

Blowback: The Effect of Sanctions on Democratic Elections

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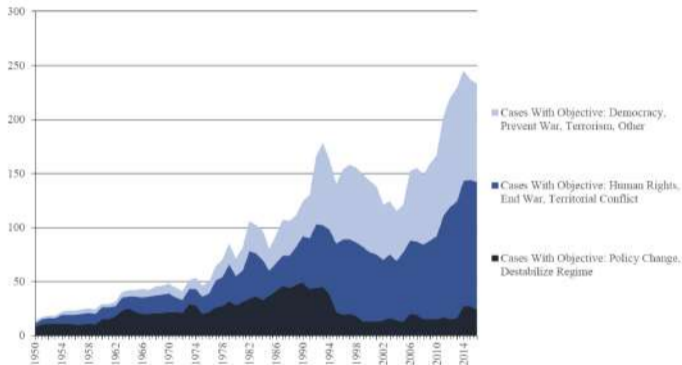


Source: Mikhail Klimentyev/AFP via Getty Images (2017)

- A possible alternative title:
 - “Did Putin’s sanctions help Marine Le Pen?”
- More formally:
 - The paper is about the effectiveness of international sanctions
 - 2014 Russian sanctions against Western countries
 - French presidential elections

Sanctions grow in popularity

Figure 6: Yearly distribution of policy objectives in sanctions (1950 - 2016)



Note: This figure depicts the yearly number of observed policy objectives declared in all sanctions listed in the GSDB. For each sanction up to three objectives are documented. For clarity we have combined the objectives in the three groups that we discuss in the main text. A corresponding figure describing the evolution of individual objectives appears in the Appendix. See main text for further details and analysis.

Do Sanctions work?

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- The ambitious: Did sanctions achieve their final goal?
 - Requires a clear understanding of the end goals and the extent to which they have been achieved.
- The humble: Do sanctions work in the intended direction?
 - Determine whether they are curbing the political situation in the target country in the desired direction.

Empirical evidence: The Russian case

- **Peeva (2018)** looks at geographic proximity between sanctioned firms and polling stations in Russia
 - “Rally-around-the-flag” effect, mediated through patriotic rhetoric messages on Russian state-owned TV
- **Gold, Hinz, and Valsecchi (2023)** study the impact of the 2014 sanctions on Duma and presidential elections in Russia
 - Regime’s support increased in those districts experiencing higher exposure to sanctions

What do we do?

- Investigate whether sanctions may influence elections in a liberal democracy
- = Whether liberal democracies more vulnerable to sanctions than illiberal regimes =
“Blowback” effect

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- Investigate whether sanctions may influence elections in a liberal democracy
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- → **Estimate the impact on the French election of the trade embargo imposed by the Russian Federation in 2014 in retaliation for Western sanctions.**

Related literature: Trade shocks and elections

- **Dippel et al. (2022)**: Exposure to imports from low-wage origin countries helps nationalist parties, export exposure shows opposite impact
- **Colantone and Stanig (2018)**: In Western European countries, districts with greater exposure to import competition from China increased political support to isolationist parties
- **Blanchard, Brown, and Chor (2019)**: Republican candidates in US electoral districts targeted in response to the Trump administration's trade war performed less well.
- **Malgouyres (2017)**: Positive impact of import competition exposure of French regions on votes for the far-right

Road map

1. Background
2. Data
3. Empirical strategy
4. Results
5. Robustness
6. Quantification and discussion

Background

2014 Russia sanctions

- March 2014 : Russia's annexation of Crimea
- March-August 2014: Western sanctions against the Russian Federation
- August 2014: Russian countersanctions = Embargo on certain food and agricultural products
- Significant economic effects: Crozet and Hinz (2020), Cheptea and Gagné (2020)

French presidential elections

- Presidential elections every 5 years (2012, 2017), popular vote, (usually) two rounds
 - in 2017: heated debates on the position of French diplomacy towards Russia
 - “Pro Russia” candidates: Le Pen, Dupont-Aignan and Mélenchon

Marine Le Pen on Russia, Crimea and sanctions



Marine Le Pen: There was no invasion of Crimea



Crimea "has always been Russian" and the sanctions against the Kremlin are completely stupid, says the leader of France's Front National party.

Candidates to the 2017 presidential election and first round results

Name	Party	Political orientation	Pro-Russia	Results
Emmanuel Macron	<i>En Marche!</i>	Center	–	24.0 %
Marine Le Pen	<i>Front National</i>	Far-right	++	21.3 %
François Fillon	<i>Les républicains</i>	Conservative	+	20.1 %
Jean-Luc Mélenchon	<i>La France insoumise</i>	Far-Left	+	19.6 %
Benoît Hamon	<i>Parti Socialiste</i>	Social democrat	–	6.4 %
Nicolas Dupont-Aignan	<i>Debout la France</i>	Far-right	++	4.7 %
Jean Lassale	<i>Résistons!</i>	Independent	n.a.	1.2 %
Philippe Poutou	<i>Nouveau parti anticapitaliste</i>	Trotskyist	n.a.	1.1 %
François Asselineau	<i>Union Populaire Républicaine</i>	Independent	+	0.9 %
Nathalie Arthaud	<i>Lutte Ouvrière</i>	Trotskyist	n.a.	0.6 %
Jacques Cheminade	<i>Solidarité et progrès</i>	Independent	+	0.2 %

Data



- *Municipality*-level data: 35,287 municipalities in total
→ Focus on 30910 metropolitan municipalities

Figure 1: Percent of votes for Le Pen in '17

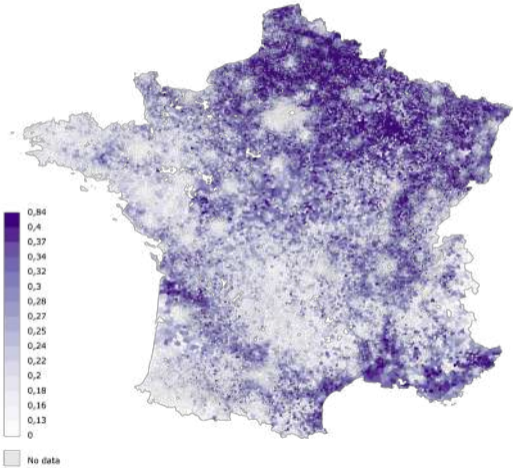
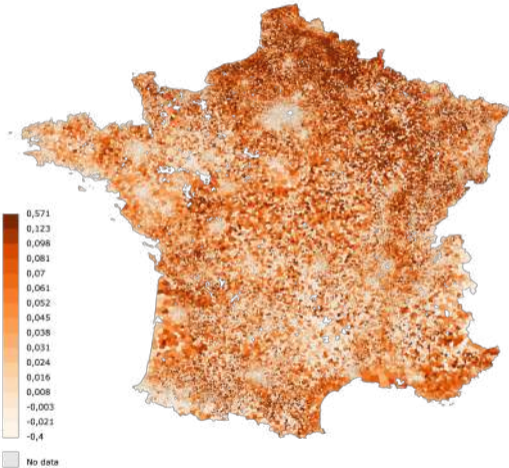


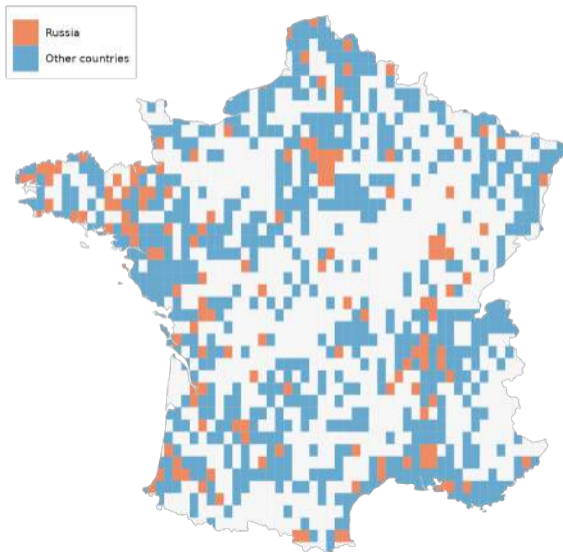
Figure 2: Δ Percent votes for Le Pen '12 – '17



Sanctions exposure

- French customs database: All French export declarations, by firm, 8-digit product, destination, and year
- universe of trade flows
- Product codes identify precisely exports of products embargoed by Russia
- SIRENE database: information on location of headquarter and establishments

Figure 3: Exporters of embargoed products



Empirical strategy

Estimating equation

First difference DiD, 2012-2017:

$$[Vote_{c,i,2017} - Vote_{c,i,2012}] = Treatment_i + [X_{i,2016} - X_{i,2011}] + \theta_{i \in Z} + \mu_{c,i}, \quad (1)$$

- Municipality i , Candidate c
- Dependent variable $[Vote_{c,i,2017} - Vote_{c,i,2012}]$ is the change between 2012 to 2017 in the share of votes cast for candidate c in municipality i
- $X_{i,2011}, X_{i,2016}$ vectors of municipality characteristics the year before elections
- $\theta_{i \in Z}$ commuting zone ("zone d'emploi") fixed effect

Controls

- log of population size
- share of resident above 65, below 25
- log of median income per household consumption unit, unemployment rate
- share of agricultural, blue and white-collar workers
- share of foreign-born population
- Communing zone fixed effects

Treatment vector

- Treatment vector characterizes municipalities' trade activity
 - **Dummy variable for hosting one or several firms (or establishments of firms) that exported embargoed products to Russia in either 2013 or 2014**
 - Control: Dummy for hosting exporters of embargoed products
 - Control: Dummy for hosting exporters of non-embargoed products to Russia
 - Control: Dummy variable for hosting exporters (any product, any destination)

Concerns (1)

1. Treatment may include municipalities for which the export of embargoed products to Russia hardly relevant
 - exports of embargoed products to Russia account for more than 0.01 % of the total municipality exports
2. Treatment is defined by the location of the firms affected by the embargo, and not by where the employees or the owners of these companies vote
 - lower bound for direct effect
 - the impact of a negative trade shock doesn't just affect the employees of exporting companies. It also affects neighboring businesses, the municipality's budget, and is visible in the local media.

Concerns (2)

3. The matching of votes from one election to the next is fragile
 - Good news: The main “pro-Russian” candidates ran in both elections (Le Pen, Dupont-Aignan, Mélenchon)
 - We use the *Manifesto project* to verify the consistency of parties’ electoral platforms from 2012 to 2017 [Go](#)
 - Robustness check: LDV estimator

Treated and control group municipalities

Figure 4: Log population, 2012

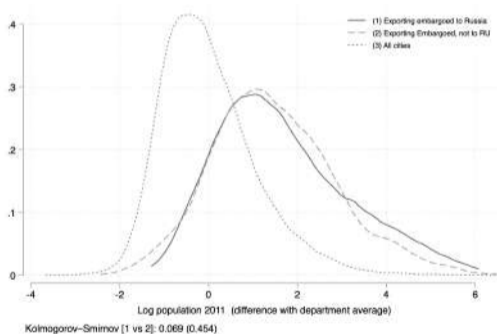
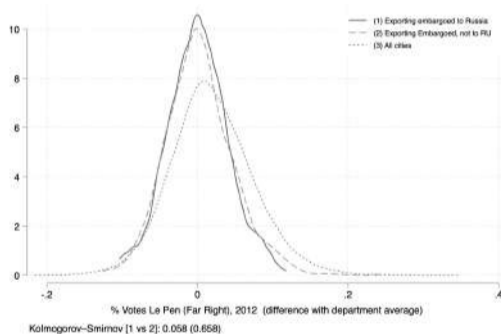


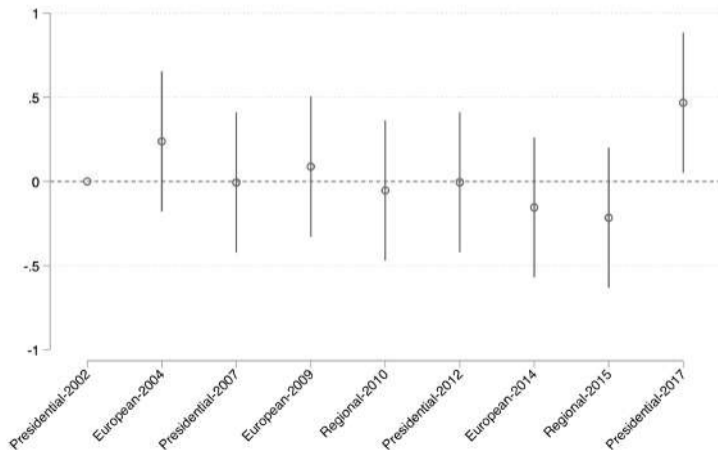
Figure 5: Le Pen, vote shares 2012



Next

Pre-trend

Election-to-Election change in vote shares for *Front National* (deviation to department average), relative to municipalities exporting embargoed products but not to Russia



Results

Benchmark results

	Le Pen	Dupont Aignan	Mélenchon	Fillon	Macron	Hamon	Abstention
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Export Embargoed Products to Russia	0.536a	0.175c	-0.406	-0.278	0.259	0.443	-0.121
	(0.204)	(0.093)	(0.272)	(0.192)	(0.193)	(0.286)	(0.159)
Export Embargoed Products	-0.520a	-0.233a	0.511a	0.353a	-0.375a	-0.811a	0.083
	(0.078)	(0.041)	(0.116)	(0.079)	(0.084)	(0.112)	(0.070)
Export Any Product to Russia	-0.497a	-0.309a	0.822a	0.293a	-0.631a	-1.170a	0.318a
	(0.078)	(0.043)	(0.095)	(0.074)	(0.080)	(0.105)	(0.070)
Export Any Product	-0.326a	-0.115a	0.304a	-0.064	-0.292a	-0.550a	0.176a
	(0.068)	(0.030)	(0.057)	(0.056)	(0.055)	(0.072)	(0.049)
...
Observations	30910	30910	30910	30910	30910	30910	30912
R^2	0.017	0.007	0.013	0.012	0.012	0.026	0.003

Robustness Checks

Robustness checks

1. Alternative fixed effects and control groups → [Go](#)
2. Sensitivity to specific geographic zones → [Go](#)
3. Lagged dependent variable model
4. Treatment intensity
5. Placebo → [Go](#)

Robustness (3): LDV

- Lagged dependant variable model
 - Cross-section: Dependent variable = vote shares in 2017
 - Controls (1): City-level characteristics (levels 2016), employment zone fixed effects
 - Controls (2): Votes shares of all candidates in 2012 + Regional elections 2015

Robustness (3): LDV

	Round 1							Round 2
	Le Pen	Dupont Aignan	Mélenchon	Fillon	Macron	Hamon	Abstention	Le Pen
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Export Embargoed Products to Russia	0.489a (0.165)	0.144b (0.073)	-0.105 (0.155)	-0.003c (0.002)	0.000 (0.002)	-0.001 (0.001)	-0.182 (0.167)	0.667a (0.245)
Export Embargoed Products	-0.277a (0.058)	-0.125a (0.038)	-0.026 (0.069)	0.003a (0.001)	-0.001 (0.001)	0.001a (0.000)	0.213a (0.073)	-0.350a (0.090)
Export Any Product to Russia	-0.326a (0.069)	-0.132a (0.038)	-0.010 (0.057)	0.002a (0.001)	0.001b (0.001)	0.001 (0.000)	0.411a (0.070)	-0.498a (0.090)
Export Any Product	-0.145a (0.046)	-0.040 (0.026)	-0.019 (0.039)	0.002a (0.000)	0.001c (0.000)	-0.000 (0.000)	0.136a (0.047)	-0.244a (0.063)
Observations	30910	30910	30910	30910	30910	30910	30910	30910
R^2	0.727	0.145	0.614	0.709	0.456	0.275	0.471	0.724

Robustness (4): Treatment intensity

Candidate	Intensity measure	Intensity	Treatment coef.	s.e.	Nb. obs.	
Le Pen	Share of agricultural workers	High	1.373a	(0.253)	30824	
		Low	-0.297	(0.247)	30824	
	Share of embargoed exports	High	0.562b	(0.276)	30824	
		Low	0.511b	(0.252)	30824	
	Value of embargoed exports p.c.	High	0.941a	(0.264)	30824	
		Low	0.130	(.261)	30824	
	Drop in total exports	High	0.772a	(0.262)	30824	
		Low	0.299	(0.299)	30824	
	Dupont-Aignan	Share of agricultural workers	High	0.576a	(0.139)	30824
			Low	-0.221b	(0.109)	30824
Share of embargoed exports		High	0.306b	(0.122)	30824	
		Low	0.047	(0.140)	30824	
Value of embargoed exports p.c.		High	0.324a	(0.107)	30824	
		Low	0.026	(.150)	30824	
Drop in total exports		High	0.383a	(0.118)	30824	
		Low	-0.030	(0.128)	30824	

Quantification and discussion

Quantification

- Benchmark coefficient for Le Pen: 0.536
- = The increase of votes cast for Le Pen was 0.536 percentage points higher in the exposed municipalities than elsewhere.
- **It is big?**

→ Huge

1. On average, in treated municipalities, the percentage of votes for Le Pen between 2012 and 2017 increased by 3.12 percentage points
→ $\approx 17\%$ of local increase in the votes for Le Pen can be attributed to the sanctions
2. One additional percentage point in local unemployment rate generates a 0.01824 percentage point increase in votes for Le Pen.
→ The effect of sanctions is equivalent to an increase in unemployment of 29 percentage points.

→ Not negligible

- Back-of-the-envelop calculation: Russian embargo gave 15,732 additional votes in favor of Le Pen = total votes cast in a city like Biarritz
- Biarritz is a pleasant town, not insignificant, but far from being a major French metropolis.



→ Tiny

- There are only 172 treated municipalities, which account for 2.9 million votes in 2017 (8.1% of the total).
- 15,732 additional votes in favor of Le Pen
- = 0.2% of the total votes cast at the national level for Le Pen
- = 1.6% of the difference in the number of votes between Macron and Le Pen in the first round of the election
- This is not nearly enough to have affected the outcome of the election at the national level

Is it big? (bottom line)

Yes and no

- Locally, the impact is strong.
- Nationally, the impact is small.

- Interpretation of results depends on the question asked
 - Did the Russian embargo affected the 2017 French elections? → **No**
 - Can foreign sanctions influence democratic elections? → **Yes**
 - Can sanctions destabilize liberal democracies? → **Perhaps**

- In any case, the contrast with the (illiberal) Russian election results is striking.

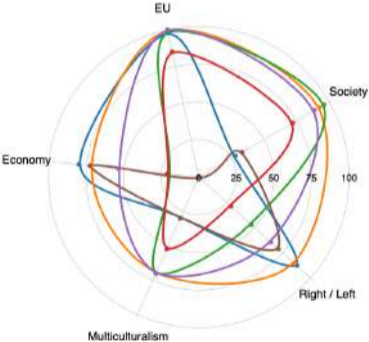
Conclusion

- We find a significant political impact of (counter-) sanctions on democratic elections
- The magnitude is quite small, but driven by the small number of treated cities rather than a small marginal effect
- Lookout:
 - The impact of sanctions (or counter-sanctions) could be troublesome for liberal democracies if they are large-scale... or imposed by a major trading partner.
 - If liberal democracies want to continue using this tool, they should :
 - Not underestimate the potential political consequences of counter-sanctions
 - Propose accompanying economic measures

This is it
Thank you

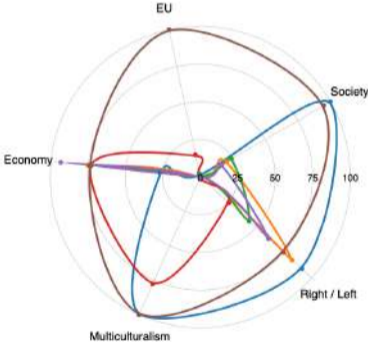
Appendix

Figure 6: E. Macron - *Centrist-2017*



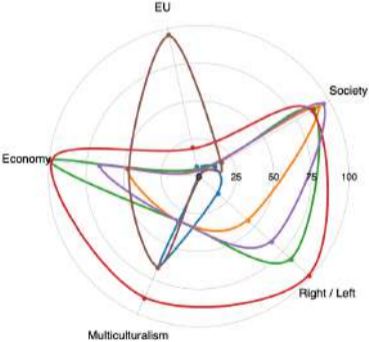
- █ Conservative_2012
- █ Centrist_2012
- █ Greens_2012
- █ RadicalLeft_2012
- █ Socialist_2012
- █ FrontNational_2012

Figure 7: M. Le Pen - *Front National-2017*



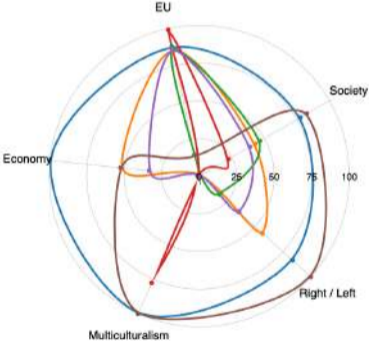
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- █ Centrist_2012
- █ Greens_2012
- █ RadicalLeft_2012
- █ Socialist_2012
- █ FrontNational_2012

Figure 8: JL. Mélenchon - *Radical Left-2017*



- █ Conservative_2012
- █ Centrist_2012
- █ Greens_2012
- █ RadicalLeft_2012
- █ Socialist_2012
- █ FrontNational_2012

Figure 9: M. Fillon - *Conservative-2017*



- █ Conservative_2012
- █ Centrist_2012
- █ Greens_2012
- █ RadicalLeft_2012
- █ Socialist_2012
- █ FrontNational_2012

Figure 10: Median income

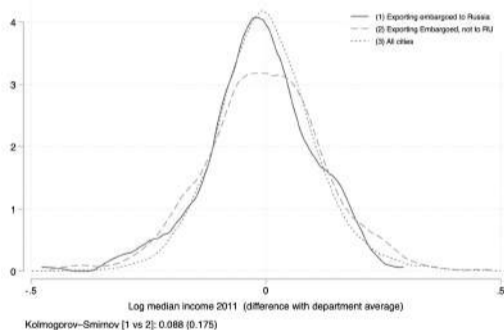


Figure 11: Unemployment rate

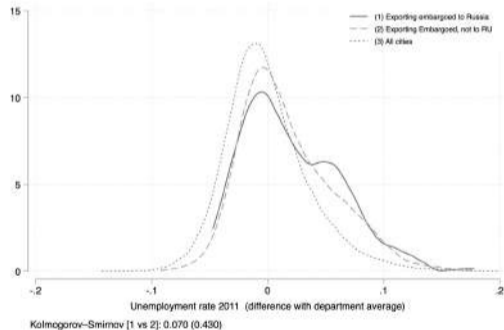


Figure 12: Share of Farm workers

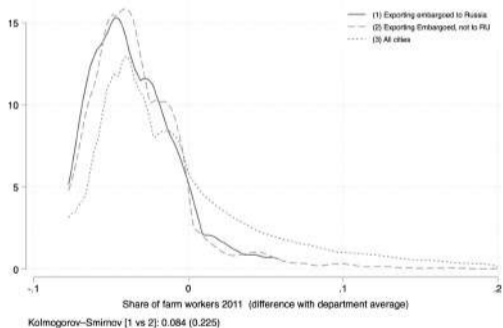
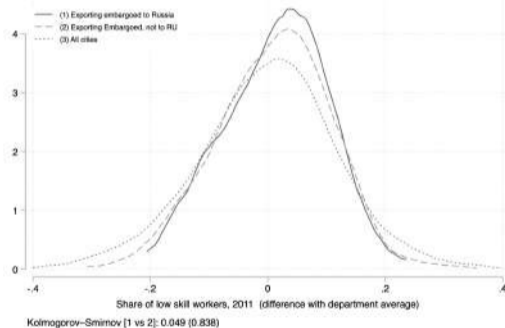


Figure 13: Share of Low Skill workers



Robustness (3): Alternative fixed effects or control group [Go back](#)

Dep. var.	Δ Share of votes for Le Pen (2017-2012)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Export Embargoed Products to Russia	0.516b (0.207)	0.515b (0.208)	0.579b (0.208)	0.359c (0.214)	0.472b (0.202)	0.593b (0.216)	0.453b (0.214)	0.502b (0.197)
Export Embargoed Product	-0.517a (0.079)	-0.557a (0.085)	-0.614a (0.097)					
Export Any Product to Russia	-0.476a (0.078)	-0.549a (0.088)	-0.638b (0.208)	-0.497a (0.137)	-0.522a (0.186)	-0.667a (0.116)		
Export Any Product	-0.358a (0.070)	-0.352a (0.078)	-0.368b (0.167)					
Fixed Effects	ZE	Dep	Reg	EZ	Dep	Reg	Dep	Reg
Control var.	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Control group:								
→ All	X	X	X					
→ Exp. Embargoed				X	X	X		
→ Exp. Embargoed & Exp. to RU							X	X
Observations	30910	30910	30910	1745	1745	1745	846	846
R^2	0.005	0.018	0.019	0.048	0.041	0.053	0.070	0.076

Robustness (2): Dropping one geographic zone at a time [Go back](#)

Dep. var.	Δ Share of votes for Le Pen (2017-2012)							
	Treated cities		Employment zones		Departments		Regions	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Min	Max	Min	Max	Min	Max	Min	Max
Export Embargoed products to Russia	0.495b (0.200)	0.562a (0.201)	0.492b (0.202)	0.598a (0.199)	0.469ab (0.203)	0.612a (0.206)	0.443b (0.221)	0.660a (0.237)

- We add two dummies
 - = 1 for municipalities that export embargoed to country X
 - = 1 for municipalities that export any product to country X
- We do this for 30+ countries (major destinations of exports of embargoed products and/or emerging countries comparable to RU)

