

Why Have Iran and North Korea Had Different Nuclear Postures to Sanctions?

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CHAN JUN HAO, JUN 20 2016

Why Have Iran and North Korea Had Different Nuclear Postures in the Face of Economic Sanctions in the 2010s?

Introduction

The U.S had employed economic sanctions- defined by Robert Pape as instruments of economic pressure designed to compel a target state's political leadership to alter its behavior- on Iran to press its regime to scale back its nuclear program and restrict it to civilian uses since the mid-1990s, with the international community joining these sanctioning efforts in 2006.[1] These sanctions had collectively included the Iran Sanctions Act that had sanctioned third-country firms' investments in Iran's oil and gas fields; a ban by the European Union on oil imports from Iran; and bans from Japan and South Korea on medium-and long-term trade finances and financial guarantees to Iran.[2] The U.S. has similarly imposed economic sanctions on North Korea to press its regime to scale back its nuclear programs and missile tests since 2001, and these sanctions include stoppages in oil shipments to North Korea; bans on trade of commercial items such as computers and software; arms embargoes; and financial sanctions on North Korean entities.[3] U.N members have also contributed to the U.N Security Council's various Resolutions targeted at North Korea's nuclear weapons programs, involving sanctions that include bans on trade with North Korea in missiles, armored vehicles and heavy weapons, and a ban on exports of luxury goods such as jewelry and cars to North Korea.[4]

Iran has in turn, made two policy shifts in its nuclear posture in response to economic sanctions imposed on it; in 2013, Iran's elites had accepted an interim agreement- the Joint Plan of Action (JPA) designed to stop the growth of Iran's nuclear program- in exchange for 'temporary and modest sanctions relief' worth \$7 billion; and in 2015, Iran ratified the Joint Comprehensive Plan of Action (JCOPA) that was designed to verifiably prevent Iran from gaining nuclear weapons in exchange for oil and financial sanctions relief and a release of \$100 billion of Iran's assets.[5] Economic sanctions have however, had virtually no effect on the political behavior of North Korea in the 2010s vis-à-vis its nuclear programs; for instance, North Korea had conducted its 'third and most powerful nuclear test' in 2013 which it claimed to be a response to the U.N's strengthening of Resolutions against its nuclear efforts; and has more recently, conducted its fourth nuclear bomb test in January 2016.[6]

Why have economic sanctions worked on Iran but not North Korea in the 2010s? My research project aims to answer this puzzle via this key research question: are economic sanctions really effective in altering the postures of states vis-à-vis their nuclear programs? My paper mainly argues that economic sanctions have been effective in altering Iran's nuclear posture but not in altering North Korea's in the 2010s because they have been higher in degree on Iran than they have been on North Korea. The ambit of my paper is as follows: it will first highlight the explanations the existing literature provides in accounting for the differences between Iran's and North Korea's nuclear postures in 2010- namely differences in culture and regime type- before elucidating their limitations. From there, it will present the first main argument: that economic sanctions have worked on Iran due to its competitive authoritarian regime, and that economic sanctions do work on North Korea due its 'court economy' and regime's vulnerabilities.[7] It will then present calculations of Gross National Income (GNI) that elucidate the second argument that forms the crux of this

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paper: that the degree of economic sanctions on Iran has been higher than that on North Korea, which is why North Korea has not changed its nuclear posture in the face of economic sanctions whereas Iran has in the same situation. The paper will then explain why sanctions have been lesser in degree on North Korea than on Iran, before concluding with my research finding's policy and theoretical implications.

Understanding the behaviors of states in response to economic sanctions, through the case studies of Iran and North Korea in the 2010s, is an important research for strategic studies scholars for two main reasons. First, a clear-cut transition was made from noncooperation to cooperation to adhere to nuclear deals in the case of Iran caused primarily by economic sanctions; Iran's case can hence be usefully compared with North Korea's record of recalcitrance in the face of economic sanctions to flesh out the conditions under which economic sanctions do not work in persuading states (such as North Korea) to desert their nuclear ambitions. Second, proof of my main argument will pose serious challenges to traditional arguments that economic sanctions are not effective in persuading states to scale back their nuclear programs by demonstrating the conditions under which they can work.[8]

Literature Review: Limits of Existing Theoretical Framework

The prevailing historical and theoretical literature points to two explanations as to why economic sanctions have not worked in altering North Korea's nuclear posture as compared to Iran's: North Korean culture and differences in regime type.

In terms of North Korean culture, scholars have argued that the two unique principles of confucianism and self-reliance (*juche*) have molded the North Korean population to not depend on foreign trade.[9] As such, economic sanctions have not resulted in public pressure or revolts that could have resulted in North Korea finally making concessions to scale back its nuclear program.[10] This explanation is however, problematic, because the historical record suggests that whatever culture the North Korean masses have subscribed to has not significantly mattered; the North Korean regime has established suppressive institutions such as pseudo elections, the secret police, concentration camps and social policies denying the existence of an independent civil society- all of which have silenced the North Korean masses and hence protected the North Korean regime from public pressure or popular revolt amidst a long history of great famines and economic hardship.[11] Further, despite the North Korean regime's claims about *juche*, it has always still been dependent upon foreign trade and exchange.[12] For instance, the cutoff of Soviet aid and trade credits had caused the North Korean economy to crash in the early 1990s and trade levels to decrease, so much so that the Worker's Party Central Committee had actually announced that the top priority would be foreign trade itself- what scholars argue to be a 'sure sign' that the whole idea of *juche* was but 'an economic dead letter'.[13]

A difference in regime type could then make for a better explanation for the difference in nuclear postures vis-à-vis economic sanctions between Iran and North Korea in the 2010s. Iran consists of a competitive authoritarian regime- that which controls the media, the judiciary and the legislature, but which nonetheless allows for legislative and presidential elections via which the public can still put pressure on its regime in response to economic sanctions.[14] Scholars have noted how the competitive authoritarian regime of Iran was such that there was a change in regime leadership primarily because of economic sanctions; the Iranian public had ultimately elected moderate cleric Hassan Rouhani- a candidate who had promised to ease economic sanctions on Iran and to end Iran's international isolation- as their president in Iran's presidential elections of 2013 over opposition candidates who were conservative, hardline allies of former President Khamen'i.[15] This regime change was in turn, followed by Iran's ratification of the previous-mentioned JPA in 2013 and JCPA in 2015.[16] North Korea, however, consists of a full-scale authoritarian regime that suppresses any possible public pressure or revolt made in response to economic sanctions; economic sanctions would have hence had no effect on the North Korean regime's nuclear posture- hence its different nuclear posture as compared to Iran's political leadership in the face of economic sanctions in the 2010s.[17]

The idea that regime type is the key behind acquiescence to economic sanctions to scale back nuclear programs is however, still problematic as reflected by the historical record. For instance, economic hardship was a huge factor in the full-scale authoritarian North Korean regime's willingness to conclude the 1994 Agreed Framework with the U.S,

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that which had involved it dismantling its nuclear facilities in exchange for U.S' softening of economic sanctions on North Korea involving the provisions of 1) 500,000 tons of annual fuel supplies; 2) efficient energy generating light-water reactors; and 3) a decrease in barriers to mutual economic ties- all of which could significantly ameliorate Pyongyang's account deficit and boost its export industries.[18] Further, former North Korean leader Kim Jong Il had expressed concern during a 2006 visit to Shanghai that prolonged economic sanctions levied by the United States could lead to regime collapse.[19] Additionally, China's unprecedented economic sanctions on North Korea under U.N obligations in 2014, had also largely delayed Pyongyang's fourth nuclear bomb test.[20] Economic sanctions have hence affected the behavior of the North Korean regime, irrespective of its regime type.

In view of the aforementioned limitations, more research is required to more accurately account for why economic sanctions have worked on Iran and not on North Korea in the 2010s. As my paper will demonstrate, economic sanctions do work even on North Korea *in spite of* its full-scale authoritarian regime type because its regime's stability is *still* sensitive to economic sanctions. From there, it will then demonstrate that the degree of economic sanctions has been a lot less on North Korea than on Iran, such that economic sanctions have not worked to compel North Korea to scale back its nuclear programs unlike Iran's case in the 2010s.

The Degree of Economic Sanctions- Why North Korea Has Not Acquiesced?

The 'Court' Economy of North Korea

An assessment of the effectiveness of economic sanctions on North Korea's nuclear posture should begin with accounting for the limitation mentioned earlier- that even though the North Korean regime has always been full-scale authoritarian, that it had still reacted to economic sanctions before. Accordingly, scholars have noted that economic sanctions work to alter a nation's political decisions either via replacement of the target's government or by persuading the target regime that the issues in question are not worth the price.[21] While Iran's case in the 2010s fits the former scenario, North Korea's case in the 2010s fits the latter scenario where economic sanctions could prove costly to its regime stability due to the drastic lessening of funds to its 'court economy'. Several scholars have noted that the North Korean economy is a 'dual structure' comprising of 1) the 'court' economy run solely for the North Korean regime elites and 2) the centrally planned economy run by the civilian government.[22] This 'court economy' was established in 1972 and has been imperative to earning hard foreign currency and luxury goods to fund both glorification programs of the Kims' dynastical rule and regime maintenance for the Kims to consolidate power at the upper echelons of the North Korean government.[23] Regime maintenance efforts include 1) funds for the Kim leadership's personal use; 2) luxury goods to reward the regime's military, party elites and government; and 3) provisions for the needs of regime security agencies.[24]

Though one of its main components, the Office #39, is primarily funded by illicit international activities such as drug trafficking, counterfeit currency and cigarette operations, the court economy constitutes up to 40% of North Korea's entire economy primarily through foreign market transactions.[25] The court economy's dependence on North Korea's overall economic performance is also reflected by how its illegal drug and counterfeit currency incidents had peaked to historic high levels during the mid-to-late 1990s to ensure stability of the court economy- that which was otherwise threatened by North Korea's economic crises that had resulted collectively from U.S economic sanctions, massive losses of Russian and Chinese Cold War subsidies, natural disasters and extensive famine.[26] The inextricability of the court economy from North Korea's overall economy is also reflected in how the court economy is responsible for 15% and 40% of North Korea's industrial production and export revenue respectively.[27] Scholars have therefore, argued that economic sanctions would threaten the court economy 'most of all', and so promote instability within the target regime, hence ultimately influencing the North Korean elites' nuclear postures.[28] This was seen in the aforementioned incidents such as the North Korean elites' acquiescence to sanctions leading to the 1994 Agreed Framework; and their postponing of their fourth nuclear bomb test from 2014 to 2016 the moment China- their largest trade partner- had imposed economic sanctions on them in 2014.[29]

The larger point, however, is that the North Korean regime, even with its full-scale authoritarian nature, still has vulnerabilities that economic sanctions can exploit; overlapping family relationships- made more pronounced by in-law networks- have always produced potentially divisive and competitive loyalties among different power cores within

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the Kim family dynasty and a faction-ridden Party leadership.[30] This situation is exemplified by how the family trio of Jang Song Taek (Kim Jong Il's brother-in-law), Kim Pyong Il (Kim Jong Il's half brother) and Kim Jong Nam (Kim Jong Il's eldest son) had worked together to weaken the powers of Kim Jong Il's wife, Kim Ok, during Kim Jong Il's reign; how there have been increased factionalism and threats of executions between conservatives in the military and civilian leadership in Pyongyang in the years after the 1994 Agreed Framework; and how the current North Korean leader, Kim Jong Un, has had to purge eight Party and military leaders (including Jang Song Taek); carry out several rounds of reshuffling within the Party and the military in 2014; and punish up to 200 of Jang's Party and military followers and hundreds of senior officials following Jang's execution- all in a bid to consolidate his power within an unstable regime.[31] Given these vulnerabilities, the court economy is all the more imperative to the stability of Kim's regime- hence economic sanctions are still effective in influencing the North Korean regime's nuclear posture.

Degree of Economic Sanctions: Comparing Gross National Incomes

Upon establishing that economic sanctions do work on Iran and North Korea despite their differences in culture and regime type, we can now compare the degree of economic sanctions on both countries to detect differences in degree that could account for why economic sanctions have only successfully pushed Iran's leaders and not North Korea's to change their nuclear postures. Accordingly, scholars have argued that the most critical measure of the degree of economic sanctions is the aggregate GNI loss over time, and that the average percentage loss of GNI vis-à-vis economic sanctions that has led to the alterations of political behaviors of state leaders has approximately been 2.4%.[32] We would hence infer that economic sanctions have not worked on a target state because they 1) have not caused a dip in GNI of the target and 2) if they did it did not involve a 2.4% or above dip in GNI.

Iran's GNI had consistently risen despite economic sanctions on it since the mid-1990s (1995), before dipping sharply by 4.68% in 2012 right before Iran's ratification of the JPA in 2013 and the start of talks for the JCPA in the same year, and declining further by 0.49% by the end of 2013 as talks for the JCPA ensued on in 2014.[33] The sharp decline in GNI was largely caused by Iran's isolation from the international banking system plus mass reductions in Iran's oil exports from 2.5 million barrels to 1 million barrels per day, all of which in turn, were primarily the result of European Union embargoes on purchases of Iranian oil and moves by Iranian oil customers to secure exemptions from U.S economic sanctions.[34] Specifically, the sharp decline in GNI was largely due to how oil exports had always funded 50% of Iran's government spending, 20% of its Gross Domestic Product (GDP) and 80% of its foreign exchange earnings, and also how the loss in revenues from oil plus Iran's segregation from the international banking system caused by U.S economic sanctions had also created a dive of up to 80% in the value of *rial* (Iran's currency), in turn raising inflationary pressures to over 50% and decreasing Iran's stockpile of and access to foreign exchange reserves during the period between 2012 and 2013.[35] All of these findings, in turn, buttress prevailing arguments that economic sanctions had indeed been effective in compelling a change in Iran's nuclear posture in the 2010s.

North Korea's GNI had in turn, been declining by -3.8% on average from 1990 to 1998, but has, since the 2010s, been growing positively; after a negative growth of -0.5% in GNI in 2010, there was a 0.8%, 1.3%, 1.1% and 1.2% GNI growth in 2011, 2012, 2013 and 2014 respectively.[36] The period of GNI decline between 1990 and 1998 in turn, coincides with how the North Korean regime had signed the previous mentioned 1994 Agreed Framework, and imposed upon itself in 1999, a moratorium on missile testing in exchange for what President Clinton had announced to be the 'most significant easing' of economic sanctions- that which resulted in North Korea's GNI reaching positive growth of 6.1% for the first time in 10 years in the same year.[37] The consistently positive GNI growths in the 2010s in turn, adds on to the positive average growth rate in North Korea's GNI of 2.2% in the 2000s, and because elites of Kim's regime have been able to live off comfortably with North Korea's economic performance in the 2000s to the point where most of them were collectively committed to the goal of regime preservation- a situation especially reflected by a decline in the degree of illicit activities required to fund North Korea's court economy to offset any economic deficits from sanctions in the 2000s, it goes without saying that North Korean elites have still been able to live with North Korea's economy with their personal interests largely intact in the 2010s due to continued GNI growth.[38] The period of GNI growth in the 2010s, in turn, coincides with North Korean nuclear programs within the same period carried out in spite of economic sanctions. All these findings suggest that North Korea has not changed

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its nuclear posture in the 2010s because its economy- and hence its court economy required for regime stability- has not felt the brunt of U.S and multilateral sanctions; this, in stark contrast with the early-to-mid 1990s where severe economic hardship (as reflected by its GNI declines above 2.4% in the same period) from famines, natural disasters, losses in Soviet and Chinese subsidies and U.S sanctions had forced North Korea to acquiesce to sanctions and scale back its nuclear activities in the same period.[39]

The next key question to answer then is: why has the degree of economic sanctions on North Korea been lower than that on Iran? As argued by some scholars, sanctions will not be effective against a target nation if 1) the target has alternative trading partners for its exports and importation of necessary items and 2) if they create huge costs to the imposing country.[40] Accordingly, North Korea has been able to survive the brunt of U.S and multilateral sanctions in the 2010s to record positive annual GNI growths primarily because trade with its largest trading partner, China (who makes up more than 90% of its trade) has been increasing in the 2010s; North Korea has had unprecedented trade surpluses from 2011 onwards despite U.S and multilateral economic sanctions designed to restrict North Korea's external economic relations, due 'largely on the back of expanding trade with China'.[41] China has in turn, not pressed hard on North Korea with economic sanctions in the 2010s despite U.N obligations to do so because of social, strategic and economic reasons, which include 1) the threat of influx of North Korean refugees due either to increased economic hardship or the collapse of Kim's regime because of these sanctions; 2) strategic considerations that having an allied buffer state in North Korea could secure its borders; 3) its economic benefits from accommodating with North Korea; and 4) the increased likelihood that the sanctioning state, in its possible escalations of economic sanctions, might ultimately resort to force to preserve its own prestige, international reputation and rhetoric employed to justify its sanctions- as was the case with the U.S invasion of Iraq in 2003 after a 13-year U.N embargo against it.[42]

Still, the story of economic sanctions vis-à-vis China and North Korea has had new developments; North Korea's persistent nuclear tests have, in 2016, persuaded China to co-draft a U.N Resolution with the U.S involving sanctions even tougher than the sanctions regime that had compelled Iran to agree to the aforementioned nuclear deals, as well as announce its commitment to these sanctions.[43] A trade deficit caused primarily by China's economic sanctions could result in substantial dips in North Korea's GNI in the foreseeable future and hence threaten its court economy, and if that truly happens alongside North Korea's change in nuclear posture, it would further prove that economic sanctions work in compelling a given nation to alter its nuclear posture, and that the degree of economic sanctions matters in such a process.

Conclusion: Policy and Theoretical Implications

This paper has attempted to account for the difference between Iran and North Korea's nuclear postures in the face of economic sanctions in the 2010s. The puzzle was as follows: both Iran and North Korea have had economic sanctions imposed upon them by the U.S and the international community, but only Iran has acquiesced to these sanctions and made two policy shifts in its nuclear postures involving accepting an interim agreement, the Joint Plan of Action, in 2013, and the Joint Comprehensive Plan of Action in 2015- both designed to ensure Iran's scaling back of its nuclear programs; North Korea has strangely, however, continued to be recalcitrant vis-à-vis its nuclear postures in the face of economic sanctions in the 2010s.

This paper has in turn, first elucidated that economic sanctions have worked on both Iran and North Korea; economic sanctions have worked on Iran due to its competitive authoritarian regime where the Iranian population still holds sway over Iran's political behavior, and have also influenced North Korea's political behavior due to the importance of its 'court economy' in ensuring the stability of Kim's regime. This paper has then found the degree of economic sanctions to be a convincing explanation as to the difference in Iran's and North Korea's nuclear postures in the 2010s; while economic sanctions have largely resulted in Iran's GNI dipping significantly enough to compel a regime change that had led to ratifications of two nuclear deals in the 2010s, economic sanctions have not had any major effect on North Korea's GNI, with its GNI still consistently recording positive growths in the 2010s such that North Korea's regime has been able to sustain its court economy and hence its stability. North Korea's GNI has in turn, been growing positively because it has been clocking unprecedented trade surpluses from expanding trade with its largest trading partner, China, who has until 2016, not imposed strong economic sanctions on North Korea for social,

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strategic and economic reasons. Further proof of the effectiveness of economic sanctions vis-à-vis the degree of these sanctions could in turn, be found in North Korean responses to China's recent involvement in tough economic sanctions imposed on North Korea for its persistent nuclear activities in the foreseeable future; scholars would do well to continue monitoring North Korea's nuclear posture in the face of these sanctions via its GNI trends in the following years.

My research findings have in turn, three main implications. *Policy implications:* my two cases demonstrate to foreign policymakers that economic sanctions is a viable foreign policy tool with which to prevent states from developing nuclear weapons, and that the effectiveness of economic sanctions lies largely also in whether or not the target state has alternative trading partners that could bolster the impact of economic sanctions. These case studies also illuminate that one important way to convince a target state's alternative trading partners to either terminate trade with the target state or join existing sanctioning efforts so as to ensure the efficacy of economic sanctions by a given coercer, is to reduce all possible costs associated with these alternative trading partners' impositions of economic sanctions on the target state; for instance, U.S foreign policymakers could, in China's case, arrange to fund and provide for large supplies of food aid and temporary shelters to help it bolster the possible influx of refugees from North Korea, as well as offer economic programs concerning joint developments with China that could reap huge economic gains for both parties that far surpass China's gains from trade with North Korea- all to further facilitate China's efforts in imposing heavy economic sanctions on North Korea.

Humanitarian implications: the results of my research, in lending support to foreign policymakers to pursue high degrees of economic sanctions to make North Korea change its nuclear posture, would surely unearth a humanitarian dilemma- that of the difficulty in preventing the substantial suffering the full-scale authoritarian North Korean regime would impose on its own population caused by the regime diverting economic hardship away from its court economy to its own people as much as possible, and the ensuring of a consistently high degree of economic sanctions on North Korea at the same time.[44] With the effectiveness of economic sanctions established by the two case studies I have examined, a future area of research could be in devising practices that could substantially bolster the humanitarian issues that come with the impositions of economic sanctions on North Korea, for better policy recommendations to foreign policymakers vis-à-vis North Korea's nuclear postures.

Theoretical contributions: my case studies also provide further support to the effectiveness of economic sanctions in coercing target states to alter their political behavior, and hence pose serious challenges to prevailing arguments in the literature that economic sanctions cannot make states scale back their nuclear programs. They also add to the literature a critical evaluation of the success of economic sanctions vis-à-vis North Korea's nuclear postures in the 2010s, made largely possible only via comparisons with Iran's case in which economic sanctions have evidently worked.

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