



**Parahyangan Catholic University
Faculty of Social and Political Science
Department of International Relations**

'A' Accredited

SK BAN -PT NO: 451/SK/BAN-PT/Akred/S/XI/2014



**Joint Comprehensive Plan of Actions 2015 –
Achievement of Iran's Economic Condition**

Thesis

By

Jeanne Sanjaya Awaluddin

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Bandung

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2017

Fakultas Ilmu Sosial dan Ilmu Politik
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Hereby assert that this thesis, which is titled "*Joint Comprehension Plan of Actions 2015 – Achievement of Iran's Economic Condition*" is the product of my own work, and it has not been previously proposed by any other party in order to attain an academic degree. Any idea and information gained from other parties are officially cited in accordance to the valid scientific writing method.

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Bandung, 18th July 2017



Jeanne Sanjaya Awaluddin



ABSTRACT

Name : Jeanne Sanjaya Awaluddin
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Title : Joint Comprehensive Plan of Actions 2015 – Achievement of Iran's Economic Condition

This research seeks to understand Iran's economic achievement after the signing of Joint Comprehensive Plan of Actions (JCPOA) 2015. As the current president of the United States indicates the possibility of JCPOA nullification, it is imperative to comprehend the economic improvements which Iran has achieved post JCPOA. Hence, this research will focus on Iran's economic condition between 15th July 2015, when the JCPOA was signed, and 19th January 2017, the end of Obama Administration. This research will seek to answer the question of '*What are Iran's economic achievements after the signing of Joint Comprehensive Plan of Actions?*'

Referring to Constructive theory explicated by Alexander Wendt, the research analyzes the change of Iran's identity and interest regarding nuclear proliferation, change of social structure between Iran and the West from Lockean to Kantian, and its implication to Iran's economic condition. Constructivist believe that state behaves differently to friends and enemy, thus we should be able to see a different economic condition within the two structures. The shift of the structure is marked by the JCPOA. The research will juxtapose Iran's economic condition in reference to Gregory Mankiw through three elements, the Gross Domestic Product (GDP), Inflation Rate, and Unemployment rate before and after the signing of JCPOA 2015. The analysis implements qualitative method through holistic understanding of data obtained through literature, reports, official documents, and digital sources.

This research shows that there are changes of Iran's identity from revolutionary values to moderate, and interest from nuclear ambition to economic improvement. The change of interest and identity then led to a change of social structure from Lockean to Kantian through the signing of Joint Plan of Actions (JPOA). Further reconstruction occurs with the signing of JCPOA, however it has not been completed as there are signs of distrust between Iran and the West. After the signing of JCPOA, Iran's GDP increases from minus six percent in 2013 to 7.4 percent in 2017, inflation rate reduces from 40 percent in 2013 to nine percent in 2017. Meanwhile its unemployment rate remains a structural problem. Lastly, the research finds uncomplete reconstruction of Kantian culture hampers Iran's maximum economic achievement.

Keywords: Iran, JCPOA, Nuclear, GDP, Inflation Rate, Unemployment Rate



ABSTRAK

Nama : Jeanne Sanjaya Awaluddin
NPM : 2013330142
Judul : *Joint Comprehensive Plan of Actions 2015 – Achievement of Iran's Economic Condition*

Riset ini menjelaskan pencapaian ekonomi Iran setelah penandatanganan Joint Comprehensive Plan of Actions (JCPOA) 2015. Setelah Presiden Amerika Serikat menyatakan adanya kemungkinan pembatalan JCPOA, sangatlah penting untuk memahami pencapaian ekonomi Iran pasca JCPOA. Oleh karena itu riset ini akan fokus pada kondisi ekonomi Iran pada 15 Juli 2015, saat JCPOA ditandatangani, dan 19 Januari 2017, saat berakhirnya kepresidenan Barak Obama. Riset ini akan menjawab pertanyaan “Apakah pencapaian ekonomi Iran setelah penandatanganan Joint Comprehensive Plan of Actions?”

Berdasarkan teori Konstruktivisme yang dijelaskan oleh Alexander Wendt, riset ini menganalisa perubahan identitas dan kepentingan Iran terkait pengembangan nuklir, perubahan struktur sosial antara Iran dan negara Barat dari Lokeanisme ke Kantianisme, dan dampaknya pada kondisi ekonomi Iran. Konstruktivis percaya bahwa negara berperilaku berbeda terhadap kawan dan lawan. Oleh karena itu, kita dapat melihat perbedaan kondisi ekonomi antara dua struktur tersebut. Perubahan struktur ditandai oleh JCPOA. Riset ini akan membandingkan kondisi ekonomi Iran yang didasarkan pada Gregory Mankiw melalui tiga elemen: Pendapatan Domestik Bruto (PDB), tingkat inflasi, dan tingkat pengangguran sebelum dan setelah penandatanganan JCPOA 2015. Analisis akan menggunakan metode kualitatif melalui pemahaman menyeluruh terkait data yang didapatkan melalui literatur, laporan resmi, dokumen resmi, dan sumber digital.

Riset ini menemukan adanya perubahan identitas Iran dari pemegang nilai revolusioner menjadi nilai moderat, dan kepentingan dari ambisi nuklir menjadi peningkatan ekonomi. Perubahan tersebut kemudian berujung pada perubahan struktur sosial dari Lokeanisme menjadi Kantianisme melalui penandatanganan Joint Plan of Actions (JPOA). Rekonstruksi sosial terjadi dengan penandatanganan JCPOA, namun belum sepenuhnya selesai dikarenakan adanya ketidakpercayaan utuh antara Iran dan negara Barat. Setelah penandatanganan JCPOA, PDB Iran meningkat dari minus enam persen pada 2013 menjadi 7.4 persen pada 2017, tingkat inflasi berkurang dari 40 persen di 2013 menjadi sembilan persen di 2017. Sementara pengangguran tetap menjadi masalah struktural Iran. Terakhir, riset ini juga menemukan bahwa ketidaklengkapan rekonstruksi Kantianisme menghambat pencapaian ekonomi yang maksimum.

Kata Kunci: Iran, JCPOA, Nuklir, PDB, Tingkat Inflasi, Tingkat Pengangguran



PREFACE

Only by His grace and guidance, the author is able to finished this research, titled “Joint Comprehensive Plan of Actions 2015 – Achievement of Iran’s Economic Condition” as one of the prerequisite to finish her undergraduate study in the department of International Relations, Faculty of Social and Political Science, Parahyangan Catholic University. This research seeks to understand Iran’s economic improvement after the signing of JCPOA 2015 and is hoped to bring enlightenment on the study of Middle East in International Relations.

Of course, this thesis is still far from perfection, and can always be improved one way or another. The author is always open for feedbacks and constructive criticism from all readers. This thesis may be used for reference for further research accordingly.



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CHAPTER I

INTRODUCTION

1.1. Research Background

In 1967, the United States aided the development of nuclear reactor in Iran.¹ They donated a 5-Megawatt *Tehran Research Reactor* (TRR) along with its staple material, uranium.² The then-ruling monarch, Shah Reza Pahlavi, signed the nuclear Nonproliferation Treaty (NPT) in 1970, that asserted that Iran would only use the facility for peaceful purpose. However, in 1978, Iran underwent a revolution that replaced the pro-Western monarchy with an anti-American Islamic Republic, led by Ayatollah Ruhollah Khomeini.³ Since then, the relationship and political condition between Iran and the United States were strained. The diplomatic relation was broken and both of the states interacted symbolically through policy, regulations, narratives, and statements. Unlike Shah Reza, Ayatollah Khomeini was a traditional, conservative *mullah* who dearly held Shiite Islamic values.⁴

Since the Islamic Revolution, the United States-sponsored nuclear program was shut down. Iran, nevertheless, continued the program in 1985, and it was allegedly used to build a nuclear weapon. Iran's policy to covertly pursue nuclear enrichment was perceived as a negative gesture by the United States and other Western countries. In 2008, Iran nuclear enrichment program had developed

¹ "Tehran Research Reactor", *the Institute of Science and International Security*, accessed on 20 September 2016. <http://www.isisnucleariran.org/sites/facilities/tehran-research-reactor-trr/>

² *Ibid.*

³ Peter Edidin. *1979 Iranian Revolution* (New York: New York Times Upfront, 2006), p. 25

⁴ *Ibid.*

so fast that it worried the United States and international society. Iran was operating 3.850 centrifuges and had 1,390 pounds of low-enriched uranium, there was none in 2001.⁵ That number was enough to make one nuclear weapon. In addition, Iran was also expanding its arsenal of ballistic missiles.

Iran provided a nuance of rivalry or even enemy with the rest of Western world through nuclear threats and conflictual interaction. In 2006, the United States, along with the United Nations Security Council, implemented a tight sanction against Iran. There were at least three resolutions of economic sanctions related to Iran nuclear program,⁶ which covers embargo on crude oil from Iran and export ban on refined petroleum.

In 2013, Iran changed its course of action and started to reduce its nuclear ambitions due to the sting of the sanction. With the pressing economic sanctions, Hassan Rouhani is willing to compromise and pragmatically consider the economic sustainability of Iran.⁷ The absence of maximalist position led Iran to negotiation process with the permanent member of United Nations Security Council (France, Britain, Russia, China, and the United States) and Germany (P5+1). The Joint Comprehensive Plan of Action (JCPOA) was concluded as the result of long negotiation and was signed on 14th July 2015 by Iran, and the P5+1.⁸

⁵ David Ignatius, "Bush's Iran Policy Has Failed", 30 November 2008, *The Washington Post*, accessed on 21 September 2016, <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/28/AR2008112802369.html>

⁶ Raymond Gilpin, "Iran Oil Sanctions: A Race Against Time", *US Institute of Peace*, 5 April 2012, accessed on 22 August 2016, <http://www.usip.org/publications/iran-oil-sanctions-race-against-time>

⁷ Maximillian Terhalle, "Why Revolutionary States Yield", in *International Politics, Volume 52,5*, Michael Cox, (United Kingdom: Macmillan, 2015), p. 599

⁸ "Joint Comprehensive Plan of Action", *the US Department of State*, accessed on 22 August 2016, <http://www.state.gov/e/eb/tfs/spi/iran/jcpoa/>

Basically, the JCPOA limits Iran's nuclear development and enhance monitoring system by the IAEA in exchange for the relief of nuclear sanctions.⁹ The JCPOA came into effect on 18 October 2015, while its full implementation will be conducted on 16th January 2016. JCPOA marks the first diplomatic cooperation between Iran and the West in the past four decades. However, the then presidential candidate of the United States, Donald J. Trump, explained his platform on foreign policy, which shows no confidence in JCPOA¹⁰ signed by the previous President, Barack Obama. Trump has since won the presidential election and is now the President of the United States of America. It is his intention to review and create major revision within the agreement.

We cannot deny that the United States is an imperative actor which hold the JCPOA and Iran's relations with other states. With the presence of Donald Trump as the President, the rhetoric of JCPOA becomes more and more negative.¹¹ Having considered the scrutiny, it is imperative to holistically understand the concrete implication of the agreement.

⁹ Kelsey, Davenport, "Timeline of Nuclear Diplomacy with Iran", 1 August 2016, *Arms Control Association*, accessed on 20 September 2016, <https://www.armscontrol.org/factsheet/Timeline-of-Nuclear-Diplomacy-With-Iran>

¹⁰ David Sherfinski, "Donald Trump on Iran Nuclear Deal: We Have a Horrible Contract, but We Do Have a Contract", 4 September 2015, *The Washington Post*, accessed on 3 June 2017, <http://www.washingtontimes.com/news/2015/sep/4/donald-trump-iran-nuclear-deal-we-have-horrible-co/>

¹¹ Amir Handjani, "Iran's Economy a Year Later, Still in the Penalty Box", in *JCPOA One Year Later*, Sharon Squassoni and Ariane M. Tabatabai, (Washington: Center for Strategic and International Studies, 2016), p. 10-11

1.2. Problem Identification

1.2.1. Problem of Research

One of the most prominent aims for Iran to sign the JCPOA is to improve its economic condition through the alleviation of sanctions. It is clear that economy plays an important aspect in any discourse about Iran, aside from politic, security, diplomacy, and social dilemmas. Moreover, economic condition is often the aspect through which improvement can be visibly and significantly measured. As the JCPOA is expected to help Iran recover its economy, Iran's economic condition after the signing of JCPOA needs to be reevaluated. Therefore, this research will focus on Iran's economic implication in relation to the JCPOA, and whether the Islamic Republic had gained economic achievement since the agreement.

1.2.2. Scope of Research

The author limits the time period of this research from 15th July 2015 to 19th January 2017. The deal was signed on 15th July 2016, meaning that the relationship between Iran and the West is officially restored and new identity formation had taken place. This marks the start of a new friendship, which would affect Iran's economic condition. 19th January 2017 is the last day of Obama administration, before the inauguration of Trump that might give rise to a possibility of revision or nullification of such relationship. Within this period, the primary impact of JCPOA should have been explicated. The author further limits her research to specifically Iran's economic achievement, which includes some

prominent elements of economy. However, this research does not intend to analyze the implication or the influence caused by these changes to the world politics.

1.2.3. Research Question

The question the author intends to answer is "*What are Iran's economic achievements after the signing of Joint Comprehensive Plan of Actions?*"

1.3. Purpose and Significance of Research

The objective of this research is to analyze Iran's economic achievement after the signing of JCPOA, which marks the new formation of identity and interest between Iran and the West. The author will compare Iran's economic condition to prior and after the signing to ground her analysis. This research is to be used for further studies on Iran's economy, nuclear-related foreign policy and implication, as well as further evaluation of Western foreign policy related to Iran. It is also hoped that this research would insight other scholars, specifically the undergraduate students of International Relations to pursue more academic research on the region of Middle East, specifically Iran.

1.4. Literature Review

1.4.1. "Competing Mythologies About Iran" in *Myths, Illusions and Peace* by Dennis Ross and David Makovsky¹²

This chapter explains the two approaches of dealing with the Islamic Republic, as "engagers" or as "regime changers" on the concept of deterrence.

¹² Dennis Ross and David Makovsky, "Competing Mythologies About Iran," in *Myths, Illusions, and Peace*, Dennis Ross and David Makovsky (New York: Penguin, 2009), p. 165

Engagers believes that leaders of Iran are rational and pragmatic, thus would operate on the cost and benefit analysis course of actions. Should this be the case, just like any other state, there is room for deterrence. Meanwhile, regime changers believe that the leaders of Iran operate on the basis of ideology that they are not willing to compromise. Hence, Iran, unlike other state, cannot be deterred or altered. It is further argued that the principle of guardianship of the jurist allows possibility of Iran to be deterred¹³. The decision then, is a cost and benefit analysis, where Iran's ideology is just another considering element within that calculation.

There were some explanations regarding the ineffectiveness of deterrence caused by the by the lack of response to actions that are supposedly crossing the redlines. United States, during the Bush administration, had yet to show substantial response on Iran as it continued enriching uranium. This had led Iran not to believe that there would be unaffordable price for their actions. The chapter is closed with implications of Iran having a nuclear weapon, specifically to its neighbors. Barry Posen argues that should Iran has a nuclear weapon; it will not drive its neighbor to abandon relationship with the United States. He argues that Saudi Arabia, wanting to become the region key player, would not settle for just being a satellite of Iran. In fact, it might trigger an arms race within the region, as neighboring country would feel insecure. The Saudis, Jordanians, and Egyptians are real example of this notion.

¹³ The principle basically allows the overruling of Islamic Law when it serves the interest of the regime.

1.4.2. “A New Approach for Dealing with Iran” in *Myths, Illusions and Peace* by Dennis Ross and David Makovsky¹⁴

This chapter explains numerous approaches in dealing with nuclear Iran; diplomatic measures, different with deterrence and military strike has been conducted since the Bush administration. The initial effort of EU-3 consisted of British, French, and German government coordinated with Iran to suspend their nuclear cycle. The Bush administration was willing to coordinate with the European Union countries as their proxy, which signs a great leap of faith. However, Iran had refused to cooperate as they resume the conversion of uranium ore to uranium gas. The first wave of sanction was then implemented, which include restriction on nuclear and missile-related industry, prohibition of sale, asset freeze, and mandatory report from the International Atomic and Energy Agency (IAEA). Two other resolutions on Iran were made by the United Nations Security Council due to the lack of progress.

Understanding that Iran’s economy is reliant to its oil revenue, there are three options of engagement. First is to put stricter sanction to Iran, which was done during the Bush administration through unilateral sanction. Second, is to engage without condition, which means that the United States would not demand anything from Iran and just initiate a diplomatic relation. Third, would be the combination of the two, giving unconditional engagement for talks, but showing that the United States still has leverage over Iran.

¹⁴ Dennis Ross and David Makovsky, “A New Approach for Dealing with Iran,” in *Myths, Illusions, and Peace*, Dennis Ross and David Makovsky (New York: Penguin, 2009), p. 204-233

Lastly, the chapter explained that negotiation with Iran would be more effective should track-two diplomacy between academics is firstly introduced. After that, establishment of secret-back channel between the United States and Iran would provide direct communication and more comprehensive deliberation on the matter.

1.4.3. *Atomic Ayatollah: Explaining Iran's Post-Revolution Nuclear Path* by Seline Hoiseth¹⁵

The journal discusses the historical and cultural context as why Iran decided to pursue a whole nuclear cycle in 1985. Iranian nuclear program was first developed during the reign of Shah Pahlavi with the assistance from the United States. After the Revolution, the program was suspended due to the increasing of anti-Western sentiment. However, it was resumed in 1985 for the purpose of self-sufficiency for fuel production.

Since the Islamic Revolution, Iran had been cut off from the international market of nuclear and uranium enrichment; making it impossible for them to gain the necessary nuclear material. Meanwhile, Iran has been pursuing self-sufficiency in terms of energy in accordance to their key principle in the Islamic Revolution: self-reliance, independence, and equality. The Iran-Iraq war that lasted for eight years had left Iran with devastation and need to recover, including to be able to provide technology and fuel independently. Not to mention, the strict policy

¹⁵ Seline Hoiseth, "Atomic Ayatollahs: Explaining Iran's Post-Revolutionary Nuclear Path", in *International Politics, Volume 52,5*, Michael Cox, (United Kingdom: Macmillan, 2015), p. 523-548

on nuclear export also made it harder for Iran to obtain material. Thus, to fulfill its necessity, Iran opted in to the black market and covert activities.

It is argued that, there are other factors that shift the Iranian behavior in nuclear development. It might be true that Iranian has an ambition to develop a nuclear weapon, however it is worth to note that isolation from international nuclear market, the devastation of war, and strict export might intensify the need to be self-sufficient, which led to its covert activities.

1.4.4. *Why Revolutionary State Yield: International Sanctions, Regime Survival and the Security Dilemma. The Case of Islamic Republic of Iran* by Maximilian Terhalle¹⁶

The chapter explains that Iran finally yields and agree to several limitations of nuclear because their regime survivability was threatened by the existing economic sanctions. Halliday argued that the greatest failure in Islamic project is its economy, and thus it marks the most vulnerable point of Iran. The shift in Iranian policy started in spring 2013, when structural and comprehensive sanctions had been impacting its domestic economy.

Since Iran maximalist position in 2012, the West (United States and European Union) had been implementing structural sanctions on Iran. Aside from unilateral sanctions of the United States, the European Union had also participated. Three of the most highlighted is the European Union embargo on Iranian crude-oil imports, expulsion of Iran's Central bank and other commercial banks from Society

¹⁶ Maximilian Terhalle, *Op. cit.*, p. 594-608

for Worldwide Interbank Financial Telecommunications (SWIFT), and European Union sanctions on European-based insurers and re-insurers of oil tankers. This had drove the Iranian economy to massive inflations, depreciations, and loss of revenue. The economic devastation then becomes a major reason as to why Iranian would compromise its revolutionary value and agrees to several limitations on nuclear development.

The abovementioned literatures had discussed the characteristic of Iran in shaping its foreign policy, ways to approach Iran, their behavior relating nuclear proliferation, as well as the reason why Iran would sign the Joint Comprehensive Plan of Actions. However, none of the literature elaborate the economic condition of Iran after the signing. As signing an international agreement is a form of foreign policy, it is worth knowing the updated condition of Iran post-Joint Comprehensive Plan of Actions.

1.5. Theoretical Framework

The following are the concepts and theories that will be used as the basis for analyzing Iran's economic achievement post JCPOA 2015. To understand Iran's economic achievement, a comparison between Iran's economic condition prior and after the signing is necessary. As the state is the main unit of analysis in this thesis, the author will ground her explanation based on macroeconomic data to describe one's economic condition. Macroeconomic data, according to Gregory Mankiw, there are three common data that are used to understand state's economy; Gross Domestic Product (GDP), Inflation Rate, and unemployment rate. GDP indicates state's income on its goods and services, which includes income gained

through trade and investment. Inflation rate measures the rise of price of products, and therefore highly correlates with the purchasing power of society. Lastly, unemployment rate shows the number of workers and their ability to have a sustainable income to live¹⁷. This concept will be used in Chapter Two and Three in explaining Iran's economic condition before and after the signing of JCPOA.

The signing of JCPOA indicates a shift in the relationship between Iran and the international community, which make any improvement in Iran's economic condition possible. It is then important to know how the change of this relationship occurs. To understand the nature of this relationship, the author will base her analysis on the theory of Constructivism.

Constructivism grounds the philosophy of social construction of reality. Christian Reus-Smit emphasized Alexander Wendt basic premise's that material resources or facts are constituted by ideas and gain meaning through a common understanding.¹⁸ Without this understanding, the materials are only physical being with no value or meaning. Similarly, the value can differ in accordance to idea and meaning constructed which surrounds it. Constructivist emphasized on the intersubjective understanding of this meaning. Alexander Wendt explained two intrinsic notions of constructivist; the world politics is made of social structure rather than material, and that this structure shapes the identity and interest of actors within it.¹⁹

¹⁷ Gregory Mankiw, *Macroeconomics, 9th Edition* (New York: Worth Publishers, 2016) p. 17-39

¹⁸ Christian Reus-Smit, "Constructivism", in *Theories of International Relations, Third Edition*, Scott Burchil, et. all, (Hampshire: Palgrave Macmillan, 2005), p. 196

¹⁹ Alexander Wendt, "Constructing International Politics", in *International Security, Volume 20 No. 1* (Massachusetts: MIT Press, Spring, 1995), p. 71-73

Constructivist then defined the social structure as relations amongst states, be it conflictual or cooperative.²⁰ Different with other theory, this structure stems from ideational and cultural rather than material aspects. This structure is constructed through a shared– intersubjective – knowledge between its actors. For example, security dilemma occurs based on intersubjective understanding to assume the worst of others, in addition to the culture of war and conflict. In his book, *Social Theory in International Relations*, Wendt explained that there are three kinds of relationship; enemy, rival, and friendship.²¹

Hobbesian culture explained that relationship of states is in forms of enmity. State inherently do not acknowledge the existence and sovereignty of the other, and is willing to use violence without limit against the other. What they seek is therefore domination of other states. The main characteristic of this culture is constant war and violence as means to gain power and dominance.

Lockean introduced the relation of rivalry between state. Unlike enmity, rivalry accepts and acknowledges the existence of other state, however, seek to revise its behavior. In case dispute goes to war, a rival will also limit their violence in accordance to Just War Theory. Therefore, destruction is not the end goal. Rivalry poses less threatening relation than enmity, where threat to physical existence of the state is minimalized.

Lastly, Kantian introduced the relation of friendship which follows two basic principles. The first, is non-violence, where dispute is done in a peaceful

²⁰ *Ibid.*

²¹ Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), p. 247

manner with no threat.²² This means that disputes will not resort to war or even consideration to go to war. The second is mutual aid, which means states would act as a collective team who would defend themselves against outsiders.

Paul R. Viotti and Mark V. Kauppi explained that structure is made of two components; rules and norms. Constructivist recognized two modes of rule; constitutive and regulative. Regulative rules basically regulate a certain activity, explaining what can or cannot be done. Constitutive rules dichotomize actions and specify whether it counts as an activity.²³ Both rules become the yardstick in determining appropriate state activity. As for norms, it defines the standard of acceptable and appropriate behavior of state, as the actor in social structure. In a way, norms can define one's identity and regulate their behavior simultaneously.

Structure, and both of its components, shapes state's identity and interest. Identity is an attribute that state associated themselves with considering the perspective of others towards them. It is the answer to "Who I am/we are" that position themselves against a social object. This identity then determines how state sees themselves and what they want. The interest of state stems from its identity, and translated through actions. This action developed in to a behavior of state.²⁴

Unlike neo-realists who believed that state interest is exogenously given, constructivist believed that interest could be shaped through interaction. Alexander Wendt contributed two models of identity formation; imitating and

²² *Ibid*, p. 260-299

²³ Paul R. Viotti and Mark V. Kauppi, *International Relations Theory, 5th Edition* (Boston: Pearson Longman, 2012), p. 285-286

²⁴ Alexander Wendt, "Collective Identity Formation and the International State", *American Political Science Review*, Vol.88 (Ohio: American Political Science Association, 1994), p. 385-398

social learning. Imitation means that state would follow others that they deemed successful, be it in terms of material or status. Material would refer to the success of state in gaining resources, wealth, and power, therefore enriching one's possession. While status would refer to level of prestige and how one is respected. State would imitate the behavior of other successful state to acquire the same material and status. As for social learning, it explained that state would learn and internalize identities and interest as a response to other. When one state is treated in a certain way by others, state started to internalize that status and use it as their identity. For example, if North Korea treated the United States as an enemy, then the United States would internalize that treatment and embodied their identity and interest as an enemy of the North Korea.²⁵

Structure may change, hence altering state's identity and interest. When there are changes in the norms and rules, be it for domestic or international cause, the structure changes. At the time international norms started to highlight the gravity of human right protection, end of apartheid, taboos on nuclear weapons, state started to redefine their identity, whether they want to adhere to the current norm or not. Nevertheless, it is important to note that Constructivist believes that structure and state mutually constitute each other. Not only structure can shape state's identity and interest, state can also alter and shape the social structure. In the early aftermath of World War II, the global social structure lingered on self-help and zero-sum game between states. However, as the Soviet Union began to

²⁵ Alexander Wendt, *Social Theory of International Politics*, *Op. cit*, p. 325-335

advocate for reassurance, and reciprocated by the United States. The structure shift from a Hobbesian nature to a Lockean one because of state decision.²⁶

Alexander Wendt further explained the four master variables in structure reconstruction. He argued that one efficient cause, either interdependence, common fate, or homogeneity, and self-restrain is necessary for change to occur.²⁷ Interdependence referred to a degree in which states are interconnected with one another. It is measured with losses and gains that one had in collective with the others, and the lost a state would suffer should they end their relations with the other. As for common fate, it is a similar identity, experience, or incidents that occurred due to a third party. Eventually common fate brings similarity and collective identity to state as the implication of a third-party conduct. Lastly, homogeneity referred to similarities in identity. Who they are can be reflected through their status, or the type of regime and belief that they embrace. These three variables are considered active or efficient variable where state can actively pursue efforts that leads to changes.²⁸

However, Wendt also argued that the efficient causes may be hindered because the fear of exploitation due to the lack of trust between states. This may then result to the failure of social reconstruction, especially to Kantian one, as state cannot formulate a common identity. Therefore, the variable of self-restrain is particularly important as a catalyst to structure reconstruction. With self-restrain state can overcome their fear of exploitation and therefore formulate a common

²⁶ Paul R. Viotti and Mark V. Kauppi, *Op cit*, p. 286-287

²⁷ Alexander Wendt, *Social Theory of International Politics*, *Op. cit*, p. 343

²⁸ Alexander Wendt, *Social Theory of International Politics*, *Op. cit*, p. 344-356

identity and proceed to a more Kantian social structure. Without it, state will be more likely to be trapped in a Kantian or even Hobbesian structure.²⁹

Constructivist did not stop their analysis on the value of material resources, but extended it to the way state perceive behavior of others. In his book, Alexander Wendt continued the thought of Nicholas Onus and argued that state responds to the meaning an object presents them. Similarly, interpretation of that meaning is based on state's identity and interest, which are built through mutual interactions. Wendt also argued that state acts differently towards enemy and friend based on their social structure.³⁰ Inherently, state would have a better relation with their friend (Kantian) in comparison to their enemy (Hobbesian – Lockean). The United States would response aggressively should North Korea develop a ballistic missile, however, such action would not be taken should Canada do so. The reason being is the relation between North Korea and the United States is more conflictual compared to Canada. Therefore, the United States would perceive the behavior of North Korea in a conflictual manner, and required aggressive response. Again, the structure defines state interest, identity, and behavior against other.

This theory will be used to analyze the changes of social structure between Iran and the international community from rivalry to friendship. The analysis would include the rules and norms in the case of nuclear proliferation, and how Iran position themselves in that structure. The theory will identify the change

²⁹ Alexander Wendt, *Social Theory of International Politics*, *Op. cit.*, p. 357-361

³⁰ Alexander Wendt, "Anarchy is What States Make of It", in *International Politics*, Vol. 46, (Massachusetts: The MIT Press, 1992), p. 403

of identity and interest, hence the social structure, that made friendship and the signing of JCPOA possible.

1.6. Research Methodology

The author will use qualitative method that focuses on data collection, logical analysis, and interpretation.³¹ The research would focus on the understanding of data and how it constructs the holistic understanding of the topic instead of numerical analysis of the topic. As this research intends to evaluate Iran's economic achievement, it will use the approach of case study in qualitative method. Iran's will become the center point of case study where detailed data and understanding will be built around the case limited scope.³²

Empirical references will mostly be obtained through documents³³ in a form of books, academic journals, research papers, as well as newspapers.³⁴ This research will not conduct direct observation nor interview to the Iranian high officials' due to limited resources and capacity. Most of economic depiction in Chapter II and Chapter III will be aided with graphics and data mostly provided by the Central Bank of Iran and the World Bank. Official documents from international organization and state's publication such as treaties, agreement, resolutions, and press conferences will also be a primary source. The research would be done in a

³¹ John W. Creswell, *Research Design: Qualitative, Quantitative, and Mixed Method Approaches, 4th Edition* (California: Sage Publications, 2014) p. 239

³² *Ibid*, p. 42

³³ *Ibid*, p. 242

³⁴ Bruce L. Berg, *Qualitative Research Methods for The Social Sciences, 4th Edition* (California: Pearson Education Company) p. 35

descriptive³⁵ manner where description regarding the object of the research will be the main focus of the author.

1.7. Thesis Organization

The author will elaborate her research in four chapters. *Chapter I* provides basic information to provide general understanding of research. The chapter would include explanation on research background, problem identification, purpose and significance of research, literature reviews, theoretical framework, and research methodology.

Chapter II consists of concept and data of Iran's economic condition prior to the signing of JCPOA 2015. There will be explanation regarding the norms and rules of nuclear proliferation, which are the JCPOA and NPT, as well as the ongoing social structure, which was Lockean culture. As for the economic condition, the chapter elucidates Iran's GDP, inflation rate, and unemployment rate especially after the implementation of comprehensive sanctions in 2011.

Chapter III explains the analysis of social construction from Lockean to Kantian, which produced the JCPOA 2015. Elaborated exemplification of structure reconstruction between Iran and the West. Lastly, juxtaposition on Iran's economic condition and analysis of Iran's economic achievement after the signing of JCPOA will be laid out on the last part of the chapter.

Chapter IV concludes the finding and provide highlights of this research.

³⁵ Earl R. Babbie, *The Practice of Social Research, 12th Edition* (Wadsworth: Cengage Learning) p. 95