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Targeted Sanctions - Case Study: Iran

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Capital, Coercion, and Sanctions: An Iran Case Study

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Introduction

In Iran's history, there have been two prominent periods where international interference has led to a marked decrease in state revenue. One of these periods was in 1953, when a Central Intelligence Agency coup allowed the Anglo-Iranian oil company to reclaim possession of Iranian oil. The second was in 2006 to 2015, when the international community imposed various sanctions on Iran in order to curb the country's nuclear weapons program. Charles Tilly's theory of state formation shows how the change in capital is tied to key events that changed the coercive capacity of the Iranian government.

Literature Review

Two prominent theories of state formation are found in Charles Tilly's *Coercion, Capital, and European States, AD 990-1990* (1990) and in Francis Fukuyama's two volume work, *The Origins of Political Order: From prehuman times to the French Revolution* (2011) and *Political Order and Political Decay: From the industrial revolution to the globalization of democracy* (2014).

Tilly's argument is that states are characterized by their competition for territory and population (Tilly, 1990, 4). People need resources to function, and resources are finite (Tilly, 1990). War is necessary for resource acquisition, and war costs money - in order to extract the necessary funds or means to wage war, rulers had to have the power to force subjects to surrender the needed funds or means (Tilly, 1990). Implementing coercive measures to tax capital creates governments – in order to collect taxes for bureaucracy to function, tax collectors must be in place to collect capital (Tilly, 1990). In order to acquire capital - the resources or enforceable claims on resources - a ruler must first implement coercion (Tilly, 1990). Coercion is "all concerted application, threatened or actual, of action that commonly causes loss or damage to the persons or possessions of individuals or groups who are aware of both the action and the potential damage” (Tilly, 1990, 19). In other words, coercion is state capacity, employed for the purpose of perpetuating the state. Once a ruler has used coercion to obtain capital, then they may implement further coercion in the form of war. It is this tug of war “extraction and struggle over the means of war created the central organizational structures of states.” (Tilly, 1990, 28). For example, the need for state income created the need for taxes, and then for a bureau to manage those taxes, and an accounting department to calculate taxes… And thus, layer by layer, the state is formed. Over time, as the needs of the state change, institutions change and layers of government are added or pulled away.

The unique character of each state is born out of the unique capital/coercion balance that was necessary in the history of that state, and such a balance is always dependent upon the relative relationship between two variables (Tilly, 1990). The various levels of capital and coercion required to run a state depend on many factors, including population, geography, culture, and resources. A state will attempt to find homeostasis (homeostatesis, if you will) between capital and coercion. The relative level of capital to coercion within an individual state is important to state formation. If coercion is too high and capital too low, then a regime could be characterized as authoritarian. If there is too little coercion and too little capital, a state could be characterized as a failed state. If there is high coercion and high capital, then a state could be characterized as socialist or communist. It is the relative level of capital to coercion within the state that is important, not the absolute levels of capital or coercion. This explains the variation in states that were formed in European history (Tilly, 1990).

Francis Fukuyama establishes a different theoretical viewpoint. He claims that the capital/coercion balance caused by warmaking is insufficient to explain the large variety of states around the globe (Fukuyama, 2011, 23). He points to other causal factors in state variation, such as technology, physical geography, population density, and religion (Fukuyama, 2011, 23).

Fukuyama's argument is that states are characterized by their institutions, and that a state is made as institutions are formed, as institutions are the fundamental building blocks of an effective and lasting government (Fukuyama, 2011). Institutions are rooted in human biological need for social interaction, and repeated interactions over time create norms, which are then formalized into institutions (Fukuyama, 2011). A good example is the family; the family unit of an older generation of caregivers and a younger generation of dependents is a creation of biology and dependence. An individual is viewed within the context of their family and their relationships to others – they are a child, sister, husband, etc. Over time, this is institutionalized through family names, for identification purposes. These institutions of relationships permeate all levels of society.

Such "Institutions, according to Huntington, are 'stable, valued, recurring patterns of behavior' whose most important function is to facilitate human collective action" (Fukuyama, 2014, 462). Institutions contribute to political order, or the ideas that create political associations that shape ideas surrounding legitimacy and self-interest (Fukuyama, 2011, 16). Political order provides the strength and stability needed for a strong state. However, "The very stability of institutions is also the source of political decay. Institutions are created to meet the demands of specific circumstances. However, the original environment in which institutions are created is subject to change" (Fukuyama, 2014, 463). Political decay occurs when political systems fail to adjust to changing circumstances (Fukuyama, 2011, 7). A strong and effective state must have institutions that contribute to political order, while also providing mechanisms to correct for political decay.

The difference between Tilly's theory and Fukuyama's theory is an important one. Tilly believes resources form states. Fukuyama claims that people and their institutions form states. While people are a sufficient condition for states, people can only exist and perpetuate themselves in a specific place if they have enough resources. If there are not enough resources to support a population, the population will move or die off. As such, people are a sufficient condition for a state, but resources are a necessary condition for a state.

While institutions are important factors in state formation, they are not exemptions to the capital/coercion balance. Variable factors that Fukuyama notes, such as population density, require an increased amount of capital to sustain and an increased amount of coercion to control. This choice between Tilly's theory of capital and coercion, and Fukuyama's theory of institutions, is a false dichotomy. Tilly's theoretical framework of capital and coercion provides the foundation for Fukuyama's theoretical framework regarding institutions. Institutions, instead of an alternative to capital and coercion, are the status quo maintenance of coercion and capital. Such institutions are the sticky structure that supports the existing capital/coercion balance. When the balance changes, the institutional needs change and political decay begins.

The state balance between capital and coercion is always changing, as states form and reform themselves over time – the tension between political order and political decay is constantly shaping the state.

When a state imposes sanctions, targeted or otherwise, they are inserting themselves into the capital and coercion balance, and thereby instigating political order or political decay. In order to implement effective sanctions, the imposing state must understand how its sanctions – inherently a decrease in capital - will change the capital/coercion balance and change the nature of the target state. As such, an examination of the history of the target state is needed, in order to comprehend how the sanctions will further or change the target state's narrative.

Hypotheses

There are two hypotheses addressed in this paper, an overarching hypothesis and an Iran-specific hypothesis.

> *Overarching hypothesis*: If sanctions are imposed, then the sanctioned country's capital will decrease as the technology, suppliers, or export destinations are cut off.
>
> *Iran-specific hypothesis*: In Iran's history, as imperialist countries have claimed oil rights or as sanctions against Iranian oil have been imposed, the coercive capabilities of the Iranian government have been increased.

Sanctions Overview

Sanctions are "punitive diplomatic, economic, and social actions taken by the international community against a state that has violated international law" (Brown, McLean & McMillan, 2018). Sanctions follow siege mentality (Allen, 2008). As the need for more resources inspires war-making, a lack of resources can force capitulation by making the political and humanitarian costs to the opposing party unbearable. In a siege, necessary resources are cut off, and the resulting human rights abuses that occur are used as leverage for the cessation of war. Sanctions work in much the same way – a resource or resources are cut off from a targeted population, in hopes that the absence of that resource will be so unbearable that the sanctioning state's aims will be agreed to.

The siege mentality of sanctions also helps explain why targeted sanctions were developed. Sanctions use the pain of lack of resources as leverage. It is this exact pain, applied to all members of the target population - not just the guilty ones - that make blanket sanctions problematic (Neier, 2015: Pavel, & Pattison, 2015). Comprehensive sanctions increase repression, and democracy and human rights scores drop in target governments under comprehensive sanctions as the government passes the pain of sanctions down to its people (Drezner, 2011: Cameron, 2005). As such, targeted sanctions were developed to attempt to limit the restriction of resources to those who were partaking in the undesirable behavior, and their supporters (Portela, 2016). Examples of targeted sanctions are travel bans, asset freezes, and arms embargoes (Portela, 2016: Elliot 2005).

Sanctions can be imposed successfully only by states that have enough capital and coercion to fully implement the sanctions. The imposing state must have enough capital so that the loss of imports or exports with the target state will not cripple the sanctioning state. Additionally, the sanctioning state must have enough coercive capability to implement and enforce sanctions (Biersteker et. al., 2005). A siege on only half a city, or only on some days of the week is not a very successful siege.

Sanctions work under an assumption that the target state does not have indefinite capital or coercive capabilities – eventually, the government will lack the capital to provide for their people, or they will lose the coercive capabilities needed to keep order in their state. The current approach to sanctions involves depriving "the leadership of the benefits associated with presenting themselves as providers of public services and infrastructure projects vis-à-vis their citizenry" (Portela, 2016, 923). When this breakdown happens, the expectation is that the people will revolt and the government will collapse, or the government will be willing to negotiate. In this way, sanctions can also serve as a tool to encourage dialogue, in addition to being punitive (Allen, 2008). It is important to note that all capital and coercion is relative, and what works in one country will not work in another. This relativity influences the cost-benefit calculations of the state, not their preferences, and it is the cost-benefit calculations that drive the state to act (Koch, 2015). It is crucial to understand the cost-benefit calculations the target state will undertake, before implementing sanctions.

An additional complication to sanctions imposition arises out of the nature of sanctions as an imposed punishment. The country sending sanctions is punishing the target state for behavior that the sender deems inappropriate, or to influence the target's behavior in the way that the sender country desires (Molenaers et. al., 2014). As such, sanctions – targeted or otherwise – are always more about the politics, and prominent political and economic persons, of the sender country than the target country (Molenaers et. al., 2014: Elliot, 2005: Wallensteen, 2005). This also helps explain why targeted sanctions have increased in popularity – if the sender country seeks to encourage moral leadership amongst the international order, then the human rights violations of blanket sanctions are counterproductive and the legitimacy of the sender country is compromised (Gordon, 2015).

One of the unforeseen impacts of sanctions is how sanctions can strengthen the current regime instead of weaken it. There are two key reasons as to why. First, sanctions increase the need for revenue streams, and thereby strengthen the institutions created to bring in revenue. Tilly shows that states are formed as capital-collecting mechanisms, like tax collection, are created and maintained (Tilly, 1990). When sanctions decrease revenue streams, target governments will attempt to collect more capital by utilizing other forms of non-sanctioned production and trade (de Vries, Portela & Guijarro-Usobaiga, 2014: Escribá-Folch & Wright, 2010: Allen, 2008). Additionally, "trade sanctions encourage the creation of organized crime syndicates and transnational smuggling networks" (Drezner, 2011, 98). One such example is Hezbollah; Hezbollah has historically received funds from the Iranian and Syrian governments, but, "In the past few years, however, these partners have not been as generous. Iran is undergoing devastating economic sanctions and the Syrian state is caught up in a civil war. Hezbollah's criminal activities are designed to help plug that gap" (Levitt, 2013). When traditional financial conduits fail, organizations turn to nontraditional methods of revenue acquisition, such as cross-border activities like arms, drugs, and money trafficking (Levitt, 2013). Such diversification or leaks allow the targeted regime – or associated criminal and terrorist organizations - to reinforce their presence in unexpected areas and cushion the impact of sanctions. This element of sanctions reinforces why sanctions enforcement is so crucial and so difficult – sanctions can only work as intended in a confined trade space.

Secondly, as capital becomes scarce, the regime can cut down on non-governmental services. An example of non-governmental services being cut is the effect of sanctions on non-governmental media. As capital is restricted, the government can cut grants and other funding to media sources that do not support the regime, reducing the capabilities and reach of the independent media and restricting free press (Peksen, 2010). When the government is the only source of media, it is easier to influence public opinion in support of the target regime, strengthening their influence. By turning the populace against the sending country, the target regime can strengthen itself at the sender's expense (Wallensteen, 2005).

The relative nature and the range of possibilities that sanctions encapsulate require a thorough understanding of the target country, if sanctions are to be successful.

History of Iran through a Capital/Coercion Lens

As oil revenue has been a significant contributor to government spending in Iran, the presence of capital and coercion have been inextricable for much of Iran's recent history. In instances where the Iranian government has controlled the lion's share of the oil revenue, the

Iranian government's coercive capacity has been high. However, in instances where the Iranian government has controlled little of the oil revenue, the Iranian government's coercive capacity has been low. Much of this variation in capital and coercion since 1951 has been due to foreign interference. Two key examples of the capital and coercion tug-of-war caused by access to oil as a key resource can be seen in 1951-53 with the oil nationalization and subsequent Central Intelligence Agency (CIA) coup, and the sanctions imposed against Iran from 2011 to the eventual JCPOA agreement.

1951-1953

Mossadeq[1] and oil nationalization

Prime Minister Mohammed Mossadeq was "appointed Iranian prime minister by Muhammad Reza Shah in 1951" (Esposito, 2003). In 1951, Prime Minister Mossadeq led a referendum that resulted in Iranian nationalization of the British-Iranian oil company, Anglo-Iranian oil (Esposito, 2003). This was done despite the influence of Muhammad Reza Shah. The nationalization of the oil company theoretically created increased capital for the Iranian government, and was done in the name of increasing Iran's resource rights (Talbot, 2015). The National Iranian Oil Company was created, and a smooth transfer of control was attempted (Abrahamian, 2008, 117). However, as retaliation for nationalization the British government halted their technical support, taking oil production to a standstill (O'Neil, Fields & Share, 2018, 518). Mossadeq was able to outmaneuver the existing coercive systems to increase capital for the Iranian people.

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[1] Abrahamian's (2008) use of the spelling 'Mossadeq' is the spelling adopted throughout this analysis.
[2] There are various arguments about the success and impact of the CIA. Further reading:
Abrahamian, E. (2008). *A history of modern Iran*. Cambridge, UK ; New York: Cambridge University Press, p. 118-122.
Gasiorowski, M. J. (2000). The CIA Looks Back at the 1953 Coup in Iran. *Middle East Report, 216*, 4-5.
Takeyh, R. (2014, June 16). What Really Happened in Iran: The CIA, the Ouster of Mosaddeq, and the

CIA coup

The loss of revenue from the defunded company angered the British government (Talbot, 2015: Abrahamian, 2008: Takeyh, 2014). The change in capital flows, away from the United Kingdom and the US, triggered a response in the UK and US intelligence agencies (Esposito, 2003: Abrahamian, 2008). In 1953, the CIA allocated $1 million to sponsor demonstrations and a political crisis to oust Mossadeq (Gasiorowski, 2000: Abrahamian, 2008: Talbot, 2015). This undertaking was known as Operation Ajax (O'Neil, Fields & Share, 2018, 519). Mossadeq was unable to outmaneuver the CIA - if he cut a deal with the British to return some of their oil shares, he would be seen as selling out his country to the West (Talbot, 2015, 232). Instead, the Iranian people were handed over to a puppet government chosen by the West. Mohammad Reza Shah was reinstalled by the CIA in 1953 (Talbot, 2015, 138). The CIA's involvement[2] handed control of Iranian oil back to the West.

The change in regime increased the authoritarian nature of Iran's government. Polity IV measures regime type; it "aggregates indicators of executive recruitment, executive independence, and political competition into a single numerical score. The positive end of the polity scale (+10) denotes a strongly democratic regime, while the negative end (-10) indicates a strongly autocratic regime," (Kliman, 2015, 30). As shown in Chart 1.1, Iran's authoritarian tendencies increased sharply in 1953, and remained high until the Iranian Revolution in 1979.

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Abrahamian, E. (2008). *A history of modern Iran*. Cambridge, UK ; New York: Cambridge University Press, p. 118-122.

Gasiorowski, M. J. (2000). The CIA Looks Back at the 1953 Coup in Iran. *Middle East Report, 216*, 4-5.

Takeyh, R. (2014, June 16). What Really Happened in Iran: The CIA, the Ouster of Mosaddeq, and the Restoration of the Shah. *Council on Foreign Relations.*

Under the shah, the Anglo-Iranian oil company was able to recoup much of their lost company and, in 1954, renamed themselves British Petroleum (BP. *Post war - 1946-1970*). The official page for British Petroleum - now known as bp - summarizes the 1951-1954 contention over oil as,

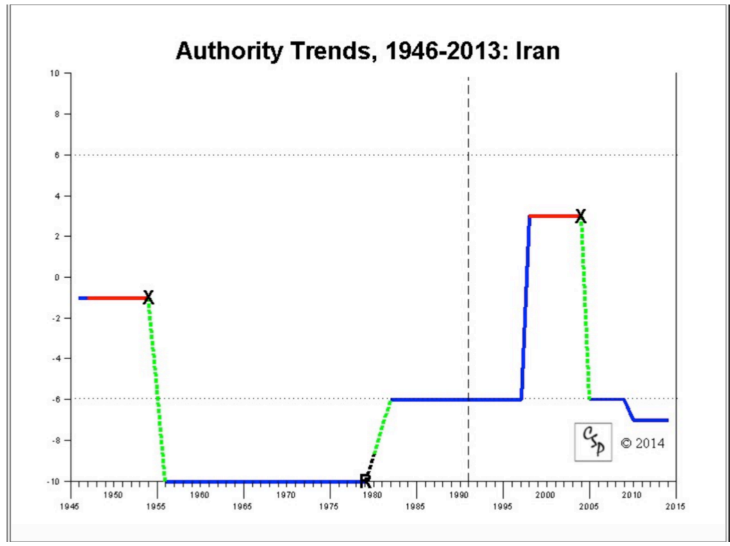

Chart 1.1 Polity IV Authority Trends in Iran. Taken from the Polity IV report in 2010 on Iran, by the Center for Systemic Peace.

> Within 18 months, the Iranian economy was in ruins. Mobs in the streets demanded the prime minister's resignation. When the parties returned to the table, they hashed out a new arrangement allowing a consortium of companies, including Standard Oil of Indiana (Amoco) and others, to run the oil operations in Iran. Anglo-Iranian's stake was 40%. (BP. *Post war - 1946-1970*).

The official bp narratives ignores the ways in which US government capital and coercive capabilities were used to overwhelm Iranian government capital and coercive capabilities, in favor of the oil companies. The CIA threw its weight behind the status quo flows of oil revenue and government functioning, and protected pre-existing institutions like bp.

Westoxication

Western interference, the loss of oil revenues, and the reinstallation of a Western-backed shah fueled anti-Western and anti-American sentiment in Iran, including what was termed 'Westoxication'. Westoxication was created by

> Jalal al-e Ahmad to describe the fascination with and dependence upon the West to the detriment of traditional, historical, and cultural ties to Islam and Islamic world. Defined as an indiscriminate borrowing from and imitation of the West, joining the twin dangers of cultural imperialism and political domination. Implies a sense of intoxication or infatuation that impairs rational judgement and confers an inability to see the dangers presented by the toxic substance, that is, the West (Esposito, 2003, 337).

This hatred of the West came to characterize much of Iranian-American interactions in the decades that followed.

After being reinstalled by the CIA, the shah initiated a series of reforms in 1963, the White Revolution, a secularization of Iran culture (O'Neil, Fields & Share, 2018, 519). The benefits of the White Revolution "went largely to elites in urban environments… The presence of Western corporations and banks fueled concerns about Western economic imperialism… Critical religious leaders and intellectuals were harassed, tortured, exiled, arrested, and sometimes killed" (Esposito, 2003, 337). Ayatollah Khomeini viewed the White Revolution as American reforms, further evidence of Western corruption and influence (Secor, 2016, 28). The Western rejection of oil nationalization, and the increase in coercive capacity to crack down on dissidents laid the groundwork for the Islamic Revolution[3], where the shah would be overthrown and replaced with Ayatollah Khomeini.

Resource rights and resource security

For much of Iran's history, the possession of the resource rights to oil, and capital acquisition, have been closely tied. In Tilly's model, capital and coercion are a closed loop; the acquisition of one is inextricably tied to the other. Coercion costs money, and money creates coercive bodies. The Mossadeq period and the subsequent CIA coup show that capital was less

[3] The Islamic Revolution occurred in 1979 and ousted the shah from power and forced him into exile. Supreme Leader Ayatollah Khomeini replaced him as the leader of the country, and the Islamic Republic of Iran was created. For further reading:

Iran Chamber Society. *The Constitution of Islamic Republic of Iran*.
Khomeini, R. (2010). *Islamic government*. Kentucky]: SIME.
O'Neil, P., Fields, Karl J., & Share, Donald. (2018). *Cases in comparative politics* (Sixth ed.). New York: W.W. Norton & Company, p. 521-532.
Abrahamian, E. (2008). *A history of modern Iran*. Cambridge, UK ; New York: Cambridge University Press, p. 155-182.

important in this period; the British, in response to the nationalization of the Anglo-Iranian oil company,

> were willing to increase royalties, share management with other Western companies, and even accept the principle of nationalization as long as it was not put into effect… The British ambassador admitted that London was willing to go beyond the normal 50/50 deal and give Iran as much as 60 percent of the profits so long as real 'control' remained in Western hands (Abrahamian, 2008, 119).

Capital was clearly not top priority. Rather, coercion was more important – the CIA's coercive abilities to undermine the Iranian government were stronger than the Iranian government's ability to maintain control of its citizens, and eventually, its oil supply. The Iranian cry for resource rights was not able to outlast the Western demand for resource security. The balance between capital and coercion was no longer paramount to regime stability. Rather, relative coercive capacities were the key factor in undermining the Iranian government; relative to the CIA, the Iranian government's coercive capacities were insufficient.

2006-2015

Sanctions and the Joint Comprehensive Plan of Action

Iran's nuclear program became an international security concern in 2006[4], and various governing bodies imposed sanctions. Two intergovernmental organizations that imposed sanctions were the European Union[5] (EU) and the United Nations Security Council[6] (UNSC).

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[4] There is an important difference between nuclear energy programs and nuclear weapons programs. Nuclear energy programs require enrichment of uranium-235 isotopes to about twenty percent. Nuclear weapons programs require enrichment of uranium-235 isotopes to about ninety percent. Enriching uranium-235 isotopes enough to make a weapon requires a significant increase in technology (O'Neil, Fields & Share, 2018, 551-52: Esfandiary & Finaud, 2016). However, much of the anxiety about nuclear weapons programs is due to the same type of uranium being needed for both. This makes monitoring agencies like the International Atomic Energy Agency essential for ensuring JCPOA compliance. The JCPOA agreement limits the percentage of uranium enrichment, and requires limits on technology and equipment that would lead to weapons-grade uranium (Esfandiary & Finaud, 2016).

[5] European Union members are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom (membership pending) (European Union. *Countries*).

The United States imposed additional sanctions, acting as an independent entity.

Sanctions predominately took two forms: nuclear and petroleum. Sanctions were directed towards crippling Iran's nuclear program, or towards petroleum imports and exports in an attempt to cripple revenue streams. Sanctions on Iran's petroleum were possible because of Iran's involvement in the Organization for Petroleum Exporting Countries (OPEC) beginning in 1960 (Organization of the Petroleum Exporting Countries. *Brief History*). Over the next two decades, OPEC countries worked together to control production to influence oil prices; eventually, OPEC was able to increase international oil prices by four hundred percent in 1973, triggering an oil crisis (Black, Hashimzade, & Myles, 2017, 370-371). During this time, many of OPEC members were able to take "control of their domestic petroleum industries" (Organization of the Petroleum Exporting Countries. *Brief History*). After Iran had taken control of domestic oil, direct sanctions on Iran were possible, without sanctioning any outside, Western parties like bp.

The UNSC imposed targeted sanctions on Iran for their nuclear program in 2006. These sanctions continued in various resolutions until the Joint Comprehensive Plan of Action (JCPOA) was implemented in October 2015. The various means of sanctioning Iran are outlined in Table 1.1.

[6] There are five permanent members of the Security Council: China, France, Russia, the UK, and the US (United Nations Security Council. *Current Members*). There are ten rotating members, and in 2015 the rotating members were Venezuela (2015-16), Spain (2015-16), Nigeria (2014-15), New Zealand (2015-16), Malaysia (2015-16), Lithuania (2014-15), Jordan (2014-15), Chile (2014-15), Chad (2014-15), and Angola (2015-16) (United Nations Security Council. *Countries Elected Members of the Security Council*).

Episode 1	Resolution UNSCR 1737	December 23, 2006 – March 24, 2007	Nuclear proliferation-related technology and goods imports and exports ban; asset freeze on supporting entities and individuals.
Episode 2	Resolution UNSCR 1747	March 24, 2007 - March 3, 2008	Nuclear proliferation-related technology and goods imports and exports ban; asset freeze on supporting entities. Added embargo on arms exports.
Episode 3	Resolution UNSCR 1803	March 3, 2008 – June 9, 2010	Nuclear proliferation-related technology and goods imports and exports ban; asset freeze on supporting entities; embargo on arms exports. Added travel ban.
Episode 4	Resolution UNSCR 1929	June 9, 2010 – June 14, 2013	Nuclear proliferation-related technology and goods imports and exports ban; asset freeze on supporting entities; embargo on arms exports; travel ban. Added embargo on specific arms imports, nuclear proliferation investment ban, and as-needed bunkering ban.
Episode 5	Resolutions UNSCR 2159 UNSCR 2224 UNSCR 2231	June 14, 2013 – present*	Nuclear proliferation-related technology and goods imports and exports ban; asset freeze on supporting entities; embargo on arms exports; travel ban; embargo on specific arms imports, nuclear proliferation investment ban, and as-needed bunkering ban.

Table 1.2 United Nations Security Council sanctions against Iran. UNSCR 2231 endorses the JCPOA, and previous resolutions sanctioning Iran will be terminated based on JCPOA compliance and at conclusion of the Security Council consideration of Iranian nuclear proliferation.
Data taken from the Global Governance Centre's SanctionsApp.

UNSC sanctions are restricted primarily to nuclear proliferation activities and support networks for proliferation like technology and investment. The UNSC sanctions are an important part of keeping the focus on nuclear proliferation. Sanctions imposed by other entities branch out beyond nuclear proliferation, but the UNSC sanctions are a vital part of the collective siege that led Iran to the negotiating table in 2015. The impact of UNSC sanctions had a significant impact on the Iranian economy; "one former Iranian official admitted in late 2008 that the UN sanctions had increased the price of imports anywhere from ten to thirty percent" (Drezner, 2011, 103-104). The UNSC enforcement of sanctions increased the coercive pressure on Iran, and overlaps with asset and entity freezes imposed by other entities.

In addition to UNSC sanctions, the US imposed sanctions as well. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Public Law No: 111-195) was adopted into law on July 1, 2010. This act expanded upon the Iran Sanctions Act of 1996 regarding petroleum sanctions, in Section 102. In addition, sections 103, 104, and 105 specify the imposition of an import an export ban, an asset freeze, and a travel ban against select entities related to proliferation, respectively.

The EU sanctions imposed by Iran included petroleum sanctions. Petroleum sanctions are a significant piece of an effective Iranian sanctions regime. “In order to exert maximum pressure on targets, the international community needs to identify the means by which targets maintain their ability to pose a threat to international peace and security” (Biersteker et. al., 2005, 62). When Iran is the country under consideration, oil must be considered, as it is a key capital-producing resource in their economy. As oil is a key source of capital, it enables the funding of the Iranian nuclear program; the EU sanctions were effective because they targeted “Iran’s oil industry, prohibiting the insurance cover of oil shipping, freezing Iran’s Central Bank assets in the EU and cutting off Iranian banks from the global… payment network” (de Vries, Portela & Guijarro-Usobaiga, 2014, 5). The targeting of Iran’s oil industry included decreased or eliminated imports of Iranian oil from 2012 to 2015 (European Commission Directorate-General for Energy). This decrease can be seen in Table 1.2. These sanctions led to a

Year	Oil volume (1000 barrels)	Total value ($1000)	Import %
2006	248,617	15,101,399	5.54
2007	238,313	15,988,760	5.41
2008	205,137	19,519,766	4.62
2009	177,581	10,729,791	4.38
2010	212,749	16,400,313	5.28
2011	218,375	23,459,966	5.64
2012	50,315	5,616,591	1.25
2013	0	0	0
2014	3,265	272,415	0.08
2015	0	0	0
2016	106,400	4,566,536	2.69
2017	199,968	9,988,305	4.96

Table 1.2 Data taken from the European Commission Directorate-General for Energy: Registration of Crude Oil Imports and Deliveries in the European Union, 2006-2017.

significant decrease in Iranian oil production (U.S. Energy Information Administration, 2018).

It is important to note the difficulty with imposing petroleum sanctions at all. Escribá-Folch and Wright show that "sanctions are less destabilizing in oil-producing countries, perhaps because demand for oil is highly inelastic in most sanction-sending countries, making them reluctant to disrupt energy supplies" (2010). The need for a unified party of sending countries becomes clear – because the need for oil is so inelastic, sanctioned countries will merely pivot to fill the needs of other countries. The Iran sanctions, and the resultant negotiations of the JCPOA, were successful largely because of the number of countries willing to boycott Iranian oil. In future sanctions, similar unity on behalf of sender countries will be needed in order to properly sanction Iran.

When the UNSC, the US, and the EU sanctions were imposed, Iran's capital decreased as the technology, suppliers, and export destinations were cut off. The combined effect of US, UNSC, and EU sanctions had an important effect on Iranian domestic politics; President Hassan Rouhani was elected in November 2013 on a platform of sanctions relief and improved relations with the West (Esfandiary & Finaud, 2016). Rouhani's election was crucial, as it countered the anti-West sentiments of the Supreme Leader Ayatollah Khamenei (Finaud, 2018). President Rouhani was able to communicate directly with President Obama and his administration about sanctions relief, which was an important step in negotiating the JCPOA (Finaud, 2018). In this way, sanctions were an important part of encouraging the dialogue needed to reach an agreement, and the eventual cessation of sanctions. To quote former Secretary of State Madeline Albright, "The purpose of foreign policy is to influence the policies and actions of other nations in a way that serves your interests and values. The tools available include everything from kind words to cruise missiles. Mixing them properly and with sufficient patience is the art of diplomacy" (Albright & Woodward, 2003, 406). Sanctions, as a tool between words and war on the diplomatic spectrum, was a punitive measure that evolved into a desire for dialogue. Without such evolution, the JCPOA would have been much more difficult to negotiate (Finaud, 2018).

The JCPOA itself is an agreement between Iran, the High Representative of the European Union for Foreign Affairs and Security Policy, China, France, Germany, Russia, the UK, and the US, for the purpose of allowing Iran to develop a peaceful nuclear energy program within defined parameters, with the goal of lifting sanctions (UNSC Resolution 2231). The agreement includes a provision for the monitoring of the nuclear program by an independent international agency, the International Atomic Energy Agency (IAEA) (UNSC Resolution 2231). The agreement affirms that Iran will not seek to develop nuclear weapons, that the involved countries will uphold the JCPOA in spirit and in practice, and marks a turning point in Iranian relations with the international community (UNSC Resolution 2231). The JCPOA marks the cessation of UNSC sanctions and EU sanctions against Iran; additionally, paragraph 20 of the JCPOA outlines the cessation of US sanctions against Iran, including petroleum sanctions and asset freezes (UNSC Resolution 2231). In paragraph 26, the agreement notes that "Iran has stated that it will treat such a re-introduction or re-imposition of the [US] sanctions… or such an imposition of new nuclear-related sanctions, as grounds to cease performing its commitments under this JCPOA in whole or in part" (UNSC Resolution 2231). The JCPOA provides for monitoring and reassurance for the EU, China, France, Germany, Russia, the UK, and the US, while also providing a safeguard for Iran in the case of member noncompliance. The JCPOA was a collective agreement, spawned by the collective sanctioning actions of multiple international groups and state actors. The international siege of Iran led to an opportunity for dialogue, which resulted in a comprehensive international agreement.

Natural resources secured, capital chokehold

In 1951, Mossadeq nationalized Iranian oil under the assumption that resource rights to oil would provide increased capital for the Iranian government and the Iranian people. The sanctions of the 2000s and 2010s show that this is not the case. The current international system mandates the need for exports to create revenue and create energy security; capital is no longer about what you possess, but also about whom you can sell to. In today's international system, "what goes on inside states… often matters intensely to other members of the international system," (Fukuyama, 2004, 92). This provides incentive for the outside states to apply coercion against the primary state, in order to limit the primary state's capital. State building is no longer an isolated activity as it was for states in Europe; rather, the capital and coercion cost-benefit calculations of the international system and outside states are often just as important to state formation as internal capital-coercion balances. Tilly's model of capital and coercion still applies, but the balance must be expanded to calculate for other states as well. In the case of Iranian sanctions, the key balance was between EU, US, and UNSC coercion on one side, and Iranian capital on the other. A further breakdown could argue that the key balance was between EU, US, and UNSC capital on one side, and Iranian capital on the other; Tilly shows that coercion costs money, so the sanctioning actors had to have enough expendable capital to be able to afford coercive measures, and still have enough capital to maintain their own functioning.

Such sanctions regimes, then, can only be truly effective in a globalized world with numerous trade deals. EU oil sanctions would not have been possible if Iran was the world's only oil supplier; the EU had to have other trade deals with other countries, and access to enough oil to make Iran's supply irrelevant, or the EU import reduction negligible, in order to still maintain energy security and sanction Iran at the same time.

An important takeaway from the 2006-2015 period is the relative importance of Iranian capital versus the capital of the rest of the world, and Iranian capital versus the coercive capabilities of the rest of the world. The coercive capabilities needed to enforce sanctions acts as a balance against the capital of Iran. The capital-coercion balance of Tilly is no longer confined to the internal workings of the state.

Discussion

Sanctions decrease a country's capital as the technology, suppliers, or export destinations are cut off. The siege quality of sanctions restricts the options available in the target country's cost-benefit analyses, and thereby punishes the target country while encouraging dialogue. Regardless of resource rights or available capital, sanctions are expensive politically or monetarily because they restrict options. The sanctioning state's assumption is that such restriction will become too costly to bear, and the sanctioned state will capitulate. As such, the hypothesis that 'sanctions imposition leads to a decrease in capital, as the technology, suppliers, or export destinations are cut off' is supported.

In the case of Iran in 1953, the loss of oil revenues to bp shows that Tilly's model of capital and coercion must be expended to include external forces, as external forces can be powerful factors in state formation. The CIA's relative coercive capabilities were able to tip Iran's coercion-capital balance in the favor of the US and the UK. 1953 indicated how important international interests would be in Iran's continual state formation process; such a process is constantly ongoing. The need for Iran to consider outside interests in its domestic politics, and its internal capital-coercion cost-benefit calculations, would have important ramifications for the sanctions imposed several decades later.

The 2006-2015 sanctions regimes, imposed by the US, EU, and UNSC reinforced the multiple dimensions of Tilly's theory. No longer are capital-coercion calculations limited to the state. Rather, such calculations can be conducted state to state, state to international organization, international organization to international organization, (or in the case of Iran, state to state to international organization to international organization) and all have crucial ramifications for internal state formation.

The forcible change of Iran's government increased the Iranian government's coercive capabilities, in the form of CIA interference and the White Revolution. Tilly's theory postulates that an increase in capital will be tied to an increase in coercion (Tilly 1990). Sanctions literature shows that a decrease in capital often leads to an increase in coercion, as human rights decrease (Allen 2008; Gordon, 2015; Neier, 2015; Pavel & Pattison, 2015; Cameron, 2005; Drezner, 2011). Together, Tilly and sanctions literature show that as capital decreases, coercion increases to maintain control over the preexisting population; additionally, as capital increases, coercion increases in response to maintain control over the rising capital. In both cases, capital is the variable that moves first, and coercion responds. However, in 1953 in Iran, coercion increased as the CIA reinstalled the shah, and after coercion increased then capital decreased as oil revenues were moved back to the West. And in the sanctions regimes of 2006-2015, coercion in the form of sanctions were imposed, and Iranian capital decreased. In Iran's history, the coercive capabilities of the Iranian government have been increased as imperialist countries have claimed oil rights or as sanctions against Iranian oil have been imposed. As such, the Iran-specific hypothesis is not supported; the Iran case study reverses the sequence of more (or less) capital leading to more (or less) coercion, to more coercion creating less capital.

Conclusion

Sanctions are marked by an increase in coercion and a subsequent decrease in capital. As such, Charles Tilly's capital and coercion state formation theory provides a valuable framework for analyzing the impact of sanctions. Tilly's theory of state formation claims that states increase coercive capacities in response to an increase in capital. The 1953 CIA coup shows that capital decreases after external coercion is implemented. The 2006-2015 sanctions regimes against Iran show that sanctions decrease a country's capital as the improvement and/or export opportunities are cut off. Taken together, both of these episodes in Iran's history show that capital and coercion are still intertwined and crucial for a country's state formation. However, Tilly's model must be expanded to include the capital and coercion influences of external actors, and is no longer confined to the formation of a solitary state.

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