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NATIONAL UNIVERSITY OF “KYIV-MOHYLA ACADEMY”
FACULTY OF SOCIAL SCIENCES AND SOCIAL TECHNOLOGIES
DEPARTMENT OF INTERNATIONAL RELATIONS

THESIS

degree – bachelor

on the topic: **“SANCTIONS AS A TOOL FOR ADDRESSING THREATS TO
INTERNATIONAL STABILITY: CASES OF RUSSIA AND IRAN”**

Written by:
student in the fourth year
of the degree program 291 “International
Relations, Social Communications and
Regional Studies”

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KYIV 2025

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INTRODUCTION

In recent decades, economic sanctions have become a go-to foreign policy tool for many governments. Since the end of the Cold War, their use has more than tripled, with sharp increases after 2014 and again following Russia's full-scale invasion of Ukraine in 2022. Between 2020 and 2023 alone, global sanctions surged by 95%, making Russia the most sanctioned country in the world, with over 24,000 measures imposed.

Sanctions as means of denying the value of economic transactions to achieve political goals is what allows exceed mere diplomatic pressure, but not to resort to outright use of military force. By restricting access to markets, capital, and critical technologies, they seek to reshape the behaviour of adversaries (or target states). Nevertheless, the overwhelming frequency of sanctions use has not brought the proportional increase in their effectiveness.

The relevance of this research lies in the growing use of sanctions as foreign policy tool – and the increasing uncertainty about their effectiveness. Powerful, globally integrated states like Russia are harder to pressure, while the scale of sanctions regime poses challenges for the ability to ensure proper enforcement. Moreover, the sanctions landscape is growing more complex. Russia and Iran are one example where countries not only refine circumvention tactics, but also strengthen cooperation with each other, sharing experience and resources to blunt the impact of restrictions.

The aim of the study is to ascertain how international sanctions function as a tool for countering threats to international stability, examining the cases of Russia and Iran. *Research question is:* What factors influence the effectiveness of sanctions and the ability of target states to adapt to them?

This research is relevant both practically and academically. Sanctions coalitions are actively debating how to target economic weak points and, more urgently, how to build stronger enforcement systems. Without clear strategies, there's a growing risk of "sanctions inflation", where overuse weakens their impact and credibility. On the

theoretical side, the study contributes to a key academic debate: do sanctions work, what shapes their outcomes, and how do context and enforcement matter?

To answer the research question *the next research objectives were addressed:*

1. Identify and explain key theoretical approaches to sanctions;
2. Trace the evolution of sanctions as a tool for international stability;
3. Identify key changes in enforcement and implementation practices;
4. Explain the main features of sanctions regimes against Russia and Iran and compare their effectiveness;
5. Determine the main factors shaping the outcomes of sanctions in both cases.

Object of the study is international sanctions regimes targeting Russia and Iran.

Subject of study are factors influencing the effectiveness of international sanctions on the example of Russia and Iran.

Chapter 1 outlines the theoretical foundations and methodology of studying sanctions, including an overview of existing theories and the use of case study methods.

To address the research question, this study draws on multiple theoretical frameworks. It draws on classical and modern theories of economic statecraft, especially Baldwin's taxonomy and Taylor's strategic interpretation. It also engages with game theory and bargaining models (Wagner, Smith, Eaton & Engers) while acknowledging critiques of rationalist assumptions. The analysis considers the "sanctions paradox" and the increasing role of non-state actors and adaptive responses, as discussed by G. Felbermayr and others. Finally, the research situates itself within the evolving academic debate between the "sanctions do not work", "sanctions as symbols", and "sanctions can work" schools, in order to critically evaluate the practical and strategic utility of sanctions in modern foreign policy.

Chapter 2 traces the historical development of sanctions, shifts in mechanisms of enforcement, and current debates on what determines their success or failure.

Analysis of existing insights into sanctions' effectiveness includes the work of scholars like G. Hufbauer, J. Schott, and K. Elliott, who found that sanctions are more effective than often claimed. Furthermore, the research draws from such academic works as that of D. Drezner, who argues that sanctions are more about achievable, modest goals and can function as costly signals of power. Additionally, B. Jentleson highlights the importance of trade dependence, timing, and psychological factors, noting that sanctions work better early and when trade ties are strong. Finally, the conclusion made by D. Peksen who stresses the need for contextual analysis, as sanctions often need to be combined with other measures for greater impact, confirms the actuality of this research and case-study method it employs.

Finally, Chapter 3 offers an in-depth analysis of the Russia and Iran cases, examining each state's sanction regime, its impact, adaptation strategies, and combining the results to answer the research question.

The methodology of this research adopts a case study approach, as outlined by scholars J. Walterskirchen and G. Wend. This study focuses on the analysis of two major cases: Iran and Russia, similarities and differences of which allow for comprehensive answer to the research question. The analysis also draws on Lindsay's categorization of sanctions goals (compliance, subversion, deterrence, signalling). A mixed analytical method combining deductive reasoning and qualitative meta-analysis is applied to extract recurring patterns and evaluate strategic outcomes.

The final section presents conclusions and key findings of the research.

CHAPTER 1. THEORETICAL AND METHODOLOGICAL PRINCIPLES OF STUDYING INTERNATIONAL SANCTIONS

1.1. Economic sanctions theory: practical overview

Economic sanctions have been broadly viewed as instruments of coercive diplomacy used by states to persuade a target to acquiesce to their demands or change its behaviour in a way favourable to the sanctioning party. While international law traditionally defines sanctions in a strict sense as enforcement actions taken by a legally empowered body in response to violations, the term has evolved to encompass a broader range of unilateral and multilateral measures (Asada, 2019, pp.3-10). Notably, even though the UN Charter does not explicitly mention “sanctions,” the Security Council often refers to its enforcement measures using this term.

At the same time, sanctions have increasingly come to be understood as hybrid instruments, operating at the intersection of policy and law. On one hand, they are foreign policy tools—applied unilaterally or in coalitions—intended to induce behavioural change without the use of force. On the other, they are often framed as normative responses to violations of international rules, thus presenting themselves as mechanisms for preserving international stability and upholding the legal order.

Importantly, the terminology itself plays a role in this evolution. Referring to punitive economic measures as “sanctions” grants them ethical legitimacy. Such framing allows governments to portray their actions not merely as acts of self-interest, but as principled efforts to protect shared norms and values (Alexander, 2009, pp.55-56). In this sense, the use of sanctions serves not only a coercive function, but also a symbolic and normative one: reinforcing the actor’s position as a defender of international order.

The word sanction originates from the Latin *sanctio*, which referred to penalties for violating laws or sacred norms. Until the late 17th century, it carried a purely punitive meaning but later expanded to also include rewards for lawful behaviour. Scholars have long debated the definition of sanctions, particularly their purpose. Some view them

primarily as punitive tools, while others emphasize their role in compelling compliance with certain norms. J. Galtung (1967) distinguishes between these two perspectives, whereas A. Pape (1997) argues that the effectiveness of sanctions should be measured by their ability to coerce rather than punish. Similarly, A. Lowenfeld (2002) and G. Hufbauer (2007) defines economic sanctions as restrictions on trade and financial relations aimed at influencing state behaviour without resorting to military action.

For the purpose of this research, it is necessary to adopt a hybrid definition of sanctions that reflects both their instrumental role in foreign policy and their norm-enforcing function in the context of international law and global order. This approach builds on the taxonomy developed by Senior Political Scientist at Princeton University and Professor at Columbia University, David A. Baldwin (1985), in his infamous work “Economic Statecraft” and the formulation offered by another sanctions scholar Brendan Taylor (2012) in his book “Sanctions as a Grand Strategy”, while also incorporating the understanding of sanctions in contemporary international legal discourse. Accordingly, sanctions are defined *as an economic instrument employed by one or more international actors against a target, which can serve both as a tool to influence that entity’s foreign and/or security policy behaviour and as a means to address threats to international order, particularly in response to violations of international law.*

While this definition captures the essence of sanctions as a policy tool, scholarly approaches to studying them vary significantly. Researchers have examined sanctions from different theoretical perspectives, analysing their mechanisms, intended and unintended consequences, and the conditions that determine their success or failure.

The earliest research focused on such prominent cases as the US sanctions on Cuba because of its long-term character and sufficient time to document and analyse the subject. However, long-lasting cases of sanctions can only appear under the conditions of the target failing to comply with the sender's demands, which explains why the common conception that sanctions “do not work” has emerged as a result. This notion has persisted with several other case studies, among which a large-N data analysis resulted in only a 30% success rate for the use of sanctions (Gaisford, 2008). The ineffectiveness of

sanctions has found its theoretical backing in works such as R. Wagner's (1988), who looked at the classic bargaining theory. Game-theory based bargaining models were used as a base for traditional theories trying to explain sanctions' courses of action (Smith, 1995; Lacy, 2004). According to them, sanctions are seen as a mechanism for manipulating bargaining costs as well as a way of signalling willingness to bear such costs. Nevertheless, R. Wagner (1988), in his works, has pointed out the misalignment between using bargaining models as justification for sanctions (based on the argument that the target, rather than bearing the costs of sanctions, should give in to the sender's demand) and application of the same theory to international trade in general where one would make an opposite conclusion: cutting trade relationship, from which both parties benefit, would be costly for each side, making sanctions an instrument which should rarely work (p.462). Nevertheless, his conclusion raises the question of whether these two applications of a bargaining theory really must bear mutually exclusive conclusions. Sanctions make the target reconsider its cost-benefit analysis of policy choices while simultaneously, both parties struggle with the costs of sanctions implementation. However, the latter depends on the relation between costs for the sender and the target, as not all costly decisions are inevitably ineffective. Similarly, J. Eaton and M. Engers (1999), in their own model, illustrate how sanctions are indeed costly to both sides. However, the "action" pre-determined by the sender for the target to comply with can significantly alter the payoffs in opposite directions. Therefore, the effectiveness of sanctions depends on the amount of harm experienced by interacting parties and the readiness of the sender to bear the costs for eventual strategic payoff.

Sanctions are often seen as an alternative instrument to military force. The theory of war has significantly influenced the development of sanctions theory, primarily through applying bargaining models (Fearon, 1995; Reiter, 2003). Early theories of sanctions borrowed heavily from models used to study militarised conflict, treating sanctions as a mechanism to manipulate bargaining costs, much like war does in Crane and Schelling's (1966) framework. However, while war can force a resolution by being an "outside option" to bargaining, sanctions lack such definitive coercive power (Felbermayr et al., 2021). This distinction highlights the limitations of directly applying

bargaining theories of war to economic sanctions. Sanctions should not be considered a mere substitute for military force but a distinct tool with unique implications for international disputes.

Numerous cost-benefit analyses and domination of bargaining models in the theorization of sanctions gave way to such a concept as the sanctions paradox. Sanctions theory is built on the presumption that the targeted states are rational. A pool of security threats after the Cold War showed that most of them had been based on the possibility of the irrational behaviour of certain leaders of countries (for instance, fundamentalists in Iran and the nuclear weaponry, or Saddam Hussein and the high military capability of Iraq). Therefore, the paradox is the wrong expectation of rational reaction from the allegedly irrational actors (Ghodoosi, 2015).

Apart from war theory, bargaining models and game theory, it is important to look at the question of agency in sanctions theory. Traditionally, sanctions have been considered an instrument of bargaining between *states*. Therefore, non-state actors were largely left out of the picture, even though they are the ones affected by sanctions policies. G. Felbermayr et al. (2021) suggest that these non-state actors (such as firms, industries, etc.) can deal with the economic effects of sanctions in ways that do not necessarily translate into political pressure on the target government. Moreover, non-state actors, such as terrorist groups and criminal syndicates, can now be direct sanctions targets, moving the theory further away from state-centrism (Taylor, 2015, pp.12-15). Recent research on target countries' adaptation strategies incorporates the non-state actors' agency and perspective into broader sanctions theory (Aliasghar & Rose, 2023; Cheratian et al., 2022).

These numerous reconceptualisations of initial theories allowed for a new wave of scholarly work aimed at explaining why sanctions, despite being theoretically ineffective, are being used more and more often by different actors. For instance, the use of economic sanctions by the US rose ninefold between 2000 and 2021 (US Department of the Treasury, 2021). Much of the newer research was initially grounded in the early “pessimistic” perspective, which viewed sanctions as largely ineffective. Therefore, it

required a completely new look at the sanctions theory, namely taking a step back from simple bargaining theory and investigating the interplay of different domestic and external factors which should be considered when thinking about how the sender decides on imposition of sanctions and what are the factors affecting the degree to which the target is likely to comply. One such new look has been offered by B. Taylor (2015) in his “Sanctions as a Grand Strategy”, where he has tried to address another kind of “sanctions paradox” lying in the question of why countries continue to use sanctions despite their perceived limited effectiveness. Taylor addresses this by shifting the focus from the effectiveness of sanctions in coercing the “target” to their role in the strategic interactions between great powers. He argues that sanctions are often tools for signalling and bargaining within the context of grand strategies rather than merely instruments for punishing or influencing the behaviour of the nominal target (pp.15-18). This perspective suggests that the apparent ineffectiveness of sanctions arises not from their failure to influence the target directly but from the compromises and adjustments made during great-power negotiations, which water down their impact.

More sanctions research followed, looking into how domestic politics and different political and economic groups influence the outcomes of such economic policies both in sender and target states (McLean & Whang, 2014), what causes target compliance or sender capitulation, and how sanctions end (Attia et al., 2020), which strategies are being implemented by the target to adjust its economy to such conditions (Crozet et al., 2021), what is the connection between sanctions and democratization (Ghodoosi, 2015) and so on. The growing scope of academic debate has given rise to three distinct schools of thought, each offering a different perspective on the utility and outcomes of sanctions. These schools termed by Taylor (2015) as the “sanctions do not work”, “sanctions as symbols”, and “sanctions can work” approaches (pp.18-23). The “sanctions do not work” school argues that sanctions are fundamentally ineffective and often counterproductive (Galtung, 1967). The “sanctions as symbols” school highlights their role in expressing values or signalling disapproval rather than altering the behaviour of the targeted actor (Doxey, 1987). Finally, the “sanctions can work” school maintains that sanctions can be effective if applied strategically and under the right conditions (Arnold-Forster, 1926;

Hufbauer et. al, 2007; Blanchard & Ripsman, 2000). It is worth noting that the theory and practical application of sanctions have been evolving, too. Moreover, the pace of the former seems to be slower than that of the latter. The imposition of “secondary” sanctions by the US in recent years has been a huge development in the field, but the theory of such innovations is still in its infancy (Felbermayr et al., 2021).

1.2. Sanctions in international relations theory

Sanctions theory has a remarkable place in international relations and international legal theories, though it is difficult to single out an IR paradigm or exact theory that would be a perfect fit to explain a complex relationship between two fields of research.

Realism, rooted in the principle of survival in an anarchic international system, is sceptical of the effectiveness of sanctions as a tool for fostering cooperation. Realists argue that cooperation arises from long-term, recurring interactions based on rational “tit-for-tat” strategies, which promote stability by rewarding reciprocity. Sanctions theory contradicts this logic by advocating economic isolation to pressure states into compliance. From a realist perspective, such isolation disincentivizes reciprocity and reinforces the targeted state's reliance on hard power for survival (Ghodoosi, 2015, p.10). Thus, sanctions may undermine the realist pathway to cooperation by perpetuating an anarchic, pre-cooperative state of international relations. Additionally, realism focuses on states as the primary actors in the international arena, whereas sanctions, as mentioned above, often have significant implications for non-state actors, including businesses, civil society, and ordinary citizens.

Sanctions theory is also rather incompatible with the ideational focus of constructivism, which emphasizes the role of norms, values, and shared ideas in shaping international relations (Wendt, 1999). Constructivists argue that isolation from the international community hinders the socialization of targeted states, preventing them from adopting shared norms and participating in global dialogue (Ghodoosi, 2015, p.11).

By reducing interaction, sanctions risk causing resentment and a sense of unfair treatment, further alienating the targeted state and deepening distrust in international institutions and norms.

The liberalist paradigm emphasizes economic engagement as a key factor in reducing cross-border armed conflicts. According to liberals, by maintaining constant economic relationships, nations develop alternative and peaceful methods to resolve disagreements, as integrated economic ties raise the costs of resorting to violence. This perspective contrasts sharply with the sanctions theory, which discusses severing economic ties between states. According to liberal theory, such actions would risk incentivizing the use of force, as seen in cases like Iraq and Yugoslavia, where sanctions were followed by military conflict (Hendrickson & Owen, 1998).

While liberals see economic integration as a pathway to cooperation, neoliberalism evolves this view by focusing on the role of institutions and interdependence in reaching stability.

Neoliberal institutionalism, developed as a response to the realist paradigm, emphasizes the role of economic interdependence in shaping the behaviour of nation-states. Neoliberals argue that economic interdependence raises the costs of unilateral defection in an interconnected world, thereby encouraging cooperative behaviour among states. This perspective emphasizes the importance of sanctions in addressing the “prisoner's dilemma” inherent in international relations, as they create a mechanism to deter defection by imposing penalties (Keohane, 1987, pp.746-747). Joseph Nye (1990) observes: “Interdependence does not mean harmony. Rather, it often means unevenly balanced mutual dependence. Just as a less enamored of the two lovers may manipulate the other, the less vulnerable of two states may use subtle threats to their relationship as a source of power” (p.158). For a stable cooperation, countries must believe that it is best to avoid becoming the target of sanctions (Axelrod, 1984, pp.2-3) (Rosecrance, 1986). However, despite their theoretical appeal, sanctions often fail to reach desired outcomes in practice, challenging the assumption that international interactions can always be managed through interdependence and economic statecraft (Drezner, 1999).

Unlike liberalism's broader emphasis on economic harmony, neoliberalism acknowledges power asymmetries and views sanctions as tools to enforce cooperation in an interdependent world.

Given this research's focus on the adaptation strategies of target countries, there is a need for a comprehensive look at the problems that may arise for the effectiveness of imposed sanctions. It appears only possible with the insights of not explicitly one IR theory but several of them (especially considering the aforementioned sanctions paradox and possible irrationality of actors involved, which in itself questions the applicability of one single theory to sanctions).

Neoliberal institutionalism is the most suitable theoretical framework. It provides a lens to examine how states behave in interdependence and power asymmetries and examine institutional constraints to adapt to sanctions. This paradigm can help explain how sanctions exploit economic vulnerabilities and institutional interdependence and how target states respond by creating alternative trade networks, fostering regional alliances, developing domestic capacities, etc. Incorporating elements of realism and constructivism would enrich the analysis. From realism, the emphasis on survival in an anarchic international system and the reliance on hard power strategies can explain how targeted states prioritize military and economic resilience by adopting self-reliant policies or building alternative alliances. From constructivism, the emphasis is on the role of social isolation in changing the values and perceptions of sanctioned states. Additionally, constructivism can explain how sanctioned states attempt to reframe sanctions as unjust, thus facilitating domestic unity or appealing to alternative global audiences.

Finally, sanctions theory is critical to modern international legal theory (Ghodoosi, 2015). Using sanctions as an alternative to hard power decreases the possibility of unlawful use of force, a peremptory norm of international law. Moreover, it reduces the risk of human rights violations due to military operations. Finally, the mechanism for imposition of sanctions is easier to subject to the system of checks and balances necessary for protecting democratic order and distribution of power (Hathaway & Shapiro, 2011, p.311-315).

1.3. Case study as method for analysing the effectiveness of sanctions

Case study research has evolved from being met with scepticism and limited recognition to becoming a widely used method across various academic disciplines. In the past, researchers often hesitated to adopt case studies as a full-fledged methodology due to their somewhat fluid and loosely defined structure, which raised concerns about the reliability of findings and the legitimacy of broader generalizations. However, as academic scholarship has progressed, case study research has developed into a more structured and systematic approach with clearly defined execution frameworks, therefore increasing its credibility and applicability.

J. Gerring understands this approach as “intensive study of a single unit or a small number of units (cases), for the purpose of understanding a larger class of similar units” (Gerring, 2007, p.20). G. Anderson perceives case studies as addressing the questions of how and why things happen, grounding in the differences in expectations and real outcomes, therefore looking into contextual realities (Anderson, 1998, p.128). R. Yin, another prominent researcher of case study based methodologies, thinks of it as empirical inquiry which looks into the phenomenon in its real-life context, backed by several sources of evidence (Yin, 1989, p.15). Overall, these definitions highlight the case study as a method of detailed investigation aimed at understanding complex events in their real-life context. While each researcher focuses on different aspects—whether it’s the close study of a few cases, the explanation of unexpected outcomes, or the use of multiple sources—they all agree on the case study’s value in providing deeper insights beyond general patterns.

1.3.1. Case selection criteria

Case study has two functions: first, in-depth description of the phenomenon in all its complexity and, second, to generalize the conclusions obtained in the result of

situational analysis of the case to other cases of the problem under study (Malyarenko, 2023, p.1) Case study as methodology is widely used in many kinds of research fields. In the context of IR research there are different types of selection criteria for a case study, the most common are: least-likely cases, most-similar and least-similar cases, combination of cross-case and over-time cases, deviant cases (Bennett & Elman, 2007, p.172-181).

Regarding selection criteria, in this study the “most-similar” approach was used. Building on the review of the academic literature, including theoretical articles as well as existing documentations and case studies of various sanction regimes throughout history, two cases have been chosen for analysis for this research. These include sanctions regimes against Iran (from 1979 onwards), and the Russian Federation (from 2014 onwards). Russia and Iran share significant structural and economic similarities while also exhibiting key differences that allow for a comparative analysis.

Firstly, these two countries are some of the most documented instances of sanctions imposed against adversarial regimes. Both Iran and Russia stand out as two of the most heavily sanctioned countries in the world, facing extensive restrictions from the same key sanctioning entities, including the United States, the European Union, and allied partners. The long-term character of both cases allows for deeper analysis of strategies applied by both target and sanctioning states as well as see short-term and long-term political and economic consequences of sanctions policy.

Secondly, drawing from the previous argument, each selected state has sought to develop alternative economic and political networks to counteract Western sanctions. Whether those were strengthening official ties with other countries or engaging in informal networks, the sole existence of these efforts allows to look closely at how such activities influence the effectiveness of the sanctions regime and how states respond to such circumvention attempts.

Thirdly, both Iran and Russia share a strong ideological and political adversity toward the West. Other famous and well-documented examples, such as South Africa, did not have the same level of antagonism to the US or the West in general, which resulted

in a different response once sanctions were imposed. Additionally, a high level of adversary between the sanctioning and target states leads to extensive efforts on the latter's part to adapt and find ways to resist the consequences of imposed sanctions rather than actively seeking ways to negotiate or make concessions soon after the beginning.

Fourthly, Iran and Russia have both historically been a major geopolitical threat to the dominance of Western-led international systems and, therefore, have been targeted as part of efforts to influence their geopolitical ambitions, namely, to curb them. This underscores the importance of these cases for international stability and the greater seriousness and commitment of Western countries in addressing them, mainly through the development and improvement of sanctions policy. To compare, North Korea has been heavily sanctioned for decades, but its extreme isolationist policies and lack of significant economic ties make it an outlier. Its adaptation mechanisms (e.g. illicit trade and self-reliance) are less applicable to other states with more integrated economies. Other cases, like Venezuela or Cuba, might lack the geopolitical significance or the variety of sanctions seen in Iran and Russia.

However, despite some key similarities, these cases illustrate different geopolitical, economic, and historical contexts, which allow for a comparative analysis of how various factors influence adaptation.

Firstly, the main distinction between the two lies in the duration of their respective sanctions regimes. Iran has been under sanctions for over four decades and therefore can provide long-term perspective on adaptation, while Russia (despite being sanctioned since 2014) has only faced its most severe sanctions since 2022, making it a case of more immediate economic and political response at the same time allowing for some long-term effects to be observed already. This allows for the analysis of both immediate and long-term adaptation strategies. It is essential to see the tendencies in the economies of target countries because exceptionally comprehensive economic sanctions are often not about short-term results, and the most disruptive effects usually can be seen when a certain amount of time has passed.

Secondly, primary objectives of sanctions differ: Iran has been targeted largely for nuclear non-proliferation reasons, while Russia faces sanctions due to its military aggression. Lastly, Russia benefits from a more diversified economy while Iran has leverage in bigger experience in building resilience economy. The two sanction regimes selected show varying degrees of success or failure in their respective adaptation strategies, enabling the identification of key factors that influence outcomes.

All in all, the similarities between Iran and Russia make them ideal for isolating key variables, while their differences show how distinct internal factors influence sanctions effectiveness.

1.3.2. Case study structure

Another outcome of the structured study of case study methodology has been the development of classifications and typologies. A significant contribution in this area is M. Yakovlev's work, which identifies four main applications of case studies in political research: theoretical-empirical, empirical-analytical, theoretical-interpretative, and empirical-interpretative approaches (Yakovlev, 2011, p.16).

This research adopts the case study method within the framework of grounded theory, where case analysis serves not merely to apply pre-existing models but to develop explanations for the phenomenon under investigation. As of M. Yakovlev's classification, the research integrates elements of both empirical and interpretative case study approaches. It examines the cases of Russia and Iran in the context of sanctions policy and their ability to adapt (comparative case study). At the same time, the goal is not only to describe the situation but also to identify the factors that influence the effectiveness of sanctions (explanatory case study). Therefore, within this approach, the results are interpreted to identify patterns while allowing for conclusions that may differ from the initial theoretical assumptions.

The case study will follow a structure similar to the one used by J. Walterskirchen and G. Wend (Walterskirchen & Wend, 2022, p.2). The foundation of the case-study is *the objectives set by the sanctioning countries* to be achieved by imposing economic

sanctions. For this, official statements made by sanctioning parties will be analysed. These objectives will be additionally categorized according to the framework proposed by Yale University scholar James Lindsay, who identifies five typical goals that sanctioning states often pursue: compliance (pressuring the target to change specific policies), subversion (undermining or removing the current leadership), deterrence (discouraging future undesired actions), international signalling (expressing disapproval and reinforcing norms on the global stage), and domestic signalling (responding to internal political pressures or public opinion) (Tsouloufas & Rochat, 2023).

The next section will follow, *describing the sanction regimes* established in each case. Here, the reports made by members of sanctions coalition will be consulted, as well as relevant legislature and policy briefs.

Further, the study will explore the *political and economic effects of imposed sanctions* on target countries as well as *adaptation techniques* utilized by them in order to diminish sanctions influence.

Economic effects will be examined through a set of core indicators, including GDP, GDP per capita, revenues, purchasing power parity unemployment rate, inflation, state budget deficit, and sectoral or industrial growth. Data will be drawn from the International Monetary Fund (IMF), the World Bank, macroeconomic reports, and official national statistics. Whenever possible, expected economic trends projected at the time of sanctions imposition will be compared with the actual economic developments observed in subsequent years.

Political consequences will be assessed through public opinion data on government support and secondary academic research.

To analyse the adaptation strategies, the study will rely on reports by analytical institutions, investigative journalism, and policy briefs published by leading think tanks.

Finally, the findings will be interpreted and compared in order to identify the *factors influencing the effectiveness of sanctions* as foreign policy tool. This synthesis will draw on the theoretical approaches to sanctions effectiveness discussed in this study and will be guided by a mixed analytical method combining elements of deductive

reasoning and qualitative meta-analysis – extracting recurring patterns and key dynamics from the available empirical material.

All in all, the study will explore key questions such as sanction evasion mechanisms, internal and external factors influencing sanction effectiveness, adaptation strategies, and the impact of the international context on sanction policies in each case. The application of this methodology will help identify factors affecting sanction effectiveness and provide an interpretation of broader patterns or exceptions.

CHAPTER 2. DEVELOPMENT OF SANCTIONS AS A TOOL FOR INTERNATIONAL STABILITY

2.1. Historical development of the practice of international sanctions

Sanctions are not a new tool, especially in the domain of foreign policy. Development of the practice of sanctions is quite comprehensive and has its roots in ancient history as well as has many turning points where the practice would change both in its means and actors who impose sanctions. One of such points is 1990s where the amount of sanctions imposition cases has risen dramatically and remains at a rising rate ever since. But there has been many more important episodes of development of this economic instrument prior to modern days which worth paying attention to. Sanctions could have born a different name, such as boycotts or blockades (some of those names are still used by some countries in avoidance of the word “sanctions”), but it was just a step in the journey of sanctions’ development as an economic tool of foreign policy.

2.1.1. Before World War I

The history of using sanctions as a tool of economic policy dates back to the Peloponnesian War, where there were documented instances of such measures as trade boycotts (such as the one imposed on Megara by Athens in 432 BCE). Moreover, it is widely believed to be a reason for the start of the war itself.

Moving forward to the 18th century, economic pressure tactics were used by American colonies during the 1760s in the form of trade boycotts aimed at contesting British taxation under the Townshend Acts (Thomas, 1987, p.135). The early 19th century brought further developments, such as Napoleon’s continental blockade of Britain and the US embargoes under President Jefferson between 1807 and 1813, which attempted to leverage trade restrictions to assert national interests without direct military conflict.

Fast-forward to the 19th century, and one will be looking at sanctions in the form of primarily pacific blockades. The term pacific blockades originated to accent the peaceful environment (not during wars) they were imposed in, unlike most naval blockades at the time (Davis & Engerman, 2003). These measures involved the deployment of naval forces of one or several countries to interrupt commercial flows of particular ports or parts of the shore of a target state. This instrument evolved into a widely used coercive tool often aimed at making countries deliver on certain financial obligations such as reparations. With time, this practice has extended to other international dispute solutions. An important feature of these dynamics was that much militarily stronger powers typically imposed such instruments, “the tendency has been to regard the practice as a measure of international police” (Davis & Engerman, 2003, p.188).

In the early 20th century, sanctions expanded further beyond state action. One such instance is the wave of Chinese boycotts against foreign goods between 1905 and the early 1930s. Triggered by discriminatory US immigration policies, and later by repeated diplomatic and territorial disputes with Japan, these often privately initiated boycotts showed the growing role of nationalism and popular mobilization in the application of economic pressure (Wong, 2001, p.565-568).

2.1.2. From World War I till the UN Charter

During World War I, economic sanctions began to take a more formalized legal character. In 1914, France adopted a decree prohibiting all trade with subjects of enemy states and nullifying any contracts made with them since the beginning of war. This move was followed by Germany and Austria cancelling contracts with nationals of enemy countries and confiscating their property. That same year, the United Kingdom passed the Trading with the Enemy Act, which banned all business relations with citizens of enemy states. In the United States similar law was enacted in 1917 when the country entered the war (Anderson, 1918, pp.363-369). This act granted the President wide powers to restrict trade and seize enemy property, a mechanism which remained influential in later US sanctions policy.

Woodrow Wilson said in 1919: “A nation boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy, and there will be no need for force. It is a terrible remedy” (Hufbauer, 1998). Sanctions, as we know them now, came with the creation of the League of Nations and the start of a proper legal discussion on the preconditions and principles of using sanctions. According to E. Borchard, Article 16th of the League's Covenant (which, at its core, required states to settle disputes peacefully) authorized collective economic and military action against a state that resorted to war (Borchard, 1937). Thus, sanctions began its way from being predominantly tool of warfare to being a tool for addressing threats to international stability and preserve peace.

One of the prominent examples of League of Nations imposing *sanctions* was *during the Italian invasion of Ethiopia in 1935*. With significant British and French influence, League imposed sanctions against Italy, though not covering all trade. Some of the strategically important goods such as coal and steel, oil were excluded. Moreover, the signals were incoherent: the message was supposed to be about punishing Italy for its actions, but concern for Mussolini allying with Hitler even more made sanctioning parties often take step back and soften the rhetoric (Jentleson, 2022, pp.40-42). In the end, Mussolini benefited from alternative trade partners such as Germany and the US (some of the League members, namely Hungary and Austria were also involved by non-compliance with sanctions) as well as ensuring significant resource stock prior to the invasion. Mussolini has also taken advantage of the situation and used sanctions to consolidate power and fuel nationalism among Italians (Jentleson, 2022, p.53-54). Looking back, Anthony Eden, British foreign minister at the time of the invasion, thought about whether “should we not have shown more determination in pressing through with sanctions in 1935, and if we had could we not have called Mussolini’s bluff and at least postponed this [Second World] war? The answer, I am sure, is yes” (Jentleson, 2022, p.54). All in all, taking into account failed sanctions against Italy as well as instances like Japanese invasion of Manchuria in 1931 where League could not agree on any economic sanctions at all, League of Nations has proven its inability to ensure the collective security it was supposed to maintain.

2.1.3. Since the UN Charter

The main actor for imposing sanctions in this period was *the United Nations*. In the UN Charter, one of the most important modern sources of international law, the relevant sanctions' utilization articles are 2(4), 39, 41, 42, 43, and 46, as well as Uniting for Peace Resolution (1950). The underlying idea was that partial or complete interruption of economic relations would neutralize the risk for international order posed by the target state and restore peace. Exactly the first case of the UN using sanctions (against Rhodesia) gave way to early systematic analyses of such economic policies and their effects (Galtung, 1967). However, as was common within early sanctions research, conclusions regarding effectiveness were rather negative. The United Nations imposed sanctions only five times between 1946 and 1990: against North Korea, South Africa, Portugal, Rhodesia, and Iraq.

For instance, British and UN Sanctions against Rhodesia in 1965-1979 has been regarded as a failure by one group of scholars, and as a success by another. The middle ground here would be that the sanctions had their weakening effect, but it is hard to judge whether sanctions alone, without military force, would have been sufficient to bring about regime change. Nevertheless, UN sanctions were often recognized as having played a crucial legitimizing role which allowed guerrilla forces to gain a stronger position (Jentleson, 2022, pp.58-62) .

Marked by the end of the Cold War, the collapse of the bipolar world order gave way to more liberal use of economic sanctions. They started to be widely used against countries that came to be known as "rogue states" (Ghodoosi, 2015). The term "rogue states" gained prominence in US political discourse in the 1990s, referring to regimes viewed as authoritarian, aggressive, and threatening to global peace. According to the 2002 US National Security Strategy, such states are characterized by brutal treatment of their people and exploitation of national resources for the personal gain of rulers; disregard for international law, threats to neighbours, and violations of signed agreements; pursuit of weapons of mass destruction and advanced military technology

for intimidation or aggression; support for global terrorism; rejection of fundamental human values.

Furthermore, the frequency and diversity of sanctions increased significantly. While the UN imposed sanctions only twice before the Cold War, more than 20 sanctions regimes were established in the post-Cold War era. Between 1990 and 2023, sanctions were applied to various countries, including Iraq, Yugoslavia, Liberia, Haiti, Angola, Rwanda, Sierra Leone, and Somalia (ICPS, 2019).

As of particular cases, UN sanctions on Iraq in 1990s due to invasion of Kuwait were “the most comprehensive economic measures ever devised by the UN” (Cortright & Lopez, p.37). Sanctions caused a serious humanitarian crisis, which called for creation of humanitarian programs to provide some relief and avoid famine. Overall, economic measures did limit military capabilities and procurement of arms, though it is hard to judge whether they could have reversed Iraq’s occupation without military intervention.

Armed conflict resolution has been among the most frequent objectives of UN sanctions practice. Sanction against Liberia in 1992–2016 serve here as a relatively successful case. Initial measures included a general arms embargo, later expanded to diamond and timber export bans, travel restrictions, and asset freezes targeting Charles Taylor’s regime. As the situation stabilized under President Johnson Sirleaf, sanctions were gradually eased for the government while remaining in place for insurgent groups. While sanctions caused economic hardship, they are widely seen as contributing to stabilization when combined with peacekeeping, judicial, and financial support (Vines & Cargill, 2010, pp.57-60). In contrast, UN sanctions in the Sudan and Somalia cases, both characterized by prolonged civil wars, have showed more limited outcomes. In Sudan, the arms embargo was largely ineffective in curbing the violence perpetrated by both government forces and armed militias. Similarly, in Somalia, the arms embargo on both government and insurgent forces led to unintended consequences, with weapons often diverted to groups opposing the internationally recognized government (Musau, 2021, pp.4-6). All in all, the lesson here was that sanctions can inadvertently fuel conflict by disrupting the flow of resources while not addressing the root causes of instability. One

more difficulty if the enforcement of sanctions in regions with fragmented or shifting power dynamics.

Despite the activities of the Security Council, there have been sanctions practices outside the UN. Among *the unilateral sanctions* used as instruments of foreign policy, one of the earliest post-war examples was the economic boycott introduced by the Arab League in 1945 against goods produced by the Jewish population in Palestine, which was later extended to Israel after its establishment. This boycott remained in place for decades before gradually losing momentum in the late 1980s. In 1948, the USSR and its Eastern European allies imposed a trade embargo on Yugoslavia through COMECON (Council for Mutual Economic Assistance) after the ideological split between Stalin and Tito. This boycott lasted until relations were restored in 1955 (Muir, 1974, p.189). Another case of unilateral sanctions occurred in 1951 when the United Kingdom responded to the nationalization of the Anglo-Iranian Oil Company by Iran. The UK implemented a full embargo on Iranian goods and froze Iranian assets. This move has not become the reason for the overthrow of Mossadegh's government, but it did put substantive economic pressure.

It is important to note that although the term “sanctions” is most commonly used by Western countries or international organizations, this does not mean that only these actors have employed economic tools to pursue political goals—or that similar actions have not been described using different terminology. For instance, Arab states have threatened economic measures against Canada and others to deter the relocation of embassies from Tel Aviv to Jerusalem. Similarly, the United States sought to isolate the People's Republic of China, North Korea, and North Vietnam by restricting economic engagement. In 1973, Arab states also used oil embargoes to pressure Western countries to change their stance on Israel. These actions—whether labelled as sanctions, boycotts, embargoes, or restrictions—all involved the strategic denial of economic relations for political purposes and reflect the core logic of what is now commonly understood as sanctions.

The leadership of *the United States* in global sanctions policy began to take shape after the Second World War. While the US has imposed trade restrictions earlier, its entry into the global sanctions arena intensified with the Cold War. Between 1960 and the 1990s, the global tendency of sanctions' use was very US-centric, with the United States imposing sanctions mostly unilaterally. Trade restrictions on communist bloc and China with special emphasis on sensitive technologies as well as sanctions on Cuba have been the most prominent examples of this period. However, in the 1990s, the greater part was imposed by groups of countries, governmental coalitions that, nevertheless, consisted of Western countries and were led or largely influenced by the United States (Jentleson, 2022).

Question of why one frequently encounters the US in the centre of sanctions policies can be addressed from different perspectives. First, the US sanctioning rate has risen sharply after the beginning of Cold War making the Americans absolute global leaders in sanctions imposition, accounting for 67.2 percent of the world total (Jentleson, 2022, p.76). This can be attributed to the American international interests gaining a far more global character. Second is the US economic leadership after the World War II which gave it the means of realizing its global interests through economic instruments of statecraft. And third, American ideology and politics, which has global democratic principles and values promotion at its core when it comes to foreign policy. With this perspective, there have been cases of sanctions against communist and Islamist regimes (e.g. Soviet Union, China, Iran etc.), dictatorships and violators of human rights (e.g. Libya, Syria, South Africa) and military coups (e.g. Argentina, Myanmar, Chile). Sanctions, in this context, have also become a domestic political tool used to appeal to public opinion and signal resolve, even when the sanctions themselves may prove ineffective in practice.

The European Union (EU) has also become a prominent actor in imposing sanctions as part of its Common Foreign and Security Policy (CFSP). The first major collective sanctions date back to the European Community (EC), which imposed sanctions against the Soviet Union for the invasion of Afghanistan. EC was first to put the arms embargo in place after the Yugoslav wars started in 1991, before the UN or US

did. After the Maastricht Treaty was signed, now EU found itself in the position where it had far more authority for common foreign policy. So it started to impose sanctions of its own, though they often overlapped with UN or US sanctions. For EU the primary objective for imposing sanction has been democracy promotion. Among others are conflict resolution, support for international law, non-proliferation and countering terrorism. The 2010s saw a further expansion of the EU's sanctions regime, with measures targeting countries like Iran, Syria, and Libya, addressing issues ranging from nuclear proliferation to internal repression. A significant escalation occurred in 2014 following Russia's annexation of Crimea, leading the EU to impose comprehensive sanctions against Russia (EU, 2024). As of the time of writing, the EU has implemented 45 sanctions regimes targeting various countries, organizations, and individuals (Bonifassi et. al, 2024).

2.1.4. Modern sanctions' practice dynamics

Image 2.1 based on the data from Global Sanctions Database shows the sanctions' imposition dynamic throughout the period from 1950s till 2023. The sharp increase in quantity of active sanctions cases observable since 2022 illustrates the massive impact of Russia's full-scale invasion of Ukraine in February 2022.

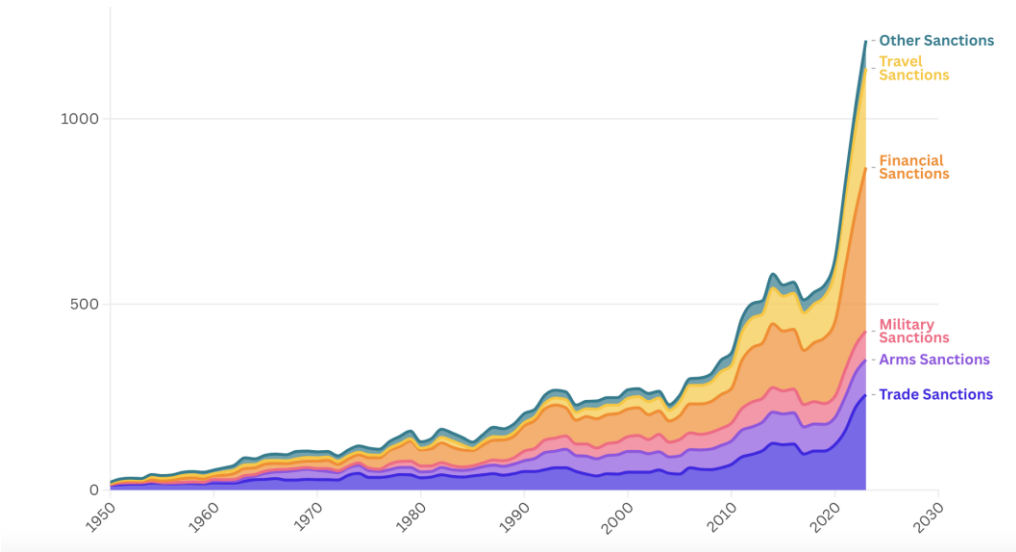


Image 2.1. Sanctions imposition dynamic 1950-2023. Source: Global Sanctions Database

The overall number of imposed sanctions has doubled in the 1990s and 2000s compared to the 1950-1985, and by the 2010s had doubled again. By 2020 the number of sanctions cases has doubled again, with observable increase since 2013-2014, by large due to Russian annexation of Crimea and aggression in Donbas taking place. The most recent dynamic shows even more extreme picture: the number of cases of sanctions grew by 95% in three years (2020-2023), again, largely due to the Russian full-scale invasion of Ukraine (Global Sanctions Database, 2025).

This increase, however, may seem counterintuitive, as it has not been accompanied by proportional rise in sanctions effectiveness. Studies by the Peterson Institute and scholars like Hufbauer et al. have shown declining success rates for sanction since the Cold War period (Elliot, 1997) (Hufbauer & Oegg, 2003, pp.307-310). While the effectiveness remains limited, with “smart” sanctions (see 2.2.) failing to bring about necessary change despite high aspirations, economic sanctions have become one of the central tools of governments’ foreign policy. Sanctions conveniently allow a “middle ground” between pure diplomatic efforts and outright military action.

However, lack of coordination between sanctioning parties, coupled by growing diversity in the character and scope of sanctions, make it harder to ensure proper enforcement and compliance. Meanwhile, target states have increasingly responded with countermeasures, often in the form of reciprocal sanctions. This pattern is especially relevant, given that there are now bigger economic players among target states (such as Russia and China), which possess greater capacity to impose retaliatory costs on sanctioning states. For example, in response to EU and US sanctions, Russia banned agricultural imports from several Western countries in 2014, affecting billions in trade (Kraatz, 2014, pp.2-4).

As a result, the risk of a “*sanctions inflation*” in international relations becomes more plausible – where the sheer volume of sanctions rises exponentially, while their overall coercive power diminishes. This concern aligns with some of the theoretical findings, which state that the threat of sanctions – not their implementation – can serve

as a tool of influence (Drezner, 2003). But once sanctions are imposed and continue to pile up without achieving their objectives, their effectiveness tend to decrease.

An additional modern dynamic is the *growing involvement of major global economies as both targets and initiators of economic pressure*. China, in particular, has significantly expanded its economic statecraft toolkit. While Beijing rarely uses the term “sanctions”, it increasingly deploys coercive economic actions that function similarly in practice. Examples include the informal restriction of Australian coal imports in response to its “anti-China rhetoric”, prohibition for Chinese companies to do business with or export dual-use goods to several American defence companies, as well as Chinese use of economic coercion tools in response to US-South Korean Missile Defence System Deployment (THAAD), namely against South Korean businesses, groups, and individuals (Garver, 2025) (Meick & Salidjanova, 2017) (Jaramillo, 2023).

China’s avoidance of the term “sanctions” is not accidental. By framing its economic pressure as administrative or regulatory actions, China preserves strategic ambiguity and reduces the likelihood of immediate escalation. Despite this, recent years show a growing willingness to impose materially damaging measures rather than sticking to pure signalling. China has begun to adopt more institutionalized forms of economic measures, by introducing a series of laws which strengthen the capacity to respond to foreign restrictions. These include the Unreliable Entity List, the Anti-Sanctions Law, and revised Export Control Laws.

The use of economic instruments for political purposes is not a new phenomenon. For instance, Russia has long practiced it – evidenced in the so-called “cheese war” and “chocolate war” with Ukraine, and in its pressure on Armenia, where the Russian sanitary inspection agency banned Armenian wine under dubious pretexts (Ivakhnenko, 2013) (Erman, 2023). Yet the intensity and scale of such practices become particularly significant when they are adopted not only by authoritarian or revisionist states but by major Western democracies (such as the US), which publicly support the rules-based international order. When economic coercion becomes normalized in this context, the legitimacy of that order itself may be questioned.

Prominent example here is US foreign policy strategy of the second Trump administration. Traditionally, tariffs were considered purely economic tools – mainly used to protect domestic industries or manage trade imbalances. However, recently tariffs began to be used more frequently as instruments of political pressure rather than crisis-driven regulation. One notable example is the imposition of tariffs on Canadian and Mexican goods, which were later revoked following a border-related agreement—indicating that the tariffs had little to do with trade imbalances or domestic industries and were instead deployed as part of a political negotiation strategy (Boak, Sanchez & Gillies, 2025). While sanctions have always operated at the intersection of economic and political logics, the politicization of tariffs blurs these boundaries further. The increasing use of such tools to pursue political goals—especially by major economies like the United States—raises concerns about *the erosion of norms within the international economic system*. It also prompts reciprocal actions: even if initiated unilaterally by the US, these tariffs often provoke countermeasures, pushing other countries to adopt similar practices. Over time, this risks turning into a broader international trend—normalizing retaliatory tariffs as a tool of statecraft, which could be both dangerous and counterproductive.

To conclude, several patterns can be observed from the historical practice of sanctions. First, *their effectiveness is rarely absolute—it is typically a matter of degree*. While sanctions often fall short of achieving all stated goals, they have succeeded in exerting economic pressure, signalling international disapproval, and weakening targeted economies. Even the most "successful" cases have come with trade-offs. Second, *sanctions alone have never been decisive*; their impact depends heavily on broader policy context and complementary strategies. Third, *multilateral sanctions are not necessarily more effective*. Although institutions like the UN lend normative weight, individual states—particularly powerful ones like the US—can either strengthen or undermine collective regimes. Fourth, *sanctioned states almost always deploy countermeasures*—political (e.g., rally-round-the-flag effects) or economic (e.g., import substitution) Finally, *third parties have often played a decisive role in these counterstrategies* by allowing target states to build alternative supply chains and thus mitigate the effect of sanctions. These long-standing patterns are now compounded by new dynamics – such as *the*

exponential rise in sanctions since 2014 and especially since 2022 because of the Russian full-scale invasion of Ukraine, which brought about the risk of “sanctions inflation”; increased involvement of major global economic players as target states; and increase in cases of *weaponisation of economic instruments* by both authoritarian and democratic regimes.

2.2. Evolution of sanctions mechanisms and enforcement strategies

Having touched upon the history of sanctions’ practice and main milestones in the dynamics of their implementation, it is important to look into how sanctions mechanisms have changed throughout the years. Moreover, how evolution of enforcement and compliance mechanisms took place and how modern global sanctions’ system came to be.

2.2.1. From blunt instruments to targeted tools: early evolution and post-Cold War transformation

In earlier centuries, blockades, embargoes, and trade restrictions were common forms of economic coercion, typically used in conjunction with or in preparation for armed conflict. Therefore, these measures were largely understood as less costly forms of punishment or leverage but rarely envisioned as mechanisms to prevent war or maintain peace.

Notion of sanctions as an alternative to warfare took root in the early 20th century, especially in the aftermath of World War I. Envisioned as a form of “peaceful coercion”, sanctions became to be perceived as tools capable of maintaining international order through economic means. This logic was embedded in practices of League of Nations.

However, early attempts to implement sanctions revealed a conceptual gap between aspiration and reality. Limited scope and lack of enforcement of sanctions against Italy in 1935 showed the consequences of relying on voluntary coordination among states with

different interests. At the time, sanctions were *country-based, as well as followed linear logic* - expecting that economic costs would automatically produce political compliance. Yet these assumptions often proved unfounded. In an age of mass politics, especially after World War I, country-based sanctions, when entire societies became potential targets, the reaction was hard to predict: sanctions could bring about some stabilization (Balkan wars in 1920s) or strengthen the regime instead (the Soviet Union).

The US oil embargo against Japan in 1941 followed leading to escalation of the conflict. Sanctions were still largely seen as *blunt instruments*, lacking differentiation or attention to targeting.

The Cold War, namely the establishment of the *Coordinating Committee for Multilateral Export Controls (COCOM)* in 1949 symbolized the beginning of more structured multilateral approach to economic restrictions. COCOM was an informal coalition of Western allies aimed at restricting the export of military and dual-use technologies to the Soviet bloc. It institutionalized export controls as a key tool of containment policy (Kang, 1990, pp.44-45). However, COCOM relied on decision-making by consensus which made it hard to respond quickly. Besides, its enforcement was decentralized and uneven.

About 60 percent of sanctions in 1950s were trade or arms embargoes which were mostly imposed to destabilise political regimes or influence military conflict, with the US being the main power in sanctioning process (Morgan, Syropoulos & Yotov, 2023). As early as in 1970s the absolute economic hegemony of the US came to an end, with Europe and Japan recovering and starting to take part in sanctions policies more actively. Despite this, the US remained the main actor in sanctions imposition and continued to broaden its legislation in the matter. The International Emergency Economic Powers Act of 1977 authorized the US president to regulate economic transactions after a declaration of national emergency. “This law became “all-purpose” statute for US sanctions” and was quite radical turn, contradicting customary international law at the time (Hufbauer, 1998).

The end of the Cold War marked a turning point. The 1990s became known as “sanctions decade” due to the frequency of sanctions use which remained stable and at

historically high levels (Cortright & Lopez, 2000). UN sanctions regime against Iraq during 1990s led to the humanitarian catastrophe and triggered a normative and policy-level reckoning. The case showed how overwhelming economic pressure could devastate civilian population without producing regime change.

In response to this, policymakers and scholars developed a new approach – “*smart sanctions*” – which aimed at targeting individuals, entities, or specific sectors responsible for norm violations, thus minimizing collateral damage (Drezner, 2011). This led to a broader transformation of sanctions’ perception: from punishment to containment, from visibility to precision, from economy-wide suffering to financial network disruption.

2.2.2. *Professionalisation and institutionalisation of sanctions regimes (2000s–2014)*

The 2000s marked another shift in how sanctions were conceptualized and operationalized. Central for this period was the development of institutional infrastructure capable of designing, coordinating, and enforcing sanctions regimes across different jurisdictions. It is worth noting that some of these institutions have been introduced back in the 1990s but faced proper development later.

Sanctions alone, in the form of laws and regulations, proved insufficient to ensure their effectiveness. As the use of sanctions grew—particularly multilateral sanctions imposed by groups of states or international organizations—it became necessary to develop enforcement strategies and establish specialized institutions. These institutions were tasked with overseeing the implementation and monitoring of sanctions to ensure compliance and effectiveness.

In the United States, the Office of Foreign Assets Control (OFAC), although established in 1950, gained unprecedented prominence during this period. In the aftermath of the September 11 attacks and the passage of the USA PATRIOT Act in 2001, OFAC's role was further expanded. The Act allowed for the designation of individuals and entities with suspected ties to terrorism. Thus, it broadened the scope of sanctions beyond traditional state actors to include non-state actors, financial institutions, and

networks involved in money laundering and terrorism financing. Moreover, *principle of extraterritoriality* – application of domestic law beyond borders - became a defining feature of US sanctions policy, particularly through the use of *secondary sanctions*. These measures target third parties engaging with sanctioned actors and thus extend the reach of US regulations to foreign entities and globalize enforcement mechanism (Meyer, 2009, pp.1-4). The US has been known for secondary sanctions – starting with the Iran and Libya Sanctions Act of 1996, which prohibited foreign companies from investing in the Lebanese and Iranian energy sectors, and the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996, which prohibited foreign companies from dealing in property confiscated by the Cuban government (Lewis, 2021).

The EU, however, has historically resisted the phenomenon of secondary sanctions in international law and has not used them as an instrument in its own sanctions regimes. Moreover, the EU adopted a directive in 1996 that gave member states the right to take measures to protect citizens and companies from the extraterritorial impact of the laws of third countries – a de facto non-recognition of secondary sanctions as an instrument, both by other states and in its own practice.

Nevertheless, in 2000s the European Union worked on its own sanctions infrastructure under the Common Foreign and Security Policy (CFSP). These efforts were aimed at improving the mechanism for collective decision-making and legal precision. Sanctions became embedded in EU external policy toolkit in various forms such as travel bans, asset freezes and trade restrictions (Jentleson, 2022, pp.184-186).

The rise of financial sanctions in this period led to the emergence of global enforcement and monitoring networks. The Financial Action Task Force (FATF), founded in 1989 by the G7, played a role of setting standards for anti-money laundering and counter-terrorism financing, although FATF was not a sanctioning body itself. In the end, the use of financial infrastructure itself as a sanctioning vector was a crucial innovation of 2000s. Asset freezes became more systematic and now were enforced through real-time monitoring systems integrated into the compliance operations of banks and multinational corporations. The SWIFT network – core messaging system for

international financial transactions – emerged as a key battleground. Exclusion of Iranian banks from SWIFT in 2012, for instance, effectively disconnected Iran from global financial markets and served an example of how access to critical financial infrastructure can be weaponized in globalized economic system (Nephew 2017) (Katzman, 2015).

Overall, sanctions came to be seen as core elements of national and international security strategies. They were increasingly used to disrupt the financial lifelines of terrorist networks, constrain nuclear proliferation, and deter cyberattacks (Elliott and Hufbauer 1999) (Choi & Luo, 2013). Transformation to security instruments also justified the use of aggressive enforcement measures, including surveillance of banking activity and penalization of non-cooperative jurisdictions. Their legitimacy no longer relied solely on state sovereignty or multilateral consensus, but increasingly on their perceived effectiveness in upholding international norms and containing systemic threats.

2.2.3. Russia as a turning point: toward long-term, coordinated, and strategic sanctions (2014–2021)

The response from the international community to the Russia's annexation of Crimea in 2014 was the imposition of sanctions that targeted key sectors of the Russian economy, mostly its energy, defence, and financial industries. Notably, these sanctions were not merely punitive but also designed to impose long-term economic pressure and influence Russia over an extended period. While sectoral and technological sanctions were definitely a step forward from traditional sanctions, they often lacked the necessary precision and sustained pressure to reach their goal, especially in the face of such resilient actor as Russia (Drezner, 2019).

One of the key features of the sanctions regime against Russia was the emergence of the “*cost imposition*” strategy, which was supposed to create persistent economic hardship by targeting Russia's government and core economic sectors. Sanctions were focused on restricting access to advanced technologies, which could slow Russia's economic development in the long-term in such areas as oil and gas extraction and military production (Ashford, 2016, p.114). Some of the Russian entities involved in

military production were targeted by asset freezes and restrictions on the imports of dual-use technologies. Sanctions also targeted Russian banks which had links to defence sector. However, while the sanctions had an impact on Russian ruble and inflation rates, they did not achieve its main goal – it did not stop Russia from escalation of its military aggression towards Ukraine (Ashford, 2016, pp.115-118). The enforcement mechanisms remained disjointed, while compliance and monitoring were facing challenges as well.

As for the EU, it had limited experience in sanctions enforcement beyond the Iran regime (Immenkamp, 2024). Between 2014 and 2021, several EU members conducted no investigations at all into violations of sanctions regimes. For instance, in Germany only 14 cases related to the 2014 Russia sanctions progressed to criminal proceedings (Bonifassi, Fedorova & Bastien, 2024). Major enforcement actions in that period were rare – such as a 30 million DKK fine against Dan-Bunkering for supplying aviation fuel to Syria, and a 50 000 pounds penalty against TransferGo for processing payments to a sanctioned Russian bank (Bonifassi et al., 2024).

At the same time, US continued to develop its legislature. In 2016 the Global Magnitsky Act was passed with bipartisan support. At the beginning it targeted Russians involved in the death of dissident Sergei Magnitsky, but it quickly became a universal instrument for targeting human right violators around the world (cases included Turkey, China, Myanmar, Nicaragua and others). Interestingly, in 2020 the EU adopted an analogy of the Magnitsky Act – Global Human Rights Sanctions Mechanism (EEAS, 2021).

As for the United Nations, the negative implications of veto power in Security Council were evident more than ever. This influenced UN's capability of building credible enforcement bodies too: Panels of Experts and Monitoring Committees, despite being effective in some cases, were undermined by veto power holders as China and Russia.

Overall, the period from 2014 to 2021 marked a shift toward long-term, much broadly coordinated sanctions regimes. Sectoral sanctions came to the centre of pressure

mechanisms after narrowly targeted sanctions proved to have limited effects on such big economic players as Russia.

2.2.4. Post-2022: enforcement revolution and the rise of sanctions diplomacy

The full-scale Russian invasion of Ukraine in 2022 marked both the record number of sanctions and an unprecedented level of coordination among the US, EU, UK, Canada, Japan and other members of sanctions coalition. Post-2022 period has shifted the focus from the design of sanctions to enforcement. This, in turn, allowed for the biggest ever attention paid to enhancing existing institutions and their functioning.

The United States played a central role in building the coordination platforms among sanctioning states. One of the first was the REPO Task Force, launched in March 2022 by the US, EU (and several of its member states), UK, Canada, and Australia. The initiative was led by the US Departments of Treasury and Justice, with support from agencies like FinCEN (Financial Crimes Enforcement Network) (US Department of Treasury, 2022). Since its launch, REPO has frozen or seized over \$58 billion in assets belonging to sanctioned Russian individuals, including bank accounts and other economic resources (Canada Department of Finance, 2023).

In September 2023, the Export Enforcement Five was formed – comprising the US, UK, Australia, Canada, and New Zealand. Operationally based within the US Department of Commerce's Bureau of Industry and Security (BIS), the group's main objective is to restrict the flow of military and dual-use items to Russia (Falsone & Pismisoglu, 2023). It maintains a Common High Priority Items List (CHPL) of 50 Harmonised System (HS) codes linked to critical weapons components. Notably, CHPL is now being used even by non-sanctioning third countries as a reference point to reduce risk exposure (Lowell et al., 2023).

Simultaneously, the US created task forces with a global scope but domestic legal basis. Task Force KleptoCapture, launched in March 2022, targeted sanction evasion and asset confiscation linked to Russian elites. It has seized and forfeited nearly \$700 million in assets linked to Russian actors and brought charges against more than 70 individuals

for sanctions and export control violations (US Department of Justice, 2022). Disruptive Technology Strike Force was formed to prevent sensitive US-origin technologies from reaching authoritarian regimes. It has charged 34 defendants across 24 cases related to export control breaches, smuggling, and intellectual property theft concerning Russia, China, and Iran (US Department of Justice, 2022) (US Department of Justice, 2024).

A major step forward for the EU was that it agreed to criminalise sanctions evasion across all member states. Directive 2024/1226, adopted on 24 April 2024 and entering into force on 20 May 2024, requires all EU countries to harmonise their national laws to include criminal penalties for sanctions violations by May 2025 (Csonka, 2024). Overall, in the span of three years, the EU has moved from fragmented enforcement across 27 jurisdictions to a near-unified legal framework. This transformation also included an incremental shift towards extraterritorial application of its sanctions – a stance the EU has historically rejected. For instance, the EU’s 11th sanctions package introduced a legal mechanism to restrict exports to third countries that systematically enable sanctions circumvention (EU Commission, 2023). The 13th sanctions package included for the first time Chinese companies proven to supply Russian military end-users (EU Commission, 2024). Additionally, the EU now requires parent companies based in the EU to ensure their non-EU subsidiaries do not engage in activities that would defeat the purpose of sanctions. The 14th EU sanctions package included the possibility of a blanket prohibition on transactions with financial and crypto service providers in third countries if they are found to be involved in transactions that support the export of dual-use goods and other controlled items to Russia – a provision echoing the US Executive Order 14114 (EU Commission, 2024) (Fayhee et al., 2024). Within the EU Council, the RELEX Working Party (Sanctions Subgroup) is tasked with ensuring consistency in implementation by facilitating the exchange of best practices and adoption of joint guidance. Table 2.1 illustrates the main modern international platforms for sanctions coordination.

Title	Date of creation	Activity description
Task Force on Russian Elites,	March 2022	One of the main multilateral platforms for coordinating sanctions against Russia. It includes

Proxies, and Oligarchs (REPO)		the G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States), as well as Australia and the EU.
Price Cap Coalition	December 2022	A coalition including the G7 countries, the EU, Australia, and New Zealand has imposed a price cap on Russian oil (\$60 per barrel) to limit Russia’s revenue from energy exports. The group is also working to counter the shadow fleet that Russia uses to evade sanctions.
Global Export Control Coalition	February 2022	A coalition comprising the G7, the EU, Iceland, Norway, Switzerland, Liechtenstein, Australia, New Zealand, South Korea, and Taiwan coordinates export controls to restrict Russia’s access to advanced technologies, including semiconductors and military components. Its goal is to weaken the technological capabilities of Russia’s economy and armed forces.
Export Enforcement Five (E5), acts in coordination with Global Export Control Coalition	June 2023	A partnership among five countries—Australia, Canada, New Zealand, the United Kingdom, and the United States—aimed at coordinating export control efforts to safeguard national security and counter evasion of trade restrictions, particularly those targeting Russia and Belarus in response to Russia’s invasion of Ukraine. Building on the foundation of the “Five Eyes” intelligence-sharing alliance, the Export Enforcement Five (E5) formalizes cooperation in the field of export controls by leveraging the countries’ shared legal traditions and security priorities.

Table 2.1. Main international platforms for sanctions coordination

Sanctions diplomacy, has been especially active since 2022, namely diplomatic pressure exerted at third countries which are used by target states to circumvent

restrictions. The US has exerted diplomatic pressure on countries like Turkey, the UAE, Kazakhstan and China, encouraging them to comply with the international sanctions regime. A clear example is the recent visit of senior US officials to Kazakhstan, where the American side raised concerns about the country's compliance with global sanctions.

One key challenge of this new era of sanctions is the *fight against circumvention strategies*. Parallel imports, shell companies, and third-country rerouting are some of the main methods for target states to circumvent sanctions. Another challenge lies in the *overwhelming number of active sanctions*, which makes it increasingly difficult to ensure proper enforcement. For such actors as the EU the absence of specialized sanctions organ (for instance, like OFAC in the United States) leaves much of the responsibility for enforcement on member-states, which often have divergent levels of commitment to or resources for overlooking proper compliance.

2.3. Factors affecting sanctions' effectiveness and sanctioned countries' ability to adapt

History of sanctions' practice and evolution of enforcement strategies have provided scholars with various insights into which factors affect the effectiveness of these tools the most.

Looking at the work of G. Hufbauer, J. Schott, and K. Elliott, one is going to make an interesting and somewhat unexpected finding: economic sanctions are more effective than is claimed by the literature. After analysing a database of 116 sanctions cases, they concluded that 35 percent of them would fall under the category of successful, with less than 30 percent being recognized as a complete failure. The rest of the cases were identified as somewhere in the middle, in the other two categories designed by the authors. This study's findings do not entirely overturn the many theorists' positions on the often ineffective sanctions. However, it does raise a question about the fairness of statements such as those about sanctions failing inevitably all the time. Daniel Drezner

(1999), Professor of International Politics at Tufts University, in his book “The Sanctions Paradox: Economic Statecraft and International Relations”, turns the discussion into how one should define whether economic sanctions are effective or not. In his view, the mere question of “Do sanctions work?” simplifies the issue too much. “Most studies have assumed that the objectives of economic sanctions were to return to the status quo that prevailed prior to the act of aggression that brought the sanctions about. In reality, the aims of sanctions have been consistently less ambitious” (Daoudi, 1983, as cited in Drezner, 1999, p.18).

Therefore, when examining particular cases of such economic policies, it is important to properly assess the objectives and overall difficulty of the change the sanctioning entity is trying to enact.

The effectiveness of sanctions and aspects influencing them are inevitably connected to the aforementioned theories of cost-benefit assessment. For instance, in the domestic politics approach, if the target country violates the norms of international order, the sender countries' citizens will feel the desire to do something about it. When the costs of both not doing anything and using the military to “do something” are too high (which often is the case), economic sanctions appear as an appealing option for policymakers (Drezner, 1999, pp.2-3).

It is here that the concept of sanctions as signals gains importance. Just as the mobilization of troops can signal that the sender's demands are better be met or the action will follow. Economic sanctions can be interpreted as different types of such signals. In this school of thought, it is common to consider sanctions not as the direct cause of concessions but as a signal of military power, which, depending on the ability to pose a significant threat, would make the target state comply. However, D. Drezner (1999) highlights the condition for such an economic signal to be costly to the sender to have a higher chance of bringing effective deterrence to the target entity.

When discussing domestic politics and public opinion, it is worth mentioning a big part of the scholarly debate on the connection between sanctions, democracy, and democratization. Following the theory on economic sanctions influencing the general

public, which would, in turn, encourage the government to change its policies, it is important to note that public pressure is of higher importance to those leaders for whom electoral outcome is a priority. Therefore, the political regime in both sanctioning and target states is often considered a factor contributing to the outcome. Moreover, sanctions are often considered counterproductive regarding democratization in target states. Because of the pressure put on the business sector and trade exchange routes, the government and the military become central or even sole actors in the state economy. Additionally, “the external threat in the form of sanctions would be constantly invoked and utilized by targeted states to oppress the opposition” (Ghodoosi, 2015, p.9). The so-called “rally around the flag” effect is often mentioned in discussions on factors such as collective national identity, national feeling, religion and ideology, and their role in the target state's social and political environment. That is because any of these factors can thoughtfully contribute to the ability of the government to resist sanctions pressure (at least in the aspect of public discontent with its consequences as a threat to governmental legitimacy and power). Moreover, sanctions can become counterproductive if the government succeeds in uniting the public anger and funnelling it onto the “external enemy”, which in this case would be the sanctioning state (Pala, 2021, p.249).

If the population can be managed or controlled by the government, the chance of sanctions' effectiveness increases when pressure is put on the general public and government elites. The magnitude of sanctions' “reach” can also be approved by the cooperation between two or more sanctioning entities. Such a strategy additionally brings to the table the decrease in the number of ways of building different networks by target states intending to restore disrupted supply chains. Such a strategy does not necessarily assume the presence of a coalition of sanctioning states. As is often the case with sanctioning “rogue states”, any support or trade operations with the target state will inevitably bring consequences – mainly some form of punishment by the international community (Pala, 2021, pp.249-251). At the same time, the bigger the coalition of sanctioning states – the looser the system, where the control for shared measures and harmonization of policies becomes a more challenging task, sometimes creating “loopholes” both in legislation and practice. Besides, the so-called “black knight

countries”, ready to assist target states with building alternative supply chains, are still very much in the picture, causing big trouble for sanctions’ effectiveness (often even despite secondary sanctions). Such countries themselves often have a sceptical stance or are against the dominant international order (Ghironi et al., 2024).

One of the leading US scholars in sanctions field, Professor at Duke University, Bruce Jentleson (2022) makes a valuable contribution to the discussion by emphasizing such factors as interdependence/vulnerability equilibrium, psychological factors and timing. The anticipated sanctions’ result is tied to the trade volume between sanctioning and target states prior to sanctions imposition. The statistics provided by EU Institute for Security Studies (EUISS) shows that when the proportional trade linkage surpasses 10%, the success rate of sanctions increases to 50% (Missiroli, 2015). Psychological factors also play a significant role in how target states respond to sanctions. The unpredictability of when sanctions will be imposed, or the specific types of sanctions chosen, affects the target state's ability to prepare. Additionally, the perceived credibility of the sanctioning party, based on its past actions, influences whether the target state will comply with demands or seek ways to adapt and circumvent the sanctions (Jentleson, 2022). Finally, by the same observations of EUISS, 40% of success rate occur within the first year of sanctions in place, whereas 60% of failure endure for more than three years (Missiroli, 2015). This emphasizes the importance of timing in sanctions policies: the more time the target state has to build up resistance practices and adapt – the harder it will be for sanctioning state to achieve the favourable result. Additionally, the longer target state resists sanctions, the stronger becomes the public and governmental belief that sanctions can be overcome (Jentleson, 2022).

Professor of Political Science at the University of Memphis, Dursun Peksen (2019), in his analysis of the literature on sanctions’ effectiveness, highlights the importance of context in each particular sanction’s case, which is often disregarded in quantitative studies of sanctions’ effectiveness. Sanctions are often accompanied by other instruments and measures, such as diplomatic pressure, to achieve foreign policy objectives. Moreover, the mere existence of “smart” sanctions, which target financial systems, business activities, and particular individuals, serves as proof in itself that sanctions’

effectiveness is dependent on critical assessment of numerous side factors and conditions (Smeets, 2018). Therefore, there is a need for a deeper analysis and a more complicated approach to answering the question “Do sanctions work?”: an example of this is a perspective of combining quantitative and qualitative methods to control for any contextual differences between different cases.

According to the existing scholarly literature, these are some of the most common factors influencing sanctions' effectiveness. A large number of hypotheses and theories inspired this research to contribute to a deeper analysis of the cases of sanctions imposition to identify target states' adaption strategies and factors contributing to the success of these strategies.

CHAPTER 3. SANCTIONS REGIMES IN RUSSIA AND IRAN

3.1. Case of Russia: the price of hesitation and the mastery of circumvention

The case of the Russian Federation has become a critical moment in the evolution of sanctions policy, highlighting how gradual escalation and delayed collective action shaped the trajectory of the most extensive sanctions regimes in modern history.

3.1.1. First wave of sanctions

International sanctions regime against Russian Federation was established in 2014 as a response to Russian annexation of Crimea and starting the war in Donbas region. When Russian soldiers occupied Crimea, main sanctioning parties - the US and the EU – as well as other allies of newly formed sanctions coalition reacted with “targeted sanctions” which hit selected individuals with travel bans and asset freezes. When the annexation happened on March 18, total of 37 countries imposed additional sanctions in response to Russian breach of the international law. These sanctions remained targeted in character, aimed at individuals and companies.

The first significant escalation happened on July 17 when a civilian Malaysian airplane was downed by Russian(-backed) forces in the East of Ukraine killing 298 people, mostly citizens of the EU countries. The tragedy symbolized the much closer proximity of the conflict to Western Europe than it first acknowledged. Next sanctions package followed, which now, apart from targeted travel bans and asset freezes, included also: (1) export ban on military goods, dual-use goods, and some equipment for the oil industry; (2) transactions ban on major Russian banks; (3) restrictions of access to international financial market for Russian companies. The last two turned out to have the biggest impact on Russian economy out of all sanctions imposed at the time (Crozet & Hinz, 2020).

This time Russia used economic countermeasures, namely agricultural ban which meant embargo on imports of mainly fresh food from sanctions coalition. The consequences of the first time ever sanctioning a country which is both a nuclear power and a large global supplier of energy, food and raw materials started to appear. And most of the economic costs for the senders were Europe's to bear (Schott, 2023). In 2012 Russia's share in EU external trade was about 10%. Analysis made by M. Bělín and J. Hanousek (2021) showed that Russian countersanctions caused “about an 8 times stronger decline in trade flows than those imposed by the EU and the US on exports of extraction equipment” (pp.251-252). These uneven results are largely attributed to the fact that EU allowed for exemptions from its sanctions for contracts signed before 2014, which allowed for European goods to continue be transported to Russia.

While talking about the Russian economy in 2014-2015 one cannot mention sanctions without mentioning the other major factor – global oil prices which faced a sharp decrease at that time. The impact of these two factors is hard to distinguish when looking at the main macroeconomic indicators. As seen on the Image 3.1, economic growth significantly decreased following sanctions imposition in 2014. What can be for sure attributed to sanctions is foreign direct investments, which decreased significantly after 2014 (see Image 3.2). Inflation, hit both by Western financial restrictions and decrease in dollar flow from imports of oil, skyrocketed to 15.5 in 2015 – a number even higher than during the 2008 global crisis. Ruble was hit the hardest: exchange rate has risen by 80% in two months after sanctions were imposed. To counter such economic fluctuations, The Central Bank of Russia increased the key rate which led to its three times increase in 2014 with the most painful point of increase from 10,5% to 17% overnight in mid-December.

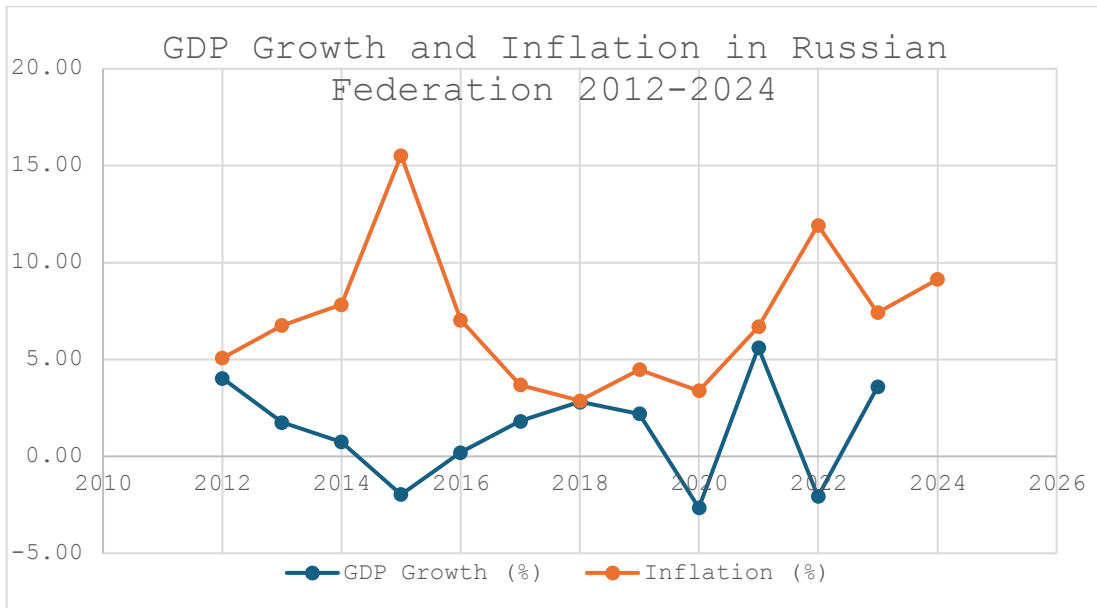


Image 3.1. GDP Growth and Inflation rate in Russian Federation 2012-2024. Sources: World Bank, Rosstat (See Annex A)

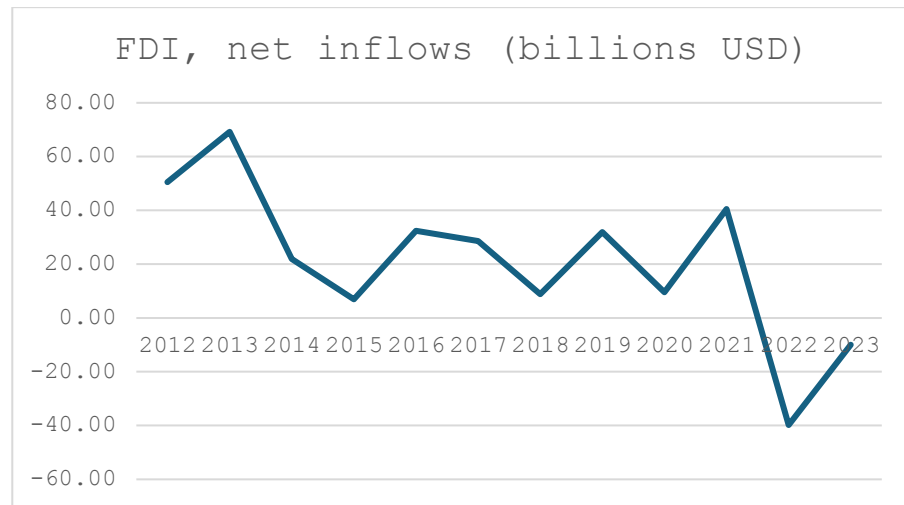


Image 3.2. Foreign direct investments in Russian Federation 2012-2023. Source: World Bank (See Annex A)

Russia’s overall economic response strategy in 2014 involved a combination of emergency capital injections into banks, the transition to a floating ruble exchange rate, selective budget cuts, and targeted fiscal stimulus through increased government spending. These measures, alongside the stabilization of global oil prices, helped to steady the Russian economy. Notably, the economic impact of the COVID-19 pandemic

in 2020 proved to be more severe for Russia than the international sanctions (Welt et al., 2018, p.2).

Russian main adaptation and sanctions circumvention strategies started to set up at the period of 2014 sanctions: in May of that year, Russia signed a 30-year, \$400 billion gas deal with China, positioning it as a potential alternative to the European gas market. Gazprom CEO Alexei Miller sought to pressure Europe by signalling that “gas could go to other markets” (Chow & Lelyveld, 2015). However, much of the rhetoric at the time — including plans for a new Russia–China gas pipeline and a broader “pivot to the East” — largely failed to materialize in concrete actions or outcomes. China did, however, permit Gazprom to conduct transactions in both yuan and rubles, offering an early mechanism for bypassing US financial restrictions (Chow & Lelyveld, 2015). Additionally, Russia began appealing to BRICS countries with a proposal to develop an alternative payment system to replace SWIFT. However, despite its ambitious nature, the initiative has failed to gain broad consensus or achieve meaningful progress.

As for the domestic political situation in Russia, the 2014 sanctions proved largely ineffective. Despite economic policies affecting the prices of imported goods and high interest rates putting pressure on lending, the sanctions did not lead to meaningful political change or destabilization of the regime. Individual sanctions on selected politicians and Putin’s closest circle were supposed to result in them convincing Russian president to change his foreign policy. But as turned out, Russian richest people and the owners of sanctioned companies lost even less money than those who were not sanctioned, leading to the conclusion that Kremlin was able to protect them from sanctions effect (Ashford, 2016).

Russian propaganda did its work on broader population. Sanctions did create a “rally round the flag” effect in Russia with Vladimir Putin and Kremlin-controlled mainstream media outlets professionally using the situation to blame “external forces” and accumulate even higher approval rates for Russian President. According to the Levada Centre, Russian sociological research organisation, annexation of Crimea boosted Putin’s approval ratings from 65-69% to 86-88% (Levada Centre, 2015). Negative

mobilization in the face of an “existential threat” from “external forces” (mainly the West) has shaped the perception among Russians that the actions of other countries — such as sanctions — are irrational and motivated solely by a desire to harm Russia. This framing reinforces the narrative of an enduring rivalry, suggesting that the West has always been against Russia — during the wars in Chechnya, the conflict with Georgia, and the war in Ukraine. As a result, a particular public opinion took shape accordingly: in the other poll two-thirds of Russian respondents said they thought the main goal of the sanctions was to humiliate Russia and make it more vulnerable – a narrative that stays dominant in minds of Russians to this day (Levada Centre, 2025).

3.1.2. Second wave of sanctions

Russian full-scale invasion of Ukraine brought about a significant shake of international stability, which resulted in major change both in the scale of sanctions and their objectives. Russian Federation became the most sanctioned country, moving Iran to the second place. If after 2014 there were around 2,7 thousand different sanctions imposed on Russia, after 2022 this number exceeded 24 thousand (approximately half of it are individual sanctions). The main sanctioning actors now are the US, the EU, Canada, the United Kingdom, Australia, Japan and some others from G7 or OSCE. As for the objectives, when sanctions were first imposed in 2014, it was to discourage Russia from further military escalation – which obviously failed when full-scale invasion happened in 2022. Therefore, new objectives emerged: to punish Russia for the invasion; to curtail Russian military-industrial complex to limit its ability to wage war; to further weaken its economy. As US Secretary of Defence Lloyd Austin said in April 2022: “We want to see Russia weakened to the degree that it can’t do the kinds of things that it has done in invading Ukraine” (Livingstone & Sabbagh, 2022). European Commission, in turn, defined its objectives in imposing sanctions as “weakening Russia’s economic base, depriving it of critical technologies and markets, and significantly curtailing its ability to wage war” (EU Commission, 2025).

2022 sanctions now included individual travel bans and foreign assets freezes for Russian government officials, business elites and journalists affiliated with the state; wider range of economic sanctions, namely disconnection of major Russian bank from SWIFT system and the closer of airspace and seaports to Russian vessels and airplanes. In light of this, many Western companies has ceased their operation in Russia and left the market. International reserves of the Central Bank of Russia were frozen, which resulted in Russian foreign exchange reserves decreasing by half. The Central Bank of Russia lost access to nearly \$311 billions of its \$643 billion reserve (European Council of the EU, 2025).

Another distinctive feature of the post-2022 sanctions against Russia is the unprecedented number of intergovernmental working groups, coordination platforms, and multi-jurisdictional measures — from implementing the oil price cap to banning imports of Russian gold and rough diamonds, and introducing mechanisms like the Common High Priority Items list and the Export Enforcement Five. In this context, the role of the transatlantic alliance — combining the financial power of the US with the economic weight of the EU — has been key to maintaining consistent pressure on the Russian economy.

Despite initial predictions of a deep economic downturn, the Russian economy has shown greater resilience than many anticipated. While early 2022 forecasts suggested a sharp and prolonged decline in GDP, state revenues, and employment, the actual results tell a more complex story.

Russia's GDP contracted by only 2.1% in 2022 — far less than the 8–10% drop that had been expected. In 2023, it rebounded with 3.6% growth. Inflation did increase, but remained below the predicted 24% peak (AFP, 2024). Industry output grew significantly in 2023, especially in sectors related to defence production and import substitution.

Even financial isolation has not had the anticipated paralyzing effect. Russia shifted a large share of its trade to Chinese yuan, established alternative payment routes, and began exploring trade in gold, cryptocurrency, and barter to bypass restrictions

(Lawniczak, 2023). Moreover, the Russian Central Bank developed the System for Transfer of Financial Messages (SPFS) which could serve as an, though imperfect, but definitely a step toward an alternative to SWIFT (van Bergeijk, 2022).

Still, on the bright side, sanctions have delivered significant blows — particularly in energy exports. Between March 2022 and March 2023, revenues from oil and gas exports to Western countries dropped more than sixfold. The EU, previously Russia's largest energy customer, has largely disappeared from the map: overall EU imports from Russia fell by 85% by the end of 2024, while exports to Russia dropped by 62% compared to early 2022 (EU Commission, 2025). Although Moscow has redirected significant energy flows to Asia, it has been forced to do so at discounted prices and under serious logistical constraints, such as the lack of pipeline infrastructure for gas. In 2023, export revenues temporarily fell, but by 2024, due to a global rise in energy prices and Russia's use of a so-called “shadow fleet”, federal budget revenues from oil and gas rebounded by more than 26%, reaching \$108.22 billion (Reuters, 2025).

In parallel, sanctions on high-tech goods and transport have created serious obstacles. The ban on exports of semiconductors, aircraft parts, and industrial equipment has undermined key sectors such as aerospace, oil refining, and defence manufacturing. European exports of machinery to Russia dropped tenfold—from €3.5 billion to just €365 million. The aviation sector, in particular, has suffered major setbacks: in 2025 alone, around 30 Russian airlines went bankrupt or ceased operations (Bondarenko, 2025). According to the Kyiv School of Economics, sanctions have weakened Russia's military production by cutting access to many key foreign components, especially for missiles, vehicles, and artillery. Although Russia still manages to produce weapons, it often relies on old stock, loopholes in export controls, and re-imports through countries like China. Some advanced parts are now harder to get or cost more, which affects the quality of equipment. Western-made chips are still found in Russian weapons, but recent data shows that importing such parts might be getting harder (Bilousova et al., 2023).

Yet, despite these shocks, the Russian economy has not collapsed. Ultra-high energy prices, massive increases in military spending, and a reorientation of trade towards

China, India, and other countries outside sanctions coalition have helped cushion the blow. The Central Bank’s autocratic-stemming damage control also played a stabilizing role. To prevent the ruble from continuing its sharp decline after the full-scale invasion, the Central Bank, under Elvira Nabiullina, raised interest rates, allowed the ruble to float freely, and focused on keeping inflation under control (Yurchenko et al., 2023). As a result, the GDP decline in 2022 remained moderate (around 2-3%)—much smaller than initially predicted by Western institutions (Kolyandr, 2025).

While time is not on the side of the Russian economy, by early 2025, it continues to struggle with high inflation, rising unemployment, and a high key interest rate that limits lending capacity (Temnycky, 2025). High interest rates, intended to combat inflation (see Image 3.3), reduce the availability of credit for both businesses and consumers, while high defence spending continues to outpace other economic activities. This results in a growing budget deficit (Russia finished 2024 with a record budget deficit of 3.5 trillion rubles), as the government is forced to allocate an increasing share of its revenues to military needs, leaving less room for investments in other sectors. As the war drags on, the diminishing returns on investment and the depletion of resources make it harder for the government to artificially maintain this balance.

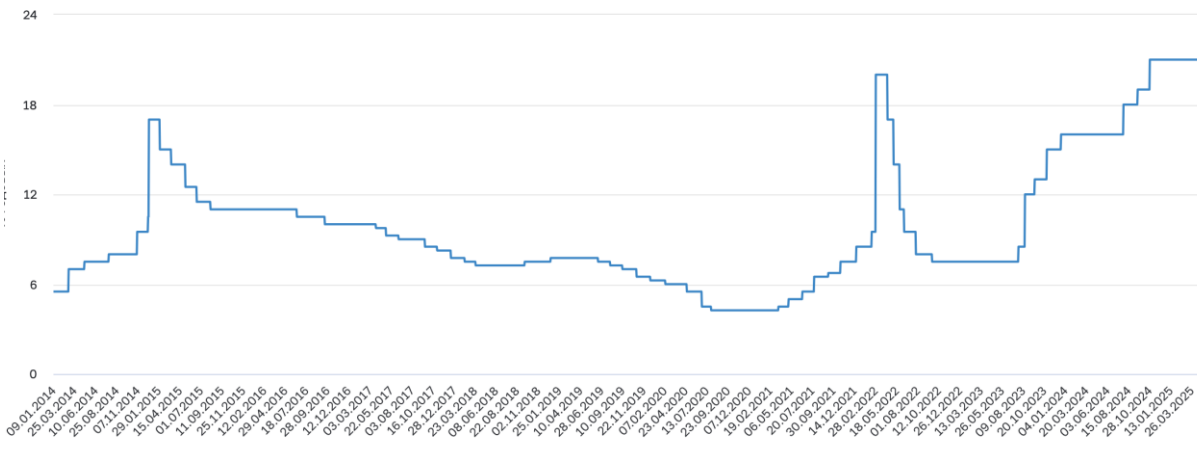


Image 3.3. Key interest rate in Russian Federation (2014-2025). Source: Central Bank of Russia

In short, while Russia's economy has certainly been reshaped — and in many ways weakened — by sanctions, the anticipated collapse did not materialize. Instead, the country has adapted in ways that challenge early expectations.

As for the political consequences, the situation remained largely the same as during the first wave of sanctions. According to the Democracy Index 2023, Russia ranks 13/100 and is considered “Not free” (Freedom House, 2024). In political regimes like Russia's, the impact of sanctions is better characterized not by the events that happened, but by those that did not. Despite the targeting of elites and oligarchs, internal stability has not been shaken. In fact, Putin's approval ratings rose after key sanctions events, similar to the surge in 2014 following the annexation of Crimea and again in 2022 after the invasion of Ukraine.

Additionally, research by R. Gold, J. Hinz, and M. Valsecchi indicates that while sanctions aimed at weakening the Russian regime, they have largely strengthened support for Putin and his party. In regions more exposed to sanctions, Putin's party gained support in both presidential and parliamentary elections, while opposition parties, particularly the Communist and liberal factions, saw no significant gains. This suggests that the sanctions have inadvertently reinforced nationalist sentiment and solidified the ruling regime's position rather than weakening it (Gold et al., 2023).

While political situation did not raise many concerns within Russian establishment, question of offsetting the economic damage made by sanctions was posed quite seriously. Not surprisingly, Russia directed its efforts at diversifying its energy exports, as well as looking for alternative supply chains to counter its dependence on Western technology and goods used in military industry. China became a leading trading partner for Russia. Russia became dependent on China as a customer for Russian oil and gas, as well as a supplier of industrial and consumer goods. Additionally, India is playing a big role as a customer for Russian oil.

However, while Russia has found new markets for its energy exports, alternatives to Western technologies remain scarce—especially in sectors vital to defence production. One key example is the CNC (Computer Numerical Control) machine tools industry.

These machines are essential for producing complex, high-precision components across a wide range of industries, including aerospace and military manufacturing. Russia remains heavily dependent on imports of CNC equipment, with limited capacity for domestic production or effective import substitution. Despite repeated promises by Russian authorities to localize CNC production, few concrete results have followed. As a result, Russian firms often rely on lower-quality, higher-cost Chinese alternatives—many of which are produced using Western technologies or by subsidiaries of Western companies operating in China (Hutyk et al., 2023).

Similarly, Western high-priority battlefield items continued to enter Russian markets through another circumvention scheme. Although direct EU exports of key battlefield-related items to Russia dropped by 97% in the first half of 2023, shipments of the same goods from the EU to China and Central Asian states rose sharply—by 145%. At the same time, exports from these intermediary countries to Russia grew significantly, reaching a volume 17 times higher than in early 2021. In some cases, like signal generators and certain types of integrated circuits, the increases were even more dramatic. This trend suggests a high likelihood that goods originally produced in the EU or other Western countries are being rerouted to Russia through third countries (Simola, 2023). Image 3.4 confirms broader role of market-reorientation by illustrating how supplies of sanctioned goods from Western countries were substituted mostly by China, India, Turkey, Brazil and Kazakhstan.

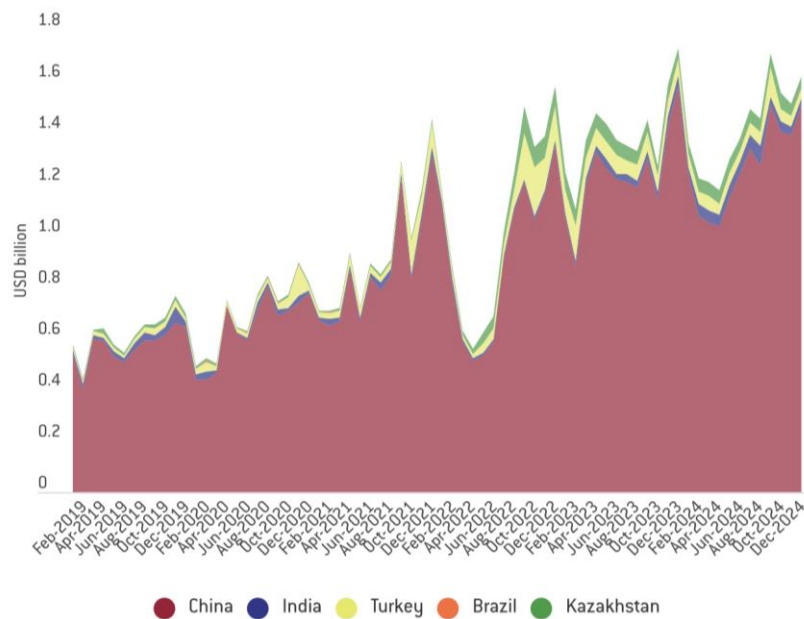


Image 3.4. Russia’s imports of selected categories that include goods subject to export bans – from countries that did not impose sanctions. Source: Russian foreign trade tracker by Bruegel

In the oil industry, despite Russian “shadow fleet”, some of the main sanctions circumvention schemes are oil blending to hide the country of origin and ship-to-ship transfers doubled with disabling of trackers.

All in all, by looking at the objectives of sanctions against Russia through Lendsay’s model, different conclusions for both sanctions waves can be made. While 2014 sanctions failed to deliver on its main goal (*compliance*) – preventing further escalation – post-2022 sanctions provide a more complex picture. While these sanctions have not (yet) delivered on the goal of making Russia end its war of aggression (*compliance*), it is alleged by many that they did cause enough damage to the economy and military capacity of Russian Federation thus slowing down its ambitions in Ukraine by first going from offensive to the defensive and then making some progress, but still in limited capacity and within bigger time frames (*deterrence*) (Bilousova et al., 2023). Sanctions both in 2014 and after 2022 have failed at influencing the regime, political situation inside Russia or central government’s decision to continue pursuing its initial foreign policy goals (*subversion*). Nevertheless, post-2022 sanctions have been quite successful at demonstrating huge sanctions coalition’s consensus on standing by Ukraine

and taking measures to defend international law and rules-based order (*international symbolism*). Western governments have also been completely successful at showing their domestic audiences their readiness to act and defend their interests and shared values, doubled by the fact that major part of their electorate have supported using sanctions as a response to Russian doings (*domestic symbolism*) (Sullivan et al., 2022; Martin & Indelicato, 2025).

3.2. Case of Iran: From containment to maximum pressure and back again

Iran's position in international relations has long been complex. After the 1979 US embassy hostage crisis, the US froze \$12 billion in Iranian assets, imposed a full trade embargo, and banned oil imports and arms exports. Though these sanctions were lifted after the 1981 Algiers Accords, tensions quickly resumed. By 1984, the US designated Iran a state sponsor of terrorism and imposed new sanctions, including arms embargoes and a full trade ban by 1987. In 1995, President Clinton blocked US oil investment in Iran.

Although the US tried to expand its sanctions' impact through extraterritorial measures (like the 1996 Iran and Libya Sanctions Act), European companies resisted and filled the gap left by American firms—though often on less favourable terms for Iran. Meanwhile, countries like the UAE helped Iran bypass restrictions by re-exporting goods (Arslanian, 2023).

3.2.1. First wave of sanctions against Iranian nuclear program

In the 2000s, Iran's nuclear program became the main reason for sanctions. Although Iran claimed peaceful intentions, concerns grew, especially due to cooperation with Russia. In 2000, the US passed the Iran Non-Proliferation Act (ICG 2013, p.8). 9/11

terrorist attacks escalated things further as the US designed Iran as part of “The Axis of Evil” (Arslanian, 2023). Iran started negotiations with the EU-3 (France, Germany, UK) and signed the Paris Agreement in 2004, but disagreements over uranium enrichment led to a breakdown. In 2006, Iran resumed enrichment under President Ahmadinejad, prompting the UN Security Council to act.

From 2006 to 2008, the UN adopted three rounds of sanctions targeting Iran’s nuclear and missile programs. These included travel bans, asset freezes, and restrictions on trade linked to uranium and missile technologies. The EU also imposed extra sanctions, including on the Iranian shipping line IRISL and related services (Arslanian, 2023).

Despite Iranian leaders claiming no intention to build nuclear weapons, Western states increasingly saw Iran as a “rogue state”, meaning the one which violates international law and threatens international stability. Sanctions intensified, whereas Iran started to adapt to the new reality. Iraq became Iran’s second largest trade partner, however some regional powers and supposed Iranian allies feared US secondary sanctions more – Kuwait reduced its gas sales to comply with American sanction accountability divestment act (CISADA). Saudi Arabia, who saw Iran as an adversary, took advantage of the situation and offered cheaper oil to Iran’s former customers (Luers et al., 2012). Others sought profit: Turkey used gold to bypass banking sanctions, selling Iran \$6.4 billion in gold in early 2012, raising bilateral trade by 50% (Parkinson & Peker, 2012). This led to the growth of informal trade and black markets, especially along Iran’s borders with Afghanistan, Iraq, and Turkey (Rosenberg & Lowry, 2012).

Iran also adapted its domestic infrastructure. In 2002, it launched the Shetab electronic banking system. By 2017, Shetab connected over 54,000 ATMs across Iran. It was linked to Bahrain, the UAE, China, Qatar, Kuwait, and later Armenia and Turkey, allowing cross-border account access. According to R.M. Mahdi, Iran became the fourth country to develop its own international payment system.

Sanctions imposed on Iran in the early 2010s, though often labelled as “smart” or targeted, had far-reaching consequences for the general population. For example, Bank Mellat—one of Iran’s largest financial institutions with over 1,800 branches and 25,000 employees—was heavily affected, resulting in widespread job losses (Gordon, 2010). While the US Treasury’s Office of Foreign Assets Control (OFAC) technically allowed exports of humanitarian goods, the complex licensing process deterred most US companies. Many firms also refused to engage with Iranian banks, fearing potential penalties from Washington (Bozorgmehr, 2012).

The broader economic impact was severe. According to the World Bank, Iran’s GDP growth rate dropped from 5.8% in 2010 to -1.42% by 2015. Inflation peaked at nearly 40% in 2013, while the Iranian rial depreciated by over 200% against the dollar (see Image 3.5). Oil exports plummeted from 2.5 million barrels per day to just 1.1 million in the same period (Jentleson, 2022).

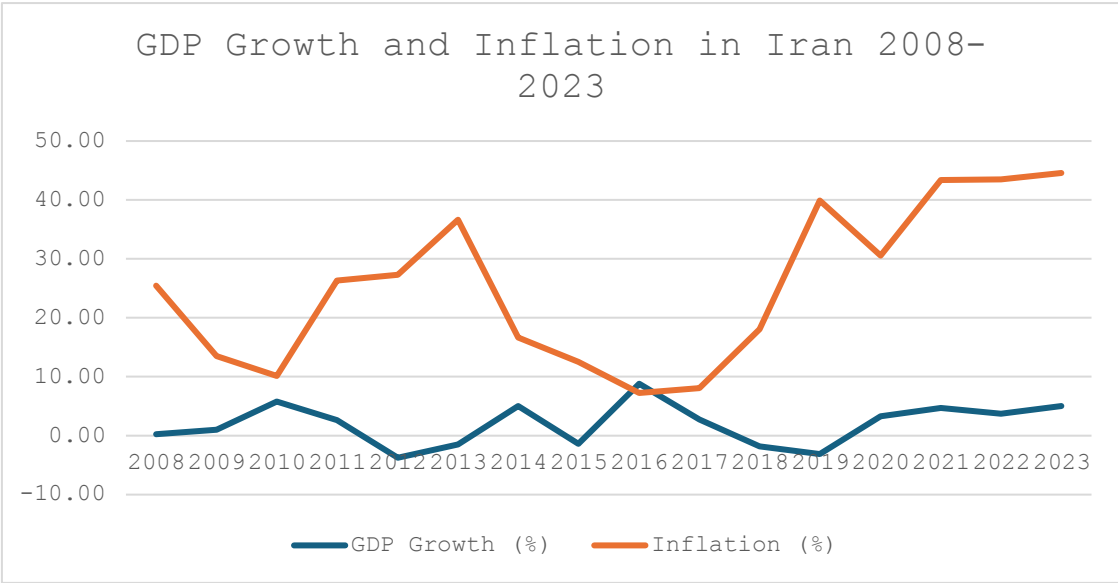


Image 3.5. GDP Growth and Inflation in Iran (2008-2023). Source: World Bank (See Annex B)

Against this backdrop, negotiations between Iran and global powers led to the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2015. The agreement, endorsed by Iran, the US, China, France, Germany, Russia, the UK, and the EU, offered Iran sanctions relief in exchange for limiting its nuclear activities. The economic effect

was immediate: oil exports doubled to 2.1 million barrels per day, revenues grew by over 240%, inflation slowed, and the rial stabilized (Jentleson, 2022).

A key factor in the JCPOA's conclusion was Iran's 2013 presidential election. Public frustration with the economic crisis drove support for a leader who could negotiate sanctions relief. Hassan Rouhani's campaign focused on restoring dialogue with the West, and upon winning, he kept his promise. Sanctions relief under the JCPOA led to modest but real economic recovery (Laub, 2015). However, Iran's political system—described as a post-revolutionary hybrid combining theocratic leadership under Supreme Leader Ali Khamenei with a limited multiparty structure—remained resistant to deep reform (Borszik, 2016, p.23). Although Rouhani had a mandate for engagement, ultimate control over strategic decisions remained with the clerical establishment.

It is important to note that many scholars credit the JCPOA not to the effectiveness of sanctions alone, but to a shift in the US negotiating position—from insisting on “no nuclear enrichment” to focusing on “no nuclear weapon” (Mousavian & Mousavian, 2018, p.169). In this sense, sanctions failed to stop Iran's nuclear progress, but helped create political conditions conducive to compromise.

3.2.2. Reimposition of sanctions under Trump's “maximum pressure” strategy and modern dynamics

This fragile compromise collapsed with the US presidential transition in 2017. President Donald Trump withdrew from the JCPOA in 2018, claiming Iran was still developing nuclear weapons despite international monitoring reports to the contrary. However, the IAEA confirmed in 2019 that Iran exceeded the 300 kg cap on low-enriched uranium, further escalating tensions. Following the US withdrawal, sanctions were reimposed and expanded. Major Iranian banks were disconnected from SWIFT, and the threat of secondary sanctions forced most foreign banks and firms—especially in Europe—to end their dealings with Iran. Although the EU attempted to counter US

sanctions with a “blocking statute,” it had little practical effect. Major European oil companies prioritized compliance with US regulations and pulled out of Iran.

Iran’s economy once again entered a period of crisis. GDP dropped by approximately 10%, inflation returned to nearly 40%, and oil exports fell below 300,000 barrels per day — levels not seen since the Iran–Iraq War (see Image 3.5). In response, the government devalued the rial and symbolically renamed the currency to the toman. Austerity measures included sharp increases in domestic gasoline prices and strict supply rationing. These developments triggered mass protests across the country—the most significant wave of political unrest since the 1979 Iranian Revolution.

Despite this internal instability, Iranian elites were largely shielded from the economic fallout thanks to their privileged access to black markets and continued government support (Jentleson, 2022). While some regime change advocates—both inside and outside the United States—believed that sanctions had finally pushed Iran to the brink, the anticipated outcomes never materialized. There was no collapse of the Islamic Republic, no renegotiation of the JCPOA, and no retreat from Iranian involvement in Iraq, Syria, or Yemen.

Crucially, the international context had changed. Whereas during the Obama administration the EU, Russia, and China largely complied with US-led sanctions, under Trump’s “maximum pressure” campaign they distanced themselves. China deepened its economic ties with Iran, increased oil imports, and pursued a long-term strategic partnership agreement that included military cooperation and infrastructure investment. Russia also moved closer to Iran, sharing expertise in sanctions circumvention and expanding military and trade cooperation. Iranian exports to Russia grew by 105% in 2020 compared to 2019.

Even US allies in Europe took a more independent approach. The UK and France publicly rejected the Trump administration’s attempt to trigger the JCPOA’s “sanctions snapback” at the UN Security Council. Alongside Germany, Russia, and China, they created a Special Purpose Vehicle (SPV) to facilitate trade with Iran without relying on

the US dollar. This initiative, formally registered in 2019 as the Instrument for Supporting Trade Exchanges (INSTEX), reflected broader European opposition to the unilateral US policy.

When President Biden took office, he abandoned Donald Trump's "maximum pressure" campaign in favour of reviving the 2015 nuclear deal. However, his approach lacked urgency and clarity. Negotiations were delayed by preconditions and hesitations, giving time for a hardline government to take power in Tehran. As a result, the talks collapsed, and Biden's team shifted to a piecemeal strategy: securing the release of detained Americans, supporting Iranian protesters rhetorically, and maintaining sanctions without robust enforcement. This approach has failed to deter Iran's aggressive behaviour or halt its expanding nuclear program.

The roots of crisis also lied in Trump's earlier strategy. Maximum pressure crippled Iran's middle class and discredited reformists, allowing hardliners to consolidate power. As Western firms pulled out, Iran turned to China and loyalist networks. The result was a hardened, more authoritarian regime with little interest in compromise.

Despite keeping many of Trump-era sanctions in place, their diluted enforcement has allowed Iran to increase oil exports and stabilize its economy enough to resist Western pressure. Iran has grown bolder—crushing dissent at home, supporting proxy militias abroad, and launching ballistic missile attacks, as recently seen in its strikes on Israel. The Biden administration's lack of a coherent and forceful Iran strategy has coincided with the regime becoming more dangerous than ever.

When Trump returned to office for a second term, he reinstated the maximum pressure strategy by issuing a National Security Presidential Memorandum (NSPM-2) on "Imposing Maximum Pressure on the Government of the Islamic Republic of Iran, Denying Iran All Paths to a Nuclear Weapon, and Countering Iran's Malign Influence." Now it, once again, focuses on isolating Iran and cutting off its revenue. The administration is expanding sanctions, targeting oil exports and financial networks, and increasing enforcement. The US Department of Treasury was instructed to consider

imposing “Know-Your-Customer’s-Customer” rules, raising compliance risks for global institutions. The US is also pushing for a UN sanctions snapback, again. However unlike in 2018, European partners—alarmed by Iran’s regional attacks and nuclear progress, as well as deeper involvement with Russia and China —are showing more openness to supporting the move (Stroul, 2025).

Despite the economic pressure, by early 2022 The Economist described Iran’s economy as “resilient.” Sanctions had undeniably devastated the energy sector and caused shortages of food and medicine, disproportionately affecting ordinary citizens. Yet this suffering only increased popular dependence on state institutions, especially the Islamic Revolutionary Guard Corps (IRGC), which used the black market and state subsidies to expand its influence. Iranian parallel economy (dominated by IRGC and religious foundations such as bonyads) operated outside the regime to sustain critical revenues through illicit trade and informal networks. At the same time, underfunding of public services led to layoffs of civil servants and deteriorating healthcare and education systems. The regime exploited this crisis by framing the sanctions as a hostile act by the US, consolidating popular support among some sectors and further marginalizing civil society.

To better evaluate the efficacy of the sanctions regime, it is useful to apply Lindsay’s framework. The goal of stopping Iran’s nuclear program (*compliance*) initially focused on banning all enrichment activities. This later shifted to the more realistic aim of preventing nuclear weapons development. The first wave of sanctions contributed to the negotiation and signing of the JCPOA which suggests partial success in achieving compliance. Political change (*subversion*) did occur under the pressure of the initial sanctions, most notably with the election of President Rouhani in 2013 on a platform of international engagement. However, the broader hopes of the Trump administration for regime change proved unfounded, and the Islamic Republic remained politically intact. Moreover, the long-lasting consequences of Trump’s policy led to the regime strengthening its power and remaining a major threat to international stability.

The second wave of sanctions succeeded to a limited extent in curbing Iran's economic and military capacity (*deterrence*). Iranian support for the Assad regime and for proxies like Hezbollah and Shiite militias in Iraq was reportedly scaled back due to financial constraints. Nevertheless, Iran has continued to pose a strategic challenge to Western interests. It has strengthened ties with China and Russia, both economically and militarily thus positioning itself as a key partner in an emerging anti-Western axis.

Many Americans still see the 2015 nuclear deal as a diplomatic success and prefer renewed negotiations over military action. Despite lower public concern about Iran's nuclear program, most support efforts to prevent it from getting a nuclear weapon (Smeltz & Sullivan, 2022). This legitimizes sanctions as a tool for addressing threats to international stability and fits into the broader US narrative of protecting global order (*domestic symbolism*).

Under the Obama administration, multilateral sanctions sent a strong message of global unity in upholding nuclear non-proliferation norms (*international symbolism*). This broad coalition gave the sanctions legitimacy and framed them as a defence of international stability, not just US interests. However, after the US withdrew from the nuclear deal under Trump and adopted a "maximum pressure" strategy, international consensus broke down. European countries, Russia, and China refused to support the renewed sanctions. This weakened the symbolic power of the sanctions and highlighted how unity within a coalition is crucial for maintaining their international credibility.

3.3. Factors influencing effectiveness of sanctions

Both case of sanctions against Russia and those against Iran provide valuable outlook on factors which influence effectiveness of sanctions and ability of target states to adapt to such conditions. Thus, comparing the two case-studies and outlining key tendencies would be the next step in answering the research question.

Economic resistance strategy. Both Iran and Russia made economic resistance a central part of their national strategy in response to sanctions. This approach was designed to minimize the effects of external economic pressure by focusing on self-reliance, encouraging import substitution, and building resilience against foreign threats. In Russia's case, this involved a mix of state control over key sectors, fiscal tightening, interest rate interventions, and large-scale budget reallocations to sustain military production. Full-scale war transformed the economy into a war-oriented model, where military demand artificially sustains growth despite sanctions pressure. Iran pursued similar strategy through strict austerity measures, heavy subsidy cuts, and currency devaluation. Both countries managed to avoid immediate collapse, but the long-term sustainability of such strategies remains questionable.

Level of integration into the global economy and trade asymmetries between parties. Both Iran and Russia entered sanction regimes with vastly different levels of global economic integration, and this shaped how sanctions affected them. Iran, with a relatively limited role in international trade and a smaller export profile focused on oil, was more easily isolated. This made comprehensive sanctions more feasible and impactful. Russia, by contrast, had far deeper trade ties with the global economy, particularly with the EU. In 2014, it was a key supplier of energy, raw materials, and other critical goods, and its position within global markets made broad sanctions politically costly for Western economies themselves. The EU's dependency on Russian gas, for instance, limited its willingness to impose tough restrictions. As a result, the sanctions imposed were more restrained, which allowed Russia to adapt more easily and deploy countermeasures that in some cases hurt European economies more than Russia's. In both cases, the structure and asymmetry of trade relations played a role in shaping not just the form of sanctions but also their effectiveness.

Capacity to build alternative supply chains and economic partnerships. A non-universal character of sanctions regime in both cases made it possible for target states to redirect its trade flows and thus mitigate the impact of sanctions. China emerged as Russia's largest trading partner after 2022 along with overall Russian trade turn to the East. Iran initially relied on Iraq but later expanded ties with China and Russia – the latter

becoming valuable partner in oil sector, finance and nuclear industry, as well as in know-how on sanctions circumvention.

Regime type and state control over information. Moving on to the political side of sanctions' effects it is worth mentioning how the ability to shape public opinion through controlled media and frame sanctions as illegitimate attacks by hostile powers has been a key tool for both Russia and Iran in preserving regime stability. In both countries, sanctions were portrayed as part of a broader Western effort to undermine national sovereignty, which helped mobilise domestic support and discredit opposition. This framing was reinforced by a high *level of pre-existing political and ideological antagonism toward the US (or the West)* – rooted in Iran's post-revolutionary anti-Americanism and Russia's longstanding narrative of resistance to NATO and US influence. Such environment makes sanctions seem like a confirmation of external hostility and allows for “rally-round the flag” effect.

The other side of political factors is the *sanctions coalition's strength as a recognised threat to international stability*. Sanctions tend to be more effective when responding to a widely acknowledged violation of international law. In Iran's case, its nuclear program challenged the non-proliferation regime which led to such traditionally cautious actors like China and Russia to join a strong sanctions coalition. This legitimacy made the regime harder to evade. In Russia's case, the annexation of Crimea and the 2022 full-scale invasion of Ukraine as well as all the war crimes which followed constituted clear breaches of UN Charter. It contributed to the quick and wide consensus of Western countries to impose sanctions. However, the possibility of disengagement on the part of the US under second Trump administration poses a serious threat to anti-Russia sanctions coalition, as EU lacks comparable tools to sustain existing pressure alone.

Time-dependent impact. As for more systemic factors, the effects of sanctions in both cases were not immediate but developed gradually over time. However, the longer a country remains under sanctions, the more it adapts, which makes it increasingly difficult to find new pressure points. Between 2014 and 2022, Russia used the time to strengthen its economy, engage in import substitution, and build up resources, which

helped lessen the impact of the 2022 sanctions. The unpredictability of sanctions, which would have contributed to their effectiveness, was undermined by the hesitation of the sanctions coalition to impose significant economic pressure immediately following Russia's annexation of Crimea.

Limits of targeted sanctions. In practice, targeted sanctions rarely achieve their intended outcomes, especially in authoritarian regimes. In Iran, although were framed as targeted, they ended up inflicting broad economic harm on civilians while the regime remained intact – leading to negotiations in the end, but at high humanitarian cost. In Russia, pre-2022 targeted sanctions had minimal impact: the Kremlin shielded elites effectively, and most of the population felt little pressure. Only after the shift to broader, sectoral sanctions after 2022 did economic strain begin to affect Russia's military-industrial capacity and economic resilience.

Enforcement. Sanctions are only as strong as their enforcement. The US employs a centralized and well-resourced system through OFAC, supported by high transparency and credible threats of secondary sanctions. In contrast, the EU's approach remains decentralized, under-resourced, and poorly coordinated. Although sanctions violations were only recently criminalized at the EU level, few cases have been pursued, and enforcement still largely depends on member states. At the same time, the phenomenon of “sanctions inflation”—wherein the number of imposed sanctions increases without a corresponding strengthening of enforcement mechanisms—has become particularly visible in the case of Russia. While the sanctions against Russia now exceed in volume those ever imposed on Iran, many of them remain largely symbolic, failing to target critical vulnerabilities of the Russian economy or its military-industrial base. This dilutes the overall impact of the regime and stretches enforcement capacities even further. Another side of the importance of enforcement is the fact that for third countries, the risk of triggering secondary sanctions might outweigh the incentives offered by target states. For instance, Kazakhstan has become more cautious in helping Russia circumvent sanctions, fearing secondary sanctions. Such tendencies are partly driven by sanctions diplomacy, with the US and EU actively engaging with third countries persuading them not to assist sanctioned regimes. Finally, with larger and more complex sanctions

regimes, a more robust system is needed—one that includes better harmonization, dedicated institutional mechanisms, and greater involvement of non-state actors like investigative journalists and NGOs.

Sanctions objectives and the role of context. The assessment of sanctions' effectiveness heavily depends on their stated objectives and the broader context in which they operate. As illustrated well by the J. Lindsay typology, neither the Iranian nor Russian sanctions regimes can be definitively labelled a success or failure. While neither case achieved full compliance – the primary goal – both demonstrated meaningful results in other domains. Though in Iran's case, sanctions did result in compliance at first, leading to negotiations and the nuclear deal (but this also involved a recalibration of US declared objective from “no enrichment” to “no bomb”). Both regimes also saw success in terms of domestic and international symbolism, as well as partial success in deterrence. These outcomes reinforce the argument about the sanctions being not a standalone solution, but a tool within broader strategy. In the case of Russia, sanctions are helping to degrade the country's military capacity, thus creating conditions where military and diplomatic tools can become more effective in bringing about the final result.

CONCLUSIONS

Having fulfilled the research aim — to ascertain how international sanctions are used as a tool to counter threats to international stability — the following paragraphs reflect on the key findings obtained through the completion of the research objectives.

Scholars have developed various theoretical approaches to economic sanctions. While originally seen as costly and ineffective, sanctions are now viewed as hybrid instruments — used both to signal political intent and uphold international norms without resorting to force. Traditional theories, rooted in game theory and bargaining models, perceived sanctions as a non-military mechanism to increase costs for the target and signal the sender's resolve. However, such models often assume rational actors and symmetrical cost-benefit calculations, which do not always align with real-world outcomes. Critics emphasized that effectiveness depends on the sender's willingness to incur costs for strategic gains.

Recent theoretical developments have expanded beyond the state-centric and rationalist frameworks to include symbolic, strategic, and institutional dimensions. Newer perspectives—such as B. Taylor's "grand strategy" approach—suggest sanctions serve broader geopolitical goals, like signalling in great power competition, rather than coercing the target directly. New wave of research has given rise to three main schools of thought: those who claim sanctions do not work, those who see them as symbolic gestures, and those who argue sanctions can be effective under certain conditions. The complexity of sanctions regimes, the role of domestic and non-state actors, and the mismatch between the theory and practice of economic statecraft calls for more research with focus on applying and testing theory while accounting for contextual factors.

The evolution of sanctions as a mechanism for international stability shows how, initially emerging as tools of warfare and bilateral disputes, sanctions transformed into instruments of collective action aimed at deterring aggression, enforcing international norms, and preventing conflict.

A major shift occurred in the aftermath of World War I, when sanctions began to be formally integrated into international institutions such as the League of Nations, and later the United Nations. However, the 1990s marked a turning point, as the frequency, scope, and objectives of sanctions expanded significantly. They began to target not only states but also non-state actors, political elites, and specific sectors like finance, energy, or technology. This period also witnessed the rise of so-called “smart” or “targeted” sanctions. In the 21st century, particularly since the annexation of Crimea in 2014 and the full-scale invasion of Ukraine in 2022, sanctions have become broader, more coordinated, and technologically sophisticated. At the same time, the use of sanctions has become more contested, with questions arising over their long-term effectiveness, potential unintended consequences, and a correlation between quantity and quality.

This thesis has also identified the main changes in sanctions enforcement practices. Over time, this process evolved significantly—from blunt, undifferentiated tools aimed at entire countries to increasingly targeted, strategic, and institutionally supported mechanisms. The Cold War period introduced more coordinated export controls, while the post-Cold War era set a broader trend towards “smart sanctions” that focused on individuals and specific sectors. Since the 2000s, sanctions regimes became more professionalized and institutionalized, especially in the US, where agencies like OFAC expanded their role and enforcement reach globally through secondary sanctions. The 2014 response to Russia further reinforced the trend toward long-term, sectoral sanctions and directed more attention toward weaknesses in EU enforcement capacity.

After 2022, enforcement practices experienced a major transformation. Sanctioning coalitions enhanced coordination through platforms like the REPO Task Force and the Export Enforcement Five. The focus shifted from sanctions design to proactive enforcement, asset tracking, and intergovernmental collaboration, namely sanctions diplomacy grounded in implementation, compliance, and global oversight.

In order to answer the research question, the case study of sanctions regimes against Russia and Iran were conducted, according to the methodology derived from J. Walterskirchen and G. Wend’s work and J. Lindsay’s typology.

While sanctions regime against Russia has successfully targeted Russia's economic and defence sectors, the resilience of the Russian economy has been more robust than expected by sanctioning parties. The sanctions led to significant drops in energy exports, particularly to Europe, and disrupted access to high-tech goods, affecting military production and industrial sectors. However, Russia's strategic pivot towards China and other non-Western markets, as well as its adaptation to alternative financial systems, helped mitigate the most severe economic consequences. Despite the setbacks, the Russian economy managed to avoid collapse, with energy revenue fluctuations and military spending cushioning the overall impact.

In terms of political objectives, the sanctions failed to achieve their intended goal of destabilizing the Russian government or causing a shift in its foreign policy. The Kremlin effectively shielded key oligarchs from economic fallout, and domestic propaganda framed the sanctions as an external attack, rallying public support for the regime. Consequently, the sanctions did not lead to a change in Russia's aggressive stance towards Ukraine but instead reinforced the government's narrative of victimhood. While the economic toll has been considerable, it has not yet compelled Russia to alter its behaviour on the international stage.

The sanctions regime against Iran has evolved from containment to maximum pressure and back again. Initially, sanctions were imposed to curb Iran's nuclear ambitions, and while the first wave contributed to the negotiation of the Joint Comprehensive Plan of Action (JCPOA) in 2015, the re-imposition of sanctions under the Trump administration severely impacted Iran's economy without achieving the desired political change. The sanctions led to economic hardship, including high inflation and plummeting oil exports, but also strengthened the regime's resolve and its relationships with China and Russia.

While sanctions successfully pressured Iran into negotiations in the early stages and curtailed its nuclear program to some extent, they have failed to bring about the regime change or substantial political reform that many had hoped for. The shift in US strategy, particularly the withdrawal from the JCPOA and the re-imposition of harsh

sanctions, has resulted in Iran doubling down on its alliances with non-Western powers. Despite economic hardships, the Iranian government has used sanctions as a tool to consolidate power, particularly the IRGC, and maintain its position as a regional player. The Iranian case has demonstrated many long-term challenges of using sanctions as a tool for political compliance.

Finally, insights from both cases studies and theoretical analysis have been synthesised into the answer to the research question. The effectiveness of sanctions as a tool for addressing threats to international stability depends on a combination of economic, political, and systemic factors. The experiences of Iran and Russia illustrate how economic resilience strategies, trade structure, and regime control over information can blunt the impact of sanctions, while strong coalitions, credible enforcement, and strategic clarity enhance their effectiveness. Both cases also serve as evidence that sanctions often function less as a means of immediate compliance and more as part of a broader strategy: they shape long-term conditions, signal international norms, and constrain a target's capacity to threaten international stability. Ultimately, sanctions alone are rarely decisive, but their impact grows when they are enforced consistently, embedded in a wider diplomatic or security strategy, and adapted to the specific context of the target state.

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ANNEXES

Annex A

Russian Federation: Macroeconomic indicators. *Source: World Bank, Rosstat*

Year	FDI, net inflows (billions USD)
2012	50,59
2013	69,22
2014	22,03
2015	6,85
2016	32,54
2017	28,56
2018	8,78
2019	31,97
2020	9,48
2021	40,45
2022	-39,80
2023	-10,05

Year	GDP Growth (%)	Inflation (%)
2012	4,02	5,07
2013	1,76	6,75
2014	0,74	7,82
2015	-1,97	15,53
2016	0,19	7,04
2017	1,83	3,68
2018	2,81	2,88

2019	2,20	4,47
2020	-2,65	3,38
2021	5,61	6,69
2022	-2,07	11,92
2023	3,60	7,42
2024		9,13

Annex B

Iran: Macroeconomic indicators. *Source: World Bank*

Year	GDP Growth (%)	Inflation (%)
2008	0,25	25,41
2009	1,01	13,55
2010	5,80	10,09
2011	2,65	26,29
2012	-3,75	27,26
2013	-1,52	36,60
2014	4,98	16,61
2015	-1,42	12,48
2016	8,82	7,25
2017	2,76	8,04
2018	-1,84	18,01
2019	-3,07	39,91
2020	3,33	30,59
2021	4,72	43,39
2022	3,78	43,49
2023	5,04	44,58

ANNOTATION

Topic: “Sanctions as a tool for addressing threats to international stability: cases of Russia and Iran”

Student: Opria Anastasiia Serhiivna, 4th year of studies, Faculty of Social Sciences and Social Technologies

Academic supervisor: Associate Professor, Candidate of Philosophical Science

Solovei G. S.

Reviewer: _____

Defended: “ _____ ” _____ 20__

Abstract: In an era of increasing geopolitical tensions, international sanctions have become one of the most frequently used tools for countering threats to international stability. Despite their widespread application, the effectiveness of sanctions remains deeply contested, particularly in cases where targeted states demonstrate significant resilience and adaptability. By examining the political, economic, and institutional factors that shape the outcomes of sanctions regimes, this thesis aims to ascertain how international sanctions function as a tool for addressing threats to international stability through the cases of Russia and Iran. To answer the research question—what factors influence the effectiveness of sanctions and the ability of target states to adapt—the study explores key theoretical approaches, the evolution of sanctions as a stability mechanism, changes in enforcement practices, and the specific features and outcomes of sanctions regimes against the two countries.

Methodologically, the study adopts a comparative case study design based on the frameworks of J. Walterskirchen and G. Wend, and draws on Lindsay’s categorization of sanctions goals (compliance, subversion, deterrence, signalling). It applies deductive reasoning and qualitative meta-analysis to extract recurring patterns and assess strategic outcomes.

The findings suggest that the effectiveness of sanctions depends on a combination of economic, political, and systemic factors. The Iranian and Russian cases show how adaptive strategies, trade structures, and regime control over society mitigate sanction pressure, while coherence, credible enforcement, and diplomatic integration enhance impact. Sanctions rarely produce immediate results, but they are more effective when embedded in broader strategic efforts.

Keywords: sanctions effectiveness, international stability, economic statecraft, Russia and Iran, adaptation strategies

АНОТАЦІЯ

Тема: “Санкції як інструмент протидії загрозам міжнародній стабільності: кейси Росії та Ірану”

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Рецензент: _____

Захищена: “ ____ ” _____ 20__ р.

Короткий зміст роботи: У часи зростаючої геополітичної напруги міжнародні санкції стали одним із найпоширеніших інструментів протидії загрозам міжнародній стабільності. Незважаючи на їх широке застосування, ефективність санкцій залишається предметом дискусій, особливо у випадках, коли країни, проти яких вони спрямовані, демонструють значну стійкість та здатність до адаптації. Аналізуючи політичні, економічні та інституційні чинники, які визначають результати санкційних режимів, це дослідження має на меті з'ясувати, як міжнародні санкції функціонують як інструмент протидії загрозам міжнародній стабільності на прикладі Росії та Ірану.

Для відповіді на дослідницьке питання — які чинники впливають на ефективність санкцій та здатність країн-об'єктів адаптуватися — дослідження розглядає ключові теоретичні підходи, еволюцію санкцій як інструменту стабілізації, зміни у практиках їхнього застосування, а також особливості та наслідки санкційних режимів проти Росії та Ірану.

Методологічно дослідження побудоване на порівняльному аналізі кейсів з урахуванням концептуальних рамок Дж. Волтерскірхена і Г. Венда, а також класифікації цілей санкцій за Ліндсі. У дослідженні використовуються дедуктивний підхід та якісний метааналіз для виявлення повторюваних закономірностей та оцінки стратегічних результатів.

Результати дослідження свідчать, що ефективність санкцій залежить від сукупності економічних, політичних та системних факторів. На прикладі Ірану та Росії показано, як стратегії адаптації, структура торгівельних зв'язків та контроль режиму над суспільством пом'якшують тиск санкцій, тоді як послідовність, довіра до механізмів застосування та дипломатична стратегія посилюють їхній вплив. Санкції рідко дають миттєвий результат, проте є ефективнішими, якщо впроваджуються в контексті ширших стратегічних зусиль.

Ключові слова: ефективність санкцій, міжнародна стабільність, економічні санкції, Росія та Іран, стратегії адаптації