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April 2026

Abstract

Do economic sanctions prevent interstate military aggression, and do they shorten them once they begin? Despite their growing prominence as instruments of coercive diplomacy, credible causal evidence on these questions remains scarce. This paper provides the first systematic empirical analysis of the dynamic effects of economic sanctions on interstate war onset and duration, over a worldwide panel spanning 1950–2014.

Rather than counting heterogeneous sanction episodes, we construct continuous, value-weighted measures of sanction intensity—defined as the share of a country’s trade flows or FDI stocks subject to active sanctions. We separately identify the effects of import sanctions, export sanctions, and financial sanctions, motivated by the prior that these instruments operate through distinct channels and by descriptive evidence from the Global Sanctions Data Base showing that import-targeting sanctions have historically been twice as likely to end wars as export-targeting ones. We address the severe endogeneity of sanctions—sanctioning coalitions systematically respond to conflict risk—by implementing an instrumental-variable strategy building on [kwon et al \(2022\)](#), which exploits cross-country heterogeneity in the revealed preference for deploying sanctions interacted with bilateral gravity relationships. This IV strategy is embedded within a local projection framework [jorda \(2005\)](#), yielding dynamic impulse responses at horizons up to ten years with fixed effects.

Two findings stand out. First, sanctions on imports significantly reduce the probability of new interstate war initiations, with effects materializing at horizons of four to six years. By contrast, sanctions on exports and financial sanctions exhibit no conflict-reducing effect. Second, import sanctions also shorten the duration of ongoing wars, with significant effects emerging within two to three years. These results suggest that the conflict-reducing mechanism operates primarily through denial of foreign goods to the target, rather than through revenue or financing constraints.