

SHIFTS IN AMERICAN COERCIVE DIPLOMACY POLICIES THROUGH ENERGY WEAPON

A Master's Thesis

by
GÖKBERK BİLGİN

Department of International Relations

İhsan Doğramacı Bilkent University

Ankara

September 2021

To my family



SHIFTS IN AMERICAN COERCIVE DIPLOMACY POLICIES THROUGH ENERGY WEAPON

The Graduate School of Economics and Social Sciences

of

İhsan Doğramacı Bilkent University

By

GÖKBERK BİLGİN

In partial fulfillment of the Requirements for the Degree of
MASTER OF ARTS IN INTERNATIONAL RELATIONS

THE DEPARTMENT OF

INTERNATIONAL RELATIONS

İHSAN DOĞRAMACI BILKENT UNIVERSITY

ANKARA

September 2021

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

Asst. Prof. Dr. Tudor A. Onea
Supervisor

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

Assoc. Prof. Dr. Özgür Özdamar
Examining Committee Member

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

Assoc. Prof. Dr. Pınar İpek
Examining Committee Member

Approval of the Graduate School of Economics and Social Sciences.

Prof. Dr. Refet S. Gürkaynak
Director

ABSTRACT

SHIFTS IN AMERICAN COERCIVE DIPLOMACY THROUGH ENERGY WEAPON

Bilgin, Gökberk

Master of Arts, Department of International Relations,

Supervisor: Asst. Prof. Dr. Tudor A. Onea

September 2021

This thesis focus on two issues. First, it evaluates the performance of oil as a weapon for coercive diplomacy from the perspective of the United States and its rivals. It investigates three different case studies: Japan 1941, Iran 2005-2015 and 2018- and Venezuela 2014. Second, it looks at how the oil weapon changed throughout time with the new developments in international politics and technology. Here, by focusing on the literature on coercive diplomacy, economic sanctions, and weaponized interdependence, I show how the United States that has the dominant military power, highest oil production capabilities, and the reserve currency combines these capabilities to apply coercion through oil weapon. The results show that oil coercion works when the demands require medium-level political costs for the targeted country. However, if the costs are getting higher, the target country does not comply.

Keywords: Coercive Diplomacy, Economic Sanctions, Oil Weapon, U.S. Sanctions, Weaponized Interdependence

ÖZET

ENERJİ SİLAHI YOLUYLA AMERİKAN ZORLAYICI DİPLOMASİ POLİTİKALARINDAKİ DEĞİŞİMLER

Bilgin, Gökberk

Yüksek Lisans, Uluslararası İlişkiler Bölümü

Tez Danışmanı: Dr. Öğr. Üyesi Tudor A. Onea

Eylül 2021

Bu tez iki konuya odaklanmaktadır. İlk olarak, ABD ve rakiplerinin perspektifinden petrolün zorlayıcı diplomasi için bir silah olarak performansını değerlendiriyor. Üç farklı vaka çalışmasını inceliyor: Japonya 1941, İran 2005-2015 ve 2018- ve Venezüella 2014. İkinci olarak ise bu tez, petrol silahının uluslararası politika ve teknolojiye yeni gelişmelerle zaman içinde nasıl değiştiğine bakıyor. Burada, zorlayıcı diplomasi, ekonomik yaptırımlar ve silahlı karşılıklı bağımlılık üzerine literatüre odaklanarak, baskın askeri güce, en yüksek petrol üretim kapasitesine ve rezerv para birimine sahip ABD'nin, petrol silahı aracılığıyla zorlama uygulamak için bu yetenekleri nasıl birleştirdiğini gösteriliyor. Sonuçlar, talepler hedeflenen ülke için orta düzeyde siyasi maliyetler gerektirdiğinde petrol zorlamasının işe yaradığını göstermektedir. Ancak maliyetler artıyorsa hedef ülke buna uymamaktadır.

Anahtar Kelimeler: Amerikan Yaptırımları, Ekonomik Yaptırımlar, Petrol Silahı, Silah Haline Getirilmiş Karşılıklı Bağımlılık, Zorlayıcı Diplomasi

ACKNOWLEDGMENTS

First and foremost, I thank Asst. Prof. Dr. Tudor Onea for his guidance, valuable contributions to this thesis, and for pushing me hard to improve the quality of the work I made and always question further for improvement. Thanks to his patience and understanding, this thesis became possible, and during this invaluable experience, I discovered more about myself and life.

I also want to thank Assoc. Prof. Dr. Pınar İpek and Assoc. Prof. Dr. Özgür Özdamar to agreeing to join my thesis committee on such short notice and providing valuable feedback to my research.

I am indebted to Prof. Dr. Refet S. Gürkaynak for providing me excellent research environment and supporting me throughout the year. I am grateful to have his guidance and excited for the knowledge I will learn working beside him.

Barış Sanlı never hesitated to be there when I needed his help on energy issues. He always encouraged me to get better at what I do with his unmatched sacrifice and continuous support.

Alpcan Efe Gencer, Efe Düveroğlu, Yüksel Yasemin Altıntaş, and Alice Löhmus provided their friendship and support, which kept me sane during these trying days. I was lucky to have them beside me.

My parents Nuriye and Ferruh Bilgin and my sister Göksu Bilgin, always helped me when needed.

Finally, I want to thank Başak Bozoğlu for her love and support to my life. I am grateful to her and well aware that if she was not with me during this process, there was no chance of me finishing this thesis.



TABLE OF CONTENTS

ABSTRACT	vi
ÖZET	vii
ACKNOWLEDGMENTS	viii
TABLE OF CONTENTS	x
LIST OF TABLES	xii
LIST OF FIGURES	xiii
CHAPTER 1: INTRODUCTION	1
1.1 Theory and Policy Relevance	3
1.2 Defining Key Concepts	7
1.3 Hypotheses	10
1.4 Methodology and Case Selection	11
1.5 Alternative Explanations	17
1.6 Plan of the Thesis	18
CHAPTER 2: COERCION AND THE ENERGY WEAPON	20
2.1 Coercive Diplomacy	21
2.1.1 Definition	21
2.1.2 Types of Coercive Diplomacy and Framework	22
2.2 Economic Sanctions	28
2.2.1 Definition	28
2.2.2 Types of Economic Sanctions	29
2.2.3 Impact of Economic Sanctions	30
2.2.4 Impact of Third Parties	31
2.3 Weaponized Interdependence	34
2.3.1 Definition	34
2.3.2 Financial Networks	36

2.3.3 Oil and Weaponized Interdependence	38
2.4 Energy as a Weapon	42
CHAPTER 3: THE UNITED STATES VS. JAPAN	49
3.1 Initial Conditions	50
3.2 American Coercive Diplomacy Against Japan	54
3.3 Outcomes of the Coercive Diplomacy	57
CHAPTER 4: THE UNITED STATES VS. IRAN	63
4.1 Initial Conditions	63
4.2 US Sanction Policy on Iran	68
4.2.1 Sanctions on Iran in 2005-2015	69
4.2.2 US Sanctions on Iran in Post-2015	70
4.3 Outcomes of the Policy	70
CHAPTER 5: THE UNITED STATES VS. VENEZUELA	74
5.1 Initial Conditions	75
5.2 US Sanctions on Venezuela	84
5.3 Outcomes of the Coercive Diplomacy	85
CHAPTER 6: CONCLUSION	92
6.1 Review of the Argument and Findings.....	92
6.1.1 Reasons for Coercive Diplomacy	93
6.1.2 Role of The Oil Weapon.....	95
6.1.3 Findings	99
6.2 Further Research.....	102
REFERENCES.....	104

LIST OF TABLES

Table 1: Classification of Crude Oil	46
--	----



LIST OF FIGURES

Figure 1: Global Total Primary Energy Demand by Fuel (mtoe)	2
Figure 2: Countries with the highest military spending worldwide in 2020 (in billion \$).4	
Figure 3: U.S. Crude Oil Imports by Country of Origin.....	39
Figure 4: Top Ten Largest Oil Producers in 2021	40
Figure 5: Naphtha Imports of Venezuela from the United States in 2018.....	47

CHAPTER 1

INTRODUCTION

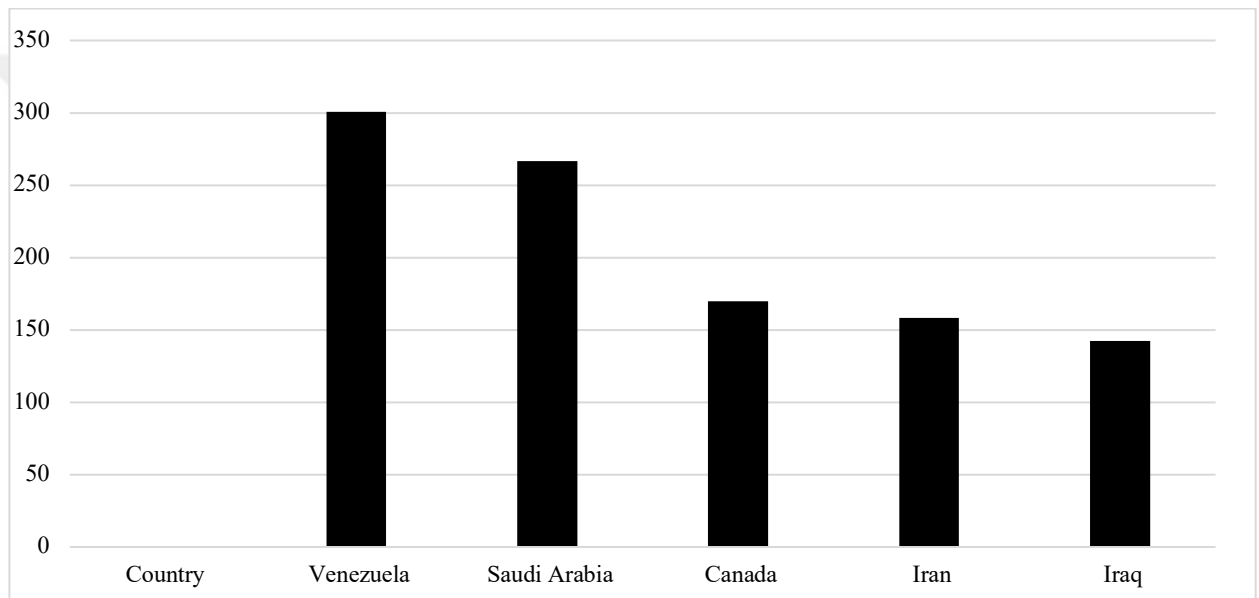
Energy sources play a crucial role in the development of the state on economic and militaristic means. Countries have access to vast energy sources able to build advanced military and industrial complexes and, therefore, provide prosperity to their citizens. Hence, acquiring energy sources, getting access, and protecting them plays a vital role for the decision-makers in international relations. The International Energy Agency (IEA) defines energy security as the uninterrupted availability of energy sources at an affordable price.¹ Each state in the world follows a plan to ensure its energy security.

While they are doing so, the countries that have abundant energy resources or financial power can use their powers to limit other countries through several instruments. In this thesis, I examine two concepts that is related with each other. First, I look at under what circumstances is the use of the energy weapon in terms of oil likely to prove successful. Second, I show how the changes in the international system transformed the applicability of the energy weapon over time.

¹ “Energy Security – Topics,” IEA, accessed March 15, 2021, <https://www.iea.org/topics/energy-security>.

The countries obtain their energy security through accessing several commodities. In the twentieth century, there was a huge shift from coal to oil.² Today, the share of the renewable energy sources is on the rise. In Figure 1, I show the global total primary energy demand by fuel for 2019 in terms of million tons of oil equivalent (mtoe).

Figure 1: Global Total Primary Energy Demand by Fuel (mtoe)



Source: IEA³

As one can see, leading role of oil continue in the 2019 statistics. In the IEA scenarios, the oil is expected to be on the top fuel on global energy demand in this century. Therefore, in this thesis I specifically focus on how oil is used as an energy weapon in coercive diplomacy policy. While looking at the effectiveness of oil weapon I frame the research under three different concepts that I introduce in Section 1.3.

² Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (Simon and Schuster, 2011).

³ “Global Total Primary Energy Demand by Fuel, 2019 – Charts – Data & Statistics,” IEA, accessed October 1, 2021, <https://www.iea.org/data-and-statistics/charts/global-total-primary-energy-demand-by-fuel-2019>.

1.1 Theory and Policy Relevance

The main coercer country in this thesis will be the United States. While the United States enjoys having unprecedented power in different domains, it also aims to protect status by following a strategy that focuses on primacy.

On the side of the power, the United States has the world's dominant military, a very strong alliance network that encompasses 25 percent of the world population and 75% of GDP and military spending.⁴ Other than that, the United States has advantageous positions in the existing international institutions such as the United Nations, the World Bank, and the International Monetary Fund.⁵ On the innovative workforce side, the United States owns 25% of the global wealth and 35% of the world's innovation, having 600 of the world's most profitable companies and 50 of the top 100 universities in the world.⁶ Finally, with the recent discoveries in the oil and gas sector, it enjoys the leading position of top energy producer globally with controlling the reserve currency.⁷

According to Porter, the United States conducted a grand strategy of "primacy" to maintain its position as the leading state in the international system for six decades.⁸

Onea defines primacy as the grand strategy of cementing in place the great power's

⁴ Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower* (Ithaca, 2018).

⁵ Ryan Hass, *Stronger: Adapting America's China Strategy in an Age of Competitive Interdependence* (New Haven: Yale University Press, 2021).

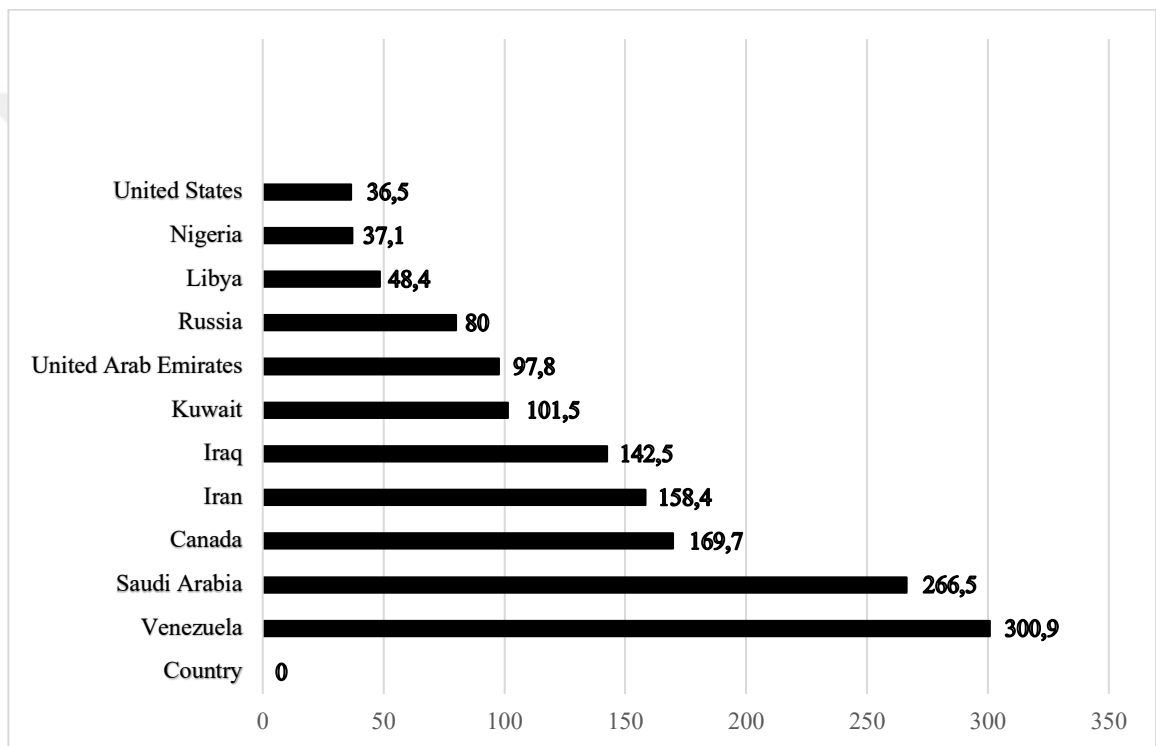
⁶ Beckley, *Unrivaled*.

⁷ EIA, "The US Leads Global Petroleum and Natural Gas Production with Record Growth in 2018 - Today in Energy - US Energy Information Administration (EIA)," 2019, <https://www.eia.gov/todayinenergy/detail.php?id=40973>.

⁸ Patrick Porter, "How the US Foreign Policy Establishment Constrains American Grand Strategy," Belfer Center for Science and International Affairs, 2018, <https://www.belfercenter.org/publication/how-us-foreign-policy-establishment-constrains-american-grand-strategy>.

position as the international number one by taking steps to enhance its lead on the other great powers.⁹ The United States spent in the military sector more than the following nine countries to ensure primacy, as is shown in the next figure.

Figure 2: Countries with the highest military spending worldwide in 2020 (in billion \$)



Source: Statista¹⁰

The United States followed this policy for many years, and its military became the dominant player in the international system. At the beginning of the 21st century, right after the 9/11 attack, the Quadrennial Defense Review Report that is published by the US Department of State focused on the 4-2-1 principle, which deterred in four places,

⁹ Onca, *The Grand Strategies of Great Powers*.

¹⁰ Statista, "Ranking: Military Spending by Country 2020," Statista, 2021, <https://www.statista.com/statistics/262742/countries-with-the-highest-military-spending/>.

counterattack in two, and if necessary, go to enemy's capital in one of the two.¹¹ During that time, the main domains that the United States should have controlled to resume its supremacy were air, sea, and space. The idea was by using the American military bases all around the world that were established for the Cold War purposes, and the United States was trying to reach anywhere in the world that is causing the problem for their status and neutralize it with its supreme military forces. Barry Posen defined these three domains as the Command of the Commons. According to his claim, as long as the United States remained dominant in each of these domains, it was going to be able to deal with the threats affectively.¹²

According to David Vine, the US has 800 military bases in more than 70 countries and territories abroad.¹³ Of course, these are contained around the regions that are strategic chokepoints for American interests. These regions are Europe, the Middle East, East and Southeast Asia, and Panama. While in some regions, the aim is to protect allies from the possible threats as it is in Europe and East Asia, in others, it is to protect the commodities required for the United States and their transportation routes.

With the rapid development in the information sector, the focus of the Quadrennial Defense Review Report shifts to prioritizing inclusive economic growth, improving the use of data and diagnostics to develop better policies, and building a hub for analytics,

¹¹ US Department of Defense, "Quadrennial Defense Review Report" (US Secretary of Defence, 2001), <http://www.comw.org/qdr/qdr2001.pdf>.

¹² Barry R. Posen, "Command of the Commons: The Military Foundation of US Hegemony," *International Security* 28, no. 1 (2003): 5–46.

¹³ David Vine, *Base Nation: How US Military Bases Abroad Harm America and the World*, First edition (New York: Metropolitan Books, 2015).

data science, strategy, and knowledge management at the department.¹⁴ This shift is a good example of how the role of military operations changed with the developments in data science. The Quadrennial Defense Review Report was renamed the National Defense Strategy, and in its 2018 report, it is claimed that the rapid technological advancements and the changing character of war affected the security environment.¹⁵ Those new technologies are described as advanced computing, big data analytics, artificial intelligence (AI), autonomy, robotics, directed energy, and biotechnology.¹⁶ Since the United States had unprecedented dominance in the military sector, other countries began balancing them on other networks such as energy, telecommunication, and finance, which have increasingly valuable sources in international politics.

In the oil and natural gas sector, the main rival of the United States, China, also works on building a strong supply network through investments in major oil and natural gas producing countries. According to Lind and Press, by having a mercantilist approach, the Chinese government gains control and influence over the key suppliers and creating alternative supply routes for their oil demand.¹⁷ They have managed to make these investments during 2000 and 2010 where the country had significant surpluses and oil prices were considerably high. The economic situation during that era helped China to make investments that may have been considered overvalued at that time. However, due to the rapid decline in the oil prices, they turned into highly profitable, and the Chinese

¹⁴ US Department of Defense, "Quadrennial Defense Review Report" (US Department of Defense, 2015).

¹⁵ Jim Mattis, "Summary of the 2018 National Defense Strategy," 2018, 14.

¹⁶ Mattis.

¹⁷ Jennifer Lind and Daryl G. Press, "Markets or Mercantilism? How China Secures Its Energy Supplies," *International Security* 42, no. 4 (May 1, 2018): 170–204, https://doi.org/10.1162/isec_a_00310.

influence in these countries increased significantly.

The coercive policies are also tools for controlling the capabilities of other states by limiting their trade activities as an alternative to a military operation. For the first time in the history of globalization, we are experiencing that a country has the energy resources to export, the reserve currency, and the dominant military power. The United States, with its power shaping the understanding of coercive diplomacy, economic sanctions, and weaponized interdependence with novel policies. This research's value comes from exploring how these policies changed throughout the years by focusing on several cases.

1.2 Defining Key Concepts

In this thesis, while explaining the impact of the energy weapon, I use three important concepts which are coercive diplomacy, economic sanctions and weaponized interdependence. Here, I introduce the definitions of each concept. I discuss the details in Chapter 2.

In the literature, coercion is defined as the use of threatened force.¹⁸ When countries apply brute force, they directly harm their adversaries without considering their opinions.¹⁹ In coercion, instead of using direct force, the country manipulates the targeted state to change its behaviors through the threat of using force. The application of coercive diplomacy changes depending on the adversary behavior. In the international system, the behaviors of the states can be grouped in two categories. If a state challenges

¹⁸ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*, First (Rand, 2002).

¹⁹ Thomas C. Schelling, *Arms and Influence* (New Haven, CT: Yale University Press, 2008).

the existing international order established by other powers, we call them as revisionists. The states that are satisfied of existing order, on the other hand, does not try to change the system and called as status-quo powers. If the coercer country attempts to maintain the status quo, we call it deterrence. On the other hand, if the country attempts to change the status quo, we call it compellence.²⁰ In the literature, George separates the compellence as offensive and defensive and calls offensive compellence as blackmail and defensive compellence as coercive diplomacy.²¹

The use of sanctions as an instrument of coercive diplomacy can be traced as far back as 432 BCE, when the Athenian Empire levied the Megarian Decree, leading to the Peloponnesian War.²² However, the instrument gained popularity in the second half of the 20th century. After the developments in the military sector in World War I and World War II, the states become more hesitant on using war as a foreign policy tool. Sanctions begin to become popular in this era. The American President during and post-World War I, Woodrow Wilson, claimed: "A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy, and there will be no need for force." Instead of facing the devastating and destructing affects of wars, sanctions are perceived as a more humane way. Even though the effectiveness of this policy is still questioned under different methodologies, it is accepted that the policy

²⁰ Thomas C. Schelling, *Arms, and Influence* (New Haven, CT: Yale University Press, 2008).

²¹ Alexander L. George, *Limits of Coercive Diplomacy*, Underlining/Highlighting edition (Little Brown & Company, 1971). See more on Chapter 2.

²² Thucydides, *The History of the Peloponnesian War*, 431AD, <https://www.gutenberg.org/files/7142/7142-h/7142-h.htm>; The Megarian Decree is the first known economic embargo imposed by the Athenian Empire to exclude Megarians from the Attic Market and harbors. P. A. Brunt, "The Megarian Decree," *The American Journal of Philology* 72, no. 3 (1951): 269–82, <https://doi.org/10.2307/292076>.

creates pressure on the target by influencing the targeted area. More simply, sanctions, which are how economic damage is imposed on the other countries or the threat of economic damage used to bring pressure on them, are intended to create sufficient pain on the receiving end to change its behavior.²³ In coercive diplomacy and compellence, context sanctions become a major instrument for the coercer to apply to the adversary.²⁴

Finally, weaponized interdependence is defined as a situation for a state that can benefit from its node in an embedded network to gain a bargaining advantage over others in a contained system.²⁵ According to the liberal complex interdependence idea, there are many different actors in the system, which do not only consist of states, and there is no hierarchy between issues.²⁶ The liberals claims that when there is interdependence among the states they are willing to choose cooperation over conflict every time.²⁷ The realists, on the other hand, prioritize security among all issues and state that even in interdependent situations the states will seek to gain advantages to reduce their dependence to each other.²⁸ Thus, the weaponized interdependence idea argues that, in a given domain, if the share of power favors one party, then it can use its advantage as a coercion instrument to comply with adversary actors to its demands. For instance, for the energy cases, weaponized interdependence takes to play in three major domains:

²³ Schelling, *Arms, and Influence*.

²⁴ See Chapter 2 for the details.

²⁵ DANIEL W. DREZNER, "Introduction: The Uses and Abuses of Weaponized Interdependence," in *The Uses and Abuses of Weaponized Interdependence*, ed. DANIEL W. DREZNER, HENRY FARRELL, and ABRAHAM L. NEWMAN (Brookings Institution Press, 2021), 1–16, <https://www.jstor.org/stable/10.7864/j.ctv11sn64z.3>.

²⁶ Robert Keohane "Full Article: The Old IPE and the New," accessed September 1, 2021, <https://www.tandfonline.com/doi/full/10.1080/09692290802524059>.

²⁷ Dale C. Copeland, "Economic Interdependence and War: A Theory of Trade Expectations," *International Security* 20, no. 4 (1996): 5–41, <https://doi.org/10.2307/2539041>.

²⁸ Kenneth N. Waltz, *Theory of International Politics* (Long Grove, Ill, 2010).

resources, transportation, and finance.²⁹ The actors that have the majority of the shares in one of the domains could weaponize their power against other actors. In this study, we will be focusing on a country that managed to have the majority in not one of these domains but in all of them for the first time in history, which is the United States.

1.3 Hypotheses

In this thesis, I introduce two hypotheses which are as follows:

Hypothesis 1: Oil itself is an effective energy weapon in coercive diplomacy cases to change the adversary behavior.

Hypothesis 2: The United States uses its financial power and oil production capabilities as a means of power to support its coercive diplomacy with the oil weapon.

The dependent variable of the thesis is compliance of the adversary states to the United States. Independent variables, on the other hand, will be determined whether the adversary state is an oil exporter or importer country. If it is an oil exporter country, the production capabilities, availability of the alternative customers and share of oil industry on its economy will be the independent variables. This means that if the coercer country is the only oil importer from the be the change in the oil trade flow and adversaries economy rely on oil revenues, the impact of the oil weapon will be higher. If the country is a oil importer country, than its military demand to oil, relations with the alternative sellers will be regarded as independent variables. Finally, for the both type of adversary

²⁹ EMILY MEIERDING, “Weaponizing Energy Interdependence,” in *The Uses and Abuses of Weaponized Interdependence*, ed. DANIEL W. DREZNER, HENRY FARRELL, and ABRAHAM L. NEWMAN (Brookings Institution Press, 2021), 169–84, <https://www.jstor.org/stable/10.7864/j.ctv11sn64z.11>.

countries, how much state's production capability depends on oil, the extent of the coercer's demand, the geographic location, which determines access capacity to market, cultural and historical backgrounds, that determines the rationality of the state, and dependency to global financial system will be the additional independent variables.

For the first hypothesis, in each case, I will look at whether the oil weapon is an effective tool on itself to make adversary state to comply to American demands. If these countries agree to change their behavior before any military presence or other kinds of coercion, I will accept my hypothesis.

For the second hypothesis, I will check whether the United States managed to integrate its financial power to apply coercive diplomacy with a sophisticated oil weapon and whether this creates a shift on our understanding of the oil weapon. Therefore, in each case study, if there exists a financial restriction that targets oil industry of the adversary country.

1.4 Methodology and Case Selection

In this thesis, I use the structured, focused comparative method to evaluate the shifts in coercive diplomacy through the evolution of energy weapons. The method is established to use the historical experience to understand how foreign policies are determined.³⁰ The structure reflects the general question order and research objective to study different

³⁰ Alexander L. George, "Case Studies and Theory Development: The Method of Structured, Focused Comparison," in *Alexander L. George: A Pioneer in Political and Social Sciences: With a Foreword by Dan Caldwell*, ed. Dan Caldwell, *Pioneers in Arts, Humanities, Science, Engineering, Practice* (Cham: Springer International Publishing, 2019), 191–214, https://doi.org/10.1007/978-3-319-90772-7_10.

objectives, while the focus means dealing with only certain types of issues related to the questions.

From that viewpoint, all of the cases I investigate include coercive diplomacy that has economic sanctions related to oil or military operations that aims to protect the energy interest of the coercer country. By using the focused comparative method, I try to show how American diplomacy and trade policies changed compared to Japan, Iran, and Venezuela. While discussing Venezuela and Iran, I will be using the cases to show whether the United States aims to gain an advantage against its rivals. The common aspect of the two cases is that they have the major oil producers of the world, and both of them are targeted to American sanctions.

This thesis is a case study analysis of the US sanctions in Japan 1941, Iran 2005-2015; 2015-present, and Venezuela 2014-present. In the simplest terms, a case study is an empirical investigation of a contemporary phenomenon within its natural context using multiple sources of evidence.³¹ Since it has an extensive research environment, in the literature, they are categorized into different categories. In some studies, they are classified as intrinsic, instrumental, or collective, and in other research, they are classified as exploratory, explanatory, and descriptive.³²

The case studies in this thesis are collective and explanatory. By collecting and

³¹ Robert K. Yin, *Case Study Research: Design and Methods* (SAGE, 2003).

³² Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences*, Belfer Center Studies in International Security (Cambridge, MA, USA: MIT Press, 2005).

investigate the documents, statements, and policies related to the Japan, Iran, and Venezuela sanctions systematically, and I am trying to identify how the US government uses diplomacy to protect its energy security interests in world politics. The way of documentation allows me to establish cause-and-affect relationships between involved governments' policies by understanding how events developed during the oil embargo against Japan and sanctions in Iran and Venezuela become a means of coercive diplomacy. In the Japan case, since globalization is low compared to the other cases, so it is a more military-backed oil embargo policy where the role of interdependence almost does not exist. The Iran case is interesting because it investigates two periods. In the first period, the United States is a net oil importer, so it seeks stability in the oil market and follows a cooperative policy against the third parties that import oil from Iran. However, in the second phase, the United States became a major oil producer, and, in that case, it followed an aggressive policy towards third parties that import oil. In the Venezuela case, due to Venezuelan oil's specifications, the policy does not only ban third-party involvement but also harms their investments significantly in favor of the American interests so, it shows how a country weaponize interdependence with the means it has.

I examine Japan to identify how the United States used its coercive power to limit the military activities of these countries. The Japanese case is an example of an oil embargo to limit the Japanese advancement in the Pacific to prevent it become a threat for the United States and to force Japan to stop invading South East Asia and pull out of China. On the other hand, Venezuela and Iran cases are the ones that have ongoing sanctions from the United States. These countries are both facing US sanctions for a prolonged period for different sets of official reasons.

For the Venezuela case, official reasons are categorized into three segments.³³ The first of them is the terrorism-related sanctions for not cooperating fully with the United States anti-terrorism efforts. The second is the drug trafficking-related sanctions for failing their obligations against international narcotics agreements. Finally, the third and the most comprehensive one is related to anti-democratic actions, human rights violations. It has several segments that are involved in limiting financial activities, such as prohibiting transactions involving digital currency, banning companies from cooperating with Venezuelan companies that have managers involved in the Maduro government, and restrictions on government officials. The details of these policies are investigated in Chapter 5.

In the Iran case, the official claim for the reasons for applying economic sanctions also has three different dimensions.³⁴ The first of them is to compel Iran to cease supporting acts of terrorism. Starting from the 1980s, the United States applied several different sanctions to achieve this goal yet, and the Iranian government never accepted the accusation of supporting terrorism. The second reason is to limit Iran's strategic power in the Middle East. The American government has many economic, political, and cultural interests in the region, and challenging Iran has the potential to jeopardize these gains in the region. So, we can say that American motivation in this policy is to eliminate a threat to its rivals in the Middle East region and ensure that an antagonist country as Iran could

³³ Clare Ribando Seelke, "Venezuela: Overview of US Sanctions," *Congressional Research Service*, June 2, 2020, 3.

³⁴ Kenneth Katzman, "Iran Sanctions" (Congressional Research Service, April 14, 2020), <https://fas.org/sgp/crs/mideast/RS20871.pdf>.

not obtain nuclear weapons. The final and the most important reason for the sanctions is to limit the Iranian nuclear program, which has been accelerated after the mid-2000s. In the Iran case, the sanctions have a different period where one is related to the 2005-2015 era, and the other one is the 2015 and ongoing. The difference of sanction areas can show how the United States weaponizes the novel oil and natural gas reserves through interdependence and taking the Iranian share for itself by limiting its exports. I present the details of the Iranian sanction policies in Chapter 5.

To check my hypotheses, first, I will discuss each policy on its own and then evaluate and compare them together under the light of new developments. The level of analysis will be entirely state-level.

In the case study method, one of the most important elements is the way of collecting data. Since this thesis investigates cases with process tracing method, the quality of the research lies on three premises which are good knowledge of the history of the cases, good knowledge of relevant preexisting theories and generalizations, and finally, strong capacity to carry out sound and logical reasoning by combining facts about the case with more general knowledge.³⁵ The present study is based on the examination of the US government's official reports, such as the Office of Foreign Assets Control (OFAC) statements and newspaper articles on sanctions to extract data on American Foreign Policy and motivational changes on applying sanctions to certain countries. For the Japan case, I am using the existing literature and government reports to present a brief

³⁵ James Mahoney, "Process Tracing and Historical Explanation," *Security Studies* 24, no. 2 (April 3, 2015): 200–218, <https://doi.org/10.1080/09636412.2015.1036610>.

history of the events. For the Iran and Venezuela cases, I am mostly using *Financial Times*, *Bloomberg*, *Wall Street Journal*, and *New York Times* archives on determining the significant events in terms of the outcome of the sanction policies since 2007.

Collecting documents from the newspaper helps me to construct a timetable for the key events. The Financial Times offered the best archive system for me to conduct this research and by looking at the frequency of the sanctions-related news over time. With that database, I have identified the key dates on the history of Iran and Venezuela sanctions, and I established a timetable. To eliminate the potential bias issues, I have checked The Economist, Al Jazeera, and local newspapers published in English to compare different opinions on the subject. Among the newspaper articles, I have also investigated the think tank reports and research studies in the United States. With the collection of these newspaper articles, think-tank publications, and official government statements, I have developed the qualitative side of the research.

Each case study will begin with the recent history of the adversaries to understand the political, economic, and cultural backgrounds that would impact their decision-making processes. Then, I discuss the events that lead American coercive diplomacy to begin in the specific country. Later, I discuss the coercive diplomacy instruments applied to the adversary, and finally, I will evaluate whether the United States succeeded with its policy and how this result impacted the third-party countries.

For Venezuela, 2008 has had a significant impact on the current economic crisis. In that period, the Chavez administration made agreements by relying on the high oil prices and followed a hostile foreign policy against the United States. The cooperation with China and Russia during this period increased these countries' presence in Latin America, and

the relations with the United States did not stabilize ever again after this period. Finally, for Iran, 2007 was the height of the efforts to acquire the capability of building nuclear weapons. After the election of Mahmoud Ahmadinejad in 2005, nuclear activities significantly increased, and among the United States, Europe also decided to impose manifold unilateral sanctions on Iran's energy sector for the first time in 2007.³⁶

To test the hypotheses, we need to focus on the terms of the restrictions that the United States brought to these countries. By looking at the official government reports and newspaper articles, I will compare them with the existing literature; I am going to check what is the precise aim of coercive diplomacy through economic sanctions instrument and on what level they succeeded.

1.5 Alternative Explanations

In this thesis, I examine the cases which the United States used its energy weapon and capabilities to change the behavior of adversaries without using military power. On the other hand, some of the social scientists believe that, the effectiveness of the sanctions, and therefore the coercive diplomacy is overrated. Robert Pape argues that the concept of economic sanctions is abused and it includes more than the

To check whether, the oil weapon itself is a proper coercive diplomacy instrument on making adversary's compliance to the demands of the coercer, I will investigate the outcomes of each case and analyze whether the oil weapon as lack of oil

³⁶ Rawi Abdelal, "Sanctions and the End of Trans-Atlanticism. Iran, Russia, and the Unintended Division of the West," *French Institute of International Relations*, January 2020, 29.

or oil revenues depending on the situation of the adversary played a major role for them to comply to the United States. If I can show that the adversaries were willing to comply before facing with a major military threat, I will be able to show that oil weapon works as a coercive diplomacy tool. On the other hand, if the cases shows that military action is needed to get target's compliance then Pape's explanation will be valid.

1.6 Plan of the Thesis

Chapter 2 consists of the theoretical framework I use in the thesis and the historical background of the involving countries. In the literature review, I discuss how the existing literature investigates coercive diplomacy, economic sanctions, and weaponized interdependence concepts for American policies. I identify the necessary mechanisms for each concept and how they can become successful under different circumstances and their limitations. Furthermore, I also discuss how realist and liberal theories approach the concepts. Finally, I discuss how the energy weapon is used as a coercive tool.

Chapter 3 focuses on the US oil embargo against Japan in 1941. During those years, the United States had a similar share of oil production in the world as today, and it aimed to limit Japanese advancements in the Southeast Asia and also withdraw from China. In that chapter, I examine how the United States established a sanction mechanism and why it had failed.

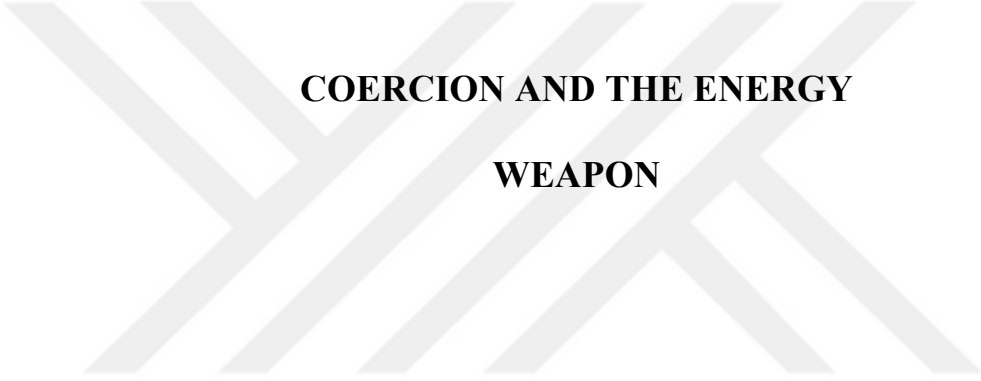
Chapter 4 is the US Sanctions on Iran case. Here, I investigate the dynamics that caused Iran to receive sanctions from the US. Firstly, and I focus on understanding the success rate of the sanctions by using the theoretical foundations of the sanctions literature that

are mentioned in Chapter 2. Then, I look at how the US benefits from Iran sanctions in terms of political and economic gains.

Chapter 5 is the US Sanctions on Venezuela case. In this chapter, I follow the same procedure in the Iran case.

Chapter 6 is the concluding chapter of the thesis, where I summarize the findings of the study and discuss the US policy under the concepts of coercive diplomacy, economic sanctions, and weaponized interdependence. The chapter ends by mentioning the potential limitations of the methodology that I used in the research and provides information about possible further research.

CHAPTER 2



COERCION AND THE ENERGY WEAPON

In this chapter, I present the conceptual framework of the thesis that consists of the four main concepts: coercive diplomacy, economic sanctions, weaponized interdependence, and oil weapon. In each concept, I also discuss my argument deeply and e As I mentioned in Chapter 1, as the cost of military action increased through technological developments in the arms industry, the states developed alternative policies to protect their interests in international politics. Coercive diplomacy provides the set of alternatives for the coercer state to change the behavior of the adversary state. During the Cold War period, threatening with military options such as airstrikes, nuclear weapons or land invasions were the main tools of coercive diplomacy. Besides military options, sanctions were also another option. The United States became the only

superpower after the Cold War. Its military spending exceeded the ten following nations. However, due to changing nature of military operations, the increasing number of non-state actors, and financial interdependence between the nations through globalization, using brute force to eliminate threats did not remain as the optimal strategy. Economic sanctions become a more important tool for the coercer state, which uses weaponized power in the interdependent nature of international politics.

2.1 Coercive Diplomacy

2.1.1 Definition

Coercive diplomacy or coercion in international politics is defined as "the use of threatened force to induce an adversary to behave differently than it otherwise would."³⁷

According to Byman and Waxman, the strategy is most successful when threats are not even carried out.³⁸ It seeks to avoid escalation by convincing the adversary that non-compliance is too costly.³⁹ Several authors' works identify the difference between coercive diplomacy and deterrence and compellence, which are similar concepts.

Alexander George defines deterrence as a strategy that employs threats to eliminate a threat from an adversary that can occur in the future.⁴⁰ In other words, it is a strategy to prevent the behavioral changes of the target in the future. On the other hand, George uses coercive diplomacy to eliminate an existing threat, not including future behaviors.⁴¹

³⁷ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*.

³⁸ Daniel Byman and Matthew Waxman.

³⁹ *Western Use of Coercive Diplomacy after the Cold War: A Challenge for Theory and Practice* Jakobsen, P. (New York, N.Y., 1998).

⁴⁰ Alexander L. George, *Forceful Persuasion: Coercive Diplomacy as an Alternative to War* (Washington, D.C: United States Institute of Peace, 1992).

⁴¹ George, *Limits of Coercive Diplomacy*.

Compellence, a term founded by Thomas Schelling, is a direct action that persuades an opponent to give up something desired.⁴² It aims to change the existing behavior with the threat of force. Therefore, deterrence succeeds if the target does not change its behavior, and compellence succeeds if the target changes its behavior.⁴³ Alexander George approaches these two terms cautiously since he perceives coercive diplomacy as a defensive strategy. In his view, using coercive diplomacy as an offensive strategy as indicated in the compellence definition, then it would have been better to call it a blackmailing strategy.⁴⁴

2.1.2 Types of Coercive Diplomacy and Framework

Coercive diplomacy has three elements which are a demand, a threat, and time pressure.⁴⁵ In this policy, the coercer country demands a change on the specific policy that the adversary country follows and imposes a threat in a very explicit way to show what would happen to the adversary. Additionally, the coercer puts a strict deadline for the adversary to change its behavior.

The success of the policy theoretically depends on several factors. The legitimacy of the demand is one of the key elements. If the adversary country does not find the demand legitimate, they are unwilling to comply, and their resistance will be stronger.⁴⁶ This is also important for the society of the coercer state. In the democratic states, if the public

⁴² Schelling, *Arms, and Influence*.

⁴³ Robert J. Art and Kelly M. Greenhill, "The Power and Limits of Compellence: A Research Note," *Political Science Quarterly* 133, no. 1 (2018): 77–97, <https://doi.org/10.1002/polq.12738>.

⁴⁴ George, *Forceful Persuasion*.

⁴⁵ Tom Sauer, "Coercive Diplomacy by the EU: The Iranian Nuclear Weapons Crisis," *Third World Quarterly* 28, no. 3 (2007): 613–33.

⁴⁶ Sauer.

opinion does not support the demands of the government, then they can undermine the government policies by creating active opposition.

Another major element that determines the success of the policy is the credibility of the threat. If the adversary country does not believe that the coercer could realize its threats, submitting to their demand will be harder. Therefore, the coercer needs to identify the pressure points of the adversary, which are the sensitive areas that they could not impenetrably guard.⁴⁷ After identifying sensitive areas, the coercer should be able to escalate dominance to change the adversary behavior.

In the literature, there are several instruments for the coercer country to apply to the adversary. Most of them are related to military means, yet economical means also increased their share after the Cold War. Byman and Waxman collect these threats under four categories: airstrikes, invasion threats, nuclear threats and sanctions, and isolation from the international system.⁴⁸

Airstrikes played an important role in the twentieth century as a coercive tool. Since the United States has the dominant air force, it can use its power to stop adversary threats without facing major casualties on its side. In the Iraq 1991 and Kosovo 2000 cases, the American casualties were significantly lower than the previous operations.⁴⁹ Another

⁴⁷ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*.

⁴⁸ Daniel Byman and Matthew Waxman.

⁴⁹ John G. Heidenrich, "The Gulf War: How Many Iraqis Died?," *Foreign Policy*, no. 90 (1993): 108–25, <https://doi.org/10.2307/1148946>; Stephen Biddle, "Victory Misunderstood: What the Gulf War Tells Us about the Future of Conflict," *International Security* 21, no. 2 (1996): 139–79, <https://doi.org/10.2307/2539073>.

important advantage of airstrikes is that the coercer country could escalate its power to change the adversary behavior. The airstrikes can start in minor areas and turn into major operations until the resilience of the adversary disappears. The limitations of airstrikes continue to decrease as the technology improves. Modern surveillance and weapon systems are increasingly fighting against guerrilla forces and limiting civilian casualties in air raids.

Although it is not popular as airstrikes, involvement of land troops and threatening to invade the adversary is another coercive diplomacy instrument for the coercer. Taking a valuable territory for the enemy or humiliating the adversaries' army could play an important role in decreasing the adversary government power. Due to its costs on casualties and deploying time of the forces, it is not preferred for the coercer.⁵⁰

The threat of nuclear attack also played an important role in coercive diplomacy in the twentieth century. The power of nuclear dominance gives a chance for the coercer to be more demanding against their enemies. If the threat's credibility is significant, the adversaries are more willing to comply with the demands. In the literature, the success of nuclear threats is examined under the Korean War to make North Koreans begin negotiations and in the Cuban Missile Crisis to be more confident against the Russian threat.⁵¹ Despite its devastating power, nuclear threats may not be the ideal instrument for coercive diplomacy because an actual attack could impact innocent civilians apart

⁵⁰ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*.

⁵¹ Aleksandr Fursenko and Timothy Naftali, *One Hell of a Gamble: Khrushchev, Castro, and Kennedy, 1958-1964: The Secret History of the Cuban Missile Crisis* (New York: W. W. Norton & Company, 1998); George, *Limits of Coercive Diplomacy*.

from the adversary government. Furthermore, as the number of countries with nuclear weapons increases, the purpose of the nuclear weapon becomes more defensive rather than a threat mechanism.

Most of the coercive diplomacy literature developed in the twentieth century, and in 2021, the coercers have a novel instrument to apply for the adversaries, which is cyber warfare. With their precision and effectiveness, cyber-attacks are becoming famous in international politics every day. The complexity of the technology also provides anonymity for the coercer to a certain degree. Still, in some cases, the governments do not hesitate to threaten their opponents with cyber-attacks. In 2021, American President Joe Biden claimed that the U.S. government would take any necessary action to defend its people and its critical infrastructure against the threats.⁵² Biden also added that if the United States finds itself in a war with major power, it will be a consequence of a cyber breach of great consequence.⁵³

As the internet became the main source of communication, information, and interaction between the countries, its importance developed significantly, and another domain established itself with the adverse attacks. Cyberspace has three constituent layers. "The physical layer consists of infrastructure, cables, routers, and switches. It is the most concrete aspect of cyberspace. The syntactic layer links the other two strata formatting information in cyberspace by giving it standards such as TCP/IP on which is the Internet

⁵² "Biden Presses Putin to Curb Ransomware Attacks Linked to Russia," *Bloomberg.Com*, July 9, 2021, <https://www.bloomberg.com/news/articles/2021-07-09/biden-calls-putin-after-ransomware-attacks-traced-to-russia>.

⁵³ "Biden Presses Putin to Curb Ransomware Attacks Linked to Russia."

is based." Finally, the semantic stratum means the raw data transmitted by cyberspace and exploited by humans or machines, which are emails, images, or other documents in the most basic sense.⁵⁴

Due to its nature, the best way of conducting a cyber-attack happens when the adversary country does not realize that they are being attacked by another country. One of the main examples of the cyber-attack is the attack on Iranian Nuclear Facilities located in Natanz. The virus called "Stuxnet" managed to change the pressure levels of the reactors and caused the facilities to stall its activities.⁵⁵ The interesting thing about the incident that it took three years, and some unintended coincidences helped Iranians to find linkages between Israeli and American intelligence services were behind the attack. These two countries never officially claimed that they were responsible for the attack and refused all of the accusations. The events lead Iran to establish one of the biggest cyber armies in the world.⁵⁶ Today, the investments in this domain for the major armies are increasing rapidly, and new ways of attacking capabilities are developing.

After the Stuxnet event in 2013, the Twitter feed was hacked by an anonymous attack, and a tweet leaked which said "Breaking: Two explosions in the White House and Barack Obama is injured" caused S&P to lose \$136,5 billion just in six minutes.⁵⁷

Another major event happened in the 2016 US Elections where Russia was accused of

⁵⁴ Olivier Danino, "Conflict in Cyberspace: The Case of the Middle East," chapter, *Cybersecurity Policies and Strategies for Cyberwarfare Prevention* (IGI Global, 2015), <https://doi.org/10.4018/978-1-4666-8456-0.ch011>.

⁵⁵ Alex Gibney, "Zero Days," 2016, <https://www.imdb.com/title/tt5446858/>.

⁵⁶ Andrei Soldatov and Irina Borogan, *The Red Web: The Struggle Between Russia's Digital Dictators and the New Online Revolutionaries*, 1st edition (New York: PublicAffairs, 2015).

⁵⁷ Patti Domm, "False Rumor of Explosion at White House Causes Stocks to Briefly Plunge; AP Confirms Its Twitter Feed Was Hacked," April 23, 2013, <https://www.cnbc.com/id/100646197>.

meddling in the elections in favor of Donald Trump. Despite the fact that the Russian government never accepted the accusations, the US intelligence claimed that they have convincing evidence on the issue.⁵⁸

Other than the military instruments, coercive diplomacy tools are also developing within the economic means as the interdependence among the countries increases. Sanction and international isolation are the main instruments. Due to their importance for this thesis, I am explaining these concepts explicitly in the following sections.

Overall, the optimal choice depends on the alternatives available to the coercer, the type of the adversary, and the impact of the outcome depends on several variables.⁵⁹ Pressure points, the response of the adversary government both at the domestic and international level, and the escalation of the coercion determine the result. However, coercive diplomacy can turn into a costly policy if the coercer country miscalculates the risks. If the policy does not work, the coercer country should be ready to fight a war with the adversary.

While examining the case studies, I will use the framework presented by Alexander George on converting the abstract model into a strategy.⁶⁰ The case studies will consist of four sections. In the first section, I will discuss the variables of the strategy, such as

⁵⁸ Jon R. Lindsay, "Stuxnet and the Limits of Cyber Warfare," *Security Studies* 22, no. 3 (July 1, 2013): 365–404, <https://doi.org/10.1080/09636412.2013.816122>.

⁵⁹ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*.

⁶⁰ George, *Limits of Coercive Diplomacy*.

the demand, time urgency, credibility of the threat, and finally, the positive inducements with carrot and stick policy against the adversary. Second, I will examine how the demand is presented to the adversary and which instruments are used for the pressure points and how the escalation happened if the adversary did not comply with the threats. Third, I will discuss how the adversaries' values, beliefs, and political factors affected its rationality and whether they impacted the outcome. Finally, I will discuss the independent variables that have an impact on the result of the policy.

2.2 Economic Sanctions

2.2.1 Definition

As I mentioned earlier, economic sanctions are the instrument of coercive diplomacy and have played an important role in American Foreign Policy since World War I. It is defined as the general trade bans between nations where most of the trade between the parties is affected.⁶¹ The policies can be restrictions on commodity trade, the financial sector, or reductions in foreign aid.⁶² The success of economic sanctions policies can be understood by the compellence of the adversary or target state as desired by the coercer or sender state, similarly to coercive diplomacy. According to Robert Pape, one main difference is that we should be sure that the adversary changed its policies as it is being asked to the coercer state only because of the sanction policies.⁶³ This means that

⁶¹ Peter Wallensteen, "Characteristics of Economic Sanctions," *Journal of Peace Research* 5, no. 3 (September 1, 1968): 248–67, <https://doi.org/10.1177/002234336800500303>.

⁶² Bryan R Early and Dursun Peksen, "Shadow Economies and the Success of Economic Sanctions: Explaining Why Democratic Targets Are Disadvantaged," *Foreign Policy Analysis* 16, no. 3 (June 1, 2020): 353–72, <https://doi.org/10.1093/fpa/oraa005>.

⁶³ Robert A. Pape, "Why Economic Sanctions Do Not Work," *International Security* 22, no. 2 (1997): 90–136, <https://doi.org/10.2307/2539368>.

military action or applying tariffs or other hostile actions mean that the applied policy is no longer an economic sanction.

2.2.2 Types of Economic Sanctions

Economic sanctions aim to damage the target's ability to obtain and use economic resources, thus undermining its objectionable conduct directly and inflicting punishment.⁶⁴ The trade sanctions used for the economic sanctions are also involved in this category.

Among the economic sanctions, technological sanctions also play an important role in destructing the target's economy by restraining the imports of technological hardware that can enhance the production of specific goods or general development in the receiving country. By doing that, major investments can be stalled, and expected revenues from those operations can be reduced. In this thesis, in the Venezuela case, I discuss how the U.S. damages the petroleum product by stopping technological investments in this country. On the other hand, in the Iran case, I discuss how the American sanctions plan to halt the technological developments in nuclear energy. Other examples can be the sanctions imposed on Libyan President Muammar Gaddafi on limiting access to American oil field technology and know-how, which succeeded when Gaddafi agreed to develop mass destruction weapons.⁶⁵ A similar type of technological sanctions was also imposed on the Russian gas and oil sector in 2014 after the Russian

⁶⁴ Richard Nephew, *The Art of Sanctions: A View from the Field* (Columbia University Press, 2017).

⁶⁵ Gary Clyde Hufbauer, ed., *Economic Sanctions Reconsidered*, 3rd ed., Expanded ed (Washington, DC: Peterson Institute for International Economics, 2007).

annexation of Crimea.⁶⁶

2.2.3 Impact of Economic Sanctions

There are several ways to understand whether the sanctions create an impact or not.

Since the economic sanctions target the international trade flow, foreign direct investments, technical and humanitarian aid, and other economic goods, one of them is to look at the change of GDP level of the target country. After the sanctions, while all else is equal if the GDP level faces a significant decrease, it can be regarded as a major impact of the policy.⁶⁷ According to Neuenkirch and Neumeier, on average, the target country faces "more than two percent decline on the annual real per capita GDP growth which can lead to an aggregate decline of 25,5%, and the effects last for ten years".⁶⁸ In democratic countries, changes in the target's government due to sanctions can show that the policy creates an impact.⁶⁹ On the other hand, if the country is ruled by an authoritarian regime, it is harder to expect changes in the government.

To understand whether the sanction policy is successful or not, we look at the compliance of the target state to the coercer state's demands. In some of the cases, despite there is significant pain occurred with the policy, the target state may not change its behavior. The resistance level can increase within the country, and the government can mobilize its population to do not give in to the demands of the coercer country. If

⁶⁶ Nephew, *The Art of Sanctions*.

⁶⁷ Matthias Neuenkirch and Florian Neumeier, "The Impact of UN and US Economic Sanctions on GDP Growth," n.d., 36.

⁶⁸ Neuenkirch and Neumeier.

⁶⁹ Jonas Hagmann and Thomas J. Biersteker, "Beyond the Published Discipline: Toward a Critical Pedagogy of International Studies," *European Journal of International Relations* 20, no. 2 (June 1, 2014): 291–315, <https://doi.org/10.1177/1354066112449879>.

the target country has a strong ideological motivation, then it can be very hard to make them comply with demands.⁷⁰

Another important issue about imposing economic sanctions is the duration of the policy. There are several determinants that play a role in the duration of the sanctions. For the United States, one of the factors is that whether the sanction is imposed by congress or the president's office. According to Emre Hatipoğlu, the sanctions imposed by congress last longer than the ones imposed by the president.⁷¹

The other factors are that whether the target country is a democracy and the relative power against the coercer. Sanctions against the countries ruled by democracies tend to be shorter.⁷² Furthermore, if the target country can compete with the economic power of the sender state, then the historical data shows that the sanctions tend to be shorter.⁷³ The reason for these results is related to the cost of the policy. When the target countries have significant economic power and are ruled by democratic regimes, they tend to have stronger allies as well, and applying sanctions to these countries becomes a huge burden for the sender countries.

2.2.4 Impact of Third Parties

In an interdependent international system, third parties are also being affected by the

⁷⁰ Hagmann and Biersteker.

⁷¹ Emre Hatipoglu, "A Story of Institutional Misfit: Congress and US Economic Sanctions," *Foreign Policy Analysis* 10, no. 4 (October 1, 2014): 431–45, <https://doi.org/10.1111/fpa.12032>.

⁷² Hatipoglu.

⁷³ Hatipoglu.

sanctions. Third parties are the countries named for the countries that have strong diplomatic relations with the target country. The economic sanctions are also affecting these economies due to restrictions on trade and financial interactions. In some cases, ongoing agreements between parties cannot be fulfilled due to the loss of state capacity because of the sanctions. In other cases, different opportunities may arise, and the third parties may use them for political advantages. The implications depend on the level of interactions between the target states and the third parties. The most negative implication of sanctions is not able to receive the necessary commodities from the target country. In this thesis, while we are investigating Iran and Venezuela cases, we will be checking the amount of oil flow to the third parties. In the literature, the third-party responses are investigated under different categories. I can describe that there are three types of policies that governments follow if they are refusing to join the sanctions regime, which are black knight assistance, opportunistic sanctions-busting, and passive support.⁷⁴ The black knight countries are providing support and helping the sanctioned country to survive the process and harness the success of the sanctions affectively.⁷⁵ The motivation for that policy can be the economic gains or the political ties between the countries.

In the opportunistic sanctions-busting case, the non-state actors involved in forbidden businesses to create economic profits. Even the governments do not have good diplomatic relations with each other, and they can still establish mechanisms to overcome the limitations of the sanctions. Finally, the governments may provide passive

⁷⁴ Bryan Early, "International Trade and Economic Conflict: Third-Party State's Response to Sanctions" (Athens, Georgia, University of Georgia, 2006), https://getd.libs.uga.edu/pdfs/early_bryan_r_200605_ma.pdf.

⁷⁵ Hufbauer, *Economic Sanctions Reconsidered*.

supports to help sanctioned states through humanitarian aid or creating international awareness on putting pressure on the sanctioner state. When the COVID-19 pandemic occurred in Iran, the European governments asked the U.S. to ease its sanctions on this country. As the U.S. officials did not take any step to do that, the Europeans sent medical supplies, although it was not allowed.⁷⁶

The main difference in analyzing third-party behavior on sanctions is to understand whether third-party countries support the sanction policy of the sender state or not. If the third-party country cooperates with the sender state, it can weakly or strongly support the sanction policy. On the other hand, if the third-party country applies coercive diplomacy to the sender state, it can apply several different policies. In the literature, third parties are mostly described as countries that are not vulnerable to the consequences of the target state. However, we had described above, developing interdependence among countries created additional burdens for these countries. One of the important policies that create a burden on third-party countries is the secondary sanctions. Secondary sanctions aim to limit third states' activities with the target state by regulating the economic transactions.⁷⁷ If the third-party actors conduct business with the targeted country, they are being banned from the US financial system.⁷⁸ Facing such a risk creates an additional burden on the third party entity, and in

⁷⁶ Jan van der Made, "Europe Skirts US Sanctions to Send Covid-19 Aid to Iran, but Is It Enough?," RFI, April 7, 2020, <http://www.rfi.fr/en/international/20200407-europe-skirts-us-sanctions-with-instex-to-send-covid-19-aid-to-iran-coronavirus-lockdown-economy-jcpoa>.

⁷⁷ Tom Ruys and Cedric Ryngaert, "Secondary Sanctions : A Weapon out of Control? The International Legality of, and European Responses to, US Secondary Sanctions," *BRITISH YEARBOOK OF INTERNATIONAL LAW*, 2021, <https://doi.org/10.1093/bybil/braa007>.

⁷⁸ Dursun Peksen, "When Do Imposed Economic Sanctions Work? A Critical Review of the Sanctions Effectiveness Literature," *Defence and Peace Economics* 30, no. 6 (September 19, 2019): 635–47, <https://doi.org/10.1080/10242694.2019.1625250>.

some cases, it leads them to stop doing business with the target country. However, secondary sanctions also create a huge opportunity for third parties that want to involve in smuggling activities. So, the possibility of high earnings also causes third parties to act directly opposite of the desired way.

2.3 Weaponized Interdependence

2.3.1 Definition

After discussing coercive diplomacy and its tool economic sanction, now I am focusing on how the United States uses this policy through weaponizing the interdependence between the countries. I include this concept to show how the coercive diplomacy through oil weapon changed with the novel developments in international politics and technology. Since I discussed how the United States become the unipole in military, finance, and oil production, today it has become the best state too exploit interdependent conditions. Weaponized interdependence is defined as a condition under which an actor can exploit its position in an embedded network to gain a bargaining advantage over others in a contained system.⁷⁹ Suppose coercive diplomacy is the policy, and the economic sanctions are the instrument to apply that policy. In that case, weaponized interdependence is the framework by which the coercer country uses its power to gain advantages over its rivals in the international system.

Until the late twentieth century, the countries were not nearly as interconnected in

⁷⁹ DREZNER, "Introduction."

finance, information, and trade as before.⁸⁰ Farrell and Newman, the founders of the weaponized interdependence concept, focus on the importance of networks that established the global connection between the countries. States that have controls over these networks can exploit the vulnerabilities of the other states to improve their situation.⁸¹

In terms of interdependence, the liberal authors argued that in a decentralized world and world of networks, it was not logical for states to use it as a coercive tool.⁸² According to the liberal idea, the only way to influence the United States came from cooperation with other states and actors. On the other hand, weaponized interdependence theory perceives networks not as decentralized but in hubs with different scales and impacts on international politics. Therefore, against the major hubs of finance, technology, and information, secondary hubs are becoming vulnerable. The countries that have control of the major hubs can watch most of the interactions of the parties that use the network. Farrell and Newman relate this situation as the Panopticon Effect, which Jeremy Bentham originally established for building an ideal prison where the prisoners stay in an oval prison with a surveillance tower in the center that can constantly watch every prisoner.⁸³ When we apply this to international politics, we see that the major hubs of

⁸⁰ Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (July 1, 2019): 42–79, https://doi.org/10.1162/isec_a_00351.

⁸¹ Farrell and Newman.

⁸² Thomas L. Friedman, *World Is Flat: A Brief History of the Twenty- First Century*, 3rd edition (New York: Picador, 2007).

⁸³ Jeremy Bentham and Miran Božovič, *The Panopticon Writings* (Verso Books, 1995); Farrell and Newman, "Weaponized Interdependence."; See the following link for the Panopitcan Prison: <https://www.theguardian.com/technology/2015/jul/23/panopticon-digital-surveillance-jeremy-bentham>

different domains have the privilege to observe and interact with the movements of other parties and abuse the system for their interests when it is necessary. In this section, I will discuss three domains that the United States controls the major hubs in the network: telecommunication, finance, and even it are not as dominant with others but growingly important, energy.

2.3.2 Financial Networks

One of the main networks that enhance globalization and interdependence among the states is the financial network. The U.S. Dollar has the 87% of all forex transactions in the world markets, and the American government uses this as leverage by preventing adversary countries from doing transactions.⁸⁴ Furthermore, the share of total foreign exchange reserves of the countries in the world for the U.S. Dollar is 59.54% which Euro follows with 20.57%.⁸⁵ This means that most countries use the American dollar as a means of exchange when they trade with each other, and they also use it to protect the value of their reserves. The reason for this is the trust in the stability of the American economy against inflation, although the country stopped backing the U.S. dollar with gold in 1971.⁸⁶ Today, the United States also controls one of the core financial capitals, New York, for dollar-clearing transactions.⁸⁷

⁸⁴ Joanna Caytas, "Weaponizing Finance: U.S. and European Options, Tools, and Policies," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, March 13, 2017), <https://papers.ssrn.com/abstract=2988373>.

⁸⁵ "Table 1: World Currency Composition of Official Foreign Exchange Reserves - IMF Data," accessed August 28, 2021, <https://data.imf.org/regular.aspx?key=41175>.

⁸⁶ Kristijan Gavranic, "US DOLLAR STABILITY AND THE GLOBAL CURRENCY RESERVES," *Eurasian Journal of Economics and Finance* 4 (July 1, 2016): 14–24, <https://doi.org/10.15604/ejef.2016.04.03.002>.

⁸⁷ Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare* (Hachette UK, 2013).

The United States' system to control financial transactions is named the Society for Worldwide Interbank Financial Telecommunication (SWIFT). It was established in Belgium and is responsible for providing a secure and standardized platform for financial institutions to conduct their transactions. Banks, stock exchanges, funds, insurance companies, and other major financial entities almost entirely use SWIFT in their transactions. Zarate argues, especially after the 9/11 attacks, the United States engaged more with tracking and disrupting illicit financial flows, making it harder for these actors to do transactions.⁸⁸ As I discussed above, the financial sanctions include restrictions for the target countries to reach their assets stated abroad or do transactions. In the Iran case, I discuss how the United States prevented Iranian banks from doing transactions via U.S. Dollar and frozen Iranian oil earnings in the foreign banks. By following such a policy, the local currency devalues against the reserve currency and the cost of imported goods increases and damages the adversary's economy. Furthermore, the country cannot spend the vital assets at their foreign banks even in emergencies.⁸⁹ This caused a huge problem for the Iranian government during the peaks of the Coronavirus pandemic, and the country could not be bought humanitarian goods by using its oil and natural gas revenues.⁹⁰

By having such dominance on the financial network, today, the United States can use its hub as a tool for coercion against the other countries. The United States controls important hubs in the telecommunication sector, mainly with the internet, among the

⁸⁸ Zarate.

⁸⁹ “Factbox-Countries Where Iranian Oil and Gas Revenues Are Blocked,” *Reuters*, January 5, 2021, sec. Business News, <https://www.reuters.com/article/uk-iran-oil-revenues-factbox-idUKKBN29A1Q6>.

⁹⁰ See Chapter 5 for the details.

financial network supremacy.

2.3.3 Oil and Weaponized Interdependence

In this section, finally, I will discuss the energy domain and how it is being used with weaponized interdependence. As I discussed in the Introduction, countries are looking for energy security that means affordable access to all fuels and energy sources.⁹¹ For a country that requires energy imports to operate its economy, energy security begins with trading with energy-rich countries. In the second part of the 20th century, as I showed in Chapter 1, the dominantly used energy sources were oil, available in several regions.

The international oil and natural gas companies, established in the United States, Great Britain, and The Netherlands, which is known as the Seven Sisters, controlled 98.3% of the oil production in the 1950s.⁹² With the growing nationalization movement in the world, the countries that earned their independence from the imperial powers nationalized the oil companies operating in their region and regained control of their resources. In 1960, The Organization of the Petroleum Exporting Countries was founded in Baghdad by five founding members Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela.⁹³ At that time, these countries were and the Soviet Union were the main oil producers, and the production in the United States was declining. Therefore, the OPEC countries leading by Saudi Arabia become the major hub for oil trade. It used its power to coerce its adversaries for the next fifty years and played an important role in

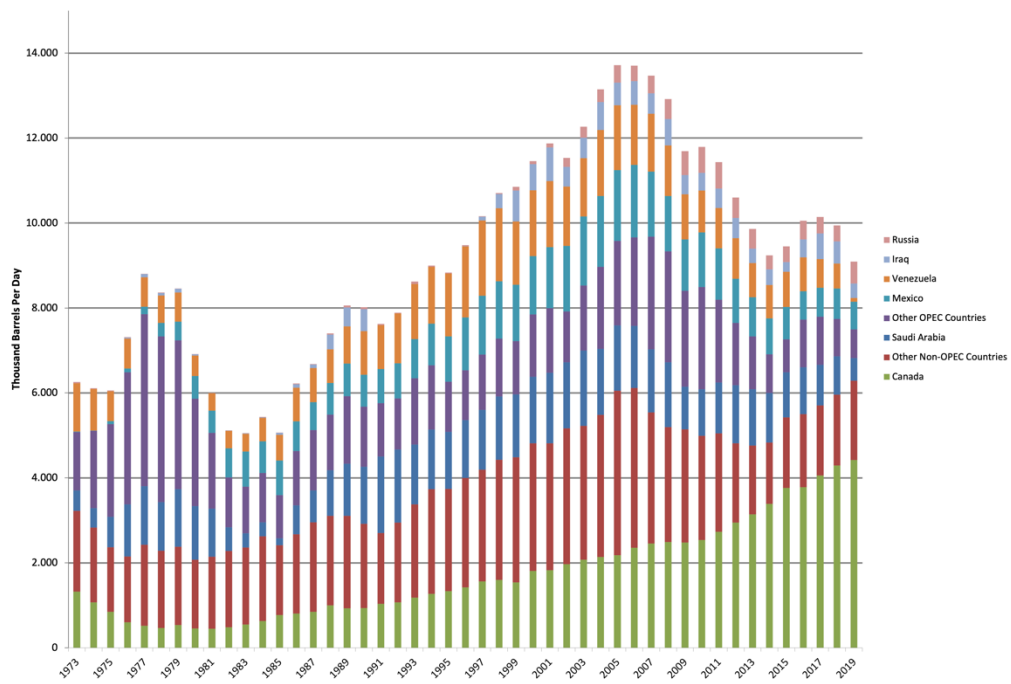
⁹¹ IEA, “Energy Security – Topics,” IEA, 2020, <https://www.iea.org/topics/energy-security>.

⁹² The Seven Sisters are the name for seven giant oil companies, BP, Gulf Oil, Shell, Chevron, Exxon, Mobil, and Texaco, given by Enrico Mattei, a former Italian politician.

⁹³ “OPEC : Brief History,” accessed August 28, 2021, https://www.opec.org/opec_web/en/about_us/24.htm. ; Qatar also joined OPEC in 1961, shortly after its establishment.

determining the product's price.⁹⁴ The organization also expanded with the involvement of new oil producers as the years passed. During this time, the United States also became a net oil importer. Table 1 shows the share of countries and the United States imported oil between 1973-2020.

Figure 3: U.S. Crude Oil Imports by Country of Origin



Source: U.S. Department of Energy⁹⁵

In the light of new oil discoveries, the United States also increased its oil production and became the largest oil producer in 2020. As of 2020, the United States produces 20% of the total oil in the world. In Figure 2, I show the top ten largest oil producers.

⁹⁴ See the energy as a Weapon section for how the energy is used as a coercive tool.

⁹⁵ "Alternative Fuels Data Center: Maps and Data - U.S. Crude Oil Imports by Country of Origin," accessed August 28, 2021, <https://afdc.energy.gov/data/>.

Country	Share of Oil Production (2021)
United States	19.5%
Saudi Arabia	11.5%
Russia	11%
Canada	5.5%
China	5%
Iraq	4.5%
Brazil	4%
United Arab Emirate	4%
Iran	3%
Kuwait	2.5%

Source: U.S. Energy Information Administration⁹⁶

Among these benefits, as shown in Chapter 1, the United States has the dominant navy in the world as the country with the highest military expenditure. This tool enables the

40

American government to interact with the oil trade flow through tankers responsible for 29% of the global seaborne trade.⁹⁷ By imposing secondary sanctions on private shipping and the insurance companies, the United States manages to interrupt energy trade on the adversary countries that it would like to prevent trading oil.⁹⁸ However, this is not the only tool they have. Using their financial dominance, the American government can also ban these countries from doing financial transactions through the SWIFT system or with U.S. Dollars.

On the institutions' side, the United States also has an important role in the International Maritime Organization, responsible for making regulations for the ships that sail in the international waters. By regulating all tankers to be equipped with tracking devices, it gives the panopticon advantage to the United States, and they can watch the oil trade flows.⁹⁹ The technological tools also enable American experts to calculate the amount of oil being transported by looking at the shadows of the tankers with the images taken from the satellites.¹⁰⁰

Overall, the advantages in military size, dominant information technology, energy production, and controlling the world's reserve currency, the United States can weaponize the interdependent world order according to its interests. In the weaponized

⁹⁷ “Global Seaborne Trade - Oil Tanker Capacity 2020,” Statista, accessed August 28, 2021, <https://www.statista.com/statistics/267605/capacity-of-oil-tankers-in-the-world-maritime-trade-since-1980/>.

⁹⁸ MEIERDING, “Weaponizing Energy Interdependence.”

⁹⁹ MEIERDING.

¹⁰⁰ Haiying Jia, Vishnu Prakash, and Tristan Smith, “Estimating Vessel Payloads in Bulk Shipping Using AIS Data,” *International Journal of Shipping and Transport Logistics* 11 (January 1, 2019): 25, <https://doi.org/10.1504/IJSTL.2019.096864>.

interdependence literature established in 2019, there are different network hubs for countries to abuse interdependent world order. However, none of the controls as much as the United States in different trade networks. In the next section, to diversify the ways of abusing interdependence, I examine how energy weapons are being used in international politics.

2.4 Energy as a Weapon

Energy is one of the main pillars of industrial development. Without having enough energy sources, the states cannot operate functionally. Countries with abundant energy resources can choose to use them against their adversaries by limiting their access. One of the most important examples of this policy is the 1973 Oil Crisis caused by the OPEC countries that decided to impose an embargo on the nations that supported Israel during the Yom Kippur War.

To be able to implement a commodity embargo, the market conditions must favor the seller. In the seller's market, we observe more buyers than the sellers, prices are increasing quickly, and supply is not enough for everyone.¹⁰¹ On the other hand, there are various options for the buyers' to choose their sellers in the buyer's market. After the Second World War, the world had several places that could export oil. The United States had rich oil resources in the Texas region. The Middle East and the Persian Gulf, North Africa, and Venezuela were other major exporters. Therefore, if the buyers had a problem with a seller, they could have replaced it with another one. Furthermore, in the cases where market disruptions happened by supply shocks, the swinger producers were able to shift their productions accordingly to stabilize the market, and the buyers could

¹⁰¹ "Selling and Buying in a Seller's Market vs. a Buyer's Market," accessed August 1, 2021, <https://www.rbroyalbank.com/mortgages/sellers-vs-buyers-market.html>.

have oil flow. Before the 1973 Oil Crisis, Saudi Arabia was not considering using oil as a weapon to protect its interest; however, after the production levels declined in the United States, the necessary conditions to follow such a policy satisfied the OPEC countries.¹⁰²

The countries that have affected by the oil embargo used different strategies to protect themselves. After the 1973 Oil Crisis in France, the government started the nuclear energy program to reduce its dependency on fossil fuel imports. West Germany focused on improving energy consumption efficiency in its industries.¹⁰³ The United States had led the establishment of the IEA and tried to create a dialogue mechanism between buyers and sellers with having some transparency. At the domestic level, the American government also focused on increasing the investment levels in the energy sector through financial incentives. Today, to become a member country in the IEA, the countries must have "crude oil and/or product reserves equivalent to 90 days of the previous government has immediate access".¹⁰⁴ This policy enables them to survive sudden shocks and stabilize the oil prices when there is an intervention in the oil flow. Thanks to that, none of the industrial countries ever faced fuel shortages that happened in the United States despite other shocks.

Besides using it as a coercion tool, Saudi Arabia also uses oil as a defensive tool to protect its security against regional threats in its region. In 1980, U.S. President Jimmy Carter claimed that "any attempt by any outside force to gain control of the Persian Gulf

¹⁰² Yergin, *The Prize*.

¹⁰³ G. John Ikenberry, "The Oil Shocks and State Responses," in *Reasons of State*, Oil Politics and the Capacities of American Government (Cornell University Press, 1988), 1–20, <https://www.jstor.org/stable/10.7591/j.ctt207g7cv.4>.

¹⁰⁴ "Membership - About," IEA, accessed August 31, 2021, <https://www.iea.org/about/membership>.

region will be regarded as an assault on the vital interests of the United States."¹⁰⁵ So, while the United States provides security to Saudi Arabia, it receives a stable market in return for getting the necessary amount of oil supply from the region. During the invasion of Kuwait, the United States did not hesitate to involve in the conflict to keep Saudi Arabia from military operations.

Today, Saudi Arabia has good relations with China as well. With the help of these two strong allies, it manages to defend itself against the international pressure on human rights abuses and war in Yemen.

Another major coercive instrument for the oil is cutting oil and gas flow through pipelines to the adversary country. This policy is mostly linked with the Russian Federation since it has been using extensively. Russia uses energy as a tool in foreign policy in both terms: to reward its friends and punish its enemies.¹⁰⁶ By changing the terms of contracts and designing the routes of pipelines, Russians are using its resources as a tool. For instance, Germany, as the significant demander of Russian oil, receives the gas rather cheaply than other customers.

On the other hand, the Ukrainians are being punished by the Russians since they are building alternative routes that are bypassing Ukrainian soil and preventing them from gaining transit fees.¹⁰⁷ In 2009, the Russian Federation stopped supplying gas to Ukraine due to disputes with the country. However, due to this policy, many other third-party

¹⁰⁵ "Energy as a Tool of Foreign Policy of Authoritarian States, in Particular Russia," n.d., 43.

¹⁰⁶ Randall Newnham, "Oil, Carrots, and Sticks: Russia's Energy Resources as a Foreign Policy Tool," *Journal of Eurasian Studies* 2, no. 2 (July 1, 2011): 134–43, <https://doi.org/10.1016/j.euras.2011.03.004>.

¹⁰⁷ Dina Khrennikova, Anna Shiryayevskaya, and Daryna Krasnolutska, "Why the Russia-Ukraine Gas Dispute Worries Europe," *Bloomberg.Com*, December 6, 2019, <https://www.bloomberg.com/news/articles/2019-12-06/why-the-russia-ukraine-gas-dispute-worries-europe-quicktake>.

countries were also affected since Ukraine was the transit country for the pipeline.¹⁰⁸ Today, the United States also be following a similar policy by limiting Venezuela and Iran's exports to other countries that the tools are at their disposal due to interdependent networks. Since energy is the primary fuel of economic growth, limiting their access to energy sources, the American government can control the development pace of China, India, and Russia to a certain degree.

Finally, with the development of new weapons, targeted attacks via drones to energy facilities become an instrument for the oil weapon. In September 2019, a drone attack on the Abqaiq refinery and Khurais oil field conduct by the Iranian rebel group named The Houthis.¹⁰⁹ The attack was so professionally designed, despite the usage of small weapons, it created a major impact on Saudi Arabia's oil facilities and caused a supply shock in the oil market.¹¹⁰ For a period of time, 5% of the global oil production was disrupted, and the Saudis only managed to recover its supplies by relying on their spare capacity.¹¹¹ It also showed how vulnerable these extremely protected facilities are against novel weapons.

Thanks to recent oil and natural gas discoveries, the energy sector has become an

¹⁰⁸ Aleksandar Kovacevic, "The Impact of the Russia–Ukraine Gas Crisis in South-Eastern Europe" (Oxford Institute for Energy Studies, March 2009), <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2010/11/NG29-TheImpactoftheRussiaUkrainianCrisisinSouthEasternEurope-AleksandarKovacevic-2009.pdf>.

¹⁰⁹ Ben Hubbard, Palko Karasz, and Stanley Reed, "Two Major Saudi Oil Installations Hit by Drone Strike, and the U.S. Blames Iran," *The New York Times*, September 14, 2019, sec. World, <https://www.nytimes.com/2019/09/14/world/middleeast/saudi-arabia-refineries-drone-attack.html>.

¹¹⁰ "Everything You Need to Know about the Saudi Arabia Oil Attacks," the Guardian, September 16, 2019, <http://www.theguardian.com/world/2019/sep/16/saudi-arabia-oil-attacks-everything-you-need-to-know>.

¹¹¹ "Saudi Recovery From Oil Attack Isn't All It Seems," *Bloomberg.Com*, September 27, 2019, <https://www.bloomberg.com/news/articles/2019-09-27/saudi-recovery-from-oil-attack-isn-t-all-it-seems-oil-strategy>.

important domain for the United States to weaponize interdependence for the sake of its interests. The United States enjoys holding three key areas: trade, transportation, and financial interactions in the oil and gas sector.¹¹² With the recent shale revolution in the oil and natural gas sector, the United States became one of the main producers of those commodities. It began exporting these goods to buyers all around the world. With its dominant navy, it ensured the safety of transportation, which is one of the main pillars of energy security for the exporting countries. Finally, by having the reserve currency of the global commodity, the United States enjoyed controlling the financial interactions and impose restrictions on the countries that follow policies against their interest. Up to now, we have discussed crude oil as a single commodity, and we have not identified the classification of it. However, not all the oil is the same. The different crude oil types are classified based on the American Petroleum Gravity (API) gravity and viscosity.¹¹³ The properties may vary in the proportion of hydrocarbon elements, sulfur content, or the different regions where it is extracted. In Table 1, we show the most common categorization of crude oil by calculating its API gravity.

Table 1: Classification of Crude Oil

Categories of Crude Oil	API Gravity Level
Light Crude Oil	>31.1
Medium Crude Oil	22.3-31.1
Heavy Oil	<22.3

Source: IMC Brokers

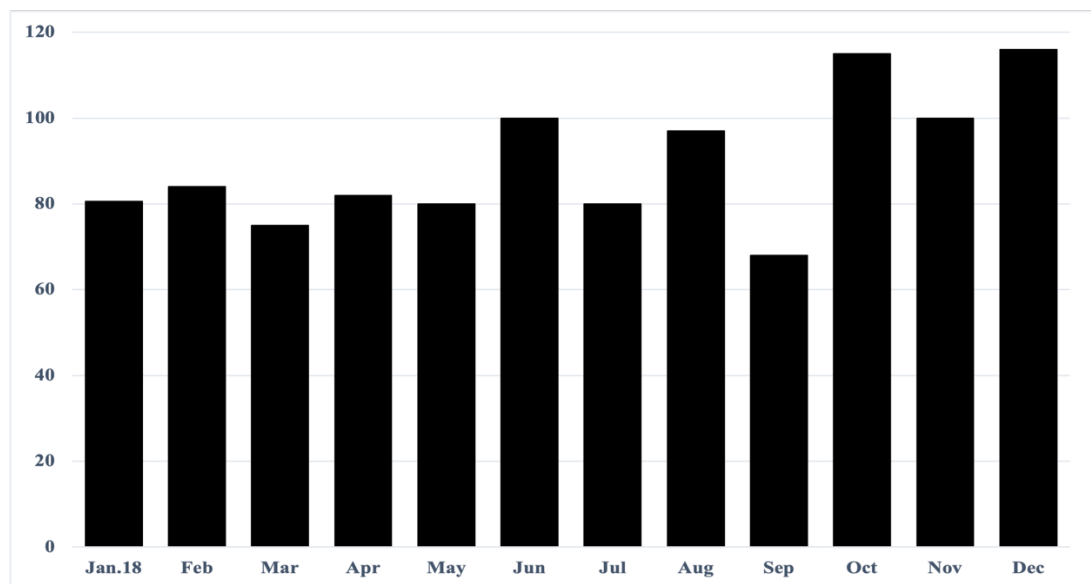
¹¹² MEIERDING, "Weaponizing Energy Interdependence."

¹¹³ "Classifications of Crude Oil." IMC Brokers. 17.02.2011. Accessed June 5, 2019.
<http://www.imcbrokers.com/blog/overview/detail/classifications-of-crude-oil>

Besides the API gravity, there are other classifications as well. Crude oil with low sulfur content means 'sweet,' and the presence of high content sulfur is known as 'sour. The Venezuelans have the thickest crude on the planet, and it cannot be exported without first being diluted.¹¹⁴ The dilution process is done by using naphtha provided by the United States. Therefore, even though Venezuela has an enormous amount of oil, they need naphtha to extract it. The price and supply of the product determine the operations done in the country. In Table 4, we show Venezuela's number of naphtha imports from the United States in 2018.

Figure 5: Naphtha Imports of Venezuela from the United States in 2018

(thousand barrels a day)



¹¹⁴ “Venezuela Needs to Dilute Its Oil. That’s Going to Become Harder,” *Bloomberg.Com*, January 29, 2019, <https://www.bloomberg.com/news/articles/2019-01-29/venezuela-needs-to-dilute-its-oil-that-s-going-to-become-harder>.

Source: Bloomberg

To extract oil, Venezuela imported an average of 90.000 barrels a day from the United States in 2018. Even though Venezuela has the highest amount of oil in terms of reserves, without naphtha, the extraction operation could not be done. Of course, there are alternative regions such as Europe and Russia to provide naphtha for Venezuela but, the supply could not be as smooth as it is in the United States case due to geographical constraints such as the tanker freight rates.

CHAPTER 3

THE UNITED STATES VS. JAPAN

This chapter discusses the coercive diplomacy policies that the United States implemented Japan in 1941 that led to the oil embargo and finally to the war between the two countries. The chapter has four sections. First, I discuss Japan's prior conditions and military activities that caused the American government to apply a coercive diplomacy policy. Second, I discuss the mechanism of the coercive diplomacy policy and its instruments that the United States used in Japan. Third, I examine how the Japanese government reacted to coercive diplomacy and whether their cultural and historical background played a role in their rational thinking. Finally, I evaluate the outcomes of the policy, whether it was a success or a failure in the context of coercive diplomacy and how it impacted the United States and third parties situation in the region.

3.1 Initial Conditions

In the summer of 1940, Europe was at war. Nazi Germany had invaded Norway, Poland, France, Belgium, and the Netherlands with its blitzkrieg strategy. The United Kingdom managed to save its troops from Dunkirk with a last-minute miraculous operation.¹¹⁵ The French government surrendered and made an armistice with Nazi Germany on June 21, 1940.¹¹⁶ The United Kingdom was left alone against Nazi Germany, and the state's existence was in danger.

While the European states were fighting to survive, their colonies in Southeast Asia became vulnerable to threats since they could not spare any resources when they were fighting for their existence. In 1940, the United Kingdom controlled the area of today's Bangladesh, Australia, New Zealand, and Singapore, while France had colonies in Vietnam or, in other words, Indochina. The Netherlands, on the other hand, had colonized Indonesia, and finally, the United States was influencing the government in the Philippines.

The rising threat against the status quo in the region was Imperial Japan which had a major restoration with the efforts of Meiji against the traditionalist ideas. The self-strengthening policies transformed the culture, economy, society, and military, and the countries aspiration to act as a great power increased starting from the 1870s.¹¹⁷ The

¹¹⁵ “Dunkirk Evacuation | Facts, Map, Photos, Numbers, Timeline, & Summary,” Encyclopedia Britannica, accessed August 29, 2021, <https://www.britannica.com/event/Dunkirk-evacuation>.

¹¹⁶ “Battle of France - The Fall of France (June 5–25, 1940),” Encyclopedia Britannica, accessed August 29, 2021, <https://www.britannica.com/event/Battle-of-France-World-War-II>.

¹¹⁷ Tudor A. Onea, *The Grand Strategies of Great Powers*, Routledge Studies in Modern History (London ; New York, NY: Routledge/Taylor & Francis Group, 2021).

judiciary system adopted Western-style, and Japan made revised the agreements to be treated like any other European power.¹¹⁸

After the agreements with the western powers, the Japanese Empire began to realize its expansionary plans with going into war against China for the control of Korea and later with Russian Empire to contain Russian access to the Pacific Ocean. Despite its superiority in material capabilities, the Russians suffered a major defeat against the Japanese army.¹¹⁹ These two victories gave huge confidence to the Japanese Empire, and they managed to complete the self-strengthening grand strategy. According to Paine, after these victories, the Japanese administration could not pass their experience to younger generations, which eventually led to failure against the war with the United States.¹²⁰

During the period between 1902-1923, the diplomatic relations between Great Britain and the Western powers improved even though not all of them were in favor of the Japanese expectations. The alliance deals with Great Britain developed against the common Russian threat. However, after the Russian defeat in Sino-Japan War and the Russian Revolution in 1917, Great Britain ceased to perceive Russia as a threat in the region, and to balance it with the Japanese alliance lost its importance. The growing power of the Japanese military and its expansion aspirations on the region, on the other

¹¹⁸ S. C. M. Paine, *The Japanese Empire : Grand Strategy from the Meiji Restoration to the Pacific War* (Cambridge, United Kingdom ; New York, NY, 2017).

¹¹⁹ “Russo-Japanese War | Causes, Summary, Maps, & Significance,” Encyclopedia Britannica, accessed August 29, 2021, <https://www.britannica.com/event/Russo-Japanese-War>.

¹²⁰ Paine, *The Japanese Empire*.

hand, became a reason for the United States to see Japan as a potential enemy.¹²¹ In his writings and discussions, Franklin Roosevelt, who will be the president of the United States, when the war between two countries began, mentioned the growing threat of Japan and claimed that the United States must be ready to confront Japanese aggression.¹²²

The American aims in Southeast Asia were to keep the status-quo situation as stable as possible and ensure the security of the western colonies ruled by its allies. To achieve this policy, it held the Washington Conference in 1921-22. The main purpose of the conference was to limit the growing naval arms race developing in southeast Asia.¹²³ The agreement set a "10-10-6 capital ship tonnage ratio for Britain, the United States, and Japan respectively".¹²⁴ The inequality on the limits of expansion of the naval capacity and later the legislations for restricting the Japanese immigration to the United States led to dissatisfaction in the Japanese side due to their desire to be perceived as an equal actor with the great powers.¹²⁵

Japan's expansion policies in the 20th century began for the second time when they invaded the Manchuria region of China in 1931. The Japanese military expanded its invasion to the Chinese mainland and Inner Mongolia and established puppet states that

¹²¹ Paine.

¹²² William L. Neumann, "Franklin D. Roosevelt and Japan, 1913-1933," *Pacific Historical Review* 22, no. 2 (1953): 143–53, <https://doi.org/10.2307/4492029>.

¹²³ "Washington Conference | Treaties & Facts," Encyclopedia Britannica, accessed August 29, 2021, <https://www.britannica.com/event/Washington-Conference-1921-1922>.

¹²⁴ Paine, *The Japanese Empire*.

¹²⁵ "Anglo-Japanese Alliance | British-Japanese History," Encyclopedia Britannica, accessed August 29, 2021, <https://www.britannica.com/topic/Anglo-Japanese-Alliance>.

would serve Japanese interests. Later, Japan annexed these regions, and the Western Powers protested the annexations.

In 1936, Japan asked the United States and Great Britain for a revision to The Naval Limitation Treaty for equalizing the ship tonnage ratio, but it was rejected by the two powers.¹²⁶ With that result, the Japanese government decided to terminate the treaty and began improving its navy.

The first step of tightening the economic relations began with the Marco Polo Bridge Incident that occurred in July 1937 when the Japanese soldiers decided to enter a Chinese village, and resistance of the Chinese army eventually led the situation to turn into a war.¹²⁷ As the Japanese advancement to China jeopardized the American interests in the country, the demand for punishment increased in American society. The American government started to look for policy alternatives to prevent Japan from further advancement, and sanctions policies on several areas such as exporting goods, suspension of monetary exchange, or discriminatory tariffs on commodities were on the table.¹²⁸ However, the Japanese – U.S. Treaty of Commerce and Navigation signed in 1911 was blocking these policies, and the United States terminated this treaty.

¹²⁶ “Washington Conference | Treaties & Facts.”

¹²⁷ “Marco Polo Bridge Incident | Asian History | Britannica,” accessed September 3, 2021, <https://www.britannica.com/event/Marco-Polo-Bridge-Incident>.

¹²⁸ Chihiro Hosoya, “Miscalculations in Deterrent Policy: Japanese-U.S. Relations, 1938-1941,” *Journal of Peace Research* 5, no. 2 (June 1, 1968): 97–115, <https://doi.org/10.1177/002234336800500201>.

3.2 American Coercive Diplomacy Against Japan

In the literature, the coercive diplomacy policies against Japan began with deterrence which is a strategy to threaten that adversary to stop from continuing its undesired behavior.¹²⁹ The Japanese government saw the changing balance of power in Southeast Asia due to war in Europe as an opportunity to expand their empire.

The United States responded with two tools of coercion to deter the Japanese government, and which were focused on military and oil embargo. In the summer of 1940, the American fleet moved to Pearl Harbor, Hawaii, from the main bases located on the west coast of the United States.¹³⁰ In return, Japan followed its own deterrence policy to the United States by signing the Tripartite Pact with Germany and Italy, which is designed as an alliance in political, economic, and military means.¹³¹ With this pact, the aim of the Japanese government was to prevent American navy deployment from focusing on the Pacific Ocean alone.

The first phase of the oil embargo came with limited sanctions. It was only limited to "aviation gasoline of 87 octanes or higher, with some kinds of iron and steel".¹³² Here the intention of the United States was not to stop the oil flow completely since it had the possibility to push Japan into the war but to control them by providing less source for its air forces.

¹²⁹ George, *Forceful Persuasion*.

¹³⁰ George, *Limits of Coercive Diplomacy*.

¹³¹ David C. Gompert, Hans Binnendijk, and Bonny Lin, "Japan's Attack on Pearl Harbor, 1941," in *Blinders, Blunders, and Wars, What America and China Can Learn* (RAND Corporation, 2014), 93–106, <https://www.jstor.org/stable/10.7249/j.ctt1287m9t.15>.

¹³² Yergin, *The Prize*.

In 1940, the Japanese Empire had two options to expand the oil resources. One of them was the Soviet Union, favored by the Imperial army. The other option was the Indochina and Dutch Indies that had large oil sources favored by the Imperial Navy. However, the gain on attacking the Soviet Union was not as high as attacking to the south. The Soviet Union had its main oil resources in Caucasia, and it was far away from Japan. Even the operation had come to success, maintaining the security in the area could have been much more costly when it's combined with the invasion in China.¹³³ Therefore, eventually, the idea of invading the south became prevalent, and the Japanese army decided to wait for the Red Army to weaken against the Wehrmacht.

In June 1940, the Japanese government sent an ultimatum to French Indochina ruled by the Vichy government to allow Japanese military presence. By the end of July, they have managed to deploy 50,000 troops to Southern Indochina.¹³⁴ The Japanese expansion in Southeast Asia was unacceptable for the American government, even if it did not include the Philippines.¹³⁵ The United States had several reasons for that. One of them was that the Japanese military would have gained enough resources to feed its army by having the regions in Southeast Asia.¹³⁶ The other reason was that if the Japanese navy would control the naval activities in Southeast Asia, it could cut the supply supports to Great Britain, which included raw materials and manpower to fight against Germany.

¹³³ Yergin.

¹³⁴ Sumio Hatano and Sadao Asada, "The Japanese Decision to Move South(1939–1941)," in *Paths to War: New Essays on the Origins of the Second World War*, ed. Robert Boyce and Esmonde M. Robertson (London: Macmillan Education UK, 1989), 383–407, https://doi.org/10.1007/978-1-349-20333-8_13.

¹³⁵ Jeffrey Record, *A War It Was Always Going to Lose: Why Japan Attacked America in 1941* (Potomac Books, Inc., 2010).

¹³⁶ Record.

On July 2, 1941, the American cryptographers learned the Japanese preparations for the invasion of French Indo-China and Thailand.¹³⁷ In response, within one month, the government's Japanese assets in the United States were frozen, and all kinds of oil shipments to Japan stopped.¹³⁸ At that time, the Japanese were importing 80% of the oil from the United States, and this policy created panic in the Japanese government.¹³⁹ Without having the oil, the Japanese navy and air forces would become weak while the rival navies were expected to expand in the region. This situation also was the main reason for the American government to apply such a policy. Their main rationale was that while they were dealing with the war in Europe, the sanctions could have neutralized the tension in the Pacific, and the Japanese would never dare to consider an attack on the United States.¹⁴⁰ Therefore, the American government believed that they could have substituted the military presence with economic sanctions. On July 26, 1941, the oil flow to Japan affectively stopped with the executive order of US President Roosevelt.¹⁴¹ The next five months passed with the negotiations of the two countries, which eventually failed to build common ground.

The United States insisted Japan move out from China and stop any expansionist policies. For the Japanese side, after spending 100,000 casualties and billions of yens, it would not be an honorable move to leave everything aside.¹⁴² So, it was nearly

¹³⁷ George, *Limits of Coercive Diplomacy*.

¹³⁸ George.

¹³⁹ George.

¹⁴⁰ Record, *A War It Was Always Going to Lose*.

¹⁴¹ Yergin, *The Prize*.

¹⁴² Forrest Morgan, *Compellence and the Strategic Culture of Imperial Japan: Implications for Coercive Diplomacy in the Twenty-First Century*, Illustrated edition (Westport, Conn: Praeger, 2003).

impossible for parties to come to an agreement. Furthermore, as time passed, Japanese oil, iron, and steel stocks were declining. Therefore, the Japanese government decided to set a deadline for the last day of diplomacy to November 30 to settle the issues with the United States.¹⁴³ The Japanese government offered two final proposals to the United States. The first was removing Japanese forces gradually in the next 25 years from China. The second offer was to return to pre-July 1940 conditions that implied Japanese withdrawal from Southeast Asia and lifting the American oil embargo.¹⁴⁴ Both of the proposals were rejected by the government, and in the end, Japan decided to go into war with the United States.

3.3 Outcomes of the Coercive Diplomacy

American policy on Japan through the oil embargo is a good example of a coercive diplomacy case. Even though it has ended with the war, the policy would not become unsuccessful entirely. The United States managed to get a concession from the Japanese Empire by limiting oil flow and stopped Japanese advancement to the colonies of the American allies. However, when the discussion moved to Japanese withdrawal from China, the policy failed miserably and led two countries to the war.

When the American demands consisted of Japan's removal from China, the policy lost its deterrence affect to prevent the Japanese army from moving south. There are several explanations for the reasons that led the Japanese government to attack the United States despite they already knew their superiority in terms of military and industrial capacity.

¹⁴³ Paine, *The Japanese Empire*.

¹⁴⁴ Morgan, *Compellence and the Strategic Culture of Imperial Japan*.

In terms of military, the oil embargo was going to cause Japan to deplete its oil sources, which was estimated to last for fifteen months at a time.¹⁴⁵ The Dutch oil fields could have provided an alternative; however, if Japan had to deal with the US navy until then, the steel production rate was too low to support the military. At the time, the United States had thirteen times larger steel production capacity that could have been used in military equipment production.¹⁴⁶ Therefore, the US naval threat in the Pacific had to be eliminated at least for enough time for the Japanese Empire to be able to protect its earnings.

From the political side, the cultural transformation that began with Meiji Restoration created a vision for the Japanese officials, which they perceived themselves as equals with the Western powers. However, complying with American demands and being ignored in the diplomatic meetings was a humiliating experience for the Japanese. During the discussions in September 1941, when a Japanese official asked what could have the worst happen if Japan had complied with the demands of the United States, other members claimed that the Japanese Empire turned into a "third rate nation."¹⁴⁷ Fearing this would happen, the Japanese judgment ignored the possible devastating outcomes of the war, which eventually realized beyond their imaginations.

Finally, one of the interesting issues regarding evaluating the coercive diplomacy

¹⁴⁵ Yergin, *The Prize*.

¹⁴⁶ Morgan, *Compellence and the Strategic Culture of Imperial Japan*.

¹⁴⁷ Morgan.

mechanism was the lower-rank officials on both sides. As the tension between the two countries rapidly rose in the last months before the Pearl Harbor attack, some units also took initiatives that deteriorated the relations faster than anticipated. On the Japanese side, this group was the Kwantung Army officers, who were unsatisfied with the decision-making speed of the government and invaded additional lands in China.¹⁴⁸ On the American side, it was the diplomats who turned asset freezing policy to complete the oil embargo without the orders of the US government.¹⁴⁹ These incidents show that the role of middle and low-level government officials could create a huge impact on the application of coercive diplomacy.

On the American side, there are also alternative approaches that argue that the US government pushed Japan into the corner where it can only decide to attack the United States. The main rationale behind such policy is to convince the people in the American society, who believe that the United States should continue following its isolationist policy and stay out of the wars happening in Europe and Asia.

The highest cost of the failing coercive diplomacy against Japan for the United States was the Pearl Harbor incident. On December 7, 1941, the Japanese aerial attack targeted the American naval base at Pearl Harbor on Oahu, Hawaii. Although the American military was expecting an attack from the Japanese side, they had failed to prevent it when it happened.¹⁵⁰ The following attacks within the next week to Hong Kong,

¹⁴⁸ George, *Limits of Coercive Diplomacy*.

¹⁴⁹ George.

¹⁵⁰ Yergin, *The Prize*.

Shanghai, Wake Islands, and the Philippines destroyed American military existence in the region, and Japan gained control of the large area.

Admiral Isoroku Yamamoto, the Commander Chief of Japan's Combined Fleets, was a Harvard-educated military leader who also once had a diplomatic duty in Japan's Washington Embassy. He was one of the few people that was cautious against attacking the United States and informing the American diplomats not to push Japan into a corner, so the people in the Japanese government who did not support attacking the United States could have their voice heard.¹⁵¹

However, when the decision of war was given, Yamamoto was ready to serve. He believed that Japan had only a chance against the United States if they could eliminate its entire navy in the Pacific with one shot. Yamamoto believed the Japanese military would buy time to settle and get oil resources from Indonesia by achieving this.

The plan could have reached success if Japan had not made two big mistakes during the war. First was that when the Japanese air fleet attacked Hawaii, they did not hit the oil depots despite the strict orders of Admiral Yamamoto. The commander of the Hawaii attack, Chuichi Nagumo, was an overwhelmingly cautious person who did not want to risk the victory and did not let the Japanese planes to flight for the third time to destroy the oil depots in Hawaii. Thus, in the end, Japan made an operation to a country that restricted its oil access in the first place, and the Japanese decided to have Americans oil

¹⁵¹ Yergin.

in their Hawaii base. As Chester Nimitz, the US Commander in Chief of the Pacific Fleet, claimed, at the time, there were 4,5 million barrels of oil vulnerable to the Japanese attack, and if they had gone, the war could have been two more years longer.¹⁵²

The second major mistake for the Japanese navy occurred in the Battle of Midway in 1942, where the Japanese fleet lost four aircraft carriers, a heavy cruiser, and more than 320 planes with 3,000 Japanese soldiers.¹⁵³ The battle almost entirely caused the Japanese to lose its offensive capabilities, and Japan found itself in a defensive position that would continue until the end of the war. Thomas Wildenberg explains this disaster with the differences in the military doctrines of the navies. According to Wildenberg, the Japanese navy lost the Battle of Midway because they had followed the British doctrine on how to use the aircraft carriers developed in the 1920s.¹⁵⁴ On the other hand, the American navy improved the doctrine by calculating possible scenarios that may occur during the combat. While the Japanese aircraft carriers were only focusing on the main mission, they were not assigning any pilots to do scouting patrol near the carrier.¹⁵⁵ On the other hand, the Americans had their scouts. Furthermore, the American navy improved the design of the landing dock and hangars more efficiently. While there were only sixteen planes were available on the dock for the 1926 version of the aircraft carrier, the number increased to forty-two during wartime for the American carriers.¹⁵⁶

¹⁵² Yergin.

¹⁵³ "Battle of Midway | Significance & Outcome," Encyclopedia Britannica, accessed September 3, 2021, <https://www.britannica.com/event/Battle-of-Midway>.

¹⁵⁴ "Midway: Sheer Luck or Better Doctrine?," accessed September 1, 2021, <http://public2.nhhcaws.local/research/library/online-reading-room/title-list-alphabetically/m/midway-sheer-luck-or-better-doctrine.html>.

¹⁵⁵ "Midway."

¹⁵⁶ "Midway."

This difference between the two fleets determines the outcome of the battle. The Americans had scouts, and if their fleet had been found by the Japanese bomber planes, they had more fighter planes to defend the fleet on the docks of aircraft carriers.¹⁵⁷

At the end of the war, the United States managed to restore the status quo even in a better situation where Japan ceased to be a threat and turned into a major ally. The role of oil in coercive diplomacy proved to be a sufficient tool as the escalation mechanism in the case where the demands are acceptable by the adversaries. Furthermore, this case showed that coercive diplomacy is successful when it is used to deter an adversary from taking action but less successful when it means stopping an ongoing movement.¹⁵⁸

From the viewpoint of the hypotheses, I can say that this case confirms the first and second hypotheses of the thesis. We see that the United States relies on its military power and its industrial capabilities on coercing the Japanese Empire. The oil embargo, with escalating policies, gave incentive to the Japanese government to comply with the policy of invading Southeast Asia. However, for the third hypothesis, there is no evidence presented for the weaponized interdependence since, at that time, the countries were not as tied to each other as today. Nevertheless, during the time when the coercive diplomacy policies were succeeding, the United States managed to provide security for the third parties that were allied with them.

¹⁵⁷ “Midway.”

¹⁵⁸ George, *Limits of Coercive Diplomacy*.

CHAPTER 4

THE UNITED STATES VS. IRAN

The United States and Iran had an antagonistic relationship in the twentieth century, especially after the Iranian Revolution in 1979. Since then, the United States has implemented six different sanction policies on Iran to make the Iranian government comply with its demands. These were the 1979 sanctions during the hostage crisis in U.S. Embassy in Tehran; in 1984, the arms embargo for Iran-Iraq War, Iran and Libya Sanctions Act to prevent American countries from investing in the Iranian oil sector; and the last two to prevent Iranian nuclear developments which I discuss in this chapter.

4.1 Initial Conditions

The nuclear energy developments that caused a lot of trouble to Iran began with the

support of the United States in 1967.¹⁵⁹ During that period, the American government had a good relationship with the Iranian shah, Mohammad Reza Pahlavi. The United States was heavily supporting the Iranian economy to counter the Soviet threat and ensure the safety of the oil flow in the Persian Gulf.¹⁶⁰ Specialists from American universities and government entities were providing consultancy services for the Iranian government.¹⁶¹ The main aim of the Pahlavi was to ensure that Iran could develop nuclear energy to feed domestic consumption and export all the oil and gas resources.¹⁶² Pahlavi believed that even with the conventional military sources, the Iranian army had enough power to dominate the Middle East region, and he had no intention to extend the nuclear facilities to develop nuclear weapons.¹⁶³ According to his rationale, such a policy would cause neighboring countries to develop their own weapons, and the comparative advantage of the large Iranian army would disappear.¹⁶⁴

To show that it has no plan to develop nuclear weapons, Iran first signed the Nuclear Non-Proliferation Treaty (NPT) in 1968, which aimed to "prevent the spread of nuclear weapons and weapons technology and promote cooperation for the peaceful usage of nuclear energy".¹⁶⁵ This was followed by the Safeguard Agreement that allowed international inspections on the nuclear facilities conducted by the International Atomic

¹⁵⁹ "Iran Nuclear Milestones: 1967-2021 | Iran Watch," accessed September 1, 2021, <https://www.iranwatch.org/our-publications/weapon-program-background-report/iran-nuclear-milestones-1967-2021>.

¹⁶⁰ Jay Solomon, *The Iran Wars: Spy Games, Bank Battles, and the Secret Deals That Reshaped the Middle East* (Random House, 2016).

¹⁶¹ Solomon.

¹⁶² Kenneth Pollack, *Unthinkable: Iran, the Bomb, and American Strategy*, 2nd Print edition (New York, NY: Simon & Schuster, 2013).

¹⁶³ Pollack.

¹⁶⁴ Pollack.

¹⁶⁵ "Treaty on the Non-Proliferation of Nuclear Weapons (NPT) – UNODA," accessed September 10, 2021, <https://www.un.org/disarmament/wmd/nuclear/npt/>.

Energy Agency (IAEA) in 1974.¹⁶⁶ The relationship between the Iranian and Western governments was going smoothly, and the United States was extending its support to Iranian nuclear facilities. The positive environment lasted until the 1979 Iranian Revolution.

The uprisings against the monarch led to an Islamic revolution. Shah Pahlavi left the country, and Ruhollah Khomeini became the supreme leader of the newly established Islamic Republic of Iran.¹⁶⁷ After the revolution, the United States ceased all the assistance and support to the Iranian government. The nuclear program stalled until the growing threat of Saddam Hossain, the Iraqi leader. When the tension between the two countries turned into a major war, the Iranian officials began to increase their investments in nuclear energy. With technical assistance from Pakistan, Iran began to develop its own nuclear reactors and established a major facility in the 1990s.¹⁶⁸

During this era, Iran's relationship with the United States continued to deteriorate, and anti-Americanism developed significantly among the Iranians. The first of the incidents began with the hostage crisis when the Iranian college students captivated the fifty-two Americans to demand the extradition of the former shah Pahlavi.¹⁶⁹ The American government could only manage to save its citizens nearly after 1.5 years with several sanctions on limiting Iranians access to the U.S. financial system and concession to Iran

¹⁶⁶ "Timeline of Iran's Nuclear Activities," accessed September 10, 2021, <https://iranprimer.usip.org/resource/timeline-irans-nuclear-activities>.

¹⁶⁷ "Iranian Revolution | Summary, Causes, Effects, & Facts," Encyclopedia Britannica, accessed September 10, 2021, <https://www.britannica.com/event/Iranian-Revolution>.

¹⁶⁸ Pollack, *Unthinkable*.

¹⁶⁹ "U.S. Relations With Iran, 1953–2021," Council on Foreign Relations, accessed September 1, 2021, <https://www.cfr.org/timeline/us-relations-iran-1953-2021>.

on not intervening in its internal politics with the Algiers Accord.¹⁷⁰

The Islamic regime also desired to expand its influence in the Middle East region and to achieve that they have established the Islamic Revolutionary Guard Corps (IRGC) with a branch named the Qods Force.¹⁷¹ The three important aims of the IRGC were to protect the regime in Iran, expand the regime's influence by supporting allies in other countries and retake Jerusalem from Israel.¹⁷² To realize these purposes, the Iranian regime supported the rebel groups in the Middle East, which occasionally threat the American interests in the region. IRGC backed terrorist groups conducted several operations against American officials in the region. Lebanon-based Hezbollah organization conducted one of the deadliest suicide attacks against the American forces and caused 299 deaths that were the largest number of American casualties since the Vietnam War.¹⁷³ After this incident, the American government began to designate Iran as a "state sponsor of terrorism."¹⁷⁴

After the Iran-Iraq war, the United States imposed an arms embargo through the Iran-Iraq Arms Non-Proliferation Act of 1992 to prevent each country to "develop chemical,

¹⁷⁰ Mahvash Alerassool, "The Algiers Accords: The Way the Crisis Was Resolved," in *Freezing Assets: The USA and the Most Effective Economic Sanction*, ed. Mahvash Alerassool, International Political Economy Series (London: Palgrave Macmillan UK, 1993), 105–31, https://doi.org/10.1007/978-1-349-22532-3_5.

¹⁷¹ Solomon, *The Iran Wars*.

¹⁷² Solomon.

¹⁷³ "1983 Beirut Barracks Bombings | Summary, Casualties, & Facts | Britannica," accessed September 1, 2021, <https://www.britannica.com/event/1983-Beirut-barracks-bombings>.

¹⁷⁴ "U.S. Relations With Iran, 1953–2021," Council on Foreign Relations, accessed September 1, 2021, <https://www.cfr.org/timeline/us-relations-iran-1953-2021>.

biological, nuclear or advanced conventional weapons".¹⁷⁵ The sanctions escalated with the oil embargo against Iran in 1996, which prevented American oil and gas companies from investing more than \$20 million.¹⁷⁶

During this period, the only time that two countries came closer to cooperate on an issue was the American military operations against the Taliban in Afghanistan, after the 9/11 attacks to the World Trade Center in New York City in 2001. During the set of several meetings, both countries agreed on designing a newly established Afghan government, and the American diplomats believed that with the support of the Iranian army, the smuggling and narcotic activities in the region could be taken under control.¹⁷⁷

However, after the fall of Afghanistan, when many of the Al-Qaeda leaders escaped to Iran, the Iranian government did not hand those people to the United States and asked to exchange them with the anti-Iran groups in the Middle East.¹⁷⁸ This move caused American diplomats to lose credibility on cooperation with Iranians, and the discussions eventually came to an end.

After the invasion of Iraq in 2003, Iran found itself a huge opportunity to extend its influence in the Middle East. Saddam was gone, and the Iraqi Shi'ites had the majority of the population. Through the elections, the Iranians expected that the country would be

¹⁷⁵ Howard L. Berman, "H.R.5434 - 102nd Congress (1991-1992): Iran-Iraq Arms Non-Proliferation Act of 1992," legislation, July 2, 1992, 1991/1992, <https://www.congress.gov/bill/102nd-congress/house-bill/5434>.

¹⁷⁶ Benjamin A. Gilman, "Text - H.R.3107 - 104th Congress (1995-1996): Iran and Libya Sanctions Act of 1996," legislation, August 5, 1996, 1995/1996, <https://www.congress.gov/bill/104th-congress/house-bill/3107/text>.

¹⁷⁷ Solomon, *The Iran Wars*.

¹⁷⁸ Solomon.

ruled by the Shi'ites and would be highly cooperative with the Iranian government.¹⁷⁹

After the election of Mahmud Ahmadinejad, the Iranians focused on increasing their influence in Post-Saddam Iraq through supporting their proxies in the region. With that, the Iranian government claimed to accelerate its nuclear program.¹⁸⁰ The set of events increased the concerns against Iran and, with their uncooperative approach to opening the nuclear facilities to the international investigation, initiated the sanctions against the country. Overall, I can say that, after the Islamic Revolution, Iran and the United States always remained in conflicting camps, and both countries did not take a step forward when they had a chance to establish cooperation. Iran's antagonistic approach to Israel and Saudi Arabia, which are the main allies of the United States, pushed the American government to contain Iran as much as possible. Whenever the balance of power began to shift in favor of Iran, the United States and its allies increased pressure on the country by applying sanctions.

4.2 US Sanction Policy on Iran

In this section, I examine the U.S. sanctions on Iran in two different periods. The first of them starts with former Iranian president Ahmadinejad's decision on enriching uranium in the Iranian nuclear facilities and ends with the Joint Comprehensive Plan of Action (JCPOA) signed in 2015. The second phase investigates the period when the United States left the JCPOA agreement in which the former president of the United States, Donald Trump, imposed oil sanctions on Iran. The two phases are interesting because in

¹⁷⁹ Henner Fürtig, "Conflict and Cooperation in the Persian Gulf: The Interregional Order and US Policy," *Middle East Journal* 61, no. 4 (2007): 627–40.

¹⁸⁰ Fürtig.

the first period, the United States was a net oil importer country, and it had not developed its oil industry with the new discoveries. On the other hand, in the second period, the United States increasingly became a major oil producer, and its stance in the oil industry changed significantly.

4.2.1 Sanctions on Iran in 2005-2015

In 2005, the United States began imposing sanctions to Iran with the President Bush's Executive Order 13382. The order was about freezing the financial assets of the individuals that have connection with the Iranian nuclear program.¹⁸¹

Despite the initial sanctions, Iran was able to collect major revenues from the oil sector, which also continued to finance nuclear facilities. The American officials say that without taking Iran's oil card, the possibility of Iranian compliance was fairly low. The preparations for the oil sanctions to Iran began in 2009 when the United States sent Ambassador Dennis Ross to other major oil producers in the Middle East.¹⁸² The idea was to understand whether, by increasing their supply, these countries could become an alternative to Iranian oil especially exported to the Asian countries such as India and China.

In the Gulf region, the countries were already afraid of the Iranian nuclear developments, and they were willingly increasing their oil supply to cover Iranian shares for the Asian markets. Saudi Arabia, for the first time, warned the Iranians that if they do

¹⁸¹ "Executive Order 13382," accessed September 15, 2021, <https://2009-2017.state.gov/t/isn/c22080.htm>.

¹⁸² Solomon, *The Iran Wars*.

not stop enriching uranium, the Arabian facilities are able to replace Iranian exports with their spare capacity.¹⁸³

4.2.2 US Sanctions on Iran in Post-2015

In May 2018, U.S. President Donald Trump announced that he had withdrawn the United States from the JCPOA deal by claiming that the deal was not successful in stopping Iran's nuclear development.¹⁸⁴ However, none of the U.S. officials were able to provide evidence that indicated the Iranian violations.¹⁸⁵ This opened another era for the American sanctions imposed on Iran. Financial and oil-related sanctions are re-implemented again. A short period of time of sanction waivers for countries that buying oil from the country again provided.¹⁸⁶ But this time, the United States did not need arrangements from other Gulf countries to replace the Iranian oil supply.

4.3 Outcomes of the Policy

In the first period of the US sanctions on stopping Iranian nuclear developments, the American coercive diplomacy managed to bring Iran into agreement table and they have received it compliance. While doing so, the United States was not alone, and additionally, United Nation Security Council and the European Union were also imposed sanctions on Iran. Meanwhile, while participating the sanctions, Russia and

¹⁸³ Solomon.

¹⁸⁴ Mark Landler, "Trump Abandons Iran Nuclear Deal He Long Scorned," *The New York Times*, May 8, 2018, sec. World, <https://www.nytimes.com/2018/05/08/world/middleeast/trump-iran-nuclear-deal.html>.

¹⁸⁵ Zack Beauchamp, "Trump's Withdrawal from the Iran Nuclear Deal, Explained," Vox, May 8, 2018, <https://www.vox.com/world/2018/5/8/17328520/iran-nuclear-deal-trump-withdraw>.

¹⁸⁶ "Iran Sanctions 2.0: The Trump Administration Completes Its Abandonment of the Iran Nuclear Agreement," *Gibson Dunn* (blog), November 9, 2018, <https://www.gibsondunn.com/iran-sanctions-2-0-the-trump-administration-completes-abandonment-of-iran-nuclear-agreement/>.

China were helping Iranian government to put up enough resistance.

In the literature, we see that despite the success of the sanctions that lead to the Iranian Nuclear Deal, the difference of the behaviors of the presidents George W. Bush and Barack Obama played a major role. While Bush administration was more strict and demanding compliance with applying pressure.¹⁸⁷ Obama, on the other hand stressed the importance of communication from the beginning of his election campaign.¹⁸⁸ In his inauguration speech in 2008, he claimed that: “to the Muslim world, we seek a new way forward, based on mutual interest and mutual respect. We will extend a hand if you are willing to unclench your fist.”¹⁸⁹ The Iranians, responded with asking a meeting with no preconditions which was not possible in Bush’s administration since suspension of enrichment activities was a pre-requisite for the negotiations.¹⁹⁰

The US sanctions created major impact on the Iranian economy. Annual GDP growth rate declined 6 and 6,5% in 2018 and 2019 respectively.¹⁹¹ Iranian government had managed to control the inflation level that increased to 34,7% after the JCPOA deal and decreased it to 9%. However, after the being sanctioned again in 2018, the inflation rates returned to 35% level.¹⁹² The depreciation of the Iranian currency against the US dollar

¹⁸⁷ Gordon Adams, “The Iran Long Game: Bush vs. Obama,” *Foreign Policy* (blog), accessed September 15, 2021, <https://foreignpolicy.com/2015/04/14/the-iran-long-game-bush-vs-obama-nukes/>.

¹⁸⁸ Adams.

¹⁸⁹ “President Barack Obama’s Inaugural Address,” whitehouse.gov, January 21, 2009, <https://obamawhitehouse.archives.gov/blog/2009/01/21/president-Barack-obamas-inaugural-address>.

¹⁹⁰ “Coercive Diplomacy and the Iranian Nuclear Crisis in: International Negotiation Volume 26 Issue 2 (2021),” accessed September 15, 2021, https://brill.com/view/journals/iner/26/2/article-p218_3.xml.

¹⁹¹ “GDP Growth (Annual %) - Iran, Islamic Rep. | Data,” accessed September 14, 2021, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=IR&start=2014>.

¹⁹² “Iran: Inflation Rate 1984-2018 | Statista,” accessed September 14, 2021, <https://www.statista.com/statistics/294320/iran-inflation-rate/>.

also created a major problem for Iranians to import goods from other countries.

According to Iranian president the renewed sanctions on Iran caused its economy to lose \$200 billion.¹⁹³

On the industry side, the major hit came to the oil industry and with the declining number of customers, the oil production declined from 3,8 million barrels per day (mbpd) to 2,1 mbpd.¹⁹⁴ The oil exports in the same period declined from 2,1 mbpd to 260,000 bpd.¹⁹⁵

During the first months of the COVID-19 pandemics Iran was one of the countries that had most affected. The lack of medical supplies created a humanitarian crisis in the country. The government asked IMF to give \$5 billion to combat against the pandemics.¹⁹⁶ However, the United States refused to allow this interaction to happen during the IMF votings.¹⁹⁷ European countries criticized this decision and provided minor helps to Iranians in the upcoming months.

The political situation in Iran also affected by the sanctions especially after 2018. During

¹⁹³ "Iran's Rouhani Says U.S. Sanctions Cost Country \$200 Billion," *Bloomberg.Com*, December 31, 2019, <https://www.bloomberg.com/news/articles/2019-12-31/iran-s-rouhani-says-u-s-sanctions-cost-country-200-billion>.

¹⁹⁴ "Six Charts That Show How Hard US Sanctions Have Hit Iran," *BBC News*, December 9, 2019, sec. Middle East, <https://www.bbc.com/news/world-middle-east-48119109>.

¹⁹⁵ "Six Charts That Show How Hard US Sanctions Have Hit Iran."

¹⁹⁶ "Coronavirus: Iran Appeals for \$5bn IMF Loan as Deaths near 4,000," *BBC News*, April 9, 2020, sec. Middle East, <https://www.bbc.com/news/world-middle-east-52217600>.

¹⁹⁷ Abubakr Al-Shamahi, "Can the IMF Overcome US Roadblocks to Give Aid to Iran?," accessed September 14, 2021, <https://www.aljazeera.com/economy/2020/4/17/can-the-imf-overcome-us-roadblocks-to-give-aid-to-iran>.

the period 2005-2015 the government approval rates fluctuated around 70%.¹⁹⁸

However, in 2020, it declined to 47% for the first time. Since the country faced a major crisis in COVID-19 pandemic, connecting unhappiness with the sanctions may not be most rational approach. On average, the population continues to heavily support government. As mentioned in Chapter 2, if the people in the targeted country do not believe that the coercive policy is fair, then they mobilize against the coercer state and become more willing to endure the harmful impacts of the sanctions.

Overall, this case study shows that if the adversary state believes that the demands of the coercer is bearable they are willing to comply to the coercer. In the nuclear deal case, stopping uranium enrichment was a fair deal when the Iranians got their oil revenues in return. However, when the United States asked Iran to reduce its influence in the Middle East, with the same oil weapon, this time the Iranian government did not complied. As of today, the current US president Joe Biden is also focusing on lifting the sanctions and returning the Iranian Nuclear Deal.¹⁹⁹

¹⁹⁸ Gallup Inc, "Iranian Confidence in Government Under 50% for First Time," Gallup.com, October 29, 2020, <https://news.gallup.com/poll/323231/iranian-confidence-government-first-time.aspx>.

¹⁹⁹ "Biden Promised to Restore the Iran Nuclear Deal. Now It Risks Derailment. - The New York Times," accessed October 13, 2021, <https://www.nytimes.com/2021/07/31/us/politics/biden-iran-nuclear-deal.html>.

CHAPTER 5

THE UNITED STATES VS. VENEZUELA

The United States and Venezuela have a long-term diplomatic relationship with its ups and downs. Starting from 1878, the oil discoveries in Venezuela shifted the country's economy into an oil-based one. When the oil prices were high, the welfare level and the country's international status-seeking, especially among other nations in South America, increased. On the other hand, when the oil prices were down, it suffered a major economic crisis and, in some situations, could not even provide fundamental sources to its citizens. As of 2020, Venezuela has "303 billion barrels of proved oil reserves", which is the largest in the world.²⁰⁰ Among having a vast amount of oil resources, Venezuela is one of the few suppliers of heavy oil in the world that attracts investments

²⁰⁰ "International - U.S. Energy Information Administration (EIA)," accessed September 5, 2021, <https://www.eia.gov/international/analysis/country/VEN>.

of the rising powers, China, India, and Russia, to the region. In this chapter, first, I introduce the role of oil in the Venezuelan economy and politics, and then I discuss how the U.S. sanctions changed the dynamics of the country and whether the United States managed to get what it wanted from Venezuela. Later, I examine how the other countries that have huge investment stakes in Venezuela responded to the American sanctions and whether they also faced shadow sanctions through American limitations. The time range of consists 2014 to 2021 as the sanction policy is still to be continued in the country.

5.1 Initial Conditions

The commodity that made Venezuela special, discovered in the late nineteenth century. Oil began to gain popularity in the middle of the nineteenth century when it transformed into different products, principally asphalt. As the commercial value of the oil increased, the Venezuelan government granted several contracts for extraction, including some to foreigners. In 1878, a group of Venezuelans established the Petrolia Oil Company and began to extract oil in the Andean state of Táchira, near the Colombian border.²⁰¹ Until the beginning of World War I, the region continued to attract different foreign investors, mostly from the United States. However, the real interest began when the scientists discovered that oil could be used in engines and industrial machinery at the beginning of the 20th century. Besides the Americans, the British Caribbean Petroleum Company (BCPC) initiated drillings in Venezuela. In July 1914, the Zumaque N.1 well, which is considered as the first commercial oil well, began operation by this company and

²⁰¹ Miguel Tinker Salas, *Venezuela: What Everyone Needs to Know*® (New York, 2015).

produced 150 barrels per day.²⁰²

The success in the Zumaque field increased the ambition of the BCPC. They continued to invest in several different areas and successfully extended their production capacities. These developments also attracted the American companies that were already actively drilling in Mexico, as well and they asked support from the United States government to help them to get concessions from Venezuela. At that point, the Venezuelan government was afraid of British companies becoming a monopoly in the oil sector. Therefore, they welcomed the American enterprises. In the upcoming decade, during the 1920s and 1930s, the oil sector significantly grew in Venezuela despite the setback of the Great Recession in 1929. With the operations of Standard Oil Company (later Creole Petroleum), Shell Oil, and, to a lesser extent, Mene Grande (Gulf Oil), by oil 1926 oil displaced coffee as the leading export, and by 1928 Venezuela became the world's second-leading exporter of petroleum and the first by 1935.²⁰³

While Venezuela was climbing to become the top oil exporter in the world, the Venezuelans were not aware of this fact until the end of the 1920s since the drilling sites were far away from the major cities and the American and the British companies were mostly using Afro-West Indians and Chinese workers beside the local citizens. As the oil production expanded around the country, more Venezuelans participated in the sector, and companies created self-sustaining residential enclaves, known as Campos

²⁰² Fernando Coronil, *The Magical State: Nature, Money, and Modernity in Venezuela*, 1st edition (Chicago: University of Chicago Press, 1997).

²⁰³ Salas, *Venezuela*.

petroleros (oil camps). The conditions were different between the camps that foreigners and Venezuelans lived. For the U.S. employees, there were schools and language courses were offered and, Venezuelans were living in terrible conditions. To prevent the possible threats, the oil companies also invested basic services to neighboring Venezuelan communities, including water, power, and in some cases, access to medical services.²⁰⁴

These relationships help the companies to develop relationships with the public. The employment opportunities helped the poor society while attracting the ambitions of the middle class. Many of the middle-class people moved from rural areas to oil fields to invest in the industry. The earnings in the petroleum sector caused Bolivar to appreciate against the foreign currencies, and coffee, sugar, and other agricultural products could not find enough customers from abroad and stopped production.²⁰⁵ As a result, the year Venezuela managed to become the top oil exporter, they also became a net importer of food.

In this part, I am analyzing the important events in the oil sector that shaped the Venezuelan politics and economy between the period starting from the death of Jose Vicente Gomez to the election of Hugo Chavez in 1999.

The first important incident for the oil was the start of the Second World War. Since Venezuela was a major oil supplier of the United States, the German submarines were

²⁰⁴ Salas.

²⁰⁵ Coronil, *The Magical State*.

actively sinking Venezuelan ships near the coast of Venezuela. During the war, the American government provided military support to Venezuela and twenty-three agents stationed in the country to ensure the supply security of oil to the United States before they joined the war.²⁰⁶ Eventually, the war underlined the strategic importance of Venezuelan oil and increased the bargaining power of the Venezuelan government. Until then, the oil companies were refusing to recognize the fiscal sovereignty of the country. When President Medina sent a letter to President Roosevelt to solve this issue, he got a positive response from the American government.²⁰⁷ In 1943, new oil legislation was signed with the companies, and Venezuela managed to impose a 50/50 formula for sharing the profits. The method used in this agreement is still creating a basis in today's world with the agreements between the countries and the oil companies. With this legislation, the transformation of Venezuela from an agricultural nation to an oil nation had completed.²⁰⁸ Besides that, the companies that received concessions in the Gomez era managed to extend their rights until 1983 and legitimized their existence and operations within the country.²⁰⁹ As a result, after establishing the state with the discovery of oil, sovereignty became the goal of the Venezuelan government, and they seized the opportunity during the Second World War and created the oil legislation. Despite this meant decreasing profits for the oil companies, it provided advantages for them as well, and the Venezuelan government managed to implement this policy without harming the relations with the United States. However, after the war, in 1948, a US-

²⁰⁶ Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 71.

²⁰⁷ Fernando Coronil. *The magical state: Nature, money, and modernity in Venezuela*. University of Chicago Press, 1997, 106.

²⁰⁸ Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 78.

²⁰⁹ Fernando Coronil. *The magical state: Nature, money, and modernity in Venezuela*. University of Chicago Press, 1997, 108.

backed military coup succeeded in Venezuela, and the government changed in the country. According to some arguments, despite the good relations between the oil companies, U.S. Embassy, and Betancourt, The Pentagon understood the importance of oil and did not trust the Venezuelan officials that are capable of the extent their power on the oil industry further if a similar type of opportunity arises again.²¹⁰

With the growing importance of oil and the close attention of the United States on Venezuela, the state officials understand why it is vital to control the oil business for a government. At the end of the 1950s, the Seven Sisters, which included the most powerful oil companies in the world, were dominating more than 80% of the world's crude reserves. This power was giving them the right decision on how much oil to produce, how to produce, where to ship, and most importantly, which price to sell it.²¹¹ By setting the price low, they were able to hurt the oil-rich countries, which did not have the right to object, by reducing their profits. To overcome this problem, the Minister of Hydrocarbons of Venezuela, Juan Pablo Perez Alfonso, met with other the Middle East and Persian producers in Cairo.²¹² To defend the oil prices, the countries made an agreement on establishing state-owned oil companies and turned the 50/50 agreement into a 60/40 split in favor of their governments.²¹³ The agreements end up with establishing the Organization of Petroleum Exporting Countries (OPEC). Again, the Venezuelan government managed to protect their rights despite the setbacks from the United States. During this period, under the administration of Betancourt, Venezuela

²¹⁰ Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 85.

²¹¹ Gallegos, Raul. *Crude Nation: How oil riches ruined Venezuela*. U of Nebraska Press, 2016, 50.

²¹² Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 85.

²¹³ Gallegos, Raul. *Crude Nation: How oil riches ruined Venezuela*. U of Nebraska Press, 2016, 50.

secured a 5% economic growth rate until the end of the 1960s. Skyscrapers and apartment buildings mushroomed in Caracas, and the country's per capita income became the highest in Latin America, while Bolivar remained one of the strongest currencies in the world.²¹⁴

The last important event we are going to discuss in this section will be the 1973 oil crisis that occurred when Arab oil producers declared an embargo of crude shipped to Western nations in retaliation for their support of Israel in the Yom Kippur War. The embargo lasted for five months, and in the end, Venezuela was earning 260% more than before. The petrodollars reached \$10 billion a year.²¹⁵ Despite the warnings of Alfonzo, the Venezuelans began spending the money. The president of the time, Perez, initiated a project called Gran Venezuela and began large-scale projects such as the Caracas metro, large airport, increasing the wages of the population and further social services. In one year of time, inflation became a problem in the country. Besides the projects and increased public spending, the government also nationalized the oil fields by buying shares from foreign companies.²¹⁶ Yet this nationalization was slightly different. It allowed foreign oil companies to stay in the country by partnering with the national oil companies and deriving profits from these entities while the state was taking all the risks.²¹⁷ Eventually, the Venezuelans did not focus on the possible dangers that might arise in case of declining oil prices and were faced with an economic crisis when it happened. The continuity of the rational oil policy from the beginning stalled when the

²¹⁴ Ibid, 51.

²¹⁵ Ibid, 51.

²¹⁶ Ibid, 51.

²¹⁷ Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 104.

profits became way higher than expectations in 1973, and Venezuela lost control of the oil sector until the prices rose above \$100 in 2009.

The Chavez era began in 1999 and opened a new page in Venezuelan history. In this period, the oil prices increased significantly, new powers such as China, Russia, India, and Iran emerged from different regions, and the world became multipolar.

The constitution of 1999 outlined the objectives of Venezuela's new foreign policy. First, they offered the integration of Latin America and the Caribbean countries with the goal of creating a community of nations that would defend the economic, social, cultural, political, and environmental interests of the region.²¹⁸ Secondly, it stated that Venezuela refused to be a party to any international agreement that recognized the authority of a supranational judicial body to resolve disputes such as the International Monetary Fund or the World Bank.²¹⁹ During this era, Chavez made economic arrangements with China, Cuba, Iran, and Russia in health, telecommunications, oil exploration, and machinery production. The Chinese and the Russian companies also began to explore and extract oil in Venezuela. Besides that Chinese constructed and launched two orbiting telecommunication satellites of Venezuela while the Russians were equipping the Venezuelan army with the latest technology arms. All these policies were uncommon to the history of Venezuela. Before Chavez, the United States was perceived as a potential ally and, more importantly, a major customer for Venezuelan oil. However, according to Chavez's understanding, the American hegemony was a

²¹⁸ Ibid, 141.

²¹⁹ Ibid, 142.

threat to the international community.²²⁰ To decrease this threat, Chavez also decided to complete the nationalization of the oil sector, which began in 1976 yet was giving serious rights to foreign companies. Under the Chavez administration, the state control over the petroleum industry was established, and the oil conglomerate began to work under the control of the government.²²¹

As a result, some of the U.S. companies as Exxon Mobil and Conoco Phillips left the country, and others continue to operate in the Orinoco basin with the Chinese, Indian and Russian competitors. In this period, Venezuela also began to sell oil to China and India as well.²²² Starting from 2004, the oil prices began to increase once again and provided serious political power to Chavez's government. With the cash flow, Chavez offered spending programs in the health, education, and nutrition sectors. Thousands of Cuban doctors came to poor regions of Venezuela to treat sick people.²²³ Food and education are subsidized by the government. In the end, Chavez became popular among the society and secured his position as a leader of Venezuela. Eventually, as it happened in 1973, the ambitions of the Venezuelans were more than the oil earnings, and again, they believed that the oil prices would remain high. Therefore, to subsidize the social programs and other expenses, the government borrowed credits from foreigners. The result of this policy was going to drag Venezuela to the biggest economic crises, but Chavez was lucky enough to die one year before the oil prices began to decline.

²²⁰ Ralph S. Clem, and Anthony P. Maingot. *Venezuela's petro-diplomacy: Hugo Chávez's foreign policy*. University Press of Florida, 2011, 17.

²²¹ Miguel Tinker Salas. *Venezuela: What Everyone Needs to Know*. Oxford University Press, 2015, 149.

²²² Ibid, 150.

²²³ Gallegos, Raul. *Crude Nation: How oil riches ruined Venezuela*. U of Nebraska Press, 2016, 56.

Overall, the economic policy of the Chavez period had similarities with the former leaders of Venezuela. The foreign policy of the country in this era, however, is significantly different than before. Until now, Venezuelans were avoiding to confront the United States directly, but Chavez followed a completely opposite path. On the other hand, the period was completely different than previous terms as well. The Cold War was over, and new powers had emerged. For the first time, Venezuelans had an option not to bandwagon the Americans in history, and they chose to balance the power with developing new alliances.

According to a 2011 poll, approximately 48% of the Venezuelans believe the government can solve "all of society's problems," and 81% believe that the government can solve "most of society's problems," which was twice the higher of the average Latin American countries.²²⁴ This outcome can be seen as a result that is to be proud of for a government, but in the Venezuelan case, it was harming the country. The government officials were also trying to make themselves heard to the president, and the institutions that needed to have long-term policies were failing to implement them, and they were disregarded by other institutions that needed urgent help or resources. Eventually, the budget was being affected by this approach to state administration. The leader of the country needed money to spend whenever it was necessary. Therefore, Chavez established a Fonden Fund to hold billions of dollars off-budget that he could use at a moment's notice with little transparency.²²⁵ He used this fund to protect his political

²²⁴ Raul Gallegos. *Crude Nation: How oil riches ruined Venezuela*. U of Nebraska Press, 2016, 98.

²²⁵ Ibid, 98.

situation. When the approval rates began to decline, the spending increased. The social programs targeted poor societies to gain support from them. To provide jobs for society, Chavez's government seized some of the major industrial companies and increased their payrolls. Sidor, the largest steel mill of Venezuela, was producing 4.3 million metric tons of steel with 450 full-time workers in 2007. After the government seized the company, the number of workers increased to 16,000, but the output decreased to 1.04, which meant almost a 75% decrease.²²⁶ Despite they had received an additional \$300 billion thanks to high oil prices, the government was still overspending to support social program and expecting oil prices to stay at those rates.²²⁷

Overall, when Maduro took office, the government had entirely depended on oil revenues to provide resources to its people. The corruption level was very high, and the economic policies were only aiming to save the day. Due to the corrupt system, the production levels in agriculture and industry were declining either by losing efficiency or entirely stopping. When the oil prices were high, the government was able to support it through incentives and importing goods; however, as the oil prices began to decline, the damage to the economy prevailed.

5.2 US Sanctions on Venezuela

The U.S. sanctions that targeted the Maduro regime began with the Venezuela Defense of Human Rights and Civil Society Act of 2014 by the U.S. Congress. With this law, in

²²⁶ Ibid, 100.

²²⁷ Rory Carroll, *Comandante: Hugo Chávez's Venezuela*, Illustrated edition (Penguin Books: Penguin Books, 2014).

Section 5, Congress gave the U.S. president the right to impose sanctions that included asset blocking, exclusion against any person or Venezuelan officials that are responsible for the human rights violations.²²⁸ The first round of the sanctions came with president Order 13692 in March 2015. With this move, the United States aimed to ban the Venezuelan officials that have caused disruption in Venezuelan society and are involved in drug and smuggling activities.²²⁹ The escalation of the sanction policies continued with involving restrictions for U.S. entities to conduct financial operations with Venezuela. Starting from August 2017 to March 2018, the U.S. government gradually sanctioned the Venezuelan oil industry.

5.3 Outcomes of the Coercive Diplomacy

The sanction policy on Venezuela caused devastating results for the Venezuelan economy, and it created a major humanitarian crisis in the country. Millions of people immigrated to neighboring countries, and U.S. sanctions caused 60,000 people to lose their lives. By limiting people's access to medicine, food, and other essential imports and losses of billions of dollars of government revenue, the balance in the society shifted negatively.²³⁰ One-third of the doctors left the country, and social unrest created violent crimes. In the end, the total loss of Venezuela is nearly equal to the military casualties

²²⁸ Robert Menendez, "S.2142 - 113th Congress (2013-2014): Venezuela Defense of Human Rights and Civil Society Act of 2014," legislation, December 18, 2014, 2013/2014, <https://www.congress.gov/bill/113th-congress/senate-bill/2142>.

²²⁹ "Venezuela-Related Sanctions," U.S. Department of the Treasury, accessed September 14, 2021, <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

²³⁰ Mark Weisbrot and Jeffrey Sachs, "Economic Sanctions as Collective Punishment: The Case of Venezuela" (Center for Economic and Policy Research, April 2019), <https://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf>.

of the United States since every overseas operation since the Vietnam War.²³¹ However, the destructiveness of the economic sanctions had not perceived as violent as it does in the military operations.

With the combination of the declining oil prices with the economic sanctions, the annual GDP declined 18% on average between 2015-2020.²³² At the same period, the country also faced major hyperinflation. The inflation rates hit 10 million % in 2019, and the community developed alternative currencies and black markets to continue domestic transactions.²³³ Declining imports on goods caused markets to be emptied, and a lot of black markets were established.

Venezuela also faced a major brain drain to neighboring countries who are from the highly educated parts of the society. In Colombia, as of March 2021, 1,74 million Venezuelan immigrants are living.²³⁴ The Colombian government is trying to add these people to the government's system to provide basic services. Most of these immigrants are not expected to return to Venezuela even if the crisis settles. The lack of these highly educated people creates major problems in the health and oil sector. The number of available doctors that are necessary for a functioning health system is missing in the

²³¹ I have calculated the number of losses of the U.S. army by obtaining the data from the United States Ministry of Defense, which has been 65,919 deaths since 1955.

²³² “Venezuela - Gross Domestic Product (GDP) Growth Rate 2022,” Statista, accessed September 14, 2021, <https://www.statista.com/statistics/370918/gross-domestic-product-gdp-growth-rate-in-venezuela/>.

²³³ Valentina Sanchez, “Venezuela Hyperinflation Hits 10 Million Percent. ‘Shock Therapy’ May Be Only Chance to Undo the Economic Damage,” CNBC, August 3, 2019, <https://www.cnbc.com/2019/08/02/venezuela-inflation-at-10-million-percent-its-time-for-shock-therapy.html>.

²³⁴ “‘We Gave Venezuelan Migrants a Licence to Dream’ - BBC News,” accessed September 14, 2021, <https://www.bbc.com/news/world-latin-america-57070813>.

country, and even they have access to doctors, lack of medicine prevents treatments from being done affectively. In the oil sector, which also requires advanced engineering techniques, the Venezuelans are missing their own engineers and receiving support from the Russian technicians from Rosneft.²³⁵

The U.S. sanctions on Venezuela did not only harmed the Venezuelans. It also created a huge burden for the third parties that made major investments in the country. The United States did not allow Chinese, Indian, or Russian companies to have sanction waivers as it did in Iran in 2009. Eventually, despite the fact that China had a highly profitable investment return, it did not benefit it and plus spend extra money to keep the Maduro government in power.

In 2009, when the oil prices were around \$100-120, China lent Venezuela \$50 billion that will be paid back with Venezuelan oil, and Russians lent \$15 billion. This policy was logical for the Chavez government due to high oil prices, and they were expecting that they would not have any problems paying these debts. However, in 2014, when the oil prices decreased to \$40, the debt hit their export capacity harshly. Now, their required oil export to China and Russia tripled to pay the debts, and the supply capacity to other countries decreased enormously. Of course, in this case, the United States was the country that suffered the most because they were also using Venezuelan oil to process diesel in their refineries and selling them to Europe later. Moreover, China, Russia, and indirectly India were getting cheap oil which strengthened their hand against

²³⁵ “Rosneft Becomes Top Venezuelan Oil Trader, Helping Offset U.S. Pressure,” *Reuters*, August 22, 2019, sec. Commodities, <https://www.reuters.com/article/us-russia-venezuela-oil-idUSKCN1VC1PF>.

the United States.

Therefore, the U.S. policy aimed to stall the oil flow as much as it could. To achieve this, they need a leader that can apply the necessary policies, and Guaido is a good option for implementing these. However, the complexity of the situation affects many countries in the world. Since the Russians and Indians invested in the refineries in the last decade, they offer the highest quality of diesel processed from Venezuelan oil that generates the lowest carbon emissions.

The reason that the European countries are importing diesel from Russia and India is that their refineries are not capable of processing low sulfur diesel that is required for the carbon emission standards in the country.²³⁶ Due to protests from the public, the governments could not renovate the refineries and selling their processed products to African countries mostly that do not have strict carbon emission policies. So, under these circumstances, when we go back to the Venezuelan case, as we discussed above, they require naphtha from the United States to extract oil. This policy also has linkages with the Iranian sanctions. Iran is another country that supplies oil to India to support its refining process. By hitting Iran and limiting their oil exports, the Americans both harmed the Iranian economic development and Indian oil consumption.²³⁷

²³⁶ Gökberk Bilgin, Saryıldırım, Ekin and Korkmaz, İpek. *Can Mersin Become an Energy Hub for the Diesel Market?*. Bilkent Energy Policy Research Center, 2018. <http://econ318-nso.bilkent.edu.tr> (accessed June 5, 2019).

²³⁷ Madan, Tanvi. *Trump Tightens Sanctions on Iran's Oil Exports – How India Will Respond*. Brookings Institute, 2019. <https://www.brookings.edu/blog/order-from-chaos/2019/04/23/trump-tightens-sanctions-on-irans-oil-exports-how-india-will-respond/> (accessed June 7, 2019).

In 2019, Rosneft was actively making investments in Venezuela, and Russian officials were educating the Venezuelan army. The presence in Venezuela is very important for the Russians because it is their last resort in Latin America, and losing it will throw Russian forces away from the Western hemisphere. Recently, Donald Trump announced that the Russians would leave Venezuela and let a democratic election be done in the country. Yet, Russians stated that this was not the case and blamed the American president for misinforming the media.

After the president Trump signed Executive Order 13884, which implied that the non-US people or entities also can be sanctioned by the US government if they continue to do business with the Venezuelan government, number of tankers transfer oil from Venezuela also declined.²³⁸ During this period, China, India and Russia continued to buy oil from Venezuela. To avoid sanctions, the countries uses alternative ways to buy Venezuelan oil. One of them was buying oil through Rosneft's office located in Panama. The Russian company's strategy was to obtain oil from Venezuela as a payment to the loan that amounted \$6,5 billion before the sanctions, so that it would not violate the US sanctions, and sell it to potential buyers, which in this case China and India, from

²³⁸ "Venezuela Is Having a Hard Time Finding Vessels to Ship Its Oil," *Bloomberg.Com*, September 12, 2019, <https://www.bloomberg.com/news/articles/2019-09-12/venezuela-can-t-find-vessels-to-ship-its-oil-as-sanctions-bite>.

Panama.²³⁹ They were responsible of 70-80 of the Venezuelan oil exports.²⁴⁰ The company was also providing assistance to oil production operations in the Venezuelan oil fields. In February 2020, the US government sanctioned Rosneft's trading office located in Switzerland to punish their support to the Maduro government.²⁴¹ According to the sanction requirements, Rosneft had to call back its personnel worked in Venezuelan oil fields and stop tankers taking oil from the country. In return, the Rosneft administration sold all of its rights in Venezuela to a Russian state-owned company that its name not even mentioned.²⁴² With this move, the Russian government itself involved doing business in a country sanctioned by the US government. It meant that if the United States had plans to limit that company's operations now they had to deal with the Russian government itself.²⁴³

China also managed to export oil from Venezuela by using several alternative ways that involved tankers to close its tracking devices, ship to ship transfer and blending Venezuelan oil with other oil to prevent it to be recognized. According to the oil analysts in Reuters, China imported 283,000 barrels a day of Venezuelan oil in 2019 on

²³⁹ "Rosneft Elbows PDVSA aside on Venezuela Service Contracts," accessed September 15, 2021, <https://www.worldoil.com/news/2019/12/6/rosneft-elbows-pdvsa-aside-on-venezuela-service-contracts>; "To Buy Venezuelan Oil, You'll Need to Go Straight to Panama City," *Bloomberg.Com*, September 19, 2019, <https://www.bloomberg.com/news/articles/2019-09-19/to-buy-venezuelan-oil-you-ll-need-to-go-straight-to-panama-city>.

²⁴⁰ "In the U.S. Embargo on Venezuelan Oil, Russia Is a Clear Winner," *Washington Post*, accessed September 15, 2021, https://www.washingtonpost.com/world/the_americas/in-the-us-embargo-on-venezuelan-oil-russia-is-a-clear-winner/2020/02/06/c45ca39e-476e-11ea-91ab-ce439aa5c7c1_story.html.

²⁴¹ "U.S. Imposes Sanctions on Russian Oil Company Supporting Venezuela's Leader - The New York Times," accessed September 15, 2021, <https://www.nytimes.com/2020/02/18/world/americas/venezuela-russia-sanctions-trump.html>.

²⁴² "Rosneft Sells Venezuelan Assets to Russia after U.S. Sanctions Ramp Up," *Reuters*, March 28, 2020, sec. Commodities News, <https://www.reuters.com/article/us-russia-rosneft-venezuela-idUSKBN21F0W2>.

²⁴³ "Rosneft Sells Venezuelan Assets to Russia after U.S. Sanctions Ramp Up."

average.²⁴⁴

With the support of these countries, up to today, the Maduro government managed to stay on power. The tension still remains high in the region. While Russians are actively defending Maduro against the American government, the Chinese officials are remaining silent publicly, but China is helping Venezuela by sending humanitarian commodities such as drugs, relief supplies, and even a hospital ship.²⁴⁵ Besides that, they postponed the Venezuelans debt payment and invested \$250 million to increase oil production, and that the country was finalizing paperwork to get a further \$5 billion.²⁴⁶ With these supports, Maduro managed to remain in power and survived a military coup at the end of April 2019. The future remains uncertain, but the crisis in Venezuela will continue over the power struggle of the major powers for a long time.

²⁴⁴ "Special Report: How China Got Shipments of Venezuelan Oil despite U.S. Sanctions," *Reuters*, June 12, 2020, sec. Commodities News, <https://www.reuters.com/article/us-venezuela-oil-deals-specialreport-idUSKBN23J1N1>.

²⁴⁵ Carlos Camacho. "China Sends Navy Hospital Ship to Venezuela." *Latin American Herald Tribune*. 2018. <http://www.laht.com/article.asp?ArticleId=2460920&CategoryId=10717> (accessed June 7, 2019).

²⁴⁶ *Ibid.*

CHAPTER 6

CONCLUSION

6.1 Review of the Argument and Findings

This thesis examines two issues. First, it looks at whether oil is a proper weapon for coercive diplomacy against adversaries. The results show that weapon appears to be similar to sanctions as a form of coercion, in the sense that it is subject to the same limitations. Oil weapon is best used with limited demands in terms of political costs as I the case studies shown. But with larger demands it is likely to fail, unless it is accompanied by the supplementary threat of force.

Secondly, this thesis evaluates this weapon with the developments in technology and politics throughout the time. The coercer country was the United States, and adversaries were Japan in 1941, Iran 2005-15 and 2018-, and Venezuela in 2014-. In the Japanese case, the United States was the major oil producer of the world. In contrast, the United States was a major oil importer country in the first phase of the Iran case from 2005-

2015. Thanks to discoveries during the second part of the Iran and Venezuela cases, we experienced American oil production returning to the top once again. Therefore, while I was evaluating the coercive diplomacy policy through Japan to Venezuela, I discussed how the policy transformed over the years since the American oil production capacity had similar power in 1940 and 2020. This allowed me to see how the oil weapon of the top oil producer country shifted with globalization and increasing interdependence. The most important change was that the United States managed to integrate its financial power to its oil weapon to impose more pain on its adversaries.

The cases I picked had all had power asymmetries against the United States since, as I indicated earlier, coercive diplomacy was a policy preferred to be applied against the weaker states.²⁴⁷ Therefore, in this thesis I discard the coercive diplomacy policies applied through oil weapon between the states that have similar power capacity such as Russia and Saudi Arabia. I investigated each of the case studies under the coercive diplomacy framework that Alexander George established.²⁴⁸ Here, I compare the cases and discuss my findings on them.

6.1.1 Reasons for Coercive Diplomacy

In the coercive diplomacy framework, the policy begins with what causes a coercive country to decide on taking action. In the Japanese case, the issue was the expansionist policies of the Japanese Empire. Their presence was threatening the peaceful status-quo

²⁴⁷ Kelly M. Greenhill and Peter Krause, eds., *Coercion: The Power to Hurt in International Politics*, 1st edition (New York, NY: Oxford University Press, 2018).

²⁴⁸ George, *Limits of Coercive Diplomacy*.

established by the Western power's colonies, and the war in Europe had caused these regions to be left vulnerable to any attack. In the case where Japan seized these colonies, it would become less dependent on American oil and would be able to threaten the west coast of the United States. The Tripartite Pact with Nazi Germany and Italy was also a major security threat. Furthermore, the Japanese invasion of China was destroying the American trade networks. Thus, the situation was highly concerning in terms of security, and the United States had partial interests in trade issues.

On the other hand, Iran's case also began with a security concern when Iran began to enrich uranium in its nuclear facilities and indicated that it was willing to develop its nuclear indust. Since the United States had major stakes in the Middle East region, a challenging revisionist state threatened its energy security. Twenty-one percent of the oil traded today passes from the Strait of Hormuz, which connects the world with the Persian Gulf.²⁴⁹ A militarily competitive Iran meant that these resources could be disrupted in the case of disputes, and major American allies Saudi Arabia and Israel had to face existential threats. In the second period, this time, growing influence and supporting terrorist organizations in the Middle East was the reason for coercion. The Iranian Revolution Army had strong ties with rebel groups and was accused of increasing terrorist activities in the region. Missile attacks to Saudi oil facilities and military intervention in Yemen, Libya, Syria, and Iraq were the reasons that pushed American policymakers to apply coercion.

²⁴⁹ “The Strait of Hormuz Is the World’s Most Important Oil Transit Chokepoint - Today in Energy - U.S. Energy Information Administration (EIA),” accessed October 2, 2021, <https://www.eia.gov/todayinenergy/detail.php?id=39932>.

Finally, in the Venezuela case, the issue was the growing human rights problems and abuse of democracy by the existing Maduro government. Before 2014, Venezuela was still constantly facing American sanctions due to drug trafficking and other organized crime issues, and in response, they were trying to apply pressure to the United States when the oil prices were high. They were also building alliances with the rising powers such as Russia and China to balance the United States, and these countries were aiming their presence in the region. Despite all these problems, there were also major trade ties with Venezuela and the United States. The United States was heavily supporting the Venezuela oil industry, and they were the largest importer. However, the crisis escalated when the Maduro regime established an alternative assembly to take full control of the government. In response, The United States demanded fair elections and restoration of the democracy, and the coercion began with the noncompliance of the Venezuelan government. Compared with the other cases, the importance of issues in Venezuela for the United States was fairly low. In terms of power asymmetry, Venezuela was the top country among other cases and simply was not a threat to the United States.

6.1.2 Role of The Oil Weapon

In all three coercive diplomacy cases, oil played a critical role as an instrument to apply pressure. However, in each case, it was in a different way. In the case of Japan, the United States was the main oil-exporting country, and coercive diplomacy applied in the form of an embargo. In the Iran and Venezuela cases, on the other hand, the United States dealt with major oil producers countries in a different way. The main coercion

idea was to halt their oil exports and cut their earnings, which played a major role in their budgets, to make them comply with the demands. Furthermore, the policy aimed to isolate adversaries to get alternative customers. In the first case the US was the producer, and in others, it was coercing oil producers.

In the Japanese case, the United States applied an oil embargo to the Japanese Empire to make them comply with its demands. As an escalation mechanism, the American government first imposed an oil embargo only for the high octanes, which was used by the Japanese Air Force. As I indicated in Chapter 3, this policy created huge pressure on the Japanese government since they had only 18 months of oil reserves left, and in this case, they could not ensure supply security, which meant the stop of the Japanese naval empire and air forces. Thus, with the oil weapon, clearly amount of pain had been implemented by the Japanese government was not enough to comply with the United States.

For Iran, the United States first banned American companies from investing in the oil sector and later escalated its pressure by freezing oil revenues and imposing an import ban globally. The interesting issue in the Iran case was that during the 2005-2015 era, the United States was not a major oil producer, and it worked hard to establish alternative suppliers to Iranian oil to major buyers such as China. This was a necessary move to keep the market stable and to avoid additional costs while dealing with a financial crisis. However, as the American oil industry developed with new discoveries, in the 2018 case, such a policy was not needed, and only 180 days of exemption were

given to several countries.²⁵⁰ Although the United States targeted the Iranian oil industry, the biggest share of the pain came from the financial sanctions that restricted Iran from accessing its oil revenues located in foreign banks and when they could not do transactions via U.S. Dollars. This showed that thanks to globalization, and the dominant position of the American financial status, the United States managed to use its oil weapon to an oil-rich country through weaponizing its currency.

Finally, in the Venezuela case, the United States used several different instruments to apply coercion through targeting the Venezuelan oil industry. As similar to the Iranian case, first, they limited American oil company involvement in Venezuela. Then, it stopped exporting oil and sanctioned Venezuelan oil production. Furthermore, the Venezuelans needed naphtha to extract its heavy oil. The major exporter of naphtha was the United States, and when the sanctions were imposed, this transaction also came to an end. With that, the oil production levels in the country slumped, and they could not manage to export enough of its oil to operate its industry properly. At the same time, the oil prices declined to \$20 rates per barrel, and getting revenue from the industry became impossible for the Venezuelan government.

During this period, China and Russia tried to continue buying Venezuelan oil through different methods, yet the United States also imposed secondary sanctions on companies operating in Venezuela and dealing with oil transportation. Here again, the U.S. used its financial capabilities to stop any oil flow from the country. Therefore, in this case study,

²⁵⁰ “U.S. Exempts 11 States from Iran Sanctions; China, India Exposed,” *Reuters*, March 21, 2012, sec. Banks, <https://www.reuters.com/article/us-iran-usa-sanctions-crude-idUSBRE82J11M20120321>.

I observed the use of technological and financial sanctions to hit the Venezuelan oil industry.

Overall, in each case study, the oil weapon managed to create a significant amount of pain to the adversary country to make them comply with the American demands.

However, the results of each policy also showed differences.

In the case of Japan, the American policy could have succeeded in their demands had not included Japan to withdraw its forces from China. As I discussed in Chapter 3, the Japanese government set a deadline until 1941 to continue negotiations with the United States, and when the discussions came to a dead-end, they decided to initiate a decisive operation to its military facilities in Hawaii. In the coercive diplomacy literature, Byman and Waxman argue that the countries that use coercive diplomacy on adversary states through threat of using force must be ready to get into the war with their rivals if the adversary does not comply to terms.²⁵¹ However, the United States completely got off-guard when the Japanese bombed Pearl Harbor. If they had managed to destroy the oil facilities on the island, the cost of coercive diplomacy could have been completely different for the United States.

On the Iranian side, after years of negotiations, the parties came to an agreement in 2015, and Iran accepted to reduce its uranium enrichment. However, in 2018, the former U.S. president, Donald Trump, asked for additional demands from the Iranian

²⁵¹ Daniel Byman and Matthew Waxman, *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*.

government and withdrew the United States from the deal. The sanctions on Iran have been imposed again; however, this time, the United States lost the international support they had previously. This time the Iranian government did not comply with the United States. The Biden Administration plans to restore the Iranian Nuclear Deal.²⁵²

Finally, the Venezuelan sanctions turned into a major crisis, and Maduro created an authoritarian regime. The human rights violations in the country increased, and Venezuela turned into a failed state. The oil weapon created the necessary amount of pain for any rational government to comply with the demands of the United States, yet Maduro chose to fight against it. As I discussed in Chapter 5, the country lost many educated citizens to neighboring countries yet managed to receive basic humanitarian support from its allies. However, as of September 2021, coercive diplomacy was not a success for the American government.

6.1.3 Findings

This thesis provided several findings that can contribute to establishing further connections between the oil weapon and coercive diplomacy. Japanese and Iranian cases showed that under certain circumstances, oil weapon could be a beneficial tool for adversaries to comply with the coercer country, whereas all three cases are shown in different circumstances, the adversaries are willing to take all the pain but do not give in.

²⁵² “Biden Promised to Restore the Iran Nuclear Deal. Now It Risks Derailment. - The New York Times.”

Suppose we assume that the adversary country is governed by rational decision-makers that can discard cultural norms while deciding on the response. In that case, they are willing to comply with the coercer state if they perceive that the coercer's demands are bearable and the threat is credible. In the case of Japan, the Japanese government was willing to give up advancements in the Southeast Pacific to be able to export American oil. They were aware that the American industrial capacity and military power were beyond their capacity to handle. However, when the demands also included withdrawing from China, then the American demands became too costly for the Japanese Empire to comply. If the United States had not insisted on its China demand, coercive diplomacy could have been successful.

Similarly, Iran also perceived the demand of reducing uranium enrichment and opening facilities to international investigations was a moderate cost to be able to restore its relations with the European Union and continue to run its oil industry at full capacity. If they had not complied with the coercers, they might have to deal with internal opposition as well. However, the demands of the former American president Donald Trump were also creating an extra cost for the Iranian government. They were not perceived as a fair policy not only for Iranians but also for some of the European countries. Under that circumstances, the Iranian population was ready to be resilient against American sanctions, and the success of the policy was fairly low compared to the initial deal.

After facing a major hit to its oil industry, Venezuela lost much of its state capacity and faced the biggest economic crisis of its history. The Maduro government tried to rescue

its position at the expense of the whole country. Millions of Venezuelans who opposed the government fled to neighboring countries instead of creating resistance.

The second finding I would like to discuss is that international support plays a major role in the success rate of the policy in a globalized world. In the Iranian case, the United States had the support of the European Union countries during the 2005-2015 era yet, and they were criticized by their allies in the 2018- period. International support also has important ties with what is demanded from the adversary country. If the demands are bearable, they are willing to support it, and if not, they are not. Furthermore, despite the United States having significant advantages in several domains in interdependent networks, their hostile actions are causing other states to develop alternative solutions to avoid getting coerced. Thus, the countries that abuse their power to apply coercion that is not accepted by other nations in the interdependent network face rising challenges.

Thirdly, the case studies showed that if the adversary country creates a major threat to the coercer, the coercive diplomacy applied to stop it has higher chances of success than any other reason. In the cases of Venezuela and 2018- Iran, there are no direct security threats to the United States, and these cases are the ones that failed to comply with American demands.

Overall, I can say that this research confirms my first hypothesis, which says, "*Oil itself is an effective energy weapon in coercive diplomacy cases to change the adversary behavior.*" for the situations that exert medium level costs. In each case, I show how it created a major impact on the adversary country, and the adversaries that have

functioning states have agreed on complying with the terms for once. In the Japanese case, the increasing demands hurt the policy, and in the Iranian case, the United States asked for unrelated concessions. All of these reasons were related to the structure of the coercive diplomacy policy and over demanding, and despite oil weapons having an impact on making these countries comply with the United States, it had nothing to do with the failure of the policy. Finally, for the second hypothesis, which stated, "*The United States uses its financial power and oil production capabilities as a means of power to support its coercive diplomacy with the oil weapon.*", I was able to show how the American oil weapon evolved with the additional power domains that globalization brought to the American government.

6.2 Further Research

While I was doing my research for the thesis, I came across two major limitations that created problems for me to establish my frame. The first one is that the coercive diplomacy and use of energy weapon concepts are deeply under-theorized. It is hard to create generalizations because the oil weapon has different characteristics when it is applied to an oil exporter state and an oil importer state.

This thesis focused on how the American coercive diplomacy mechanism and instruments changed with globalization and novel technologies by providing examples from the oil sector. In the first case, while discussing the oil embargo, I did not mention weaponized interdependence since it was a new concept. However, in today's world, these differences play a major role in the policies and in their outcomes not just in the

case of the US that is . Therefore, further studies on this area should focus on theorizing the connection between coercive diplomacy and the energy weapon under the weaponized interdependent context.

Moreover, as of today, the United States holds a strong position in the financial domain, but this does not mean it is not vulnerable to external threats or alternative methods. The role of cryptocurrencies and blockchain technologies have promising possibilities; therefore, the financial interactions should be examined deeper to have us further understandings on the topic.

Finally, I believe that investigating the impacts of Iran and Venezuela sanctions will be valuable with two additional studies. The first is to compare today with the data collected after the pandemics and, secondly, compare today with the case when these countries do not face any sanctions.

REFERENCES

- “• Iran: Inflation Rate 1984-2018 | Statista.” Accessed September 14, 2021.
<https://www.statista.com/statistics/294320/iran-inflation-rate/>.
- “1983 Beirut Barracks Bombings | Summary, Casualties, & Facts | Britannica.”
Accessed September 12, 2021. <https://www.britannica.com/event/1983-Beirut-barracks-bombings>.
- Abdelal, Rawi. “Sanctions and the End of Trans-Atlanticism. Iran, Russia, and the Unintended Division of the West.” *French Institute of International Relations*, January 2020, 29.
- Adams, Gordon. “The Iran Long Game: Bush vs. Obama.” *Foreign Policy* (blog).
Accessed September 15, 2021. <https://foreignpolicy.com/2015/04/14/the-iran-long-game-bush-vs-obama-nukes/>.
- Aleksandar Kovacevic. “The Impact of the Russia–Ukraine Gas Crisis in South Eastern Europe.” Oxford Institute for Energy Studies, March 2009.
<https://www.oxfordenergy.org/wpcms/wp-content/uploads/2010/11/NG29-TheImpactoftheRussiaUkrainianCrisisinSouthEasternEurope-AleksandarKovacevic-2009.pdf>.
- Alerassool, Mahvash. “The Algiers Accords: The Way the Crisis Was Resolved.” In *Freezing Assets: The USA and the Most Effective Economic Sanction*, edited by Mahvash Alerassool, 105–31. International Political Economy Series. London: Palgrave Macmillan UK, 1993. https://doi.org/10.1007/978-1-349-22532-3_5.
- Al-Shamahi, Abubakr. “Can the IMF Overcome US Roadblocks to Give Aid to Iran?”
Accessed September 14, 2021.

<https://www.aljazeera.com/economy/2020/4/17/can-the-imf-overcome-us-roadblocks-to-give-aid-to-iran>.

“Alternative Fuels Data Center: Maps and Data - U.S. Crude Oil Imports by Country of Origin.” Accessed August 28, 2021. <https://afdc.energy.gov/data/>.

Encyclopedia Britannica. “Anglo-Japanese Alliance | British-Japanese History.” Accessed August 29, 2021. <https://www.britannica.com/topic/Anglo-Japanese-Alliance>.

Art, Robert J., and Kelly M. Greenhill. “The Power and Limits of Compellence: A Research Note.” *Political Science Quarterly* 133, no. 1 (2018): 77–97. <https://doi.org/10.1002/polq.12738>.

Encyclopedia Britannica. “Battle of France - The Fall of France (June 5–25, 1940).” Accessed August 29, 2021. <https://www.britannica.com/event/Battle-of-France-World-War-II>.

Encyclopedia Britannica. “Battle of Midway | Significance & Outcome.” Accessed September 3, 2021. <https://www.britannica.com/event/Battle-of-Midway>.

Beauchamp, Zack. “Trump’s Withdrawal from the Iran Nuclear Deal, Explained.” Vox, May 8, 2018. <https://www.vox.com/world/2018/5/8/17328520/iran-nuclear-deal-trump-withdraw>.

Beckley, Michael. *Unrivaled: Why America Will Remain the World’s Sole Superpower*. Ithaca, 2018.

Bentham, Jeremy, and Miran Božovič. *The Panopticon Writings*. Verso Books, 1995.

Berman, Howard L. “H.R.5434 - 102nd Congress (1991-1992): Iran-Iraq Arms Non-Proliferation Act of 1992.” Legislation, July 2, 1992. 1991/1992. <https://www.congress.gov/bill/102nd-congress/house-bill/5434>.

- Biddle, Stephen. "Victory Misunderstood: What the Gulf War Tells Us about the Future of Conflict." *International Security* 21, no. 2 (1996): 139–79.
<https://doi.org/10.2307/2539073>.
- "Biden Presses Putin to Curb Ransomware Attacks Linked to Russia." *Bloomberg.Com*, July 9, 2021. <https://www.bloomberg.com/news/articles/2021-07-09/biden-calls-putin-after-ransomware-attacks-traced-to-russia>.
- "Biden Promised to Restore the Iran Nuclear Deal. Now It Risks Derailment. - The New York Times." Accessed October 13, 2021.
<https://www.nytimes.com/2021/07/31/us/politics/biden-iran-nuclear-deal.html>.
- Brunt, P. A. "The Megarian Decree." *The American Journal of Philology* 72, no. 3 (1951): 269–82. <https://doi.org/10.2307/292076>.
- Bryan Early. "International Trade and Economic Conflict: Third Party State's Response to Sanctions." University of Georgia, 2006.
https://getd.libs.uga.edu/pdfs/early_bryan_r_200605_ma.pdf.
- Carroll, Rory. *Comandante: Hugo Chávez's Venezuela*. Illustrated edition. Penguin Books: Penguin Books, 2014.
- Caytas, Joanna. "Weaponizing Finance: U.S. and European Options, Tools, and Policies." SSRN Scholarly Paper. Rochester, NY: Social Science Research Network, March 13, 2017. <https://papers.ssrn.com/abstract=2988373>.
- "Coercive Diplomacy and the Iranian Nuclear Crisis in: International Negotiation Volume 26 Issue 2 (2021)." Accessed September 15, 2021.
https://brill.com/view/journals/iner/26/2/article-p218_3.xml.
- Copeland, Dale C. "Economic Interdependence and War: A Theory of Trade Expectations." *International Security* 20, no. 4 (1996): 5–41.

<https://doi.org/10.2307/2539041>.

“Coronavirus: Iran Appeals for \$5bn IMF Loan as Deaths near 4,000.” *BBC News*, April 9, 2020, sec. Middle East. <https://www.bbc.com/news/world-middle-east-52217600>.

Coronil, Fernando. *The Magical State: Nature, Money, and Modernity in Venezuela*. 1st edition. Chicago: University of Chicago Press, 1997.

Daniel Byman and Matthew Waxman. *The Dynamics of Coercion: American Foreign Policy and the Limits of Military Might*. First. Rand, 2002.

Danino, Olivier. “Conflict in Cyberspace: The Case of the Middle East.” Chapter. *Cybersecurity Policies and Strategies for Cyberwarfare Prevention*. IGI Global, 2015. <https://doi.org/10.4018/978-1-4666-8456-0.ch011>.

Dina Khrennikova, Anna Shiryayevskaya, and Daryna Krasnolutska. “Why the Russia-Ukraine Gas Dispute Worries Europe.” *Bloomberg.Com*, December 6, 2019. <https://www.bloomberg.com/news/articles/2019-12-06/why-the-russia-ukraine-gas-dispute-worries-europe-quicktake>.

Domm, Patti. “False Rumor of Explosion at White House Causes Stocks to Briefly Plunge; AP Confirms Its Twitter Feed Was Hacked,” April 23, 2013. <https://www.cnn.com/id/100646197>.

DREZNER, DANIEL W. “Introduction: The Uses and Abuses of Weaponized Interdependence.” In *The Uses and Abuses of Weaponized Interdependence*, edited by DANIEL W. DREZNER, HENRY FARRELL, and ABRAHAM L. NEWMAN, 1–16. Brookings Institution Press, 2021. <https://www.jstor.org/stable/10.7864/j.ctv11sn64z.3>.

Encyclopedia Britannica. “Dunkirk Evacuation | Facts, Map, Photos, Numbers,

Timeline, & Summary.” Accessed August 29, 2021.

<https://www.britannica.com/event/Dunkirk-evacuation>.

Early, Bryan R, and Dursun Peksen. “Shadow Economies and the Success of Economic Sanctions: Explaining Why Democratic Targets Are Disadvantaged.” *Foreign Policy Analysis* 16, no. 3 (June 1, 2020): 353–72.

<https://doi.org/10.1093/fpa/oraa005>.

EIA. “The U.S. Leads Global Petroleum and Natural Gas Production with Record Growth in 2018 - Today in Energy - U.S. Energy Information Administration (EIA),” 2019. <https://www.eia.gov/todayinenergy/detail.php?id=40973>.

“Energy as a Tool of Foreign Policy of Authoritarian States, in Particular Russia,” n.d., 43.

IEA. “Energy Security – Topics.” Accessed March 15, 2021.

<https://www.iea.org/topics/energy-security>.

the Guardian. “Everything You Need to Know about the Saudi Arabia Oil Attacks,” September 16, 2019. <http://www.theguardian.com/world/2019/sep/16/saudi-arabia-oil-attacks-everything-you-need-to-know>.

“Executive Order 13382.” Accessed September 15, 2021. <https://2009-2017.state.gov/t/isn/c22080.htm>.

“Factbox-Countries Where Iranian Oil and Gas Revenues Are Blocked.” *Reuters*, January 5, 2021, sec. Business News. <https://www.reuters.com/article/uk-iran-oil-revenues-factbox-idUKKBN29A1Q6>.

Farrell, Henry, and Abraham L. Newman. “Weaponized Interdependence: How Global Economic Networks Shape State Coercion.” *International Security* 44, no. 1 (July 1, 2019): 42–79. https://doi.org/10.1162/isec_a_00351.

Friedman, Thomas L. *World Is Flat: A Brief History of the Twenty- First Century*. 3rd edition. New York: Picador, 2007.

“Full Article: The Old IPE and the New.” Accessed September 1, 2021.

<https://www.tandfonline.com/doi/full/10.1080/09692290802524059>.

Fursenko, Aleksandr, and Timothy Naftali. *One Hell of a Gamble: Khrushchev, Castro, and Kennedy, 1958-1964: The Secret History of the Cuban Missile Crisis*. New York: W. W. Norton & Company, 1998.

Fürtig, Henner. “Conflict and Cooperation in the Persian Gulf: The Interregional Order and US Policy.” *Middle East Journal* 61, no. 4 (2007): 627–40.

Gavranić, Kristijan. “US DOLLAR STABILITY AND THE GLOBAL CURRENCY RESERVES.” *Eurasian Journal of Economics and Finance* 4 (July 1, 2016): 14–24. <https://doi.org/10.15604/ejef.2016.04.03.002>.

“GDP Growth (Annual %) - Iran, Islamic Rep. | Data.” Accessed September 14, 2021.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=IR&start=2014>.

George, Alexander L. “Case Studies and Theory Development: The Method of Structured, Focused Comparison.” In *Alexander L. George: A Pioneer in Political and Social Sciences: With a Foreword by Dan Caldwell*, edited by Dan Caldwell, 191–214. *Pioneers in Arts, Humanities, Science, Engineering, Practice*. Cham: Springer International Publishing, 2019. https://doi.org/10.1007/978-3-319-90772-7_10.

———. *Forceful Persuasion: Coercive Diplomacy as an Alternative to War*.

Washington, D.C: United States Institute of Peace, 1992.

———. *Limits of Coercive Diplomacy*. Underlining/Highlighting edition. Little Brown

& Company, 1971.

George, Alexander L., and Andrew Bennett. *Case Studies and Theory Development in the Social Sciences*. Belfer Center Studies in International Security. Cambridge, MA, USA: MIT Press, 2005.

Gibney, Alex. “Zero Days,” 2016. <https://www.imdb.com/title/tt5446858/>.

Gilman, Benjamin A. “Text - H.R.3107 - 104th Congress (1995-1996): Iran and Libya Sanctions Act of 1996.” Legislation, August 5, 1996. 1995/1996. <https://www.congress.gov/bill/104th-congress/house-bill/3107/text>.

Statista. “Global Seaborne Trade - Oil Tanker Capacity 2020.” Accessed August 28, 2021. <https://www.statista.com/statistics/267605/capacity-of-oil-tankers-in-the-world-maritime-trade-since-1980/>.

IEA. “Global Total Primary Energy Demand by Fuel, 2019 – Charts – Data & Statistics.” Accessed October 1, 2021. <https://www.iea.org/data-and-statistics/charts/global-total-primary-energy-demand-by-fuel-2019>.

Gompert, David C., Hans Binnendijk, and Bonny Lin. “Japan’s Attack on Pearl Harbor, 1941.” In *Blinders, Blunders, and Wars*, 93–106. What America and China Can Learn. RAND Corporation, 2014. <https://www.jstor.org/stable/10.7249/j.ctt1287m9t.15>.

Greenhill, Kelly M., and Peter Krause, eds. *Coercion: The Power to Hurt in International Politics*. 1st edition. New York, NY: Oxford University Press, 2018.

Hagmann, Jonas, and Thomas J. Biersteker. “Beyond the Published Discipline: Toward a Critical Pedagogy of International Studies.” *European Journal of International Relations* 20, no. 2 (June 1, 2014): 291–315.

<https://doi.org/10.1177/1354066112449879>.

Hass, Ryan. *Stronger: Adapting America's China Strategy in an Age of Competitive Interdependence*. New Haven: Yale University Press, 2021.

Hatano, Sumio, and Sadao Asada. "The Japanese Decision to Move South(1939–1941)." In *Paths to War: New Essays on the Origins of the Second World War*, edited by Robert Boyce and Esmonde M. Robertson, 383–407. London: Macmillan Education UK, 1989. https://doi.org/10.1007/978-1-349-20333-8_13.

Hatipoglu, Emre. "A Story of Institutional Misfit: Congress and US Economic Sanctions." *Foreign Policy Analysis* 10, no. 4 (October 1, 2014): 431–45. <https://doi.org/10.1111/fpa.12032>.

Heidenrich, John G. "The Gulf War: How Many Iraqis Died?" *Foreign Policy*, no. 90 (1993): 108–25. <https://doi.org/10.2307/1148946>.

Hosoya, Chihiro. "Miscalculations in Deterrent Policy: Japanese-U.S. Relations, 1938–1941." *Journal of Peace Research* 5, no. 2 (June 1, 1968): 97–115. <https://doi.org/10.1177/002234336800500201>.

Hubbard, Ben, Palko Karasz, and Stanley Reed. "Two Major Saudi Oil Installations Hit by Drone Strike, and U.S. Blames Iran." *The New York Times*, September 14, 2019, sec. World. <https://www.nytimes.com/2019/09/14/world/middleeast/saudi-arabia-refineries-drone-attack.html>.

Hufbauer, Gary Clyde, ed. *Economic Sanctions Reconsidered*. 3rd ed., Expanded ed. Washington, DC: Peterson Institute for International Economics, 2007.

IEA. "Energy Security – Topics." IEA, 2020. <https://www.iea.org/topics/energy-security>.

Ikenberry, G. John. "The Oil Shocks and State Responses." In *Reasons of State*, 1–20.

Inc, Gallup. “Iranian Confidence in Government Under 50% for First Time.” Gallup.com, October 29, 2020. <https://news.gallup.com/poll/369111/iranian-confidence-government-first-time.aspx>.

“International - U.S. Energy Information Administration (EIA).” Accessed October 29, 2021. <https://www.eia.gov/international/data/world/petroleum>.

https://www.washingtonpost.com/world/the_americas/in-the-us-embargo-on-venezuelan-oil-russia-is-a-clear-winner/2020/02/06/c45ca39e-476e-11ea-91ab-ce439aa5c7c1_story.html.

Gallup.com, October 29, 2020. <https://news.gallup.com/poll/323231/iranian-confidence-government-first-time.aspx>.

“International - U.S. Energy Information Administration (EIA).” Accessed September 5, 2021. <https://www.eia.gov/international/analysis/country/VEN>.

<https://www.iranwatch.org/our-publications/weapon-program-background-report/iran-nuclear-milestones-1967-2021>.

Gibson Dunn. “Iran Sanctions 2.0: The Trump Administration Completes Its

Abandonment of the Iran Nuclear Agreement,” November 9, 2018.

<https://www.gibsondunn.com/iran-sanctions-2-0-the-trump-administration-completes-abandonment-of-iran-nuclear-agreement/>.

Encyclopedia Britannica. “Iranian Revolution | Summary, Causes, Effects, & Facts.”

Accessed September 10, 2021. <https://www.britannica.com/event/Iranian-Revolution>.

“Iran’s Rouhani Says U.S. Sanctions Cost Country \$200 Billion.” *Bloomberg.Com*,

December 31, 2019. <https://www.bloomberg.com/news/articles/2019-12-31/iran-s-rouhani-says-u-s-sanctions-cost-country-200-billion>.

Jan van der Made. “Europe Skirts US Sanctions to Send Covid-19 Aid to Iran, but Is It

Enough?” RFI, April 7, 2020. <http://www.rfi.fr/en/international/20200407-europe-skirts-us-sanctions-with-instex-to-send-covid-19-aid-to-iran-coronavirus-lockdown-economy-jcpoa>.

Jia, Haiying, Vishnu Prakash, and Tristan Smith. “Estimating Vessel Payloads in Bulk

Shipping Using AIS Data.” *International Journal of Shipping and Transport Logistics* 11 (January 1, 2019): 25. <https://doi.org/10.1504/IJSTL.2019.096864>.

Kenneth Katzman. “Iran Sanctions.” Congressional Research Service, April 14, 2020.

<https://fas.org/sgp/crs/mideast/RS20871.pdf>.

Landler, Mark. “Trump Abandons Iran Nuclear Deal He Long Scorned.” *The New York*

Times, May 8, 2018, sec. World.

<https://www.nytimes.com/2018/05/08/world/middleeast/trump-iran-nuclear-deal.html>.

Lind, Jennifer, and Daryl G. Press. “Markets or Mercantilism? How China Secures Its

- Energy Supplies.” *International Security* 42, no. 4 (May 1, 2018): 170–204.
https://doi.org/10.1162/isec_a_00310.
- Lindsay, Jon R. “Stuxnet and the Limits of Cyber Warfare.” *Security Studies* 22, no. 3 (July 1, 2013): 365–404. <https://doi.org/10.1080/09636412.2013.816122>.
- Mahoney, James. “Process Tracing and Historical Explanation.” *Security Studies* 24, no. 2 (April 3, 2015): 200–218. <https://doi.org/10.1080/09636412.2015.1036610>.
- “Marco Polo Bridge Incident | Asian History | Britannica.” Accessed September 3, 2021.
<https://www.britannica.com/event/Marco-Polo-Bridge-Incident>.
- Mattis, Jim. “Summary of the 2018 National Defense Strategy,” 2018, 14.
- MEIERDING, EMILY. “Weaponizing Energy Interdependence.” In *The Uses and Abuses of Weaponized Interdependence*, edited by DANIEL W. DREZNER, HENRY FARRELL, and ABRAHAM L. NEWMAN, 169–84. Brookings Institution Press, 2021. <https://www.jstor.org/stable/10.7864/j.ctv11sn64z.11>.
- IEA. “Membership - About.” Accessed August 31, 2021.
<https://www.iea.org/about/membership>.
- Menendez, Robert. “S.2142 - 113th Congress (2013-2014): Venezuela Defense of Human Rights and Civil Society Act of 2014.” Legislation, December 18, 2014. 2013/2014. <https://www.congress.gov/bill/113th-congress/senate-bill/2142>.
- “Midway: Sheer Luck or Better Doctrine?” Accessed September 12, 2021.
<http://public2.nhhcaws.local/research/library/online-reading-room/title-list-alphabetically/m/midway-sheer-luck-or-better-doctrine.html>.
- Morgan, Forrest. *Compellence and the Strategic Culture of Imperial Japan: Implications for Coercive Diplomacy in the Twenty-First Century*. Illustrated edition. Westport, Conn: Praeger, 2003.

- Nephew, Richard. *The Art of Sanctions: A View from the Field*. Columbia University Press, 2017.
- Neuenkirch, Matthias, and Florian Neumeier. “The Impact of UN and US Economic Sanctions on GDP Growth,” n.d., 36.
- Neumann, William L. “Franklin D. Roosevelt and Japan, 1913-1933.” *Pacific Historical Review* 22, no. 2 (1953): 143–53. <https://doi.org/10.2307/4492029>.
- Newnham, Randall. “Oil, Carrots, and Sticks: Russia’s Energy Resources as a Foreign Policy Tool.” *Journal of Eurasian Studies* 2, no. 2 (July 1, 2011): 134–43. <https://doi.org/10.1016/j.euras.2011.03.004>.
- Onea, Tudor A. *The Grand Strategies of Great Powers*. Routledge Studies in Modern History. London ; New York, NY: Routledge/Taylor & Francis Group, 2021.
- “OPEC : Brief History.” Accessed August 28, 2021. https://www.opec.org/opec_web/en/about_us/24.htm.
- Paine, S. C. M. *The Japanese Empire : Grand Strategy from the Meiji Restoration to the Pacific War*. Cambridge, United Kingdom ; New York, NY, 2017.
- Pape, Robert A. “Why Economic Sanctions Do Not Work.” *International Security* 22, no. 2 (1997): 90–136. <https://doi.org/10.2307/2539368>.
- Peksen, Dursun. “When Do Imposed Economic Sanctions Work? A Critical Review of the Sanctions Effectiveness Literature.” *Defence and Peace Economics* 30, no. 6 (September 19, 2019): 635–47. <https://doi.org/10.1080/10242694.2019.1625250>.
- Pollack, Kenneth. *Unthinkable: Iran, the Bomb, and American Strategy*. 2nd Print edition. New York, NY: Simon & Schuster, 2013.
- Porter, Patrick. “How the U.S. Foreign Policy Establishment Constrains American Grand Strategy.” Belfer Center for Science and International Affairs, 2018.

<https://www.belfercenter.org/publication/how-us-foreign-policy-establishment-constrains-american-grand-strategy>.

Posen, Barry R. “Command of the Commons: The Military Foundation of U.S. Hegemony.” *International Security* 28, no. 1 (2003): 5–46.

whitehouse.gov. “President Barack Obama’s Inaugural Address,” January 21, 2009.

<https://obamawhitehouse.archives.gov/blog/2009/01/21/president-Barack-obamas-inaugural-address>.

Record, Jeffrey. *A War It Was Always Going to Lose: Why Japan Attacked America in 1941*. Potomac Books, Inc., 2010.

“Rosneft Becomes Top Venezuelan Oil Trader, Helping Offset U.S. Pressure.” *Reuters*, August 22, 2019, sec. Commodities. <https://www.reuters.com/article/us-russia-venezuela-oil-idUSKCN1VC1PF>.

“Rosneft Elbows PDVSA aside on Venezuela Service Contracts.” Accessed September 15, 2021. <https://www.worldoil.com/news/2019/12/6/rosneft-elbows-pdvsa-aside-on-venezuela-service-contracts>.

“Rosneft Sells Venezuelan Assets to Russia after U.S. Sanctions Ramp Up.” *Reuters*, March 28, 2020, sec. Commodities News. <https://www.reuters.com/article/us-russia-rosneft-venezuela-idUSKBN21F0W2>.

Encyclopedia Britannica. “Russo-Japanese War | Causes, Summary, Maps, & Significance.” Accessed August 29, 2021. <https://www.britannica.com/event/Russo-Japanese-War>.

Ruys, Tom, and Cedric Ryngaert. “Secondary Sanctions : A Weapon out of Control? The International Legality of, and European Responses to, US Secondary Sanctions.” *BRITISH YEARBOOK OF INTERNATIONAL LAW*, 2021.

<https://doi.org/10.1093/bybil/braa007>.

Salas, Miguel Tinker. *Venezuela: What Everyone Needs to Know*®. New York, 2015.

Sanchez, Valentina. “Venezuela Hyperinflation Hits 10 Million Percent. ‘Shock Therapy’ May Be Only Chance to Undo the Economic Damage.” CNBC, August 3, 2019. <https://www.cnbc.com/2019/08/02/venezuela-inflation-at-10-million-percent-its-time-for-shock-therapy.html>.

“Saudi Recovery From Oil Attack Isn’t All It Seems.” *Bloomberg.Com*, September 27, 2019. <https://www.bloomberg.com/news/articles/2019-09-27/saudi-recovery-from-oil-attack-isn-t-all-it-seems-oil-strategy>.

Sauer, Tom. “Coercive Diplomacy by the EU: The Iranian Nuclear Weapons Crisis.” *Third World Quarterly* 28, no. 3 (2007): 613–33.

Schelling, Thomas C. *Arms and Influence*. New Haven, CT: Yale University Press, 2008.

Seelke, Clare Ribando. “Venezuela: Overview of U.S. Sanctions.” *Congressional Research Service*, June 2, 2020, 3.

“Selling and Buying in a Seller’s Market vs. a Buyer’s Market.” Accessed August 16, 2021. <https://www.rbcroyalbank.com/mortgages/sellers-vs-buyers-market.html>.

“Six Charts That Show How Hard US Sanctions Have Hit Iran.” *BBC News*, December 9, 2019, sec. Middle East. <https://www.bbc.com/news/world-middle-east-48119109>.

Soldatov, Andrei, and Irina Borogan. *The Red Web: The Struggle Between Russia’s Digital Dictators and the New Online Revolutionaries*. 1st edition. New York: PublicAffairs, 2015.

Solomon, Jay. *The Iran Wars: Spy Games, Bank Battles, and the Secret Deals That*

Reshaped the Middle East. Random House, 2016.

“Special Report: How China Got Shipments of Venezuelan Oil despite U.S. Sanctions.”

Reuters, June 12, 2020, sec. Commodities News.

<https://www.reuters.com/article/us-venezuela-oil-deals-specialreport-idUSKBN23J1N1>.

Statista. “Ranking: Military Spending by Country 2020.” Statista, 2021.

<https://www.statista.com/statistics/262742/countries-with-the-highest-military-spending/>.

“Table 1: World Currency Composition of Official Foreign Exchange Reserves - IMF Data.” Accessed August 28, 2021. <https://data.imf.org/regular.aspx?key=41175>.

“The Strait of Hormuz Is the World’s Most Important Oil Transit Chokepoint - Today in Energy - U.S. Energy Information Administration (EIA).” Accessed October 12, 2021. <https://www.eia.gov/todayinenergy/detail.php?id=39932>.

Thucydides. *The History of the Peloponnesian War*, 431AD.

<https://www.gutenberg.org/files/7142/7142-h/7142-h.htm>.

“Timeline of Iran’s Nuclear Activities.” Accessed September 10, 2021.

<https://iranprimer.usip.org/resource/timeline-irans-nuclear-activities>.

“To Buy Venezuelan Oil, You’ll Need to Go Straight to Panama City.” *Bloomberg.Com*, September 19, 2019. <https://www.bloomberg.com/news/articles/2019-09-19/to-buy-venezuelan-oil-you-ll-need-to-go-straight-to-panama-city>.

“Treaty on the Non-Proliferation of Nuclear Weapons (NPT) – UNODA.” Accessed September 10, 2021. <https://www.un.org/disarmament/wmd/nuclear/npt/>.

U.S. Department of Defense. “Quadrennial Defense Review Report.” U.S. Secretary of Defence, 2001. <http://www.comw.org/qdr/qdr2001.pdf>.

———. “Quadrennial Defense Review Report.” U.S. Department of Defense, 2015.

“U.S. Exempts 11 States from Iran Sanctions; China, India Exposed.” *Reuters*, March 21, 2012, sec. Banks. <https://www.reuters.com/article/us-iran-usa-sanctions-crude-idUSBRE82J11M20120321>.

“U.S. Imposes Sanctions on Russian Oil Company Supporting Venezuela’s Leader - The New York Times.” Accessed September 15, 2021. <https://www.nytimes.com/2020/02/18/world/americas/venezuela-russia-sanctions-trump.html>.

Council on Foreign Relations. “U.S. Relations With Iran, 1953–2021.” Accessed September 11, 2021. <https://www.cfr.org/timeline/us-relations-iran-1953-2021>.

Statista. “Venezuela - Gross Domestic Product (GDP) Growth Rate 2022.” Accessed September 14, 2021. <https://www.statista.com/statistics/370918/gross-domestic-product-gdp-growth-rate-in-venezuela/>.

“Venezuela Is Having a Hard Time Finding Vessels to Ship Its Oil.” *Bloomberg.Com*, September 12, 2019. <https://www.bloomberg.com/news/articles/2019-09-12/venezuela-can-t-find-vessels-to-ship-its-oil-as-sanctions-bite>.

“Venezuela Needs to Dilute Its Oil. That’s Going to Become Harder.” *Bloomberg.Com*, January 29, 2019. <https://www.bloomberg.com/news/articles/2019-01-29/venezuela-needs-to-dilute-its-oil-that-s-going-to-become-harder>.

U.S. Department of the Treasury. “Venezuela-Related Sanctions.” Accessed September 14, 2021. <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/venezuela-related-sanctions>.

Vine, David. *Base Nation: How U.S. Military Bases Abroad Harm America and the World*. First edition. New York: Metropolitan Books, 2015.

- Wallensteen, Peter. "Characteristics of Economic Sanctions." *Journal of Peace Research* 5, no. 3 (September 1, 1968): 248–67.
<https://doi.org/10.1177/002234336800500303>.
- Waltz, Kenneth N. *Theory of International Politics*. Long Grove, Ill, 2010.
- Encyclopedia Britannica. "Washington Conference | Treaties & Facts." Accessed August 29, 2021. <https://www.britannica.com/event/Washington-Conference-1921-1922>.
- "'We Gave Venezuelan Migrants a Licence to Dream' - BBC News." Accessed September 14, 2021. <https://www.bbc.com/news/world-latin-america-57070813>.
- Weisbrot, Mark, and Jeffrey Sachs. "Economic Sanctions as Collective Punishment: The Case of Venezuela." Center for Economic and Policy Research, April 2019.
<https://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf>.
- Western Use of Coercive Diplomacy after the Cold War: A Challenge for Theory and Practice* Jakobsen, P. New York, N.Y, 1998.
- Yergin, Daniel. *The Prize: The Epic Quest for Oil, Money & Power*. Simon and Schuster, 2011.
- Yin, Robert K. *Case Study Research: Design and Methods*. SAGE, 2003.
- Zarate, Juan. *Treasury's War: The Unleashing of a New Era of Financial Warfare*. Hachette UK, 2013.