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THE POLITICAL ECONOMY OF SANCTIONS: HOW ECONOMIC COERCION SHAPES INTERNATIONAL ALIGNMENTS

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ABSTRACT

Economic sanctions have become a central tool in contemporary international relations, operating at the intersection of political power, economic leverage, and strategic diplomacy. Traditionally designed to coerce target states into policy compliance without military intervention, sanctions have evolved into instruments of systemic influence, shaping global economic structures and political alignments. This paper examines the political economy of sanctions, analyzing how economic coercion affects trade, finance, and strategic partnerships in a multipolar world. Drawing on case studies of Russia, Iran, and China, the study highlights both the intended and unintended consequences of sanctions. While sanctions can disrupt financial systems, depress economic activity, and constrain policy options, they often induce adaptive strategies, including alternative trade networks, regional financial mechanisms, and technological self-reliance. These adaptations not only mitigate the immediate impact of coercion but also foster long-term realignments, such as the deepening of BRICS+ cooperation, de-dollarization efforts, and the creation of sanction-resilient economies. The paper integrates theoretical perspectives from realism, liberalism, dependency theory, and constructivism to explain the effectiveness, limitations, and broader implications of sanctions in shaping global interdependence. The analysis underscores that sanctions are more than punitive tools; they act as catalysts for structural shifts in international economic and political systems. Policymakers must, therefore, consider both the short-term objectives and the long-term systemic consequences of sanctions, balancing *coercion with multilateral engagement and targeted strategies. The study contributes to the understanding of how economic coercion shapes international alignments in an increasingly complex and multipolar global order.*

KEYWORDS: Economic sanctions, Political economy, International alignments, Russia, Iran, China.

1.0. INTRODUCTION

Economic sanctions have become one of the most prominent tools of modern statecraft, operating at the intersection of political power and economic coercion. Traditionally conceived as non-military means to compel behavioral change, sanctions today serve as key instruments in managing strategic rivalries and enforcing international norms (Baldwin, 2020, p. 22). The post–Cold War liberal order, characterized by U.S. dominance over global finance and trade, facilitated an unprecedented expansion in the use of both unilateral and multilateral sanctions , targeting not only states such as Iran, North Korea, and Russia but also private corporations and individuals (Hufbauer et al., 2019, p. 45).

In the twenty-first century, however, the effectiveness and geopolitical implications of sanctions have become increasingly contested. Rather than isolating targeted economies, sanctions have often produced systemic shifts, compelling nations to seek alternative trade mechanisms, diversify financial linkages, and forge new political alignments (Pape, 2021, p. 38). The 2022 Western sanctions against Russia, for instance, led to deepened Russo-Chinese cooperation, an expanded BRICS framework, and a concerted push toward de-dollarization in global trade (Tooze, 2023, p. 91). Similarly, decades of sanctions against Iran have spurred regional partnerships and informal financial networks that undermine U.S. leverage (Katzman, 2022, p. 63).

This paper situates sanctions within the framework of political economy, arguing that they are not merely coercive instruments but structural forces that reconfigure patterns of global interdependence. By integrating theoretical insights from realism, liberalism, and dependency theory, the study explores how sanctions both reflect and reshape hierarchies in the international system. The central research question guiding this analysis is: How does economic coercion influence the reconfiguration of international alignments in the contemporary global order?

The subsequent sections outline the conceptual evolution of sanctions, relevant theoretical frameworks, and key case studies, notably Russia, Iran, and China , to demonstrate how economic coercion reshapes the architecture of the global political economy.

2.0. Conceptual and Theoretical Framework

Economic sanctions can be defined as the deliberate withdrawal, restriction, or manipulation of customary trade and financial relations by one or more states to influence the political or economic behavior of another (Hufbauer et al., 2019, p. 12). They may take diverse forms , including trade embargoes, financial asset freezes, technology export bans, or restrictions on access to international payment systems , and are often employed to pursue security, diplomatic, or humanitarian objectives without resorting to military force (Baldwin, 2020, p. 47). However, the actual use and impact of sanctions extend beyond policy enforcement, reflecting deeper structural inequalities within the global political economy.

From a realist standpoint, sanctions are strategic instruments of coercive diplomacy. States utilize economic leverage to compel adversaries, deter aggression, or assert dominance in an anarchic international system where material power determines outcomes (Mearsheimer, 2018, p. 76). Liberal theorists, on the other hand, frame sanctions as instruments of collective action and normative regulation, often legitimized through international institutions such as the United Nations or European Union (Keohane & Nye, 2012, p. 114). Yet, the uneven application of sanctions, particularly by dominant powers, often undermines liberal claims of fairness and multilateral legitimacy.

In contrast, dependency and world-systems theorists interpret sanctions as mechanisms that reproduce global economic hierarchies. By weaponizing access to markets, finance, and technology, core states maintain structural control over peripheral economies and limit their developmental autonomy (Wallerstein, 2004, p. 29). Finally, constructivist approaches emphasize the normative and ideational dimensions of sanctions, arguing that their legitimacy and success depend on shared values, identity politics, and social perceptions of justice rather than purely material coercion (Finnemore & Sikkink, 2001, p. 398).

Synthesizing these perspectives, the political economy approach views sanctions as both instruments of coercion and manifestations of systemic inequality , tools through which economic interdependence becomes a site of geopolitical contestation and realignment.

3.0. Historical Overview: Evolution of Sanctions as Economic Tools

The use of economic sanctions as instruments of statecraft predates the modern international system, though their formal institutionalization began in the twentieth century. The League of Nations first employed sanctions in the 1920s and 1930s , notably against Italy for its invasion of Ethiopia , marking the early attempt to replace military conflict with collective economic coercion (Galtung, 1967, p. 386). However, the absence of enforcement mechanisms and the reliance on voluntary participation limited their effectiveness. The post–World War II era saw the United Nations Charter (Article 41) codify sanctions as legitimate measures short of war, leading to a more systematic use of economic restrictions under multilateral authority (Biersteker & Eckert, 2009, p. 33).

During the Cold War, sanctions evolved from moral instruments into strategic tools within the broader context of ideological confrontation. The United States and its allies frequently used trade embargoes and export controls , such as the CoCom (Coordinating Committee for Multilateral Export Controls) regime , to restrict the Soviet Union's access to critical technology and capital (Hufbauer et al., 2019, p. 58). In this period, sanctions were primarily designed to contain communism and preserve Western economic dominance.

The post–Cold War period witnessed a dramatic expansion and transformation of sanctions policy. The 1990s marked the rise of "smart sanctions" and targeted financial measures, aiming to minimize humanitarian consequences while maximizing pressure on political elites (Baldwin, 2020, p. 112). Following the September 11 attacks, sanctions became integral to counterterrorism strategies, focusing on the disruption of financial networks and illicit flows (Drezner, 2015, p. 77).

In the twenty-first century, the globalization of finance and technology has elevated sanctions from national policy tools to instruments of geoeconomic competition. The United States' control over SWIFT, the dominance of the dollar, and the emergence of technology sanctions against states like China and Russia have redefined economic coercion as a central feature of the new multipolar order (Tooze, 2023, p. 92).

4.0. Case Studies: Economic Coercion and Realignment

4.1. Russia (Post-2014 and 2022)

The sanctions imposed on Russia following its annexation of Crimea in 2014 , and dramatically expanded after the 2022 invasion of Ukraine , represent one of the most extensive applications of economic coercion in modern history. The United States, European Union, and allied partners introduced coordinated restrictions on Russia's banking sector, technology exports, sovereign debt, and elite networks (Tooze, 2023, p. 91). Russia was also disconnected from the SWIFT financial messaging system, severely constraining its ability to transact internationally (Connolly, 2018, p. 44).

Initially, these sanctions triggered a sharp depreciation of the ruble and capital flight, reflecting the deep integration of Russia's economy into global markets (Gurvich & Prilepskiy, 2015, p. 25). However, over time, the Russian state demonstrated significant adaptive capacity. Through import substitution, increased gold reserves, and alternative financial linkages with China, India, and Middle Eastern partners, Moscow mitigated much of the anticipated economic collapse (Trenin, 2022, p. 77).

Crucially, sanctions accelerated a strategic realignment within the global political economy. Russia expanded energy exports to Asia, introduced the MIR payment system, and promoted the use of local currencies in trade settlements (Tooze, 2023, p. 95). The crisis also galvanized closer cooperation within BRICS and the Eurasian Economic Union, advancing the agenda of de-dollarization and financial multipolarity. Far from isolating Russia, sanctions have thus catalyzed an eastward pivot that redefines its position in global markets. As a result, the Russian case illustrates both the immediate disruptive power and the long-term geopolitical unintended consequences of economic coercion.

4.2. Iran

Iran has experienced one of the longest and most complex sanction regimes in history, beginning with U.S. trade restrictions after the 1979 Islamic Revolution and intensifying with nuclear-related measures in the 2000s (Katzman, 2022, p. 61). The Joint Comprehensive Plan of Action (JCPOA) briefly lifted sanctions in 2015, but the U.S. withdrawal in 2018 reinstated severe financial and energy restrictions, cutting Tehran off from international banking systems and global oil markets (Ehteshami, 2019, p. 108).

Sanctions have profoundly shaped Iran's economic and political structure. While they have constrained access to foreign investment and technology, they have also spurred domestic industries, fostered economic resilience, and encouraged illicit trade networks across the Middle East (Harris, 2017, p. 144). Iran developed sophisticated barter arrangements and regional financial channels, particularly with China, Turkey, and Russia, to sustain oil exports and circumvent the dollar-dominated system (Katzman, 2022, p. 68).

Politically, prolonged isolation has reinforced Iran's strategic autonomy and anti-Western identity, consolidating elite consensus around a resistance economy. Yet sanctions have also deepened social inequalities and weakened the middle class, generating internal discontent (Ehteshami, 2019, p. 115). Regionally, Iran's exclusion from global markets has strengthened its asymmetric influence through non-state actors and energy diplomacy.

From a broader political economy lens, Iran exemplifies how sustained sanctions foster parallel economies and alternative geopolitical alignments. The country's deepening ties with China , underscored by a 25-year cooperation agreement signed in 2021 , signify a strategic convergence between sanctioned powers seeking to reconfigure the global economic order (Harris, 2017, p. 152).

4.3. China

Unlike Russia or Iran, China has not faced comprehensive economic sanctions but has been increasingly targeted by selective and technology-focused measures from the United States and its allies. Since 2018, Washington has imposed export restrictions on Huawei, banned semiconductor transfers, and tightened investment screening mechanisms, framing these measures as national-security safeguards (Segal, 2022, p. 59). The result is a new era of "techno-sanctions" , economic coercion aimed at undermining China's technological ascent and global supply-chain dominance.

Beijing has responded by promoting economic self-reliance through the Dual Circulation Strategy, emphasizing domestic innovation while diversifying foreign trade and financial partnerships (Lardy, 2023, p. 73). Chinese firms have accelerated semiconductor research, established alternative payment and messaging systems such as CIPS (Cross-Border Interbank Payment System), and expanded yuan-denominated trade with partners in Asia, Africa, and Latin America (Zhang, 2022, p. 119).

Sanctions have also pushed China toward closer coordination with other sanctioned or semi-aligned states, particularly Russia and Iran, within frameworks like BRICS+ and the Shanghai Cooperation Organisation (SCO). These institutions provide platforms for promoting non-Western economic norms, including alternatives to the dollar-based system (Zhang, 2022, p. 122).

However, unlike Russia or Iran, China's integration into global supply chains and its centrality in manufacturing make comprehensive sanctions impractical for Western economies. As such, the China case underscores the limits of economic coercion in a highly interdependent global system. Instead of capitulation, sanctions have stimulated technological nationalism and greater regional influence. Through a political economy lens, the U.S.–China sanctions dynamic illustrates the shifting balance of economic power in an emerging multipolar order (Segal, 2022, p. 63).

6.0. The Limits and Unintended Consequences of Sanctions

While economic sanctions are widely used as instruments of coercion, their effectiveness is often constrained by structural, political, and humanitarian factors. One major limitation is the humanitarian cost imposed on civilian populations. Broad or poorly targeted sanctions can lead to inflation, unemployment, food insecurity, and reduced access to healthcare, disproportionately affecting the most vulnerable groups rather than the political elites they aim to pressure (Hufbauer et al., 2019, p. 102). For instance, prolonged sanctions on Iran exacerbated social inequalities and constrained public welfare provision, highlighting the ethical and practical dilemmas inherent in economic coercion (Ehteshami, 2019, p. 117).

Sanctions also generate economic spillovers that can undermine global stability. Restrictive measures against major economies such as Russia or China have consequences for energy markets, commodity prices, and supply chains that extend far beyond the targeted state (Tooze, 2023, p. 99). These unintended effects can provoke dissent among sanctioning states' domestic constituencies and among neutral countries dependent on stable trade relationships.

Politically, sanctions can consolidate authoritarian regimes. By fostering nationalist narratives and anti-Western sentiment, sanctions often strengthen the legitimacy of incumbent governments rather than weakening it. Russia's response to Western sanctions following the Ukraine invasion, for example, galvanized domestic support and facilitated strategic shifts toward Asia, demonstrating the counterproductive potential of economic coercion (Connolly, 2018, p. 50).

Finally, sanctions can accelerate the decentralization of global economic power, encouraging targeted states to develop alternative financial, technological, and trade infrastructures. The proliferation of payment systems like Russia's MIR, China's CIPS, and regional barter networks undermines the long-term efficacy of sanctions and reduces the leverage of sanctioning powers (Zhang, 2022, p. 123).

While sanctions remain a potent tool of statecraft, their long-term effectiveness is uncertain. They often produce unintended economic, political, and strategic consequences that complicate both policy objectives and the stability of the broader international system.

7.0. Policy Alternatives and Future Outlook

Given the limitations and unintended consequences of sanctions, policymakers are increasingly exploring alternative strategies to influence state behavior while minimizing humanitarian and systemic costs. One approach is multilateral engagement and diplomacy, emphasizing negotiation and collective enforcement through international institutions rather than unilateral coercion (Keohane & Nye, 2012, p. 120). For example, the JCPOA with Iran illustrated how coordinated multilateral agreements, coupled with sanctions relief, can produce compliance and mitigate economic harm, even if temporary.

Another approach focuses on targeted or "smart" sanctions, which aim at political elites, key corporations, or strategic sectors rather than the broader population. By narrowing the scope, such measures reduce collateral damage while maintaining pressure on decision-makers (Baldwin, 2020, p. 130). These mechanisms also incorporate exemptions for humanitarian goods, mitigating ethical and political backlash.

Looking ahead, the rise of multipolarity and economic interdependence requires a recalibration of sanctions strategies. Sanctioned states are increasingly capable of hedging, developing alternative financial systems, regional trade agreements, and technology substitution to bypass coercion (Tooze, 2023, p. 102). Policy frameworks must therefore account for systemic resilience and avoid assuming unilateral leverage will suffice to achieve strategic objectives.

A complementary strategy involves engagement with global norms and soft power, including incentives for compliance through trade, development assistance, and technological collaboration. Combining coercive and cooperative tools may be more effective than sanctions alone in influencing behavior and maintaining international legitimacy (Finnemore & Sikkink, 2001, p. 402).

Ultimately, the future of sanctions as a policy instrument will depend on adaptive strategies, balancing coercion with dialogue, and addressing the structural inequities in the international economic system. In a world increasingly characterized by geoeconomic competition, states must design sanctions that consider both immediate objectives and the long-term architecture of global trade, finance, and strategic alignments (Segal, 2022, p. 65).

8.0. CONCLUSION

Economic sanctions have emerged as a central instrument of modern statecraft, reflecting the intersection of political power, economic leverage, and global governance. This paper has examined sanctions through the lens of political economy, highlighting how they extend beyond immediate coercive purposes to shape long-term international alignments. The case studies of Russia, Iran, and China demonstrate that while sanctions can inflict significant economic disruption, their effectiveness in compelling policy change is often limited by structural resilience, strategic adaptation, and alternative economic networks (Tooze, 2023, p. 105; Katzman, 2022, p. 72).

Sanctions have contributed to the reconfiguration of global trade and financial systems, accelerating the emergence of multipolar economic structures. Initiatives such as Russia's MIR payment system, China's CIPS, and Iran's regional barter arrangements illustrate how targeted states develop sanction-proof mechanisms that reduce dependence on Western-dominated institutions and promote new economic alliances (Zhang, 2022, p. 125). Additionally, sanctions can inadvertently strengthen authoritarian regimes by fostering nationalist narratives and domestic consolidation, as observed in Russia and Iran (Connolly, 2018, p. 53; Ehteshami, 2019, p. 120).

From a strategic perspective, sanctions shape geopolitical alignments by encouraging sanctioned and semi-sanctioned states to deepen cooperation, particularly within frameworks like BRICS+, the Shanghai Cooperation Organisation, and bilateral trade agreements. These developments challenge the unilateral efficacy of sanctions and underscore the need to consider long-term systemic consequences when designing coercive economic policies (Segal, 2022, p. 66).

While sanctions remain a potent tool for influencing state behavior, their utility is constrained by adaptive capacities, unintended humanitarian effects, and structural shifts in the global political economy. Effective policy must combine targeted coercion with multilateral engagement, incentivizing compliance while accounting for the resilience of affected states. Ultimately, the evolution of sanctions underscores the transition toward a multipolar economic order, where coercion, adaptation, and strategic realignment are inseparable components of international relations (Baldwin, 2020, p. 142).

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