

**ASSESSMENT OF THE EFFECTIVENESS OF ECONOMIC SANCTIONS:
THE CASES OF IRAN, NORTH KOREA, MYANMAR, AND CUBA**

Yesun Yoon

NAVAL POSTGRADUATE SCHOOL

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ABSTRACT

This study investigates what factors influence the effectiveness of economic sanctions in changing behavior of targeted states. U.S. and UN leaders often turn to economic sanctions rather than military force to achieve international political objectives, believing that sanctions are as effective as, and more humane than, military force. Yet, history has shown the sanctions are often ineffective in altering target states' agendas. This thesis explores the use of sanctions levied against Iran and North Korea, and examines their efficacy in preventing further nuclear proliferation by these two states. These case studies suggest the structure and type of sanctions have limited success driving behavior changes in target states. Other factors—such as the target states' motivation in pursuing a particular policy and features of their political systems, the sanctioning states' ability to punish targeted states' non-compliance, and the role of third-party spoilers, also known as “black knights”—play a large part in determining the value and outcome of economic sanctions. These findings are supported with a brief examination of attempts to promote democratic reforms in Myanmar and Cuba. The thesis concludes with policy implications.

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LIST OF ACRONYMS AND ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BSPP	Burmese Socialist Programme Party
DPRK	Democratic People’s Republic of Korea
FAA	Foreign Assistance Act
GDP	Gross domestic product
JPA	Joint Plan of Action
JCPA	Joint Comprehensive Plan of Action
LIBERTAD	Cuban Liberty and Democratic Solidarity Act
NLD	National League of Democracy
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolution
USDP	Union Solidarity and Development Party

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I. INTRODUCTION

A. MAJOR RESEARCH QUESTION AND KEY FINDINGS

The United States and the United Nations often choose to use economic sanctions rather than military force to achieve international political objectives. For example, they imposed economic sanctions in an effort to suspend Iran's uranium enrichment program, dissuade the Libyan government from using force against civilians, freeze Kim Jong-un's regimes nuclear program, and halt Russian aggression in the Ukraine. Advocates of economic sanctions argue that sanctions are as effective as military force, and are more civilized. However, history has proven that is not always true: in the cases of Russia and North Korea, sanctions proved to be ineffective in changing their strategy. My study investigates the effectiveness of economic sanctions. In particular, I will ask the following question: What factors affect economic sanctions' effectiveness in changing targeted states' behaviors?

My research focuses on economic sanctions intended to prevent nuclear proliferation in Iran and North Korea. These case studies suggest the structure and type of sanctions have limited influence on the efficacy of economic sanctions to coerce behavior changes in target states. Other factors, such as the target states' motivation in pursuing a particular activity or policy, the features of their political systems, the sanctioning states' ability to punish targeted states' non-compliance, and the role of sanctions busting states (also known as "black knights") provide better insight into the outcome of economic sanctions. A brief examination of attempts to promote democratic reform in Myanmar and Cuba support these findings. The thesis concludes with policy implications.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

Throughout history, countries and organizations have used economic sanctions to coerce and induce changes in policies of an adversary. In *The History of the Peloponnesian War*, Thucydides wrote that Athens imposed economic sanctions against

Megara, an ally of Sparta, in 432 BCE.¹ The Austro-Hungarian Empires utilized sanctions against Serbian pork, in what became known as the Pig War (1906-08).² The League of Nations' against Italy (1935), United States' against Cuba (1960), and the United States' against Rhodesia (1966)³ are just a few additional examples of economic sanctions imposed to achieve political agendas. Advocates for economic sanctions believe they expand options for nations to “protest, or potentially influence, the policies of other countries without taking military action that could escalate into a more dangerous and costly conflict.”⁴

In an effort to provide policymakers with decision support prior to adopting sanctions and produce enhanced foreign policy tools to better achieve the desired outcome; this study identifies characteristics of economic sanctions that contribute to their success or failure.

C. LITERATURE REVIEW

As economic sanctions have increasingly become a popular function of the foreign policy apparatus, policy makers and scholars have increasingly questioned their effectiveness. This literature review displays varying debates on how to define sanctions; how to evaluate sanctions' effectiveness; and the debate over sanctions' effectiveness, including the research on which factors have a major impact on effectiveness.

1. Defining Economic Sanctions

Debates begin with the very definition of sanctions. O'Sullivan, in her book *Shrewd Sanctions*, states, “far from being a semantic debate of no consequence, the definition one adopts determines whether the 1990s are seen as a period of sanctions

1 Richard Crawly, trans., *The Complete Writings of Thucydides: The Peloponnesian War*, (New York: Modern Library, 1951), 78–83.

2 Paul W. Schroeder, “Necessary conditions and World War I as an unavoidable war,” in *Explaining War and Peace: Case Studies and Necessary Condition Counterfactuals*, ed. Jack Levy and Gary Goetz (New York: Routledge, 2007), 154.

3 David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985), 145.

4 Hossein G. Askari, John Forrer, Hildy Teegen, and Jiawen Yang, *Economic Sanctions: Examining Their Philosophy and Efficacy* (Westport, CT: Praeger Publisher, 2003), xi.

mayhem or . . . one of relative restraint.”⁵ According to Hufbauer, Schott, and Elliott in “Economic Sanctions Reconsidered,” economic sanctions are “financial or trade restrictions used by a state in order to change another nation’s policies in some pre-specified manner.”⁶ Hufbauer, Schott, and Elliott view economic sanctions as important aspects of foreign policy for influencing other states’ behavior because sanctions may be an “effective alternative to military force.”⁷ Hufbauer, Schott, and Elliott emphasize that it is important not to “conflate” economic sanctions with other forms of economic coercions such as trade disputes;⁸ however, Hufbauer, Schott, and Elliott did include economic warfare in their empirical case studies.

Pape, in criticizing Hufbauer, Schott, and Elliott, accentuates the importance of distinguishing “economic sanctions” from other strategies of international economic coercions such as trade wars, and economic warfare. He explains:

There are three main strategies of international economic pressure: economic sanctions, trade wars, and economic warfare. Economic sanctions seek to lower the aggregate economic welfare of a target state by reducing international trade in order to coerce the target government to change its political behavior. Accordingly, the most important measure of the intensity of economic sanctions is aggregate gross national product (GNP) loss over time.⁹

Pape differentiates between economic sanctions, economic warfare, and trade war, which have different effects when applied to target states. Therefore, he argues, when evaluating the effectiveness of economic sanctions as a foreign policy tool, it is imperative to distinguish the different strategies “because it would be conceptually unwieldy and it would confuse policymakers about what they most want to know: when

5 Meghan L. O’Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism* (Washington, DC: Brookings Institution Press, 2003), 287; Daniel W. Drezner, “Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice,” *International Studies Review* 13, no. 1 (2011): 12, <http://isr.oxfordjournals.org/content/13/1/96.full>.

6 Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy*, 2nd ed. vol. 1 (Washington, DC: Institute for International Economics, 1990), 10.

7 Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, 10.

8 *Ibid.*, 10, 12.

9 Robert A. Pape “Why Economic Sanctions Do Not Work,” *International Security* 22, no. 2 (1997): 94, <http://www.jstor.org/stable/2539368>.

the strategy of economic sanctions can change another state's behavior without resorting to military force."¹⁰

Baldwin disagrees with Pape, criticizing his dichotomous approach of defining economic sanctions because this approach undermines the effectiveness and utility of economic sanctions as a part of foreign policy tool. Baldwin bases his definition of economic sanctions on their stated goal, arguing that they form a part of a larger set of foreign policy instruments and thus

The concept of economic sanctions should be broadened to encompass all aspects of 'economic statecraft' including not only economic coercion for political purposes (the traditional understanding of sanctions), but also coercion for economic goals (trade disputes) as well as goals other than changing the target state's behavior, such as engaging in economic warfare, rallying domestic political support, demonstrating resolve to third-party audiences, or simply inflicting punishment.¹¹

Elliott also challenges Pape on his strict categorization of economic sanctions, stating, "Pape arrives at [his] conclusion . . . by defining sanctions too narrowly and setting the bar for success so high that, indeed, few cases reach the threshold."¹² Elliott continues to argue that Pape should not dismiss the results of Hufbauer, Schott, and Elliott's study without clearly understanding the intended purpose of the study. The stated purpose of Hufbauer, Schott, and Elliott's study in 1985 was not to prove the effectiveness of economic sanctions alone as a foreign policy tool, but the utility of economic sanctions as "leverage" when used with other forms of strategy to accomplish ambitious foreign policy goals.¹³ Along with Hufbauer, Schott, and Elliott, and Baldwin, Barber also defines sanctions more broadly than Pape: "Economic sanctions are economic measures directed to political objectives."¹⁴ Shambaugh defines economic

10 Pape, "Sanctions Do Not Work," 94.

11 Baldwin, *Economic Statecraft*, 32.

12 Kimberly A. Elliott, "The Sanctions Glass: Half Full or Completely Empty?" *International Security* 23, no. 1 (1998): 51.

13 Elliott, "The Sanctions Glass: Half Full or Completely Empty?" 51.

14 Margaret P. Doxey, *Economic Sanctions and International Enforcements* (New York: Oxford University Press, 1980): 77-79; James Barber, "Economic Sanctions as a Policy Instrument," *International Affairs* 55, no. 3 (1979): 367, <http://www.jstor.org/stable/2615145>.

sanctions as a “penalty or cost” that is inflicted by the sender to the target state to change their behavior and achieve sender’s political agenda “regardless of the particular form that it takes or the ends that it serves,” interpreting the definition of economic sanctions even broader.¹⁵

2. Measuring the Effectiveness of Sanctions

There are both qualitative and quantitative methods to measure the success of economic sanctions. In order to consider economic sanctions successful, scholars who advocate for quantitative measures argue that they must inflict negative consequences on the target state’s aggregated economic performance, using measurements such as gross domestic product (GDP). Pape argues that “negative impacts on the target state’s aggregate GDP measures the success of sanctions.”¹⁶ By contrast, scholars who support qualitative measures, such as Baldwin, take a more expansive view; arguing that considering any changes economic sanctions bring on the target state a success, since the sanctions’ intended purpose is met by changing the target state’s undesirable behavior.¹⁷ Similarly, Hufbauer, Schott, and Elliott consider the “contributory” factor, changes in the target state’s policy due to imposed sanctions, as the measure of success of economic sanctions.¹⁸

Opponents of qualitative measures believe judging success based on policy changes is “ambiguous and subjective [in] nature”; it is difficult to measure how much of the change has resulted from economic sanctions definitively since changes in political behavior can be due to domestic policy changes rather than economic sanctions.¹⁹ Blanchard and Ripsman claim that, for economic sanctions to be considered a success, economic impact alone does not qualify. They emphasize economic pressure must result

15 George E. Shambaugh, *States, Firms, and Power: Successful Sanctions in United States Foreign Policy*, (Albany: State University of New York Press, 1999), 4.

16 Pape, “Why Economic Sanctions Do Not Work,” 93. See also (Haidar, 2017) and Haidar and Mirjalili (2016).

17 Baldwin, *Economic Statecraft*, 18.

18 Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, 2nd ed. vol. 1 (1990): 32–33.

19 Adrian U-Jin, and Dursun Peksen, “When Do Economic Sanctions Work?” *Political Research Quarterly* 60, no. 1 (2007): 139.

in salient political cost to a target state resulting in changes in political behavior.²⁰ On the same line of assertion, Kirshner asserts that sanctions often produce no result since the negative economic impact caused by economic sanctions never leads to a high enough political cost to result in political change.²¹ For the purpose of this thesis, the study will consider both qualitative and quantitative effects on the target state that eventually lead to changes in the target states' behavior, as a way for economic sanctions to be considered a success.

3. Are Sanctions Effective?

For decades, most literature on the efficacy of economic sanctions was generally negative. Observe the following examples:

Galtung: "In this article the conclusion about the probable effectiveness of economic sanctions is, generally, negative."²²

Wallensteen: "The general picture is that economic sanctions have been unsuccessful as a means of influence in the international system."²³

Kindleberger: "Most sanctions are not effective."²⁴

Doxey: "The record of international sanctions of a non-military kind, even when applied within an organizational framework, suggests that on their own they will not succeed in drastically altering the foreign or domestic policy of the target."²⁵

²⁰ Jean-Marc Blanchard, and Norrin Ripsman, "Asking the Right Questions: When Do Sanctions Work Best?" *Security Studies* 9, no. 1-2 (1999/2000): 219-53.

²¹ Jonathan Kirshner, "The Microfoundations of Economic Sanctions," *Security Studies* 6, no. 3 (1997): 32-64.

²² Johan Galtung, "On the Effects of International Economic Sanctions, with Examples from the Case of Rhodesia," *World Politics* 19, no 3 (1967): 409. <http://www.jstor.org/stable/2009785>.

²³ Paul Wallensteen, "Characteristics of Economic Sanctions," *Journal of Peace Research* 5, no. 3 (1968): 262, <http://www.jstor.org/stable/423276>.

²⁴ Charles P. Kindleberger, *Power and Money: The Politics of International Economics and the Economic of International Politics*, (New York: Basic Books, 1970), 97.

²⁵ Doxey, *Economic Sanctions and International Enforcements*, 139.

Olson: “It is worth noting at the outset that there is a consensus in this literature that economic sanctions are largely ineffective.”²⁶

Miyagawa: “Notwithstanding such serious impacts upon the target countries, economic sanctions have only rarely achieved the declared goals.”²⁷

Pape: “The article concludes that economic sanctions have little independent usefulness for [the] pursuit of noneconomic goals.”²⁸

Haass: “With few exceptions, the growing use of economic sanctions to promote foreign policy objective is deplorable.”²⁹

Widespread consensus from scholars is that economic sanctions are more humane than the use of military force; yet they are not nearly as effective as military force for achieving intended political objectives.

Authors have identified many reasons that sanctions do not work, arguing that sender states generally impose them due to a lack of alternative options, and the sender regime only acted to appease domestic pressure to take action. In some cases, the sender imposes economic sanctions based on obligations to their domestic populations, rather than belief in their effectiveness as a foreign policy. Many argue that for economic sanctions to work, the prescribed sanctions must put tremendous burden on the target.³⁰

However, inflicting extreme economic burden has unintended negative consequences, especially in today’s global market. Galtung points out that economic sanctions often fail because they cause more pain on the general population than the targeted regime. He further argues that unintended consequences of economic sanctions may result in the target population perceiving foreign interference to their national affairs and supporting

²⁶ Richard Stuart Olson, “Economic Coercion in World Politics: With a Focus on North-South Relations,” *World Politics* 31, no. 4 (1979): 473. <http://www.jstor.org/stable/2009906>.

²⁷ Makio Miyagawa, *Do Economic Sanctions Work?* (London: St. Martin’s Press, 1992), 206. Unlike other authors, Miyagawa states, “even though economic sanctions may not be effective, states can use them for other aims.” 210.

²⁸ Pape, “Why Economic Sanctions Do Not Work,” 93.

²⁹ Richard N. Haass, “Sanctioning Madness,” *Foreign Affairs* 76, no. 6 (1997): 75, <http://www.jstor.org/stable/20048277>.

³⁰ Doxy, *Economic Sanction*, 77–79; James Barber, “Economic Sanctions as a Policy Instrument,” *International Affairs* 55, no. 3 (1979): 367, <http://www.jstor.org/stable/2615145>.

their leader in response to the sanctions. Ultimately, sanctions were thought to assist with bolstering the target leader's defiance to the economic pressure.³¹

Thinking on economic sanctions shifted when, in the mid-1980s, a new group of scholars challenged earlier pessimism on their effectiveness. They began to argue that policymakers and scholars had undervalued economic sanctions due to highly publicized failed cases, such as the League of Nations against Italy (1935), the United States against Cuba (1960), and the United States against Rhodesia (1966)³² with little recounted of their successes. Elizabeth Rogers further emphasizes the argument:

Economic sanctions are more effective than most analyst suggest. Their efficacy is underrated in part because unlike other foreign policy instruments sanctions have no natural advocate or constituency. As a result, their successes are widely unreported, while their failures are exaggerated by those with an interest in either avoiding their use, or in using other instruments.³³

In 1985, Hufbauer, Schott, and Elliott published a major empirical study of economic sanctions, which became the foundational study on the efficacy of economic sanctions. Hufbauer, Schott, and Elliott examined 116 sanctions cases from 1914 to 1990 and found 34% of the sanctions they analyzed were successful, thereby debunking conventional wisdom that economic sanctions never work.³⁴ The study provides policymakers and scholars key evidence that sanctions can accomplish ambitious political policy goals. As David Baldwin has pointed out,

reasonable people may differ with respect to the utility of war as an instrument of policy, but there is little to be said in defense of unnecessary

31 Richard Olson, "Economic Coercion in World Politics: With a Focus on North-South Relations." *World Politics* 31, no. 4 (1979): 473, <http://www.jstor.org/stable/2009906>; Galtung, "On the Effects of International Economic Sanctions," 400.

32 Baldwin, *Economic Statecraft*, 145.

33 Elizabeth S. Rogers, "Using Economic Sanctions to Control Regional Conflicts," *Security Studies* 5, no. 4 (Summer 1996): 72, <http://dx.doi.org/10.1080/09636419608429288>; Baldwin, *Economic Statecraft*, 4; William H. Kaempfer and Anton D. Lowenberg, "The Theory of International Economic Sanctions: A Public Choice Approach," *American Economic Review* 78, no. 4 (September 1988): 786–792, <http://www.jstor.org/stable/1811175>.

34 Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered History and Current Policy*, (Washington, DC: Institute for International Economics, 1985), 40.

wars . . . It would be a pity—perhaps a global disaster—if a contemporary American president were to resort to war solely because the nature, implications, and consequences of economic statecraft had been misrepresented to him by his advisors.³⁵

Advocates of this newfound optimism toward economic sanctions acknowledge that sanctions have limitations and do not consistently work; however, they argue that sanctions are a viable alternative to military force and can be an effective instrument for achieving critical foreign policy agendas. In the 1990s, as difficult and prolonged military conflicts in Iraq and Afghanistan revealed limitations of military power, an additional wave of optimism towards economic sanctions arose and another group of scholarly advocates for sanctions emerged. According to George E. Shambaugh, if sanctions are “applied judiciously and under appropriate conditions, economic statecraft can expand the scope and domain of political power by enabling states to influence other states and foreign companies operating in the international arena.”³⁶

Additionally, “shrewd,” “targeted,” or “smart” sanctions, especially financial sanctions emerged to mitigate the negative consequences of trade sanctions. These sanctions better inflict pain directly on the targeted regime’s leadership due to the negative effects of trade sanctions and embargos on the target state’s general population.³⁷ Dashti-Gibson et al. state that “financial sanctions may be more effective, in that while they are surely capable of inflicting damage on the public, they may also

35 Baldwin, *Economic Statecraft*, 373.

36 George E. Shambaugh, *States, Firms, and Power: Successful Sanctions in United States Foreign Policy*, (Albany: State University of New York Press, 1999), 204.

37 Elizabeth Rosenberg, Zachary K. Goldman, Daniel Drezner, and Julia Solomon-Strauss, “The New Tools of Economic Warfare: Effects and Effectiveness of Contemporary U.S. Financial Sanctions” (Washington, DC: Center for a New American Security, April, 2016), 9, <https://www.cnas.org/publications/reports/the-new-tools-of-economic-warfare-effects-and-effectiveness-of-contemporary-u-s-financial-sanctions>; Peter D. Feaver and Eric B. Lorber, “Coercive Diplomacy: Evaluating the Consequences of Financial Sanctions,” Legatum Institute (November 2010), 17, <https://lif.blob.core.windows.net/lif/docs/default-source/publications/2010-publications-coercive-diplomacy.pdf?Status=Temp&sfvrsn=2>; Meghan L. O’Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism* (Washington, DC: Brookings Institution Press, 2003), 287; Daniel W. Drezner, “Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice,” *International Studies Review* 13, no. 1 (2011): 96, <http://isr.oxfordjournals.org/content/13/1/96.full>.

have a more direct and immediate impact on ruling elites by limiting their access to foreign currency.”³⁸

4. Conclusion

Overall, regardless of how scholars and policymakers define and measure economic sanctions, there remains a basic disagreement in scholarship on the crucial question of whether economic sanctions are a fruitful foreign policy instrument. Contributing to this disagreement on the utility of economic sanctions is the fact that some scholars view them as one specific strategy, while others view economic sanctions as a part of coercive diplomacy to influence other states’ behavior. One school of thought views economic sanctions as a singularly effective foreign policy tool on their own, whereas an opposing school of thought views economic sanctions best deployed as part of an overarching strategy, as a one instrument in the foreign policy toolbox.

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

This thesis assesses the effectiveness of economic sanctions as a part of the foreign policy toolkit and, thus, their utility as a possible alternative to military force in changing states’ behavior. Three potential alternative causal expectations emerge from the literature review above:

1. Economic sanctions are generally ineffective when undertaken in the form of trade sanctions or embargo) since they fail to inflict pain directly on the targeted regime’s leadership.
2. Economic sanctions are effective in cases where they are deployed as “smart” sanctions that inflict pain directly on the targeted regime’s leadership.
3. The above two conditions do not affect economic sanctions’; rather there are other factors contributing to the potential outcome of the economic sanctions.

38 Jaleh Dashti-Gibson, Patricia Davis, and Benjamin Radcliff, “On the Determinants of the Success of Economic Sanctions: An Empirical Analysis,” *American Journal of Political Science*, 41, no. 2 (1997):610. <http://www.jstor.org/stable/2111779>.

My research aims to assess which of these causal expectations seem to hold, with a particular objective of understanding other factors contributing positively to the outcome of economic sanctions in changing target states' behavior.

E. RESEARCH DESIGN

This thesis adopts two paired comparative case studies to identify the factors affecting the extent to which imposed sanctions achieve their intended purposes. At the outset, the thesis proceeds on an inductive basis, examining the success of sanctions in deterring nuclear proliferation in Iran and North Korea (the former regarded as a success case, the latter a failure) to establish findings on the factors that condition the effectiveness of sanctions in changing target state behavior. Then, the thesis assesses the validity of those findings in the Myanmar and Cuba cases (the former regarded as a success, the latter a failure), where sanctions were applied to promote democratic reform.

The overarching goal is to assess whether sanctions “succeeded” (i.e., achieved their intended political objectives) in each case and to identify the factors that contributed to the outcome. This approach will assist researchers by deriving general information about the type of sanctions applied, which can link to theoretical argument and proposed hypotheses. Through the process of evaluating the cases involving economic sanctions as a statecraft, the study may reveal that sanction type is not the only factor determining their success in application. The study may thus reveal that other factors, such as international context or breadth of participation in the sanctions, contributed more to positive outcomes.

F. THESIS OVERVIEW AND DRAFT CHAPTER OUTLINE

Following this introductory chapter, Chapter II delivers a comparative case study of the effectiveness of sanctions in altering nuclear proliferation activity in Iran and North Korea and Chapter III delivers a comparative case study of the effect of sanctions on democracy promotion in Myanmar and Cuba. Each comparative chapter analyze the structure and type of imposed sanctions and explains the other casual factors which affected target state response to sanctions. On this basis, the two comparative chapters

each draw conclusions about the effectiveness of economic sanctions in achieving their

intended purpose. The conclusion draws findings across the four cases and offers policy implications.

II. ECONOMIC SANCTIONS TO DETER NUCLEAR PROGRAMS: IRAN AND NORTH KOREA COMPARATIVE ANALYSIS

A. INTRODUCTION

The United States, its allies, and the United Nations Security Council (UNSC) have been using economic sanctions as a tool to punish the undesirable behavior of target states and to encourage them to abide by international norms and standards. Countries impose economic sanctions to advance a spectrum of foreign policy goals, such as deterring terrorism, narcotics trafficking, and nuclear proliferation; promoting democracy and conflict resolution; and discouraging human rights violations. Iran and North Korea are two prominent cases of countries that have faced extensive economic sanctions to deter nuclear proliferation.

Economic sanctions successfully influenced the Iranian government to change its nuclear posture. In 2013, the Iranian government agreed to accept the Joint Plan of Action (JPA), an interim agreement intended stop the development of its nuclear program and in return, provides Iran with a “temporary and modest sanction relief” equal to \$7 billion.³⁹ Subsequently, in 2015, Iran consented to the Joint Comprehensive Plan of Action (JCPA). The JCPA is a typical ‘carrot and stick’ sanctioning model which applies a systematic plan of action to prevent Iran from gaining non-peaceful nuclear capability. If Iran complies with its terms and conditions, Tehran will get further relief of financial and oil-related restrictions on Iran’s assets, totaling \$100 billion.⁴⁰

In contrast, economic sanctions have not been effective in changing the nuclear development trajectory of North Korea. Since the inception of economic sanctions vis-à-vis the Kim Jong-un regime’s nuclear programs, North Korea completed its fifth nuclear

³⁹ Kenneth Katzman, “Iran Sanctions,” *Current Politics and Economics of the Middle East* 4, no. 2 (2014): 188.

⁴⁰ “Joint Comprehensive Plan of Action: Major Provisions of the Nuclear Agreement with Iran,” *Congressional Digest* (November 2015): 5–6; Katzman, “Iran Sanctions,” 188–189; Pape, “Why Economic Sanctions Do Not Work,” 97–98; David E. Sanger, “Iran Complies with Nuclear Deal; Sanctions Are Lifted,” *New York Times*, January 16, 2016, https://www.nytimes.com/2016/01/17/world/middleeast/iran-sanctions-lifted-nuclear-deal.html?_r=0.

test in September 2016. The fifth test came only eight months after the fourth, completed in January 2016, marking the shortest period between tests. In addition, by testing a miniaturized warhead, North Korea showed major improvement within their nuclear program, another indication that sanctions are proving ineffective.⁴¹

While the United States has frequently lumped Iran and North Korea together as “rogue states,” these two countries have vastly different political and economic systems, and the history and status of their nuclear programs differ in several critical aspects.⁴² Considering the differences between Iran and North Korea, this chapter will analyze the structure, types, and implementation of economic sanctions imposed on these two countries. The research revealed that Iran and North Korea both endured similar unilateral, multilateral, trade and smart sanctions—but the results were different in the two cases. In part, this was because similar economic sanctions inflicted different levels of political and economic costs on Iran and North Korea, for reasons covered below. To explain the outcome, the chapter explores other factors that possibly affected the different outcomes: motivation for the nuclear programs, features of the political system, the sanctioning state’s ability to punish the target state’s non-compliance, and the role of sanctions busting states, called “black knights.”

B. BACKGROUND: HISTORY OF ECONOMIC SANCTIONS ON IRAN AND NORTH KOREA

Sanctions have been a critical feature of U.S. foreign policy efforts to denuclearize Iran and North Korea more than twenty years. However, U.S. economic sanctions on Iran and North Korea long precede those imposed for nuclear nonproliferation concerns. The United States first used economic sanctions against Iran as a response to the 1979 hostage crisis during the U.S. embassy seizure in Tehran. President Jimmy Carter immediately issued an executive order seizing Iranian property in

⁴¹ Ricky Y. Chol, Thomas E. Novotny and Sanghyuk S. Shin, “Economic Sanctions Towards North Korea,” *British Medical Journal* 339, no. 7726 (2009): 876; Kim and Martin-Hermosillo, “Effectiveness of Economic Sanctions,” 104.; “North Korea ‘Preparing Long-range Missile Launch,’” British Broadcasting Company, February 4, 2016, <http://www.bbc.com/news/world-asia-35489692>.

⁴² Daniel Wertz and Ali Vaez, “Sanctions and Nonproliferation in North Korea and Iran: A Comparative Analysis,” *Federation of American Scientists Issue Brief* (2012): 5.

the U.S. and declared, “The situation in Iran constitutes an unusual and extraordinary threat to the national security, foreign policy and economy of the United States.”⁴³ After that, he issued a series of executive orders imposing an embargo on U.S. exports to Iran, banning all imports from Iran, and forbidding U.S. citizens from traveling to Iran. In January 1984, President Ronald Reagan designated Iran as a state sponsor of terrorism after an Iran-sponsored terrorist group, Hezbollah, bombed the U.S. Marine base in Beirut, killing 241.⁴⁴ This designation immediately triggered bans on U.S. financial assistance and restrictions on dual-purposed arms exports. Additionally, in 1987, President Reagan issued Executive Order 12613, imposing additional import restrictions on Iranian goods and services to punish the Iranian government’s involvement with international terrorist groups, and its hostile behaviors towards non-threatening vessels in the Persian Gulf.⁴⁵

Since the initiation of U.S. sanctions against Iran, their intended purpose has become progressively more comprehensive over time. During the mid-1980s, the U.S. inflicted sanctions to try to influence Iran to halt terrorism support and more generally, to constrain Iran’s power projection in the Middle East. After the mid-1990s, the U.S. increasingly focused sanctions on convincing or “compelling Iran to limit the scope of its nuclear program” to maintain a peaceful purpose.⁴⁶ After 2006, and particularly since 2010, the U.S. and international community united their efforts imposing comprehensive and tough economic sanctions to change Iran’s nuclear development.⁴⁷

The enactment of a total export embargo on North Korea at the onset of the Korean War launched a long series of U.S. economic sanctions levied against North Korea.⁴⁸ The Trade Agreement Extension Act of 1951 banned the most favorable tariff

⁴³ Gary Samore, “Sanctions against Iran: A Guide to Targets, Terms, and Timetables.” *Belfer Center for Science and Inter-national Affairs* (2015): 3, <http://www.belfercenter.org/sites/default/files/legacy/files/Iran%20Sanctions.pdf>.

⁴⁴ Katzman, “Iran Sanctions,” 193.

⁴⁵ Anthony H. Cordesman, Bryan Gold, and Chloe Coughlin-Schulte, *Iran: Sanctions, Energy, Arms Control and Regime Change* (New York: Rowman & Littlefield, 2014), 40.

⁴⁶ Katz man, “Iran Sanctions,” 188.

⁴⁷ Ibid., 190.

⁴⁸ Wertz, and Vaez, “Sanctions and Nonproliferation in North Korea and Iran,” 5.

terms on North Korea's exports to the United States.⁴⁹ In 1979, the U.S. passed the Export Administration Act branding North Korea as a terrorist state because of the bombing of KAL 858 on November 19, 1987.⁵⁰

C. ASSESSMENT OF ECONOMIC SANCTIONS IN IRAN AND NORTH KOREA

This section outlines a basic chronology of nuclear developments and sanctions attempts in Iran and North Korea, focusing on the structure and type of sanctions imposed to coerce the two regimes to alter their nuclear aspirations. The following section delivers a comparative analysis of the factors influencing the effectiveness of those sanctions.

1. Iran

In 2005, Mahmoud Ahmadinejad became the sixth President of Iran. Once in office, he reneged on the restrictions on uranium enrichment put in place by the 2004 agreement with the UK, Germany, and France (EU3). Additionally, in September 2005, the International Atomic Energy Agency (IAEA) deemed Tehran's nuclear program as non-compliant, based on its international obligations, and notified the UN Security Council. In June 2005, President George W. Bush signed Executive Order 13382, immobilizing the assets of individuals associated with Iran's nuclear program. The financial pressure imposed on Iran was an effort to discourage Tehran from continuing with its nuclear program development.⁵¹ Additionally, the U.S. wanted to send a strong message to the Iranian regime that its "provocative and destabilizing policies will entail a painful cost for Iran" and that "another, a more constructive source is available to it."⁵² Subsequently, President Obama signed the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) on July 1, 2010. The CISADA

⁴⁹ Semoon Chang, "Should U.S. Economic Sanctions Against North Korea Be Lifted?" *North Korea Review*, (Fall, 2006), 37.

⁵⁰ Chang, "Should U.S. Economic Sanctions Against North Korea," 36.

⁵¹ R. Nicholas Burns, "Minimizing Potential Threats from Iran: Assessing the Effectiveness of Current U.S. Sanctions on Iran," testimony, Before the Senate Committee on Banking, Housing, and Urban Affairs, 100th Congress. (March 21, 2007), 50, <http://www.state.gov/p/us/rm/2007/82033.htm>.

⁵² Burns, "Minimizing Potential Threats from Iran," 50.

greatly enhanced restrictions on Iran by widening the latitude of authority that could trigger sanctions on firms or countries that conduct any business with or invest in Iran's energy sectors, or sell gasoline to Iran.⁵³ Additionally, restrictions included withdrawing permission to import Iranian-origin items such as rugs, pistachios, and caviar.

The United States advocated for multilateral sanctions, leveraging diplomatic efforts to convince the UNSC to impose stronger sanctions against Iran. However, the U.S. faced many challenges with other members, particularly Russia and China, strongly opposed on this issue. In February 2006, Andrei Denisov, the Russian ambassador to the UN, intensely argued that sanctions would likely have negative consequences on the international energy market, stating, "Iran is one of the major [global] suppliers of oil and gas, so it will be a very strong blow on the international energy market."⁵⁴ Other UN members, the EU3, also wanted to resolve the issue through negotiation talks. The EU3 joined the U.S. in levying a series of strong energy and financial sector sanctions in 2005, only after negotiations with the Iranian government bore no fruit.⁵⁵ EU sanctions composed of various trade sanctions on equipment with potential uranium enrichment capabilities and financial restrictions, such as freezing the assets of all individuals and organizations believed to be assisting Iran's nuclear program.⁵⁶ Additionally, the UNSC passed Resolution (UNSCR) 1696 in July 2006, followed by UNSCRs 1737 (2006), 1747 (2007), 1803 (2008), and 1929 (2010), expanding the scope and depth of sanctions. The UN sanctions were comprehensive, including an arms trade ban, investment restrictions, financial sanctions, travel bans, and cargo inspection, as well as sanctions directed at the energy sector. UN sanctions excluded trade and investment in the Iranian civilian sector.⁵⁷

⁵³ Wertz and Vaez, "Sanctions and Nonproliferation in North Korea and Iran," 9.

⁵⁴ "Iran Sanctions Would Backfire: Russia," *ABC News Online*, February 2, 2006, http://www.abc.net.au/nen/newsitems/200602/s15_60438.htm.

⁵⁵ Bo Ram Kwon, "The Conditions for Sanctions Success: A Comparison of the Iranian and North Korea Cases," *Korea Institute for Defense Analyses* 28, no. 1 (March 2016): 143.

⁵⁶ "Iran Nuclear Crisis: What Are the Sanctions?" *BBC* (March 30, 2015), <http://www.bbc.com/news/world-middle-east-15983302>.

⁵⁷ Zachary Laub, "International Sanctions on Iran," *Council on Foreign Relations* (July 15, 2015), <http://www.cfr.org/iran/international-sanctions-iran/p20258>.

In January 2012, the U.S. imposed stronger sanctions on Iran's banking sector by targeting the Central Bank and all international institutions that interact with it.⁵⁸ Since Iran's major oil importers work with the Central Bank, this prohibited Iran's export of oil. Also in January 2012, the EU imposed sanctions banning importing Iranian oil and insuring Iranian tankers.⁵⁹ In March 2012, compounding the damage, the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the Belgium-based global electronic payments system, stopped servicing Iranian banks - including the Central Bank. Iran could no longer make or receive payments with its trade partners through SWIFT, which caused the country to incur additional transaction costs, find other transaction venues or, even worse, to conduct business in cash.

2. North Korea

Between the 1990s, when North Korea began pursuing nuclear weapons, and its first nuclear test in 2006, the U.S. and the UN have employed economic sanctions combined with diplomatic approaches to change North Korea's aspirations toward nuclear weapons. From 1991 to 1994 in particular, to get to the 1994 Agreed Framework, the U.S. and the international community employed the framework of the Non-proliferation of Nuclear Weapon Treaty (NPT) and utilized the inspection mechanism of International Atomic Energy Agency (IAEA) in order to convince North Korea to comply with international regulations on their nuclear program. In 1992, North Korea approved the IAEA's safeguard agreement.⁶⁰ During this period, however, North Korea tried to circumvent the process of the IAEA's inspection by denying information, blocking the inspection team and ultimately, in 1993, threatening to withdraw from the Nuclear Non-proliferation Treaty (NPT).⁶¹ In response, the U.S. conducted talks with North Korea and convinced Kim's regime to stay the course within the NPT.⁶²

58 Katzman, "Iran Sanctions," 188

59 Ibid., 191.

60 Kelsey Davenport, "Chronology of U.S.-North Korea Nuclear and Missile Diplomacy," Arms Control Association, updated April 2017, <https://www.armscontrol.org/factsheets/dprkchron#1991>.

61 Davenport, "Chronology of U.S.-North Korea Nuclear and Missile Diplomacy."

62 Davenport, "Chronology of U.S.-North Korea Nuclear and Missile Diplomacy."

The signing of the 1994 Agreed Framework sparked a glimmer of hope between the U.S. and North Korea. The Agreed Framework is a ‘carrot and stick’ agreement, in which the U.S. agreed to provide economic inducements in exchange for denuclearization. U.S. sanctions did ease during this period; and South Korea implemented its Sunshine Policy in 1998, significantly increasing trade and economic aid to North Korea. However, in 2002, North Korea failed to convince the U.S. and international community of its denuclearization and was labeled a part of the “axis of evil,” along with Iran and Iraq, by President George W. Bush. By the end of 2002, North Korea reopened its nuclear reactor and forced out IAEA inspectors. In 2003, the North Korean regime railed against the U.S. by withdrawing from the NPT.

To bring North Korea to the negotiation table to discuss denuclearization, the Six Party Talks commenced in 2003. Members of the talks comprised of South Korea, North Korea, United States, China, Japan, Russia and China, who chaired the discussions in Beijing. The main objective was to create peaceful resolutions to denuclearize North Korea through multilateral negotiations. The first few rounds of Six-Party Talks did not produce any notable resolutions because the U.S. held uncompromising negotiation positions that hindered members’ efforts to come to an agreement. From the beginning, the U.S. wanted to design resolutions to halt North Korea’s nuclear program immediately rather than opening with resolutions that would slow the program. Despite this sluggish start, the six-point September 2005 Joint Statement seemed as if the talks were making some progress.⁶³ Pyongyang agreed to end its nuclear program in exchange for economic and energy aid, a promise of security, and “willingness to proceed with a peace treaty on the Korean peninsula” by concurring with the September 2005 Joint Statement.⁶⁴ Significantly, the Joint Statement was not merely a statement filled with obligations North Korea had to follow; rather, the agreement laid out the sequence of “obligations and the rewards the North Koreans would receive for implementing them.”⁶⁵

63 Christopher R. Hill, “The Elusive Vision of a Non-nuclear North Korea,” *The Washington Quarterly* 36, no. 2, (2013): 12, doi: 10.1080/0163660X.2013.791078.

64 Hill, “The Elusive Vision of a Non-nuclear North Korea,” 12.

65 Hill, “The Elusive Vision of a Non-nuclear North Korea,” 12.

Almost simultaneous with this development, in what seemed like an uncoordinated policy decision and contradicted the principles underlying the Joint Statement Agreement, the U.S. began implementing the Bush administration's "Patriot Act." This Act identified a Macao bank as Pyongyang's "primary money laundering concern" and restrained several North Korean accounts for an inspection.⁶⁶ North Korea immediately condemned the new financial sanctions imposed by the U.S., and withdrew from the talks.⁶⁷

On October 9, 2006, North Korea announced it conducted its first nuclear test and joined the club of nuclear weapons states. Five days later, the UNSC unanimously passed UNSCR 1718, levying economic sanctions against North Korea. UNSCR 1718 provisions specifically prohibited North Korea from importing luxury goods, heavy arms, and large-scale arms-related goods; UNSCR 1718 also banned technology and services exports to North Korea.⁶⁸ North Korea carried out its second nuclear test on May 25, 2009, near the village of Punggye, in the same location; they conducted the first nuclear test. In response to North Korea's second nuclear test, the UNSC unanimously adopted UNSCR 1874, implementing additional financial restrictions against North Korea and its companies, imposing stronger prohibitions on arms trades with the country, and strengthening Security Council oversight for the implementation of the resolution.⁶⁹ Additionally, the new resolution prohibited Kim's regime from conducting any further missile tests.⁷⁰

North Korea conducted its third nuclear test on February 12, 2013, near the first and second nuclear tests sites. The South Korean Defense Ministry measured the nuclear test yield at approximately six kilotons in the immediate aftermath and requested an immediate UNSC meeting. The third test was Kim Jong-un's first nuclear test since he

⁶⁶ Hill, "The Elusive Vision of a Non-nuclear North Korea," 13.

⁶⁷ Hill, "The Elusive Vision of a Non-nuclear North Korea," 12.

⁶⁸ Marcus Noland, "The (Non-) Impact of UN Sanctions on North Korea," *Asia Policy*, no. 7 (January 2009): 63.

⁶⁹ "UN Security Council Resolution 1874, North Korea." *Council on Foreign Relations*, (12 June 2009), <http://www.cfr.org/proliferation/un-security-council-resolution-1874-north-korea/p19625>.

⁷⁰ "UN Security Council Resolution 1874, North Korea."

assumed power, following his father's death in December 2011. Immediately after the test, North Korea announced the test was a response to U.S. aggression that challenged the regime's right to launch a scientific satellite into orbit, as well as the tighter sanctions levied against them. Despite the motive behind the third test, the UNSC unanimously passed UNSCR 2094 in retaliation. UNSCR 2094 strengthens and expands the range of existing UN sanctions against the Democratic People's Republic of Korea (DPRK) by focusing on the illegitimate activities of diplomatic personnel, movement of high volume cash, and the DPRK's banking transactions with other countries.⁷¹

Six months after the Iran-U.S. nuclear deal on January 6, 2016, Kim Jong-un's regime announced the completion of its fourth nuclear test and claimed its first successful test of a hydrogen bomb. Kim's regime also claimed they were able to miniaturize the device with advanced technology. Yet, seismic activity measured from the test left most experts doubting it was a hydrogen bomb. Hydrogen bombs, also called thermonuclear warheads, are enormously more powerful than atomic bombs due to the use of fusion rather than fission. Though experts cannot confirm North Korea's claim, it startled the international community, especially South Korea. In addition to the nuclear test, about a month later, on February 7, 2016, despite previous UN sanctions forbidding the DPRK from launching weapons to test ballistic missile technology, North Korea fired a long-range ballistic missile into orbit, claiming it carried an Earth observation satellite. The launch drew strong condemnation from Japan, South Korea, and the U.S., who requested an immediate emergency UNSC meeting. On March 2, 2016, the UNSC unanimously adopted Resolution 2270, condemning the nuclear test and long-range missile launch, and demanding North Korea immediately halt all nuclear and long-range missile development activities.⁷² UNSCR 2270 also continued to expand the scope of previous sanctions on North Korea, choking Kim's regime even tighter.⁷³ Newly adopted resolutions ban all

⁷¹ "UN Security Council Resolution 2094, North Korea." *Council on Foreign Relations*, (7 Mar. 2013), <http://www.cfr.org/north-korea/un-security-council-resolution-2094-north-korea/p30182>)

⁷² Scott A. Snyder, "The New UN Sanctions and Prospects for North Korea's Denuclearization," *Council on Foreign Relations* (blog), (March 2, 2016), <http://blogs.cfr.org/asia/2016/03/02/the-new-un-sanctions-and-north-koreas-commitment-to-denuclearization/>.

⁷³ Snyder, "The New UN Sanctions and Prospects."

imports and exports of weapons for North Korea, prohibit the importation of luxury goods, and bar states from providing “aviation fuel and specified minerals to North Korea.”⁷⁴ Resolution 2270 also requires that UN member states scrutinize all cargo in passage to and from North Korea for contraband products and armaments.⁷⁵

3. Assessment of Economic Sanctions in Iran and North Korea

This analysis focuses on the effects of economic sanctions on Iran and North Korea, examining both their economic impacts and their effects on target states’ behavior. While this section provides a certain level of explanation for the effects of economic sanctions, other independent variables will be discussed in later sections in order to provide more contexts on how other factors condition the effects of sanctions.

Multilateral and financial institutional sanctions affected Iran’s macroeconomic profile negatively. The United States has levied trade sanctions since 1995, mainly prohibiting U.S. companies and individual from conducting business with Iran; however, “tightening up U.S. unilateral sanctions was perceived likely to have almost no economic impact on Iran given the small amount of trade between the two countries.”⁷⁶ The comprehensive sanctions—combining trade and financial penalties and imposed through both unilateral and multilateral sanction regimes—started to put great pressure on Iran both politically and, even more, economically.

Many proponents of financial institution, ‘smart’ sanctions, argue these sanctions directly attributed to Iran accepting the JPA in November 24, 2013, due to the toll sanctions inflicted on Iran’s economy.⁷⁷ As represented in Figures 1 and 2, multilateral sanctions inflicting pain directly on Iran’s oil industry had a major impact. Figure 1 shows Iranian oil exports drastically decreasing in 2012 compared to 2011, and a

⁷⁴ Snyder, “The New UN Sanctions and Prospects.”

⁷⁵ Snyder, “The New UN Sanctions and Prospects.”

⁷⁶ “Executive Orders 12957 --- Prohibiting Certain Transactions With Respect to the Development of Iranian Petroleum Resources,” *Federal Register* 60, no. 52 (March 17, 1995): 13; Neil King and Marc Champion, “Nations’ Rich Trade With Iran Is Hurdle for Sanctions Plan,” *Wall Street Journal*, September 20, 2006, A1.

⁷⁷ Katzman, “Iran Sanctions,” 195; Rachel L. Loeffler, “Bank Shots: How the Financial System Can Isolate Rogues,” *Council on Foreign Affairs* 88, no. 2 (March/April 2009), 101.

corresponding dip in Iran’s crude oil productions in 2012. According to an International Energy Agency report in 2013, Iran’s oil export and production declined significantly as a result of sanctions imposed on its energy sector and financial institutions supporting the energy sector. As a result, as Figure 2 illustrates, Iran’s 2012 crude oil exports were about 1 million bbl./d lower than 2011, declining from 2.5 million bbl./d in 2011 to 1.5 million bbl./d in 2012, which resulted in a \$26 billion loss in oil export revenue.⁷⁸ The loss in oil export revenue had detrimental effects on Iran’s macroeconomic standing, since oil exports generated 80% of Iran’s export revenue, which also makes up 50–60% of Iran’s GDP.⁷⁹

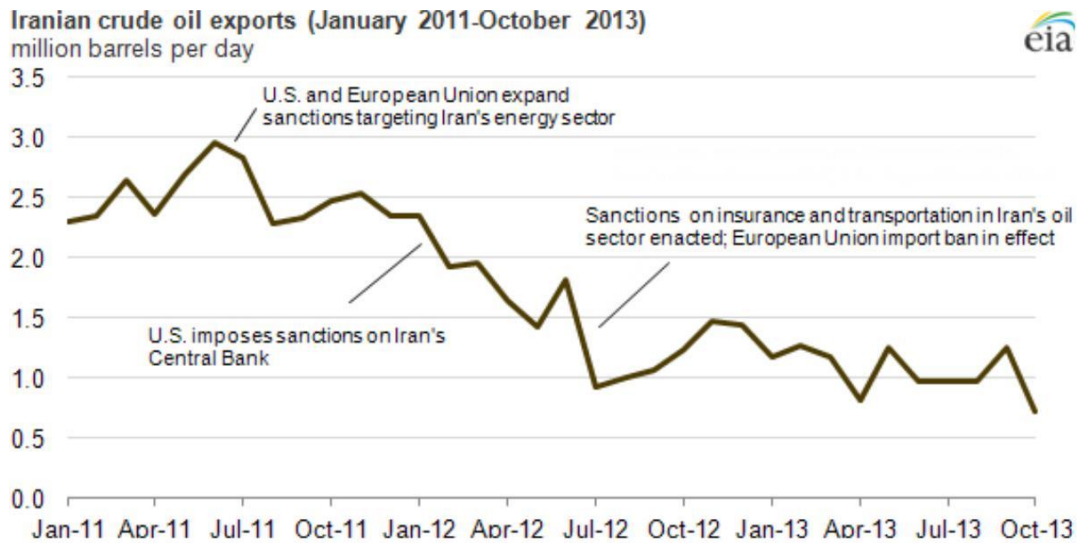


Figure 1. Iran Crude Oil Export⁸⁰

⁷⁸ “Iran’s Oil Exports Not Expected to Increase Significantly Despite Recent Negotiations,” U.S. Energy Information Administration, December 10, 2013, <https://www.eia.gov/todayinenergy/detail.php?id=14111>.

⁷⁹ Ibid.

⁸⁰ Source: “Iran’s Oil Exports Not Expected to Increase Significantly Despite Recent Negotiations,” U.S. Energy Information Administration, December 10, 2013, <https://www.eia.gov/todayinenergy/detail.php?id=14111>.

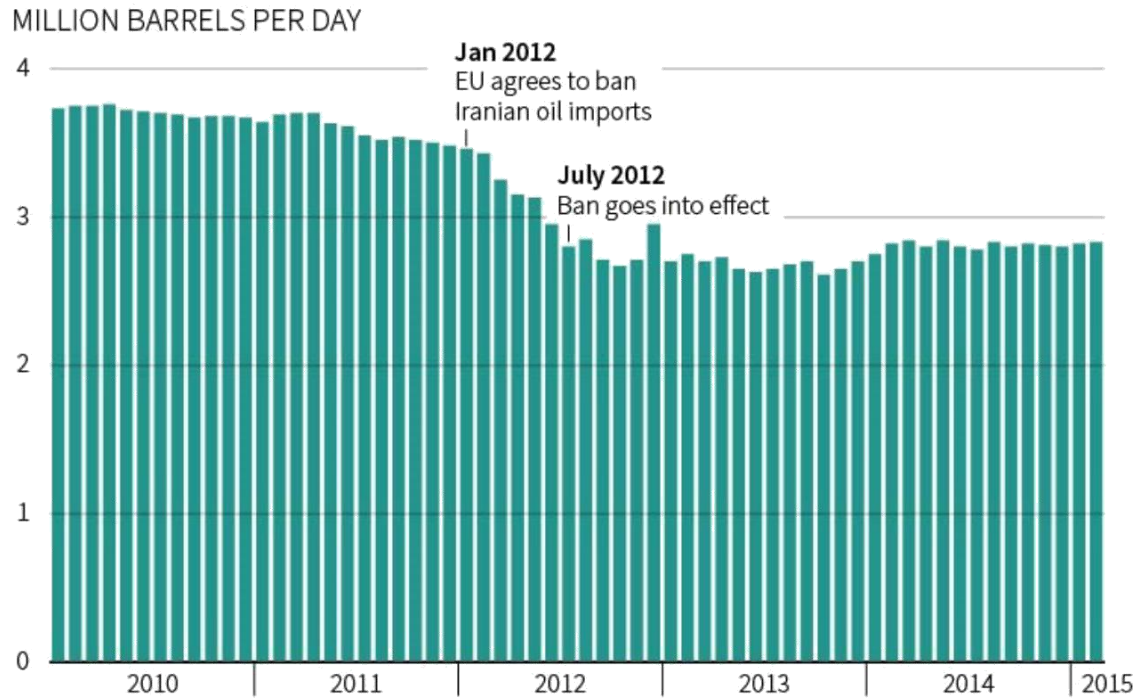


Figure 2. Iran's Crude Oil Production⁸¹

As Figure 3 represents, the comprehensive sanctions started to negatively influence Iran's GDP. In 2012, after comprehensive sanctions began, Iran's GDP decreased to \$511.62 from \$587.21 the previous year.

⁸¹ Source: John Kemp, "Iran's Tantalizing Oil Prize: Kemp," Reuters, April 15, 2015, <http://www.reuters.com/article/us-iran-oil-exports-kemp-idUSKBN0N625F20150415>.



Figure 3. Iran GDP⁸²

Financial institutions sanctions in particular, compared to trade sanctions, were very effective against Iran. As an international financial hegemon, the U.S. had significant leverage to influence financial institutions to abide by financial sanctions against Iran. The international financial institutions were more likely to comply with sanctions due to the fear of expulsion from the global financial system dominated by the U.S.⁸³ Additionally, the oil market, traditionally priced in dollars, gave the U.S. even more influence against Iran. All oil-related transactions in foreign banks conduct in dollars, generally completed with the U.S. system, thus subjecting themselves to possible U.S. sanctions. Stuart Eizenstat, former deputy secretary of the Treasury, strongly believed that “sanctions involving banks and financial institutions are the most significant” overarching characteristic of the Iran economic sanction strategy conducted by the United States.⁸⁴

U.S.-led financial institution restrictions also had an impact on Iran’s domestic economy. Businesses in Iran began to conduct cash transactions due to the inability of Iranian businesses to open foreign currency accounts with international banks and all imported commodities had to be paid in advance, since Iran merchants were not granted

⁸² Source: Trading Economics, <https://tradingeconomics.com/iran/gdp>.

⁸³ Kwon, “The Conditions for Sanctions Success,” 146.

⁸⁴ Michael Hirsh, “Emptying Iran’s Pockets.” *Newsweek*, January 11, 2007, <http://www.newsweek.com/id/52575?tid=relatedel>.

revolving lines of credit. Ultimately, business overhead increased 20–30 percent, increasing the cost of goods in Iran.⁸⁵ As a result, inflation rose to 45 percent (see Figure 4).



Figure 4. Iran Inflation Rate⁸⁶

As stated before, the economic sanctions against Iran influenced politics when the moderate candidate, Hassan Rouhani won the 2013 presidential election. The election came during the height of multilateral sanctions, after the EU agreed to ban Iranian oil imports and the U.S. imposed sanctions on Iran’s Central Banks in 2012. However, sources do not provide direct correlations suggesting that Mr. Rouhani won the election solely due to Iran’s economic hardship caused by the Western sanctions; rather, economic hardship had partial influence. After the 2013 election, Ray Takeyh, a former State Department official, postulated that Rouhani’s surprise win was due to the Iranian governing institutions’ failure to accurately assess the 2013 political atmosphere, the

⁸⁵ Michael Jacobson, “Sanctions Against Iran: A Promising Struggle,” *The Washington Quarterly* 31, no. 3 (Summer, 2008): 77.

⁸⁶ Source: Trading Economics, <https://tradingeconomics.com/iran/inflation-cpi>.

severity of public discontent with the political and economic situation, and schisms between internal factions within the opposition party.⁸⁷

The combination of multilateral, trade, and ‘smart’ sanctions—that is, specific sanctions that inflict direct pain on the regime instead of on the general population, such as targeting financial institutions that support Iran’s energy sector—were effective on Iran. By contrast, North Korea endured similar sanctions, and continued to pursue its nuclear aspirations. As Figure 5 displays, in contrast to Iran, Western economic sanctions failed to influence North Korea’s economic growth rate. Pyongyang’s GDP increased steadily since reaching a low point in 2009, but surged back up in the 2010 and remained positive through 2014.



Figure 5. North Korea GDP⁸⁸

North Korea’s closed economy is the main contributing factor to the ineffectiveness of economic sanctions there. Ironically, the country’s economy is so isolated because of the longstanding existing trading sanctions imposed by the West. With China as North Korea’s major trading partner, Pyongyang was able to circumvent the negative economic impacts intended by the West’s economic sanctions. Overall, the

⁸⁷ Anthony H. Cordesman, Bryan Gold, and Chloe Coughlin-Schulte, *Iran: Sanctions, Energy, Arms Control and Regime Change* (New York: Rowman & Littlefield, 2014), 137.

⁸⁸ Source: Trading Economics, <https://tradingeconomics.com/north-korea/gdp>.

sanctions had little effect on North Korea's GDP and, ultimately, failed to produce the desired effect of halting the Kim regime's nuclear program.

D. OTHER FACTORS AFFECTING THE EFFICACY OF ECONOMIC SANCTIONS AT PRODUCING THE DESIRED STATE BEHAVIOR

Comparative analysis of the Iran and North Korea cases suggests there are other factors conditioning the economic and political effects of the sanctions imposed on the two countries. Significant additional factors include: the motivation for the nuclear program, the features of the political system, the incentives and consequences of sanctions non-compliance, and the role of sanctions busting states, known as "black knights."

1. The Motivation for the Nuclear Program

To understanding the other factors affecting the efficacy of sanctions, it is important to examine North Korea's and Iran's motives for pursuing nuclear weapons; motivation and the level of desire toward nuclear development determines the extent to which each state has been willing to endure the economic sanctions imposed. Soon after the Korean War, with the patronage of both China and the Soviet Union, North Korea developed one of the most industrialized economies in Asia, initially much stronger in comparison to its Southern counterpart.⁸⁹ Beginning in the mid-1980s, however, China dramatically reduced its support due to its own internal economic reforms and support from the Soviet Union vanished as the Cold War drew to a close. Partly due to these factors, North Korea's economy plummeted to the point of famine and near collapse, while South Korea had risen to being an export-oriented economic powerhouse in Asia. Victor Cha argues it was around this time that Kim Jong-il started to pursue nuclear weapons as "the ultimate equalizer" to legitimize his leadership and bolster the regime militarily, as the regime could no longer mobilize and evoke public support based on economic superiority against the South.

⁸⁹ Victor Cha, *The Impossible State: North Korea Past and Future* (New York: Harper Collins, 2013), 111.

Shen also points out that another main motive for North Korea to obtain nuclear technology is regime survival. By achieving the status of a nuclear-capable powerhouse in the international community, North Korea could ensure its national security.⁹⁰ After witnessing the U.S.'s preemptive strike war against Iraq, Kim Jong-il expedited North Korea's pursuit of nuclear weapons.⁹¹ In April 2003, shortly following the fall of Saddam Hussein, North Korean state broadcast news published a statement saying, "[t]he Iraqi war teaches a lesson that in order to prevent a war and defend the security of a country and the sovereignty of a nation, it is necessary to have a powerful physical deterrent force."⁹² Similarly, after observing the NATO coalition's military intervention in Libya in March 2011, North Korea's Foreign Ministry issued a statement condemning the intervention and implying that "Libya had been duped in 2003 when it abandoned its nuclear program in exchange for promises of aid and improved relations with the West."⁹³ Shen points to these events as providing North Korea with opportune excuses for pursuing its nuclear weapons program.⁹⁴ More importantly, these events solidified the Kim regime's belief that nuclear weapons provide the only measure to guarantee regime survival since states with nuclear technology can deter foreign hostility. North Korea's strong conviction in the importance of nuclear weapons in the global political environment plays a critical role contributing to the ineffectiveness of economic sanctions: "North Korea accepted the devastation of its economy, the impoverishment of its citizenry, and having 3 million of its people starve to death to hold onto its nuclear weapons program."⁹⁵

⁹⁰ Shen, "Cooperative Denuclearization," 182.

⁹¹ Shen, "Cooperative Denuclearization," 182.

⁹² Christopher Way and Jessica LP Weeks, "Making It Personal: Regime Type and Nuclear Proliferation," *American Journal of Political Science* 58, no. 3 (2014): 710, <http://onlinelibrary.wiley.com/doi/10.1111/ajps.2014.58.issue-3/issuetoc>.

⁹³ Mark McDonald, "North Korea Suggests Libya Should Have Kept Nuclear Program." *The New York Times*, March 24, 2011, http://www.nytimes.com/2011/03/25/world/asia/25korea.html?_r=0.

⁹⁴ Shen, "Cooperative Denuclearization," p 182

⁹⁵ Kenneth M. Pollack, "The Iranian Nuclear Program: Motivations and Priorities," Testimony before the Senate Foreign Relations Committee, 100th Cong., (May 17, 2006), 5.

Iran's journey to pursue nuclear weapons started after the 1979 Revolution, when Iran witnessed the U.S., a foreign power, meddling with the socio-economic and military capacities of two of Iran's regional rivals, Iraq and Afghanistan.⁹⁶ Adding to concern, the nuclear capability landscape was changing in South Asia with Pakistan and India joining the "nuclear club" in 1998.⁹⁷ Therefore, Bahgat argues the main motive underlying Iran's pursuit of nuclear weapons was that "geographical proximity to several nuclear power[s]" increased Iran's "sense of vulnerability," and, ultimately, drove their desire to secure Islamic regime survival and integrity of its territory.⁹⁸ Nevertheless, Iran's fundamental nuclear program motives were different than North Korea's; the Iranian regime, instead of depending solely on the obtainment of nuclear weapons to bolster the regime, could also turn to other sources of legitimacy and survival—such as theology and a measure of economic success.

During testimony to the Senate Foreign Relations Committee, Pollack (2006) argued that assuming Iran will take North Korea's extreme measures to protect its nuclear program is a mistake. Pollack states, "There is no evidence that Tehran would be willing to tolerate the extremes of sacrifice as North Korea did."⁹⁹ Iran's most recent election in 2013 proved his point: President Mahmoud Ahmadinejad, whose tenure saw strengthened economic sanctions, in part due to his hardline stand on continued pursuit of nuclear programs, was voted out of office. In addition, his mismanagement of Iran's economy further solidified his political downfall. During his Presidential campaign in 2013, Hassan Rouhani emphasized ensuring the Iranian economy operates well, probably aiding in his election. The target states' motivation to pursue certain programs and policies is imperative for the sanctioning state to understand; motive establishes the level of determination and a threshold of how much the targeting state will tolerate the imposed punishment. This difference in the depth of desire also conditions the impact of

⁹⁶ Gawdat Bahgat, "Nuclear Proliferation: The Islamic Republic of Iran," *Iranian Studies*, 39, no. 3 (August 3, 2006): 313.

⁹⁷ Bahgat, "Nuclear Proliferation," 313.

⁹⁸ Bahgat, "Nuclear Proliferation," 313.

⁹⁹ Pollack, "The Iranian Nuclear Program," 5.

three additional factors: features of the political system; the ability to punish for sanctions non-compliance; and the role of sanctions busting state.

2. Features of the Political System

Features of the political system play an important role since it structures the environment in which the Iranian and North Korean regimes pursued their desired nuclear programs. Based on past successful cases of sanctions in influencing regimes, proponents of economic sanctions recognize that “the effectiveness of sanctions will depend on political characteristics of the target state.”¹⁰⁰ It is thus imperative the sender state create economic sanctions that isolate the core elements of the target state influencing the political regime.¹⁰¹ In Iran’s case, comprehensive economic sanctions were successful because Tehran’s political party still needed public support for political survival. As previously mentioned, Iran’s recent 2013 election demonstrated that public opinion resulted in the ousting of revisionist leader Mahmoud Ahmadinejad in favor of a more moderate leader, Hassan Rouhani. In June 2013, Iranians voted for moderate candidate Rouhani’s main campaign pledge to deliver economic relief by engaging with the West. At the beginning of his campaign, during a TV appearance, candidate Hassan Rouhani made a statement that “sanctions will... be resolved, and economic prosperity will also be created. I said it is good for centrifuges to operate, but it is also important that the country operates as well and the wheels of industry are turning.”¹⁰²

In essence, Iran has no real incentive to continue to pursue nuclear capability because the regime’s political survival is not dependent on the nuclear program. Iran has publicly stated their main reason to pursue a nuclear program is for civilian purposes, as another source of energy.¹⁰³ Even with their hidden agenda of pursuing nuclear weapons to alleviate Iran’s security concerns in the region, the costs of economic sanctions:

100 Haggard and Noland, “Engaging North Korea: The Role of Economic Statecraft,” 5.

101 Haggard and Noland, “Engaging North Korea: The Role of Economic Statecraft,” 8.

102 “Iran Nuclear Crisis,” BBC News, March 30, 2015, <http://www.bbc.com/news/world-middle-east-15983302>.

103 Gawdat Bahgat, “Nuclear Proliferation: The Islamic Republic of Iran,” *Iranian Studies*, 39, no. 3 (August 3, 2006): 1.

decreasing GDP and currency value, and increasing inflation, outweigh the benefits of nuclear capability. The sanctions destabilize the economy resulting in negative consequences stemming from public discontent, which can play as a source political instability and ultimately, threatens regime stability.

By contrast, economic sanctions against North Korea have been ineffective since their authoritarian leaders do not have to answer to the general public. To be sure, they still need to satisfy some major party elites to reduce factions, and support the leader's main political goals; however, sanctions toward North Korea failed to effectively influence the Kim regime's core constituents. Kim Jong-un's totalitarian leadership style and his demonstration of willingness to purge anyone who openly opposes him, or is perceived as a threat to his regime survival, creates significant challenges in affecting political change through economic sanctions. North Korea faces no real incentives to abide by UN sanctions; they are determined to continue nuclear enterprise endeavors at any cost because leadership views these weapons as their best chance of survival—self-preservation is a significant motivator. According to Benjamin Habib, “Economic sanctions are likely to be successful when the economic and political costs to the target country of non-compliance with a sanctions regime outweigh the costs of compliance with the sender's demands.”¹⁰⁴ Kim Jong-un and North Korean elites' first and foremost objective is regime stability and survival, a goal that makes them willing to forgo luxury goods and endure the sanctions.

3. The Ability to Punish for Sanctions Non-compliance

For the sanctions to be effective, the enforcing state must have the ability to impose punishment on the target state, to compel them to abide by the sanction. Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, in *Power and the Purse: Economic Statecraft, Interdependence, and National Security*, state, “Economic sanctions are likely to work best when the target state faces high political costs of noncompliance. Only when a state has powerful political incentives to comply with the

¹⁰⁴ Benjamin Habib, “The Enforcement Problem in Resolution 2094 and The United Nations Security Council Sanctions Regime: Sanctioning North Korea,” *Australian Journal of International Affairs* 70, no. 1, (2016): 52, DOI: 10.1080/10357718.2015.1095278.

sanctioning state's demand is it likely to change its behavior in response to sanctions.”¹⁰⁵ In 2011, the UNSC practiced its enforcement authority on the Gaddafi regime in Libya for violation of UNSCR 1973, the immediate ceasefire, and halted all violations against civilians. Political and geostrategic reasons prevented similar military retaliation against Iran and North Korea. However, the international community was able to retaliate against Iran for its nuclear program violations within the realm of the NPT reinforcing mechanism, combined with “IAEA verification mechanism” thereby legitimizing the strengthening of existing economic sanctions and successfully rallying international cooperation.¹⁰⁶

In North Korea's case, the international community has had a minimal ability to enforce sanctions, or to impose consequences when North Korea violates given sanctions. Additionally, unlike Iran, IAEA verification mechanism cannot apply to North Korea since it is not part of the Nuclear NPT. Furthermore, use of military force against the Kim regime in retaliation for breaches of sanctions is unfeasible due to the location of North Korea.¹⁰⁷ Along the border of North Korea are China and South Korea, and just south of South Korea there is Japan. The unsteady political relationships with these bordering countries make carrying out military intervention against North Korea too risky to justify the potential gain.¹⁰⁸ Besides, all permanent members of the UNSC must unanimously approve “use of force” as an enforcement instrument against a sanctioned state and, very likely, China would not approve such measures against its North Korean ally. Adding to the obstacles, the ability of economic sanctions to inflict economic and political cost on North Korea also proved relatively ineffective due to assistance received by China, in this case a sanctions busting state.

¹⁰⁵ Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, “Asking the Right Question: When Do Economic Sanctions Work Best?” *Power and the Purse: Economic Statecraft, Interdependence, and National Security*, ed. Jean-Marc F. Blanchard, Edward D. Mansfield, Norrin M. Ripsman, and Frank Cass, (Portland, OR: Frank Cass, 2000), 251.

¹⁰⁶ Wade Huntley, “Rebels Without a Cause: North Korea, Iran and the NPT,” *International Affairs* 82, no. 4 (2006): 738.

¹⁰⁷ Habib, “The Enforcement Problem in Resolution 2094,” 60.

¹⁰⁸ Habib, “The Enforcement Problem in Resolution 2094,” 60.

4. The Role of Sanctions Busting States: “Black Knights”

In addition to the nature of the motivation for nuclear capability, features of political system, and the ability to punish non-compliance with economic sanctions, another important factor affecting the efficacy of economic sanctions is the role of sanctions-busting states, also known as “black knights.” According to Early, there are essentially three players in the sanctions game: sender state, target state, and “the third-party states comprising of the rest of the countries in the world.”¹⁰⁹ Early continues to point out that, in theory, the various ways in which the third party can respond to the sender states’ sanctions—to support, oppose, or act unbiased—can have a significant impact on the outcome of sanctions.¹¹⁰

In the case of North Korea, China plays the black knight’s role of offering sanction-busting support, easing the negative influence of sanctions on North Korea and hence compromising their effectiveness in a major way. China provides alternate resources so that North Korea “can easily and cost-effectively substitute” trade or resources denied by the U.S. and UNSC, making North Korea even less inclined to conform to the provisions.¹¹¹ In addition, China “provided North Korea with overarching aid flows that fluctuated between \$100 and \$200 million a year” and this direct aid from a black knight has a damaging effect on sanctions as well.¹¹² China’s sanction-busting motive for supporting North Korea is political. North Korea has geostrategic importance and maintaining Pyongyang’s stability and power is Beijing’s main objective since it provides a buffer between China and South Korea, the closest U.S. ally hosting approximately 30,000 U.S. troops. China has great interest in keeping the North Korean regime stable and sustaining the current status quo in the Korean peninsula, allowing China to continue to focus on its economic growth trajectory.¹¹³

109 Bryan R. Early, *Busted Sanctions: Explaining Why Economic Sanctions Fail* (Stanford, CA: Stanford University Press, 2015), 18.

110 Early, *Busted Sanctions*, 18.

111 Early, *Busted Sanctions*, 18.

112 Early, *Busted Sanctions*, 27.

113 “Eleanor Albert and Beina Xu, “The China-North Korea Relationship,” *Council on Foreign Relations*, (February 8, 2016), <http://www.cfr.org/china/china-north-korea-relationship/p11097>.

China also plays a black knight role in the Iranian case, where the effects are tempered, but damaging nevertheless. China's sanction-busting motives with Iran are more economic due to its increasing domestic energy requirements. According to Early, despite the Iran-Libya Sanctions Act, China reached out to Iran to purchase fossil fuels at a lower price and, at the same time, Iran bought Chinese products, which were otherwise not available due to the import bans imposed by the West.¹¹⁴ For China, it was a very "lucrative" business deal worth the act of defiance against the economic sanctions set by the West.¹¹⁵ Hufbauer et al. identified a corresponding relationship between the interfering black knights and the efficacy of sanctions and stated "assistance to the target would make success an impossible goal."¹¹⁶ Thus, evidence indicates that sanction-busting factors have negative effects on the efficacy of economic sanctions to encourage changes in targeted states' behavior.

E. CONCLUSION

The comparative analysis of economic sanctions on Iran and North Korea for the purpose of non-proliferation revealed that similar economic sanction regimes, incorporating unilateral and multilateral approaches and both trade and financial sanctions, were applied to change their behavior. The analysis suggests that what explains the difference in sanctions effectiveness between two cases are other independent variables such as the motives driving the pursuit of nuclear capability, different types of political system, the incentives for and consequences of compliance with sanctions, and the role of sanctions-busting states. According to Early, "sanctioning efforts succeed when their targets capitulate to their senders' accompanying demands, and they fail when senders lift the sanctions without fulfilling their objectives."¹¹⁷ Based on that statement, Iran is a success case since Iran signed the JCPA in 2015, which allows the international

¹¹⁴ Early, *Busted Sanctions*, 114.

¹¹⁵ Early, *Busted Sanctions*, 114.

¹¹⁶ Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*, 2nd ed. Vol. 1 (Washington, DC: Institute for International Economics, 1990), 60.

¹¹⁷ Early, *Sanction Busters*, 18.

community to monitor nuclear weapons capabilities in Iran, and, ultimately, achieves their total elimination.

By contrast, North Korea's nuclear weapon advancement is still progressing with no signs of slowing down, suggesting the ineffectiveness of the long list of UNSC-imposed sanctions. The ineffectiveness of sanctions originates from North Korea's strong conviction that pursuing nuclear weapons will help maintain regime stability and preserve its totalitarian political regime. Additionally, implementing sanctions has been an ineffective tactic in halting North Korea's nuclear weapon aspirations since Kim's regime has no incentive to respect the sanctions nor faces any real threats when they breach the sanctions. Moreover, China has continued to consistently undermine sanctions in North Korea to serve their interests in the Korean peninsula.

III. ECONOMIC SANCTIONS TO PROMOTE DEMOCRATIC REFORM: MYANMAR AND CUBA COMPARATIVE ANALYSIS

A. INTRODUCTION

During and after the Cold War, the United States, along with its European allies, have used sanctions as a major foreign policy tool to promote democratization and to instigate regime change against authoritarian governments.¹¹⁸ Figure 6 displays the popularity of “democratic sanctions” as a tool to institute democracy during the post-Cold War period.¹¹⁹

However, despite their popularity, opponents of democratic sanctions argue that sanctions are unproductive at promoting democratic reform and rather have opposite effects.¹²⁰ Peksen and Drury claim that democratic sanctions negatively affect efforts to induce democratic reforms in authoritarian regimes since elites can retroactively use sanctions to mobilize public support by blaming country’s hardships on these sanctions. In addition, for the sake of state sovereignty, regimes tend to increase repressive measures on the opposing party and public, even purging internal factions to maintain domestic stability.¹²¹ If democratic sanctions become even harsher in response, a vicious cycle can further push the targeted state to a more repressive and authoritative government and ultimately, isolated from the international community.

¹¹⁸ Christian von Soest, and Michael Wahman, “Are Democratic Sanctions Really Counterproductive?” *Democratization* 22, no. 6 (2015): 959.

¹¹⁹ Soest and Wahman, “The Underestimated Effect of Democratic Sanctions,” *E-International Relations*, 2014, 3.

¹²⁰ D. Peksen and A.C. Drury, “Coercive or Corrosive: The Negative Impact of Economic Sanctions of Democracy,” *International Interactions* 36, no. 3 (2010):240–264.

¹²¹ Peksen and Drury, “Coercive or Corrosive,” 240–264.

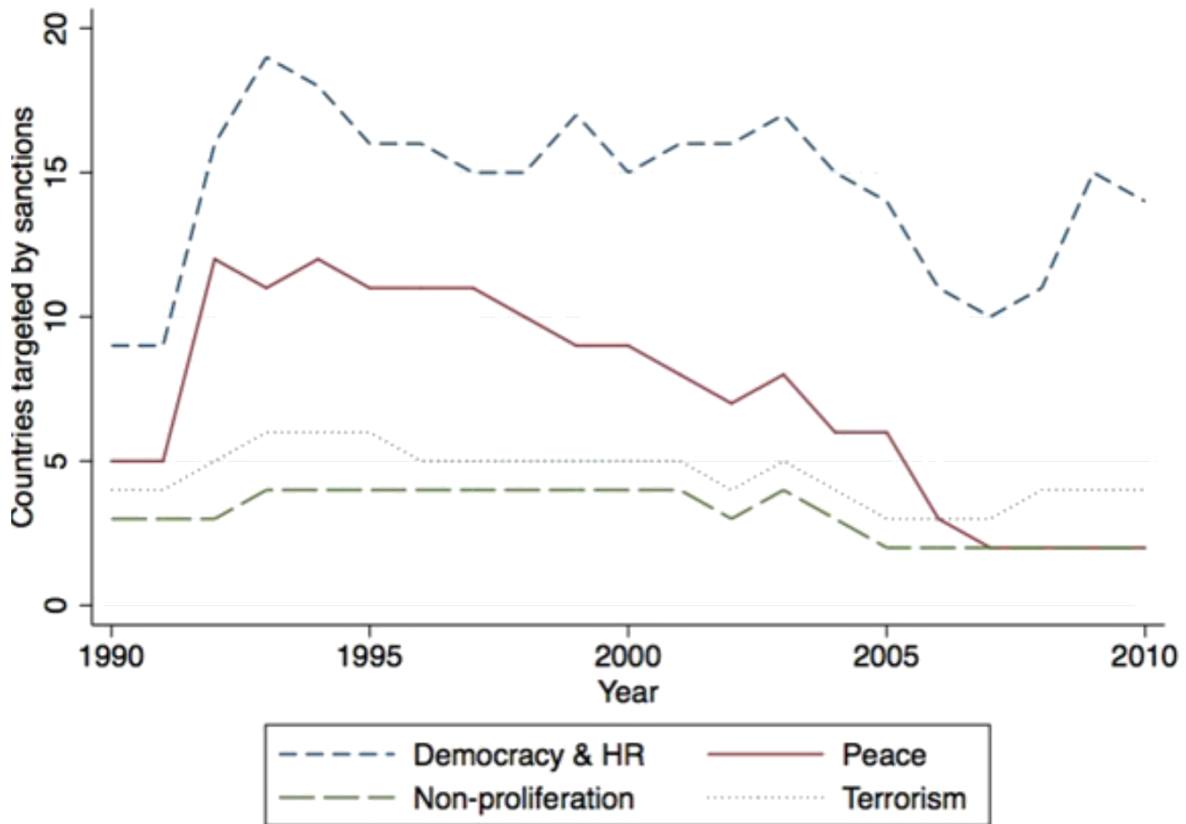


Figure 6. Countries Targeted by Sanctions, Worldwide (1990–2010)¹²²

Taking the opposite view, proponents of democratic sanctions provide a different spectrum of views that economic sanctions can be an effective tool to attain changes in political regimes since “economic stress is one of the most robust determinants of democratization and/or regime change in authoritarian regimes.”¹²³ Soest and Wahman also assert, “Sanctions can, if effectively planned and strategically imposed, be used to increase such economic pressure on authoritarian elites,” and “by targeting central elite figures or strategically important industries, sanctions can also effectively undermine the inner elite’s support for top-leaders or current institutions.”¹²⁴ The assertion presented by

¹²² Source: Christian Von Soest and Michael Wahman, “The Underestimates Effect of Democratic Sanctions,” *E-International Relations*, April 26, 2014, <http://www.e-ir.info/2014/04/26/the-underestimated-effect-of-democratic-sanctions/>.

¹²³ Soest and Wahman, “The Underestimated Effect of Democratic Sanctions,” *E-International Relations* (article), (2014).

¹²⁴ Soest and Wahman, “The Underestimated Effect of Democratic Sanctions.”

Soest and Wahman indicates that an authoritarian regime needs to maintain financial security because it preserves its legitimacy by achieving internal stability by maintaining the ability to make side payments to party supporters and would-be opponents, and by providing basic needs for its people. Therefore, prolonged sanctions might force the regime to comply with the sanctions' demands by modifying its policies to sustain the financial stability of the state. The ultimate goal of democratic sanctions is for the target state to eventually reform and become a democratic state. Myanmar and Cuba are two prominent cases that faced substantial sanctions to push their authoritarian regimes to undertake democratic reforms.

Democratic sanctions positively pushed Myanmar to undertake meaningful democratic reforms. Since independence, except for the brief Parliamentary democratic period (1948–1962), a military junta has ruled Myanmar and faced sanctions by the U.S., the European countries, and by the UNSC to promote democratic reforms.¹²⁵ The western countries imposed sanctions to convince the military regime to install democratic reforms leading to the 2015 election when the civilian-led National League of Democracy (NLD) won the election. In contrast, Cuba has been enduring the United States' economic sanctions since the early 1960s, with the start of the Cold War, when the revolutionary leader, Fidel Castro, took control of country to establish a Marxist-Leninist state and allied with the Soviet Union.¹²⁶ Even after Fidel Castro's death in 2016, Cuba's community party continued to rule the state under Raul Castro with no signs of any meaningful reforms towards democracy.

U.S. President Barack Obama's statements regarding the effect of sanctions in Cuba and Myanmar are telling as to the difference in outcomes between the two countries. In March 2016, President Obama became the first U.S. president to visit the island neighbor in 90 years and lifted U.S. sanction, stating, "What the United States was

¹²⁵ Priscilla Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy: A Historical Perspective," in *Myanmar's Growing Regional Role*, ed. Mely Caballero-Anthony, (Washington, DC: National Bureau of Asian Research, 2014), 7.

¹²⁶ Dianne E. Rennack, and Mark P. Sullivan, "Cuba Sanctions: Legislative Restrictions Limiting the Normalization of Relations," *Current Politics and Economics of South and Central America* 8, no. 4 (2015): 579.

doing was not working. We have to have the courage to acknowledge that truth. A policy of isolation designed for the Cold War made little sense in the 21st century. The embargo was only hurting the Cuban people, instead of helping them.”¹²⁷ In October 2016, President Barack Obama issued a statement lifting U.S. economic sanctions on Myanmar, but under starkly different conditions compared to Cuba, saying: “I have determined that the situation that gave rise to the national emergency ... has been significantly altered by Burma’s (Myanmar’s) substantial advances to promote democracy, including historic elections in November 2015.”¹²⁸

This chapter analyzes the different outcomes economic sanctions had on Myanmar and Cuba. The analysis begins with brief background information on the democratic sanctions against Myanmar and Cuba, followed by an assessment of sanctions imposed on these two countries. Central to the chapter, the analysis explores the applicability of the other factors discussed in terms of the effectiveness of nuclear proliferation sanctions in Iran and North Korea: the motivations of non-democratic regimes, the features of their political systems, the ability to punish sanction non-compliance, and the role of black knights.

B. BACKGROUND: HISTORY OF ECONOMIC SANCTIONS ON MYANMAR AND CUBA

After Myanmar gained its independence from Britain in 1948, U Nu, a nationalist during the colonial era, became its prime minister.¹²⁹ During this period, Burma actively, with the full support of the United States, joined international organizations; it became a member of the United Nations, a founding member of the General Agreement on Tariffs and Trade (GATT), and joined the International Monetary Fund (IMF).¹³⁰

¹²⁷ Ryan Teague Beckwith, “Read President Obama’s Speech to the Cuban People,” Transcript, March 22, 2016, <http://time.com/4267933/barack-obama-cuba-speech-transcript-full-text/>.

¹²⁸ David Brunnstrom, “Obama Announces Lifting of U.S. Sanctions on Myanmar,” Reuters, October 7, 2016, <http://www.reuters.com/article/us-usa-myanmar-sanctions-idUSKCN127262>.

¹²⁹ Clapp, “The Influence of Domestic Issues on Myanmar’s Foreign Policy,” 9.

¹³⁰ Michael F. Martin, “U.S. Sanctions on Burma,” Congressional Research Service, October 19, 2012, 11.

Additionally, during the Cold War, U.S. economic aid, and military assistance programs were provided to Burma to assist the government in fighting the spread of communism in the country.¹³¹

The U.S.-Burma relationship started to deteriorate when the military, led by General Ne Win, took power from the democratic parliament in a 1962 coup d'état.¹³²

Once in power, General Ne Win established the Burmese Socialist Programme Party (BSPP) and implemented the “Burmese Way to Socialism,” which became the standard rhetoric for ruling Burma under brutal military control. Under this rhetoric, the military government started to undermine the basic rights of its people and oppress any opposition party in the name of internal stability to preserve national security and unity.¹³³

In July 1988, General Ne Win abruptly announced that he would resign from the political stage. The news, combined with the disastrous economic decline and routine human rights violations, provoked thousands of civil protesters to take to the streets of Rangoon to display their dissatisfaction with the regime.¹³⁴

However, on August 8, 1988, in an event known as the 8–8–88 uprising or massacre, the military suppressed civilian protesters using brutal force, killing approximately 100,000 civil demonstrators across the country.¹³⁵

In response, the United States and European nations condemned Burma’s military regime by bolstering existing arms embargoes, pulling economic aid, halting military assistance, and imposing economic sanctions.¹³⁶

131 Clapp, “The Influence of Domestic Issues on Myanmar,” 12; Martin, “U.S. Sanctions on Burma,” 2.

132 Martin, “U.S. Sanctions on Burma,” 2.

133 Clapp, “The Influence of Domestic Issues on Myanmar,” 10; Martin, “U.S. Sanctions on Burma,” 2.

134 Clapp, “The Influence of Domestic Issues on Myanmar,” 13; Kyaw Yin Hlaing, “Understanding Recent Political Changes in Myanmar,” *Contemporary Southeast Asia* 34, no. 2 (2012): 199.

135 Clapp, “The Influence of Domestic Issues on Myanmar,” 13; Martin, “U.S. Sanctions on Burma,” 11.

136 Michael F. Martin, “U.S. Sanctions on Burma,” Congressional Research Service, 2012, 1; “The EU’s Relations with Burma/Myanmar,” European Commission, http://www.europarl.europa.eu/meetdocs/2004_2009/documents/fd/dase20050419_003/dase20050419_003_en.pdf.

Unilaterally, the United States imposed a series of comprehensive trade, and financial sanctions on Burma to encourage democratic reforms and human rights. The United States implemented six laws and five presidential executive orders specifically on Burma. These sanctions fell into several broad categories: visa bans, financial services restrictions, Burmese imported goods bans, prohibitions on new investments in Burma, and U.S. assistance to Burma restrictions.¹³⁷ Multilaterally, the European Union also imposed trade, financial, and smart sanctions to impose economic hardship, and an arms embargo to prevent the military from increasing its oppressive capability on Myanmar.¹³⁸

The U.S. started to impose sanctions on Cuba in the early 1960s when communist leader Fidel Castro toppled the U.S. supported regime that had taken control after Cuba's independence from Spain.¹³⁹ Once in power, Castro's communist party instituted a socialist state and started to ally closely with the Soviet Union.¹⁴⁰ Before the lifting of sanctions on Cuba in 2016, the United States economic sanctions against Cuba were in place for over five decades. Over those 50 years, the logic and objective of economic sanctions shifted from eliminating or containing Fidel Castro's communist government because of the U.S. geopolitical Cold War era threat to reforming the communist government democratically during the post-Cold War era.¹⁴¹

The major laws and regulations used as the legal foundation for the U.S. sanctions were the Foreign Assistance Act (FAA) (1961) and Cuban Assets Control Regulations (1963).¹⁴² By the mid-1990s, the Cuban Democracy Act of 1992 merged with the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 to form U.S. foreign

¹³⁷ Martin, "U.S. Sanctions on Burma," 11.

¹³⁸ "The EU's Relations with Burma/Myanmar."

¹³⁹ Claire Felter, Brianna Lee, James McBride, and Danielle Renwick, "U.S.-Cuba Relations," Council of Foreign Relations (article), 2017.

¹⁴⁰ Claire Felter, Brianna Lee, James McBride, and Danielle Renwick, "U.S.-Cuba Relations," Council of Foreign Relations (article), 2017.

¹⁴¹ Susan Kaufman Purcell, "Cuba," in *Economic Sanctions and American Diplomacy*, ed. Richard N. Haass (New York, NY: Brookings Institution Press for Council of Foreign Relations, 1998): 35.

¹⁴² The Economic Impact of U.S. Sanctions with Respect to Cuba, 2-1.

policy.¹⁴³ The intended objectives of these laws were consistent in that they seek to advocate democratic movements in Cuba, which will promote the well-being of the Cuban people.¹⁴⁴ Additionally, the laws protect U.S. citizens against any wrongdoing by the Cuban government.¹⁴⁵ Lastly, these acts incorporated third party sanctions to bolster “international sanctions” targeting the Castro regime.¹⁴⁶ Sanctions Cuba had a unilateral start; however, in 1962, concern over the risk of spreading communism in the western hemisphere grew and members of the Organization of American States joined the United States to cut diplomatic ties with Cuba and start imposing trade embargoes.¹⁴⁷

C. ASSESSMENT OF ECONOMIC SANCTIONS IN MYANMAR AND CUBA

As previously mentioned, when economic sanctions inflict sufficient pressure on the target state to change its behavior, they are successful. In September 2016, the United States decided to lift all sanctions against Myanmar. On the other hand, scholars and policymakers consider Cuba an unsuccessful case since the United States progressively lifted imposed sanctions since 2014 and completely in 2016 without any meaningful movement towards democracy.¹⁴⁸ Based on these results, economic sanctions imposed against Myanmar were successful, while those against Cuba were a failure.

Due to the 1988 military oppression of peaceful civilian protests, the U.S. implemented sanctions against Myanmar’s military regime, resulting in negative impacts to the Myanmar economy. To mitigate this negative effect, the Myanmar military junta made domestic policy changes. In 1995, the United States implemented the Free Burma Act of 1995, which imposed a wide range of trade bans on Myanmar, including the prohibition of U.S. financial aid and investment and import bans on all Burmese products.¹⁴⁹ According to Martin, “the severity of the sanctions in this bill was sufficient

143 Shambaugh, *States, Firms, and Power*, 177.

144 Shambaugh, *States, Firms, and Power*, 177.

145 Shambaugh, *States, Firms, and Power*, 177.

146 Shambaugh, *States, Firms, and Power*, 177.

147 Purcell, “Cuba,” 39.

148 “Cuba Country Profile,” *bbc.com*, <http://www.bbc.com/news/world-latin-america-19583447>

149 “Cuba Country Profile,” *bbc.com*, <http://www.bbc.com/news/world-latin-america-19583447>

to persuade the SLORC [State Law and Order Restoration Council] to release Aung San Suu Kyi from [the six year] house arrest on July 10, 1995.”¹⁵⁰ The Free Burma Act harmed Myanmar’s economy since the law excluded Myanmar from potential trading opportunities with U.S. and European markets.¹⁵¹ Myanmar as a country with abundant natural resources may have had an “immense potential for wealth creation.”¹⁵² However, as the international sanctions blocked foreign direct investments and as trading sanctions blocked the potential market for Myanmar’s natural resources. As a result, Myanmar’s economy stagnated from 1998 to mid-2000, as depicted by Figure 7.



Figure 7. Myanmar GDP¹⁵³

Additionally, in 2003, due to the collective effect of the United States’ sanctions and increasing condemnation from the international community, the military regime recognized that it would need political reform in order to maintain its legitimacy and survivability.¹⁵⁴ As a result, the junta announced it would implement a “roadmap to disciplined democracy” and eventually, draft a new constitution, hold multi-party

150 Ibid.

151 Leon T. Hadar, “U.S. Sanctions Against Burma: A Failure on All Fronts,” Trade Policy Analysis no. 1, (1998): 2.

152 Than, “Myanmar: Preoccupation with Regime Survival, National Unity and Stability,” 394.

153 Source: Trading Economics, <https://tradingeconomics.com/myanmar/gdp>.

154 Hlaing, “Understanding Recent Political Changes in Myanmar,” 203.

elections, and peacefully transfer power to a civilian government.¹⁵⁵ However, the international community often viewed these actions by the military regime as dubious attempts to deter punishment, since the Burmese government continued to commit actions that undermined the efforts of sanctions.¹⁵⁶

Real, meaningful changes started to occur in 2011 when the military-backed Union Solidarity and Development Party (USDP), led by President Thein Sein, took office and start implementing significant steps towards political reforms.¹⁵⁷ Upon taking power, the USDP released political prisoners, organized ceasefire talks with several armed ethnic minority rebels, and modified the laws to allow opposition party members, including Aung San Suu Kyi, to run in the 2012 parliamentary elections.¹⁵⁸ Additionally, the USDP government made modest steps towards press freedom by easing censorship.¹⁵⁹ More importantly, Thein Sein “suspended a controversial multimillion-dollar dam project financed and led by a Chinese state-owned company.¹⁶⁰ This move not only helped him win public popularity from with anti-Chinese sentiment but also to convince U.S. policymakers that Myanmar could reshape its foreign policy and to move out of China’s sphere of influence.¹⁶¹

Ultimately, the multi-party election in 2015 was a clear victory for Aung San Suu Kyi’s party, the NLD, which won 78 percent of the 327 seats in the Lower House, and 80 percent of the 168 seats in the Upper House. The international communities lauded the 2015 election since it marked the most “genuinely competitive, free, fair, and orderly parliamentary elections” Burma had seen since 1990.¹⁶² Additionally, it was significant since the military regime honored the results and allowed the peaceful transfer of power

155 Hlaing, “Understanding Recent Political Changes in Myanmar,” 203.

156 Min Zin, “The New Configuration of Power,” *Journal of Democracy* 27, no. 2 (April, 2016): 119.

157 Zin, “The New Configuration of Power,” 119.

158 Martin, “U.S. Sanction on Burma,” 11.

159 Zin, “The New Configuration of Power,” 117.

160 Zin, “The New Configuration of Power,” 118.

161 Zin, “The New Configuration of Power,” 118.

162 Martin, “U.S. Sanction on Burma,” 5.

to the NLD party. Constitutional and domestic obstacles remain for the NLD to solve before Burma can transform to a truly democratic state.

Overall, U.S. economic sanctions against Myanmar had positive influences on the democracy movement because the sanctions inflicted enough harm to impair the government's ability to manage internal affairs and external threats. The military regime needed to comply with the sanctions to relieve and improve the domestic economy to deal with public discontent, contain ethnic minority groups, and deter China's encroachment by improving economically. Additionally, Myanmar ranked among the poorest countries in Southeast Asia. Her neighboring countries, such as Indonesia, Thailand, and the Philippines, which implemented a "demi-democracy" policy, achieved economic success based on high levels of foreign direct investment.¹⁶³ Furthermore, because of the increasing anti-Chinese sentiment among the political elite as Myanmar became more dependent on China, the regime found itself needing to grow since the weakened domestic economy was threatening state security and sovereignty. To be sure, the country's civil war between the Burman majority government and the armed ethnic minority rebels and human right violations because of the civil war persist throughout the country. On balance, however, for Myanmar, the economic sanctions effectively inflicted political pain on Myanmar's military regime since the sanctions negatively affected the military regime's ability to manage increasing internal instability and perceived external threat.

In 1960, the United States began to impose economic sanctions against Cuba once the Fidel Castro regime confiscated and nationalized U.S. citizens' property there.¹⁶⁴ Succeeding U.S. administrations imposed additional sanctions aimed to strengthen and expand the scope of the original trade embargo into a set of comprehensive sanctions that further isolated the Cuban economy from the U.S. and international markets.¹⁶⁵

¹⁶³ James, "Myanmar's International Relations Strategy," 532.

¹⁶⁴ *The Economic Impact of U.S. Sanctions with Respect to Cuba*, investigation by U.S. International Trade Commission, (February 2001): 2-1, <https://www.usitc.gov/publications/332/pub3398.pdf>.

¹⁶⁵ *The Economic Impact of U.S. Sanctions with Respect to Cuba*, 2-1.

The initial effect of economic sanctions shocked the Cuban economy since the United States was Cuba's primary trading partner and main foreign investor.¹⁶⁶ Prior to the sanctions, Cuba's main source of revenue came from exporting sugar to the United States and additionally, Cuba earned significant hard currency from American tourism.¹⁶⁷ Initially, Cuba's economy felt the devastating effects on its main revenue sources due to the trade embargoes and sanctions. However, the Castro regime, by 1961, signed trade agreements (the first of many) with the Soviet Union, which supplemented the loss of revenues and enabled Cuba to import otherwise prohibited products.¹⁶⁸ Cuba was able to survive the U.S. sanctions due to the Soviet Union's assistance during the Cold War, and post-Cold War, and with the assistance of some of Latin American allies, such as Venezuela. A later section of this chapter will discuss the role of these sanction-busting states in detail.

D. FACTORS AFFECTING THE EFFICACY OF ECONOMIC SANCTIONS AT PRODUCING THE DESIRE STATE BEHAVIOR

The comparative analysis of the Iran and North Korea cases in Chapter II found other factors condition the effectiveness of sanctions: the motivation of the non-democratic regime, features of the political system, the ability to punish for sanction non-compliance, and the role of sanction busting states. The comparative analysis of Myanmar and Cuba reveals that the same causal factors have also affected extent to which democracy promotion could be achieved through sanctions.

1. The Motivation of the Non-democratic Regime

Regime motivation also played a critical factor in Myanmar and Cuba. The target state's depth of desire to maintain its non-democratic regime is an indicator to the sanctioning state of the level of pain the target states will endure from democratic sanctions. On the surface, Myanmar and Cuba seemed to have shared a similar degree of motivation to maintain authoritarian political control as a means to sustain regime survival. The rhetoric used to establish each party highlights their differences.

¹⁶⁶ Susan Kaufman Purcell, "Cuba," 40.

¹⁶⁷ Susan Kaufman Purcell, "Cuba," 40

¹⁶⁸ *The Economic Impact of U.S. Sanctions with Respect to Cuba*, 3–4.

Myanmar's military regime is based on the homegrown ideology of "the Burmese Way to Socialism" to promote internal unity and security and to protect its sovereignty from extraterritorial threats.¹⁶⁹ Cuba's communist party, in contrast, the revolution of its founding father, Fidel Castro, established with the ideology of Marxist-Leninist socialist to protect its sovereignty from the internal corruption and deter the capitalist imperialism.¹⁷⁰

In Myanmar, the military junta's domestic policies and its motivation to hold onto non-democratic policies softened because the military elites made conscious decision to resolve domestic issues, such as continued civil war with the armed ethnic minority groups, anti-China sentiment due to increasing meddling with Myanmar's internal domestic affairs, and continued economic stagnation, through economic reform. However, achieving economic improvement required the economic sanctions to be lifted. For this key reason, the military regime decided to implement democratic reforms to encourage the West to lift the sanctions. In particular, the successive tightening of sanctions and increasing economic pressures placed upon the regime proved too much to bear. After the 1988 upheaval, the military regime placed Burma under martial law and established the new military government, the State Law and Order Restoration Council (SLORC), as Senior General Saw Maung as the Chairman of the SLORC.¹⁷¹ Also in an effort to remove the old Socialist era's legacy, the SLORC changed the country's name from Burma to Myanmar.¹⁷² Additionally, the SLORC attempted economic reforms by introducing a free-market sector in the economy, inviting foreign banks, and reviving the country's tourism sector.¹⁷³ However, due to the 1988 military brutality against civilian protesters, the international community imposed even stronger political and economic sanctions and pulled foreign aid, undermining the SLORC's economic reforms and

169 Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 10–11.

170 "Fidel Castro," History, <http://www.history.com/topics/cold-war/fidel-castro>.

171 Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 13; Hlaing, "Understanding Recent Political Changes in Myanmar," 200.

172 Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 14.

173 Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 14.

sending Burma's economy further into shambles.¹⁷⁴ To subdue international condemnation, SLORC announced that Burma would eventually conduct a multiparty parliamentary election.¹⁷⁵ In 1990, the SLORC leadership held a multiparty election and the NLD party won the election, despite the SLORC's ruthless oppression against NLD candidates.¹⁷⁶ Shocked and outraged, the SLORC refused to accept the election results and the military regime maintained its oppressive grip on power. Again, the event drew immense international criticism and economic sanctions hardened.

Under heavy attack and scrutiny from the West, the SLORC continued to make efforts to change its image by implementing changes in domestic and foreign policy in the late 1990s.¹⁷⁷ In November 1997, the SLORC reformulated itself as the State Peace and Development Council (SPDC). Additionally, in 1997, Myanmar moved toward regionalism by gaining observer status in the Association of Southeast Asian Nations (ASEAN) and beginning to establish a more defensive foreign policy using its neighbors, and China, as a buffer against a Western attack.¹⁷⁸

By 2003, under both internal and external pressure, the junta "felt compelled to introduce a 'roadmap to disciplined democracy' which, in essence, was a blueprint for political reforms."¹⁷⁹ In the 2010 elections, the government-backed Union Solidarity and Development Party (USDP) ran by U Thein Sein, won the election, securing the majority of seats in the Pyidaungsu Hluttaw (Union Assembly).¹⁸⁰ Yet in a surprise move, the military junta in 2011 officially disbanded the assembly and established a civilian

¹⁷⁴ Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 14; Tin Maung Maung Than, "Myanmar: Preoccupation with Regime Survival, National Unity and Stability," in *Asian Security Practice: Material and Ideational Influences*, ed. by Muthiah Alagappa (Palo Alto, CA: Stanford University Press, 1998): 399.

¹⁷⁵ Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 13.

¹⁷⁶ Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 13.

¹⁷⁷ Clapp, "The Influence of Domestic Issues on Myanmar's Foreign Policy," 1; Than, "Myanmar: Preoccupation with Regime Survival, National Unity and Stability," 415; Helen James, "Myanmar's International Relations Strategy: The Search for Security." *Contemporary Southeast Asia* 25, no. 3 (2004), 531.

¹⁷⁸ James, "Myanmar's International Relations Strategy," 531.

¹⁷⁹ Kyaw Yin Hlaing, "Understanding Recent Political Changes in Myanmar," *Contemporary Southeast Asia* 34, no. 2 (2012):203.

¹⁸⁰ Hlaing, "Understanding Recent Political Changes in Myanmar," 203.

parliament, appointing Prime Minister Thein Sein as president, a former army bureaucrat.¹⁸¹ Since Thein Sein came to power in 2011, the USDP government has implemented a foreign policy strategy that maintains a delicate balance between the strategic interests of political elites in the country and friendly relations with strategically important countries such as China and other ASEAN member nations.¹⁸²

In contrast to this gradually increasing pressure on Myanmar that paved the way for democratic reform, the Cuban communist party, despite the death of its founding father, Fidel Castro in 2016, has not shown any sign of relinquishing its communist ideology to embark upon democratic reforms as Myanmar have. Raúl Castro shows no indication of relinquishing the regime's loyalty to communist politics and ideology. Sweig asserts that it is doubtful that Cuba will democratize in the near future; rather the Castro regime will stay in power by incorporating a more "pragmatic" approach, extricating the Party from governance, downplaying ideology, and adopting economic reforms.¹⁸³

2. The Features of the Political System

Myanmar's political system is comprised of small top-level political elites and military generals with the primary focus on regime survival, state sovereignty, and territorial integrity.¹⁸⁴ The Tatmadaw, the nation's military, has been closely linked to the Myanmar's political-economic system and represents decades of oppression and corruption in the view of the United States and the international community. The political and military elites hold legislative, executive, and military power, such that these elites can change the course of state action and policies as they see fit by molding new directions in the state's security rhetoric. This meant that sanctions inflicted salient pain

181 Hlaing, "Understanding Recent Political Changes in Myanmar," 206.

182 Jürgen Haacke, "Myanmar's Foreign Policy under President U Thein Sein: Nonaligned and Diversified." *Trends in Southeast Asia* no. 4 (2016), 2.

183 Julia E. Sweig, "Fidel's Final Victory," *Foreign Affairs*, January/February 2007, <https://www.foreignaffairs.com/articles/cuba/2007-01-01/fidels-final-victory>.

184 Than, "Myanmar: Preoccupation with Regime Survival, National Unity and Stability," 390.

on Myanmar's economy and the regime could respond by reforming the political and economic system in turn.

In contrast, Cuba's communist party elites, compared to Myanmar, do not have the flexibility to change the party's political stance and policy without facing criticism from revolutionary ideologues. According to Sweig, "Cuba's one-party state is, by its very nature, antithetical to socialist democracy. Its constitution enshrines the political monopoly of the Cuban Communist Party."¹⁸⁵ Additionally, similar to North Korea's political system, Cuba's authoritarian party needs to pay less heed to the general population. Overall, the Cuban Communist Party's totalitarian leadership style and use of oppressive means to purge internal factions that threaten political ideology meant that Cuba could withstand economic sanctions and maintain its non-democratic behavior.

3. The Ability to Punish for Sanctions Non-compliance

The Myanmar and Cuba, during the post-Cold War, cases reveal that the sanctioning state's ability to punish for non-compliance was limited, since the use of military force was not a suitable option because they did not pose an imminent threat. This left strengthening existing sanctions as the only real option for punishing non-compliance.

In Myanmar, the U.S., the EU, and the UNSC had no authority to punish the military regime for non-compliance, other than strengthening the existing sanctions. Additionally, efforts to strengthen existing resolutions on Myanmar were often unsuccessful since China, along with Russia, provided diplomatic support to the Burmese regime at the UNSC. China, as Myanmar's main security guarantor, provided diplomatic support to Myanmar in the international political arena. For example, in 2007, China exercised its veto power to block a resolution that would have strengthened existing sanctions against Myanmar.¹⁸⁶

Similarly, the sanctioning states lacked the apparatus to punish Cuba for sanction non-compliance. Post-Cold War, in particular, the United States embargo on Cuba gained

¹⁸⁵ Sweig, "Fidel's Final Victory," 2.

¹⁸⁶ Haacke, "Myanmar's Foreign Policy," 6.

criticism over the loss of the original purpose of the sanctions: to contain the spread of communism in the Western Hemisphere by economically and diplomatically isolating Cuba from the international market and community. Since the collapse of the Soviet Union, the Organization of American States members and other European countries have often criticized the U.S., by arguing that the economic sanctions imposed on Cuba were “obsolete” and overly harsh on Cuba’s people.¹⁸⁷

4. Sanctions Busting States: “Black Knights”

In the case of Myanmar, China has played the black knight’s role of offering sanction-busting support, undermining the capability of sanction apparatus on Myanmar and thus, degrading effectiveness. In 1988, as the United States imposed trade bans on Myanmar, China became Myanmar’s main trading partner. Myanmar exported its natural resources to generate revenues, and at the same time, Myanmar imported products banned by the Western sanctions, mainly weapons, from China to boost the Burmese army.¹⁸⁸ However, at the same time, China was also providing aid to the armed ethnic minority groups, specifically to the Kachin residing in the Northeastern border with China, which later became concerning to the Myanmar’s military regime as it tried to contain ethnic minority conflicts. China’s meddling with Myanmar’s internal affairs later contributed to the effects of economic sanctions as the military junta tried to break away from its dependence from China by improving its own economy.

As for Cuba, during the Cold War, the Soviet Union provided financial, political, military, and economic aid, equivalent to billions of dollars annually, which circumvented the sanctions imposed by the United States.¹⁸⁹ As Figures 8 and 9 depict, the Soviet Union replaced the U.S. as Cuba’s main export and import-trading partner after the U.S. imposed sanctions imposed in 1960. The Soviet Union became the main importer of Cuba’s sugar and, in turn, provided its oil to Cuba at significantly discounted prices.¹⁹⁰

¹⁸⁷ Purcell, “Cuba,” 42.

¹⁸⁸ Hlaing, “Understanding Recent Political Changes in Myanmar,” 202.

¹⁸⁹ Purcell, “Cuba,” 53.

¹⁹⁰ *The Economic Impact of U.S. Sanctions with Respect Cuba*, 3–6.

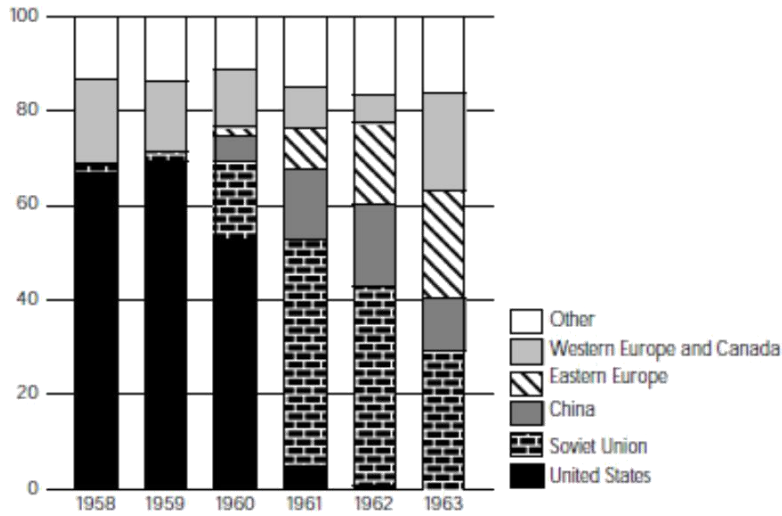


Figure 8. Cuba Export Partners, 1958–63¹⁹¹

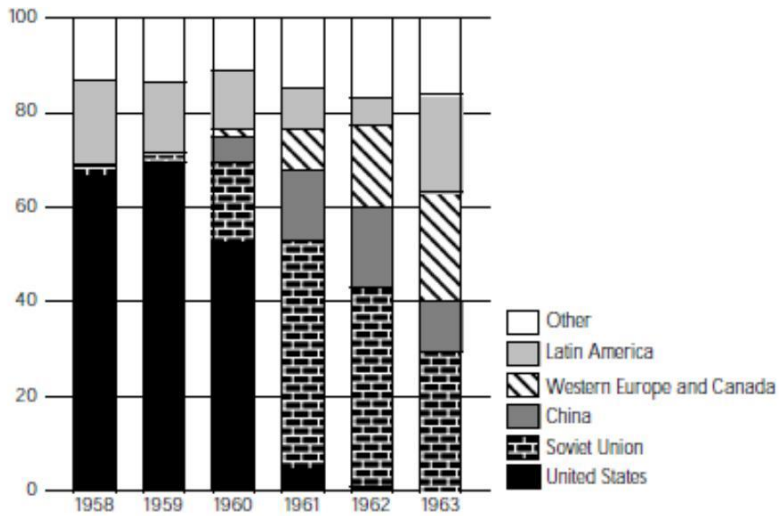


Figure 9. Cuba Import Partners, 1958–63¹⁹²

Once the Soviet Union collapsed, the impact of U.S. sanctions on Cuba increased. At that time, Venezuela, which shared an anti-American sentiment with Cuba, became

¹⁹¹ Source: *The Economic Impact of U.S. Sanctions with Respect to Cuba*, 3-5, <https://www.usitc.gov/publications/332/pub3398.pdf>.

¹⁹² Source: *The Economic Impact of U.S. Sanctions with Respect to Cuba*, 3-5, <https://www.usitc.gov/publications/332/pub3398.pdf>.

Cuba's new black knight.¹⁹³ According to Sweig, Venezuela provided Cuba close to \$2 billion in oil subsidies per year, in exchange for Cuba's well trained medical professionals.¹⁹⁴

Post-Cold War, U.S. allies, such as the European Union and members of the Organization of America States (OAS), increased their criticism towards the United States' "extraterritorial application of law" in Cuba.¹⁹⁵ The particular opposition to the Helms-Burton law strengthened existing sanctions and added third party sanctions on the foreign companies conducting business with Cuba.¹⁹⁶ President Jacques Santer of the European Commission disputed this approach by stating, "We do not believe it is justifiable or effective for one country to impose its tactics on others and to threaten...its friends. If that is done, it is bound to lead to reactions it is in the interests of both to avoid."¹⁹⁷ Correspondingly, Raymond Chretien, the Canada's ambassador in the United States, asserted, "The Helms-Burton legislation seeks to apply U.S. law outside your borders. This we cannot accept."¹⁹⁸ Ernesto Zedillo, the President of Mexico, joined the criticism stating, "Like Canada, Mexico considers inadmissible any measure...that, instead of tearing down barriers, raises them to the detriment of investment and international trade."¹⁹⁹ As a result, "twenty-three of the thirty-four members of the OAS voted, with ten abstaining, to denounce the 'blatant interventionist nature' of the law."²⁰⁰ The international criticism later played a part in President Obama's decision to change U.S. foreign policy towards Cuba and lift sanctions without the Castro regime having made any meaningful democratic reforms. Both the Myanmar and Cuba cases thus demonstrate the negative effects of black knights on the ability of economic sanctions to coerce target states to change their behaviors and policies.

193 Sweig, "Fidel's Final Victory."

194 Sweig, "Fidel's Final Victory."

195 Purcell, "Cuba," 52; Shambaugh, *States, Firms, and Power*, 178.

196 Purcell, "Cuba," 52; Shambaugh, *States, Firms, and Power*, 178.

197 Shambaugh, *States, Firms, and Power*, 181.

198 Shambaugh, *States, Firms, and Power*, 181.

199 Shambaugh, *States, Firms, and Power*, 181.

200 Shambaugh, *States, Firms, and Power*, 181.

E. CONCLUSION

Similar sanctions applied to promote democratic reform resulted in different outcomes in Myanmar and Cuba. In Myanmar, sanctions moderately contributed to a positive outcome of democratic reform since the military junta was incentivized to reconcile domestic issues by improving the economy. As a result, the regime made changes in response to sanctions, holding elections and moving toward a pluralistic political party system. China played the role of black knight but its effect weakened Myanmar as it tried to break away from its dependent relationship with China.

In Cuba, democratic sanctions failed to reform the communist system because of the strong ideology-based political system that resisted economic sanctions. For Cuba, the strong motivation to hold onto the state's founding ideology—the revolutionary Marxist-Leninist based communism, and the rigid communist political system—made the hardliners oppose any reforms to accommodate the capitalistic-imperialists, like the American-imposed sanctions. Both pride in communism and antipathy toward capitalism negatively affected the outcome of democratic sanctions. Additionally, the black knight role played by the Soviet Union during the Cold War era and Venezuela in the post-Cold War era vastly undermined the sanctions' ability to inflict salient political and economic pain on Cuba that could force any meaningful changes on its political system.

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IV. CONCLUSION

The comparative analysis of economic sanctions on Iran and North Korea for the purpose of non-proliferation revealed that similar economic sanction regimes were applied in both countries, in which the United States incorporated progressively more comprehensive unilateral sanctions in combination with multilateral sanctions from Europe and the United Nations Security Council. The prescribed economic sanctions comprised comprehensive trade sanctions, such as export and import embargoes, and ‘smart’ sanctions designed to inflict a maximum level of economic pain on the target states by focusing on the political elites and specific illicit activities. These smart sanctions combined a punishment mechanism aimed at inflicting direct pressure on regime officials by freezing their assets within the foreign banking system along with strong sanctions on the international financial institutions that supported the targeting states’ illicit activity. This thesis has found that these smart sanctions had varying effects. In North Korea, the U.S. froze the accounts of regime elites using the Patriot Act (2005), but the Kim regime simply defied the sanctioning state. In Iran, by contrast, U.S. sanctions on the Central Bank (2012) inflicted precise economic pain on Iran’s oil export market and helped achieve the desired outcome.

Overall, sanctions against Iran can be deemed successful: economic sanctions played a role in influencing the Iranian government to stop the development of its nuclear program by accepting the JPA in 2013 in exchange for a temporary and limited sanction relief equal to \$7 billion. In contrast, economic sanctions failed to change the Kim regime’s aspirations toward its nuclear program even with similar penalties imposed.

The analysis found that other factors contributed to the difference in sanction effectiveness between these two cases, namely: the motives driving the pursuit of nuclear capability, the features of the political system, the sanctioning state’s ability to punish sanction non-compliance, and the role of sanction-busting states. In particular, the motivation and the level of desire of each regime toward nuclear development determine the extent to which each state is willing to endure the pain of imposed economic sanctions. The main motive for North Korea to obtain nuclear technology has been

regime survival, and the regime's deep conviction in the importance of nuclear weapons in the global political environment plays a critical role contributing to the ineffectiveness of economic sanctions. Iran's fundamental nuclear program motive is different, since the regime's source of legitimacy and survival does not solely depend on the nuclear program. In Iran's 2013 election, President Mahmoud Ahmadinejad—the hardliner promoting nuclear capability whose tenure saw strengthened economic sanctions against Iran—lost the election.

Other factors also condition this crucial difference in motivation, namely: the features of the political system, the sanctioning state's ability to punish sanction non-compliance, and the role of sanction busting states, also known as “black knights.” The Iranian political system considers public opinion and support in calculating its political survival; whereas, North Korea's authoritarian leaders do not have to heed the general public's opinion for their survival. This difference in political system contributed to the outcome of economic sanctions: the cost of economic sanctions inflicted on the economy partially affected Iran's 2013 election, but North Korea's authoritarian regime was shielded from the cost of economic sanctions. Moreover, in North Korea, China's black knight actions propping up the regime as security guarantor weakened the punitive measures for non-compliance.

The general logic developed in the nuclear proliferation cases repeated itself in the democracy promotion cases. In Myanmar and Cuba, similar sanctions were applied to promote democratic reform that resulted in different outcomes. Economic pain imposed by sanctions in Myanmar forced the military regime to moderate politically and, by 2015, the opposition led by Aung San Suu Kyi won 77.9 percent of the 327 seats in the Lower House, and 80 percent of the 168 seats in the Upper House.²⁰¹ The 2015 election was accolated by the international community as the most “genuinely competitive, free, fair, and orderly parliamentary elections” Burma had held since 1990.²⁰² Perhaps most significantly, the military regime has to date honored the result and allowed the peaceful

²⁰¹ Ardeth Thawngmung, “The Myanmar Elections 2015: Why the National League for Democracy Won a Landslide Victory,” *Critical Asian Studies* 48, no. 1 (2016): 133.

²⁰² Ibid.

transfer of power to the National League for Democracy party. Although China played a sanction busting role, the China-Myanmar relationship declined as Myanmar slowly democratized and began to take steps to overcome its dependence on China.²⁰³

In Cuba, by contrast, the sanctions failed in promoting democratic reform. The strong ideology-based political system resisted the mandates imposed by economic sanctions. In addition, the Soviet Union during the Cold War era and Venezuela after the Cold War era played the role of black knights, supporting the Castro regime and undermining the ability of sanctions to inflict salient political and economic pain on Cuba.

Overall, this thesis has found that Iran, North Korea, Myanmar, and Cuba all endured similar unilateral, multilateral, trade and smart sanctions that resulted in different outcomes. As a result of regime motivation, similar sanctions inflicted different levels of political and economic costs in the four cases, greater in the cases of Iran and Myanmar and lesser in North Korea and Cuba. As a result, sanctions moderately effected change in Iran and Myanmar while North Korea and Cuba withstood the pressure for the reasons discussed. For Iran and Myanmar, the motivation of these states played a critical role as a determinant of the sanctions' positive outcome when compared to North Korea and Cuba. For Iran and Myanmar, the motivation to pursue nuclear weapons or to maintain a non-democratic policy was not worth enduring imposed sanctions. Therefore, the study revealed that the motivation, the depth of desire to persist in an activity or policy, is a critical factor that determines the outcome of economic sanctions since this factor sets the level of pain the target state will endure. In terms of the political system, Iran and Myanmar found that responding to sanctions promoted internal security; whereas, North Korea and Cuba defied sanctions as a path to public support and regime legitimacy. All four cases showed that the sanctioning state's lack of ability to punish sanction non-compliance reduced the effectiveness of sanctions, enabling the target state to continue its behavior because of the lack of tangible consequences. Moreover, in the cases where third party states played a sanction busting role, those regimes were even more able to

²⁰³ Haacke, "Myanmar's Foreign Policy," 8.

withstand sanctions pressure. This research has demonstrated that sanctions can be an effective foreign policy tool—as long as policy makers, understand the target state’s motivation, and then consider the other three factors conditioning their effectiveness. Understanding the motivation is crucial since the depth of desire determines the level of pain the target state will endure. Once the motivation is understood, perhaps, policy makers must find better ways to inflict salient pain directly on regime elites and work to eliminate the ability of third party states to play a black knight role in limiting sanctions effectiveness.

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