

The Logic of Positive Engagement: Dealing with Renegade Regimes

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This article is intended to offset, partially at least, the lopsided stress placed by international relations scholarship on punitive pressures, at the expense of positive inducements, as tools for bringing renegade regimes into compliance with internationally accepted norms of behavior. I discuss the focus on punishment as a tool of foreign policy and the reasons why this bias has provided disappointing results. Using a parallel theoretical framework, I then discuss the forms that inducements can assume and the circumstances encouraging their success. The hypotheses thus derived are applied to a number of specific policy challenges. The bottom line is that inducements can, at times, produce a direct quid pro quo from the target regime and, occasionally, can modify that regime's basic motivations, so that both punishments and rewards become less necessary. In any case, positive engagement is most effective when regime's position is being challenged from within.

This article examines the promise and pitfalls of constructive engagement vis-à-vis regimes that flout core, internationally accepted norms of political conduct. My interest flows from the disappointing record of policies heavily tilted toward threats and sanctions (“sticks”), and from a recognition that serious challenges are being faced from regimes such as these. The relative failure of sticks to modify undesirable political behavior has much to do with the faulty assumptions informing their use; making it advisable to examine the conditions wherein positive inducements (“carrots”) may be more successful at producing the desired change in conduct. I will argue that, under certain circumstances, carrots can elicit a direct quid pro quo from the target regime by adding the promise of rewards to its mix of incentives (“trading carrots”). More ambitiously, they may transform the regime's basic incentives, so that there is less that must be offset either by rewards or punishments (“catalytic carrots”). In any case, inducements are most likely to work when the foundations on which that regime had built its support are weakening, when it experiences a state of unstable equilibrium.

Before proceeding to the argument itself, let us consider the sources of the lopsided preference for punitive measures when dealing with renegade regimes.

The Emphasis on Punishment and the Need for Reconsideration

The treatment of foreign policy tools within international relations scholarship lacks reach and perspective, an obstacle to the relevance of academic work in this area.¹

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¹The issue of relevance in international relations research is discussed in Lepgold and Nincic (2001).

Relative concerns with rewards and punishments are unequally distributed within the social sciences, but the study of world politics is exceptional. While the two receive almost identical attention in sociological theories of social interaction and in psychological theories of behavior modification, international relations scholarship lopsidedly stresses the latter as a tool of foreign policy.² Partly, this is because the discipline, steeped in *realpolitik*, emphasizes dealings between adversaries and competitors rather than friends, while rewards typically are the currency of relations among the latter. Also, academic concerns reflect political practice, whereas there is a pervasive conviction in the U.S. policy community that positive inducements are counterproductive and wrong when dealing with unsavory states, that attempts to reform bad governments via inducements will result in their pocketing those rewards without meaningful behavioral change. There also are worries about the moral hazard of appearing to recompense badness, a concern that evil must not go unpunished, and a discomfort with the historical connotations of appeasement.³ The emphasis on punishments may also have psychological-symbolic roots. David Baldwin (1971:34) points out that, "Negative sanctions have become psychologically linked with such characteristics as courage, honor, and masculinity. Soldiers, not diplomats, symbolize masculine virtues . . . It is 'honorable' to fight but 'dishonorable' to try to buy one's way out of a fight."

Dominant inclinations notwithstanding, an interest in positive inducements has appeared in several interstices of scholarship. As two psychologists observed, "In contrast to rewards, threats and punishments supply less information about what behavior is desired, lead to a narrower range of performance (involving less innovation between the parties), lead often to the appearance of older, earlier learned, more primitive behavior, and lead to more dislike of each party by the other, thus hindering the development of cooperation" (Milburn and Christie 1989:626).

On the theoretical side, there is the realization that, in interactive situations, mutual cooperation can be encouraged via positive reinforcements. At the height of the Cold War, Charles Osgood (1962:chapter 5) argued that such reinforcement should produce de-escalatory Soviet behavior, and he advocated limited unilateral initiatives in this spirit, while Robert Axelrod (1984) has shown that stable cooperation among adversaries linked by a "shadow of the future" is best promoted by a tit-for-tat strategy: noncooperative moves should evoke a response in kind, but so should cooperative moves. In this vein, Alexander George (1993:chapter 4) has advocated a policy combining rewards and punishments as a way of extracting concessions from "outlaw" states.

On the practical side, there is a growing awareness that, at least in the experience of the United States, punitive policies have not been particularly successful. Two major phases of U.S. foreign policy can be distinguished in this regard: that involving the confrontation with the Soviet Union during the Cold War, and that devoted to dealing with regimes, termed rogues, renegade, or outlaws, which, their lack of relative power notwithstanding, challenge core tenets of the international normative order.⁴ No matter how one may explain the course of the Cold War,⁵ the record of coercive and semi-coercive measures directed against renegade regimes has been disappointing (Nincic 2005:chapters 5 and 6). Castro's Cuba has survived four decades of pressures encompassing covert operations, an invasion attempt, and exten-

²Thus, for example, Haass and O'Sullivan (2000:2) lament, "The strategy of engagement, or the use of incentives alongside other foreign policy tools to persuade governments to change one or more aspects of their behavior, has received relatively little scrutiny."

³Reflecting a general inclination within political leadership, one senior U.S. foreign policy official recently declared, "I don't do carrots" (BBC News-Online 2005).

⁴These states and the challenges they pose are extensively dealt with in Litwak (2000) and Nincic (2005).

⁵Despite the widespread conviction that a firm U.S. policy of compellence and deterrence ultimately won the Cold War, not all concur with this assessment. In particular, two prominent political scientists have argued that these policies were more provocative than restraining, and that they actually may have contributed to prolonging the Cold War (Lebow and Stein 1994).

sive economic isolation. North Korea has endured economic sanctions and diplomatic ostracism even longer. Iran remains associated with terrorism and weapons of mass destruction after a quarter century of U.S. economic and other isolation. Despite the pressures directed against Saddam Hussein's regime since 1991, a military invasion ultimately was required to evict him from power. Economic sanctions notwithstanding, Syria is now more of a thorn in the U.S. side than when they first were initiated. Quite aside from theoretical justifications, the doubtful effectiveness of most sticks argues for a closer examination of carrots.

A stark disjuncture exists between policy emphasis and academic concerns, on the one hand, and the lessons of recent history; we must begin by recognizing that punishments often fail to achieve their purpose. I will examine the reasons for the latter's dismal record. This will be followed by a discussion of the promise and limitations of positive engagement.

Why Sticks Often Fail

Expectations regarding the effectiveness of sticks rest on a plausible rationale, consistent with expected-utility assumptions. The thought is that, although the basic incentives behind the objectionable behavior are fixed and cannot easily be changed, they can be offset by counterincentives in the form of externally imposed fears and hardships.⁶ Governments care especially about their domestic position, whereas those who, within the country, most acutely experience the punishment may threaten to withdraw their support of the government or engage in active opposition, leading it, in a spirit of self-preservation, to revise its policies in the desired direction. Although the goal of counteracting fixed incentives informs much of the rationale behind economic sanctions (e.g., Kaempfer and Lowenberg, 1992; Drezner, 1999) and, at times, behind diplomatic ostracism and military threats (Byman and Waxman 2001:chapter 2), their dubious effectiveness undermines their rationale.⁷

In particular, we must ask whether renegades' incentives are, indeed, fixed, in the sense of being exogenous to external pressure, which is assumed to offset but not modify the bad incentives. This may be termed an "exogenous effects" model; its weakness is its failure to appreciate that punitive measures can, not only offset regime incentives to engage in transgressive conduct, but may actually reconfigure the regime's initial motivations, so that there is more or less to offset as a result of the pressures. This invites consideration of an "endogenous effects" model, one that recognizes that threats and punishment may make it less likely that behavior would improve.⁸ The counterproductive outcome could stem from at least three consequences of external punishment, which, because they affect the regime's domestic standing, influence its incentives to misbehave. The first bears on domestic perceptions of the regime and its opponents; the second concerns the economic interests that support the regime; the third involves commitment to the regime's policy agenda.

Perceptions of the Regime and Its Opponents: The exogenous-incentives model implies that negative sanctions should undermine domestic support for the regime, but the opposite can occur if they produce a rally-round-the-flag and if, in a context of foreign besiegement, the regime's domestic opponents can be linked to hostile foreigners. Often, those who have serious reservations about their government will, nevertheless, rally behind it when it appears assaulted from abroad. Social scientists

⁶Sometimes, too, punishments may be meant to deter others from engaging in the undesirable behavior, even if it is not expected that the target itself will alter its conduct.

⁷I leave aside the question of whether punishments can undermine their target's capacity for misbehavior: here, I am only interested in its policy objectives.

⁸For a more extensive discussion of this model, see Nincic (2005), especially chapters 2 and 5.

have long understood that conflict with an “out-group” tends to promote cohesion within an “in-group”;⁹ it is a phenomenon extensively studied by scholars of international relations (e.g., Oneal and Bryan 1995; Edwards and Swenson 1997). By extension of its logic, those who seem linked to hostile foreigners are less likely to enjoy political legitimacy than those who are not, giving the regime opportunities to stigmatize their domestic opposition by associating it, directly or indirectly, with hostile external parties. Foreign pressures that bolster the regime’s position give it little incentive to alter its course.

Domestic Economic Interests: Almost all punitive measures against renegades include economic sanctions, but their effectiveness is widely doubted (Hufbauer and Schott 1983; Nincic and Wallenstein 1983; Lindsay 1986; Drezner 1999). While no regime can neglect the consequences of economic hardship on its domestic position, national economic interests may be pushed in two directions. Some segments of society might withdraw their support from the regime in response to the economic privations, but new clusters of interest, tied to the persistence of renegade behavior, could also emerge, as sanctions open gainful opportunities to those who can profit from attendant shortages and dislocations. Black and gray markets thrive, as powerful players carve out monopoly or near-monopoly positions in the provision of scarce goods, and as smugglers realize large profits on scarce but price-inelastic goods. Even those who engage in legitimate production, but who previously suffered from foreign competition, might find their position enhanced, as long as the domestic market does not wholly collapse (Selden 1999:66). Such activity may be defined as rent-seeking.¹⁰ Rent-seekers need political allies to maintain their profitable situation, encouraging links between newly enriched groups and organs of state power, providing the regime an additional axis of support. To the extent that regime support is bolstered in the process, its stake in renegade behavior may be strengthened, not weakened (Kirshner 1997:42–45). A rather different variant of this, in a tightly state-controlled economy, occurs where, because of external confrontation, the economic sectors privileged by the state are those devoted to military and other security needs, producing a statist military–industrial complex whose corporate interests benefit from the sense of external threat and who have no interest in seeing it decrease.¹¹

Commitment to the Regime’s Agenda: Almost invariably, renegade regimes base their legitimacy on apparently elevated political goals, for example, of an ethno-nationalist kind (as with the Milošević regime), of a religious sort (the Teheran regime, for example), or of an ideological nature (the North Korean regime in its extreme Juche phase). The exogenous-incentives model suggests that this agenda should lose luster for people enduring externally induced privations, encouraging renegades to abandon the policies that brought the sanctions. But the endogenous-incentives model allows that sanctions actually could increase commitment to the regime’s agenda, confirming its commitment to the policies that provoked them. The impact is similar to that of the rally effect, but the emphasis is subtly different: here, it is not the leaders who benefit directly from increased support, but their agenda.

Most people place a higher value on what they stand to lose than on what they may gain, whereas international retaliation would be perceived as threatening the regime’s professed goals and their attainment. Before the sanctions, the values pursued are, as a rule, considered unattained; they are something to be aimed for; once sanctions are applied, whatever regime objectives had been achieved are now

⁹Much subsequent theoretical work is rooted in the insights of Coser (1956) and Simmel (1955). See also Stein (1976).

¹⁰Most generally, rent-seeking activity is “behavior in institutional settings where individual efforts to maximize value generate social waste rather than social surplus” (Buchanan, 1980:4).

¹¹This has been applied, inter alia, to the Soviet Union (Aspaturian 1972:1–28; also Nincic 1982:chapter 4).

threatened from the outside. The implications follow from the assumptions of prospect theory (Kahneman and Tversky 1979, 1984) which challenges basic assumptions of expected utility theory and whose predictions enjoy substantial confirmation. A core tenet is that people are risk-averse where gains are concerned but risk-acceptant for losses, and that the value functions of individuals are considerably steeper with respect to losses than to gains, implying that people also tend to be loss-averse, so that the prospect of a loss of a certain magnitude is not balanced by the prospect of a comparable gain.¹² Thus, where political goals that have at least partially been attained are threatened from outside, they may appear more valuable than when they were merely an unattained objective.

Sticks, therefore, often fail in their objectives; they can even entrench renegade behavior. While this seems counterintuitive if incentives are considered fixed and exogenous to the punishment, comprehension dawns when we recognize that it can further stoke the undesirable incentives, which are endogenous to the punitive measures. To what extent can these problems be resolved or avoided by the use of positive inducements? I will place the issue in a general theoretical context, following which the reasoning will be applied to relations with specific renegade regimes.

The Logic of Positive Inducements

Carrots and sticks can be considered within the terms of parallel frameworks. As with sticks, the effectiveness of carrots can be viewed against an assumption of exogenous or endogenous incentives. If motivations to misbehave were fixed, the purpose of inducements would be to offer counterincentives that tip the regime's decisional calculus in the direction of improved conduct. Here we would simply be expanding the set of incentives by adding inducements to the mix. As the basic incentives are not altered, we are, again, dealing with an exogenous-incentives model, expecting that the rewards would lead to improved conduct. But it also is possible that rewards, by creating a modified political reality, can alter regime motivations, consistent with an assumption of endogenous incentives. Just as sticks can strengthen the regime's domestic incentives to misbehave, carrots can weaken those incentives, by undermining the position of those segments of society that benefit from misbehavior and by increasing the influence of those whose interests and values are better served by integration into the international community and compliance with its norms. In the first case, the best that can be expected is to bribe finite political concessions from a basically bad regime. In the second case, the regime's incentive structure is reconfigured, decreasing the need for bribes.

Where, as in the first case, carrots are no more than bargaining chips, designed to offset baneful incentives, they may be referred to as "trading carrots." Where they actually modify the political reality behind the original incentives, we speak of "catalytic carrots."

The Logic of Trading Carrots

It is in this guise that carrots usually are viewed (e.g., Lebow (1996:chapter 7); the essays in Bernauer and Ruloff (1999), inducements forming the basis of a "linkage strategy"¹³ whose success implies at least two conditions. First, the incentive should be valuable enough to offset the behavioral concession that is demanded. Because

¹²For applications of this theory to the study of international relations and foreign policy, see McDermott (2001), Franham (1994), and Nincic (1997).

¹³In one representative conception, "An incentive is defined as the granting of a political or economic benefit in exchange for a specified policy adjustment by the recipient nation" (Dorussen 2001:256).

the concession exacts a price from the regime, often in terms of foregone policy goals (and, possibly, in terms of its credibility and position with core constituencies) the promised benefits must offset that price, while preferably (from the initiator's viewpoint) not exceeding it. The second condition is that both the party requiring the concession and the one granting it should be capable of delivering on their commitments, such that both feel secure in the quid pro quo.¹⁴

Of the two conditions, the former has received more attention, particularly with regard to economic rewards, whereas benefits to the recipient cannot be viewed merely in terms of their marginal utility, but also of their total utility, including long-term effects (Long 1996: chapters 6 and 7). It also is desirable to discover (by analogy with auction markets) the recipient's "reservation price," that is, the lowest price acceptable in exchange for the behavioral adjustment (Foran and Spector 2000). With respect to specific goods likely to elicit concessions, it is understood that access to technology is particularly attractive to most recipients (Long 2000). There also is evidence that nondurable goods have the highest long-term value as trading carrots, creating a continuous demand which the other side is in a position to satisfy. By the same token, many capital goods, especially those that replicate the sender's industrial capability within the recipient, have the slightest long-term effect (Crumm 1995:320-322).

The Logic of Catalytic Carrots

The underlying assumption, here, is that the regime's underlying motivations can be altered via rewards, but this depends much on its political situation. As its core incentive is to ensure its own position, inducements are most likely to play a catalytic role when the regime experiences: (a) a decreased ability to secure the support of those whose backing supposes hostile relations with the outside world, and, concomitantly, (b) a growing need for the backing of those whose interests require reintegration into the international community.

Positive inducements can decrease that portion of the regime's political support that stems from its externally offensive conduct, since any action by foreign detractors that makes them appear less threatening undermines the regime's ability to mobilize support via rally effects (Long 1996; Dorussen 2001). To the extent that external besiegement may enable the government to stigmatize its opponents, by claiming they serve the purpose of hostile foreigners, this ability declines with a shrinking perception of the latter's malignity. Accordingly, outside offers of, say, political recognition or economic assistance can modify the political-symbolic conditions that helped entrench the regime's undesirable behavior.

Further, as rent-seekers often benefit from economic isolation and thus have no objection to government actions that perpetuate it, policies that decrease that isolation also lessen the regime's ability to mobilize support from such quarters. When external economic concessions benefit those whose interests require the proper operation of market mechanisms and reconnection to the international economy, the regime may find itself relying less on old rent-seeking elites, altering its estimate of the policies most likely to secure domestic support. As one scholar has observed, "Where market forces work against negative sanctions they can reinforce positive ones" (Crumm 1995:326). At the same time, those who have most directly borne the consequences of the external pressure, particularly of economic sanctions, may feel better disposed to the regime when the pressure is relaxed and their own circumstances become less painful.

Inducements can affect the renegade's political resocialization in yet another way. If concessions encourage economic liberalization, nudging the regime to seek sources of support among liberalizing elites, the economic transition also often

¹⁴There is a growing literature in international relations scholarship on the importance of credible commitments in interactive situations; for example, Leeds (1999), Gaubatz (1996), Cowhey (1993).

involves problems and dislocations—a decrease in politically motivated subsidies might sharply increase the cost of living, a rise in unemployment is the frequent consequence of transitions to open markets, and so forth. Economic assistance and additional forms of help could help cushion the hardships, checking political resistance to the regime's new course and making it less likely that it would backslide.

We know that the nature of relations with the outside world can shape domestic political conditions.¹⁵ With close relevance to our concerns, it has been demonstrated that one circumstance discouraging nations from pursuing nuclear weapons is the existence and influence of liberalizing elites who, unlike their “inward-looking, nationalist, and radical confessional counterparts,” are more likely to feel bound to economic and other international processes that serve their own interests (Solingen 1994). But there is a two-way process at work, here, since these interests have little space to develop a moderating impact on policies if the outside world remains closed and hostile. If, despite the goodwill of previously hostile foreigners, the regime fails to accommodate such demands, it may expedite its own collapse, and catalytic carrots ultimately become “poison” carrots.¹⁶

Political Equilibria and the Effectiveness of Inducements

What political circumstances make carrots most effective, in either their trading or catalytic guise? Although this may be governed by the form and value of the inducements, much will depend on conditions specific to the target's political system. There is, at any time, an equilibrium between the various interests, beliefs and norms of which any political system is composed; within the sorts of nations concerning us here, this generally implies that the politically dominant interests are those that benefit from the regime's policies. If the balance shifts decisively away from these interests, the regime's demise becomes probable; but before that point is reached, a shift in the structure of interests may weaken its position, producing an unstable political equilibrium.¹⁷ Powerful challenges have not yet gained full momentum, but cracks are apparent in an edifice that previously seemed unassailable. Now, the equilibrium, while not yet upset, appears shaky, as elites whose support had sufficed to ensure the regime's stability are no longer capable of doing so, while an undercurrent of discontent among previously ignored segments of society must now be addressed and new sources of support courted. The need is to add more legs to an increasingly wobbly political support structure.

Thus, Iran during the rule of Ayatollah Khomeini may have been characterized by a stable political equilibrium, but not the Iran of Presidents Khatami or, even, Ahmadinejad. Qaddafi's Libya may have qualified in the 1970s, but not at the turn of the millennium. The political equilibrium in Syria under Bashir al-Assad is, almost certainly, less stable than under his father, Hafez al-Assad, and so forth. Transitions from stable to unstable equilibrium are rarely marked by a single event or piece of evidence, nor are transitions necessarily permanent (a transition to an unstable equilibrium can be reversed, and vice versa), but, for most of the regimes considered here such transitions have been apparent.

It is with unstable equilibriums that carrots are apt to be most effective. Under conditions of regime stability, many inducements—expanded trading opportunities, access to foreign investment, even minor political-symbolic concessions (major concessions are not conceivable at this stage)—are of limited relevance to supportive elites, and, by extension, to the regime's political calculations. Rent seekers eschew the competition that economic opening implies; true believers in the agenda

¹⁵An early and important statement of the issue is Gourevich (1978).

¹⁶This concept is advanced in Bracken (1993).

¹⁷In physics, the concept of stable equilibrium implies that a body (or structure) subject to minor disruption is likely to return to its initial position, an unstable equilibrium implies that it probably would not.

are unlikely to trust the gestures of established foreign antagonists. Although some favors (e.g., in the form of humanitarian assistance) might neutralize the opposition of those who suffered from responses to the regime's policies, and have some value as trading carrots, their leverage is apt to be modest. In any case, carrots rarely could perform a catalytic function given stable regime equilibrium. If groups that had previously not been courted by the authorities are to begin influencing policies, they must have the political space within which to stir up the political agenda, pressing for policies that mesh with their own preferences. But authorities generally grant that space only when the support of the old elites no longer suffices, that is, under conditions of unstable regime equilibrium. At that point, by contrast, nontrivial external inducements could help demobilize the rally-based support of old elites while making it harder to stigmatize a political opposition that, in any case, the regime is more wary of alienating. A commercial bourgeoisie, desiring an end to artificial scarcities and access to market mechanisms, can carve out an increasingly consequential position within the national economy, improving its political leverage. Liberalizing elites, who benefit from the foreign inducements, become a force shaping the policy agenda of the Powers That Be, creating a political reality that is increasingly conducive to internationally acceptable regime behavior.

In sum, when incentives are endogenous to the external measures, the policy outcome is likely to be desirable in the case of carrots, undesirable in the case of sticks. At the same time, both trading and catalytic carrots are apt to be more effective when the target regime is experiencing unstable equilibrium. Let us examine how this has worked in practice.

Success, Failure, and Domestic Equilibrium

There are very few instances of sustained U.S. engagement efforts vis-à-vis antagonistic regimes, especially in the early phases of hostile relations; U.S. policy toward Saddam Hussein's Iraq in the second half of the 1980s is an exception, and it illustrates the difficulties of using carrots vis-à-vis a regime enjoying stable equilibrium.

Although diplomatic relations were ruptured by Baghdad after the 1987 Six-Day War, at which point Iraq moved closer to Moscow, making Saddam a threat to U.S. geopolitical interests, President Reagan nevertheless sought to engage that regime: in the hope of making it a counterweight to Tehran's influence in the region,¹⁸ to pry it from the Soviet embrace, and to encourage its restraint on weapons of mass destruction. Iraq was removed from the list of terrorist sponsors, diplomatic relations were reestablished, while Washington furnished Baghdad military intelligence on Iran and provided economic assistance in the form of credit guarantees for the purchase of U.S. agricultural products. Despite Iraqi use of chemical weapons against Iran and, in 1988, Kurdish villages in northern Iraq, the president opposed economic sanctions. The Bush administration reaffirmed, in National Security Directive (NDS) 26, a policy of engagement and expanded "political and economic incentives." \$1.1 billion in credit guarantees were furnished during both 1988 and 1989, after which Washington modified its policy (following the Banca Nazionale del Lavoro scandal) to provide credit guarantees in the form of several conditional tranches.

Although there were some instances of moderated Iraqi behavior (diplomatic relations with Egypt were reestablished; a nonaggression pact with Saudi Arabia was signed), the inducements yielded little on the most important issues. Iraqi nuclear and chemical weapons programs continued under full steam;¹⁹ Saddam

¹⁸This phase of U.S.–Iraqi relations is examined Jentleson (1994).

¹⁹Among other things, United States and British services interdicted an Iraqi attempt to acquire capacitors with missile and nuclear application.

threatened to use chemical weapons in the event of a confrontation with Israel (Juster 2000:58), and, in 1990, condemned the U.S. naval presence in the Persian Gulf, calling for its withdrawal. That summer, Iraq launched its invasion of Kuwait. Whatever else might have accounted for Saddam's responses to U.S. inducements, this had little to do with a pressing need to use the credit guarantees or diplomatic recognition to help restore a parlous domestic position. Under the circumstances, whatever benefits these inducements yielded were insufficient to offset the incentives behind the rogue behavior of a securely stable regime.

Saddam assumed full control of his country in 1979. Although a Sunni in a predominantly Shiite nation, and despite separatism in the Kurdish regions, there is little evidence of credible opposition to his rule. Welfare and modernization were financed by oil revenues; programs included free schooling and hospitalization, land distribution to farmers, and mechanization of agriculture. Combining repression and patronage, the Ba'ath Party attracted many politically relevant segments of society to the regime's side, while some mass mobilization was achieved by harping on Iraqi patriotism, on the country's unique position in the history of the Arab world, and on parallels between Saddam and such figures as Nebuchadnezzar and Hammurabi. Direct claims of foreign conspiracies also helped Saddam cement his hold on power. Two weeks after assuming leadership, he announced the discovery of a "plot" to overthrow the regime. Unsurprisingly, the "conspirators" were found to be part of a design led by U.S. imperialism in the interests of Israel (Karsh and Rautsi 1991). The Iraq-Iran war allowed Saddam to strengthen his position even more firmly. The power of the security and domestic-intelligence services, always considerable and in the hands of Saddam's relatives and close associates, was expanded, increasing the regime's repressiveness. When an assassination attempt against him was mounted in the Kurdish town of Dujail, Iraqi security forces executed over 150 of its inhabitants (including several children), arresting over 1,500 townspeople, many of whom claimed to have been tortured: an instance of atrocity matched, in 1988, when chemical weapons were used against the Kurdish town of Halabja.

A structure of rent-seeking interests was another product of the regime's international isolation, especially after the 1991 Gulf War. Favored supporters joined regime insiders to reap the spoils of smuggling and politically sponsored corruption. Saddam's relatives administered an array of sanctions-busting activities, allowing politically consequential groups to receive a share of the spoils. Oil smuggling, principally via Syria and Turkey, guaranteed the regime and chosen supporters significant illicit revenue (U.S. Department of State 1999), and created lines of patronage giving the Sunni elite a stake in maintaining the political order (Economist Intelligence Unit 2000). Illicit gains also surrounded the Oil for Food program. Various Iraqi (and foreign) companies furnishing equipment for oil production under the program were required to provide the Oil Ministry with a 10% kickback. But trading companies allied with Hussein's family and the security agencies were exempted. In addition, food and medicines purchased in this context were resold on the black market by operators closely connected to the regime (*Los Angeles Times* 2002; *San Francisco Chronicle* 2003).

By the 1980s and at least until the Gulf War, the regime enjoyed a stable, if blood-stained, equilibrium. Whatever benefits were to be derived from engagement with the United States, these had no great bearing on the regime's outlook for survival. This situation may be contrasted to that of Libya. A thorn in the side of much of the international community, Libya recently moved into close compliance with international norms of behavior; positive inducements offered under favorable internal political conditions encouraged that transition.

During Qaddafi's first two and-a-half decades, serious carrots were neither solicited nor offered; had they been, they probably would not have produced meaningful concessions. The regime was one of the world's more eccentric and

disturbing, driven by its leader's conviction of being destined, at first, to assume Nasser's pan-Arabic mantle and, subsequently, to be a world-class revolutionary on behalf of the world's dispossessed (St John 1997). In the process, and while supporting terrorism and pursuing nuclear and chemical weapons,²⁰ Qaddafi engineered his country's political reconstitution, shunning a traditional model of authoritarian rule, based on the cooptation of tribal and clerical rulers into a centralized political structure, while rejecting any semblance of liberal democracy. His rule was highly personal, based on his belief in an organic link between himself and his people, mediated by "popular congresses" (First 1974; Blundy and Lycet 1987). Economic reforms included the near-total dismantling of the private sector: retail trade was largely abolished, business and technocratic elites purged, wages and rents eliminated. Despite a myth of workers' self-management, the economy was state-run, with an emphasis on capital-intensive projects in steel and petrochemicals that, due to extensive mismanagement, operated far under capacity. The philosophical rationale for the new system, grandly titled the Third Universal Theory, was developed in Qaddafi's *Green Book* (1976).

The regime's domestic position encountered no significant challenge until the late 1980s. Oil revenues allowed Qaddafi (like Saddam Hussein, on a smaller scale) to conciliate his public with petrodollar-financed programs aimed at poverty-reduction and including free education and medical care. This ability to purchase the goodwill of many Libyans, coupled with control of an extensive and intrusive security apparatus, cemented Qaddafi's grip on power.²¹ It is also likely that his domestic image benefited from a readiness to take on the major powers, especially the United States, making Qaddafi appear an Islamic David confronting the American Goliath, while generating a natural rally effect through the sense of external besiegement that external hostility implied.

Under the circumstances, it is unlikely that positive inducements could have steered the regime onto a very different course. The allure to Qaddafi of his political vision and the political benefits from external confrontation much reduced the outlook for trading carrots. The scope for catalytic carrots was slimmer still. Given the monolithic nature of the political system and the near-elimination of a private economy, there were virtually no politically effective segments of society (a) with interests linked to reintegration into the international system and (b) capable of affecting Qaddafi's domestic position. Fissures in the edifice through which the rewards could seep, ultimately to undermine its foundations, were not there. Even had they been politically palatable to the United States, the outlook for catalytic carrots would have been bleak.

By the late 1980s, the situation began to change. Repeated foreign policy failures caused a loss of revolutionary steam, while a deteriorating economy—a product of economic isolation, a collapsing petroleum market, and massive mismanagement—made it more difficult to purchase support via domestic spending. The absence of alternative sectors of economic activity made things that much harder. Tentative stabs at economic reform in the 1980s did not go nearly far enough, whereas 30% unemployment rates were outside the regime's political comfort zone. New sources of potential opposition were emerging, including the impoverished and disenfranchised middle class, youth with a bleak future, resentful Islamists and, by some reports, members of the military establishment. At the same time, the absence of a vigorous private sector and the regime's intolerance of large-scale corruption meant that rent-seeking elites committed to propping up the regime

²⁰Libya was considered a pillar of international terrorism in the 1970s and 1980s. It is reputed to have had an arsenal of mustard gas. Although there is evidence that it had explored the possibility of acquiring nuclear weapons, the consensus is that its efforts did not bear fruit.

²¹Although the clerical establishment was not fully co-opted, it was not allowed to develop an independent power base.

had not, by contrast with other economically sanctioned countries, taken root. As the regime faced an unstable equilibrium, reintegration into the international community became more appealing, particularly if new sources of support for the regime could be mobilized in the process. Prospects for positive inducements improved.

In the late 1990s, in secret negotiations with Great Britain and the Clinton administration, Libya conveyed a desire for improved relations (Everett 2004). The response was that any thaw would require reformed Libyan behavior, beginning with a recognition of culpability with regard to the downing of the Pan Am Flight 103, in 1988. Libya did hand over, for trial in the Netherlands, two agents implicated in the incident, and UN sanctions, imposed in 1992, were suspended, although unilateral U.S. sanctions (notably the 1996 Iran–Libya Sanctions Act) were not. In the spring of 2001, the Bush administration pressed the Libyans to accept full responsibility for the airline bombing and to compensate the victims' families. In exchange, the United States undertook to allow the UN sanctions to be definitively lifted, which, in response to Libyan compliance, occurred in 2003.

While the quid pro quo highlighted the effectiveness of trading carrots in the new context, prospects for their catalytic use also improved with the regime's evolution around this time, illustrating a dynamic interplay of positive inducements, domestic transformation, and external behavior. By 2003, the regime had not only repudiated terrorism but also had exhibited a wholesale revision of its political priorities, most notably in a renunciation of its nuclear and chemical weapons programs (confirmed by international inspections) and in its determination to usher in an increasingly market-oriented economy and adhere to international standards of human rights. In a 2003 speech, Qaddafi proclaimed that, "Now is the era of economy, consumption, markets, and investments. This is what unites people irrespective of language, religion, and national identities" (*Washington Post* 2003). Explanations for this turn of events sometimes invoked the U.S. invasion of Iraq in 2003, and Qaddafi's fear that he might be the next victim of forcible regime change (Safire 2003), but this is unconvincing (Vandewalle 2004; Jentleson and Whytock 2005/2006). The negotiations that led to the political transformation predated the invasion by several years, and the domestic circumstances that fueled the new sentiments had nothing to do with that military operation.

By 2000, reports appeared of frequent clashes between Islamists and regime security forces, especially in central and eastern Libya (Takeyh 2000). Signs of student unrest were rampant (*New York Times* 2004). There were rumors of attempted military coups. The link between growing political malaise and reforms has been powerfully apparent, as the regime, intent on ensuring its own long-term survival, sought the most effective remedies to the country's increasingly threatening problems. A western educated economist, Shokri Ghanem, was appointed prime minister in 2002, with an explicit reform mandate. Major economic reforms, announced in January 2005, include government streamlining, accelerated privatization, programs to attract foreign investment, and a liberalized media (Crampton 2005). The legal system also is being revamped to eliminate arbitrary arrests and ensure rights of appeal for those convicted (BBC News-Online 2004).

The success of the reforms required international economic partnerships, which, in turn, benefited from improved political relations. Thus, reestablishment of diplomatic ties with London led to renewed engagement by British business interests (BBC News-Online 2003), and, when French President Jacques Chirac visited Libya in 2004 (the first French leader to do so since 1951), he was accompanied by a large delegation of business leaders seeking Libyan contracts. The immediate beneficiaries of these ties, apart from the country as a whole, are those within the liberalizing economy who, by dint of their interests, are most likely to press for continued compliance with internationally desired behavior.

Positive interaction of inducements, interests, and political change describes a transformative process, within which catalytic carrots can play a driving role. To ensure against pressures to backslide, from disaffected Islamists and those who endure the dislocations associated with reforms, external inducements could sustain their purpose by helping mitigate some of these difficulties. Soaring inflation and the elimination of many state subsidies (at a time when unemployment stands at about 25%) have produced outcries against the reformist agenda (Wahby 2005:6, 7). External assistance easing the burdens of economic transformation is, then, another form that catalytic carrots could assume.

This brief comparison of the differential impact of positive inducement in the Iraqi and Libyan cases illustrates that trading carrots are more potent when the regime doubts its ability to retain power than when it is firmly in control, and that it is only in such circumstances that catalytic carrots can be effective.

At this juncture, it is useful to move from retrospective evaluations to a consideration of what carrots could achieve with regard to regimes that continue to threaten the United States and the international community. What might be the outlook for positive inducements in the case of the remaining two members of President Bush's Axis of Evil? Iran and North Korea present very different cases, one, relatively open and with evidence of ideational pluralism, the other one of the most closed regimes the era has known.

Iran and the Promise of Positive Inducements

Just as there is reason to believe that President Ahmadinejad has been seeking confrontation with the United States and Israel in order to buttress his domestic position (Tisdal 2006), external confrontation also has benefited the Islamist regime in the past. The consolidation of clerical rule under Ayatollah Khomeini profited from the insistence, by religious hardliners, that the initial head of government, Mahdi Bazargan—who urged moderation on matters of revolutionary justice and U.S. hostages—had sinister links to Zbigniew Brzezinski, President Carter's National Security Adviser. Bazargan was forced to resign. His successor, Abol Hassan Bani-Sadr, who emerged as a symbol of liberal Islam, was accused by Khomeini stalwarts of being in cahoots with the CIA and also was ousted.²² In any case, the vision of a valiantly pious Iran standing up to a U.S.-dominated international establishment did much to stoke revolutionary fervor and to cement the regime's hold on power. In addition to fueling a rally effect and allowing the clerics to stigmatize potential opponents as tools of U.S. and Zionist conspiracies, the confrontation with the outside world, and the economic closure the country encountered, had predictable economic consequences.

The Islamic constitution created a three-sector economy: the state sector (encompassing major industries and services, as well as foreign trade), the cooperative sector (concerned with production and distribution according to "Islamic criteria"), and a private sector, limited to small-scale agricultural and manufacturing activities. The state sector dominated, its monopolies covering basic industries and services that were insulated from foreign competition.²³ At the same time, a flourishing underground economy benefited from attendant shortages, eventually accounting for between 25% and 40% of all economic activity. Wedded to the Islamic state, it came to be referred to as the Trade Mafia; its position was strengthened by U.S. trade sanctions (see, for example, Youssefi 2001).

By the mid-1990s, however, there were indications of spent revolutionary fervor and signs of unrest from an increasingly youthful population bridling under clerical strictures and facing crushing unemployment in a mismanaged and stagnant econ-

²²For this period in Iran's political history, see Hiro (1983) and Zabih (1982).

²³A discussion of the economic assumptions of the Iranian regime can be found in Amuzegar (1993).

omy (International Crisis Group 2002). As the regime was moving toward unstable equilibrium, positive inducements, if seriously attempted, could have played a catalytic role by strengthening the hand of Iran's reformist elements. In 1995, then-President Akbar Hashemi Rafsanjani, generally considered a pragmatist (though not a firm reformer), brokered a multibillion dollar deal with oil giant Conoco to develop Iran's offshore oil fields. This could have bolstered the position of those to whom economics mattered more than Messianic pretensions, but President Clinton, pressed by a Republican-led Congress, blocked the deal (Horvitz 1995). The 1997 elections that brought Mohammad Khatami—an outright reformer—to the presidency sharpened tensions with religious hardliners, especially Supreme Leader, Ayatollah Ali Khamenei. One of Khatami's early acts was to call for a "dialogue of civilizations" with the United States.²⁴ Fearing that this might be interpreted as appeasement, Washington demurred, spurring Khatami to reject further accommodation, to the benefit of Khamenei's intransigent position. By 1999, massive student demonstration produced clashes with clerical hardliners and police. The following year, reformists took firm control of parliament, and, in 2001, Khatami was reelected president. While ultimate decisions rested with Khamenei and the cleric-dominated Guardian Council, these developments mattered for the political dynamics they portended in a country where most people were under 30 years of age, where religious fervor had waned, and where massive unemployment and moribund economy were dooming hopes for a better life and where, consequently, reformers stood a good chance of wresting control in pursuit of stability and prosperity.

The Bush administration adopted a particularly uncompromising stance on Iran, including it in its Axis of Evil, trumpeting the virtues of preemptive military intervention, and inviting domestic opposition to the regime. The apparent impact was to devastate Iran's moderates. Having established itself as an implacable foe, the United States undermined its ability, not only to hurt the hardliners with its pressure but also to help reformists with its support, forcing the latter to close the distance between themselves and conservative forces. When President Bush appealed to Iranians to support reform, Khatami, fearing the taint of association with America, urged his supporters to abandon their quest for improved relations. As a leading Iranian journalist lamented, "Unfortunately, the government of the United States usually chooses action that benefits the conservatives" (*Washington Post* 2002).

Recent political developments have given Iranian reformists little encouragement. The recapture of parliament by hardliners (most reformers being disqualified from running) and the victory, in the 2005 presidential election, of fundamentalist Mahmoud Ahmadinejad, reconsolidated power in conservative hands. This was a bitter blow to those who had expected that, while authentic reformists, discredited by Khatami's failure to improve the circumstances of most Iranians, probably would lose at the polls, nevertheless hoped that "pragmatic conservatives," like former-president Rafsanjani, might come to power (International Crisis Group 2005). Still, Ahmadinejad's victory was no endorsement of hardline values or confrontational foreign policies. Instead, it was based on his identification with the nation's dispossessed and his promise to end corruption and mitigate vast social inequalities, while his modest lifestyle and personal honesty contrasted favorably with Rafsanjani's flamboyance and dubiously amassed personal fortune (Economist.com 2005).

Less scope exists for trading carrots now than before the 2005 election. A government divided between Khatami's reformers and Khamenei's fundamentalists enjoyed less stability than one in which conservative clerics control most levers of power. On the issue that matters most to the United States—Iran's nuclear program—the outlook for concessions deteriorated with the new political reality. There is considerable pride among Iranians about the nuclear program, while

²⁴The text of Khatami's address can be found at www.unesco.org/dialogue2001

United States pressure has rallied many Iranians behind it. As *Times* magazine observed, “Millions of Iranians are avidly following the showdown, and the ruling clerics have earned more popularity than they have had in years” (*Times* 2004:46). The director of an Iranian research institute explained, “Iranians are united not because of activities by the Iranian regime, but because of the United States position . . . now all Iranians believe we must promote our activities as a sign of independence” (*Washington Post* 2004).

Nuclear weapons initially were intended to deter threats from Iraq, whose surprise offensive in September 1980 continues to fester: at least 100,000 Iranians died in the 8-year war that included Baghdad’s resort to chemical weapons. But Saddam Hussein’s ouster has pretty much erased the Iraqi threat; today, fear of the United States (possibly acting in league with Israel) looms largest in Iranian eyes. Rhetoric extolling regime change and preemptive war, and the sense of encirclement created by U.S. armed presence on both its western and eastern flank, in Iraq and Afghanistan, fuel the country’s anxieties and bolster regime support, while a nuclear weapons capacity appears as needed insurance against a U.S. military move.

In February 2005, President Bush was urged by Europeans to drop his opposition to talks on Iranian membership in the World Trade Organization. Using the lure of WTO membership and of further economic concessions, the European Union had hoped for a permanent suspension of uranium enrichment activities. But weighed against the symbolic and security value of a successful nuclear program, the carrot must have seemed trivial. Also, the multiple centers of power within Iran would have made it uncertain that concessions could be delivered. Whatever progress has since been made has rested almost entirely on a European-led program of positive inducements.

Having Iran abandon its nuclear programs, while the most desirable goal, is not the only aim worth pursuing; others include convincing Tehran not to weaponize its nuclear fuel, and, should it nevertheless do so, making it as responsible a member of the nuclear club as possible. By controlling rhetoric and calibrating inducements, it may be possible to effectuate, even with the current regime, a tit-for-tat, whereby graduated U.S. rewards are coupled with useful evidence of Iranian self-control—especially if this undermined the rally effects which foreign threats produce. Inducements might include releasing a portion of Iranian assets in the United States frozen at the time of the hostage crisis. This could extend to relaxed restrictions on U.S. investment in the oil and natural gas sectors, possibly encompassing work on a natural gas pipeline to Pakistan and India (something both of those countries want).

Still, major changes in Iran’s external policies probably require the regime’s transformation, whereas reformists are in postelectoral disarray. Their failure at the polls was due (in addition to various electoral irregularities) to their emphasis on political reform and democracy rather than the plight of the economically dispossessed. And, the Khatami administration’s failure to improve the circumstances of most Iranians made it difficult to generate much enthusiasm over the economic promises of reformists. Having contributed to the failure of one reformist president, the United States gave Iranians little reason to elect another.

Iran does give the world much to worry about, and the goal of any policy should not only be to work for the most desirable outcome but also to mitigate the consequences of those which are least desirable. The current administration hopes that the regime will collapse under the weight of its own failures; it wants to do nothing to help it succeed.²⁵ Although eventual collapse is more probable than survival through Libyan-style internal reforms, regimes rarely implode in a political void: a viable alternative is needed, as are domestic forces capable of channeling societal energies toward that alternative. Under the circumstances, and although it will take

²⁵Recent U.S. policy toward Teheran is discussed in Polack and Takeyh (2005).

some time for the reformist movement to regain momentum, it is well to help it extend its base from the educated middle class, where it now resides (Molavi 2005), to the marginalized sectors of society whose concerns are predominantly economic.²⁶ This means facilitating the access of these elites to levers of economic activity, so that they can offer the promise of material improvement, especially increased employment, to a youthful and frustrated population. This cannot be easy, given Iran's current political realities, but possibilities may open almost inadvertently. Serious regime attempts, as promised by Ahmadinejad, to reduce corruption could reopen some economic sectors to normal market forces; "pragmatic conservatives" might support movement in that direction. Authentic reformists could step into such breaches, with the entrepreneurial and technological skills that the clerics and their allies lack. Established as the crucial foundation of economic improvement, the educated middle class could become the desirable alternative to the religious establishment, one also capable of addressing societal needs that the clerics ignore, and representing socio-political values more closely compatible with the twenty-first century. A condition is that access to external sources of investment, technology, and markets not stand in their way, and that an unnecessarily threatening environment should not validate the xenophobic pugnacity of regime stalwarts and encourage undesirable rally effects.

Having examined what, in terms of our framework, might be termed a rather suitable prospect for positive inducements (given Iran's relatively open nature), we now turn to a much more difficult case.

North Korea and the Limits of Positive Inducements

The outlook for extracting meaningful concessions by the usual kind of inducement is murkiest in the case of North Korea. The possibilities for inducing political transformation are even more uncertain: the level of the regime's repressiveness and indoctrination, its eccentric Juche-based ideology (Park 1983), its seemingly paranoid and erratic external policies, and the horrible hardships it has imposed on its people (up to one million died during the famines of the 1990s) make it appear a more natural candidate for total collapse than survival through flexible reforms. If a "Kim-lite" solution seems improbable, it remains that North Korea's quest for ways out of its debilitating difficulties may yet provide opportunities for foreign leverage.

There is little doubt that the regime's position once benefited from its confrontations with the outside world. For example, Kim Il-Sung's purges of the late 1950s required that his opponents be branded foreign stooges, and he rammed the notion of foreign threats deeply into the nation's political psyche.²⁷ Economic isolation also produced vested economic interests of a sort, though different from those found in countries without hypermilitarized economies and total state control of the economic life. The national security establishment, the armed forces in particular, enjoys a special position within the national economy, as military spending traditionally accounts for more than one-fourth of the country's budget—a spectacular figure for a country not at war—and the armed forces enjoy preferential access to the country's scientific and technical talent. The military also maintains a self-contained parallel economy, including a system of mines, farms, and factories to produce its equipment, 95% of which is manufactured domestically (Hodges 2003). The corporate interests of the national security establishment have, during much of the country's existence, gained from the sense of threat hovering over the country.

²⁶Economic concerns have mainly driven electoral choice in Iran even before the 2005 election. For example, in the 1997 elections that brought Khatami to the presidency Khatami's voters were principally guided by their economic concerns (Fairbanks 1998:18).

²⁷An examination of North Korea's early political development is provided in Buzo (1999).

Most worrying, during the past 15 years or so, has been the prospect of a nuclear-armed North Korea, one also possessing the missile capability to deliver these weapons over great distances,²⁸ and to the extent that inducements have sought to prevent this, they have done so in a strict quid-pro-quo spirit. But in the Agreed Framework signed between the United States and North Korea on October 21, 1994,²⁹ the major instance in which this was attempted, it never was evident that the value of the inducements matched the costs to Pyongyang of its expected concession, or that either side could make commitments deemed really credible by other. Both problems surfaced with the revelation, in 2001, of North Korea's secret uranium enrichment program, and in the regime's complaint that the United States had failed to lift economic sanctions and provide it with promised light-water reactors.

Ultimately, the problem is that few plausible inducements stand to offset the value placed by the regime on nuclear weapons, a value grounded in a historical experience filtered through paranoid perceptions. Recollection that atomic arms were threatened during the Korean War, the presence until 1991 of U.S. tactical nuclear weapons in South Korea, and, again, shrill talk of preemptive war and regime change must rattle a regime naturally inclined to assume the worst of others. Although it now appears that the secret uranium enrichment program may have been designed to produce low-enriched uranium, suitable for power reactors (Harrison 2005), rather than the highly enriched fissile material needed for bombs, the North Korean threat must be taken seriously. Developments in the six-nation talks, despite the appearance of a breakthrough in September 2005, remain, at the time of writing, disappointing.

Beyond specific quid pro quos, it is worth asking whether inducements can have politically transformative effects on North Korea, making it a less threatening member of the international community? If a requirement for effective catalytic carrots to work is that the regime be in a state of unstable equilibrium, it is hard to conclude that Pyongyang qualifies, at least in the sense that the Libyan and Iranian regimes did. On the one hand, it recognizes that it is in trouble, that powerful remedies are needed to put it back on its feet, and many of the measures taken in recent years can be interpreted as a quest to ward off an erosion of domestic legitimacy in the wake of the regime's abominable performance. On the other hand, our definition of unstable equilibrium assumes the ascent to political relevance of groups not sharing the regime's traditional agenda and whom it now courts, to shore up its deteriorating position and to support reforms for which the old guard shows little enthusiasm. There is little evidence that such groups play any significant role in the regime's political calculus, meaning that the socio-political vehicles through which external leverage could be channeled into political transformation are absent.

Nevertheless, some North Koreans acknowledge the need to emerge from pariah status and accept changes that might ensure the regime's survival. A joint venture law was passed in the mid-1980s, to entice foreign investment, and, in 1986, foreign companies were allowed to retain between 20% and 50% of any earnings beyond their required contribution to the Korean government (Harrison 2002:31). In 1991, a special free-trade and investment zone was established in the Rajin-Song-bong area. As fear of the country's nuclear program seemed to be a major imped-

²⁸In addition to some 100 short-range (up to 1,300 km) No-Dong missile, Pyongyang has tested the Taepo Dong missile which has a 1,500–2,200 km range, and has under development the Taepo Dong 2, which could have a 6,000 km range. In early July, 2006, North Korea tested seven of its ballistic missiles, to great international concern.

²⁹According to the agreement, North Korea would freeze its nuclear programs and allow monitoring by the IAEA. The United States would replace North Korea's graphite-moderator reactors with light water reactor plants, with a 2003 target date. They would be financed and supplied by an international consortium, identified as the Korean Peninsula Development Organization (KEDO). Until the first such reactor was built, the United States would provide North Korea with 500,000 tons annually of heavy fuel.

iment to foreign participation, reformers forced a successful showdown within the Workers' Party Central Committee, securing approval, despite hardliner opposition, to International Atomic Energy Agency (IAEA) inspections (Harrison 2002:33). The decision to sign the 1994 Agree Framework seems to have involved a clash with regime conservatives (Harrison 2003:chapter 28).

The 1990s portended a more moderate North Korea. Its missile program, intended to yield a rocket with intercontinental capabilities (The Taepodong 2), was frozen. Pyongyang signed the UN Convention for the Suppression of the Financing of Terrorism and reiterated its opposition to terrorism. Following South Korean president Kim Dae Jung's initiative, a tentative rapprochement between the Koreas gained traction: including some family reunions, an agreement to establish rail and road links between the two countries and a joint industrial park in Kaeson, just north of the border. Further economic changes included a curtailment of rationing and a reformed system of prices and wages (workers being paid according to their output), as well as increased latitude for private farming (*Economist* 2004).

Nevertheless, domestic reforms have not been particularly successful, and, in any event, the Bush administration abandoned its predecessor's policy of progressive engagement, including North Korea in the Axis of Evil speech. Partly in response, the regime removed IAEA monitoring seals and cameras from its nuclear facilities and expelled the agency's inspectors, reactivating its Yongbyon reactor. Abandoning its moratorium on missile testing, it fired a short-range missile that landed in the Sea of Japan. This followed a speech in which President Bush referred to Kim Jong Il as a "tyrant," to which the latter responded by calling Bush a "hooligan" and ordering the missile test. The policy of increased confrontation, while gratifying to many, failed to produce any result that could be deemed positive, and it is widely suspected that North Korea has managed to put together a modest arsenal of nuclear bombs. (See, for example, Ang 2005).

Even under present conditions, there are some opportunities for the effective use of carrots. The country's economic predicament is desperate.³⁰ Its meager industrial base lies devastated by years of inadequate maintenance and a lack of spare parts; energy generating capacity has declined steadily; the nation is enduring its eleventh year of food shortages; its population suffers chronic malnutrition and the prospect of starvation. Drip-fed by a trickle of food aid from China and South Korea, sustained by modest Chinese fuel assistance, pinning its hopes on the economic zones that have, as yet, yielded little, the economy could hardly be in worse shape. Against this economic backdrop, it is significant that, in addition to security assurances, nuclear weapons may have a straightforward economic purpose for Pyongyang, allowing a significant reduction in the country's conventional forces, especially its million-man army, thus removing a substantial obstacle to investment in economically productive activities (Noland 2003).

Under the circumstances, there is some scope for trading carrots, especially if the regime's paranoia is not further stoked. Combined with whatever leverage they may provide with regard to quid pro quos, trading carrots (e.g., providing North Korea with the agricultural fertilizer it badly needs) might also help improve the positions of those within the establishment who seek to sustain it via domestic adjustments and a reformed external posture. The value of concessions is especially apparent in the face of the dislocations reforms seem to be creating (Fifield 2005) and the regime's determination to further tighten its grip on power in the face of reform-induced uncertainties (Agence France Press 2005). Anything that the leadership feels might help its purpose has some concession-extracting potential.

But it is not apparent, even at this stage, that positive inducements could play an effective catalytic role, as they did, say, in Qaddafi's Libya or in the movement from

³⁰Possibly as a reflection of its performance, North Korea has not published comprehensive economic statistics since the mid-1960s. For some current information, see U.S. Department of State (2005).

Maoist to contemporary China. It seems unrealistic to suppose that an economic bourgeoisie and educated and democratically inclined middle class would emerge if only an externally oriented commercial sector could be encouraged, since the process would have to rest on a minimally facilitative foundation. The complete lack of a tradition in retail trade, commercial banking, and civilian technocracy, the absence of a meaningful civil society, and an educational system completely irrelevant to contemporary needs are among the reasons such transformation is unlikely, at least within the scope of the present generation. But a delegitimation of the current system, fueled by a growing awareness of the regime's grotesque failures may, nevertheless, deprive the regime, even in its own eyes, of a reasonable rationale for continued existence, especially in the absence of plausible external security threats. This awareness would certainly be encouraged by that country's exposure to the relative prosperity of most of its neighbors and by the invidious comparisons that would naturally be drawn; steps that increase this exposure are hard to imagine without a policy of positive engagement. In many countries, of course, the lack of plausible domestic alternatives would doom the outlook for catalytic carrots, but the North Korean situation is different in that the alternative need not be found at home but in the other portion of the divided peninsula. Measured absorption into South Korea, with costs partly underwritten by the international community, could be the likely outcome of an externally assisted sapping of regime legitimacy. A policy based primarily on threats and punishments will advance that prospect.

Conclusion

This paper is offered as a partial offset to international relations scholarship's lopsided focus on threats and punishments at the expense of positive inducements. It outlines a theoretical framework through which to consider the effectiveness of positive inducements, centering on the argument that both punishments and rewards do more than offset incentives to bad behavior (in the first case, by increasing the cost of acting on those incentives, in the second case, by increasing the benefits of not doing so). Instead, both responses actually modify the original incentives, meaning that there is either more or less that needs to be offset. For this reason, sticks often are counterproductive, as the renegade regime's authorities, seeking above all to secure their domestic position, find that it may be bolstered by external confrontations. By a symmetrical logic, carrots, viewed through the lenses of incentives that are endogenous to the positive inducements, can modify the regime's motivations in a process of political transformation, producing an effect opposite to that of threats and punishments and increasing the likelihood of improved behavior. Whether operating as trading carrots or catalytic carrots, positive inducements are most likely to be effective when the regime is experiencing unstable equilibrium, as comparison of Saddam Hussein's Iraq with Muammar Qaddafi's Libya indicates. The situation with regard to Iran and North Korea is somewhat more complex. Iran represents a sore legacy of missed opportunities, especially for catalytic carrots, but the future offers possibilities both for *quid pro quos* and to encourage political transformation. Even if it should prove too late to prevent Teheran's acquisition of nuclear fuel, a wise use of carrots could make it less likely that it would be put to threatening use. In North Korea's case, there is again significant scope for bargains via security concessions and economic inducements, whereas, even in the absence of a foundation for authentic political transformation via domestic reforms, positive connections to the outside world could precipitate the regime's delegitimation and reunification with South Korea on the latter's terms.

In any case, international relations scholarship would benefit from further work on positive inducements as tools of foreign policy, remedying an analytical bias

toward coercive instruments. And if opposition to the use of carrots stems from a principled conviction that bad behavior should be punished as a matter of just deserts, then practical and ethical desiderata appear to collide, and we must ask whether the ethical issue is correctly specified: whether a world without renegade regimes and nuclear proliferation is a greater moral imperative than punishment itself.

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