Iran and North Korea Highlight Pitfalls of Trump’s “Maximum Pressure” Strategy

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EXECUTIVE SUMMARY: President Donald Trump’s hitherto failed “maximum pressure” approach to Iran, as well as, for that matter, North Korea, begs the question what his true objectives are and what options he will be left with should the policy ultimately fail.

It remains to be seen whether North Korea’s reported rebuilding of a rocket launch site after President Donald Trump last month walked away from the summit in Hanoi with Kim-Jong-un constitutes a negotiating tactic or a breakdown. The site was partially dismantled as a goodwill gesture after the two men first met in Singapore last year.

A breakdown coupled with even harsher sanctions that similarly may not do the job risks leaving Trump with few good options beyond some kind of military operation.

Trump has so far credibly conveyed his intent of wanting to fully denuclearize North Korea rather than change its regime, a further indication of the apparent comfort he finds in dealing with autocratic and authoritarian leaders.

The picture with regard to North Korea and Iran is both similar and different.

Iranian resilience backed by key players in the international community determined to salvage the 2015 international agreement that curbed Iran’s nuclear program could blunt the impact of harsh US sanctions, again leaving the US with few good options beyond either backing away from its maximalist approach or weighing overt or covert military action.
Trump’s intentions regarding Iran, in contrast to North Korea, are far less clear. Increasingly strident language by the president’s hard-line national security advisor, John Bolton, as well as his Secretary of State, Mike Pompeo, coupled with the specific changes of Iranian policies that the US is demanding, suggest that regime change rather than reform may be the president’s true objective. It is hard to see how Iran could comply with the US demands without a change of regime.

For now, Iran’s strategy appears to be to circumvent sanctions in every way it can, to ensure continued support from Europe, China, and Russia, and to wait it out to see whether Trump gets a second term. A Democratic president inaugurated in 2021 might negotiate a return of the US to the nuclear accord.

“A pressure campaign will only be effective if enough time is dedicated to it. In other words, there are no quick and easy victories, as the North Korean case demonstrates. And attempts to get them will only push the goalposts further away,” said political scientist Ariane M. Tabatabai.

In a twist of irony, carrot-and-stick-backed efforts by international regulators to get Pakistan and Iran to significantly upgrade their legal abilities to counter political violence are proving more effective than maximum pressure.

Concern that Pakistan could be blacklisted by the Financial Action Task Force (FATF), the international anti-money laundering and terrorism finance watchdog, compounded by mounting tensions with India prompted Pakistan in recent days to crack down on long-tolerated militant groups.

Blacklisting could have a debilitating impact on Pakistan’s crisis-ridden economy. It would restrict the ability of multilateral organizations like the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) to aid or lend to Pakistan.

Iran faces a similar dilemma. This has sparked intense debate in the Islamic Republic about how to deal with FATF demands that it join the watchdog and significantly upgrade its legal anti-money laundering and terrorism finance infrastructure to evade being blacklisted.

So far, Iran’s parliament has passed two of four bills required for membership and together with the Expediency and Discernment Council is debating Iranian accession to the Combating the Financing of Terrorism Convention (CFT) and the UN Convention against Transnational Organized Crime, or Palermo Convention.

The FATF demands have put Iran between a rock and a hard place.
Iranian ratification of those conventions, coupled with FATF membership, holds out the promise of more effectively and more quickly curtailing Iran’s ability to fund regional proxies than US maximum pressure.

Failure to comply could significantly increase the pain of US sanctions by prompting those banks and financial institutions still willing to do business with Iran to rethink their positions.

It would also likely restrict the ability of supporters of the nuclear agreement to help Iran soften the impact of the sanctions.

"If you want us to succeed in the talks with Europe, at least the four proposed bills must be ratified," said member of the Iranian parliament Abulfazle Mousavi.

“By joining, Iranian banks will be under what will be unprecedented international scrutiny. This will make it more difficult, although not impossible, for Iran to transfer money to terror organizations...such as Hezbollah, Hamas and the Islamic Jihad. Additionally, Iranian membership in the FATF would weaken the financial strength of the Iranian hard-liners, who have always called for a more aggressive foreign policy in the region,” said Iran scholar Meir Javedanfar.

That is what has fueled opposition in Iran to acceptance of FATF’s requirements. Hard-liners have warned that FATF would effectively impair Iran’s ability to pursue a defense strategy focused on fighting the country’s foreign policy and military battles far beyond its borders and would give US sanctions more bite.

“Joining these conventions will lead to interference with Iran's internal affairs, including financial and economic issues,” said Abolfazl Hasanbeygi, a member of the Iranian parliament’s National Security and Foreign Policy Commission.

Hasanbeygi warned that FATF would be the vehicle the country’s detractors would use to gain access to the workings of Iran's banking and economic system and its flows of funds.

As a result, Iran is at a crossroads more because of the application of a rules-based international and multilateral system than the coercion of punitive sanctions imposed by a world power. In reality, Iran is emerging as a litmus test of the effectiveness of varying forms of global governance.

If Iran “does not comply with the FATF regulations, the whole Iranian banking system could become thoroughly isolated from the global financial system.
This means that it would be almost impossible to transfer the country’s oil revenue internationally and even into its national economy,” said political analyst Shahir Shahidsaless.

“And if it does comply, it will face complications such as the creation of an FIU, becoming exposed to sanctions as a result of its chaotic banking system, greater difficulty bypassing US sanctions and, finally, risk getting trapped in allegations of financing terrorism,” he added, referring to FATF’s insistence that members create a financial intelligence unit that monitors and reports on the funding of political violence.

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