

The College of New Jersey

Sanctions and the False Equilibrium Paradox

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**Abstract**

Political actors have argued the effectiveness of sanctions as a foreign policy tool for decades. A spectrum of answers has been speculated but, irrelevant of an answer, sanctions have become an accepted and increasingly normalized tool of international diplomacy. Changes in policy and international norms led to sanctions that sought to mitigate unnecessary consequences and reduce humanitarian crises. The product of these developments has been sanctions that are far more intricate, targeted, and multifaceted in their approach, also known as smart sanctions. What happens when sanctions are no longer capable of ensuring adequate pressure on the target? My theoretical analysis of this dynamic proposes a paradox in which there exists, in cases of unilateral and multilateral sanctions, the potential of entering the False Equilibrium Paradox—namely, a targeted state, especially a powerful one, endures a sanction regime(s) for extended periods wherein any change, reduction or amplification, may result in a deficit of gains for sanctioning bodies and debilitating damage to the targeted state. My in-depth examination of the sanction regimes administered to Iran and Russia, specifically those beginning in the early 2000s and continuing today, elucidate two important results: firstly, an idyllic point of equilibrium does not exist. Secondly, the longer a targeted state can endure sanctions the harder it gets to reach the perceived point of balance and once this stage is reached it becomes increasingly precarious to alleviate or increase pressure.

## **Context: Comprehensive and Smart Sanctions**

The concept of sanctions as political tools dates back centuries. They have continued to evolve in procedure and application over time, but their inherent value as a method of coercing, constraining, or signaling has remained constant. Imperative to the development of this paper is the understanding of what a sanction is. In this study, sanctions are defined as a network of laws and commitments in the form of legislation put forth by governing bodies such as states and/or multilateral institutions, most commonly the United Nations, which hinder or prevent—what under standard circumstances would be considered—appropriate practices.

Furthermore, an understanding of the key differences between the outdated comprehensive and the targeted, i.e., smart sanctions, is necessary as well. Comprehensive sanctions are those that target the entirety of a state's economy. These include trade embargoes, sweeping bans on trade, diplomatic relations, etc. In comparison, smart sanctions are more complex in construction and focus on employing targeted and often intricate restrictions on elites, political groups, and leaders. This is primarily accomplished through aid, cutoffs, asset freezes, monetary pressures, and embargoes on specific items/sectors.<sup>1</sup>

Thomas Schelling, a nuclear deterrence theorist, said “pain and suffering have to appear contingent on...behavior; it is not alone the threat that is effective—the threat or loss if he fails to comply –but the corresponding assurance, possibly an implicit one, that he can avoid the pain or loss if he does comply.”<sup>2</sup> Although he is referencing mainly military and nuclear deterrence, an equivalent strategy of applying pain in terms of effective sanctions can be extracted.

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<sup>1</sup> Daniel W. Drezner, "Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice," *International Studies Review* 13, no. 1 (March 2011): 100, <https://www.jstor.org/stable/23016144>.

<sup>2</sup> Thomas C. Schelling, *Arms and Influence*, veritas paperback edition. ed. (New Haven [etc.]: Yale University Press, 2020), 4.

However, the caveat of such policies is the extreme difficulty of effective implementation—demonstrated most drastically with the comprehensive sanctions of the 1990s—the most eminent of which being Iraq, Haiti, Cuba, and the former Yugoslavia.

These sanctions administered by the UN Security Council (UNSC) followed the outdated camp that crippling sanctions, administered swiftly and inflicting maximum pain, would equate to compliance and political gain.<sup>3</sup> Despite Johan Galtung, a founder of the peace studies discipline, proving that pain did not directly correlate to political gains through his Naïve Theory (1967); which argued against this idea “that there is a limit to how much value-deprivation [a] system can stand and that once this limit is reached...then political disintegration will proceed very rapidly and will lead to surrender or willingness to negotiate,”<sup>4</sup> there was still an emphasis on maximum pressure until the events of Iraq.

The Iraqi case demonstrates the shortcomings of comprehensive sanction regimes, highlighting the emergence of smart sanctions in the mid to late nineties as a mitigating reaction. After the invasion of Kuwait, the UN in tandem with other nations issued an aggregate of sanctions meant to force Saddam Hussein to withdraw from Kuwait. These measures were not heeded, and an international military intervention was required to force Hussein back. Following the first Gulf War, enervating sanctions were layered onto Iraq. This led to a complete collapse of the Iraqi economy and an ensuing humanitarian crisis where Iraq lost between \$175 to \$250 billion in possible oil revenue and saw the price of a family’s food supply for a month increasing 250-fold, leading many to starve.<sup>5</sup>

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<sup>3</sup> Drezner, "Sanctions Sometimes," 97.

<sup>4</sup> Johan Galtung, "On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia," *World Politics* 19, no. 3 (1967): 388, <https://doi.org/10.2307/2009785>.

<sup>5</sup> Drezner, "Sanctions Sometimes," 97.

Confusion of objectives and a lack of multilateral cohesion leading to unclear incentives, absence of understanding of case-specific Iraqi goals as well as Hussein's commitment to sovereignty, and the implementation speed's inability to threaten escalation were reasons the Iraqi sanctions failed.<sup>6</sup> The Iraq case, alongside others, was the catalyst for the turn to smart sanctions. A process in which greater target-specific analysis, threat of escalation, and mitigated humanitarian risks were chief amongst consideration. This is crucial to understanding why maximum pressure is no longer used to attempt equilibrium.

### **Theoretical Framework and Research Design**

Extensive sanctions research has been completed and reviewed by a number of different political scientists and international affairs theorists over the decades. They argued over their effectiveness as political and diplomatic tools, their success rates and accountability in achieving goals, policy makers moral obligations and responsibility towards citizens, and every other aspect imaginable. However, arguments of efficacy and morality aside, sanctions as critical and habitually used tools of diplomacy and state coercion as alternatives to military intervention is a given, and constant trend of statecraft since the inception of the post-Cold War era.<sup>7</sup> While it is possible to empirically conduct research on specific sanctions effectiveness in terms of their effect on a country's GDP, it is not feasible nor helpful to attempt a declaration of effectiveness on sanction regimes as a whole. That being said this will not be an empirical question and analysis but rather an extrinsic and contextualist examination. This research will not answer or provide solutions but rather present a puzzle—a consistent, dangerous pattern—that can occur in varying levels of capacity depending on the power of the state and adeptness of the sanction

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<sup>6</sup> Richard Nephew, *The Art of Sanctions: A View from the Field* (New York: Columbia University Press, 2018), 27.

<sup>7</sup> Rawi Abdelal and Aurélie Bros, "The End of Transatlanticism?," *Horizons: Journal of International Relations and Sustainable Development*, no. 16 (2020): 114, <https://doi.org/10.2307/48573754>.

regime's architect. This puzzle, my theory, which will be explained in further detail in the following section, has the potential to explain fundamental risks that may hinder sanctioning state[s] to achieve their goal.

The research in this paper utilizes a case study approach to assess context and intricacies within different cases to prove the existence of my theory, the False Equilibrium Paradox. It should be noted that most cases where sanctions have been lifted or results completely assessed have been those which occurred years back when different methods of implementing sanctions, namely comprehensive systems, were widely used. These periods and use of sanctions, while possibly exhibiting and supporting my theory, are not useful due to the evolution of sanction application and would serve no purpose in exploring the issues of today's sanction regimes. Thus, only sanctions within the last ten years, or sanction regimes with life spans currently longer, but still ongoing, will be used.

In addition, an overview of the accepted factors and structures of adept sanctions will be included to add context to what most scholars and governments determine to be necessary in employing sanctions to any degree of success. State power, its role in my theory, and the way in which it uniquely allows a state to resist will also be touched upon to give clarity to how the False Equilibrium Paradox can emerge in various levels of intensity. Finally, the cases in this paper will focus primarily on Russia during and after their invasion of Crimea and Iran over the years in relation to their nuclear programs and their sponsorship of terrorism claimed by US and its allies. The cases of Iran and Russia are still ongoing and thus have not officially been resolved. This requires my theory to be applied in a theoretical and extrapolative manner but does not take away from its driving principles.

## **Theory**

This paper outlines and critiques three specific factors that are necessary in achieving any level of successful sanction results and recognized by many scholars, and one case-by-case factor that is situation depending. These are: in-depth and accurate target-specific analysis of target's vulnerabilities and goals, development of a strategy of escalation that is malleable to act and react, and a methodical approach that allows for careful monitoring of sanctions that will allow for modification of policies when necessary, and the case specific factor of multilateral cooperation. These factors will be explained further in the ensuing sections, however, for explanation of the groundwork for the False Equilibrium Paradox they are considered accepted factors.

The paper addresses the question: what happens when sanctions are no longer capable of ensuring adequate pressure on the target? Some consider sanctions placed on Iran in the early to mid-2010s successful as they were able to severely reduce Iran's GDP each year, decimate a rentier state's ability to collect from its main source of oil revenue, attack multiple different sectors of the Iranian Regime, and most importantly get Iran to the negotiating table in 2015 where the Joint Comprehensive Plan of Action (JCPOA) or the Iran Nuclear Deal was forged.<sup>8</sup> This was a huge effort and one that should not go without its fair share of applause. Despite this success, the US pulled out of the deal due to internal disagreements within the United States government that the deal did not go far enough and was not adequate in addressing the dangers of Iranian nuclear capabilities. The actual effectiveness of the deal is left only to speculation due to the US withdrawal. However, its true effectiveness is irrelevant if the US administration at the time did not believe its validity.

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<sup>8</sup> Farhad. Rezaei "Sanctions and Nuclear Rollback: The Case of Iran." *Middle East Policy*, vol. 24, no. 4, Wiley Subscription Services, Inc, 2017: 83-86, doi:10.1111/mepo.12309.

Herein lies the issue. An uproar by the international community as the Trump administration seemingly spurned years of sanctions and negotiations by exiting the JCPOA at first, seemed like another step towards American isolationism and shunning of multilateralism, yet to the US administration it made sense to push for more when they determined that the JCPOA was not providing enough incentive to keep Iran from violating its terms. This brings us to the paradox.

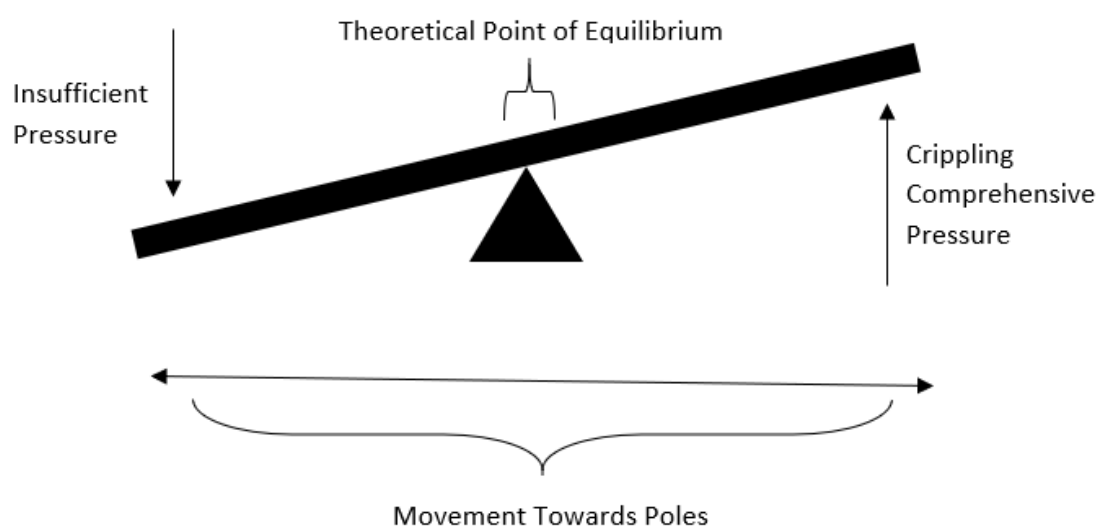
This paper proposes the False Equilibrium Paradox which can exist in varying capacities depending on the case. In Iran's situation it has been the target of sanctions since 1979 with continued escalation and over-compellence a sustained reality. The paradox challenges smart sanctions' ability to adeptly target a state over long periods of time and produce sufficient results. The reality of manifold sanction regimes applied from both multilateral and unilateral sources make it close to impossible to keep track of specific sanction's effects and encourages over-compellence which leads to higher risk of incurring unintended consequences. The paradox argues against the idea of a threshold of pain and tolerance which operates using two hypothetical poles as its basis, resting upon a fulcrum creating a seesaw, with a point of equilibrium somewhere in between. See *Figure 1*. It postulates that at one pole would be 'too little' pressure and at the other 'maximum pressure' with somewhere in between a hypothetical point of equilibrium where the amount of pain does not create humanitarian issues and is enough to coerce the state to act according to the sanctioning bodies' demands.

The False Equilibrium Paradox theory postulates that once a state has endured an escalation of pain and point of equilibrium for sustained periods the sanctioning state(s) get closer to the 'maximum pressure' pole risking a dangerous response or humanitarian crisis. This is demonstrated in the US reaction after its withdrawal from the JCPOA. If the Biden



Administration reenters the deal, which it is under pressure by the international community to do, it must forgive Iran's violations or turn again to high pressure sanctions, hence the paradox. If sanctions are alleviated, Iran has no incentive to stick to the JCPOA's terms and if they are increased the US and other nations run the risk of another Iraq, possibly worse due to Iran's superior resolve and higher population.

**Figure 1.** The False Equilibrium Paradox



### **Components of Sanctions**

Before delving deeper into the conversation about what comprises many of the current sanction regimes we see today, we need to distinguish between two umbrella terms. These are comprehensive and smart sanctions. Comprehensive sanctions attacked an entire economic and financial system whereas smart sanctions seek to target elites, certain sectors of an economy, and most of all mitigate humanitarian crises. Smart sanctions were the product of more thorough calculations and comprehension of one's target; in which higher precision and greater attention

to detail of specific casual mechanisms on a case-by-case basis was allotted.<sup>9</sup> Comprehensive sanctions were used most readily throughout the late 80s and early 90s and like all sanctions, success and failure occurred. However, in stand-out cases like Iraq and the former Yugoslavia, humanitarian disasters were common. This led to the transition to smart, or targeted, sanctions becoming the norm and the type that is referenced throughout the majority of this paper simply as ‘sanctions.’

Despite the successful mitigation of humanitarian calamities due to the shift, there is no hard evidence that smart sanctions are actually more effective at achieving concessions from the targeted state than comprehensive kind.<sup>10</sup> In fact, more powerful states would most definitely find it more realistic to circumvent smart sanctions than comprehensive, but because of the human costs that can be incurred these options are widely frowned upon or simply not thought of as possible. This is—for good reason—a limitation that is hindered by a potential cost but does allow the False Equilibrium Paradox Theory to become more conspicuous with more powerful targets.

With this distinction made, the components of a successful sanction can be debated especially when looking at specific cases, but overall, every sanction needs the following three components, and the situational fourth. I mention them to clarify that the cases looked at in this paper, both Russia and Iran, have these components and still fell victim to the paradox.

#### *Components of Sanctions: Target Analysis*

The first is an in-depth and accurate target-specific analysis of a target’s vulnerabilities and goal. Misunderstanding of a target’s cultural norms, political atmosphere, dominant issues

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<sup>9</sup> Drezner, "Sanctions Sometimes," 104.

<sup>10</sup> Ibid.

and strengths, and anything else that may seem particular is imperative when developing a strategy and assessing resolve. Identifying objectives to achieve specific results is impossible without a thorough and precise analysis. Even small misunderstandings can lead to a policy put in place with the intention to have one affect but in fact results in something completely different. An example of this is that sometimes “sanctions can exploit cleavages in [a] society to the advantage of those who impose them. [However] more often, such fissures in the target inhibit the quick or predictable response of the sanctioned country.”<sup>11</sup> A rigorous analysis of a state’s national priorities allow understanding of the target’s commitments to whatever prompted the sanctions and thus a better understanding on how to go about constructing the sanction strategy.<sup>12</sup>

#### *Components of Sanctions: Escalation and Malleability*

The second component follows after the detailed analysis has been completed. It is the development of a strategy that includes escalation and is malleable to act and react. This means that within its strategy there lies a very real threat of escalation in scope and scale to the targeted regime. Threats of pain are the cornerstones of any sanctions, if nothing else a sanction must be able to threaten pain and do so adeptly. Escalation is key to this process. As was seen in Iraq, sanction pressure was maximized in the first 6 months leaving no space for a gradual buildup of pain.<sup>13</sup> By leaving no space for escalation over a long period of time, Iraq could no longer be threatened further, aside from what they already dealt with. Without escalation, adaptation is far easier to manifest through strategy. In addition to escalation, sanctions must also be designed in such a way that they are able to react to the target’s reactions—positive or negative—as well as

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<sup>11</sup> O’Sullivan, *Shrewd Sanctions*, 308.

<sup>12</sup> Nephew, *The Art of Sanctions*, 180.

<sup>13</sup> *Ibid.*, 26

act if the target resists or rejects compliance. This is especially true when it comes to adding and alleviating pressure.

*Components of Sanctions: Effective Monitoring*

The third component is a methodical approach that allows for careful monitoring of sanctions that allow for modification of policies when necessary. This is not the same as malleability because it is far broader than applying more pressure or alleviating some. It denotes that states imposing the sanctions have curated an effective way of managing the sanction regime and measuring their effects in multiple ways that are not simply financial. It is easy to look at a country's GDP and calculate the losses a nation's economy has taken or look at oil sales to determine effectiveness of oil embargoes. However, while these assessments are certainly necessary, they do not develop the whole picture. Understanding changes in public opinion, domestic politics, regional stresses, and a multitude of other less discernible influences is imperative to determining the correct way to evolve a sanction and continue to push for intended results.

*Composition of Sanctions: Multilateralism*

Finally, a case specific factor is multilateral cooperation. This is not by technicality a necessity and evidence has shown that in some cases unilateral sanctions have been more effective due to discrepancies of different actors' goals, the ability of certain senders to free ride, and difficulties of agreeing on adequate levels of pressure and other features of the sanctions.<sup>14</sup> Despite this, multilateral cooperation when utilized efficiently to isolate the target behind a common goal when possible creates an immense barrier to bypass. In a realist perspective this

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<sup>14</sup> Navin A. Bapat and T. Clifton Morgan, "Multilateral versus Unilateral Sanctions Reconsidered: A Test Using New Data," *International Studies Quarterly* 53, no. 4 (2009): 1076, <http://www.jstor.org/stable/27735136>.

becomes harder when dealing with anarchic states who act for individual gain which could lead to different accepted levels of pressure which would weaken multilateral coordination. However, results can be mixed and sometimes counterproductive, which is why multilateralism is only a case specific component and should be used accordingly.

### **State Power**

A crucial factor of this research applies to the level of power that a state has. Essentially a state with greater capacity, or a more powerful state, will logically have the ability to resist and circumvent sanctions more successfully. In contrast, weaker states often times do not have the ability to continuously dodge or work around sanctions without taking serious damage to their economy or population. Defining state power is an important part of assessing if a nation will be able to endure a sanctions regime. This does not mean that weaker states would not be able to, as seen in Iraq in the 90s, power is simply used as an indicator of greater ability to resist as well as greater potential to resist and resist successfully.

There are many ways to measure state power, especially depending on what perspective or lens is used, for example, Carlos de Meira Mattos, a famous contributor to Brazilian geopolitics, defined power as “the integrated expression of all capacities which a nation possesses at a considered moment for promoting internally and externally the achievement of national objectives, in spite of whatever challenges to it”<sup>15</sup> This encapsulates the driving idea behind what state power is but does not include an easy way to measure it and apply it to different nations. For this paper it is vital to understand a simplistic measure of power. This is

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<sup>15</sup> Liao, Hua, Weihua Dong, Huiping Liu, and Yuejing Ge. 2015. "Towards Measuring and Visualizing Sustainable National Power—A Case Study of China and Neighboring Countries." *ISPRS International Journal of Geo-Information*, 1673, <https://doi.org/10.3390/ijgi4031672>

defined clearly to provide clarity on how the False Equilibrium Paradox theory fits depending on power, especially to powerful states such as in this paper.

In 1975 Ray Cline devised the Cline Power Equation which attempts to take both the capabilities of a state as well as their commitment to create a multivariable formula that would be able to measure state power. Naturally, there are a multitude of variables that could attribute to a nation's power, but Cline's model includes a couple of general power measurements that are still useful today to assess power in general terms. Cline's formula is  $Pp = (C + E + M) (S + W)$ , where  $Pp$  is perceived power and "where  $C$  is critical mass (including population and territory),  $E$  is economic capacity...,  $M$  is military capacity...,  $S$  is the national strategy coefficient, and  $W$  is national will (including the level of national integration, the strength of leadership, and the relevance of strategy to the national interest)."<sup>16</sup>

Essentially, the greater the mass, economic capacity, and military capacity multiplied by the strength of the national strategy and national will yield a state with a high amount of perceived power. This research and its postulated theory are written with an understanding that each case in which sanctions and sanction regimes are used are always unique. There are a multitude of volatile factors that affect sanctions' success rates which is well known by sanction architects. Accurately evaluating these factors are not easy and the same goes for state power. The purpose however is to discern a relatively powerful state from a weaker state and simply show that the False Equilibrium Paradox theory is more easily applied to powerful states but can still be applied to states of differing power, it will simply look different. In this paper both studies demonstrate powerful nations.

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<sup>16</sup> Ashley J. Tellis et al., *Measuring National Power in the Postindustrial Age*, Monograph Reports (Santa Monica, Calif.: RAND, 2000), 30.

## The Russian Case

After a strategic, forceful seizure of Crimea from Ukraine in March 2014 by Russia the US administration responded swiftly with sanctions. A flurry of sanctions was created and administered rapidly targeting individuals. Starting with mostly asset freezes and travel bans on more than 100 of people, mostly close associates of Russian President Vladimir Putin, with the EU targeting roughly a 100 more.<sup>17</sup> The environment became far more hostile as summer approached due to a commercial airline flight being shot down over Ukrainian territory, supposedly by Russian-backed forces. The US responded by rolling out another set of new severe sanctions targeting key sectors of the Russian economy. These included anything from arms manufactures, banks, state firms, and other entities, which all amounted to a devastating attack on Russian oil transfers through obstructing the financing and technology that was imperative to trading its oil—a sector which supplies more than half of its state revenue.<sup>18</sup>

In the early stages of the sanction regimes between the EU and Washington sanctions appeared to have a significant effect on the Russian economy. By 2016 the value of the Rubel had fallen almost 76% against the dollar and inflation and unemployment rose. At the same time, the beginning stages of the sanctions coincidentally coincided with the collapse of global oil prices which helped to disrupt the Russian economy. At the same time however, it made precise calculations and assessments of the effects of the sanctions, an important component of sanctions as mentioned earlier, extremely difficult, and convoluted. The sum effects of these sanctions resulted in Russia facing a two-year recession from 2014 to 2015, its longest in twenty years,

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<sup>17</sup> Emma Ashford, "Not-So-Smart Sanctions: The Failure of Western Restrictions against Russia," *Foreign Affairs* 95, no. 1 (2016): 114, accessed April 3, 2021, <http://www.jstor.org/stable/43946631>.

<sup>18</sup> *Ibid.*

which included investor sentiment collapse, capital flight from the country, devaluation of currency, and rapid inflation.<sup>19</sup>

Despite the intense economic instability and various challenges, the Russian government was able to weather the crisis. According to measures provided in the *State Power* section, Russia is viewed relatively high when it comes to perceived state power. Thus, as posited prior, Russia maintained a unique level of resistance and managed to evade much of the pain that the US and EU intended through their sanction regimes. This is not to say that Moscow did not feel pain, rather that its position in the international field, combined with its specific economic and political attributes allowed it to sustain the pain, even through a troubling recession. Its might in the region—politically and economically—have been growing in the recent decades during the post-Cold War era due to its ventures inside and outside of the West and steady increase of military funding. This has allowed the state to grow in national power which, as mentioned before, placed it in a good position with leverage to resist the sanction regimes.

After the severe sanctions of 2014-15 were announced Putin was quick to announce Russia's own set of retaliatory sanctions that took aim at the agricultural trade between the EU and Russia. Although not devastating to the EU it certainly had an impact on both Eastern EU farmers and on Russia's own farmers who relied on the EU market to sell their goods. These sanctions were designed in the typical form of modern sanctions as mentioned before: smart sanctions. The Obama Administration, the EU, and other international counterparts specifically designed the sanctions to have limited and targeted economic impact, thus effectively attempting to mitigate humanitarian consequences within the state, and more important to the EU, mitigate

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<sup>19</sup> Cory Welt et al., "U.S. Sanctions on Russia," [Crsreports.congress.gov](https://crsreports.congress.gov), last modified January 2020, accessed April 3, 2021, <https://crsreports.congress.gov/search/#/?termsToSearch=russia%20sanctions&orderBy=Relevance>. 46



the risk of substantial financial losses of the European markets. Despite these efforts, unintended consequences still occurred, which may have been shrugged off as necessary evils if Russia ever conceded to the West's demands, despite entire point of smart sanctions being to lessen these occurrences. Yet almost a decade later and there is still no sign of a Russian concession. The unintended consequences act as an indicator that the False Equilibrium Paradox is in effect.

*The Russian Case: Theory in Practice*

A report by the Congressional Research Service that critically looked at the effects of US sanctions on Russia and was last updated in January of 2020 has declared that no discernible change in Moscow's behavior has occurred.<sup>20</sup> This is not only in regard to the West's goal of forcing a reversal of Russian occupation and annexation of Crimea but also in regard to other goals that have grown since the initial sanction regimes were put in place. These include things like election interference, malicious cyber-related activities, human rights abuses, corruption, chemical weapons usage, weapon proliferation, and support of pariah states like Syria, Iran, and Venezuela.<sup>21</sup> In fact, counterproductive results have been more prominent than the intended outcomes that the US had planned for. For example, Russia has actually "extended military operations to nearby waters, interfering with commercial traffic traveling to and from ports in eastern Ukraine"<sup>22</sup> and in 2018 even forcibly prevented Ukrainian vessels in which crew members were imprisoned and shots were fired.

Acknowledging the significant hits that the Russian economy took means less than nothing when it yielded no results. It also means it is one of the easiest cases to trace the False

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<sup>20</sup> Welt et al., "U.S. Sanctions," Crsreports.congress.gov. 2

<sup>21</sup> Ibid.

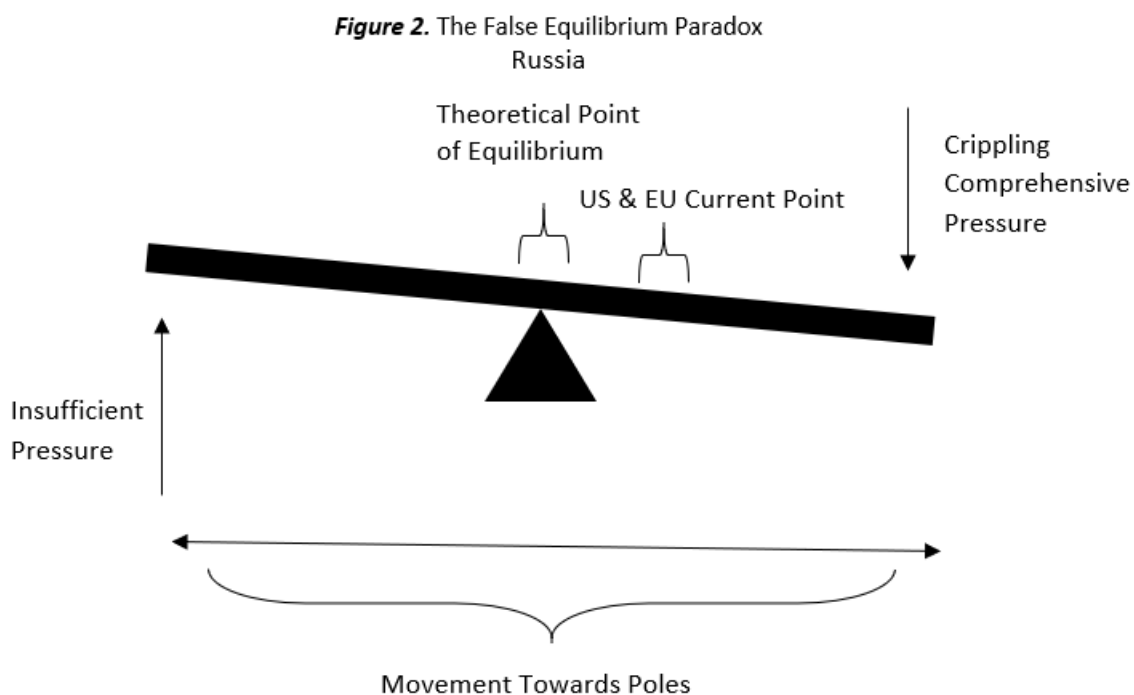
<sup>22</sup> Ibid.

Equilibrium Paradox in action because the data is showing an almost definite failure without anything to show for years of effort outside of unintended consequences.

The theory states that any number of sanctions pursuing a goal ultimately seek to land somewhere between the assumed state of equilibrium as seen in *Figure 1*. In Russia's case this would mean that sanctions would successfully coerce Russia to withdraw from Crimea and acknowledge Ukraine's ownership of the land as well as Ukraine's sovereignty (never mind the slew of other goals that Washington has steadily tacked on). Within this point would be a position that applies enough pressure and pain to force compliance while simultaneously not going far enough to incur a number of unintended consequences, specifically those that affect the civilian population. Furthermore, the equilibrium point should require no further pressure, as it represents the farthest point that the US and its allies would like to go, meaning anything after would be seen as high in risk of incurring unintended consequences. Hence, the paradox emerges when the assumed point has failed and moving towards either side of the poles as seen in *Figure 1*. results in net losses.

With the Russian case the paradox is already in full affect. Russia has not only surpassed an assumed threshold of pain and tolerance by not only consistently tolerating the sanction regimes but thwarting them rendering them useless. The theory predicts that increasing the force through more pressure, or even changing strategies by implementing new, more severe sanctions would result in unintended consequences like humanitarian crises and potential fallout between allies. At this point already, it could be argued that the US and the EU have already started moving towards the crippling side of the pole due to unintended consequences already in play without any sort of success at moving closer towards their goals. This is displayed in *Figure 2*.

which shows the position of US and EU sanction regimes currently as they move closer towards an extreme, as well as indicates a path if no strategy changes are made.



Unintended consequences are not always avoidable nor are they always inherently bad. The theory is not trying to prove that sanction architects are attempting to completely absolve their policies of any negative effects. However, it is assuming that any architect creating such policies are trying to get as close as possible to this reality. Thus, evidence of the paradox is not only found when the sanctioning bodies simply believe there is not enough pressure or results, but also when the number of unintended consequences is more than one or two and spread across different areas—such as humanitarian and economic expanses—in addition to low rates of success or lack of compliance from the targeted state.

The unintended consequences of the Russian sanctions are manifold. After the initial set of sanctions in 2014-15 aggression was not curbed but actually increased. Now this is not completely abnormal and makes sense as a sanctioned state attempts to show its zeal and resolve before they have borne the brunt of the sanctions' pain. However, this aggression has been sustained for a number of years with upped aggression being recorded in 2018. Despite Washington's employment of smart sanctions that do not bar all trade like was seen in Iraq to avoid humanitarian issues, the sanctions have inflicted widespread castigation on the Russian economy and population. The sanctions have restricted access to international financing during the recession, compounded the fall in oil prices, which required Moscow to slash spending on health care, infrastructure, and government salaries, which created economic hardships for ordinary people while their currency crashed destroying their savings and drove up monthly payments.<sup>23</sup>

As the False Equilibrium Paradox also suggests, the longer sanctions are in place the more difficult it becomes to ascertain the point of equilibrium among other issues like maintaining multilateral cooperation. As the years have passed since the initial sanctions, oil prices have rose and Russia was not only able to get a foothold, but Putin used the West's sanctions as a way to utilize the "rally around the flag" effect where he blamed his country's pains on the West and subsequently saw his ratings rise to their highest percentages in years.<sup>24</sup> This directly opposed one of Washington's goals of curbing corruption as it garnered more support for Putin's regime.

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<sup>23</sup> Ashford, "Not-So-Smart Sanctions," 116.

<sup>24</sup> Ibid. 120

Furthermore, instead of creating instability within the domestic polity of Russia the sanction regimes allowed Putin to consolidate his power through shielding wealthy elites that support him while those who do not grapple with the brunt of the sanction's effects without government interference. Finally, and perhaps most detrimentally, the sanctions encouraged development within the Kremlin. After intense targeting of Russia's access to international banks and financial partnerships it moved to introducing their own financial institutions that could cause problems for the US and the West down the line. There have already been significant trends towards a lesser reliance on US and Western backed institutions like the International Monetary Fund (IMF) and others. Russia has sought to more closely close the gap of its Western reliance by strengthening and seeking new relationships with countries like Iran and the BRICS states—Brazil, India, China, and South Africa. The sanction regimes have served as fuel for Russia's increased rate of creating its own financial institutions as well as the strategic move towards setting up its own credit-card clearing-house. The latter of which would further remove Russia from outside of the West's influence by lessening dependence on things like Visa and MasterCard.<sup>25</sup>

Moscow's considerable power as measured using the Cline model is a large factor in its ability to deal with the sanctions. Washington and the EU now find themselves locked in the False Equilibrium Paradox. Having tried creating a sanction regime that included the necessary components as outlined in early sections and still failing to ensure success of goals there are few good options when considering how to continue, especially when those options include applying more pressure. If the US continue to push and alter these sanctions in hopes that they will be able

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<sup>25</sup> Ibid. 121

to prove that the resources and time put into the effort was worth it they simply risk incurring more costs and wasting more time all with no evidence that the Kremlin's behavior will change. The costs are high, and the position tricky. If sanctions are eased to reduce pressure on the Russian population and improve EU and Russian financial markets, the US loses face in a big way. They would drift towards the left pole on the seesaw in *Figure 1*. and essentially send a significant message to Russia and other powerful states like China, that the US cannot punish them as much as they could directly after the Cold War. Furthermore, it would stain the US hegemonic image of a unipolar power and enforce the mentality of waning US influence.

If the US were to increase its sanction regimes or increase the severity of sanctions already in place there is no evidence signaled by Moscow that they would be any more ready to comply. In fact, according to the theory the longer a state sustains the pain of sanctions the less likely they are to eventually comply. This is especially true for the Kremlin, which after bearing sanctions for almost a decade has figured out multiple ways to ease pressure and has turned their people's hardships into advantageous live ammo they use against the West. Increasing pressure would move the US towards the right pole of the paradox which would most likely lead to new or harshened unintended consequences that would increase pain to Russian citizens.

In addition, due to its position in the global and European markets, further instability to its businesses and financial systems also could lead to a harmful train of reactions within US markets. Russia historically has maintained stronger ties with US allies and thus pressure that disrupts trade between Russia and these parties could garner opposition from US allies, weakening the United States' stance and develop fissures in its multilateral cooperation against Russia. This phenomenon was seen on a small scale when Moscow implemented their own sanctions targeting agricultural sectors against Eastern European states. In fact, in 2017 as the

EU renewed sanctions they were met with contention from Cyprus, Greece, Italy and Spain all of which wanted to reduce the sanctions because of the trade prospects they had with Moscow.<sup>26</sup> This created a sour sentiment held by US allies that were caught in the cross fires of the sanctions dispute.

To close, movement towards alleviation and reconciliation of relationships or the restructuring and implementation of more sanctions both yield unsatisfactory results that get no closer to the goals outlined. The inability to find the hypothetical point of equilibrium provides evidence that there is no such point to begin with, hence the paradox. Moving forward the US will have to use tremendous dexterity in maneuvering as it tries to minimize its losses and navigate the paradox to figure out the next best course of action.

### **The Iranian Case**

Iran has been one of the most heavily sanctioned states throughout history, being sanctioned by the United Nations, the United States, and other prominent nations both unilaterally and multilaterally at times. Due to this it has endured one of the most complex and long-lasting sanction regimes to this date, which still continues today. Although at different points throughout its long history of sanction regimes that will be discussed, there were multiple goals like curbing state-sponsored terrorism and punishing Iran's use of proxies, the most recent and prominent goal has been to deal with its nuclear program. Understanding key aspects of Iranian nuclear history is important to understanding Iran's stance as well as its will to defend and even pursue the energy programs further.

#### *The Iranian Case: Nuclear History*

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<sup>26</sup> RYAN CRIMMINO, "PUTIN in CRIMEA," *Harvard International Review* 39, no. 2 (2018): 17, <https://doi.org/10.2307/26617332>.

Iran's nuclear program began years before the 1979 revolutions and initially started under the Shah of Iran. It was not created originally with nuclear weaponry aspirations but instead was the focus of substantial internal and external investment to create a burgeoning source of cheap energy. The West even aided Iran in the beginning stages by providing reactors as well as highly enriched uranium fuel from the United States in 1967.<sup>27</sup> The Shah spent substantially to develop nuclear infrastructure and create a path for continued growth in the sector, spending upwards of a billion dollars into the project in its initial stages. Overtime the Shah sought to invest in new technologies that although are components of civil nuclear energy production also caused premonitions from the US about its motivations towards nuclear weapons. After the 1979 revolution interest in the nuclear sector slowed for a couple years mainly due to the high cost that it required. However, eventually interest was reignited in the 80s and carried through to the early 2000s where a focus on acquiring production materials usable for nuclear weapons, designs for warheads, and uranium centrifuges.

#### *The Iranian Case: Sanction Regime Begins*

Although Iran's nuclear program was a declared and legal acquisition and was well known to the international community and third-party organizations like the International Atomic Energy Agency (IAEA), they begun activities that broached their obligations under the Treaty of Nonproliferation of Nuclear Weapons (NPT) and were undeclared to the IAEA. During this time substantial moves were made discretely to understand the depth of nuclear science, but the full extent of Iran's decision was not fully realized. Despite not having concrete evidence of wrongdoing the US made a move to implement a few sanctions on Iran in the late 80s which

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<sup>27</sup> Nephew, *The Art of Sanctions*, 28.



coincided with the declaration of Iran as a state sponsor of terror. These sanctions barred all US trade from Iran but had little affect due to the lack of US trade since the revolution in 1979. In response to the failure of the initial unilateral sanctions the US moved again, this time creating the Iran-Libya Sanctions Act of 1996 (ILSA) which focused on investments in Iran's and Libya's oil and gas sector and would punish more than just US entities that sought to benefit from Iran's energy sector.<sup>28</sup>

ILSA marked the early stages of what would be tremendous US sanction regimes against Iran that would ultimately culminate into the Joint Comprehensive plan of Action in 2015. However, it was not a smooth start. In fact, ILSA, while meant to be a destructive set of guidelines to harm the Iranian energy sector, it fell short due to a lack of trust in the US. As mentioned before, there was not enough information to declare that Iran was undertaking illegal activities regarding their nuclear programs. Most countries, especially the EU which had significant stakes in the Iranian economy, thought the US was overstepping in large part due to their ever-crumbling relationship after the revolution and hostage crisis. It would not be until early in 2002 when two clandestine Iranian nuclear facilities were discovered, and the realization dawned on the rest of the international community that Iran was indeed making concerning moves towards nuclear weapons.

By 2006 the United Nations Security Council (UNSC) had begun to authorize the implementation of sanctions which came in waves until 2010 and were carefully constructed to only target Iran's nuclear and ballistic missile programs and not their energy sector itself due to Russian and Chinese firm opposition.<sup>29</sup> In addition, the US imposed manifold unilateral sanction

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<sup>28</sup> Nephew, *The Art of Sanctions*, 31.

<sup>29</sup> Abdelal and Bros, "The End of Transatlanticism?," 120.

from 2006 as well all the way to 2013, these differed from those in 1996 and prior because of their focus on the Iranian energy sector and correspondence with the presidency of Mahmoud Ahmadinejad. At this time the EU also instituted their own swath of unilateral sanctions that were spurred on by Tehran's efforts to acquire nuclear weapon building capacity in addition to their continued interest in the expansion of their ballistic missile programs.

The US sanctions sought to target Iran's links to international banking and thus impose direct limitations on Iran's ability to access the global financial sector as well as create opportunities within its own. However, at this point in time Iran was not globally considered as a pariah state. There were still multiple states that viewed it as a lucrative market and one that was growing rather quickly. Judging Iran's power using the Cline model as was done with Russia, one would find that Iran is a steadily growing and dominant regional power. Prior to the various sanction regimes Iran boasted a large population, a capable military, and an evolving economic engine that sought to release itself from its onerous reliance on oil as its main commodity. Due to Iran's relative power and position on the international stage the US had to demonstrate to outside nations that any business with Iran's banks would run the risk of falling under illicit activities and thus be punished as well. This is a common theme of US sanction regimes and really any manifold sanction regimes. Overcompellence is the idea that when a collection of sanctions become so complex it's hard for outside nations and companies, like banks, who would like to still trade with the target in some capacity to understand what is legal and what is not. This produces overcompellence where unintended pain is applied outside of what was intended.

The continuation of US strategy was simple. It sought out targets, like Iran's state-owned Bank Sepah, and made it increasingly difficult for any firm or state to do business with Iran without the US intervening to ensure there was no ties with its sanctioned targets, and if there

was, then a punishment would be dealt. Furthermore, due to US influence within international financial institutions, like the IMF and World Bank, Iran became ostracized from their aid as well. Despite this, Iran was still managing ways to operate under the sanctions and around 2008 was still boasting a healthy GDP growth of around 6.6%.<sup>30</sup> Due to this it was only natural that the US continued escalating its pressure to further delegitimize the idea that Iran's economy was still attempting to operate under any sense of normalcy. Essentially, escalation would be the way in which delegitimization would be achieved through an increase in Iran's pain and a weakening of their resolve.

Over the next few years, and as a new US administration shifted into the White House under President Barrack Obama, the US steadily began to transform their sanction regimes and increase pressure to encourage Iran to comply. Unlike the Russian case which dealt with a relatively power-consolidated state in President Putin, Iran has had a rather tumultuous history regarding its internal politics. Iran has both a president and supreme leader which can cause inconsistencies in policy, especially prevalent post-1979 revolution. Consistent instability within Iran's domestic polity sometimes made it difficult for Iranian presidents to act in response to sanctions due to disagreements within the state. This instability over time has worked in favor of pursuing US goals as well as against them. For example, in 2009 President Ahmadinejad wanted to work towards a deal with the US but failed to do so due to push back from the public who harbored negative sentiments towards him after a messy reelection. Contrasting with the president's ideology in 2010, the supreme Leader Ayatollah Ali Khamenei declared, and solidified in doctrine, that Tehran would establish a resistance economy to combat the sanctions

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<sup>30</sup> Nephew, *The Art of Sanctions*, 69.

and make Iran's economic engine resilient to economic shocks and reduce its reliance on one commodity.<sup>31</sup> At the time this move took a unique multidimensional approach through an expansion of domestic capabilities, an effort to reduce oil dependence, seeking ways in which Iran could create substitutions under the strict conditions, and strengthening relationships with close regional actors.

In response, the US again sought to increase the pain which occurred in three main avenues, these being further UNSC sanctions, informal bilateral and multilateral measures in conjunction with the US, and finally a unilateral approach by the US to create domestic pressure on foreign firms and banks.<sup>32</sup> These three different layers of sanction regimes attacked Iran from several angles and created new paths for promises of increasing pain in the foreseeable future. During this round of intensifications, the bilateral focus on creating partnered-sanction regimes created a new type of pressure specifically with the EU, Japan, and South Korea who agreed to forgo investments in Iran's energy sector despite each maintaining within it significant holdings. These sanctions robbed Iran of the ability to operate their "resistance economy" effectively as it essentially labeled it as a pariah state to these states and the rest of the world which inhibited it from maintaining, improving, and expanding their energy facilities.<sup>33</sup> In addition, in conjunction with the bilateral sanctions, the US required authorization for countless transactions from states wishing to do business with Iran. This caused Iran further ostracization and fundamentally made states choose US over Iran. For most this was not a difficult decision because of how lucrative the US economy is, which continues to boast the biggest economy in the world. States were

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<sup>31</sup> Abdelal and Bros, "The End of Transatlanticism?," 120

<sup>32</sup> Nephew, *The Art of Sanctions*, 72.

<sup>33</sup> *Ibid.* 77

nervous to interact with Iran's energy sector which caused a renewed wave of overcompellence making it that much harder on Iran to resist.

As mentioned earlier in the *State Power* section a nation's will is more capable when a state is powerful and is not something to take lightly especially when considering the national interest correlating with the activity that is being targeted. If the national interest is high with said activity, logic would dictate that it becomes harder for sanctions to affect a regime's behavior regarding it. This is particularly true of Iran's nuclear programs. Before his term ended in 2013, President Ahmadinejad ensured that popular sentiments in support of its nuclear programs were made. For example, in 2007 Iran's nuclear facilities were printed on the back of its currency acknowledging its importance and ensuring every civilian was aware of it. Moreover, he created a new holiday to revere the country's nuclear progress through Nuclear Day which falls on April 9<sup>th</sup>. In doing so, Ahmadinejad guaranteed that even after his administration left office, the nation's nuclear issue would not be easily settled.

Hassan Rouhani came to power in 2013 representing a moderate, reformist faction who wanted to reintegrate Iran back into the international community through a reconnection of its energy sector within international markets.<sup>34</sup> In other words, Rouhani was signaling that Iran needed to do something about the pain the US and its sanction regimes were inflicting; perhaps moving away from a stationary economy, built around the principles of resistance. At this point Iran was beginning to feel American renewed efforts at inflicting pain, some arguing the US would push too far encouraging sanction over-reach. This simply refers to the possibility of increasing pain to a point where the target amplifies resistance, and the prospect of unintended

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<sup>34</sup> Abdelal and Bros, "The End of Transatlanticism?," 121.

consequences grows. This of course plays into the False Equilibrium Paradox as it argues that a certain level of restraint must be observed by the sanctioning states in order to contain the results.

*The Iranian Case: Unintended Consequences & Equilibrium*

Since the early 2000s as the US and its allies continuously increased sanction pressure over-reach became more of a reality and the US dangerously teetered on the edge of what they thought was to be equilibrium. Around the time Rouhani came into power reports that medicine, medical devices, and other necessities were becoming more and more difficult to procure due to shortages, depreciation of the Iranian currency, and overcompellence from different states and firms. Iran was supposed to still be able to get humanitarian aid to ensure that there were no unintended effects from the sanction regimes, however this has proven difficult despite there being no restrictions on necessities precisely due to unintended consequences.

Other unintended consequences that emerged was the strengthening of the Islamic Revolutionary Guard Corps (IRGC) which is intended to protect the nation's Islamic republic political system. However, the IRGC has continuously taken a more active role in society and acts as an industrial giant in the country that retains a healthy amount of political clout. The US threatened by the IRGCs influence and connection to the Supreme leader labeled it a terrorist organization and sought to punish any entity that did business with it. By doing so the IRGC actually became stronger by capitalizing on this misfortune. The US sanctions had the unintended consequences of forcing Iran to rely heavily on the IRGC for support making the IRGC an almost inevitable shadow that the US had to deal with.

Despite these unintended consequences the sanctions continued up until 2015 when the Obama Administration successfully brought Iran to the negotiating table and secured—what was

thought to be—success. At this point the Obama Administration believed they had found the point of equilibrium. Applied to the theory and *Figure 1*, this would be the equivalent of finally balancing the seesaw without introducing the paradox. Although, there were hiccups and some unintended consequences developed, the overall result would be a deal that they believed achieved their original goals set back in the early 2000s and thus offset the costs of the unintended consequences. The Iranian economy had taken devastating blows and despite its concrete resolve and placing its nuclear program on a national pedestal it seemed that they finally were willing to comply. The culmination climaxed in 2015 with the joint Comprehension Plan of Action (JCPOA).

The JCPOA was heralded by President Barack Obama as the strongest non-proliferation agreement that was ever negotiated. The deal was brokered by the US and included six other world powers, these being the five permanent members of the UNSC (US, Britain, France, Russia, and China) plus Germany and the EU. The deal delayed thousands of centrifuges and hindered the use of faster-spinning ones, agreed to allow only low levels of uranium enrichment of no more than 300kg a day, hinder its plutonium production at Arak, and most importantly agreed to stringent inspections by the IAEA.<sup>35</sup> In return, many of the most egregious sanctions would be lifted or at least alleviated, and tens of billions of dollars would be unfrozen. Many heralded the deal as the greatest success of a modern-day use of sanctions, effectively claiming equilibrium.

This was not accepted as matter of fact within the US and as a new administration moved into the White House under President Donald Trump, the United States was set on a path of

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<sup>35</sup> S.J., "What is the JCPOA?," *The Economist*, January 28, 2020, [Page #], accessed April 5, 2021, <https://www.economist.com/the-economist-explains/2020/01/28/what-is-the-jcpoa>.

withdrawing from the deal. Proponents of the deal had several grievances and concerns with its terms. First and foremost, and something Trump mentioned specifically was the deal's sunset clauses. These are statutes, measures, or regulations in law that cease affect over a given amount of time and a set date. Sunset clauses are not anomalies in sanction policy, hence why many scholars found no issue with them. However, the Trump administration and some experts found these specific clauses to be particularly erroneous. They argued that Iran would still be able to enrich its uranium with the sun set clauses allowing some restrictions to dissipate within the decade. Moreover, ballistic missile programs were not mentioned under the deal which has been a source of contention in the region for some years now. In addition, the billions of dollars set to unfreeze would allow multiple avenues for Iran to funnel money to enemy militant groups in the region as well as allow for covert circumvention of the JCPOA's provisions through clandestine oil sales which Iran had been known to do during the 2012-2015 era of sanctions.<sup>36</sup> This money was also argued to be a way in which Tehran could fund organizations dubbed terrorist organizations like Hezbollah and Hamas, something it has consistently been accused of.

*The Iranian Case: Theory in Practice*

The current state of sanctions and the Iranian and US relationship is a turbulent one. The withdrawal from the deal in 2018 has called into question the long-term validity of the agreement in general and since then the US has found itself actively stuck in the False Equilibrium Paradox. Sanctions are imperfect, and as stated before, this theory does not intend to argue for or against their efficacy. However, it does prove that there is no tangible point of equilibrium that lies between too little and too much pressure. There will always remain imperfection in information,

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<sup>36</sup> Ibid.



analyses, and understanding of a target's resolve available. These situations are fluid and constantly changing which is demonstrated by the Iranian case. Even with the Obama administration believing the deal they constructed was the answer, other moving pieces within the US polity disagreed. There is no perfect point of equilibrium and compromises will always have to be made without one-hundred percent fulfillment of goals.

After the US pulled out, President Trump sought to increase pressure once again. He intended to implement several secondary sanctions—these are sanctions that do not punish the target directly, but rather target international banks that do business with Iran. Secondary sanctions ensure difficulty to third parties who wish to invest and trade with the target. However, after leaving the deal and creating a sentiment that the United States' word was no longer sound, the increased pressure was not tolerated. The seesaw began to be heavily tipped in the direction of the right pole and a slew of unintended consequences ensued. As the other signatories expressed encouragement for the US to return to the deal US Secretary of State Mike Pompeo and US Special representative for Iran and Senior Policy Advisor to the Secretary of State, Brian Hook, expressed that their demands included a complete end to Iran's nuclear program and complete denial of Iran's ability to fund proxy wars and destabilize other countries in the region.<sup>37</sup> In 2019, after Trump terminated various waivers that allowed for some nations to buy Iranian oil, Iran anonymously attacked international shipping transports and brought the two countries to the brink of war.

Since then, Iran has gradually, and rather bellicosely, announced that while it will not immediately pull out of the deal it will slowly but surely start to violate the terms it agreed to in

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<sup>37</sup> Ellen Laipson, "Iran and the Nuclear Agreement: Stalemate or on the Road to War?," *SAIS Review of International Affairs* 39, no. 2 (2019): 123, <https://doi.org/10.1353/sais.2019.0020>.

the JCPOA. Thus far this has resulted in breaching of the agreed uranium enrichment amount of 3.67% and was verified by the IAEA that it has steadily begun to surpass these levels. In the same vein, Iran announced it would no longer bind itself to the stockpile limit of 300 kilograms of uranium hexafluoride gas and utilization of faster, advanced centrifuges. In addition, Iran began smuggling oil to get around sanctions similar to what was done in the 2012-2015 era. This occurs through the sale of its oil in methods that illicitly lie outside of the US sanctions by using under the radar sales as well as smuggling oil overland to neighboring countries like Turkey, Pakistan, Afghanistan, and Russia.<sup>38</sup>

Not only has the US and Iranian relationship become more stressed but the US has also lost validity in the eyes of its allies, specifically the signatory states. After the US withdrawal France, Germany and the United Kingdom met to discuss ways in which they could successfully trade with Iran while avoiding pushback from the US and violating its sanctions. A new structure was created to allow European entities to maintain levels of trade with Iran through a mechanism they coined the Special Purpose Vehicle (SPV).<sup>39</sup> Since its inception as a tool to continue preserving and encouraging legitimate trade with Iran through businesses, including oil sales, the mechanism now known as the Instrument in Support of Trade Exchanges (INSTEX), will function similar to a barter system in order to coordinate payments for imports and exports, bypassing U.S. sanctions targeting Iranian banks and financial messaging services.<sup>40</sup> Statements from Europe declared that INSTEX would focus first on sectors that were most important to

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<sup>38</sup> Sason Hadad and Tomer Fadlon, "The Second round of Sanctions against Iran.," in (n.p.: Institute for National Security Studies, 2018), 3, <https://doi.org/10.2307/resrep19402>.

<sup>39</sup> KELSEY DAVENPORT, "EU Trade Tool Seeks to save Iran Nuclear Deal," *Arms Control Today* 49, no. 2 (2019): 33, <https://doi.org/10.2307/26633410>.

<sup>40</sup> Ibid.

Iranian society like medicinal and agricultural goods, but could be subject to change in the future.

These developments with Iran are dangerous and the changes in behavior by US allies should not be taken lightly. As the False Equilibrium Paradox theory is showing, the US unilateral sanctions, while still a force to be reckoned with, are weaker without the power of multilateral cooperation. Iran has obtained significant bargaining power through the United States' move to withdraw, which makes it even less likely that further sanction pressure will push the state to comply. The US now teeters too far right on the seesaw from *Figure 1*. and risks inciting an even more dangerous reaction from Iran.

US reactions have been late and hollow. After INSTEX was announced the Trump administration condemned it immediately dubbing it as a way to undermine the US sanction regime. They continue to push their allies away while opening the gap for Iran to obtain more bargaining power. Even as Tehran welcomed the INSTEX the Iranian Foreign Ministry spokesman Bahram Qassemi commented these measures were too late and too little without enough tangible results.<sup>41</sup> INSTEX is not overly relevant in the long-term but rather acts as a signal to Iran that European countries are still very interested in continuing the JCPOA and that they are prepared to act against the US, which even in symbolism may be far more detrimental than actual resumption of trade.

#### *The Iranian Case: Moving Forward*

As the theory predicted it is almost impossible to move forward or backward without tipping the seesaw, just like was shown with the Russian case. As President Joe Biden took

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<sup>41</sup> DAVENPORT, "EU Trade," 33.

office and his administration moved into Washington in 2021 talks have restarted between the US and Iran. However, it will not be a simple task to simply reenter the deal which Biden has alluded to in some form. Although it was the US who violated the original JCPOA, to go back without pushing Iran for further concessions which the previous administration aimed to do would be synonymous to going back on their word simply in the opposing direction this time. Issues of state sponsored terrorism through organizations like Hezbollah in Lebanon and Hamas in Palestine as well as the funding of militant groups and proxy wars in Yemen and Iraq to name a few remain an issue.

On the other hand, continued stalemate between the US and Iran will only allow erosion of confidence in the US by its allies and give Iran space to continue development of the nuclear program while reaping the benefits of a sympathetic relationship with the US. The other signatories are fatiguing in terms of continued negotiations and would much rather move past the sanction regimes and ostracization of Iran which is shown clearly in the change of their attitudes and actions. In addition, Middle Eastern states felt left behind when the JCPOA was created and would probably demand more inclusion regarding their national security if new negotiations were to commence. Although war is unlikely in the region—as Iran still represents a menacing threat—continued boundary pushing by Iran will force its neighboring countries to reconsider their own nuclear programs as forms of potential deterrent, which countries like Saudi Arabia and the United Arab Emirates definitely have the financial capabilities to do so clandestinely.<sup>42</sup>

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<sup>42</sup> Laipson, "Iran and the Nuclear," 125.

The US position is difficult with no easy solution to rely on. Its current situation, although different than its relations with Russia, have resulted in a similar position within the paradox with no easy way out.

### **Broader Implications**

This paper has analyzed two cases of US led sanction regimes—Russia and Iran— that utilize smart sanctions to attempt to achieve goals of behavioral change, coercion, and compliance. Iran and Russia, both powerful states when measured through the Cline model made them perfect candidates for case studies under the False Equilibrium Paradox. As aforementioned, the more powerful the state the more resolve they tend to have, the more pain they can tolerate, and the more difficult they are to force compliance and desired change.

As the United States hegemonic power declines and the era of unipolar dominance on the world stage dwindles it will need to evolve to deal with its adversaries. Sanctions have become the go to method of dealing with problematic states since the post-Cold War era. They are staples of statecraft and remain a preferred method of diplomacy instead of coercive military force. While it is a more peaceful option it is not fool proof. Countries such as China, Russia, Iran, and their spheres of influence will continue to threaten the US and its allies. This theory is designed to serve as a rude awakening to the very real caveat of working with sanctions.

In the case of Russia, the sanction regimes failed abysmally and only pushed Russia to other avenues of revenue and increased domestic infrastructural revitalization. Its dominant handling of US and EU sanctions only reinforced its stance against the West and proved that it had the capabilities to continue to resist its influence with very little repercussions for its annexation of Crimea and violation of Ukrainian state sovereignty. Iran, slightly less powerful than Russia, especially when it comes to international presence like in the UN, was able to

withstand multilateral sanction regimes for more than a decade. Although they chipped away at its economy and brought it to the negotiating table, it ultimately agreed to concede specific measures without ever yielding to full US demands. This led to a deal the US could not accept and a new administration stuck in the paradox on how to deal with it.

As China's influence grows in the East and in Africa and other problematic states to the US continue to remove themselves from the West's influence it will become more and more important to find ways to deter and influence opposing nations; if the chosen methods continue to be sanctions, they will need to address the False Equilibrium Paradox or risk further policy failures.

## **Conclusion**

Sanction regimes have been an integral part of diplomacy and statecraft for hundreds of years and show no signs of declining in popularity and use. Although the US has found success at points sanctioning relatively weak states, when it comes to influencing regional giants, its methods have faltered. Since the mid-1990s when sanction strategies evolved from comprehensive to targeted-smart sanctions the US has struggled to find the balance within its sanction regimes that would not lead to humanitarian crises and other unintended consequences yet still apply enough pressure to see results. The common accepted philosophy of political scientists and international affairs scholars have been that by carefully crafting sanction regimes that utilize precise target analyses, effective monitoring systems, escalation and malleability capabilities, and focuses on multilateralism that a point of equilibrium could be reached.

This paper has proven otherwise. Despite updated methods of research and data collection and a focus on human rights and mitigated risks the US has been unable to use sanctions to achieve complete compliance. This is not to say that its efforts through sanctions are

useless or entirely counterproductive; the Joint Comprehensive Plan of Action was a huge development in the US and Iranian relationship at the time. However, as the trump administration pointed out, the deal was still not perfect. This does not mean that it was a bad deal, or that it gives ground for US withdrawal, but it does exemplify the inability to find a point of equilibrium that does not exist as it is assumed to.

The False Equilibrium Paradox states that there is no such thing as equilibrium when it comes to sanctions. There will always be unintended consequences that cannot be mitigated and imbalances of pressure that tip the seesaw right towards too much pressure and left towards too little pressure. The theory postulates that when a target is relatively powerful in comparison to the implementors of its sanctions it is likely that the sanctioning state[s] will fall into the paradox the longer the sanction regimes exist. The longer the period of sanctions, the more time the target has to adapt, figure out ways to circumvent its restrictions, and make counter-adjustments to deal with the inflicted pain.

The Iran case has highlighted the dangers that misunderstanding sanction policy can have in relation to the US and its allies' relations and the Russian case has shown the growing limits of the West's influence. The US cannot risk its sanctioning regimes creating unintended geopolitical transatlanticism rifts let alone inflicting unwarranted pain. Moving forward acknowledgement of the False Equilibrium Paradox is crucial to maintaining dominance within the international community, credibility in the eyes of the United States' foes, and ensuring that sanctions are not used as a definitive answer simply because they achieve some results.

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