

Review of Randall E. Newnham, *Deutsche Mark Diplomacy: Economic Linkage in German-Russian Relations* in *Slavic Review*, Vol. 63 no. 2 Summer 2004, pp. 427-28

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The demise of apartheid in South Africa, the continuing US embargo on Cuba, and recent conflicts in the former Yugoslavia and Iraq remind us of the central role that economic sanctions play in international politics. Analysts continue to ask: “do sanctions work?” Much has been made of the failure of sanctions to deter Saddam Hussain’s efforts to acquire weapons of mass destruction and the devastating effects of those sanctions on the civilian population. On the other hand, it is commonly accepted that economic sanctions brought down the South African apartheid regime and weakened Milosovitch’s Serbia. When do economic sanctions succeed in bringing about the political objectives of the sanctioning state, and when do they fail to do so? Would positive economic sanctions be politically more effective than negative sanctions?

This volume provides answers to these questions in the context of German-Soviet economic relations. The purpose of the book is twofold: to demonstrate that states can effectively use economic power to gain political and security advantages in international relations, and to support arguments in favor of positive sanctions or “linkage.” Newnham argues persuasively that positive sanctions succeed more often than negative sanctions because they are psychologically easier for the target state to accept, they have positive spillover effects on other aspects of the two states’ relationship, they have a positive impact on groups within the target state, winning allies for the initiating state, and they offer little economic incentive for outsiders to work to break the sanctions.

These arguments are supported by a historical comparison of Germany’s use of *positive* and *negative* economic sanctions as well as *general* and *specific* sanctions to extract political concessions from the Soviet Union/Russia. The book will therefore appeal to specialists in diplomatic history, particularly the history of international economic relations, and to scholars who focus on German foreign policy. Furthermore, in generating propositions about how economic linkages to political goals play a central role in the policy choice of powerful states vis-à-vis one another, *Deutsche Mark Diplomacy* contributes to the international relations literature on economic sanctions and linkage politics. Indeed, this volume refines prevailing arguments about positive economic sanctions and the conditions under which they will succeed or fail as instruments of foreign policy.

The book is clearly written and sensibly organized with an introductory chapter, which also serves as a conceptual chapter, four empirical chapters presenting the history of German foreign economic policy toward Russia in chronological order, and a Conclusion that summarizes the findings and their relevance to the literature on economic sanctions. The story is an engrossing one of an evolving interdependence between two adversaries. Although many scholars have investigated the utility of positive sanctions, none have done so in the important context of German-Soviet relations. Following on the heels of Patricia Davis’ *The Art of Economic Persuasion: Positive Incentives and German Economic Diplomacy*, this volume adds to the growing literature on German foreign

policy, a literature that becomes increasingly important as Germany takes on a new and important role in international politics..

My quibbles with the book are only two and they are relatively minor. In specifying the conditions under which positive sanctions work best, Newnham makes sharp distinctions over time between Soviet/Russian strength and weakness. He argues that “Germany seems to have had greater success in impacting the USSR with economic leverage during periods when that state was relatively weak. In the 1920s, during the detente period of 1969-74, and again under Gorbachev and Yeltsin, the Soviet/Russian leadership saw that the country faced great economic and political difficulties.” (299-300) Of course the Soviet Union experienced relative economic decline from the 1960s through the 1980s. But certainly linkage was more successful in the 69-74 period when the regime/state/economy was relatively strong than in the Gorbachev- Yeltsin period when the state was rapidly weakening. A more nuanced argument might show variation in terms of the “success” of positive economic linkage. The variation seems to be crucial in determining policy choice in the initiating state.

Secondly, in focusing on positive economic linkage as a foreign policy strategy to reach a state’s political aims, Newnham does not explore the conditions under which economic inducements can actually undermine state foreign policy goals. For example, he suggests that Germany provides a “gatekeeping” function in international economic organizations, which serves as an instrument of statecraft. But what happens to the ability of the government to use economic forces to further political goals, when trade is fully liberalized? Certainly, under fully liberalized conditions (that can easily be confused with positive economic sanctions), statecraft must disappear. Or, in more extreme cases, economic interdependence can even trigger unwanted political conflicts, undermining the state’s aim of fostering economic interdependence in order to promote political stability. As noted above, linkage politics demands state control over economic relations; business demands freedom from state control and is reluctant to enter into those relations when states practice “lightswitch” diplomacy. The paradox is that without some use of lightswitch diplomacy, statecraft is bound to disappear. It is this interesting paradox that makes the study of positive sanctions so intriguing and an important focus of future research.

Indeed, this study provides a sound basis for more empirical studies of the role of positive sanctions in German-Soviet/Russian relations. *Deutsche Mark Diplomacy* relies heavily on the secondary literature for the pre-1989 period and on journalistic accounts and interviews for the post-1989 period, with some interviews. Future research can refine and further test the argument by mining the recently published *Akten zur Auswaertigen Politik der BRD*, a comprehensive set of primary documents detailing German foreign policy decisions from 1945 to 1969. Researchers can now examine the letters, telegrams, and other private communications of those who constructed linkage policies. They will now be able to build on Newnham’s argument by examining the intentions of the participants, when they used linkage/sanctions, and when they decided not to. *Deutsche Mark Diplomacy* provides an important foundation for this future research.