

Weaponization of Finance: Geopolitical and Economic Impacts of Sanctions

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DOI: 10.46609/IJSSER.2026.v11i03.012 URL: <https://doi.org/10.46609/IJSSER.2026.v11i03.012>

Received: 12 February 2026 / Accepted: 10 March 2026 / Published: 28 March 2026

ABSTRACT

Economic sanctions have emerged as a primary instrument of modern statecraft, leveraging financial restrictions to achieve strategic objectives without direct military confrontation. This paper examines the economic and geopolitical impacts of sanctions through a comparative study of Russia, Iran, Venezuela, and North Korea, analyzing GDP growth, inflation, trade flows, foreign reserves, and international alliances. Using a mixed-method approach that integrates quantitative data from international financial institutions with qualitative insights from secondary literature, the study highlights both short-term economic shocks and long-term structural adaptations. Findings reveal that while sanctions impose significant economic and humanitarian costs, their effectiveness in inducing political change is limited, as targeted states employ evasion strategies, diversify partners, and strengthen alternative trade networks. The study further demonstrates that sanctions can reshape global financial alignments, promote non-Western alliances, and accelerate systemic shifts in trade and capital flows. Overall, financial sanctions are shown to be complex instruments of economic statecraft with outcomes extending beyond immediate economic damage to enduring geopolitical consequences.

Keywords: Economic impact, Economic statecraft, Financial sanctions, Geopolitical impact, International alliances

1. Introduction

Economic sanctions have become one of the most widely used tools of influence in modern international relations, which are rapidly replacing physical military confrontation with economic and financial force [1]. In the age of globalization and monetary interdependency, states and transnational alliances are turning to sanctioning behaviors in order to influence political conduct, discourage aggressiveness, and impose on worldwide norms. This paradigm shift is indicative of a larger shift in the world order of powers, where financial markets, trade networks, and capital flows have become a vital source of geopolitical power.

This is often described as the weaponization of finance, which refers to the calculated use of financial tools, including sanctions, banking limits, the freezing of assets, and trade controls, in such a manner that they are used to meet a political and/or geopolitical goal [2]. In contrast to the old-fashioned trade embargo or blocking the physical space, modern sanctions are set on the basis of the global financial system and, thus, allow sanctioning countries to influence by blocking the access to payment systems, foreign exchange reserves, and innovative technologies.

The formulation and execution of the sanctions have experienced significant development. Commonly used sanction regimes were mostly based on extensive trade embargoes that were costly economically to the civilian population with little political achievement [3]. To address these weaknesses, policymakers turned to more and more unsophisticated or targeted sanctions that targeted particular sectors, companies and individuals with a view of exerting the maximum impact on humanitarian damage and the least on political impact [4]. Measures that included being locked out of the SWIFT international payment system as well as freezing of sovereign assets and limitations on exportation of energy and technology have come to be central elements of modern sanction regimes.

The recent changes in geopolitics emphasize the new role of financial sanctions in world politics. The United States and its supporters have imposed a wide-ranging sanction against Iran over the development of nuclear weapons, Russia over the annexation of Crimea in 2014 and the invasion of Ukraine in 2022, Venezuela due to democratic backsliding as well as economic collapse, and North Korea due to its development of nuclear weapons [5]. These examples demonstrate the scope of situations where sanctions are used and the complexity of financial pressure, which is becoming increasingly sophisticated.

Regardless of the prevalence of their usage, the effectiveness of economic sanctions is highly debatable in both the academic and policy communities. Although some research points out that sanctions can be successful where goals are small and where the international system is well-coordinated, others hold that sanctions will hardly cause any policy change and, on the contrary, may become entrenched in foreign regimes by rallying domestic opposition to foreign aggression [6]. Furthermore, there is an increase in literature that highlights the high humanitarian costs of sanctions, such as the inflation, lack of basic necessities, and rising living standards of the civilian population.

It is against this background that this paper examines the economic and geopolitical impacts of financial sanctions by making a comparative study of the four sanctioned states, namely, Russia, Iran, Venezuela, and North Korea. Connecting the fluctuations in the main measures of the economy, i.e., GDP growth, inflation, trade flows, and foreign reserves, with the changes in geopolitical positions and financial policies, the study aims to consider not only the material but

also the strategic effects of sanctions. The paper attempts to add to the already existing literature by providing a comparative insight that encompasses the economic result with the expansive changes in the global financial and geopolitical frameworks.

The rest of the paper is structured in the following way. Section 2 of the paper examines the literature and theoretical basis of economic sanctions. The methodology and data sources used are described in section 3. The case studies and comparative analysis are provided in sections 4 to 7. The last part ends with important findings, policy implications, limitations, and future research directions.

2. Literature Review

Economic sanctions were traditionally one of the most important tools of economic statecraft, used by both the states and international organizations to shape political results without taking direct military confrontation. This has grown over recent decades with the spread of literature into scholarly focus, reaching a body of literature which is expansive but dispersed in type, comprising of empirical, theoretical, and interdisciplinary approaches to the consequences, as well as the mechanisms underlying such consequences. Recent reviews argue that a sufficient understanding of sanctions requires interdisciplinary integration between economics and the political science, however, comparatively few studies address these disciplinary gaps comprehensively [7].

Empirical studies of sanctions are increasingly recognizing the existence of multiple mechanisms of operation of sanctions. Some scholars distinguish between coercive sanctions that are intended to change governmental behavior, limiting sanctions meant to restrict economic or military capabilities, and signaling sanctions meant to express normative disapproval or strategic determination. Although the categories are still debated, analytical models that differentiate objectives clarify the use of apparently similar sanctions that have dissimilar effects in different situations. Despite the fact that no single paradigm has been able to dominate the arena, this distinction reaffirms the fact that sanctions are not a homogenous policy but are instead a family of instruments, each with specific logics and courses of influence [8].

The quantitative data on the economic impact of sanctions demonstrate that in many cases they introduce calculable changes in the production, commerce, and investment to the detriment. Recent event studies show that international sanctions have statistically significant negative effects on GDP growth, trade flows, and foreign direct investment, with the most drastic effects felt in the first few years after their introduction. Complementary econometric analysis indicates that multilateral and unilateral sanctions lower the real GDP growth in target states, but the impact and duration of these effects depends on the sanctioning actor and design [9]. All these

findings lead to the conclusion that sanctions have substantial economic implications on the targeted economies, although people still disagree on how far the costs translate to political compliance.

In addition to macroeconomic indicators, there is an increasing literature on recording the more social effects of sanctions. Cross-national and case-based studies have proven that sanctions have negative impacts on the population in health and food security, as well as access to critical services [10]. As an illustration, the research on the case of Iran and other sanctioned countries has attributed lower imports of food and medical supplies as the cause of worsening health conditions and increasing susceptibility to diseases. Similarly, studies of humanitarian assistance activities reveal the compliance demands and financial limitations as a hindrance to the provision of urgent services in approved settings, making humanitarian recovery difficult and exacerbating suffering amid vulnerable groups. The observations dispute the existing belief according to which modern sanctions, especially the targeted actions, reduce the civilian harm.

A number of recent quantitative researches question the effect of sanctions on governance, democracy and human rights. Applying two methods, matching and difference-in-differences, to determine sanctions related to democratic and human-rights goals, researchers conclude that the latter are usually associated with a bad result in three to four years after the sanctions are imposed, whereas the impact of the former on human rights is inconclusive [11]. Such trends suggest that even measures that have been conceived in a bid to facilitate political rights may trigger the emergence of unanticipated effects, which may lead to the overthrowing of the very norms that they are meant to promote.

An emergent literature is using network analysis and systems lenses to sanction impacts, showing that international economic relationships have effects on the probability of being sanctioned and routes through which the sanction influence occurs. The research that uses trade network data proves that both sanctions can rearrange the global commercial ties, shift the trade to the partners who are neutral or allied, and lead to the rise of alternative economic centers to the old cores. Simultaneous studies of financial networks show that anxieties about reliance on powerful systems like SWIFT have also created an interest in alternative systemic structures of payment, financial fragmentation, and regionally based networks. These structural changes help point out the fact that sanctions can have systemic effects that are far-reaching beyond short-run economic harm.

Recent reviews also point at the fact that interdisciplinary integration is required to capture the full effects of sanctions [12]. Economics and political science provide different but complementary information: the economic analysis would quantify losses of output, trade impacts, and market shocks, and the political science would just be able to contextualize the

interactions between sanctions and domestic institutions, regime type, and strategic signaling. Researchers have argued that the integration of these strategies would help in closer comprehension of how and when sanctions work in reality [13].

Even with significant improvements, there are some significant gaps. First, most of the available literature is dedicated to either economical outcomes or political outcomes, and there is limited systematic treatment concerning the interconnection of the two dimensions. Second, there is more and more macroeconomic effects research, but comparatively little on distributional effects among societies, such as the importance of sanctions in defining inequality, labor markets, and firm-level performance. Third, the structural consequences of sanctions on the global economic and financial designs, fragmentation, and alternative networks have only recently started to be theorized and need additional empirical research. Lastly, cross-case comparative synthesis using similar indicators has been comparatively limited, thus limiting extrapolation and theory formulation.

The current paper fills these gaps by providing a systematic comparative study of four long-term cases, i.e., Russia, Iran, Venezuela, and North Korea, including the economic and geopolitical outcomes thereof. Combining quantitative markers with qualitative information about adaptation strategies, formation of alliances, and change of the system, this research helps to improve the modern knowledge of sanctions as the dynamic tools of economic statecraft and not of policy.

3. Methodology

This section elaborates on the methodological approach utilized in this study. It discusses the objectives of the study, research design, variables, time period, and analytical framework.

3.1 Objectives of the Study

The primary objective of this study is to examine the economic and geopolitical impacts of sanctions on four selected countries: Russia, Iran, Venezuela, and North Korea. Specifically, the study aims to document how sanctions affect macroeconomic indicators such as GDP growth, inflation, exports, and foreign reserves, while also considering broader geopolitical consequences such as alliances, trade partnerships, and shifts in the global financial system. The study aims to provide a comparative understanding of how sanctions operate in practice and how targeted states adapt over time.

3.2 Research Design

This study adopts a comparative case study design, focusing on four countries with significant experience under international sanctions. Each case is analyzed individually to capture country-

specific economic trends and geopolitical responses, followed by a cross-case comparison to identify common patterns and key differences. The approach is largely descriptive and analytical, integrating quantitative data with qualitative insights from secondary literature and credible news sources. By combining these perspectives, the study situates economic indicators within their broader geopolitical context.

3.3 Variables

The main variables examined in this study include economic indicators i.e., GDP growth, inflation, exports, and foreign reserves and geopolitical outcomes such as international alliances, trade relationships, and participation in alternative financial systems. Sanctions themselves are treated as the independent variable, operationalized through observable measures such as oil export restrictions, banking and finance limitations, SWIFT exclusions, and targeted asset freezes. The study emphasizes descriptive trends providing a detailed narrative of both economic and political consequences.

3.4 Time Period

The analysis primarily covers the period from 2000 to 2023, which includes major sanction episodes for each country: the 2014 Crimea sanctions and 2022 Ukraine-related sanctions for Russia; the 2010–2015 nuclear sanctions and post-2018 U.S. withdrawal from the JCPOA for Iran; Venezuela’s 2017–2023 oil and financial sanctions; and North Korea’s long-standing multilateral sanctions imposed through the United Nations. This period captures both immediate and longer-term responses to sanctions, allowing for assessment of adaptation strategies over time.

3.5 Analytical Framework

Economic data are collected from authoritative international sources, including the International Monetary Fund (IMF), World Bank, United Nations (UN) databases, and country-specific reports, while geopolitical developments are drawn from secondary literature, think-tank analyses, and reputable news sources. The analytical framework combines quantitative and qualitative methods. The descriptive statistics summarize economic trends, while narrative analysis and comparative tables highlight political responses, alliances, and adaptation strategies. Cross-case comparison emphasizes both common patterns and differences, including varying degrees of resilience or reliance on supportive partners. This framework allows for a nuanced understanding of practical impacts of sanctions.

4. Results and Findings

This section examines the effects of sanctions through individual case studies of Russia, Iran, Venezuela, and North Korea. Each case highlights the economic and geopolitical consequences, followed by a comparative analysis to identify common patterns and key differences across the four countries.

4.1 Russia

Russia has been facing one wave after another of international economic sanctions in the last ten years, the most significant moments of which took place in 2014 and 2022. The first large sanctions regime was provided in 2014 after the annexation of Crimea by Russia out of Ukraine, which was massively criticized as a violation of international law and Ukrainian sovereignty. To counteract it, the United States, the European Union, and some of their allies organized sanctions, which targeted Russian individuals, financial establishments, and major industrial sectors [14]. These actions were indicative of the transition of economic statecraft as the form of geopolitical pressure.

An even larger sanctions framework was applied after the full-scale invasion of Russia in Ukraine took place in 2022. These sanctions were quite purposefully designed to cause systemic economic costs, unlike the previous measures. They blocked the access of Russia to the global financial markets, froze much of its foreign-exchange reserves in the central-bank purse located in other countries, reduced energy commerce, and suspended access to the state-of-the-art technologies [15]. The stated aims were to prevent the rise of further military activity and to undermine the long-term economy of Russia.

The restrictions placed on the Russian economy covered various sectors of the economy. Monetary restrictions were in the form of disconnection of key Russian financial institutions to the SWIFT international payment system and the freezing of about USD 300 billion in central bank reserves. These measures restricted its power to transact with the foreign countries and curtailed its capacity to stabilize the economy in case of external shocks. Sanctions relating to energy were also placed on oil and gas revenues by limiting drilling and liquefied natural-gas technologies, and a G7 oil-price ceiling was introduced. There were also export controls of semiconductors, aircraft parts and dual use technology and the departure of many Western companies in Russia, all of which served to cause both technological and consumer isolation.

Russian authorities responded by putting up a set of stabilization measures. The capital controls were implemented to avoid financial outflows; the energy exports were more often settled in rubles; and the trade relations were directed to the non-sanctioning partners, especially to China and India. Such interventions were crucial in avoiding a short-term financial crisis and

maintaining short-term economic activity. Although the magnitude of the sanctions of 2022 was high, the economy of Russia did not experience a sudden collapse as many observers expected. This was due to a mix of strict capital controls, oil prices were high all over the world and the government was still getting export revenues which made it stabilize financial markets. Interestingly, the ruble has been strengthening at some point in 2022, which is an indication of successful short-term monetary and fiscal intervention. But this apparent strength was mainly policy based and it concealed greater structural frailty in the economy.

Figure 1: Russia's Annual GDP growth (in percentage)

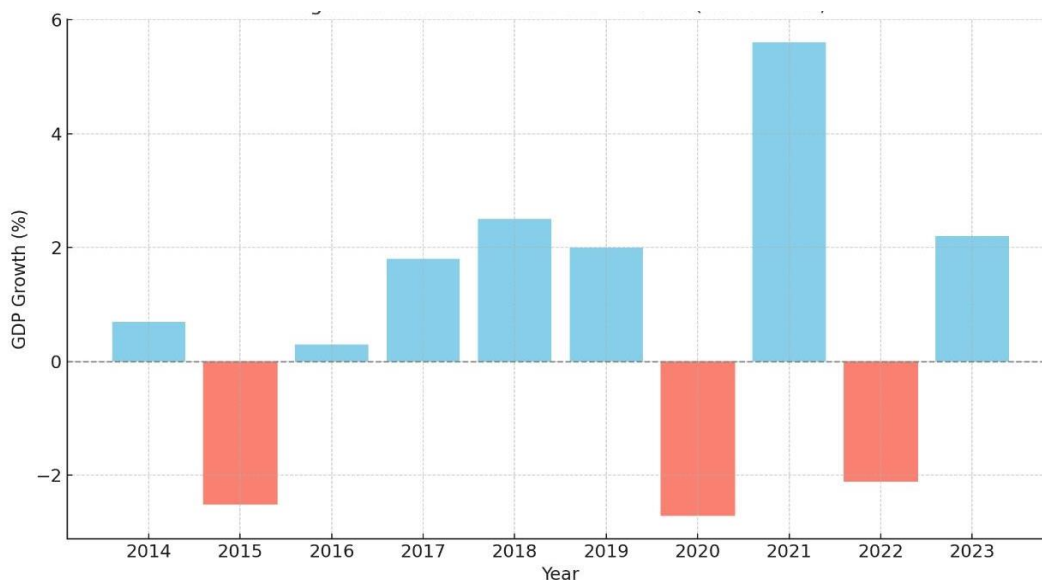


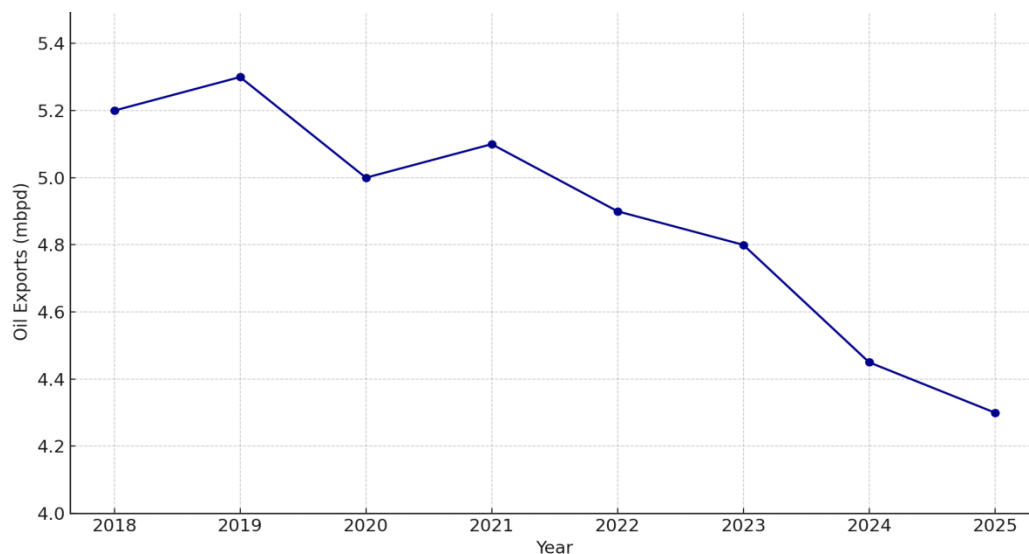
Figure 1 illustrates the GDP growth of Russia since 2014. After the imposition of sanctions in 2014, the economic activity was sharply reduced in 2015, which indicates less investment, outflows, and financial uncertainty. The gradual recuperation of growth later on was facilitated by a combination of state intervention and comparatively positive energy-market conditions. The second significant contraction happened in 2022 after the broadening of sanctions connected to the conflict in Ukraine. But in 2023, GDP growth became positive again, which means that the sanctions environment has been adjusted to in part.

It is an illustration of a vicious cycle of economic shock and stabilization but not growth. Whereas Russia has shown the capacity to accommodate short-term shocks, the recoveries have been based on the government intervention and the commodity revenues instead of productivity-driven growth. Though there was a temporary stabilization, the economic price of sanctions, in the long term, seems to be high. Research [16] forecasts that, once capital adjustment is implemented in the economic models, Russia will experience long-term consumption reduction

by about 8.5 percent, which is way higher than what is estimated using the models that are not dynamic. This fall is a manifestation of inefficient redistribution of capital, a decrease in the quality of investments, and the slowing growth of productivity.

There has been a progressive undermining of the economic resilience in Russia because of sanctions too. Although the high oil prices have temporarily reduced the fiscal strains, the long-term limits to foreign-reserve build-up and access to state-of-the-art technologies reduce the capacity of the state to address future shocks. These limitations eventually limit the growth opportunities and make them highly reliant on a few economic operations. Besides, sanctions have promoted economic and political concentration. The rise of the so-called fortress economy has consolidated the centralized state power and strengthened state loyalty networks. Instead of undermining the political leadership, this dynamic can also reinforce structures of authoritarian governance and thus limit the chances of sanctions having an immediate political effect.

Figure 2: Russian Oil Exports (Million Barrels Per Day)



The effect of sanctions on Russian oil exports is investigated in figure 2. After the 2014 sanctions, oil exports fell slightly in 2014-2015, mainly due to an international oil-price crash and trade shocks to start with, but regained their position within two years. The performance of the post-2022 sanctions delivered another result. Russia has been able to divert crude-oil exports to the Asian markets, especially China and India, despite European embargoes and the establishment of a price cap on G7 oil, which is a key Indian and Chinese product.

Consequently, the overall level of exports was not much farther below that before the war. Sanctions did not have the primary effect of reducing the volume of exports but instead

decreased export revenues since Russia is able to export oil at lower prices and increased transportation and insurance expenses. This change changed a geographical distribution of trade and caused a decrease in income per barrel despite the fact that the volumes of production remained not significantly decreased.

Furthermore, it has been found that Russia's export of oil to Europe has significantly decreased due to economic sanctions. The case of Russia shows the success and the constraints of the contemporary financial sanctions. The short-term economic prices were substantial, and long-established financial and trade ties were broken by sanctions, which were manifested in the GDP shrinkages and the shift of export destinations. But Russia escaped an economic meltdown by implementing capital measures, reorientation of trade, and energy exports. These approaches have maintained and kept a short-term equilibrium at the cost of long-term growth potential, technological development as well as diversification of the economy.

Sanctions have both triggered the shift toward non-Western allies and urged the process of de-dollarization at the geopolitical level and strengthened the movement towards the global financial system. However, even though the country still experiences economic pressure, the sanction measures have not yet changed the basic political or military goals of Russia. This example highlights that sanctions are an effective instrument of economic statecraft, but to be effective in the long-term, they must be coordinated strategically, designed carefully, and combined with diplomacy.

4.2 Iran

The nuclear program and the sanctions of the international community that have characterized the Iranian economic direction and geopolitical status have significantly shaped their economic path in the last ten years. Recently, in 2015, the Joint Comprehensive Plan of Action (JCPOA) only partially lifted the sanctions regime, allowing Iran to increase its oil exports, open access to foreign reserves, and take part in international financial markets. However, in 2018, following the unilateral withdrawal of the United States of the JCPOA, a comprehensive range of sanctions against the energy industry, banking, and the trade industry were reinstated. These actions have been clearly meant to block the main sources of revenue of Iran, limit its involvement in the global business environment, and put pressure on the regime to enter into additional agreements limiting its nuclear operations [17].

These sanctions were devastating to the economy. The oil exports of Iran that form the foundation of the government income drastically dropped thus triggering fiscal deficits and forcing the government to rely even more on the local revenues. The price of Iranian rial was significantly decreased, which triggered inflation and the loss of the purchasing power of the

households. The challenges were reduced in importation of machines, raw materials, and high-tech products, thus resulting in high unemployment and under-employment. The most impacted areas included social welfare which was disproportionately hurt, vulnerable groups of people, and the cost of living increased exponentially. The fiscal stress, currency depreciation and trade restrictions combined created a difficult business and consumer atmosphere.

The sanctions led to the acceleration of Iran being drawn towards non-Western allies, geopolitically. China and Russia were made the centre of the Iranian trade and investment networks which helped in accessing basic commodities, alternatives sources of finance and technology in energy. The regional influence, through its proxy networks in Iraq, Syria and Lebanon also allowed Iran to bargain in geopolitical terms in the region even in the face of the economic strain. This series of incidents shows that sanctions can have a huge effect on the economic results without necessarily leading to political compromise.

Iran responded in turn by using formal and informal mechanisms. They included barter trade deals, other banking options not based on the SWIFT, and smuggling networks to continue the necessary imports. Domestically, the government too encouraged substitution of imports in major sectors and put strategic industries at the forefront in order to avoid shortages. Though these adaptations prevented complete economic collapse, they in most cases diminished efficiency, retarded productivity growth, and promoted structural economic fragility.

Figure 3: Crude Oil Exports in Iran.

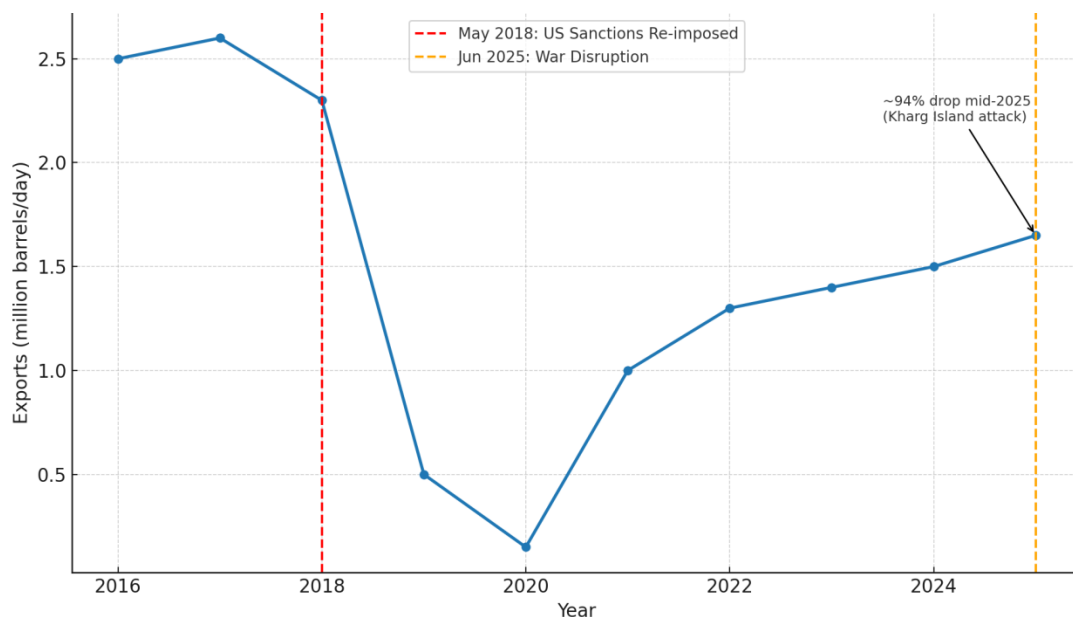


Figure 3 shows the level of the crude-oil export of Iran in the last ten years, with the sharp decrease after the 2018 reimposition of the sanctions and the gradual stabilization due to diversification of export markets and becoming more dependent on the trade with China and Russia. Partly due to the value of price discounts and increased insurance and transportation expenses, revenue per barrel was lower despite the fact that the volume of exports partially recovered.

The case of Iran shows that sanctions may create a significant level of economic and social distress. However, to a middle extent, their success in modifying the strategic behavior is moderated by the ability of a country to establish other trade networks, maintain relationships with the major powers and adopt local adaptation strategies. Economic resilience due to sanctions is still limited to the long term, since capital flows, foreign technology and investment are still limited, limiting productivity and growth.

4.3 Venezuela

Venezuela became a target of a set of global economic sanctions intended to pressure the government of President Nicolas Maduro against the background of political unrest and an escalating economic crisis since 2014 [18]. The sanctions that were mainly enforced by the United States and backed by some allied nations were meant to attack the most crucial source of revenue of the country the oil industry and high-level officials and the state-owned corporations such as PDVSA, and the goal was to weaken the political dominance of Maduro [19].

The initial wave of sanctions was based on financial blockages, such as the freezing of specific assets, denying access to international banking networks, and a ban on state-owned organizations. This impacted the oil industry especially as actions against foreign investment and technology transfer to PDVSA reduced the capacity of the government to modernise infrastructure and keep production at the necessary levels. The embargo on trade and investment further blocked the access of Venezuela to the global capital markets, and the high-ranking officials were the target of personal sanctions in terms of travel bans and asset freezes [20].

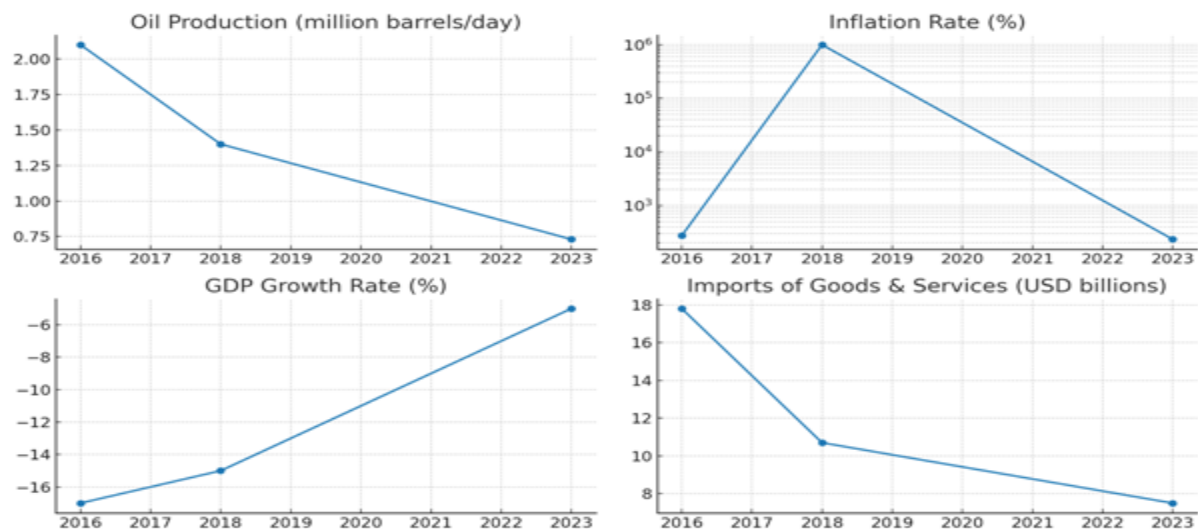
These sanctions had dramatic short-term impacts. The breakdown of transactions and limited access to the U.S. financial institutions led to a drastic reduction in the volume of crude oil sales, which in turn resulted in a steep decrease in the income of the government [21]. The bolivar of Venezuela was crashing because foreign reserves fell, and no one wanted to do business in the country, with the result of an unprecedented hyperinflation episode, hitting over 1,000,000 percent by the end of 2018 . The essential goods (food, medicine) imports fell about 40 percent in a year and caused shortages, exterminating the conditions of the lives. There were critical cash

crunches in the government and thus paying wages or service debts in the public-sector became hard, leading to protests and an increasing outflow of Venezuelans [22].

The sanctions on Venezuela have had enormous and far-reaching long-term effects. The mainstay of the Venezuelan economy, oil production, fell to below 750,000 barrels per day by 2023, down from more than 2 million barrels per day in 2016 because of sanctions and a lack of investment and infrastructural degradation [23]. The ongoing high rates of hyperinflation and currency instability persisted even after trying to redenominate, and being locked out of the global financial markets, Venezuela turned to becoming economically reliant on non-traditional partners, such as Russia, China, Iran, and illicit trade networks [24]. The state monetary policy was undermined by widespread dollarisation and the use of cryptocurrencies to carry out local transactions. Simultaneously, the skilled workforce emigrated, which led to a brain drain and lowered national productivity and human capital, and a permanent shortage of healthcare, food, and infrastructure exacerbated the humanitarian crisis.

Geopolitically, sanctions have helped Venezuela quickly shift towards non-Western powers to establish trade, defense, and technology relations with Russia, China, Iran, and Turkey [25]. The actions also helped to undermine the U.S. influence in Latin America and gave room to other powers to increase their presence in the region. Venezuela has devised parallel financial systems to avoid sanctions, such as barter trading, oil-for-goods deals, and cryptocurrency deals. It has also created a tremendous spillover in neighboring economies and regional politics due to the massive migration of more than 7 million Venezuelans by 2023 [26]. Those changes have solidified the concept of multipolarity and de-dollarization in the BRICS+ system.

Figure 4: Key Economic Indicators of Venezuela before and after Sanctions



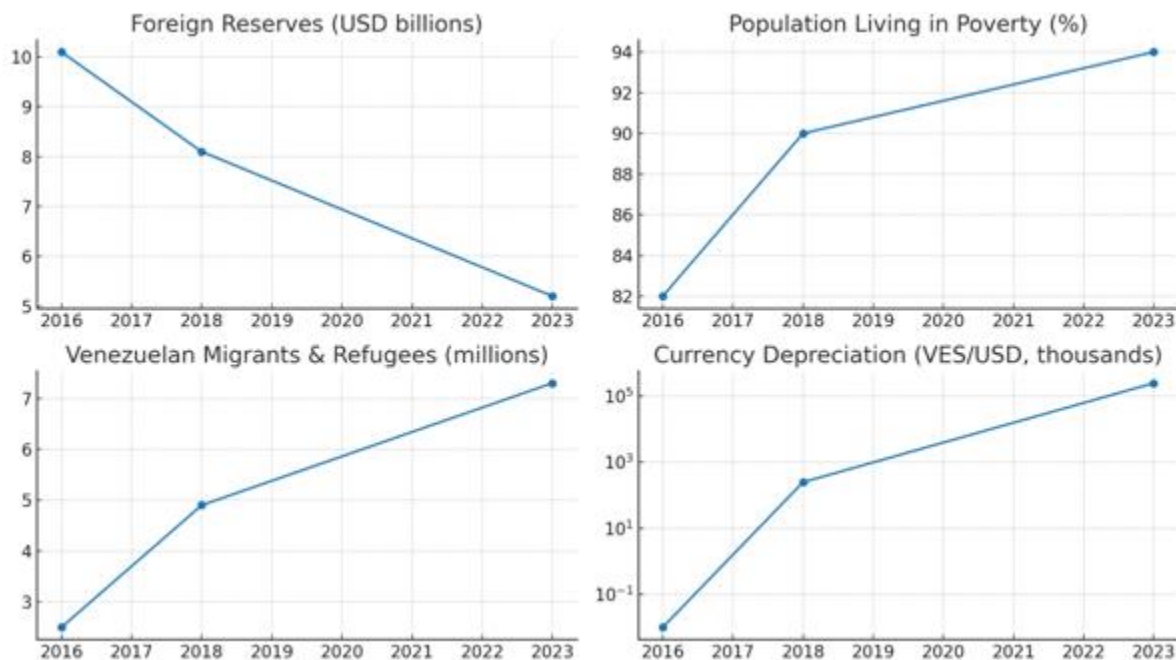


Figure 4 summarizes the major economic indicators such as GDP, inflation, oil production, imports, foreign reserves, poverty rates, migration, and currency depreciation and reflects on the short-term and long-term effects of the sanctions. The figure shows the breakdown of the economic activity, the worsening of the social welfare, the growing dependence on external financial and trade networks.

The effectiveness of sanctions is estimated to indicate that they were effective in limiting the economy of Venezuela, but failed in their main political objectives. The Maduro government has insured the preservation of power to a great extent, gaining control over security bodies, state enterprises, and material assets. According to independent estimates, it has been the civilians who have suffered the most by the humanitarian costs in terms of severe shortages and poverty, as opposed to political elites [27]. Meanwhile, some economic pressures have been alleviated with the help of adaptation schemes, such as partnership with non-Western powers, dollarisation, and informal trade networks, which minimized the long-term leverage of western financial instruments [28].

4.4 North Korea

The development of nuclear weapons and ballistic missiles has subjected North Korea to several rounds of international sanctions because it contravened the resolutions of the United Nations Security Council (UNSC). The measures were meant to reduce funds allocated to the regime to the weapons programs and put the nation in the course of denuclearization talks. The initial

heavy sanctions were enforced in 2006 after North Korea conducted its first nuclear test under UNSCR 1718 and was prohibited to trade related materials of weapons and luxury goods. Later resolutions such as UNSCR 1874 in 2009 broadened the arms embargo, permitted inspections on North Korean vessels and cargoes and placed financial limitations. Subsequent waves of sanctions in 2013, 2016 and 2017 successively limited the scope, focusing on coal, iron, and mineral exports, airplane fuel, seafood, textiles, foreign labour and state-owned foreign assets. The United States and the European Union imposed secondary sanctions against foreign banks and businesses that were having business ties with North Korea essentially cutting the country off the international banking network.

These sanctions have a great effect economically. In a couple of years after 2016, especially in 2018 and 2019 the cumulative impact of export bans and restrictions on foreign currency inflows could be reflected in the decrease in the GDP of North Korea. The prohibition of coal, seafood, and textile sharply decreased the legal foreign income of the country, and the restriction of oil imports caused the fuel shortage, the rise in the prices of energy, and the disorganization of transport and industrial production. The deportation of the North Korean workers in foreign countries deprived another source of foreign currency and the ban on imports and increase in transportation expenses increased prices and led to shortages of food. In the long run, these measures promoted change towards the illegal trade where smuggling of fuel, minerals, and luxury goods became more prevalent as the regime attempted to circumvent sanctions.

The imposition of sanctions was based on a set of export restrictions, fuel restrictions, and banking restrictions in addition to monitoring. The UN limited the imports of refined petroleum to no more than 500,000 barrels per annum and prohibited the exports of key products that were intended to decrease the earnings of foreign currencies. Bank accounts abroad belonging to the regime were shut down and North Korea was virtually taken off the financial system. The foreign workers of North Korea were told to go back to the country and international surveillance such as satellite surveillance was employed in stopping illicit ship-to-ship fuel transfer. In spite of these, North Korea has devised advanced evasion techniques, such as fuel delivery in the sea, counterfeit documents, setting up of front companies in other countries and informal trade routes in China and Russia, as a way of going round the restrictions.

Sanctions have geopolitically intensified the international isolation of North Korea, restricting the formal diplomatic relations and compelling North Korea to become more and more dependent on China and Russia in terms of trade and political assistance. Enforcement of sanctions has been one main aspect of tension in the U.S. North Korea relations whereas the regional security issues are at high levels since missile testing has persisted in spite of the sanctions. These actions have also brought about the shortcomings of unilateral and partial

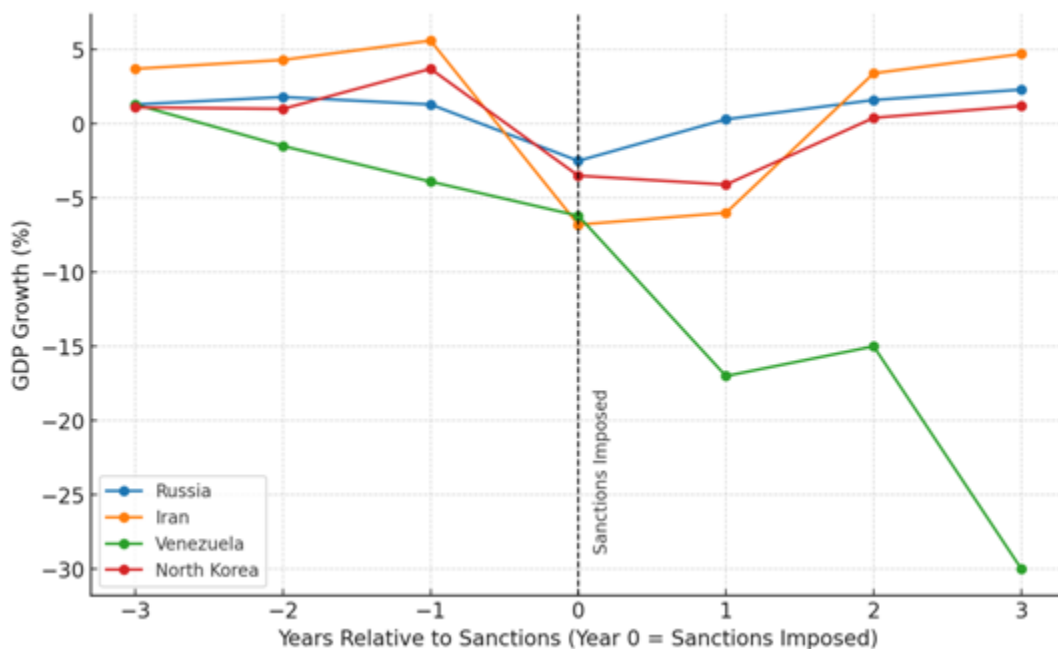
enforcement that has demonstrated that sanctions alone cannot alter the strategic behavior of the regime.

North Korea has been able to sustain its nuclear and missile programs despite the high economic pressure by adapting and evading. Although sanctions have limited trade, funds, and restrictions to international markets, the fact that the regime manages to find a way around restrictions is indicative of how well its economy can endure under severe isolation. Porous borders, external assistance and ingenious circumvention methods have softened the effectiveness of the sanctions. In the future, the international cooperation is important, especially with the help of China and Russia, to deepen the effectiveness of sanctions and solve the ongoing security problem of North Korea.

4.5 Comparative Analysis

The GDP growth rates of Russia, Iran, Venezuela, and North Korea demonstrate that the short- and long-term effects of sanctions on the national economies are quite obvious. As indicated in Figure 5 all the four states experienced a decline in GDP after the imposition of sanctions. Russia and Iran then showed partial recovery in a couple of years, whilst Venezuela continued to shrink, and North Korea growth was mostly stagnant.

Figure 5: Comparative GDP growth before and after Sanctions



The diversification of the Russian economy in terms of industrial, agricultural, and energy business allowed Russia to partially sweep through the sanctions on bank, technology, and energy investment. The oil revenues remained a main stabilizing force and the economic shock was offset by the diversification of trade and local production. However, the economy of Venezuela, which depends strongly on oil, was more susceptible; the sanctions of financial institutions and the oil industry aggravated a previously existing crisis causing critical shortages, hyperinflation, and deteriorating living standards.

In Iran, abrupt losses in oil sales and foreign incomes due to the re-enforced sanctions in 2018 were compensated by covert trade and other ties with China and Russia, which helped to recover partially. The key exports and imports of North Korea were continually prohibited, growth was curtailed, and to keep the economy running on a bare minimum, the regime continued to use methods of smuggling and front firms. The reaction of the population among the states under investigation was different. In comparison to the case of Venezuelans, where residents faced an immediate crisis of food insecurity, hyperinflation, and migration, Russian respondents were relatively resilient and supportive due to the employment security and state-mediated discourses. In Iran and North Korea, sanctions did not have a significant effect on political elites, although they mostly targeted common people.

The sectoral implications show the focus on the energy exports' contribution to the economic stability of Russia and Iran, but in Venezuela, the breakdown of oil production created the ripple effects towards imports, currency stability, and the welfare of people. Limited exports from North Korea and limited imports of oil reduced the industrial and agricultural production, which led to food insecurity. There were many adjustment strategies that were used in the four countries: Russia shifted to trade with the Asian markets and reinforced local payment systems; Iran used to trade by barter and by ways of alternative export routes; Venezuela used the informal markets, dollarization, and selective foreign relations; North Korea used smuggling, ship-to-ship transfer, and front companies to dodge sanctions. Sanctions provoked new shifts in the geopolitical alliances. Russia and Iran strengthened relationships with China and other non-Western partners; Venezuela resorted to China and Iran as a trade partner, and North Korea remained extremely dependent on Russia and China. These changes demonstrate that sanctions tend to promote the establishment of other economic relations and diminish the efficacy of sanctions in the long term, both unilateral and even multilateral ones.

5. Discussion

The comparative study of Russia, Iran, Venezuela, and North Korea reveals that financial penalties are a powerful but crude tool of economic statecraft with a tricky set of consequences that do not just end with immediate macroeconomic disruptions. The findings reports a

homogeneous shrink in the four economies after the application of sanctions, but the scope and the duration of the recession vary significantly. Due to diversified economies and the strong state control over strategic processes, Russia and Iran returned to some extent to the previous level of GDP only several years later, which is the manifestation of the resilience of the economy based on the state intervention and energy revenues and the redirection of the trade towards the non-Western countries. In comparison, Venezuela, whose economy largely depends on the export of oil, maintained a long-lasting economic downturn, which was worsened by hyperinflation, a fall in the provision of public services, and rampant shortages. With an isolated and centrally controlled economy, North Korea showed no growth at all because trade and external income were cut off drastically by sanctions, though due to the large number of evasion strategies developed by the regime, the economic foundation of the economy did not openly collapse.

These case studies show that ordinary citizens are the biggest losers instead of political elites because of sanctions. In Venezuela and Iran, hyperinflation, food and medicine shortages and currency depreciation triggered severe humanitarian impacts, such as poverty levels and mass migration. The socio-economic stress in Russia and North Korea, where the state authorities alleviated immediate social outburst to a certain extent, expressed themselves in the form of decreased consumer preference, increasing prices, and increasing susceptibility to external impetus. Those results highlight a long-standing ethical dilemma: sanctions are intended to affect the actions of the government but often cause the most significant losses to civilians.

It is of great importance to explain how sanctioned states strategically bypass the restrictions in order to comprehend why their effectiveness will only be limited over time. Russia used the high energy price, capital restrictions and the diversion of the exports to Asia to maintain financial and fiscal stability. Relying on external shipping, barter trade systems, and deepening relations with China, Russia, and other countries that tolerate sanctions helped Iran to keep oil revenues. Venezuela had to depend on informal trade, barter deals and further political and economic ties with a small group of non-Western nations, and North Korea had to survive on smuggling, front companies, ship-to-ship deals, and clandestine fuel distribution to maintain a bare minimum economic activity. These adjustments point out that sanctions are not passive measures; the targeted states proactively develop to sustain economic activities as well as strategic goals thus frustrating the purposeful political pressure.

Through sanctions, geopolitical readjustments are also triggered, transforming world trade, finance, and alliances. Russia and Iran moving to the East, Venezuela becoming even more closely tied to China and Iran, and North Korea depending on China and Russia are some of the examples of how sanctions can hasten the development of alternative financial and trade systems, which will lead to multipolarity in the world and weaken the role of the sanctioning countries. This observation adds weight to the belief that sanctions are most effective when

designed in a strategic manner, coordinated at the international level, and supplemented by diplomatic efforts and not as a stand-alone intervention of punitive economic actions.

On the whole, the discussion shows that as much as sanctions may create a short-term economic shock and result in leverage, they are not that effective in forcing political or policy reform. The success will depend on the economic system, administrative ability, availability of other markets and the adaptability of the leadership in the targeted nation to implement countermeasures. The human and social costs, combined with the possible geopolitical implications, highlight the need to carefully design and globally coordinate the sanction policy.

6. Conclusion

Financial sanctions have become a key tool of influence to the states which are willing to impact other states without direct involvement in military affairs. As the case studies of Russia, Iran, Venezuela, and North Korea reveal, the sanctions can affect economies significantly, limiting major areas of the economy and reducing the collection by governments. However, they are not very effective in bringing a quick political change, especially in jurisdictions with a high degree of state control, diversification, or alternative trading systems. The humanitarian aspect is particularly acute: sanctions can often negatively affect civilians by causing inflation, scarcity, and unemployment, but the political elites can continue to have a significant amount of control over resources and decision-making. The adaptation strategies, witnessed in all four cases, including the evolution of alternative payment systems, the re-orientation of trade networks, and the involvement of non-Western partners can be taken as examples that show that the sanctioned states are not mere victims; these measures might alleviate the pressure over time. Sanctions have the potential to alter coalitions geopolitically and hasten the emergence of non-Western financial systems, which may undermine the long-term bargaining power of sanctioning countries. Therefore, the policymakers need to evaluate the concept of sanctions as a component of a more comprehensive approach involving diplomacy, negotiation, and a more critical evaluation of humanitarian consequences. Effective sanctions must have a set of goals, multilateralism, and monitoring of the unintended effects, and flexibility to adapt to the changing economic and political situations. Future research in this area could explore how sanctions impact humanitarian conditions, how digital and alternative currencies help to go around the restrictions, and whether unilateral and multilateral sanction regimes are more effective. Also, it can be beneficial to look at smaller or less noticeable cases, which can reveal new trends in the usage of financial leverage as a political instrument. Finally, sanctions continue to be an effective tool, but their complexity, reactions to adaptations, and ethical concerns require a sophisticated, evidence-based approach to policy creation and execution.

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