EXPLAIN THIS, LIBERALS! THE TENSION BETWEEN LIBERAL NORMS AND SANCTIONING PRACTICES.

An investigation into the Japan–US trade war and the EU sanctioning regime on Yugoslavia.

By
Janneke Neeltje Boonstra

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Supervisor: Assistant Professor Dóra Piroska

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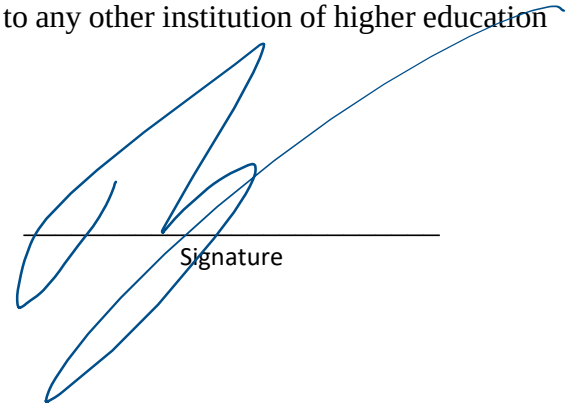

ABSTRACT OR EXECUTIVE SUMMARY

Liberalism has been the political ideology that triumphed over its ideological contenders by the end of the 20th century. After the fall of the Berlin Wall, the newfound intellectual hegemony and praxis of Liberalism were used as the blueprint for international order building. The Liberal International Order is based on the assumption that peace, prosperity, and democracy are supported by a foundation of free international trade. What can be seen in practice, however, is that since the 90s international sanctioning regimes have only increased. The tension between liberal assumptions and sanctioning practices will be explored by looking at the Japan-US trade war and the EU-Yugoslavia sanctioning regime. Through the analyses of these cases, 3 underlying reasons for sanctioning become apparent: (1) With increased interdependence, there is more chance of conflict, (2) Economic warfare may serve as a substitute for military intervention, (3) Powerful liberal economic actors may use illiberal means (sanctions) to force others into becoming more liberal. I argue that Liberal International Order theory can adopt some of the logic of geoeconomics to account for the disconnect between liberal values and sanctioning practices.

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1. Introduction

The inspiration for this thesis came from an event that completely altered my view of the world and how international affairs are conducted. When the Russian invasion of Ukraine started in 2022, most of my closest peers and I could not believe that a war like this could break out in Europe. We spent many days in disbelief and anger, attending manifestations, supporting our Ukrainian peers, and talking to our families to process what had happened. Though the violence was the most immediate shocking aspect of this event, it carried along a shock that was less tangible, yet even more impactful for me as a Western European, who had studied politics for little more than half a decade: the world in which I thought I lived, theorized about, and took for granted no longer existed or might have never even existed at all.

I grew up in the Netherlands of the 00s, 10s, and 20s and was made to think that there were particular certainties that applied to international politics. Like any other Dutch student, I was taught from a young age that Europe was a prosperous continent because of our commitment to free trade, international cooperation, and democracy. I thought that the values we held in liberal democracies were enabled by our trade relations with other nations and that this material interdependency with one another meant that we would strive toward common goals. The German term "Wandel durch Handel" seemed to me a truism of the highest caliber. Because of Europe's economic ties with its neighbors, I never once held it possible that such an invasion could manifest itself.

1.2 Topic statement

With these events in the back of my mind, more questions about the nature of the international trade system sprung up. Especially the sanctioning regime against Russia, which the European Union added more gravitas to with every sanctioning round, made me wonder what liberalism had to say about this particular situation. If trade is the key to

interdependence and broadening our commonalities, then why is the EU amassing increasingly more sanctions against Russia? Does this event mark a decisive break from the past – will globalization make place for more regionalized economies? But most saliently: could there be something in liberalism that secretly necessitates sanctions?

Puzzled and excited by these questions, I set out to answer the question *why is liberalism not fully equipped to explain sanctioning practices?* By researching this question, I came across Liberal International Order theory. I use this Liberal International Order (LIO) theory as the theoretical bedrock on which I base the liberal world order and its ethos, which changed my question into: *why is Liberal International Order theory not fully equipped to explain sanctioning practices?* I have done research about the LIO as well as geoeconomics regarding trade relations, to show how relative or absolute economic gain might alter relations between (il)liberal nations. After this, I have devised the methods how to analyze the relation that liberal regimes have with sanctioning practices: I use Most Different Systems Design as an exploratory tool to map out the intricacies of real-life trade practices. I then analyze two cases of sanctioning from the 1990s, which is often perceived to be the heyday of liberalism: The Japan-US trade war and the EU sanctioning regime against Yugoslavia.

The analyses I make to support my argument bring three facets of sanctioning to attention which are especially salient in association with liberalism. Firstly, I argue that with economic interdependence, not only common goals but also conflict appears. When two political actors get more connected to one another, not only do the benefits of this cooperation appear but also the downsides of interdependence. Secondly, I argue that economic warfare – especially in a liberal world order – serves as a substitute for military intervention. Because economic ties become more important to political actors globally, these economic ties can also be used as a form of blackmail, by e.g. withholding trade. Thirdly, I propose that often, powerful liberal actors will use illiberal means (such as

depriving other countries of the chance to trade freely) to force them into becoming more economically liberal. The last facet of sanctioning by liberal nations is a striking paradox that exists between liberal norms and the actions of liberal states presently.

2. Literature review

2.1 What is the Liberal International Order?

The Liberal International Order (LIO) is arguably one of the most influential explanations of how international affairs are conducted post-World War II. An explanation of this order is two-fold. Firstly, the LIO is a condition that was formed by and through historical processes, and moreover, it is a system of thought that has been produced by these historical processes, along with its own ideological ideas and values that still strongly resonate at time of writing. Exploring the LIO is important for answering what LIO theory lacks with regard to explaining sanctioning practices. We look at sanctions because they are an integral part of international trade politics, yet they seem to contradict what we commonly tend to perceive as the values (as seen in section 2.1.2) of the Liberal International Order. In this chapter, I will show some dominant scholarly understandings o the LIO, so that we can later see the inherent contradictions in the system as showcased through sanctioning regimes in the empirics section.

If we want to know what trade sanctions say about the structure of international trade politics, we must first explore what our ideas are about trade politics in the (western) world. A self-evident starting point would then be to look at the Liberal International Order and how it is described by those with an authoritative understanding of its history, principles, and values. To understand the LIO, we will start by looking at its history to see how values stem from it. This will be done by first giving an account of the LIO from the American context and then from a non-American point of view. As the LIO originated from a global tilt in power relations – namely, the US becoming the world's hegemon, as detailed in Ikenberry's work – the movement from the pre-liberal international system to one that is dominated by liberal norms must first be traced starting from the US. Because this shift had significant implications for the rest of the world as well (especially Europe and East Asia), I will then

see which reaction the American ascent to power prompted in Europe and the world at large. When an overview of how the LIO developed has been given, an overview will be made of some of the core ideas and values that are associated with it. This is of importance, as there are scholars who would argue that we are still living in the era of the Liberal International Order, and the United States produces the discourse that Europe, and the rest of "The West" in the margins of the LIO, still participate in. The LIO and its theory are still largely influential to the principles that influence the mechanisms of international politics.

2.1.1 The Works of John Ikenberry on the LIO

An often-cited author when it comes to the ascent of the United States post-World War II is John Ikenberry. In *The Liberal Leviathan* (2011), he sketches a historical overview of how the United States became the hegemon that shapes world politics as they are unfolding today. This book sometimes holds normative statements, in the sense that, throughout his writing, one can see that he supports the US project of spreading the values that are tied to the Liberal International Order worldwide and he seems to see the project as liberal value-based (Lake 2012) rather than as a system that operates in the financial and political interests of elite members of western society. Throughout the book, it becomes apparent that Ikenberry takes a fairly non-critical stance towards liberal ideology and even credits it as a system that ushered in the longest peace known to man and the greatest economic boom in history (Ikenberry 2011, 160).

Regardless of Ikenberry's beliefs about the LIO, this is an important source to look at for explaining the foundations and development of the LIO. First, because Ikenberry is arguably the most influential historian detailing the rise of the LIO, it is important for us to see its narrative as it is understood most plainly and conventionally. Once the basic narrative of the LIO has been drawn, we can analyze it and look at it critically. Furthermore, Ikenberry is important for our understanding of the LIO, because he writes almost exclusively from an

America-centric point of view. Since the US is the central axis around which the global transformation towards the LIO revolves, it is important to look at the US, before engaging with how these changes were received globally. Lastly, and most importantly, "The Liberal Leviathan" was written in the aftermath of the 2008 financial crisis, which cast significant doubt as to whether the liberal order as we knew it was still a system worth investing in. As after the 2008 crisis, Ikenberry argues for more liberalism rather than e.g. a partial rejection, and thus it is useful for us to engage with it as a piece that defends the LIO persuasively and rather unapologetically. In sum, Ikenberry forms a solid basis for us to illustrate what the LIO is.

According to Ikenberry, the LIO – or rule-based international order as he sometimes refers to it – is one that could be seen in the demeanor of Britain and the US internationally as far back as 200 years ago. He argues that alongside their growing riches, these countries also developed values that made them *open, rule-based, and progressive* nations (Ikenberry 2011, 2). Free trade, multilateral rules and institutions sprung up where these values and wealth were combined. In 1945, these modes of engagement within their spheres of influence and with the rest of the world become more relevant globally after one of the most violent wars in the 20th century. In the aftermath of World War II, the infrastructure, political systems, and production capacities of Europe and Asia suffered greatly. The US was well positioned to turn this relative power difference between them and the rest of the world into an advantage.

The US, which had been left mostly unscathed by the war, was positioned exceptionally well in 1945. It emerged from the Second World War as the world's leading military power, producing more weapons than all the Axis powers combined and produced triple the amount the Soviet Union did. Furthermore, the US possessed two-thirds of the world's gold reserves, three quarters of the world's invested capital, and half of the world's manufacturing capacity (Leffler 2010 in Ikenberry, 2011, 163). Because of the significant

power vacuum which the destruction of Europe had caused, the United States became the largest geopolitical powerhouse in the world after the war. This new position did not come without its own difficulties, however, as firstly, the US had to ensure that its relative power to the rest of the world was safeguarded, and two, that it had a reliable network of partnerships around the world that would be willing to cooperate with the US' goals. Thus, as Ikenberry concludes, cooperation with and aid to Western Europe and East Asia became one of the most relevant pillars of American International Affairs.

This was a situation that was also widely interpreted by American policymakers as an opportunity for the US to make its mark on global politics (Ikenberry 2011, 164); American interests had to be protected and the world order as it stood after WWII had to be used to its advantage. The policy that united these two factors came to be a "milieu-oriented" (Ikenberry 2011, 164) foreign policy that, on the one hand, protected American economic interests and, on the other, bound other nations to the US by ensuring common long-term security and economic growth. The crux of this "milieu-oriented" foreign policy lies in this: rather than constructing protectionist policies that aimed to retain the political and economic power that the US had acquired, new policymaking would ensure that the US had direct involvement in the political and economic systems of European and Asian states. This manufactured dependency of European and Asian states on the US forms one of the cornerstones of 20th-century international relations. After the Second World War, multiple projects that fostered dependency on the US were built, such as the Marshall plan (Ikenberry 2011, 185).

In exchange for this economic development aid, the US State Department pushed for multilateralism amongst states as one of the building blocks of post-war planning (Ikenberry 2011, 185). Furthermore, states were encouraged to engage not only in multilateral economic activity but also in multilateral order-building through multilateral organizations such as the United Nations (UN) or the European Coal and Steel Community (ECSC). This international

order building produced two main outcomes. Firstly, it laid the economic basis upon which the US could engage in international trade to avoid downscaling its productional capacities. Secondly, it ensured that these economic patterns of multilateralism were firmly embedded into legal and organizational structures. Although liberal values like human rights and democracy are often mentioned as essential to liberal theory, I will not go into them, as the legal and financial aspects of liberalism take center stage when discussing them in tandem with sanctioning.

2.1.2 Liberal core beliefs

The importance of going over Ikenberry's text lies in this: the Liberal International Order, in the way we commonly tend to understand, is an order that is based on certain normative values (such as law, openness, freedom and progressiveness) as well as a certain structuring of one's economy, namely, along multilateral organizations and frameworks, with liberal trade policies. Then, if we read Ikenberry, it becomes clear that one of liberalism's core assumptions is that trade is an important facilitator of international peace building. He says "…trade would help foster American economic growth and prosperity, and it would also have beneficial economic and political effects on other countries and the overall order." (Ikenberry 2011, 166). If trade is the cornerstone that supports peace and prosperity and the US holds it in such high regards, then why does the US engage fervently In sanctioning practices?

But when we look at the praxis of liberal countries, we often see that these countries abandon these values when domestic interests are concerned. In literature, such as Ikenberry's works, in which liberalism is explained in the context of a Liberal International Order, these normative values and economic practice are often linked to one another as things that are inherently coherent and mutually enforcing. The US encourages open, liberal trade because it simultaneously promotes liberal values or, vice versa, democracy is promoted in

tandem with the opening of liberal markets. As we might see, however, these values are undermined (e.g. by the US) when free trade threatens domestic economic stability (as it happened in the 1980's (as well as the 90s), when the US trade deficit compelled them to impose extensive tariffs on Japanese goods (Tsurumi 1987). Sanctions become a salient measure in this context, as despite liberal values of openness and free trade, sanctions are still often incited by the liberal regimes who simultaneously purport to uphold these values.

2.2 The further development of the Liberal International Order; after Ikenberry

Though the process of global liberalization was instigated largely by the United States, much has changed in the approximately last 75 years that the Liberal International Order has had its intellectual grip on theorizing about world politics. As Lake, Martin, and Risse (2021) corroborate in "International Relations" the notion that Ikenberry has been a large contributor to the study of LIO.[1] Their historic overview is largely akin to Ikenberry's, as well as their basic assumptions about liberalism, yet they track the historic development of the Liberal International Order from outside the United States. They argue that the liberal international order could not have come into being without prior influence from previous political regimes globally. After all, new world systems do not spring from a vacuum and are mediated by historical events, processes, and institutions.

Lake, Martin and Risse (2021) argue that the Liberal International Order was only able to gain relevance as a world system once the Westphalian order had been largely recognized in post-colonial nations in Latin America. Once the sovereignty of states was recognized widely in South and Latin America, the US and Europe, we can see that this became a necessary condition for the LIO to function. Namely, in the Montevideo Convention of 1933, the Westphalian order was established as a fundament on which states' rights and duties were based. Subsequently, these parts of the Montevideo Convention were

[1] As can be seen from their numerous references to Ikenberry's work.

used for the UN charter. This is significant, as according to the Westphalian order, the main players in the international system are sovereign nation-states. Furthermore, it is necessary for the Westphalian order to have an international community of states recognize the individual states and to support the principle of non-interference in the domestic affairs of other states (Lake, Martin, and Risse 2021, p.228). These principles became almost universally accepted, as can be seen by the membership to the United Nations.[2]

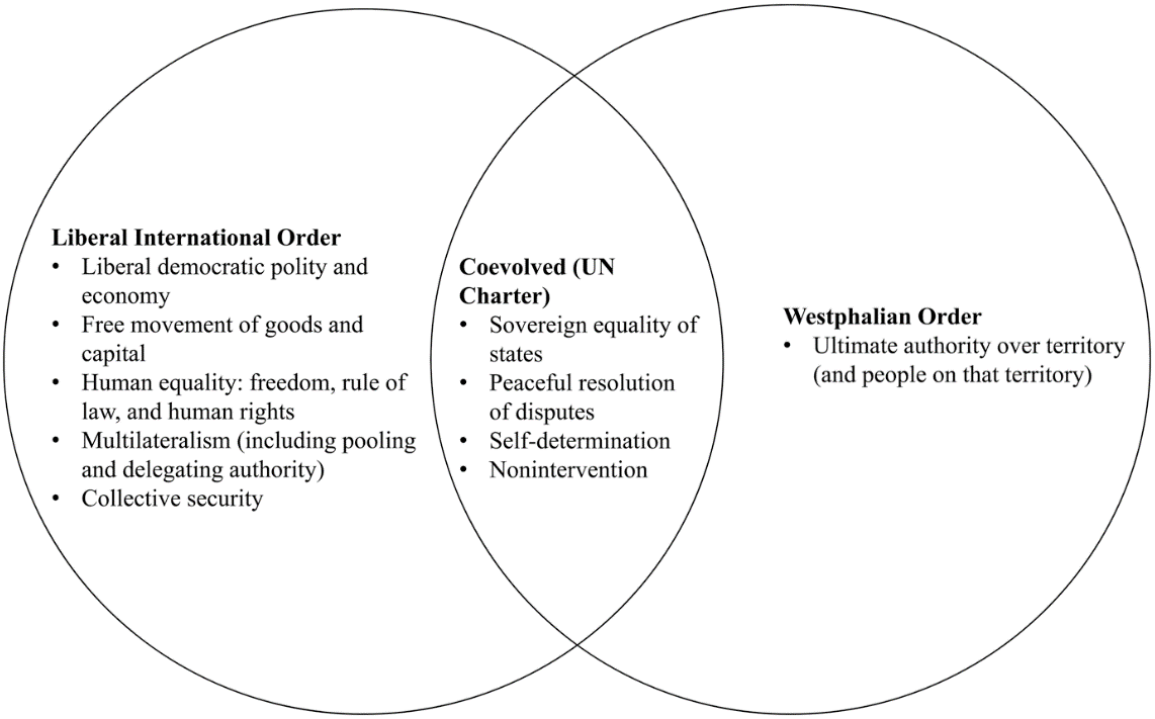

FIGURE 1 LAKE, MARTIN, AND RISSE "THE LIO AND THE WESTPHALIAN ORDER", 2021, HTTPS://QUOTE.UCSD.EDU/LAKE/FILES/2021/05/LAKE-MARTIN-RISSE-IO-2021.PDF

2.2.1 Inherent tensions between the LIO and the Westphalian order

Though the Westphalian order co-constitutes the LIO in its current form, both systems are based on fundamentally different conceptions of the world order that are in conflict with one another (see Figure 1). The economic liberalism which is a cornerstone of the LIO is something that is not immediately contradicted by the Westphalian order. However, when we observe the free economic interaction between nations – an aspect of the LIO – while also

[2] The United Nations has 193 member states as of writing.

observing the limited movement of people – an expression of the Westphalian order – we see how these two value systems have some contradictory elements (Lake, Martin, and Risse 2021, 231). Goods may move over borders, whereas people or labor cannot. Where in terms of trade, liberal principles are applied, Westphalian principles are invoked when it concerns people, which constitutes a contradiction. This not only counts for people versus goods, the contradictions between the LIO and the Westphalian system also play out when we look at the trade restrictions that are instated by liberal countries such as the US on Japan. Even when countries are mutually liberal, domestic power can be used to restrict the flow of goods from one country to another (often in the form of sanctions), enforcing the Westphalian norm of national authority and going against the LIO's free trade principles.

2.3 Embedded liberalism

The relevance of national authority versus international barrier removal is also echoed in the work of Ruggie (1982). Relevant to international political economy, Ruggie argues that the Liberal International Order's economic liberalism embeds markets within a social contract. In the Bretton-Woods regime, a form of economic liberalism was devised which could be best understood as "embedded liberalism" (Ruggie 1982). Within the framework of embedded liberalism, international multilateralism and domestic stability are fostered by one another (Ruggie 1982, 405). There is an intersubjective evaluation of purpose, as multilateralism can deter domestic stability and vice versa. By implementing the Bretton Woods regime, international interests are mediated via domestic interests, effectively putting emergency brakes on unimpeded multilateralism when this goes to the expense of the economic growth of a state. This issue lies at the heart of the tensions between the Liberal International Order and the Westphalian order, as tensions arise when multilateral institutions (e.g. the UN, EU) delegate local branches of NGOs and sub-divisions of their institution (e.g. WNF, IAEA) to implement obligations for nation states through majority voting and when

supranational organizations implement dispute settlement systems that supersede national courts (Lake, Martin, and Risse 2021, 244). Therefore, the ultimate authority over territory and the people in it can often come into conflict with the Liberal International Order. This is a tension between the authority of international organizations and national authority.

The tension between governments, international trade, and domestic interests can cause tumult. When nations form trade relations with one another, this can lead to interdependence, which can aptly be instrumentalized to gain power over another nation, as Albert O. Hirschman already remarked in his 1945 book *National power and the structure of foreign trade* (Hirschman 1980). The main premises of his historical theory on national trade informed by the mercantilists are as follows: "Major premise: An increase of wealth of any country is an increase of its absolute power, and vice versa. Minor premise: An increase of wealth of any country, if brought about by foreign trade, is necessarily a loss of wealth for other countries. Conclusion: An increase of wealth through foreign trade leads to an increase of power relative to that of other countries" (Hirschman 1980, 5-6). Foreign trade is not without geopolitical consequences, if one country gains more than the other, this leads to tilting power relations.

For Adam Smith – father or liberalism – too, the increase of wealth and power implied the enhanced defense of a population. But it was on Hirschman's second premise that he argued the gains of one nation could also mean the gains of the other (Smith and Cannan 1937 in Hirschmann 1980, 5). A contemporary of Hirschman, Hawtrey, commented on this notion that, though the wealth of two nations might increase upon trade, the power dimension *is* in fact relative. When one country gains in power, it necessarily relativizes the power of other states (Hawtrey 1983, 27 in Hirschman 1980, 6). Though a linear opposition between welfare of a nation and its power would be an oversimplification, it is at the essence of the tension between national power and trade. This tension has also not necessarily prevented

both protectionist and “free trade”-theorists from claiming that these tensions are best diffused and militarily exploited when either holding on to protectionism or liberal trade. This is because economic interdependency can seriously affect the power relations between nations.

When nation A engages in trade with Nation B, they might both benefit economically. However, we also see that these nations might become economically dependent on each other, or dependent on the other’s goods to supplement their own. According to “free traders”, as Hirschman calls them, this is a positive feature of interdependency, as the interdependency between nations has the possibility of making them more hesitant to engage in war with one another. The mutual benefit argument weighs strongly, but it is often forgotten that when the country on one hand of a trade deal is more powerful than the other, the more powerful nation might not feel as hindered in engaging in war with the other (Hirschman 1980, 10-11). Isolationists such as Fichte (1846), on the other hand, had argued that international trade and the dependence that came with it was perilous, as it would lead to war. Furthermore, the well-being of the people would be safeguarded better in a so-called “closed commercial state” because people would be able to express their individuality fully and reach fulfilment like this. He supplements his argument by giving the example of the Irish famine; if the Irish had been closed-off, their potatoes would not have been subject to market logic and the Irish government could have saved its population by stocking resources (Fichte and von Fichte 1846, 467-469, 483, 512 in Hirschman 1980, 8). Thus, we see that interdependence, far from being solely a peace furthering practice, can be used to blackmail and apply pressure to other states.

2.4 Geoeconomics

The isolationists that Hirschman referred to still find resonance in academic writing today, as the theme of exploiting interdependence is also seen in contemporary scholarship on

geoeconomics. Those who term the international system of trade "Geoeconomics" also see trade relations as the international world order reflecting the domestic politics of whichever country holds the most leverage on the world stage. In an article written by Boyle (2016), two main contentions are named when evaluating the status of international liberalism: (1) the rejection of the liberal democratic model domestically and (2) the rejection of the international order as built by the United States after the Second World War. When the legitimacy of liberal values comes under question domestically, they will also be questioned in the context of international institutions (Boyle 2016, 36). If this is true, the international world order will necessarily take a different form than the one it had previously. According to Boyle, the world is becoming increasingly multipolar, with Russia, China and India becoming more important players on the world stage relatively to the US. China and Russia have long condoned the Liberal International Order not out of enthusiasm, but rather a lack of a viable alternative. Now that both states are relatively more threatening to the United States, they get more leverage in what international institutions might look like (Boyle 2016, 40).

The new (il)liberal order will not be reverting back to 19th century Europe, nor will it completely dismantle all of the structure the US put in place after the Second World War. The coming "illiberal order" will be marked by the interests and value systems of illiberal states (Boyle 2016, 39). Boyle argues that international institutions founded by a US dominated international order will remain intact yet made to suit newly dominant states better. More importantly in 2023, though, rival states are building parallel institutions to the international institutions built by the US, as is already happening with China's BR initiative, as well as current efforts to make the Renminbi an alternative reserve currency (Maggiori 2022). Furthermore, certain core values of the international political order will be contested. Things such as "self-determination, self-defence, democracy promotion and the

'responsibility to protect, amongst others*"* will be undermined or questioned by illiberal states (Boyle 2016, 40).

Roberts, Choer Moraes, and Ferguson (2019) observe these same processes in their paper "Toward a Geoeconomic Order in International Trade and Investment". This paper explicates more on how the structure of international trade is implicated by historical shifts in power. They argue that the world is headed from the old Post-Cold War neoliberal order (which can also be read as Liberal International Order) should rather be perceived as a geoeconomic order. The geoeconomic is an alternative lens to see politics through than the LIO in the sense that there the former represents a multipolar world in which relative power between states matters and the latter a unipolar one in which the United States guarantees a stable world order in which absolute gains matter. Because the power balance has shifted worldwide, what we see is that states exploit their trade relations for relative power gain (Roberts, Choer Moraes, and Ferguson 2019. 657). This is because there are now several contenders to be world powers. These powers need to see their gains be relative to potentially dangerous nemeses (Roberts, Choer Moraes, and Ferguson 2019, 657). Hence, we see the shift from the Liberal International Order to geoeconomics.

The rules of the game change when there is no more leading power in the world. Especially the change of focus from absolute gains into relative gains will be important for the concept of sanctions, thereby effectively countering the arguments made by "free traders" on how free international trade is always materially beneficial.[3] If powerful nation A suddenly withholds a valuable material from nation B, nation B will suffer more significantly, thus potentially making nation A more powerful relatively. Sanctions are an

[3] See page 6 on Hirschman

important tool in the geoeconomic order, as trade capacity is weaponized to enable a state's own relative power gain.

Another feature that sets geoeconomics apart from the post-cold war neoliberal order, is that new geopolitical power balances breed a new way in which one sees trade. Rather than trade being a vessel of improved international relations, we see that trade starts to follow a different logic. When a hegemon has hold of a unipolar world stage, free trade does not threaten the hegemon and may be operated freely. When other regional hegemons develop themselves to become direct contenders, however, we see that free trade makes way for more protectionist policy. Because the power of any country can largely be led back to their economic power, we see that other countries wishing to limit others' potential might try to undercut their economic power. To cut someone off from resources may hamper them in their growth, thus ensuring they do not gain power relatively to you. Hence it might sometimes be better to opt for protectionist policies or sanctions. This argument cuts both ways, as a country will also try to diversify its own resources in order not to be reliant on potentially hostile states (Roberts, Choer Moraes, and Ferguson 2019, 659-60).

In short, the conceptualization of the geoeconomic order tackles the following question: how beneficial is it for a country to be interwoven with others? Whereas in the 20th century the Liberal International Order might have seemed the most straightforward guarantee for both safety and wealth, this assumption now seems shaky. The post-war neoliberal thought that trade is inherently beneficial to peace might no longer hold up well when there is a power struggle between several could-be hegemons and relative power and wealth gains become more important than absolute ones. Therefore, interdependence can be seen in another light; namely, that of weaponization, strategy and exploitation. Sanctions are especially interesting in this context, for they embody the power play that international trade – and the interdependence that springs from it – brings about.

3. Methods section

3.1 Question

In the literature review, I gave a review of Liberal International Order theory alongside the historical events that enabled it. In it, we could read how the US ascended as a world hegemon and how the ideas of liberalism came to be accepted as the ordering principles of international diplomacy and trade. Liberal ideals such as free trade, democracy, and human rights became the cornerstones of how to conduct international politics. Though these norms seem to be widely accepted and propagated, we do see a tension between ideals and practice where sanctions are concerned. Where liberalism lectures on the inherent worth of free trade and its peace-promoting effects, we also see that the ideas of geoeconomics seem to prevail where sanctions occur. sanctions were most proliferated in the 90s, when liberalism was arguably experiencing its heyday, which means there is a moment of tension I would like to focus on.

To answer the question of *why Liberal International Order theory is not fully equipped to explain sanctioning practices,* I try to keep all the research that I have done on world order theories (e.g. Liberal International Order (LIO) theory and Geoeconomics) into account, which will help us distinguish gaps in the theory. What our world order looks like encompasses trade and will therefore help us in positioning the role of sanctioning in trade relations. Since the research question derives from the tensions between LIO norms and sanctioning practices, I will have to go beyond the literature that has already been written on it. To give a better understanding of how these tensions play out in real life, real-life examples have to be given. In order to go beyond the pre-existing literature, I have highlighted the tension between the literature on the Liberal International Order and the use of sanctions within this theoretical framework. This tension forms the core of my inquiry.

3.2 Case selection

In order to answer the main research question of my thesis, *why the LIO is not fully equipped to answer sanctioning practices*, I choose to show several cases that would not be easily explained if looked at through the conceptual lens of LIO theory. Because scholars who write on the LIO often attribute qualities such as peace and democracy promotion as consistent with open markets, we see that their writings on the functioning of the LIO do not apply when talking about sanctions that are performed within the LIO, by and on countries that embrace liberal values. One can ask oneself: if liberalism is a political system that promotes peace, prosperity, and democracy through free trade, then why do liberal states such as the U.S. engage in sanctioning to a such large extent? What I propose is that LIO theory is not fully equipped to explain this conundrum and that through inquiry into the history of sanctioning, we might find substance for an elaboration of LIO theory. Hence, I chose two cases of sanctioning that give new perspectives on how international trade can be theorized about.

The timeframe of the case selection was chosen with a clear intent; the 1990s are largely considered the heyday of neoliberalism and US hegemony (Duménil and Levy 2002; Fukuyama 1989; Layne 2006). In the 1980s, some core principles of neoliberalism won ground in Europe and other peripheral states outside the US, but US hegemony was gaining influence even more rapidly in the international arena, where the neoliberal takeover of the IMF and the World Bank had the US project its power even more strongly (Connell 2010, 25). Then, in the 1990s, these structures gained an even larger importance as neoliberalism seeped into the former Soviet bloc and found new capitalist economies to be created (Connell 2010, 27). Thereby, the US created a larger group of countries rotating around its axis and playing along with the rules the US had set in international commerce. The US, as well as liberal ideas, had reached their peak. As Francis Fukuyama famously noted in "The End of History": The triumph of the West, of the Western idea, is evident first of all in the total

exhaustion of viable systematic alternatives to Western liberalism" (Fukuyama 1989, 3). Liberal ideas had thus reached their momentary peak of intellectual hegemony.

3.2.1 United States – Japan trade war

The first case chosen to illustrate the practice of sanctioning in the 20th century is the US – Japan Trade War of the nineties. In this trade dispute, US distress emanated from the perceived threat of the Japanese economy (Urata 2020; Young 2000, 758). Because the US held a trade deficit vis-à-vis Japan, it perceived the economic successes of the country a threat to its own domestic economy. Because of this, the US devised policies that aimed for two things: It attempted "to restrict Japan's exports to the United States and to increase its exports to Japan by "opening" the Japanese market*"* (Drake 1995; Urata 2020). The way in which this was done, was by invoking article 301 of the 1974 "Trade Act", an article in US trade law that allowed the Office of the United States Trade Representative to retaliate against any nation that was perceived to burden or discriminate against US commercial interests. The law does not require the US to take up action with the World Trade Organization (WTO) and instead allows the US to act on its own accord, following its own timeline and procedures (Drake 1995, 277). This case is interesting because it subverts assumptions the literature makes about the function of sanctions from a liberal perspective – these sanctions were imposed by one liberal government onto another, making its use seem especially hypocritical. If liberal hegemony ensures security through trade, then how come the US imposed sanctions on another liberal, nation? And, furthermore, why did the US not abide by the procedures of multilateral institutions like the WTO?

3.2.2 European Union sanctioning regimes on the Federal Republic of Yugoslavia

The second case put forward is that of EU sanctioning regimes aimed at former Yugoslavia in the 90s. This particular case is of interest because it follows a more liberal line of reasoning where sanctions are concerned. The sanctioning regime against the Federal

Republic of Yugoslavia (FRY), was imposed as a reaction to the sanctions imposed by the United Nations Security Council (UNSC). Because of the violent conflict that broke out after the disintegration of the FRY into multiple smaller states, the UNSC decided to impose economic sanctions as a means to incite political actors in the FRY to end their conflict (Anthony 2002; Delevic 1998). The EU followed the UN line, but upkept economic sanctions on the FRY for much longer (Portela 2005, 96). The EU sanctions also coincided with other EU securitization efforts, such as the Common European Security and Defence Policy (Cole 1993, 49). In this case, we can see how sanctions are intertwined with themes such as security or coercion.

In my final analysis, I compare these events with one another and see where the larger systems theories such as LIO theory might not lend as much explanatory power as one would like. The range of different views on the Liberal International Order, from classical liberalism to geoeconomics, can all be used to see in which cases sanctioning is used for what purpose. In turn, we have the two different, yet simultaneous, case studies about the Japan-US trade war and EU-Yugoslavia sanctioning regime to tell us where theory falls short. In practice, this will mean that we re-evaluate the Liberal International Order as it came into being after World War II. The case of sanctioning will be used as a smaller part of a larger system that can lend us insights on how the system functions at large.

3.3 Theoretical framework

To explore the tension between LIO theory and the implementation of sanctions, I use an interpretivist framework to generate an original perspective and new knowledge on sanctions within the LIO. Because international sanctions have been around for all of the 20th century, but their form and conceptualization have changed over time, I have opted to distill various sanctions from 20th-century history to shine a light on what sanctions are. The

relationship between social and political events and how they influence our theoretical knowledge about things is important here (Bandura 2001, 285).

As proposed by psychologist Albert Bandura's social cognitive theory, people's behavior is not only modeled after what they see other people do but also after how their community tells stories about itself. People should be seen as individuals who are simultaneously socially situated in interpersonal networks. Narrativized media (books, tv, academic papers) influence people to discuss and negotiate matters that are important with others (Bandura 2001, 286). Narratives, mediated through our day-to-day interactions shape dominant discourse, which, in turn, reshapes the narrative. This narrative then continues to influence future behavior. Because I see a tension between the perception of sanctions in popular discourse and the practice of sanctioning, then, I think it is important to reshape our knowledge so that future actions can be seen from a clearer perspective.

By using the case studies of the US – Japan Trade War and the sanctioning regime of the European Union on former Yugoslavia, we get a perspective on two unique situations in which sanctions were deployed. These perspectives will then be put into dialogue with the theories that were discussed in the literature review section. We will see where praxis resonates with theory to amend our conception of what the role of sanctions is in the LIO.

3.4 Foundational assumptions

Theoretically, this research is based on several premises that are expedient to understanding the importance of the research question. Firstly, I hold the ontological assumption that reality and knowledge are socially constructed. Thereby challenging rationalist assumptions and holding the position that human actions are shaped by the "social construction of actors' identities, and the importance of identity in the constitution of interests and action" (Price and Reus-Smit 1998, 261). Second, much like critical theorists, I assume that we can acquire new knowledge through empirical research practices as well as based on

the interpretation of texts and the observation of everyday practices (e.g. historical accounts). This stands in contrast to the hegemony of one scientific method, which prioritizes exact measurement and the supremacy of one "neutral" theory (Price and Reus-Smit 1998, 261). This research is carried out under the presumption that there is a plurality of approaches one can take when trying to generate new knowledge on a specific subject. These two notions broadly categorize this research as being in the constructivist corner of International Relations Scholarship (Vucetic 2011, 1304).

Because of these two assumptions, the question *why is Liberal International Order theory not fully equipped to explain sanctioning practices?* acquires salience. If our reality is socially and politically constructed and our understanding of reality is further informed by our observation and interpretation of discourse and practice, our idea of sanctions is continuously due for reconstitution. Thus, I will look to (re)construct our notion of sanctions through prior knowledge of theory on the LIO and the observations I will make about historical instances of sanctioning.

3.5 Research design

In order to structure my analysis of the case studies, I will be executing my research along with a modified version of the Most Different Systems Design (MSDS) (Anckar 2008). MDSD is a technique that is primarily used within the area of social sciences, as a positivist method that attempts to prove the underlying principles that emerge in two (or more) different situations/events which have similar outcomes. The core of the MDSD method is that two cases are chosen that have different paths leading to a similar outcome. The question that MDSD seeks to answer is, therefore, *why* a certain outcome is reached in both cases despite them being different at first sight. Thus, an effort is made to distinguish the underlying reasons for certain events happening in different situations. We might see how

different processes or characteristics might nonetheless uncover similar underlying principles that lead to similar outcomes.

For the sanctioning cases that have been chosen this method can deliver especially salient results, as we see different characteristics of- and reasons for one nation putting sanctions on another. In the case of the Japan–US trade war, we see one liberal nation put sanctions on another liberal nation. In the case of the EU–Yugoslavia sanctioning regime, it is from one liberal political actor to a non-liberal political actor. The first sanctioning regime had trade disputes as an immediate incentive for a sanctioning regime, the latter was a sanctioning regime in reaction to security concerns. I argue that although these cases are seemingly in contrast to one another, there are some uniting undercurrents and incentives that drive the US/EU to impose sanctions. MDSD is used to look deeper into both cases and see that though there are differences, the underlying principles remain similar.

Furthermore, because MDSD presumes a level of observation that is lower than a systematic theory, it highlights a situation's unique characteristics and can get into close detail (Mills, Durepos, and Wiebe 2010, 571). This means that especially if one uses MDSD as an exploratory method rather than an empirical method, this can yield interesting results which may then be used in future research about sanctioning regimes. I will opt for the exploratory use of this method for analysis. In this research, the topic of sanctions is looked at in the literature review from a macro theory level, once there is knowledge of the broader theories, the particular instances of sanctioning can be zoomed into at a micro level. In this way, it will shed light on the *intricacy* as well as the more *qualitative aspects* of 20th-century sanctioning regimes. The illustrations that will be given of these sanctions will be compared to the literature that has been reviewed previously. In this way I can mirror practice to theory and draw conclusions from there about the most striking underlying principles of sanctioning.

Because I use MDSD to shed light on qualitative aspects, it can only be used to evaluate the soundness of the macro-level theory that has been written on sanctions. Using MDSD as an exploratory method exposes a few apparent shortcomings, as in a strictly empirical sense this design may not have the strongest explanatory power. Because the sample group is small and not necessarily representative of all of sanctioning in the 20th century, it does not count as strong empirical evidence and cannot be used to validate claims. However, what this research does illustrate are some more descriptive characteristics of sanctioning in the 20th century. The observations that will be given about these sanctions will be compared to the literature that has been reviewed previously. In this way, I can mirror practice to theory and draw conclusions from there about the most striking underlying principles of sanctioning.

3.6 The major claims of this thesis

After the theoretical groundwork has been laid out, I proceed to the cases that show that sanctions can be used in many different sorts of contexts. It can be from one democratic country to another, or from a liberal country to an illiberal one. Since the cases of US-Japan and EU-former Yugoslavia are so different, they will showcase how sanctions can be deployed to gain control or power over extremely different situations, yet in starkly different contexts. Choosing the two cases, which are under similar conditions (20th-century, sanctioning regimes), with very different characteristics, I hope to show that there are some core characteristics to sanctions that are different from what liberal theory would drive us to believe. I chose an exploratory method because I want to show how the theories that have been constructed concerning sanctions – and, more broadly, international trade – can give a somewhat shallow idea of what sanctions are and their function. As a general understanding of them, sanctions seem to have grown into a measure is perceived to prevent conflict, but often it seems that sanctions are a rather provocative, even aggressive, way of coercing states

into liberal behavior. What I seek to show is that liberal sanctioning regimes are driven by some rather illiberal seeming incentives:

(1) With increased interdependence, there is more chance of conflict,

(2) Economic warfare may serve as a substitute for military intervention,

(3) Powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal.

4. Analysis

4.1 Japan – US trade war

As said in the previous chapter, I choose to shed light on the Japan–US trade war for various reasons related to the time frame and salience. Liberal norms are associated with the USA, especially in the 90s and 00s, when liberalism became the most influential ideological framework. In the Japan-US case, we can see how liberal logic can be disregarded when national well-being and security are deemed to be under threat. In the late 20th century, the US held a trade deficit vis-à-vis Japan comprised of billions of dollars. Because of the perceived threat coming from Japan and its subsequent US domestic dissatisfaction (Urata 2020, 148), the US Trade Representative decided on the implementation of a "super" section 301, a section in US commercial trade law that allows the US to unilaterally impose trade sanctions – without the involvement of any other international organization – when a targeted nation's trade policies are seen as unfair (Grier 1992, 2). The effects of the US sanctions on Japan, combined with the burst of the Japanese bubble economy (Urata 2020, 154), contributed to Japan's "Lost Decade", in the 90s, from 1991 onwards.

Although the Japanese were generally understood to be a free-trade nation, which had the characteristics that were needed for successful membership to the WTO's predecessor, the GATT, tensions between the US and Japan seemed to rise throughout the 20th century for a couple of reasons. Although there were no institutional shortcomings on Japan's end with regard to upholding a liberal trade regime, the US trade goals were structured in such a way that they upheld certain targets with regard to the penetration of foreign markets. Although these targets were even fuzzy to American policymakers themselves, the Japanese willingness to say no to stimulating the consumption of American goods had shifted the US consensus against Japan (Young 2000, 758).

4.1.1 Main actors

4.1.1.1 Japan

The Post-WWII world order was one of division between the capitalist West (led by the US) and the communist block (led by the Soviet Union). Because Japan, a liberal, capitalist nation, was under threat from the Soviet Union, it relied on the United States for its security (Urata 2020, 144). Furthermore, due to its pivotal position in Asia, US interests in the country were big post-war as well. Due to these factors, US-Japan trade relations have been rather tight, yet complicated since the 50s (Urata 2020, 145). Ever since the post-war period, the Japanese had to deal with trade frictions between them and the US concerning things such as textiles, steel, semiconductors, and luxury cars. This often ended up in Japan accepting Voluntary Export Restraints (VERs) to the US. Mostly these restraints did not do any serious damage to Japanese industries, as a positive outcome of the VERs was that Japanese producers started focusing on exporting more expensive luxury products and diversifying the product range, so that the VERs would not apply and Japanese producers could export regardless.

Because the VERs did not yield strong enough result, the United States Trade Representative's office went into new negotiations with the Japanese government. During the Market-Oriented Sector Specific (MOSS) talks, the idea of setting targets for US imports to Japan made the rounds, but was eventually dropped in favor of removing entry barriers for a couple of key industries in Japan: *telecommunication, medicine and medical equipment, electronics, and forest products* (Urata 2020, 150). With the entry of the Reagan administration, aggressive export policies were put in place, which also came to have an effect on Japanese-American trade relations. The Reagan administration chose to opt for a "super" section 301 to open up the Japanese economy and to fix their trade imbalance with them. The "super" section 301 was an extension of the original section 301 as instated in the

1974 Trade Act. The original section 301 had been used on various countries such as Canada and the European Community by unilaterally imposing sanctions. Though the article was controversial, as it violated the trade agreements that the US was a part of as a member of the GATT, it could be instated anyway. Super 301 implied the use of annual evaluation rounds of how effective the unilaterally imposed sanctions had been and the routine review as to whether more sanctions should be instated on the targeted nation (U.S. Department of State n.d.). Eventually, due to US policymakers feeling progress into the Japanese market was not rapid enough and annoyance over misunderstandings during trade negotiations, 100% trade tariffs were imposed on Japanese electronics in 1986. In the rest of the 1990s, results of the "super" 301 were still felt in Japan and throughout it, the US further endeavored to reduce the trade deficit with Japan.

4.1.1.2 United States

After the end of the Second World War, the US relation to Japan acquired prime status as a security alliance that helped anchor US security interests in East Asia. US- Japan relations were based on the signing of the Mutual Security Pact in 1952 and was fortified further by the 1960 Treaty of Mutual Cooperation and Security (Lee 2018, 219). Japan, furthermore, acted as an anti-communist stronghold from which the US could prevent the spread of communism to the rest of Asia with some Japanese islands (such as Guam) functioning as a US military basis. In addition to this tight security cooperation, the US and Japan went into intimate trade relations as well, this made the countries interdependent not only in the realm of security, but economics too. Despite this economic interdependence, US officials had long been unhappy about this relationship, as can be seen from internal CIA documents in which terms such as "*retaliatory action*" or "*attack*" were used with regard to Japan (Lee 2018, 219).

The US has been a country that, especially after WWII, relied heavily on its production power and the ability to export its goods to other nations. Because of this, the opening up of foreign markets – e.g. the removal of tariffs and trade barriers – was needed. However, as the world recovered from the ravages of the Second World War, they became more productive relatively to the US. As production capacity in other parts of the world went up, paired with their lower relative production costs, US manufacturers had more trouble exporting their goods to other countries, slowly building up a trade deficit with other nations. In the 1990s the US had become the greatest debtor nation in the world due to some trade deficits with other countries. One of the most striking examples of this deficit was in 1994 with Japan, a time during which the US had a 50 billion dollar trade deficit with Japan, mainly due to a trade gap between both nations' automotive industries. In 1994 the trade deficit between the two countries reached sixty-six billion dollars, two-thirds of which comprised the automotive industry (Drake 1995, 285).

4.1.2 Reasons for engaging in sanctioning

On the surface, the trade wars between the US and Japan might seem counter intuitive; it concerns two democratic, liberal countries which operate along the same ideological lines. Yet, we do not see the sort of liberal peacefulness one would expect with two countries that are so interdependent on one another economically. Instead, what we see is that the US feel threatened by their ally, Japan, because of the sizeable trade deficit they hold with one another. Because both countries are allied, a military conflict would be counter to either one's interests. After all, which other country will act as a military vessel for the US in Asia? Because of this, there is one other measure that the US can take to make sure its trade deficits do not mount up too rapidly; trying to limit Japanese exports to the US and trying to boost the sale of US products in Japan. The manner in which this was done, however, takes on a hostile form – the CIA internally even employing hostile language with regards to Japan

– which represents a relation to Japan which might not be so cordial. In the end, these tense relationships even led to a form of economic warfare, in which neither "freedom" nor "fairness" of trade practices featured as its main principles.

4.1.3 Support for the argument

With regard to liberalism and its dubious relationship to sanctions, we see several interesting phenomena come to light in the Japan-US trade war; (1) that with increased interdependence, there is more chance of conflict, (2) that economic warfare may serve as a substitute for military intervention, (3) that powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal.

In his paper about economic interdependence and peace, Lee (2018) already notes: "With such apparent inverse relationship between interdependence and conflict, liberalists' claim on the correlation between peace and economic interdependence seems to lose its ground" (222). Interdependence, on a political or economic level, does not only mean that countries have larger overlap in the matters they are jointy concerned with. It also means that there is a greater chance of annoyance or offense occurring between nations. When one nation starts to cooperate more closely with another one, displeasure over perceived unmet reciprocity can especially become problematic between countries with strong economic ties, such as Japan and the US. Close cooperation thus means more opportunity for discontent, and thus, conflict. This is something that Fichte (1846), Lee (2018), and Roberts, Choer Moraes, and Ferguson (2019) already noted.

Because the Japanese political interests in the US and vice-versa were not only based in economic interests, but in security interests as well, the economic conflict between the two could not be solved through military intervention. As the US had military strategic interest in the Japanese islands , a military intervention was counter to their interest and could never

have been a legitimate choice of action. Instead, the US opted to settle its dispute with Japan in a different way: through economic sanctioning. In this case, economic sanctions could not quite have been seen as a diplomatic way of solving their issues with Japan. Rather, brute economic force was used to make Japan comply with the will of American policy makers. Thereby, economic intervention has become an effective mean to intervene in other countries' matters without using physical force.

The last argument I make with regard to the relation between liberalism and sanctions, is that geoeconomic interests still factor in when striving to liberalize other countries. I observe that illiberal means may often be used to (paradoxically) force other countries to liberalize. In the Japan-US trade conflict, it can be seen that the US wishes for Japan to open itself more for exported goods, aiming for what they see to be more reciprocal trade relationships. However, rather than through solving its problem with Japan multilaterally and searching for solutions through the institutions that are built to promote multilateralism – like the GATT or its successor, the WTO –, the US chooses to employ section 301, circumventing multilateral action and forcefully trying to break open the Japanese market (Young 2000, 786).

4.2 EU – Yugoslavia sanctioning regime

The 90s on the European continent were decidedly characterized by the fall of the Berlin wall in 1989. Before the fall of the Berlin wall, Europe was divided along a line that represented a bipolar order. In the west, political culture was structured along highly institutionalized capitalist framework, while in the communist East politics were most affected by the disintegrating political influence of the USSR. During the period of transition after the fall of the Iron curtain, instability ensued in the East, as political systems caved in in a relatively short amount of time. During this period of uncertainty, political drivers like nationalism, religion, and ethnicity started becoming more relevant (Lavdas 1996, 210). In the Balkans, this meant that the Federal Republic of Yugoslavia, which during the post-war period was a rather centralized, functional political actor (Lamotte 2012, 554), started to be divided through these tensions as well.

The tensions that emerged in Yugoslavia resulted in heavy armed conflict, divided in three outbursts of violence, divided over the 90s of the 20th century, from June of 1991, when Slovenia and Croatia declared independence, until June 1999 when the UN is given control of Kosovo. The aftermath of the conflict, however, went on until into the 00s. On the 30th of May 1992, the United Nations first decided to impose sanctions on Serbia and Montenegro, after the Security Council had established that the situation in Bosnia-Herzegovina and other states and regions of former Yugoslavia were a danger to the international community as well as to the Balkans themselves. As a result, resolution 757 was used to ban the international community from trading with Serbia and Montenegro or to have any air travel to or from them, amongst other sanctions. These sanctions were partially lifted again in 1995 when the Dayton agreement had been signed in Ohio. Once Milosevic had been extradited to ICC in the Hague, all remaining sanctions had been lifted by the UN (Hajduković 2014, 62).

4.2.1 Main actors

4.2.1.1 Yugoslavia

The Socialist Federal Republic of Yugoslavia was a state that existed from 1945 until 1991 and united six states: Serbia, North Macedonia, Slovenia, Croatia, Montenegro, and Bosnia and Herzegovina under a communist regime. Although the state initially sided with the Soviet Union in 1942, it upheld its neutrality from it in 1948. The state was governed through the Communist Party of Yugoslavia under Josip Broz Tito, a charismatic figure who united the different southeast European states into a long-term integration project (Krstić 2011, 23). It was a federation of states which did not only have close political ties to one another, but also enjoyed intense trade between each other (Lamotte 2012, 555). Relations between Yugoslavia and the EEC were generally warmer than those between the Soviet Union and the EEC. As the Tito doctrine established Yugoslavia's neutrality from the Soviet Union, West Germany permitted itself to allow Yugoslav workers to labor in areas like Baden-Würtemberg (Moinar 2014, 152). In the 80s EEC trade relations with Slovenia and Croatia especially started to intensify ("Null" n.d.). After Tito's death in 1980, relations between the different states started showing signs of deterioration. Serbian nationalists, led by Slobodan Milosevic gained political influence over ethnic Serbians in the Republic. To establish his power over the region, demonstrations were held IN the provinces of Kosovo, which was mainly inhabited by ethnic Albanians ("Annex IV : The Policy of Ethnic Cleansing" 2012, Summary IV). As political tensions rose further, the decision was made by Serbia to revoke the autonomy of the Serbian provinces of Kosovo and Vojvodina. Because of the violence used revoking these privileges of the provinces, it generated alarm in the other states. Because of this rising alarm and internal resentment, the League of Communists fell apart in early 1990, as Slovenian delegates to the League demanded to end the Communist

party's hegemonic role within the Federation and petitioned for a multi-party state solution ("Annex IV: The Policy of Ethnic Cleansing" 2012).

As Slovenia and Croatia declared their independence on June 25th 1991, after failed attempts to reach agreements concerning the structure of their federal government, the Yugoslav People's Army was called to action to go to war in these regions. Because of the mixed ethnic patchwork all over the federation, ethnic tensions flared up in smaller provinces of the other countries. Ethnic minorities in one of the six states would be enabled by other states to revolt and a disorganized violence fluctuated all throughout the 90s ("Annex IV: The Policy of Ethnic Cleansing " 2012) .

These events were significant not just for the Balkan region, but also sparked concern around the international community. The UN security council decided upon sanctions that were to be imposed by the international community. The sanctions under resolution 757 went into action against Serbia and Montenegro by imposing sanctions on financial traffic, travel, intellectual and cultural exchange. The sanctions resulted in the hyperinflation of the Serbian Dinar and thus, despite the intention of "smart sanctioning" set by e.g. the European Union (Bondi, Biersteker, and Stephanides 2002, 87), the population of both countries had to cope with issues such as food scarcity (Hajduković 2014, 61).

4.2.1.2 European Union

The Council of Europe was created post-World War II (1949) amongst western European states with the goal of promoting democracy and human rights, this was the first legal framework in which western Europe united politically. Two years after the founding of this council, the European Coal and Steel Community was founded by six European states: Italy, France, Germany, Belgium, the Netherlands and Luxemburg. This community was devised to run their coal and steel industries under a common management, making

European states dependent on one another for raw materials that are needed for weapons of war ("History of the European Union – 1945-59 | European Union" n.d.). This did two things: firstly, it made these European states economically dependent on one another and, secondly, it prevented them from going to war, as the other European states would have to willfully enable them to build weapons, if the intention were there. The collaboration between these European states proved a success and the member states established the European Economic Community through the "Treaty of Rome", which created a customs union. Because of the economic success of the customs union and (the successor) of the EC (the EU), the EC/EU has had enlargement rounds once every couple of years, incorporating bordering European nations. Where for the poorer countries this meant more opportunity for export, wealthier countries could exploit the benefits of cheap labor, production, and materials. Throughout its history, this has been an important incentive for the EC/EU to keep expanding towards its neighbors.

Apart from a customs union and a legal, political framework from which European states operated, a common defense policy was added to the aspirations of this Western European "core" with the establishment of the OSCE. As the interests of these states became more entangled with one another on both an economic and security level, these groups formally formed the European Union (EU) after the "Treaty of Maastricht" in 1992. This was done against the backdrop of the Cold War ending and the reunification of East- and West Germany and in order to create an "ever closer union among the peoples of Europe" ("Founding Agreements | European Union" n.d.). In practice, this meant that the states of the European Union committed to a plan of creating a monetary union within the European Community, turning it into a Union. Strategically, this was implemented because of the reunification and the fear it caused in French diplomatic circles that Germany would assume a role within the European community that would become too powerful, *"*independent and

nationalistic*"* (Baun 1995, 609). As a response, France reiterated their desire for a monetary union as to bind Germany to the rest of Europe by deepening and strengthening European integration (Baun 1995, 609).

Parallel to the European Monetary Union, another pillar of the European Union was created with regard to defense. The CFSP (Common Foreign and Security Policy) aims to formulate common European responses to external foreign policy and defense issues. Two main reasons for this were, firstly, due to the Yugoslav wars and the international response that did not include European interests well enough and, secondly, due to the rest of Eastern Europe now having caved in politically, also presenting an unstable political situation (Baun 1995, 606, 621). With these developments as a backdrop, the EU coordinated sanctioning plans on Serbia and Montenegro after the UN had already eased on its own sanctions. These were comprised of measures that went even further than the UN's sanctioning regime, such as; an oil embargo (1999), investment bans (1998), and further financial sanctions (1998) (Bondi, Biersteker, and Stephanides 2002, 95-101).

4.2.2 Reasons for sanctioning

Though the EU is comprised of nation states that all have the authority to impose sanctions on other nations individually, the European Union chose to unify their response to the Yugoslav war in an undivided fashion. This made sense from an economic perspective, as the Union is a monetary one and the customs union was so integrated, it did not make much sense or impact to implement sanctions fractionally. The puzzle in the example of EU sanctions on Yugoslavia constitutes why the EU chose to impose new sanctions on Yugoslavia despite the UN having had already retracted a number of their own sanctions. The answer to this question seems to be that the European Union felt more incentivized to sanction Serbia and Montenegro out of security concerns.

The EU's economic interests are simultaneously linked to their security interests. As Portela notes in "Where and Why does the EU Impose Sanctions?" : "In Eastern Europe, the closest geographic area, sanctions have usually been employed in directly security-relevant contexts, especially as a means of influencing open violent conflicts or post-conflict situations. In its immediate European neighbourhood, the EU has been very active in imposing sanctions, reacting relatively speedily whenever there has been a possible threat to the security of the region." (Portela 2005, 120). Strategically, this interest in influencing the direct neighbors of the EU is important for three different reasons. Firstly, because it protects the EU's economic interests in its neighbors. Because neighboring countries to the EU often have their own Preferential Treatment Agreements (PTAs) of trading certain goods with the Union, stability must be protected in these regions. Secondly, because EU enlargement does not only benefit its new members, but also carries great benefits for the stronger economies that are already in the EU, there is an inherent interest in EU expansion. If the direct neighborhood of the EU is war-torn, this movement cannot continue. Lastly, as Portela observes: because of the hesitancy of Russia to implement UN sanctions (Portela 2005, 120), the EU was driven to exert more pressure on the region.

4.2.3 Support for my argument

In the EU sanctioning regime against Yugoslavia, we see a couple of overarching incentives play a role. Of the three claims I make about the illiberal reasons a liberal political actor might use sanctions, the first two are mostly applicable in this case, while the last one is more difficult to assess. What is especially apparent in this case is how interconnected security and economic concerns truly are (1) with increased interdependence, there is more chance of conflict, (2) economic warfare may serve as a substitute for military intervention, (3) powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal.

The first statement rings true in the case of Yugoslavia. With increased interdependence, there is more chance of conflict. Although the EU, technically speaking, did not have much to do with the ethnic conflict happening in Yugoslavia – aside from the human rights interests the Council of Europe has – it did have an interest in what was happening there because it affected the Union as well. Because the EU is not only dependent on its member states, but also on agreements it has with its neighbors, their dependency on a peaceful neighborhood drove them to implement far reaching sanctions. A more far-reaching argument would be that the EU is even dependent on its neighbors because of its expansionist behavior. Because the EU seems to generally economically benefit from expansion, especially on the long term, it has a vested interest in its neighbors being peaceful, liberalizing, and making strides in becoming candidate states.

The EU had other reasons for deploying sanctions on Yugoslavia as well, namely, as a substitute for physical, military intervention. Though it is known that through the UN some blue helmets have operated in former Yugoslavia, the EU never made direct efforts to militarily intervene there. Here it is obvious that, because of its security interests in the Balkans, it would have made logical sense to intervene militarily. However, due to the economies of the 20th century being so interconnected to one another, sanctions can be used instead to coerce other countries to change their agenda.

The third claim I make is more difficult to substantiate; powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal. This is a challenging claim, as it concerns processes that are long term and could not have very easily been devised a priori. However, what we do know is that the EU used sanctioning, which at least superficially goes against liberal arguments that interdependency will foster peace. The sanctions put in place

by the Union probably were not devised with the goal of persuading Serbia and Montenegro to become more economically liberal. Rather, these sanctions were a direct response to the peril that the violence posed to both the population of the Western Balkans as well as the economic interests that the EU has in the region. That is not to say, however, that the EU has not broadened its expansion to incorporate certain Balkan countries (Slovenia, Croatia) into the Union at a later stage. Though the interest of liberalizing its neighbors is evidently there, it has presumably not been the most important driving factor of the sanctions at the end of the 90s, but could be seen as an unintended, long-term consequence.

4.3 Geoeconomics as an explanation of the three sanctioning phenomena

The three claims that I have made about the tendencies of international sanctioning regimes – (1) with increased interdependence, there is more chance of conflict, (2) economic warfare may serve as a substitute for military intervention, (3) powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal – all made their appearance to varying degrees in the Japan-US and EU-Yugoslavia cases. However, a larger theme runs through these three claims. Namely: that in an ever more interconnected, global trade system our trade relations with others can lead to interdependencies that can be instrumentalized to influence other nations through sanctioning (Hirschman 1980).

The assertion that is often made by liberals that with trade and interdependence, peacefulness increases (Felbermayr 2022), leaves out the averse aspects of trade. In the 20th century, due to multilateral institution building and the US' hegemonic preference for trade without barriers, not only the positive aspects of interdependency but also the negative ones have made their appearance. The core ideas of Hirschman, that trade cannot be without geopolitical consequences, as differences in power relations will be instrumentalized

politically, is something we see play out in both cases I described. The fact that foreign trade has only increased over the 20th century has enlarged the effects that have already been observed by Hirschman (1980) and Fichte (1846), and later by geoeconomists as well as Roberts, Choer Moraes, Ferguson (2019). Thus, when we see economic ties broaden internationally, these interests can conflict with each other more easily, can be instrumentalized against one another, and can (paradoxically) serve an (il)liberal agenda.

Evidently, because the intellectual paradigm of liberalism should have its core principles, broad lines which one can follow to adhere to liberal norms, theories necessarily will appear more simplified than praxis plays out. To have an ideology means that one should be able to follow somewhat clear principles that inform what practical application looks like. However, in the case of liberal norms with regard to sanctions, we see that liberal ideology and praxis seem to form a paradoxical relationship to one another; that of believing that free trade will bring about a more peaceful international environment in which countries will gradually be persuaded to prefer democratic nation building over other forms of government, and the practical fact that in the heyday of neoliberalism withholding trade was one of the tools that could be used to coerce other countries into 'liberal behavior'. As Hindess argues in his paper "The Liberal Government of Unfreedom" (2001) regarding the history of liberal political praxis: "many of those whose conduct falls below the civilized norm must be subjected to improvement through more or less extended periods of discipline before they can sensibly be left to manage their own affairs" (104). Thus, we see that if other nations are not deemed capable of behaving appropriately, they were allowed to be patronized and penalized by more advanced, "liberal" nations.

5. conclusion

In this thesis, I delved into one of the more apparent paradoxes of sanctioning practices by liberal states. Preaching "Wandel durch Handel", but practically depriving states of trade has transiently been practice for liberal political actors throughout the 20th century as well as at time of writing. Though in conflict with the principles of the Liberal International Order, these measures paradoxically do seem to uphold this same system. In a trade system that has globalized tremendously over the 20th century, in which worldwide multilateral institutions cannot be thought out of existence, almost every nation is in some way dependent on their trade relations. Rather than free trade solely being advantageous for countries that rely on export to support their manufacturing power, trade and multilateralism also have a systematic effect on how interdependencies influence state behavior. More than just deepening and strengthening ties between nations, these interdependencies can also create friction between nations due to their ever tightening bonds.

In this thesis, I made claims about how three reasons may incite political actors to apply sanctions on another political entity:

(1) with increased interdependence, there is more chance of conflict, (2) economic warfare may serve as a substitute for military intervention, (3) powerful liberal economic actors may use illiberal means (depriving other countries from the reciprocities of open, free trade) to force them into becoming more economically liberal.

These three reasons for sanctioning share an overarching logic. Namely, that interdependency can be exploited as a form of political blackmail by the more powerful actors in a particular trade relation. Because of this, the core values of Liberal International Order theory may not be able to explain sanctioning regimes, as liberal values are mostly fixated on the added value

that free trade brings in the form of absolute gains, rather than the relative power imbalance that stems from interdependency.

This thesis has explored the underlying causes of sanctioning regimes through an experimental version of the Most Different Systems design. Because I have used it as an explorational method rather than as a verification method, it cannot be used to make definitive claims about the nature of sanctioning regimes themselves. Rather, by doing research on the Liberal International Order in the literature review and mirroring this macro-level oversight of the LIO to a micro-level analysis of the Japan–US trade war and the EU–Yugoslavia sanctioning regime, I have looked at the intricacies of the LIO and am mirroring it back to the systematic theory. Thereby, I have uncovered how the more qualitative aspects of the LIO play out in practice, refining our idea of how the LIO functions.

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