words, if the situation is a lose/lose for the partner state, with a high cost on either side, the partner state will have no reason to choose to comply with sanctions vice ignore them. Secondary sanctions inherently restrict or cut off access to the U.S. open market. Therefore, if the cost is high, then if the U.S. instead offers inducements to compensate for the high cost while also guaranteeing access to the U.S. market that is vital to partner states, the probability of positive inducement effectiveness should increase. The literature demonstrates that positive inducements, specifically issue linkages are a costly endeavor (Poast 2012). The willing incursion of the cost of negotiations, compiled with the positive inducement provides not only a counterbalance to the cost but also credibility to the inducement. This comes from the perspective that partner states consider the U.S. market invaluable and, as the cases to

follow will show, are willing to make concessions to ensure access to it even when the cost on the opposite side is high.

H2: The lower the cost to the partner state the higher the efficacy of secondary sanctions to gain support via cooperation

Conversely, the second hypothesis is that the lower the economic cost incurred by the partner state if they were to abide by the overall sanction regime, the higher the probability that secondary sanctions will gain support for the regime from the European partners. The implementation of secondary sanctions poses the partner state with a decision point. They must choose between continuing the actions non-favorable to the U.S. at the cost of the U.S. market coupled with various other hindrances on the international stage, or choose to abide by the sanctions and instead bear a cost associated with the cessation of actions non-desirable to the U.S. If the cost of cessation is low when compared to the cost of losing the U.S. market, then partners are highly more likely to brunt said cost than attempt to risk the U.S. market access for something of a low inconvenience. In other words, the less that the partner state stands to lose by abiding by the sanction's regime the more effective secondary sanctions become in gaining the desired support from European partner states. This can be defended by literature previously noted about the U.S. lack of hesitation to sanction allies and partners alike (Cox and Drury 2006) and through the cases that demonstrate the comprehensive U.S. sanction regimes (Askari et.al 2003). With this logic in place, the partner state's expected economic costs are an imperative variable to consider when identifying the circumstances that lead to a partner's support for a sanctions regime.

H3: Secondary sanctions targeted at firms are more likely to yield concessions than those directed at government entities.

The third hypothesis of this study discusses the autonomy of partner state firms. Firms are more likely to abide by secondary sanctions unilaterally regardless of the partner state action because of their generally risk-averse posture. Specifically firms whose role is a catalyst for an action unfavorable to the U.S can be subjected to sanctions specifically. These firms, particularly energy, banking, infrastructure, and others whose access to the U.S. market is a top priority; are especially vulnerable to U.S. secondary sanctions as they stand to lose substantially if the U.S. market was closed off to them. Concessions yielded by a partner state to secondary sanctions are at the mercy of politics and all complexity that entails. Secondary sanctions targeted at firms become a threat to self-interest and as such illicit a reaction that serves the firms interests overall without consideration otherwise. This justification leads logic that in an effort to protect its economic stability and access to the U.S. market, firms will abide by secondary sanctions.

Through this causal logic, this hypothesis seeks to illuminate a specific aspect of secondary sanctions that can further the calculus of U.S. policymakers and be a tool of exploitation for the U.S. in the quest to gain partner support for a sanction regime.

COMPARATIVE TOOLS AND METRICS

Utilizing Mill's method of agreement requires that most variables differ while the outcomes are similar. This is not a plausible demand via the scope of current international relations, however within the two cases to be examined the outcome of U.S. sanction regime support, willing or not, is achieved. The methods utilized to gain support however have both similarities and differences making the case of the U.S. and European Union relationship with Iran vs the Nord stream 2 and Turk stream pipelines with regards to Russia optimal to apply Mill's method towards. To prove these occurrences various data types will be utilized. Amongst the most prominent of the data sources will be Eurostat data from 2020 (EU 27 2021), EU trade

data from various years spanning the context of both case studies (Directorate General for Trade 2021, Top EU Trading 2019; European Commission 2021, European Commission 2021a). Also notable will be GDP values from the world bank (Islamic Republic of Iran 2021, The World Bank in Russia 2021). The quantifying sources compiled with both scholarly work, diplomat and policymaker perspectives, and speeches and firm press releases will provide a comprehensive display of both cases in keeping with Mill's method.

Keeping in line with the structured focused comparison method I have outlined five generalized questions that will be imperative for extracting comparable data from both case studies. These questions are not all-inclusive however will serve as vantage points from which the cases can be compared.

Q1: What methods for gaining support for a sanction regime were utilized within the case?

This question serves to baseline the comparison between any cases and provides an upfront view of the U.S. methods to be discussed. This question is also vital for case selection and ensures the focal points of both cases align to produce the ability to draw useful conclusions regarding secondary sanctions and positive inducements.

Q2: How does the sender state weigh the risks of one approach over another when seeking support for a sanction regime?

The logic of the sender state is important as the study seeks to both learn from and contribute to this logic in the future. The sender state must also take risks when utilizing either secondary sanctions or positive inducements and receptiveness can be a function of the legitimacy of these actions.

Q3: What does the partner state stand to lose from abiding by the overall sanction regime?

Costs are an essential aspect to aid in understanding the logic of the partner state and in doing so contributes to the ability of this study to draw realistic conclusions toward the end of causal analysis as to why the partner state did or did not abide by the regime. What they have to gain in most cases is the maintenance of access to the U.S. Market and offsetting positive inducements. The question provides insight into what the partner sees as the cost and if it is worth it.

Q4: How did firms in the partner state weigh the effects of secondary sanctions or positive inducements against their interests?

The calculus of firms is a vital aspect of this study. It can be nearly unilateral from the position of the state, as the state seeks what is best for itself the firms do the same. However, as noted, they are much more risk-averse, and diplomacy is not nearly as much of a factor as revenue. As such the calculus of the firms actions in response to U.S. actions plays a role in both coercing the partner state one way or the other and allowing analysis of a particular venue toward causing the desired result for the U.S.

Q5: Were there any other overt variables affecting the case that do not fall in with the outlined variables of the study?

As with any study, it would be unreasonable to expect that causal analysis is limited to a narrow scope of variables outlined in any one study. As such these questions serve to draw forward any variables unaccounted for allowing for both the understanding of their impact and as a basis for inclusion in future studies on the subject.

The questions above were selected to be generalized enough to apply to any cases seeking to answer the research question posed by this study but also allow for specific areas of each case study to be compared relating to the independent variables. These questions serve as a framework to facilitate case selection, evaluation, and applicability to policymakers and scholars of future studies alike. Most importantly the questions open the doors for discussion of specific factors in each case study to provide a comprehensive analysis of which to conclude.

LIMITATIONS

As within all studies, limitations are present and affect the methods and results alike. For this study, there are several limitations. The first limitation is that some forms of positive inducements, such as issue linkages trend in a grey area considered as both coercive and positive inducements (Lacy and Niou 2004). To combat this grey area and for sake of drawing a definitive line between “the carrot and the stick”, issue linkages in discussion take only the form of those that are used in a positive note, to forge cooperation without the use of coercion. This limitation is important because issue linkages, although not a primary focus of this study, is a notable means by which positive inducements can be achieved. A second limitation is that utilizing trade data as a metric for my independent variables reflects that I am not an economist by trade therefore the use of the metrics are taken at face value without the in-depth analysis that economic scholars would put into deciding which trade factors to utilize. A third limitation is the current implications of the data. Both of the case studies being examined are recent developments, as recently as early 2021, new data and statements are being released on both cases and therefore the ability for this study to be all-encompassing is much more limited than that of a traditional fully studied historical case analysis.

Another limitation is that of the zero-sum game which comes at the expense of assumptions. Any assumption in a study comes with inherent risk. In this study it is not farfetched to assume that all actors in both case studies are rational actors, however, sovereignty and rational choice although prevalent, may not yield the results that are expected. This is to say that in the event a situation arises in which the cost of sanctions by the U.S. is equal to the expected gain or loss of the partner's situation with the target state, a rational assumption is that the partner values access to the U.S. market over other relationships and therefore would choose the option that favors the U.S. This however cannot be guaranteed and is a limitation of this study. In both cases to be examined this does not occur however for future studies in this realm, it is imperative to state that a stalemate of cost-benefit for the partner state in no way guarantees the U.S. success in the quest to gain support for a sanction's regime. A final limitation is that the cases selected, although considered rigorously, are a subject of my own bias and not a reflection of all cases in which the U.S. seeks out European support.

IRAN CASE STUDY

History shows that the U.S. has an embedded policy on Iran one that is most notably attributed to two things, nuclear proliferation, and sanctions. In line with the latter, the U.S. has recognized that to enact effective sanctions against Iran the support of European partners is paramount. This realization is not new, in actuality, the U.S. stumbled upon it. "According to one senior banking executive based in Europe: 'When the United States began using its secondary sanctions, it didn't know if it would work. There was trial and error involved. If at that time, all of the European central banks resisted these measures, it is uncertain if the U.S. could target them.'" (Meagher 2020, 1013). Instead of resistance, history shows that compliance was the choice made by European firms and as such a strong foothold that has evolved into the modern-day secondary sanctions was established. "Unfortunately for the EU, the various European central banks did not respond aggressively, and the United States' reliance on secondary sanctions has only increased. (Meagher 2020, 1013). This precedent of compliance provides a starting point from which this case study will demonstrate, analyze and seek to operationalize causal relationships to uncover what conditions make secondary sanctions effective in gaining support for a sanction's regime. This case to be examined differs from those of the past through a crucial aspect, mutual interests. In the past, as noted, the U.S. and the EU's interests aligned and thus fostered compliance, complementing secondary sanctions and the participation of firms. That is not the case in modern times. With the U.S. unilateral withdrawal from the JCPOA and subsequent reimposition of sanctions on Iran, the interests between the U.S. and the EU are quite the opposite.

This opposition between the U.S. and partner states provides a foundation on which to base this case. Through statistical data, evidence demonstrating secondary sanctions were

effective even when met with resistance from the partner states can be derived. After the ratification of the JCPOA trade between Iran and European partners, specifically, the EU for this data skyrocketed. EU imports from Iran grew 347% from 2015 and exports to Iran grew 27% (Directorate General for Trade 2021, 3). These numbers would continue to increase in 2017 where an additional 84% more imports and 31% more exports making the trade between the EU and Iran in 2017 more valuable than all trade between the two countries from 2013-2016 collectively (Directorate General for Trade 2021, 3). Iran's GDP also followed this upward trend increasing from \$384.95 Billion USD in 2015 to \$445.35 Billion USD in 2017 (GDP (Current US\$) 2021, np). "Following the re-imposition of US sanctions, EU oil imports have quickly ground to a halt, with other non-EU importing countries, such as China, India, Japan and South Korea also gradually reducing exposure to Iran's oil market." (Alcaro and Desi 2019, 8). The trade data demonstrates evidence of this claim, in 2018 at the peak of Iran-EU interdependence petroleum imports from Iran were valued at 8,255 million euros; in 2019 this decreased to only 13 Million Euros worth of petroleum which is over a 90% decrease (Directorate General for Trade 2021, 5). Iran's GDP plunge complements the trade data as the drop to a GDP of \$294.36 Billion USD in 2018 and \$258.25 Billion USD in 2019 mark the lowest it had been since circa 2005 (GDP (Current US\$) 2021, np). Notwithstanding the EU, Iran's exports to the world dropped 55% in 2019 and another 50% from that in 2020 (Directorate General for Trade 2021, 8). The sanctions regime targeted the petroleum exports of Iran viciously. "The United States is targeting private and public sector entities around the world that engage in sanctionable conduct, including those involved in procuring petroleum and petroleum products from Iran to Syria, China, and elsewhere." (OFAC Advisory 2019, 1). Through these targeted sanctions firms also stood to lose a substantial amount. "Boeing and Airbus will lose contracts worth roughly \$39

billion to replenish Iran's aging fleet of commercial planes as part of the Trump administration's reimposition of sanctions." (Mufson and Paletta 2018, np). Even with these losses, a Boeing VP stated that "We will consult with the U.S. Government on next steps. As we have throughout this process, we'll continue to follow the U.S. Government's lead." (Mufson and Paletta 2018, np). This demonstrates the innate conformity to the U.S. sanctions by the partner states and their firms alike.

The examination of this case study will proceed to dissect the factors and conditions that facilitated the success of these sanctions. To that end, this case will be conducted utilizing the standardized questions established as the primary framework and will proceed in four sections. The first section will address the questions, "What methods for gaining support for a sanction regime were utilized within the case?" and "How does the sender state weigh the risks of one approach over another when seeking support for a sanction regime?". Through this evidence, secondary sanction implementation will be utilized to complement evidence demonstrating the U.S. thought processes and considerations for implementing secondary sanctions within their overall sanction regime on Iran. The second section will address the questions "What does the partner state stand to lose from abiding by the overall sanction regime?" and "How did firms in the partner state weigh the effects of secondary sanctions or positive inducements against their interests?". A discussion of what is at stake for the partner states and firm reactions utilizes statistical data, political rhetoric, and legal documents as evidence to provide an answer to "why" the secondary sanctions were effective and what conditions are necessary for their efficacy. The final two sections are comprised of a discussion of a singular overt variable that must be accounted for within the study and a conclusion readdressing the key elements and takeaways from this case that will be applied toward the final conclusion drawn by the study in its entirety.

METHODS OF SUPPORT AND SENDER STATE CONSIDERATIONS

Secondary sanctions are the method of support demonstrated in this case. Even without any competing tactics, positive inducements, this case demonstrates the conditions that yield demonstrable results from their use. In 2018 under President Trump, the U.S. unilaterally removed itself from JCPOA and immediately reimposed crippling sanctions on Iran. “The Trump administration has adopted successive rounds of restrictive policies aimed at squeezing Iran’s economy by targeting key export-oriented sectors, particularly energy exports. These comprised the re-imposition of all sanctions suspended under the deal, including the so-called “secondary” sanction targeting foreign companies doing business with Iran; a refusal to extend oil import waivers to eight countries¹⁴ in early May 2019 and, finally, the sanctioning of Iran’s metals industry, a key employer and export-oriented economic sector.” (Alcaro and Desi 2019, 7). President Trump justified his decision to remove the U.S. from the deal; dictating that “Trump said the agreement failed to address Iran’s ballistic missile program and its proxy warfare in the region, and he claimed that the sunset provisions would enable Iran to pursue nuclear weapons in the future.” (Robinson 2021). This action caused substantial amounts of well-founded unrest from Iran as they berated the U.S. for not keeping its promises under the agreement. Although this was to be expected from Iran, what makes this case especially significant and necessary for the study is that partner states have continued to attempt to maintain the deal even with the U.S. reimposition of secondary sanctions. “As long as Iran continues to implement its nuclear related commitments, as it is doing so far, the European Union will remain committed to the continued full and effective implementation of the nuclear deal.” (Iran Deal 2018, np).

Even with the vocalized position of partner states regarding the U.S. unilateral withdrawal; the U.S., as the sender state, was very aggressive with its approach. The secondary sanction approach was intuitive to U.S. leaders because of the advantage that the U.S. market provided them over the partner states. “Senior U.S. officials have called on America’s European allies to capitulate to the reimposition of U.S. nuclear-related sanctions on Iran, the logic being that European companies cannot risk losing access to the U.S. market and therefore have no choice but to renege on promises they made to Iran.” (Hengel et. al. 2021, np). The costs if this approach were to backfire did not seem to be weighed as the pragmatic Trump administration was sure that the initial approach would be successful. This is imperative because the U.S. needs partner support for the regime to be effective on the target state. “Europe is the essential element in the U.S. design to inflict “unprecedented financial pressure” on the Iranian regime.” (Hengel et. al. 2021, np). Of note, some risks were that the partner state would not comply it would be severely damaging to U.S. foreign policy and the transatlantic partnerships. “The United States will have driven Europe into the arms of Russia and China, ceded the commanding political high ground to Iran, and potentially done long-term damage to the credibility of U.S. coercive diplomacy, with respect to economic sanctions and beyond.” (Hengel et. al. 2021, np). This outcome although not likely, demonstrated the worst-case scenario for the U.S. The likelihood of a drastic shift that would have a lasting international impact in exchange for trade with Iran and the semblance of values did not seem high. With this knowledge, policymakers understood that they could not reimpose such aggressive measures overnight. To mitigate that consideration the U.S. provided a brief window coined the “Wind-Down Period” encompassing both a 90-day period for some sanctions and a 180-day period for others. (Frequently Asked Questions 2018, 1-

2). Notable sanctions affecting partners states and firms for both the 90- day and 180-day periods are depicted in Figure 1.

Table 1: Wind Down Period/ Sanctions Reimposition Table

90-Day Wind Down *	180-Day Wind Down **
Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran	Sanctions on Iran's port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates
Sanctions on Iran's trade in gold or precious metals	Sanctions on petroleum-related transactions with specific Iranian Oil producing companies
Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes	Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions
Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran	Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA)
Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt	Sanctions on the provision of underwriting services, insurance, or reinsurance
Sanctions on Iran's automotive sector	Sanctions on Iran's energy sector
Activities undertaken pursuant to specific licenses issued in connection with the Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services	

* 90-Day period ended on August 5, 2018

**180-Day period ended on November 4, 2018

Source: "Frequently Asked Questions Regarding the Re-Imposition of ..." U.S. Department of the Treasury , May 8, 2018.

https://home.treasury.gov/system/files/126/jcpoa_winddown_faqs.pdf.

The wind-down periods provide an important area of insight for this study. These two windows of time forced both partner states and firms alike to weigh the costs vs benefits of their choices regarding the sanction regime. The U.S. recognized that this would be the case and these periods represent the culmination of U.S. considerations toward their partner states. The

following sections will demonstrate how both partner states and firms reacted to this period, and that it provides evidence toward H2 of this study “The lower the cost to the partner state the higher the efficacy of secondary sanctions to gain support via cooperation”.

PARTNER STATE AND FIRM CONSIDERATIONS

Scholars note that economic trade was not the main goal of European partner interaction with Iran. “From a European perspective, sustaining economic exchange with Iran is not about advancing economic gains but rather about consolidating an agreement which is driven by pragmatic security concerns.” (Batmanghelidj and Hellman 2018, 1). The high representative of the EU, Frederica Mogherini, emphasized that the reimposition of sanctions is worrying and that the EU will “act in accordance with its security interests and to protect its economic investments.” (Iran Deal 2018, np). This connotation of protecting interests would be the sustained rhetoric of the partner states regarding the U.S. sanctions regime. The interests that partner states seek to protect would not only benefit them, as it turns out there are some that run in parallel with the interests of Iran. One such interest is “the ability to engage in what is considered constructive and legitimate bilateral trade and investment irrespective of unilateral moves by the United States.” (Batmanghelidj and Hellman 2018, 5). Compliance with the U.S. secondary sanctions would undermine this interest substantially and therefore affect the legitimacy of the partners on an international level. “European economies can certainly survive without trade with Iran, but European sovereignty in foreign affairs can hardly survive passive compliance with the new dictates from the White House. Compliance would mean few would trust the E.U. as a sovereign actor in foreign and security policies.” (Bildt 2018, np). In the eyes of the partner state, willingly complying with the sanction’s regime will force them to accept certain losses. These losses come in a main diplomatic sense vice an economic sense. The EU

has been striving to hold its own on the international stage for decades. Notable victories toward that cause have come through their relationships with Iran. Scholars note that the agreement of Iran with the Paris accords in 2004 was a major boost for the EU as an international actor. (Posch 2010, 4). In the mind of the EU, they cannot afford to take any steps in the opposite direction and compliance would represent a major step against their goals. “To preserve their countries’ independent foreign policies — and an autonomous global role for the European Union — Europeans now have no choice but to stay in the deal and defy, or threaten to defy, the United States.” (Hengel et. al. 2021, np). In doing this they would be putting themselves at the risk of economic detriment in an effort to uphold their values. This provides evidence that the main concern of the partner states regarding the sanctions was not what would happen to them economically but more so what would happen diplomatically. This evidence reinforces a hypothesis of this study by demonstrating that the economic cost was low enough that diplomatic considerations outweighed them drastically. Little to no mention of the economic losses of partner states is considered. The diplomatic concerns are well-founded but they do not consider all of the parties invested within the sanction's regime. Partner states do not control their destiny in its entirety, multinational firms located within these countries play a large role and tend to operate autonomously allowing for the U.S. sanctions regime to gain support even with the political discontent it causes.

The wind-down periods put the partner leadership in a difficult position regarding their domestic firms. They needed to reassure Iran that they would be upholding their end of the deal while also gaining domestic firm and banking support to allow that. Firms held a large role in the difficulties that partners had in reassuring Iran of their commitments and abilities to offset the cost placed by the U.S. The third hypothesis of this study lends itself to explaining why firms

were so contradictory to the partner state's ideals. "H3: Secondary sanctions targeted at firms are more likely to yield concessions than those directed at government entities". Evidence toward this hypothesis comes in various forms. The European Investment Bank was a crucial blow to diplomat's attempts at preservation of the JCPOA. "Asking the EIB to invest in Iran has "symbolic value as EU officials see it as one of the easiest to deliver on in response to Iran's demands that it show proof of its commitment to the nuclear deal."" (Gerdziunas 2018, np). The bank was reluctant to aid in the request of partner diplomats. ""The bank is unhappy with the Commission proposal because the bank raises funds on U.S. markets," ... Almost a third of EIB lending is dollar denominated, exposing the bank to potential U.S. sanctions, which will begin to take effect in August." (Gerdziunas 2018, np). Banking services not only affected diplomatic endeavors but also played a substantial role in other firms' actions as well.

"Every few days a new headline proclaims the departure of a major multinational company from the Iranian market. But the "wind-down" of commercial operations in Iran by multinationals such as France's Total, Germany's Siemens, or Italy's Danieli is not due to their operations having necessarily become illegal...many Iranian stateowned enterprises that had been removed from the SDN list as part of the nuclear deal are set to be re-listed, posing a significant challenge for some industrial joint-ventures. But many European companies had found joint venture partners or customers in Iran's private sector, whose entities are not to be re-listed. For these companies, the decision to leave Iran is driven by operational considerations which stem from an inability to secure important third-party services, especially banking services." (Batmanghelidj and Hellman 2018, 6).

Banks, included in "firms" as a term for the study but distinct for this discussion, have attempted to compensate for these sanctions in order to continue to work with Iran, however, the concessions outweighed the gains. "There is nothing inherently more remunerative about servicing transactions to and from Iran than for any other market, and to whatever extent banks have sought to add a surcharge to transaction fees in order to account for the additional compliance costs, the assessments of reputational and legal risk have typically outweighed the

expected value of the potential “Iran book” at nearly all European financial institutions.”

(Batmanghelidj and Hellman 2018, 6). ““It would be suicide to do any new business or funding for Iran or Iran-related companies without explicit guarantees from the U.S. government. They have us by the throat because so much business is conducted and cleared in dollars,” one European investment banker said.” (Kar and Irish 2018, np). This would become the standard realization across most large firms that had anything to do with Iran transactions. Notable firms such as French oil giants Total released statements on this position. “Total will not continue the SP11 (South Pars 11) project and will have to unwind all related operations before 4 November 2018, unless Total is granted a specific project waiver by U.S. authorities with the support of the French and European authorities.” (Kar and Irish 2018, np). Total’s announcement was not the first major partner firm to dictate changes toward their Iran policy in lieu of the renewed sanction regime. “Total’s announcement comes after German insurer Allianz ALVG.DE and Danish oil product tanker operator Maersk Tankers said they were winding down their businesses in Iran. Joe Kaeser, the CEO of Germany’s Siemens SIEGn.DE, told CNN his company would not be able to do any new business with Tehran.” (Kar and Irish 2018, np). The U.S. domination of the global financial system makes any effort towards mitigating these farfetched. Some scholars note that the partner states could attempt other methods to retain economic relations with Iran, but they would only intensify tension with the U.S. for both diplomats and corporations (Aslan 2018, 19). This provides evidence toward the third hypothesis of this study “H3: Secondary sanctions targeted at firms are more likely to yield concessions than those directed at government entities”. As noted above multiple utilized the wind-down periods as the U.S. desired, to cease operations thus enforcing that countering position with their states and giving the U.S. necessary leverage against the partner state governments regarding the sanction regime. The cost of disobeying the

sanction regime was continually growing for the partner states while the cost of abandoning their ties with Iran was becoming less significant.

Notable firms refused to continue to work with Iran to the point that a central financial institution, in the EIB, refused to provide the partner state with the backing it desired to follow its interests. Multiple firms have gone public with their reasoning which reaffirms the causal mechanics of this hypothesis. Siemens CEO Joe Kaeser was very blunt with his discussion as to why his firm had to abide by the sanctions. In an interview with CNN, the following was noted "Trump's decision to reimpose Iran sanctions means his company has to fall in line. "There's a primacy of a political system. If that primacy says 'this is what we're going to do', then that is exactly what we're going to do,"" (Petroff 2018, np). A statement released by the company Siemens, apart from the CEO's interview reinforced the same sentiment. "We have strictly complied with all relevant export control restrictions in the past and will continue to do so in the future." (Petroff 2018, np). The position taken by this firm is to be expected. Along with other firms such as Airbus, and Total oil, they are global firms that stand to take substantial losses from the exclusion of the U.S. market. Siemens alone employs over 50,000 workers in the U.S. and makes \$20 Billion USD a year from the U.S. accounting for roughly 20% percent of its global sales (Petroff 2018, np). This cost is far greater than that of violating the EU blocking statute that prohibits compliance with secondary sanctions. Anna Bradshaw, a partner at Peters & Peters Solicitors in London states that the blocking statute seems to be treated as an aggravating factor and that "evidence of steps taken to follow the EU regime could be invoked as proof of how a company is violating the U.S. regulations." (Love 2020, np). This fear illuminates the value firms put on the U.S. market, they would rather skip out on domestic rules and subject themselves to that persecution vice building evidence against themselves that could be used

against them from the U.S. perspective. This blatant disregard for partner state statutes and goals in pursuit of self-sufficiency and protection demonstrates provides sound evidence toward this hypothesis.

With firms' continual removal from relations with Iran and other cascading effects taking place, partner states were frantically trying to prevent the deal from falling through. To this end, the partner states met with Iran to create a nine-point deal as a measure to solidify the deal without the U.S. involved. "Their efforts focus on nine key areas including maintaining economic ties with Iran, continuing Iran's ability to sell oil and gas products and protecting EU companies doing business in Iran. The EU is also looking at how it could develop special financing vehicles for doing business with Iran." (Afp 2018, np). A notable achievement toward this goal was the creation of INSTEX. "In January 2019, the E3 established a Special Purpose Vehicle (SPV), called Instrument in Support of Trade Exchanges (INSTEX), allowing for a means of trade with Iran." (Alcaro and Dessi 2019, 9). The main issue is that INSTEX is only applicable to food and medical supplies which already are exempt from U.S. Sanctions (Robinson 2021). Even with these measures history has shown that Iran was unsatisfied with these actions as they did not provide relief comparable to the burden of reimposed U.S. sanctions. Iranian Foreign Minister Zarif acknowledged this reality in a statement discussing the support received, "Under the current circumstances, the EU's political will is not enough to preserve the nuclear deal." (Gerdziunas 2018, np). The continual ramifications of the U.S. unilateral withdrawal did not stop the political rhetoric of condemnation toward U.S. actions. This however was met with unwilling compliance with the secondary sanctions.

Through the discussion above concerning the trend of economic relationships between European partners and Iran, evidence has pinpointed the exact moment during which the

secondary sanctions took effect and gained quantifiable results. Through these results evidence toward the third hypothesis of this study has been given as well as validation of this study's second hypothesis is provided. "H2: The lower the economic cost to the partner state the higher the efficacy of secondary sanctions to gain support via cooperation.". The cost for the partner states was relatively low. This is backed both by statistical data and the prevailing rhetoric of diplomats. Although the EU was Iran's top trading partner before the reimposition of sanctions, as for the EU, in 2018 Iran was their 57th highest trading partner (European Union Trade Balance 2018). For reference, the U.S. was the second-largest trading partner of the EU aside from Switzerland (European Union Trade Balance 2018). The rhetoric of diplomats was unquestionably one-sided with goals to both attempt to retain the JCPOA and to not abide by sanctions. The data utilized in this case serves as evidence that their rhetoric did not match the occurrences in reality. "European politicians do not possess the power to force European economic actors to engage in commercial activities with Iran given the shadow of U.S. sanctions." (Fathollah-Nejad 2018, np). The high economic cost posed by U.S. secondary sanctions drastically outweighed the costs of cutting specific ties with Iran. The value of the U.S. market to partner states cannot be understated, trade with Iran and economic autonomy for the European partner states were no match for the threat of losing U.S. market access and drastically affecting their economic stability on the international stage.

AN OVERT VARIABLE

An overt variable that was not specifically accounted for is the security perspective that partner states held regarding the JCPOA. The partner states saw the JCPOA not as an economic deal per se, but more as a security issue under control. "From a European perspective, attempts to salvage the JCPOA are not about "fighting the United States" nor "evading U.S. sanctions"

but rather about creating the conditions that enable the EU to make good on its commitments under a deal which it considers to be crucial for international security.” (Batmanghelidj and Hellman 2018, 4). As shown above, this perspective was a driving factor toward the partner actions, including the implementation of the blocking statute and its update. It also attributed to the embedded political rhetoric of condemnation toward U.S. sanctions and in time led to INSTEX and the deep desire to keep the JCPOA alive even without the U.S. The economic cost was large to seek these endeavors which would maintain their security interests and also help them retain their international credibility which was another underlying factor. With these considerations at the forefront of the European partner state's goals, they must be considered as affecting the actions those states had taken throughout the case. Even with these effects, the results provided evidence showing that European partners unwillingly abided by the U.S. sanction regime and provided the U.S. the support it needed to financially cripple Iran.

CONCLUSION

The case study of the U.S. seeking and gaining support for its sanction regime toward Iran is still unfolding in current events. Although it is recent, it provides a dynamic to study that has not been prevalent in the study of secondary sanctions over recent history. The partner state's discontent with the sanctions is not new however their lack of parallel interests toward the target state is a phenomenon that opens a large door for scholarly contribution. In an effort to exploit this door, the case discussed demonstrates that the secondary sanctions imposed upon partner states not only worked because of their economic cost but also because of the direct impact of firms. When directly targeted with secondary sanctions firms act autonomously based upon their interests, of which maintaining access to the U.S. market is top of the list. Firms, in this case, demonstrated that they would rather be subjected to domestic punishment than international

punishment via U.S. secondary sanctions. Implementing the logic that secondary sanctions directly targeting firms will yield more results than those only targeting partner state entities has allowed for evidence to further dive into its causal mechanics and provide validation toward this hypothesis. Firms directly targeted by the secondary sanctions began to abide by them at a rate that could not be ignored by the partner state governments. Government back banks were also refusing to help the partner states toward their cause of continuing relations with Iran. "As it stands, the vast majority of European banks will not transact directly with Iranian banks." (Batmanghelidj and Hellman 2018, 7). These occurrences illuminate a tool for U.S. policymakers in efforts to gain European support for its sanctions regime.

Throughout history the interests of partner states and those of the U.S. have trended in parallel, providing ease of cooperation of sanction regimes toward states that did not fit those interests. Iran serves as a prime example of this. European partners have not only agreed with past U.S. policies toward Iran but also supplemented them with favorable actions of their own. This case utilizes a rare window of severely contrasting interests of the U.S. and partner states to take the logical next step in sanctions research. Utilizing statistical data, political rhetoric, and legal documents as evidence, this case has demonstrated that secondary sanctions are effective at gaining support when the economic cost of abiding by them is low. The economic costs of discontinuing relations with Iran paled in comparison to those of losing the U.S. market. Economic considerations of the partner states and the firms within it reinforce this to demonstrate that such economic impact even outweighed consistent political rhetoric condemning the sanctions. This case is but one side of the coin involving U.S. tactics to gain support. This study will move forward to as, what happens when the dynamics change, and secondary sanctions are not a favorable tool? The case to follow will examine this in a case

relating to U.S. sanctions on Russia and how the dynamics of a high economic cost for compliance affect the causal mechanics of both sanctions and positive inducement efficacy.

RUSSIA CASE STUDY

Addressing Russia and its aggressive attempts to undermine U.S. interests has been an enduring task for U.S. policymakers in recent history. Policymakers have continued to find ways to mitigate the Russian aggression and curtail their coercive influence in Europe however, it is realized that the U.S. cannot do this without the support of its European partner states. In line with this policy goal, the following case examines the U.S. attempts to gain support from partners toward implementing sanctions against Russia. This specific regime seeks to curtail Russian undermining of U.S. policy as well as the exclusion of Ukraine from the Russian gas market via targeting two Russian energy pipelines, the Nord Stream 2 and Turk Stream. The case of energy pipelines and Ukrainian exclusion is not the first time the U.S. has sought European partner support for sanctions against Russia. In 2014, with Russia's invasion and occupation of Ukraine's Crimea region, the U.S. sought out support from its European partners almost immediately. "As the invasion of Ukraine progressed in 2014, the Obama Administration considered EU support for sanctions to be crucial, as the EU had more extensive trade and investment ties with Russia than the United States. (Rennack et. al. 2022, 1). Notwithstanding European support, the U.S. implemented sectoral sanctions on Russia in response to this event. These sanctions were designed to hinder a specific element of the economy while not broadly affecting the overall population of Russia or all economic sectors in which partner states have invested. Amongst these sectoral sanctions are sanctions implemented on specific firms within Russia's financial, defense and energy sectors including Gazprombank, Gazpromneft pipeline company, and Gazprom, Gazpromnefts parent company, and a firm of importance regarding this study (Rennack et.al. 2022, 9). The sectoral sanctions prohibit U.S. trade and investment with these firms including equity investments and financing, essentially removing their access to the

U.S. open market. These sectoral sanctions reflect early actions foreshadowing what has become the overall sanction regime that is the focal point of this case, the U.S. sanctions toward Russia and Russian firms relating to utilizing energy exports as a coercive or political tool.

The Defending American Security from Kremlin Aggression Act (DASKA) was the vessel from which sanctions aligning with U.S. goals were to be implemented. DASKA continued targeting the above-named firms as well as expanding the breadth of the regime to not only outline goals toward sanctioning Russia across the various actions they have taken since 2014, Crimea, election interference, etc; but also to denote specific secondary sanctions. “Other important provisions of DASKA include mandatory secondary sanctions aimed at the energy sector that will be concerning to U.S. and Western energy firms, as well as to foreign governments that have been key partners in the sanctions program.” (Blanc and Weiss 2019, 9). This sanction regime once again alters the calculus of previous sanction regimes in that the interests of the U.S. and the partners it seeks support from are divergent from each other. Germany and the European firms invested in the pipelines do not want to abide by U.S. sanctions as they have substantial gains at stake. The U.S. seeks to protect its interests and deter Russian corruption via the use of natural gas pipeline dependency.

Since 2014 the U.S. calculus has continued to evolve into one that considered both the partner states but also their undeniable dependency on Russian gas. In 2019 41% of the EU's natural gas imports and 47% of their solid fuels came from Russia (“From Where Do We Import Energy ?” 2022). Within this period, in efforts to combat Russian aggression and punish them for the previously mentioned actions, the U.S. signed four executive orders implementing sanctions on individuals, entities, and some firms toward the goal of curtailing the Russian actions. Within these executive orders is a crucial source for this study. Protecting Europe's Energy Security act

of 2019, as Amended (PEESA), provides measures toward sanctioning Russian energy pipelines to reduce the ability of Russia to utilize energy dependence as a method of coercion of European partner states. With Russia targeted through an expanding sanctions regime, quantifiable results were not as tangible as policymakers had hoped for. A change in tactics was necessary to gain the European support the U.S. needed to achieve its goals regarding sanctions on Russia. The discussion to follow will illuminate those changes in tactics and demonstrate two key findings. First, sanctions regarding the pipelines, including secondary sanctions, are do not yield much efficacy toward obtaining European support. Secondly, the inducement side of diplomacy yielded tangible results. The discussion to follow will explore both findings while providing insight into the conditions necessary for positive inducement efficacy.

To that end, the analysis to follow will be conducted in five sections of which four utilize the structured focused comparison framework to address the standardized questions of the study while implementing the hypotheses as well. The first section provides a brief background on the energy pipelines to be examined for the purpose of this study, the NordStream 2 and the TurkStream. The second section addresses the first two questions of the framework and provides insight into how this case validates the first hypothesis of this study. The third section describes the partner state considerations regarding the case and what each partner stands to lose which gives merit to the causal mechanics of their actions. The fourth section focuses on firms and their actions and reactions to both secondary sanctions and positive inducements. This helps to validate the third hypothesis of this study. The final section will draw overall conclusions on the case study of the Russian pipelines and complete the necessary preparations for a comparison of this case with the Iran case in the conclusion to follow.

RUSSIAN PIPELINES

The goal of excluding Ukraine from Russian gas markets presents itself in many ways, most notably is the efforts toward completing The Nord Stream 2. The Nord Stream 2 pipeline is the sequel to the currently operating Nord Stream 1 pipeline. Since it became operational in 2011, the Nord Stream 1 pipeline has allowed Russia to realize steps toward its goal of reducing the number of natural gas exports to Europe transit through Ukraine. "Before Nord Stream 1 opened in 2011, about 80% of Russia's natural gas exports to Europe transited Ukraine. In 2019, about 45% of these exports transited Ukraine." (Belkin et.al. 2021, 1). Even though this is a goal of Russia, the reasons for European engagement are apparent as well. An estimate by the European Parliament shows that "refurbishment [of Ukrainian pipelines] would cost vary from \$2.5 billion to \$12 billion, while the bill for total replacement, according to a 2017 KPMG study, could be as high as \$17.8 billion." Overall costs for Nord Stream 2 are estimated at about 9.5 billion euros (\$11 billion)" (Amaro 2021, np). The completion of the Nord Stream 2 pipeline could see that Ukraine become excluded from the Russian natural gas exchange and as such it provides Russia with leverage that it can use over Ukraine and other partner nations to further its will within the region. This would come at a cost of circa 3 billion USD per year for Ukraine as that is the going rate of tariffs on Russian gas that currently transits through their purview (Jacobsen 2021, 2). The pipeline will double the natural gas provided directly from Russia to Germany. This increase provides a dependence issue that the U.S. believes Russia will exploit against the west. This illuminates a core concern around this pipeline. Germany is vitally dependent upon imports for its energy sector. "Oil and gas are the lifeblood of Germany's manufacturing economy, but the country produces very little energy domestically and is dependent on imports for 98% of its oil and 92% of its gas supply." (Stevens 2019, np). This

demand is met in large part via Russian exports from which 40% of German oil needs and 35% of German natural gas needs are met (Stevens 2019, np). The addition of the Nord Stream 2 pipeline will only increase these percentages thus fundamentally tying the German economy to Russia providing them substantial leverage and coercive power on one of the European Union's largest and most vital economies.

Russia understands that Germany has ties to the west and that their goals run counter to what German allies would like. Because of this Russia has sought to realize the goals mentioned above through a venture more suited to their ideals by aiming at Turkey via the TurkStream pipeline. "TurkStream is a new export gas pipeline stretching from Russia to Turkey across the Black Sea. The first of the pipeline's two strings are intended for Turkish consumers, while the second one is delivering gas to southern and southeastern Europe." (TurkStream 2022). This pipeline became operational in 2020 and began to provide resources directly to Turkey. This direct route now bypasses Ukraine, Moldova, Romania, and Bulgaria who were all entities of the north-south Trans-Balkan Pipeline (TBP) which provided Russian energy resources to Turkey until January of 2020 (Garding et.al. 2021, 1). The pipeline brings forth questions of energy dependence on Russia as well as the notable leverage of demand. Although operational, unlike Nord Stream 2, this pipeline has drawn the eye of the U.S. as a potential harbinger for Russian coercion. The exclusion of Ukraine and the growing Turkish and Russian cooperation are factors drawing this pipeline to the limelight of discussions, these reasons also gained this pipeline a U.S. sanction regime along with the Nord Stream 2. This sanction regime seeks out the support of European partners to help mitigate the Russian coercion and as to be discussed below is, the U.S. approach differs from the previous case substantially.

METHODS OF GAINING SUPPORT AND SENDER STATE CONSIDERATIONS

Addressing the first question of the framework, “What methods for gaining support for a sanction regime were utilized with the case?”, this case immediately differs from those previously examined. In the case of Russia, both secondary sanctions and positive inducements are utilized toward the U.S. goals. Although an immediate difference is apparent there are similarities. Much like the previous case, European partners do not want to support the U.S. sanction regime, they counter it making this another suitable case for study. “The EU Commission has responded to the US sanctions in relation to Nord Stream 2 by stating that the EU does not recognise the extraterritorial application of US sanctions relating to the pipeline which it considers to be contrary to international law.” (McDougall et.al. 2020, np). The Primary sanction regime is targeted at Russia because the U.S. believes that Russia seeks to utilize increased pipelines to both exclude Ukraine and raise energy dependence on Russia and in turn increase their coercive power over the European markets. In the recently amended Protecting Europe’s Energy and Security Act (PEESA), the U.S. specifically call out Russia on these causes when justifying the necessity for action.

“We continue to call on Russia to cease using its energy resources for coercive purposes. Russia uses its energy export pipelines to create national and regional dependencies on Russian energy supplies, leveraging these dependencies to expand its political, economic, and military influence, weaken European security, and undermine U.S. national security and foreign policy interests. These pipelines also reduce European energy diversification, and hence weaken European energy security.” (Protecting Europe's Energy Security Act (PEESA) 2021, np).

This call-out is not the only action taken by the U.S. The U.S. is fully aware that to be able to stint Russian energy dependency from its partners they will need the support of those partners. This brings forth the second question in the framework, “How does the sender state weigh the risks of one approach over another when seeking support for a sanction regime?”.

Within the Russia-Germany relationship, the U.S. has understood the vast economic cost vs the gains this pipeline has for its partner state. This is because although the dependency is a threat, the potential of the economic gain for interaction with Russian pipelines is a newly found untapped resource. This realization is a driving consideration for the U.S. In any scenario where they seek support, the economic cost of secondary sanctions does not provide the calculus shift necessary to sway European partners to its cause. “The United States and the EU generally have sought to target individuals and entities responsible for offending policies and/or associated with key Russian policymakers in a way that could get Russia to change its behavior while minimizing collateral damage to the Russian people and to the economic interests of the countries imposing sanctions.” (Rennack et. al. 2022, 1). Targeting sanctions through these criteria would provide more amenable sanction support from partner states. Within this case, it is not favorable to utilize these ideals as the significant investment from Germany, Turkey, and a slew of European firms, to be discussed, makes sanctions a less preferable tool.

The Nordstream 2 pipeline provides a direct natural gas linkage from Russia to Germany and in doing so sanctions that seek to prevent its completion can be taken as a counter to German interests. This being the case the U.S. elected to utilize methods other than sanctions to gain their support. The U.S. realized that in order to gain support from Germany that they would need to demonstrate actions toward German interests regardless of their own. Although not a preferable action, the U.S. values the German partnership and has continually had a goal of mending the relationship between the two countries that had been tested during the tenure of former President Trump. This demonstration came in the form of the U.S. deciding not to sanction a critical firm, that if sanctioned had the potential to be the catalyst to stop the Nord Stream 2 pipeline. The U.S. waived sanctions on the company Nordstream 2 AG which was a company created by Russian

gas giants Gazprom, operating out of Switzerland, and was primarily commissioned for the construction of the pipeline. Gazprom was forced to operate this company as a Swiss firm due to the already imposed sanctions of DASKA and PEESA that targeted German firms directly. The waiver of sanctions against these entities was cause for high contention as previous reports provided conclusions that the company was engaging in sanctionable activities. A State Department report sent to Congress concluded that Nord Stream 2 AG and its CEO, Matthias Warnig, an ally of Russian President Vladimir Putin, engaged in sanctionable activity.” (Shalal et. al. 2021, np).

This would be seen as a positive inducement toward Germany not because it was specifically a good thing, but it reinforced the U.S. commitment to mending their relationship which has positive implications for both sides. If the U.S. had sanctioned Nord Stream 2 AG the outcomes would have been negative for both parties yet the U.S. still needed German support notwithstanding the specific sanctions against Nord Stream 2 AG. This provided a key aspect to the U.S. calculus that allowed them to take a loss at stopping the pipeline, which was only a method to achieve their overall goals, in order to gain ground with German cooperation. In return for waiving the warranted sanctions, the U.S. was able to reach an agreement with Germany. The U.S. and Germany released a joint statement demonstrating the newfound agreement which committed Germany to impose sanctions on Russia if they acted in a coercive nature regarding both the pipelines and Ukraine. This agreement aligned U.S. and German interests regarding Russia and established compulsory support requirements should the conditions be met. The agreement states:

“Should Russia attempt to use energy as a weapon or commit further aggressive acts against Ukraine, Germany will take action at the national level and press for effective measures at the European level, including sanctions, to limit Russian export capabilities to Europe in the energy sector, including gas, and/or in other economically relevant

sectors. This commitment is designed to ensure that Russia will not misuse any pipeline, including Nord Stream 2, to achieve aggressive political ends by using energy as a weapon.” (Joint Statement 2021, np).

The agreement would turn Germany against Russia in the event Russia attempts to "use energy as a weapon or commit further aggressive acts against Ukraine," Germany will take steps on its own and push for actions at the EU, including sanctions, "to limit Russian export capabilities to Europe in the energy sector,"" (Lewis and Shalal 2021, np).

The non-imposition of these sanctions as a positive inducement toward Germany was a much more feasible path to gaining cooperation in the U.S. calculus. German relations with the Russian gas pipeline are complex and with deep economic ties. As such U.S. efforts to achieve their overarching goals of limiting coercion and energy dependence via attempts to stop the pipeline will undoubtedly do damage to German economic aspirations as well. Daniel Vajdich, president of Yorktown Solutions, which advises the Ukrainian energy industry on the Nordstream 2 Pipeline states "The only thing that can stop NS2 from becoming operational is lifting the waivers and sanctioning ... Nord Stream AG, which they refuse to do," (Gardner 2021, np). This provides merit to the U.S. actions as a positive inducement and demonstrates a key consideration that the U.S. had when electing that positive inducements were a necessary measure over secondary sanctions.

The TurkStream pipeline also poses a continuing threat to energy dependence in Europe. Russia understands that diversity of its exports routes is important and as such the TurkSTream can be viewed as a supplemental problem that is not receiving as much negotiation as the Nord Stream 2 but has received the same amount of condemnation and sanctions. It retains a core purpose mirroring that of the Nord Stream 2 which seeks to minimize Russian exports transiting through Ukraine, and in addition to the Nord Stream 2, this pipeline stands to reduce those

numbers exponentially. In 2017, 3% of Ukraine's GDP came from transit fees on Russian gas exports, and this number has been in a steady decline since TurkStream became operational (Jacobsen 2021, 2).

The U.S. sanctions regime implemented against both pipelines seeks to protect U.S. interests however the secondary sanctions utilized toward the pipelines have neither been aggressive nor effective. A critical reason for their inefficacy is that the members of the EU are exempt from the secondary sanctions as stated in the amended PEESA notice of April 2021.

“(6) EXCEPTION FOR CERTAIN GOVERNMENTS AND GOVERNMENTAL ENTITIES.-- Sanctions under this section shall not apply with respect to-- (A) the European Union; (B) the government of Norway, Switzerland, the United Kingdom, or any member country of the European Union; or (C) any entity of the European Union or a government described in subparagraph (B) that is not operating as a business enterprise.” (Peesa as amended 2021).

This clause within the governing notice of the sanction regime toward the Russian pipelines is a clear indication of the risks that the U.S. as the sender state has weighed against their goals with the sanction regime.

The pipelines are an element of concern, however, the maintenance of alliances and restoration of relationships between the U.S. and its European partner states has taken prime priority over putting itself between Russia and its partners. Keeping the U.S. overarching goal of curtailing Russian aggression by preventing coercive use of gas pipelines yields causal logic toward why the implementation of this positive inducement was necessary. With the goal outlined above the efforts toward stopping and sanctioning the pipelines were a means to an end. By sanctioning Russian and partner entities involved with the pipelines, the U.S. hoped to limit their ability to utilize them for the reasons listed. By waiving sanctions on one specific firm the U.S. was able to gain compulsory support from Germany toward hindering Russia from acting in ways that would be counter to the overarching goal the U.S. had established. This shows that the

positive inducement of non-imposed sanctions via the president's waiver yielded the desired support from Germany toward achieving the U.S. goals of its overall sanction regime.

With the results proven, this interaction provides evidence toward the first hypothesis of this study. H1: The higher the economic cost to the partner, the higher the probability that positive inducements will convince partner states to support the sanction regime. Germany has invested over 1 billion USD into the Nord Stream 2 pipeline and its expected gains far exceed that. Turkey also has a substantial economic footprint regarding TurkStream. Even with constant political pressure from economic allies and other European Partners, both pipelines received continual backing even during the inception of the sanctions against them. This can be linked to a causal process that shows the intuition that secondary sanctions could increase this cost and force compliance does not work regarding this case. The cost is so grand that the U.S. stands to disturb the balance of relationships with its partner states should it act aggressively. Not only that but the U.S. market aspect of this case affects the U.S. more than its partners. This is because the U.S. wants to expand its reach of the energy trade in Europe and as such threatening to punish via U.S. market limitations would be counter to its interests. The economic cost toward the partner states is so high that concessions on the part of the U.S. were necessary, as can be seen with the exemption from sanctions as well as a blatant disregard for sanctionable activity, which could have been the catalyst to stop pipeline progression. This concession not only demonstrated a commitment from the U.S. but served German interests in a way that preserved their economic investment in the pipeline and facilitated a stage from which a joint agreement was established. In analyzing these occurrences, the cost-benefit analysis of the partner states as well as the calculus of the sender state both point toward the validation of this hypothesis.

PARTNER STATE CONSIDERATIONS

Within the scope of this case, both the partner states and individual firms play equal parts in understanding causal mechanics toward conceding support for the sanction regime. The third question of this study, “What does the partner state stand to lose from abiding by the overall sanction regime?” places the question of causal mechanics of compliance on the partner state. The fourth question “How did firms in the partner state respond to secondary sanctions or positive inducements?” provides insight into the causal mechanics at the level which directly affects the pipelines, that of the firms. As such the discussion to follow will display what both partner states, Germany and Turkey stand to lose through compliance and how the firms responded, demonstrating that positive inducements were more effective in this case and why.

Addressing the third question of this study, Germany and Turkey are quite converse when evaluating what each stands to lose if they were to abide by the sanction regime. At the time of the sanction regime's inception in 2019, both pipelines were already well on their way to completion. The Nord Stream 2 lagged behind the Turkstream whose completion saw gas flows begin in 2020. “The pipeline was originally scheduled for completion by the end of 2019. About 2,300 km out of approximately 2,460 km had been laid by December 2019, when Swiss pipelaying company Allseas suspended activity following the introduction of U.S. sanctions legislation.” (Wettengel 2021, np). Because of this, a majority of the investment toward the pipelines was already in place when the sanctions were introduced. This dramatically increased the stakes for the European partners when faced with the choice to support sanctions or not.

The potential fallout is especially double-sided for Germany. German politicians and other EU members are divided on the pipeline, therefore regardless of which action Germany takes they will face substantial backlash. With this being the case the losses from abiding by the

sanction regime are greater than those for continuing with the pipeline plans. “The EU Commission has also expressed worries that Nord Stream 2 neither aligns with the energy and foreign policy interests of many of its member states nor complies with the bloc’s long-term strategy to achieve an Energy Union. Nord Stream 2 “could impede the development of an open gas market with price competition and diversified supply to the EU,” the Commission wrote.” (Wettengel 2021, np). This backlash, which is insinuated at its most aggressive point, does not compare to the potential loss of the pipelines revenue and economic boosts Germany will gain from its completion. Abiding by the sanction regime and curtailing the pipeline would cost Germany not only their investment in the pipeline but also the political ramifications that they are already suffering for endorsing it would have been for naught. The ramifications of abandoning the program are also apparent as the Russian foothold on the gas market in Europe cannot be understated. It will be “painful” for Europe to limit gas from Russia and there may be more energy shortages,” (Turak 2022, np). When looking at natural gas statistic for the EU this realization becomes apparent. “Norway was the source of 24.5 % of the natural gas entering the EU (intra-EU trade and entries from Switzerland both excluded), followed by Russia (23.0 %), Ukraine (12.8 %) and Belarus (10.3 %)” (Natural Gas Supply Statistics 2021, np). Although this looks like Russia is not primary there is a major consideration. “However, considering that most gas entering the EU from Ukraine and Belarus initially comes from Russia, the dependency on gas imports from this country is in practice higher than on gas from Norway.” (Natural Gas Supply Statistics 2021, np). The risk of backlash by Russia for German abandonment of the project puts Germany in a position where the losses they would suffer for abiding by the sanction regime will translate toward all European partner states. As such compliance via aggressive sanctions is not the feasible option for the U.S. to pursue.

Turkish considerations differed slightly from those of Germany because the pipeline had already been completed. Russia did not miss this opportunity to attempt to publicize the efficacy of the pipeline and took credit for ensuring that Turkey was “shielded from a gas crisis, which has gripped Europe, thanks to the Russian-built Turkstream Gas pipeline.” (Soldatkin 2021, np). If Turkey was to abide by the regime at its inception in 2019, it would have lost the gas which Russia claimed saved it in the first place. This was not a problem for Turkey because the initial sanction regime excluded a majority of the TurkStream pipelines entities. This implies that the cost of abiding by the sanction regime was low for Turkey however that is not the case. Scholars note when it comes to the topic of energy relations Turkey acts in its own best interest and has resisted the U.S. pressures to limit its energy relations with supplying states (Stein 2017, 12). In 2020 the U.S. updated the Countering America’s Adversaries Through Sanctions Act (CAATSA) to formally include all of the previous exempt TurkStream entities that contributed to the pipeline’s construction since August of 2017, even though the pipeline was in operation.

“The focus of implementation of Section 232 sanctions would be on persons who the Secretary of State, in consultation with the Secretary of the Treasury, determines knowingly, on or after August 2, 2017, (1) made an investment that meets the fair market value thresholds in Section 232(a) and directly and significantly enhances the ability of the Russian Federation to construct energy export pipelines, or (2) sells, leases, or provides to the Russian Federation goods or services that meet the fair market value thresholds in Section 232(a) and that directly and significantly facilitate the expansion, construction, or modernization of energy export pipelines by the Russian Federation.” (Caatsa/CRIIEA 2020, np).

The update to CAATSA raised the cost for Turkey as Turkey's goals within the realm of energy are well documented. "For many years now, Turkey has openly stated its intentions to become an energy hub and it has taken important steps to achieve this goal." (Özdemir 2020, 18). CAATSA and its update altered the calculus of Turkey and even as a NATO member, Turkey still has to consider the ramifications of their interactions with future pipelines. Even with the

considerations and U.S. sanctions turkey neither abided by the regime nor supported the sanction regime. The lack of inducement attempts signifies the glaring absence of a variable that differentiates the events of the TurkStream from that of the Nord Stream 2. This notable difference provides insight into how the TurkStream and the sanctions surrounding it further reinforce the inefficacy of sanctions regarding Russian gas pipelines and the goals of the U.S. to gain European support against Russian energy coercion.

FIRM CONSIDERATIONS AND OTHER VARIABLES

Within the context of the case of the pipeline, there is a multitude of firms involved. The importance of firms, in this case, cannot be undermined, not only were positive inducements and secondary sanctions utilized but, in this case, the partner state and firms were subjected to both. Because the pipeline was such a large economic undertaking, Russian firm Gazprom could not manage it alone. As such various European firms were engaged and contributed financing toward their construction. “Moscow-based, state-owned Gazprom is the project’s sole shareholder and has committed to providing up to 50 percent of the project’s financing, with the remaining funds coming from German companies Wintershall and Uniper, Royal Dutch Shell, French ENGIE, and Austrian oil and gas company OMV. According to Nord Stream 2 AG, the overall costs of the project will total around 9.5 billion euros.” (Wettengel 2021, np). Although this list contains various partner state firms it is important to understand that they are not the targeted firms by the sanction regime. Since they are not engaged in the physical construction of the pipeline, they are not subject to the secondary sanctions imposed by the U.S. “The companies laying the pipeline were the Swiss company Allseas and the Italian company Saipem, both of which have suspended operations due to the US-imposed sanctions. Gazprom will have to complete the pipeline alone.” (Jacobsen 2021, 1). This occurrence confirms H3 of this study, “Secondary sanctions targeted at

firms are more likely to yield concessions than those directed at government entities.”. Even though the firms involved in funding the pipelines were not sanctioned due to the immunity granted, the firms that engaged in its construction elected to abide by them almost immediately.

This occurrence has cascading implications for this study. Firstly, it reinforces the mechanics behind the sender state decision to omit sanctions toward the firm Nord Stream 2 AG. Not only was it necessary as the means of an inducement but the U.S. knew that the power to inflict serious setbacks on the pipelines was within reach. The U.S. elected to instead waive the sanctions in favor of action that would better suit its overall goals of gaining European support vice simply causing discontent on its path to those goals. The Secondary sanctions implemented by DASKA, CAATSA, and PEESA have demonstrated efficacy against firms thus their implementation against Nord Stream 2 AG, which has been deemed to be the catalyst for the project, would see U.S.- partner relationships deteriorate. Secondly, it shows that the omittance of sanctions as a positive inducement was not only for the partner state but must also be viewed in the context of a positive inducement for that Firm. When viewed within this context it can be shown that the response to positive inducements by the firm was not anything other than continuing the work toward completion of the pipeline. Although anti-climactic, it proved to be a vital step in U.S.-German relations. “German foreign minister Heiko Maas on May 19 said the US would not impose sanctions against the developer of the Nord Stream 2 gas pipeline from Russia to Germany, which he described as a "constructive" step in relations between Washington and Berlin.” (Elliot 2021, np). Lastly, this action would facilitate the U.S.-German agreement noted above which gained compulsory German compliance with U.S. sanctions should the conditions be met. This furthers the U.S. goals toward curbing Russian aggression and protecting

Europe against coercive energy practices by Russia. The Agreement serves as tangible evidence validating the first hypothesis of this study.

As with all cases, other variables are inevitable. This study is no different. The major overt variable in this study is the U.S. interest in the gas market within Europe and relating to partner states. U.S. actions, as the sender state, took into consideration the partners they were dealing with and their interrelations. This was not the only major factor considered. The U.S. wants to stunt Russian gas expansion in Europe not only for curtailing their aggression, but also to expand the U.S. gas market in the region as well. “Advocates of Nord Stream 2 claim U.S. opposition stems from its wish to sell more of its liquefied natural gas to Europe and therefore sees the deal with Russia as an obstacle to its commercial interests.” (Amaro 2021, np). This places strings on their actions meaning that an action such as aggressive sanction that would normally be the U.S. go-to answer may not have been enacted due to second or third-order effects that would undermine their interests. This was the case with Germany and Turkey regarding both pipelines. “Turkey has been open to purchasing LNG from the U.S. and its imports increased from 0.88 percent in 2018 to 2.7 percent in 2019, and 10 percent in 2020” (Özdemir 2020, 20). The U.S. actions could have potentially been different if they did not have an interest in the European gas market, as such this variable intervenes in the study as no allocation is truly made to the sender state biases for sanctions vs positive inducements.

CONCLUSION

The case of the Nord Stream 2 and TurkStream pipeline provide evidence toward the first hypothesis of this study. As such it validates that the higher the economic cost to the partner, the higher the probability that positive inducements will convince partner states to support the sanction regime. In this case, both pipelines are a matter of giving and take with the partner state

firmly lodged in relations with Russia while also attempting to harbor relations with the U.S. The sender state recognized that secondary sanctions would put them against major allies and cause the deterioration of already stressed relationships. Throughout the case, evidence was displayed reinforcing the inefficacy of secondary sanctions towards both pipelines and the detriment they can cause to the true goals of the U.S. regarding Russia and energy relations. As such positive inducements including the omission of sanctions and participation in the Three Seas Initiative demonstrate the causal mechanics that influenced partner state decision making. Through these, Germany and the U.S. aligned in an agreement that would see Germany commit to abide by the sanctions but also supplement them with their own should Russia attempt unsavory actions regarding energy dependency. Turkey's situation differs as the pipeline is active however the considerations remain the same. The U.S. and NATO expect Turkey to maintain its current position to help if Russia becomes aggressive with Ukraine and as such their exemption of sanctions and the lesser attention paid to the TurkStream vice the Nord Stream 2 attest to that. Even so, any future actions by turkey would see the implementation of sanctions continue to reinforce their lack of ability to yield results within this context. Through the lens of this case, both secondary sanctions and positive inducements are shown as prolific tools of U.S. diplomacy. The ever-changing environment and positions of the partner states and their goals demonstrate the calculus that must be considered when implementing tactics to gain partner support for a given sanction regime. This case contributes considerations to the above-mentioned calculus by demonstrating that positive inducements are more effective when economic costs are higher and that firms directly targeted by secondary sanctions will yield concessions greater than those of state governments and entities targeted by them.

CONCLUSION

Within the cases of Iran and Russian pipelines, a certain need for European support to aid in the success of U.S. sanction regimes is apparent. The cases discussed have presented evidence toward the efficacy of secondary sanctions over positive inducements and vice versa when utilized by the U.S. in pursuit of the desired support. Up to this point in the study, the evidence shown has only demonstrated one side of the argument or the other. Moving forward the evidence provided will be synthesized via comparison and utilized to create new evidence that provides key answers to the research question of this study, what circumstances determine whether secondary sanctions or positive inducements are more effective in gaining European support for a U.S.-led sanctions regime? Through the continued implementation of the structured focused comparison method, this discussion will be continued utilizing the five standardized questions to compare the cases discussed. This discussion will analyze both similarities and differences between the cases and their outcomes from which an understanding of the circumstances necessary for European support can be quantified. Figure 2 below provides a brief comparative synopsis of the two cases framed via the standardized questions.

Table 2: Comparative Synopsis of Case Studies

	Iran Case Study	Russia Case Study
Methods used	Secondary Sanctions.	Secondary sanctions and positive inducements.
Sender state considerations	U.S. Market dominance, Overall sanction Regime Goals	Mend relationship with Germany, Overall Sanction Regime Goals
Partner states stand to lose	U.S. Market Access, Validity as a sovereign international actor.	U.S. Market Access, investment in pipeline.
Firm response	Abide by Sanctions.	Abide by sanctions.
Overt Variables	Partner state Security concerns.	U.S. investment in European LNG Market.

Upon the completion of the comparison and discussion of the two cases, the final section will seek to provide a guide toward implementing this study's findings to aid policymakers in determining which tools to use when seeking support for a sanction regime.

METHODS USED AND SENDER STATE CONSIDERATIONS EVALUATED

The methods for gaining support utilized in each case are a cornerstone for this study. In one case the desired support was gained solely by sanctions while in the other sanctions were ineffective to that end. The dynamics of each case provide insight into the circumstances which facilitate their efficacy. Sender state considerations between the two cases is a fitting discussion to begin the synthesis of this study. Within both cases, a prevalent consideration was the dominance of the U.S. Market. The U.S. is aware of the economic influence it has across the globe and as such utilized threats of limiting access to the U.S. market or inflicting punishments toward the economic sector of partners who do not align with them is an immediate response to most situations. This knee-jerk reaction to implement sanctions has an impact on the partner states' calculus. The U.S. understands this aspect and as such implementing sanctions has become the standard practice. Even so with sanctions imposed in both cases, the sanctions within the Russia case study were waived from affecting the European partner states. This means that a major consideration of the U.S. as a sender state in the Russia case was the economic detriment that could be caused toward their partners by forcing them to choose economically between them and Russia. This was not the situation in the Iran case. Comparing these considerations from a U.S. perspective illuminates an aspect of the U.S. calculus that is highlighted in the first two hypotheses of this study. The calculus essentially places causal mechanics on the economic cost that the partner state would have to incur. The higher the cost, the more the U.S. needs to offset it

with inducements to increase the likelihood of compliance, where the lower the cost the threat of exclusion from the U.S. market is enough of a loss to force compliance.

The second prevailing sender state consideration is what is the goal of the overall sanction regime and how would their actions toward that goal affect the balance of relationships toward the partner states. In the Iran case study, although partner states did not agree with the U.S., they also did not consider their relationship with Iran vital to their affairs. The overall goal for the U.S. was to force Iran into compliance with its will aggressively, with partner state support. As noted, the partner states sought to utilize Iran to continue their establishment as a global entity able to influence the international spectrum autonomously. With the imposition of U.S. sanctions, the U.S. hedged its bet upon this understanding, and it ultimately paid off. Within the Russia case, the U.S. knew that shutting down the pipelines was not their overall goal, however, to Germany the Nord Stream 2 pipeline and its completion were paramount. This presented the U.S. with an option to demonstrate its commitment to Germany and at the expense of a concession, which became a positive inducement in the eyes of Germany. Within the U.S. calculus, the dependency of partner states on Russian gas was at the forefront of concerns, this dependency limited the ability of the U.S. to use cascading sanctions because of the economic detriment it would cause across the partner states. Even so, the U.S. needed support from Germany especially as it would provide leverage against Russia's energy sector and grant the U.S. direct involvement in the Russian gas trade in Europe. This inducement provided the U.S. a path forward to the ultimate goal of the sanctions on Russia and as such balanced the costs from Germany's perspective.

Within this massive game of diplomatic chess, the U.S. considerations during both cases hinged on their supremacy within the international economic sphere and their ability to navigate

their partner state's interests while pursuing their own simultaneously. Through this lens, the circumstances of sender state considerations that are prevalent in this study and should be among consideration by policymakers are economic cost to partner states and balancing the partner state's concerns with those of the U.S.

PREVAILING PARTNER STATE CONSIDERATIONS

Analysis of partner state considerations within both cases yields the most vital discussion within this study. With the goal of gaining partner support for a sanction regime, both understanding and affecting their calculus is a key task for policymakers. Within both cases, two key partner state considerations are identified, that if addressed, could aid policymakers toward their goals. The first is the diplomatic cost of compliance. The economic cost of compliance for partner states in the Iran case study was relatively low. As discussed, although the EU was Iran's top trading partner it was not reciprocal, Iran was the EU's 57th highest trading partner (European Union Trade Balance 2018). With this established the diplomatic ramifications of compliance took priority. The partner states wanted to establish themselves as sovereign actors on the international stage, compulsory compliance with the sanction's regime would have hindered that aspiration. However, since partner states did comply with the sanction regime, the catalyst toward that had to be explored. This came in the form of access to the U.S. market. This economic impact toward the partner states was too grand of a risk in any case regardless of diplomatic ambitions or economic trade relations. Within the Russia case study, the apparent disregard for diplomatic considerations on the part of both Germany and Turkey is apparent. Both actors are economically driven via the cost they have already incurred from their investments into the pipelines. With the economic cost higher for compliance than that of the Iran case, the diplomatic rhetoric of Germany and Turkey still played a very minute role in the

occurrences within both cases. What this demonstrates is that in this case the U.S. gained compliance notwithstanding the diplomatic goals of the partner state and as such, it is possible to not consider them as much as other factors when determining which method to use.

The second partner state consideration that endured the test of both cases is access to the U.S. market. The Iran case is fairly straightforward when describing the economic implications of losing the U.S. Market regarding partner states. Within the case of Russian pipelines, it is slightly different. The partner states, mainly Germany, are subject to a difficult position regardless of the action they take. They stand to lose either access to the lucrative U.S. market by way of non-compliance, or substantially on their investment in the pipeline via compliance. The U.S. enacting its form of positive inducement toward Germany altered that calculus making the loss of the U.S. market more costly than losing the pipelines. Due to the agreement signed, if Russia had taken unfavorable actions and Germany had stood by them because of its pipeline investments, their international credibility would have taken a detrimental blow. This implication coupled with the loss of the U.S. market made the decision for the partner states to commit to compliance should the situation arise an easy choice. The ability of the U.S. to realize this and find a way to elevate the value of its market over the competing cost of German investments provides insight into how important the market is to partner states. As the case stood there was no guarantee which way Germany would have gone because the costs were so great on either side their position was unfavorable. The discussion above illuminates that the U.S. can leverage its dominance over the international economic order as a key influential factor to help gain its desired support.

THE ROLE OF FIRMS AND OVERT VARIABLES

With the overarching goal of this study to help increase the tools available to policymakers in their infinite quest at gaining European partner support, firms provide an exceptional asset toward that end. Firms were crucial for the role they played within both cases. In the discussion of Iran, U.S. sanctions against firms engaging with Iran turned the European Investment bank against its own government, making it extremely difficult for the partner state governments to carry out their aspirations toward Iran against the will of the U.S. Compliance with secondary sanctions are much higher from firms than they are from partner state governments. Table 3 below depicts the firms highlighted in the Iran case as those targeted by the Secondary sanctions and their responses to them.

Table 3: Partner State Firms Compliance Table (Iran Case)

Firm	Complied With Secondary Sanctions
European Investment Bank	Yes
Total Oil	Yes
Allianz	Yes
Maersk	Yes
Siemens	Yes

The table serves to show that firms were not willing to risk interaction without exemption from sanctions via U.S. guarantees. “It would be suicide to do any new business or funding for Iran or Iran-related companies without explicit guarantees from the U.S. government. They have us by the throat because so much business is conducted and cleared in dollars,” (Kar and Irish 2018, np). This sentiment was apparent within the Russia case study as well. The U.S. implementation of secondary sanctions against Russia had immediate results from the firms within the partner

states. Table Four below depicts the firms highlighted in the Russia case as those targeted by the Secondary sanctions and their responses to them.

Table 4: Partner State Firms Compliance Table (Russia Case)

Firm	Complied With Secondary Sanctions
Allseas	Yes
Saipem	Yes

The compliance of the above firms was critical for the U.S. Both firms were the main constructors of the pipeline within partner state purview. The U.S. used the track record of firm compliance as a plan for their move to positively induce Germany via the waiving of sanctions against the firm Nord Stream 2AG which if implemented, was expected to shut down production on the pipeline. The ability for a single firm to become the catalyst of an \$11 Billion USD pipeline shows both the importance of firms as well as their exploitation as a critical tool that policymakers can utilize toward achieving their goals of partner state support. The compliance of all firms subjected to secondary sanctions across both cases provide evidence to support the third hypothesis of this study and also places it among the top considerations this study seeks to provide policymakers.

The overt variables across both cases demonstrate that due diligence must be given to intervening aspects of any study. Within the Iran case, the security perspective of the partner states was completely disregarded by the U.S. This factor drove the calculus of the partner states toward several actions that did not favor the U.S. overall goals. Even so, the evidence provided demonstrated that the secondary sanctions were effective and gained traction even with this

political rhetoric. In the Russia case, U.S. self-interests played a factor in the case substantially. The U.S. is invested in the LNG trade within Europe and as such an underlying goal of their curtailing of Russian gas, coercion campaign is also to expand their influence over the European gas market. If this calculation was removed from this case the possibility that it played out differently would be greater. The overt variables of both cases increased the specific dynamics that led to the overall outcome of the U.S. gaining the desired support for their sanction regime. Even with disregarding the partner's security perspective, the economic impact of the U.S. market was far too great. The calculus of the U.S. made them strive to not only gain partner support but also to do so in a manner that provided them inroads to further their influence in the gas market, thus electing to concede a positive inducement to achieve their overall goals. Although each case had overt variables the conclusions drawn are the same. Some considerations for policymakers serve as the product of these conclusions and are summarized to follow.

POLICYMAKER CONSIDERATIONS

With the goal of this study to provide insight into the circumstances that make secondary sanctions or positive inducements a better tool than one another for the sake of gaining partner support for a sanction's regime, a fitting product from this study is a series of conditions that have the potential to increase the efficacy of either tool they utilize. As such this study has yielded four conditions that, if present, could exploit the circumstances highlighted in the cases of this study and influence the calculus of partners states in favorable ways.

C1: Partner states value the U.S. market over that of economic ties to the target state.

This condition stems from the logic demonstrating that the partner states do not take the power of the U.S. market lightly. In both cases, the loss of access to the U.S. market served as a strong repercussion of noncompliance. When the U.S. open market outweighs the economic

gains of interacting with the target state, forced compliance via secondary sanctions can proceed even without diplomatic concurrence, as demonstrated in the Iran case study.

C2: Firms within the partner state have heavy economic involvement in actions nonfavorable to the U.S.

Secondary sanctions targeting firms have a far higher rate of efficacy than those targeting government entities. As such, if the target state has considerable partner state firm involvement, then sanctioning those firms can cease the unfavorable action and severely limit the target state from conducting unfavorable actions. This is demonstrated through the understanding that if the U.S. did sanction Nord Stream 2AG it would have stopped the pipeline in its tracks.

C3: Partner States' economic interactions with the target state are substantial and loss of those interactions would cause comparable damage to loss of access to the U.S. Market.

In the Russia case study, the economic ramifications of backing the U.S. over the pipeline were detrimental for Germany. They carried a comparable weight to that of ignoring the U.S. and seeking to continue the pipeline on their own. If this condition is present, it opens the door for positive inducements to adjust the calculus making it more favorable for the partner state to support the U.S. than to continue unfavorable actions with the target state. This concession may not be favorable in the immediate term however it puts policymakers in control of the long game by conceding with the overall goal in mind.

C4: Government firms are being sought out to pursue the political interests of the partner states, against those of the U.S.

In the Iran case, the European Investment bank was sought out to conduct transactions with Iran to attempt to reaffirm the partner's state's commitment to the JCPOA. The EIB refused to conduct these actions due to the secondary sanctions implemented by the U.S. Through this

occurrence their existence not only as a firm but also as a government firm designed for a specific reason such as this, was inhibited by the will of the U.S.

The U.S. and its need for European support is an ongoing occurrence with no end in sight. The versatility that European support provides, with its influence on over 30% of global trade, makes their support paramount for any sanction regime. This study has sought to contribute by uncovering answers to a critical question, what circumstances determine whether secondary sanctions or positive inducements are more effective in gaining European support for a U.S.-led sanctions regime? To that end, this study has viewed European support through case studies and utilized causal analysis to understand the circumstances that facilitate partner state support. Across this study, the case studies, framework, and overall discussion have led to four conditions that policymakers of the future may use to implement the will of the U.S. on its partners. Though these conditions are not absolute, they provide applicability to future cases and potentially further research that can refine and expand their applicability within international studies and policymaking alike.

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