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North Korea, Libya, and Iran: Economic Sanctions and Nuclear Proliferation

by Randall Newnham

On 19 December 2003, the leader of Libya, Col. Muammar El-Qaddafi, shocked the world by abruptly stating that his country was renouncing its attempts to develop weapons of mass destruction (WMD). What explained this sudden change of heart? Officials of the George W. Bush administration argued that Qaddafi was intimidated by the U.S.-led invasion of Iraq, but most observers believed that the truth was somewhat more prosaic. Libya, they argued, had been won over by a slow, patient campaign of economic sanctions and incentives.[1]

In contrast, efforts by the United States and other nations to influence North Korea with economic carrots and sticks seem to have failed. After years of patient diplomacy, a pact known as the Agreed Framework was negotiated with the North in 1994 by the Clinton administration. It was designed to freeze the North's WMD programs in return for loosening decades of economic sanctions. The North, however, seemed to violate the agreement by beginning a new nuclear program in secret. Confrontation escalated, Pyongyang returned to reprocessing plutonium, and it is now generally believed that the country possesses a small arsenal of nuclear weapons.[2] Although the Bush administration was able to reach a pact with the North in 2007 that called for a halt to further nuclear development in return for economic incentives, implementation of the accord has stalled. Despite years of economic incentives and punishments, Pyongyang's nuclear and missile programs have remained more threatening than ever.[3] As we shall see, this stalemate has continued during the Barack Obama administration.

Explanations and Theory

What explains the apparent success of economic power in the Libyan case and its failure in the North Korean case? This question should be of great importance to both policymakers and academics. Coping with the efforts of rogue states to develop WMD is a central problem for the world today, and economic sanctions and incentives remain the tool of choice in fighting such proliferation.

Currently the West's antiproliferation efforts are focused primarily on Iran. Iran's location and ideology make it seem very threatening. It sits at the center of the explosive Middle East. It borders both Iraq and Afghanistan, the main fronts in the U.S.-led war on terror. It controls massive oil and gas supplies and could easily choke off vital exports from other Persian Gulf states. Its leaders are not content to reign in splendid ideological isolation like Kim Jong-il of North Korea: they aspire to lead the Muslim world, and they currently play a large role in destabilizing Lebanon and the Palestinian territories. Experts believe that Tehran is attempting to develop nuclear weapons, yet it is still several years away from achieving that goal. For example, Dennis Blair, director of national intelligence, stated in 2009 that the consensus of the intelligence community was that Iran would not be able to produce highly enriched uranium before 2013.[4] This gives the world a narrow window of opportunity to stop this program. And as was the case with Libya and North Korea, the main weapon being used against Iran's WMD effort is economic linkage.

What does the literature on economic linkage tell us about these cases? First, a brief definition of economic sanctions is in order. This paper will consider all cases of economic pressure for political purposes—trade, financial, etc.—under the general umbrella of sanctions. Second, it is important to establish that sanctions can potentially work, even when applied to difficult high-politics issues such as WMD proliferation. While much past literature seemed to question the overall utility of sanctions, a number of strong studies have shown that they can be effective.[5] This can be true even in least-likely cases, cases where the target in the sanctions attempt is being asked to renounce something

Dr. Randall E. Newnham is a Professor of Political Science at Pennsylvania State University. Dr. Newman's paper is the thirty-six in KEI's Academic Paper Series. As part of this program, KEI commissions and distributes 10 papers per year on original subjects of current interest to over 3,000 Korea watchers, government officials, think tank experts, and scholars around the United States and the world. A public discussion at KEI with the author generally follows in conjunction with distribution. At the end of the year these papers are complied and published in On Korea. Volume 3 of On Korea was published in April 2010. For more information, please visit www.keia.org/paper_series.php.

of great value—like its WMD program.[6] Indeed, a number of case studies focusing specifically on WMD proliferation have shown that economic sanctions and incentives can sometimes play a role in inducing concessions.[7]

The crucial question addressed in the literature is the following: *When* do economic levers work? Here there seem to be two crucial conditions: first, the levers used must be *strong enough* to move the target to make concessions. And, second, the target state must be *weak enough* to feel it must concede.[8] What does this mean in concrete terms? Both economic and political factors must be considered. The sanctions imposed need to be strong enough to cause real economic pain to the target state, as seen in such indicators as gross domestic product (GDP) or in damage to specific important sectors of the economy. And the political system of that state must be permeable enough that this pain is transmitted to its rulers, so they will feel pressure to make concessions to relieve that pain.

Specifically, authors studying sanctions look at the following factors. On the economic side: How strong is the target state's economy? How much of its economy is linked to trade? How comprehensive are the sanctions? Do they cover many products, up to a total trade embargo? And are they imposed by the entire world or only a single trading partner? Clearly, one would expect comprehensive sanctions imposed on a weak state to be more effective.[9]

On the political side, many observers believe that the more democratic a country is, the more vulnerable it will be to sanctions.[10] Even if a state is not democratic, a relatively more open authoritarian system may be more vulnerable than a tightly controlled one. There are several possible mechanisms for this effect. The classic one is that the population, angered by economic suffering, will turn on its leaders and remove them from office through elections or a revolt.[11] Another mechanism could be the rise of an alternative elite who seize on the economic turmoil to advance their own agenda and take power. Or the regime itself, fearing these possibilities, may make concessions to make the sanctions go away. All of these scenarios are more likely if the regime is at least somewhat open politically.

This paper will try to draw lessons from the Libyan and North Korean cases to apply to Iran—and to other sanctions cases in general. It will first examine economic factors, showing that through this lens sanctions against Iran seem unlikely to succeed because the country is economically stronger than either North Korea or Libya, and sanctions against it seem weaker. The second part of the analysis, focusing on political factors, gives a more optimistic view of the Iranian case. In contrast with North Korea and Libya, Iran seems to be relatively politically open, making it more vulnerable to sanctions.

Economic Factors and Linkage Attempts

Several economic factors are believed to be important in the success of linkage attempts. How comprehensive are the sanctions being imposed? Does the targeted state have the ability to easily evade the sanctions by trading with other states? How strong is the economy of the targeted state? Clearly, if the sanctions are weak and the target's economy is strong, sanctions will have little chance of success—especially when they are aimed at a hard case like WMD programs that target states are reluctant to renounce.

Economic factors play a large role in explaining the cases examined in this paper. In particular, the failure of the North Korean sanctions can be explained in part by the reluctance of other actors to join Western sanctions. In the Libyan case, in contrast, UN sanctions played an important role in backing up Western embargoes. The size and relative trade dependence of the targeted economies are also important. While North Korea was able to resist sanctions despite its desperate poverty, in general the smaller, weaker economies are more easily targeted.[12] This seemed to be the case with Libya, a small country with an economy based largely on oil exports.

Unfortunately, both economic arguments suggest that successfully influencing Iran will be difficult. The country's economy appears relatively large and diverse when compared with either North Korea or Libya. And thus far both the United Nations and many of Iran's major trading partners have been reluctant to impose meaningful sanctions on Iran, weakening the West's economic linkage efforts.

An overview of the basic data on the North Korean, Libyan, and Iranian economies is illuminating.[13] The first two countries are much weaker economically. Estimates for 2009 show North Korea has the world's 97th largest economy ($40 billion GDP on a purchasing power parity basis) while Libya ranks 70th ($95.5 billion GDP). Before sanctions were lifted on Libya, its GDP was even smaller, barely over $20 billion in the late 1980s and 1990s.[14] Iran, however, has a vastly larger economy, ranking 17th in the world in 2009, with a GDP of $876 billion. Because the Iran's economy is about 20 times larger than North Korea's and 10 times larger than Libya's, one would expect that much harsher sanctions would be needed in order to make an impact on the country.

Under sanctions Libya was similarly able to gain only about $5–$10 billion yearly from its oil exports.[15] The lifting of sanctions allowed its exports to surge to about $62 billion by 2008. Yet that same year the Iranian economy—despite sanctions—generated $100.6 billion in exports. Iran's per capita income also puts it into the middle-income range—at $12,900 in 2009—despite years of sanctions. In comparison, Libya's per capita income at the height of the sanctions against it (2002) was estimated at only $3,950, less than one-third of the $12,000 it enjoyed in 1980, before sanctions were imposed.[16] North Korea's gross national product per capita is currently (2009) estimated at an even lower $1,900. Overall indicators, then, suggest that the Iranian economy is relatively large and robust and has not felt serious pain from the sanctions imposed on it so far. This suggests much sharper pressure is needed in order to have a real impact on the regime. Is such pressure possible?

To increase the power of the sanctions against Iran, they must be made both deeper and broader; that is, they must involve more parts of the Iranian economy as well as more of Iran's trading partners. Studies have long shown that sanctions can be easily weakened if the targeted state can simply redirect its trade elsewhere.[17] Thus, involving as many of the target's trading partners as possible—preferably through worldwide sanctions—is ideal. As we shall see, worldwide sanctions help to explain the success of economic linkage in the Libyan case and its failure with North Korea. Although North Korea has been targeted by several UN sanctions resolutions, these are still notably weaker than those Libya faced. Also, Libya did not have a powerful trading state willing to support it—as North Korea has in its relationship with China.

In the case of Libya, the United States had imposed sanctions against Col. Qaddafi's regime for years. Washington banned arms sales in 1978, travel and aircraft sales in 1981, and oil and gas imports in 1982 before finally freezing all other trade—and Libyan assets in the United States—in 1986.[18] These efforts had an impact, but they were undermined by the fact that many other states—even including the western European allies of the United States—continued to do business with Libya. Yet this changed in the late 1980s when Libya was involved in several acts of international terrorism, most notably the downing of Pan Am flight 103 over Scotland in 1988. This helped induce the UN to back up U.S. efforts with two strong actions. First, in March 1992, UN Security Council Resolution 748 banned all arms sales and international air travel to Libya. Second, in November 1993 some Libyan assets were frozen worldwide, and a UN embargo was placed on the sale of certain oil and gas machinery to Libya.[19]

Both of these actions had a real impact on the country. The air embargo, for example, struck deeply at Col. Qaddafi himself, marking him as a pariah who was practically prevented from leaving his country. A vain man, he loved the international spotlight, and this was now denied to him.[20] The measure also had an impact on the broader Libyan elite. Many had studied and vacationed overseas. For example, all of the members of the current Management Committee (the board of directors, in other words) of the Libyan National Oil Company were educated in the West.[21] Now elite members were being told that their own children would be denied such privileges, heightening their sense of isolation.[22]

The second measure, targeting the Libyan oil industry, was probably even more important. The Libyan economy is based on oil and gas exports, but the country lacks trained workers and cannot produce its own sophisticated oil equipment. Thus, existing fields began to decline steadily. By the late 1990s it was estimated that oil production was falling by about 8 percent a year.[23] Since oil prices also remained low from the late 1980s through 2001, the overall effect on Libya's exports—and thus its economy—was huge. Revenues from oil plunged by two-thirds, from about $20 billion per year in 1980 to as low as $5 billion in some years in the 1990s.[24] A major decline in living standards resulted.[25]

In all, then, sanctions did have an impact on Libya, particularly when they were sharpened by strong international cooperation. And, as noted at the start of this piece, experts generally believe that sanctions played a large role in convincing Libya to renounce its WMD program.

North Korea, meanwhile, has also been targeted by strong sanctions from the United States. Because trade with North Korea has long been banned by Washington, recent U.S. administrations have been forced to find new secondary sanctions to ratchet up the pressure on Pyongyang. For example, Banco Delta Asia in Macao, accused of being a conduit for North Korean money laundering, was targeted by the administration of President Bush in 2005–07. After the North apparently sank a South Korean warship in March 2010, Secretary of State Hillary Rodham Clinton announced another set of unilateral financial sanctions.[26] Like the Banco Delta Asia sanctions, these were designed to target individual North Korean front companies engaged in money laundering and other illicit trade. However, the reach of any unilateral sanctions is limited since the United States has few direct economic links to the North. Hence, like earlier sanctions, the recent measures will rely on the cooperation of countries that do still trade with the North.

For many years U.S. allies such as Japan and South Korea maintained important economic ties to the North. As Jeong and Bang note, in both 1990 and 2000 Japan ranked second only to China in its trade ties with the North.[27] The Korean minority in Japan also sent large remittances to the country. Japan has now severed many of these ties, however; in 2008 it did not rank among Pyongyang's top 10 trading partners.[28] Meanwhile, South Korea, which for many years had few ties to the North, shifted sharply under the Sunshine Policy of former president Kim Dae-jung when it became a major economic partner of Pyongyang. In 2008 South Korea ranked only narrowly behind China in overall trade with the North and, in fact, surpassed it as a destination for North Korean exports.[29] These ties, too, have been sharply curtailed of late, especially after the 2008 election of the conservative president, Lee Myung-bak. Most recently, in May 2010, Lee cut off most trade ties with the North after the sinking of the South Korean naval vessel.

Despite the many sanctions imposed by the United States and its allies, the North continues to be able to rely on other states to supply it with key products such as oil. For many years both the Soviet Union and China provided the North with subsidized exports. China has continued to play this role. In fact, China's share of the North's trade has risen in recent years. If intra-Korean trade is excluded—many Koreans do not consider it foreign trade—China's role looms even larger. The Korea Business Center estimates that in 2009 China accounted for a full 78.5 percent of the North's non-Korean trade, after rising steadily from only 42.8 percent in 2003.[30] Unfortunately for those attempting to sanction Pyongyang today, China seems able to compensate for any Western economic actions. After Seoul suspended most trade with the North in May 2010, for example, Chinese companies reportedly stepped in to take over a number of contracts abandoned by South Korean firms.[31]

China—along with Russia, a fellow member of the UN Security Council—has also played a key role in frustrating Washington's hopes for strong UN sanctions against Pyongyang. North Korea borders both states, and they thus have good reason to fear the possible results of strong sanctions. Pyongyang has made it clear that any major UN sanctions will be considered an act of war and has threatened a military response. And if sanctions are effective, they could cause a total economic collapse in the country. China, already coping with hundreds of thousands of impoverished North Korean migrants, is not eager for millions more. Also, China is restrained by some residual solidarity that remains between the North Korean Communist regime and its own Communist rulers. Thus, although the North Korean economy is weak and could thus be vulnerable, strong worldwide sanctions—like those seen in the Libyan case—have not been imposed.

Because of a great deal of arm-twisting by the United States, the UN has agreed to several sanctions resolutions. Resolution 1695, passed in 2006, banned the sale of missile-related technology to the North. Resolution 1718, also from 2006, banned sales of other military items and targeted assets of some North Korean firms and individuals. Resolution 1874, passed in 2009 after the North tested a nuclear device, banned weapons exports from the country and imposed some additional financial restrictions. However, these resolutions leave most of the North's day-to-day foreign economic ties untouched.

As shown by the North's atomic testing, the various UN and Western measures have not stopped the country's WMD program. Also, in another testament to the failure of sanctions, North Korea's overall foreign trade has continued to increase—a notable contrast to the Libyan case. Using IMF figures and their own calculations, Jeong and Bang note that Pyongyang's trade stood at just over $2 billion as recently as 1999; they estimate that in 2008 it reached $8 billion, almost quadrupling in less than ten years.[32] Admittedly, South Korea's recent suspension of trade will cut into that amount, yet it attests to the fact that sanctions have so far failed to isolate the North. Economically, then, despite North Korea's poverty, it is still very difficult to sanction effectively. As we shall see, North Korea's totalitarian political system makes it an even harder target.

And what of the sanctions on Iran? They are largely led by the United States and have even weaker international support than those targeting North Korea. The United States has embargoed all oil purchases from Iran since the 1979–80 Iran hostage crisis, but it has not been joined by other major countries in this effort. Iran's leading foreign customers in 2009 were China, Japan, India, South Korea, Turkey, and Italy. Its leading sources of imports were the United Arab Emirates, China, Germany, South Korea, Russia, Italy, and France.[33] Many of these are U.S. allies. For example, western Europe currently hosts branches of many banks linked to the Iranian government that are not welcome in the United States. And in 2008 the countries of the European Union collectively exported about $20 billion worth of goods to Iran.[34]

Even if U.S. allies impose somewhat stronger sanctions, as the EU recently promised to do, the broader world community seems uninterested.[35] Russia, for example, has sold Tehran much of the equipment it now uses for its allegedly peaceful nuclear program. Even as that program has advanced, the Russian foreign minister, Sergei Lavrov, continues to believe that "Iran is a partner that has never harmed Russia in any way."[36] He specifically rejected U.S.-proposed sanctions, such as a ban on exports of gasoline to Iran:

> *Some of the sanctions under discussion, including oil and oil products, are not a mechanism to force Iran to cooperate. They are a step to a full-blown blockade, and I do not think they would be supported at the U.N. Security Council.*[37]

Similarly, China—also a permanent member of the Security Council—is also unenthusiastic about sanctions. Like Russia, it favors a multipolar world in which the West is balanced by other powers, and it does not see a strong reason to fear a nuclear Iran. And, like Russia, China has extensive economic and political ties with Tehran, although in Beijing's case the focus is on Iran's extensive oil and gas resources. In recent years the Chinese have committed to investments worth well over $100 billion in the Iranian oil and gas industry.[38]

Because of such weak international support, the UN has imposed only very limited sanctions on Iran, directly targeting the country's nuclear and weapons imports. Four UN sanctions resolutions have passed: 1737 (in 2006); 1747 (2007), 1803 (2008), and 1929 (2010). Yet, as Jacobson shows, these have little real weight:

> *Resolution 1803 builds on the two previous resolutions by expanding the blacklist of entities and individuals tied to Tehran's nuclear program; banning the sale of dual-use components to the regime; calling on member states to inspect cargo going to or coming from Iran; and urging counties to "exercise vigilance" in any trade incentives or guarantees they seek to broker with Iran.*[39]

These are very limited sanctions. Clearly, the latter portion of the resolution is diplomatic waffle-speak; the only real targets are a small group of companies and components directly linked to the country's nuclear programs.

These limited sanctions have had little impact on the broader Iranian economy. As Guo notes, the shock of the first UN sanctions in December 2006 caused the Tehran stock market to fall slightly, by 7 percent. The next round of sanctions, in March 2007, caused only a 3 percent fall. The 2008 sanctions caused no decline at all.[40] Clearly, the Iranian stock market had realized that these sanctions are more symbolic than real.

Little has changed under the Obama administration. As Iran seems to advance ever closer toward developing a nuclear weapon, the United States still cannot muster a united international front against the country. The latest UN sanctions resolution, number 1929 passed in June 2010, faced several dissenting votes in the Security Council—an important signal of weakness to the Iranians. In addition, its content was heavily watered down by months of negotiations with China and Russia; in the end, for example, only one new bank and one new individual were added to the list of those targeted for sanctions.[41]

Unfortunately, the weakness of these international sanctions suggests that the Iranian case bears little resemblance to Libya. Instead, the weak international support for isolating Iran is reminiscent of the North Korean case—if not worse. In the Korean case, one significant opponent—China—has played a leading role in undermining the sanctions. In the Iranian case, however, there seem to be as many opponents as supporters. This greatly reduces the impact of the sanctions.

In all, then, the conclusion of the economic side of this analysis is negative: Iran has a stronger economy than either Libya or North Korea, and it faces weaker sanctions. Both of these factors suggest that Western efforts to influence Tehran with economic power will be unsuccessful.

Political Factors and Linkage Attempts

As noted in the preceding theory section, countries that are freer seem to be more vulnerable to economic sanctions. It is of course difficult to quantify a country's level of freedom, but some measures have been developed. Among the most respected is the index created by the nonprofit Freedom House.[42] This index ranks countries with two scores, one for political rights and another for civil liberties. Each score can range from 1 to 7, with higher numbers indicating increasing repression. When the two scores average 1–3, a country is considered free. Countries with scores averaging 3–5 are seen as partly free, and those above 5 are not free. All of the countries featured in this article rank as not free. Both Libya and North Korea have scores averaging 7, while Iran averages 6. As we shall see, this is an important difference. Despite recent repression under President Mahmoud Ahmadinejad, Iran is a somewhat freer country, and thus we would expect it to be somewhat more vulnerable to sanctions. A closer look at the three states makes this clear.

North Korea is undoubtedly the most repressive of the three states. Indeed, it is often considered the most totalitarian state in the world today. The country's ruler, Kim Jong-il, maintains a Stalinist personality cult of frightening intensity. His father, Kim Il-sung, is still officially the president of the country 16 years after his death. When the outside world looks at North Korea—as it did with the Soviet Union in Stalin's time—it can see only a blank mask of military parades and synchronized chanting. Even elite North Koreans rarely travel or study abroad, and the world knows virtually nothing about the country's ruling circles. A strict policy of so-called democratic centralism ensures that no hint of debate within the North Korean elite reaches the outside world. All facets of life—the economy, media, private life—are strictly controlled.

Such a totalitarian state is a very difficult target for economic sanctions. As past experience has shown, the leadership will literally let millions starve rather than make concessions on important political or military issues. And the people are so controlled that any dissent, let alone open revolt, seems virtually impossible.[43] In this tightly controlled system, outside observers are careful to note even the smallest glimmers of openness. For example, in the early years of the past decade Pyongyang permitted an increase in private markets, which could have made the country somewhat more responsive to economic pressure from outside. To prevent any erosion of government control, however, the regime has sharply curtailed these markets.[44]

Libya, meanwhile, is also clearly an authoritarian state.[45] Compared with North Korea, however, it seems relatively open. It has been common for members of the Libyan elite to study and travel abroad, where they have been exposed to different ideas and lifestyles. Saif al-Islam, Qaddafi's son, studied at the London School of Economics and returned home to become a (relatively) liberal voice in his father's court. He was reportedly heavily involved in the secret negotiations that led to Libya's opening to the West.[46] Broader groups of reformist or technocratic leaders have also emerged periodically in Libya. Just before the 2003 deal with the West, Qaddafi appointed a reformist prime minister, the Harvard-educated Shukri Muhammad Ghanim, who presided over a notable liberalizing of the economy.[47] Within the constraints of loyalty to Qaddafi, a certain amount of debate over policy options is permitted within the elite.

Also, unlike in North Korea, more visible cracks can be discerned in Libyan society as a whole. Analysts believe that several kinds of internal dissent helped to bring Qaddafi to the bargaining table with the West in the late 1990s. The armed forces were growing uneasy. They were impacted by the UN ban on weapons imports and even saw their salaries go unpaid as the economy declined. A number of coup plots reportedly were under discussion, which must have greatly alarmed the Libyan leader who had come to power himself in a military coup.[48] Economic decline, brought about by sanctions, also led to mass unemployment and unrest in the broader population, especially among the young. And Libyan youth were increasingly finding a dangerous outlet for their dissent—Islamic extremism. A local al Qaeda affiliate, the Libyan Islamic Fighting Group, began to make its presence felt, reportedly even attempting to assassinate Qaddafi.[49] Here, then, one of the classic mechanisms of sanctions seemed to be working: economic deprivation led to internal dissent, which caused the leadership to rethink its confrontational attitude toward the outside world.

And what of Iran? Compared with either Libya or North Korea, the Iranian political system—while still authoritarian—appears much freer. An apt summary of the country's politics was given by the German news magazine, *Der Spiegel*, which called the system a "unique construction . . . a mixture of democratic elements and the Pope's Vatican City, with odd touches of a North Korean-style dictatorship."[50] The country has two sets of institutions: a religious leader (since 1989, Ali Khamenei) assisted by the Council of Guardians that watches over the country to protect "Islamic values." Meanwhile, an elected president and parliament run the day-to-day government.

In Iran those who oppose the idea of an Islamic state are indeed often harshly punished. This has been seen dramatically in the crackdown on protests after the disputed reelection of President Ahmadinejad in June 2009. The methods used by the state in this case—arbitrary arrests, torture, show trials of opponents—seem reminiscent of Stalinist Russia. Yet the differences are clear: even in a time of great threat for the state, voices both inside and outside the leadership have loudly questioned its actions. This has been true throughout the 30-year history of the Islamic Republic of Iran.

Shortly after the disputed election, for example, a newspaper run by reformist presidential candidate Mehdi Karroubi was ordered closed by the mullahs for its aggressive reporting; this obviously was a repressive action.[51] Yet any expert on Libya or North Korea would be astonished: an *opposition* newspaper? Operating openly, for years, before being closed? Similarly, the current Iranian parliament, the Majlis, is safely in the hands of conservative forces because outspoken opposition candidates are often forbidden to run by the Council of Guardians. More than 200 of its members are considered strong supporters of the supreme leader, Ali Khamenei, with only about 80 counted as moderates or reformers. Yet, here again, any observer used to a true dictatorship would be startled: 80 opposition representatives in the Majlis? And their opposition is not merely theoretical: when Ahmadinejad was sworn in for his second term, for example, most opposition members boycotted the ceremony.

Reformists have even won control of the parliament in the past, during the administration of the relatively liberal president, Mohammad Khatami (1997–2005). Although it is true that many of the reform measures put forward by the government at this time were vetoed by the clerical establishment, the period nonetheless saw real changes in Iran's foreign and domestic policies. And even today's generally conservative members of the Majlis are not averse to disagreeing loudly with the president over some issues. After Ahmadinejad's reelection, for example, many openly disdained his cabinet choices, threatening to veto some or even all of them.[52] Even in the most restrictive periods such political debate has continued; for example, in 2005 the Majlis rejected three successive candidates proposed by Ahmadinejad for the key post of oil minister.[53]

The Iranian system is particularly open for debate on economic issues. Like the Bible, the Koran permits a variety of interpretations on the role of wealth and private property. Thus, even leading establishment clerics have openly disagreed about the country's economic course. Iran has veered between quasi socialism, with many leading industries being nationalized soon after the revolution, and the free market system supported by the influential *bazaaris*, the merchant class. Former president Ali Akbar Hashemi Rafsanjani is a member of a wealthy trading family and has been involved in many business ventures. In contrast, President Ahmadinejad has been much more critical of the wealthy, running in part on a platform of improving government services and subsidies to the poor. Such dissension is also heard during debates on the country's external economic policy, with some favoring more ties with the West while others call for autarky. This would seem to create an opening for economic diplomacy, which is not present in countries such as Libya or (even more) North Korea that are dominated more by state ownership and state-imposed economic ideologies.

Clearly, then, Iran is a hybrid state—what one might call a relatively open dictatorship. According to theorists of economic sanctions, such a state should be more amenable to economic pressure than far harsher regimes like Libya or North Korea. Despite their repressive powers, Iran's leaders have reason to fear both demonstrations in the street and rejection in the voting booth. There is some genuine sense of public opinion in the country, reflected in the media as well as a host of Internet postings.

Overall, therefore, if political openness correlates with vulnerability to economic pressure, as theorists believe, Iran should be the easiest of these three countries to influence. North Korea stands before the world like a blank granite slab, showing few political cracks that outsiders can exploit. This has made economic linkage very difficult. Libya also seems to be fairly closed, but it has proved to have some political weaknesses. Experts have speculated that the Libyan elite's ties to the West through travel and education played a role in opening the regime, as did Qaddafi's fear of rising dissension in the armed forces and among the country's youth, who were threatening to drift away to Islamic fundamentalism. Iran, meanwhile, seems even more open in relative terms. Within the limits of its Islamic state, certain political parties are allowed, various newspapers are published, and some real debate takes place. In all, the political side of this analysis points to a relatively optimistic conclusion: if Libya could be pressured by economic sanctions, Iran should be even more vulnerable to such pressure. In contrast, a closed political system like that of North Korea remains a very difficult target for sanctions—although, as Libya shows, even a small change in the system could provide an opening to exploit.

Conclusion

What conclusions can one draw from this paper? Two areas can be considered. First, what have we learned about the theoretical question—i.e. when does economic linkage work? Second, how can these lessons be applied to the North Korean, Libyan, and Iranian cases?

First, in terms of theory, this article tends to confirm that a variety of factors must be considered when trying to predict the effectiveness of sanctions. Policymakers contemplating economic pressure must consider both the strength of the sanctions and the strength of the target state's economic and political systems. Strong sanctions require widespread international support to prevent the target state from easily evading the sanctions. States with larger or less-trade-dependent economies are difficult targets, as are those like North Korea with very authoritarian governments. In contrast, the ideal sanctions target would be small, economically open, and politically free.

What do these insights tell us about the cases at hand? In the successful case, Libya, the country had some political weaknesses, as we have seen. It had even more clear economic weaknesses, notably an economy that was small and totally dependent on oil exports. And it faced very strong Western economic sanctions, backed by fairly strong UN action. Together, these sanctions caused the economy to plummet, putting real pressure on the Qaddafi regime.

In the case of North Korea, however, both economic and political indicators would (correctly) predict a failure of sanctions. The country is extremely closed politically, which allows the regime to impose incredible hardships on its own people without sparking political revolt. On the economic side, although the country has a small, weak economy, the members of the UN have been unable to pass strong sanctions against it. While the West has sanctioned it strongly, other partners—notably China—have helped to keep the country afloat. In the end, then, Pyongyang decided to ignore sanctions and press ahead with its WMD program.

And what of Iran, where the West may yet be able to use sanctions to stop the country's WMD program? The lessons seem to be mixed. The political indicators suggest that Iran could indeed be influenced by economic factors. Iran is much more politically open than Libya, which did bow to economic pressure, to say nothing of North Korea. The interests of the general public and of competing political actors must be taken into account to some extent by the leadership. Thus, if sanctions bite too deeply, the regime may be willing to compromise. The message from the economic side is more negative. Iran's economy is much larger and more diverse than the economies of either Libya or North Korea, making it harder to damage Iran with sanctions.

Overall, though, these seemingly mixed messages can be combined into a clear conclusion: it seems likely that Iran can be influenced, but the amount of economic power needed will be large. A strong UN component is needed, and the economic value of the sanctions will need to be quite large to have an important impact on the relatively large Iranian economy. Realistically, neither condition is likely to be met, given the reluctance of many major countries to sanction Iran. Thus, it might be best for the United States and its allies to consider other options, such as a program of economic incentives or even military action.

Alternatively, we may have to learn to live with a nuclear-armed Iran. This is what we appear to have done, reluctantly, vis-à-vis North Korea.

Endnotes

1 See, for example, Bruce Jentleson and Christopher Whylock, "Who 'Won' Libya? The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security* 30 (2005/06): 47–86; Wyn Bowen, "Libya and Nuclear Proliferation: Stepping Back from the Brink," *Adelphi Paper* 380, May 2006; and Randall Newnham, "Carrots, Sticks, and Bombs: The End of Libya's WMD Program," *Mediterranean Quarterly* 20 (2009): 77–94.

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3 Gregory Moore, "America's Failed North Korea Nuclear Policy: A New Approach," *Asian Perspective* 32 (2008): 9–27.

4 For Blair's response to questions from the Senate Select Committee on Intelligence, see John F. Hackett (letter and attachment from the Office of the Director of National Intelligence, 30 July 2009), www.fas.org/irp/congress/2009_hr/threat-qfr.pdf.

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Md.: Rowman and Littlefield, 1997); and Thomas Bernauer and Dieter Ruloff, eds., *The Politics of Positive Incentives in Arms Control* (Columbia: University of South Carolina Press, 1999).

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9 Drezner, *Sanctions Paradox,* 15.

10 Hufbauer et al., *Economic Sanctions Reconsidered,* 166–68.

11 Baldwin, *Economic Statecraft,* 136–37.

12 Oudraat, "Making Economic Sanctions Work," 116.

13 Unless otherwise noted, data in this paragraph are from the CIA World Factbook, 2010, https://www.cia.gov/library/publications/the-world-factbook/index.html.

14 World Economic Outlook (database), International Monetary Fund, www.imf.org/external/ns/cs.aspx?id=28.

15 Meghan O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism* (Washington, D.C.: Brookings Institution Press, 2003), 196.

16 World Economic Outlook (database).

17 Drezner, for example, cites economic studies that claim that, unless at least half of a country's supply of a product is affected, sanctions will have no impact on the terms of trade. Drezner, *Sanctions Paradox,* 15.

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20 Ron Suskind, "The Tyrant Who Came In from the Cold," *Washington Monthly,* October 2006, 22.

21. See biographies of Management Committee members at http://en.noclibya.com.ly, accessed September 16, 2009.

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45 For more detail, see Dirk Vandewalle, *A History of Modern Libya* (Cambridge: Cambridge University Press, 2006).

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48 O'Sullivan, *Shrewd Sanctions,* 204.

49 Newnham, "Carrots, Sticks, and Bombs," 91–92.

50 Dieter Bednarz and Erich Follath, "Der Heilige und der Haifisch" [The holy man and the shark], *Der Spiegel,* 10 August 2009.

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