

The Counterproductive Effects of Western Sanctions on Russia's Economic Resilience: Analyzing through Baldwin's Economic Interdependence perspective

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Abstract- Western sanctions after the 2022 invasion of Ukraine aimed to isolate Russia economically to force Russia's capitulation. However, the economic strategies which the West developed, such as trade diversions, import substitutions, and, most notably, innovative financing, paradoxically strengthened Moscow. This paper uses the paradigm of economic interdependence, as described by Baldwin, to analyze these paradoxical situations, with emphasis on the asymmetries of vulnerabilities and opportunity costs, policy tools and the incentives of the politics that transform what the West will consider negative sanctions, Russia will consider positive defenses. From Baldwin's perspective, the 15,000+ sanctions imposed on Russia represent an over extension which provided Russia with an underutilized lever which was the set of trade relations with the primary senders of the sanctions, specifically a positively resource-rich Russia and its newly acquired multi-polar trading relations with India and China. This complicated the West's plans, causing them to rely on their own pirate neutral trading, as they needed to supply their own imposed regulations, thus creating their own compliance and cicatrix methods of financing. Shadow and interfacing. Obelians or other catalyst blimps intertwined the perceptions of the Global South regarding Western credibility. The analysis yields expected or rational negative outcomes, where there are not solely signs of a cohesive order based on the reestablishment of multifaceted, targeted, and neutral strategies created by the will of the West to impose a system of guidance on the self-composed pirated method of tributaries to drain diverters.

Keywords: *Baldwin's Framework, Russia's Adaptation Strategies, Global South Perceptions, Paradoxical Outcomes*

I. INTRODUCTION

The most important Western sanctions on Russia after it began a full-fledged invasion of Ukraine in February 2022 constitute a significant episode in

contemporary economic statecraft aimed at crippling Moscow's war machine and forcing a strategic withdrawal (Rynning, 2024). These measures are financial sanctions, energy embargoes, technology bans, and a plethora of sanctions against more than 15,000 individuals and companies by the end of 2024, intended by the US and the EU, G7 allies and partners to exploit Russia's (pre-war) integration with transnational markets, especially European energy and Western capital. The initial predictions were based on the assumption that the Russian economy would contract rapidly. Instead, by 2023, Russia's economy not only contracted, but it also recorded positive GDP growth, contrary to most of its peers, and prompted a re-evaluation of questions concerning the sanctions aimed at fortifying the resilience of the target (Sutton, 2025).

The paradox of resilience goes against the mainstream because Russia's adaptive strategies — including the redirection of trade to Asia, domestic import substitution, and the establishment of parallel financial systems — managed to mitigate the impact of sanctions while embedding self-sufficient structural autonomy (Winn & Gänzle, 2023). The pre-sanction, interdependent relationship was severely unbalanced: Europe was reliant on Russia for 40 percent of gas supplies, and in turn, Russia diverted its oil revenues to China and India, which financed fiscal buffers despite exclusions from the SWIFT system and frozen reserves (Tavadyan & Tavadyan, 2025). Such dynamics resemble previous sanction episodes (e.g., the persistence of sanctions against Iran and its nuclear program); however, in the case of Russia, the wealth of commodities, the ability to leverage its geography, and the proximity to non-Western nations, the sanctions paradox was aggravated because of prolonged disruptive isolation,

which in turn acted as an incentive for self-sufficiency (Rauf & Aslam, 2025). The effect was a lessening of the West's dominance and an increase in economic fragmentation of a multipolar world.

This paper draws on Baldwin's economic interdependence framework to recast sanctions as contingent instruments whose effectiveness hinges on asymmetries of vulnerability and opportunity costs, the design of the policies, domestic politics, and other variables. Baldwin describes the workings of negative sanctions in *Economic Statecraft* (1985) and *The Power of Positive Sanctions* (1971) where he explains how target countermeasures, which are negative sanctions, erode the influence of the sender through evasion, adaptation, and noncompliance (Mastanduno, 1999). Baldwin's framework, unlike other theories, does not try to explain the absence of positive interdependence (i.e., the absence of interdependence where both sides benefit). Baldwin's theory is especially relevant to cases in which one of the asymmetrically positioned actors, in this case, Russia, possesses resources that are capable of transforming perceived vulnerabilities into actual strengths. In such circumstances, comprehensive coercion tends to be counterproductive in asymmetric dyads.

A. Significance of Applying Baldwin's Economic Interdependence Theory to the Dynamics

The undesired consequences of Western economic sanctions on Russia's ever-growing economic resilience warrant analysis of the events from a perspective beyond mere description and empirical data collection. Such a perspective can be found in Baldwin's theory of economic interdependence and the corresponding sanction phenomena's strategic interdependencies, costs and benefits, and adaptive behaviors (Kirkham, 2022). The sanctions analytically, descriptive aspects of the sanctions, in most cases, lack the empirical data needed to explain the mechanics of the failure of coercion. Baldwin's theory economically explains the manifestations of the asymmetries of vulnerability and how the selection of policy instruments (or sanctions) explains the most a system can be closed. The paradox of the sanctions strikes the target vertically. Baldwin's theory illustrates coercive policy analysis as a framework of a non cooperative game (or a

series of non cooperative games) and aligns the sanctions, in most cases, with a coercive policy that most regulators expend to achieve the greatest coercion, while significant overextension costs are incurred. Based on Baldwin's theory, the sanctions paradox phenomenon, as applied to Russia, illustrates the compounding sanctions paradox and allows the practitioners (scholars and policymakers) the opportunity to state-craft economic coercion in a paradoxical manner.

B. Objective of the Study

This research applies Baldwin's theory on the negative outcomes of Western sanctions on Russia's economic resilience during the Ukraine crisis, with particular focus on the strategic interrelations of the senders, targets and the third parties in the use of coercive economic measures. Through the lens of sanctions and the core mechanisms of asymmetry flips, iterative blowback, and multilateral dilution, the author describes sanctions as suboptimal non-cooperative equilibria, resulting in negative and worsening cycles of conflict with no changes in behaviour. With the aim of contributing to the theory of economic coercion in a multipolar world, the author suggests the use of finely tuned alternatives to blunt approaches in future geopolitical confrontations.

II. OVERVIEW OF BALDWIN'S ECONOMIC INTERDEPENDENCE FRAMEWORK

David A. Baldwin's economic interdependence framework explains how economic relations of state actors can be used for international statecraft and not just for the calming of conflicts. Baldwin's (1980) approach focuses on economic sanctions, which are a means of manipulating opportunity costs and influencing the behavior of the target, and their success depending on the relative vulnerable positions of the target and the sender. Baldwin explains interdependence, the degree of which, the asymmetry of it, the policy tools employed, the target's adaptive response, and the domestic and alliance system of the intervener are all relevant (2019). This way of analyzing is far more complex than the simplistic characterization of trade as an automatic restraint and focuses on the importance of

the stricture of coercive leverage within an ordered system of power.

Baldwin's theory emphasizes the difference between vulnerability interdependence and opportunity costs - in this case, the broader opportunity costs being outlined by Baldwin as the opportunity costs of the sender, and self-harming costs of the sender being reduced, costs that the sender must impose interdependence in relation to target more (Baldwin 2017). Negative sanctions such as embargoes and asset freezes often result in the sender losing control of the situation, as the target diversifies or substitutes, and sender influence to move repeat applications are lost. Positive sanctions, on the other hand (i.e. incentives), are the opposite of negative sanctions (Baldwin 2017), and while reinforcing equilibrium goes underappreciated (i.e. positive sanctions; Baldwin 2017), the integration of sanctions as non-cooperative games by Baldwin, where negative outcomes occur, i.e. the Nash outcome, are particularly the case target resource endowments or alternate positive pole the multiple situations. This part of the theory criticized almost all symmetrical interdependence theories as asymmetric power falls the other side of the negative symmetry in the sanction incentives interdependence.

Baldwin's theory continues to compel the relevance of contemporary predict challenges in the sanction challenges and how the use of comprehensive sanctions create target states aligned and create parallel systems that reduce the utility (Escriba-Folch & Wright, 2015). From resilience theories, based on the systems theory, sanction always all political outcomes such as the legitimacy of the regime and the international community's espoused values. This explains the resilience mechanisms of blunt isolation and more precise systems targeted against the interdependence. First and foremost, predicting the boomerang event provides significant guidance on the use of economic statecraft, as it encourages the use of hybrid methods to exploit the weaknesses without reinforcing fortifications. This provides a sense of clarity on the use of statecraft to the interdependence of economies in a fragmented multi-polar system.

Multiple foundational concepts Baldwin employs within his economic interdependence framework helps to disentangle the mechanics of state economic diplomacy, more specifically, sanctions. These building blocks allow for greater analytical clarity regarding coercive outcomes.

Table 1. Key Concept Used in Baldwin's economic interdependence framework

Concept/Term	Definition	Key Insight from Baldwin
Vulnerability Interdependence	Degree to which one actor suffers from disruptions in economic flows with another, measured by relative sensitivity (e.g., export reliance).	Stresses asymmetry: senders succeed only if their vulnerability is lower, enabling cost imposition without self-harm.
Opportunity Costs	Alternative benefits forgone by maintaining or severing ties; targets weigh adaptation expenses against compliance's political price.	Targets often favor defiance when sovereignty trumps economics, tilting calculus toward resilience.
Economic Sanctions (Negative vs. Positive)	Negative: punish via denial (e.g., embargoes); Positive: incentivize via rewards (e.g., aid).	Negatives frequently backfire through blowback; positives realign incentives more effectively.
Policy Instruments	Tools like trade bans or asset freezes.	Efficacy depends on scope (targeted vs. comprehensive), multilateralism, and evasion-proofing.

Evasion Capacities	Target innovations (e.g., parallel systems) neutralizing sanctions.	Erode sender power over iterations, institutionalizing target autonomy.
Political Variables	Domestic cohesion, alliances, and norms mediating impacts (e.g., "rally-around-the-flag").	Boost regime legitimacy amid threats, sustaining defiance despite economic pain.
Nash Equilibrium (Suboptimal)	Stable but inefficient outcomes where no actor deviates unilaterally (e.g., escalatory spirals from misperceptions).	Locks actors in mutual losses, as in sanction-induced zero-sum mistrust.

Baldwin's terminology critiques symmetric models, emphasizing hierarchical dynamics for realistic policy analysis

III. ANALYSIS THROUGH BALDWIN'S LENS

A. Asymmetry in Vulnerability Interdependence

Baldwin's principle in economic interdependence theory states that sanctions are only effective if the target's economic self-harm potential exceeds the sanctions sender's. This describes the sender's asymmetrical self-harm hypothesis. In the Russia-West relationship, the asymmetrical self-harm hypothesis favored the Western sanctions granters. Before 2022, Russia directed 40% of its energy exports towards the European market which, in turn, sheltered them from sanctions (Rozumny, 2023). However, sanctions that included Russia's SWIFT access, oil price caps, and no-tech transfer sanctions resulted in Russia's trade with the European Union declining by 2024 to below 10% from 37%. This trade pivot meant that Russia's shadow tanker fleets and increased trade with China and India transformed European states' positions. They now face the tantalizing energy crises, now increased to 100 billion Euros, and LNG (Liquefied Natural Gas) imports, now increasingly and rapidly shipped, and slowed industrial activity. From Baldwin's perspective, this is an example of reluctance in changes of sender overconfidence, where dominant perceived sender leverage is lost to target's dynamic response.

The reversal of asymmetries presents itself as a sort of strategic game similar to Chicken. However, in this case, mutual escalation comes with the risk of collision, while the gas-exporting Russia with the

most resources dominates the wheel. Europe's self-inflicted wounds as a result of the pre-sanctions gas reliance on Russia (40% of the flow) meant that the wounds were deep and fractured the G7. Russia's hydrocarbon windfalls, along with fiscal buffers of \$600 billion and country reserves (Guter-Sandu & Kuznetsova, 2020), went unchallenged to cover the structural deindustrialization of Germany on the USA's LNG exports. Baldwin says that this kind of defensive interdependence, in which Russia is the target, turns the sanctions from coercive threats to the target into bargaining chips for the other to lose. This gives Russia the right to demand concessions of Ukraine's neutrality (Baldwin, 2017). The empirical manifestations of the divergence from linear deterrence models go against common sense. Instead of surrender, Russia fortified its "sanctions-proofing" via parallel imports from Turkey and Kazakhstan, the homegrown microchip production (yes, this is Russia), and 34% yuan-based transactions, which long-term insulation from the West will build a structure in which the outdated Western models of reliance will become ineffective.

The aforementioned dynamics of the boomerang effect reinforce the reason why Baldwin critiques the possibility of blanket negative sanctions in asymmetric dyads where the target is able to transform the weaknesses of the dyad into antifragile strengths. Given the nature of Russia's resource endowment—10% of the world's oil—revenue redirection will always prevail over compliance costs, reminiscent of OPEC embargoes, but in an unprecedented multipolar context. Europe "blinks first," delaying oil sanctions to avoid recession, while the iterative responses from Russia, as always, through the lens of the 2014 Crimea sanctions, to

achieve a problematic suboptimal Nash equilibrium of low leverage coercion, result in ongoing recession. Policy makers are simply having to address further diminishing returns, prompting Baldwin to suggest a recalibration in the context of positive sanctions, before economic statecraft continues to cultivate target resilience in a fractured world order.

B. Opportunity Costs and Target Responses

It is reasonable to assume that the sanctions imposed on Russia have resulted in the loss of trade and technology which will lead to a permanent recession of 5% of GDP along with the loss of capital and short term inflationary pressures (See Table 2). In Baldwin's system, the targets assess the economic costs against the political costs of compliance. In the

case of Russia, the political costs are losing control of the Ukraine and allowing for the weakening of the NATO barrier. For the Russian leadership, to defy is the more politically palatable choice as the revenue from Russian hydrocarbons, especially with oil prices averages \$80 a barrel after 2022, gives the country financial surpluses of over \$200 billion, which fully funds a 6.7% of GDP military pipeline and other military expenditures, as well enough to cover ambitious agricultural and semiconductor programs. In this case, the Russian leadership has clearly made a choice. Baldwin can predict that the sanctions will lead to more institutionalized autonomy rather than a capitulation.

Table 2: Russia's Adaptation Costs vs. Compliance Trade-offs (Baldwin's Opportunity Cost Lens)

Cost Category	Estimated Impact on Russia	Compliance Alternative	Baldwin's Insight
Economic (Permanent Hit)	5% GDP reduction; inflation peaks at 13.8%	sovereignty loss over Ukraine; NATO buffer zones	Targets weigh economics vs. political existential threats
Fiscal Adaptation	\$200bn+ annual surpluses from oil rerouting	Strategic concessions erode regime legitimacy	Hydrocarbon windfalls fund military (6.7% GDP) & substitution
Financial Hedging	Yuan trade at 34%; SPFS processes 20% payments	SWIFT reintegration demands policy reversal	Defiance hedges dollar risks, builds parallel autonomy
Political Effect	Rally Regime approval surges to 80% (Levada)	Capitulation risks domestic backlash	External threats unify elites via nationalism

Russia's strategic pivots in response to refinements in the global order which have been perceived as antagonistic to the Kremlin include the increasing reliance on the yuan, which is expected to grow to 34 percent by 2024, thus diminishing reliance on the dollar and providing insulation against exclusion from the SWIFT system through the domestic SPFS alternative (Ullah & Xinlei, 2025). Increased revenue from oil sales, now also shipped by shadow fleets to India (imports up 560%) and China (imports up 63%), enables self-sufficiency in grains (100%) and the critical imports through Turkey and Kazakhstan's parallel systems to the Kremlin. Baldwin views this as an outstanding example of target agency in economic statecraft: the price of adaptation is lower

than the price of sovereignty, thus, creating a 'rally-round-the-flag' effect which increases regime approval to 80 percent in the face of external challenges. For Baldwin, such acts of construction will always be present, whereby the initial disruptions will cause a decrease in perceived leverage of the sender in subsequent rounds.

The described situation resembles the structures of non-cooperative games, where the imposition of penalties leads to feedback loops consisting of provocation and replacement, solidifying adversarial equilibriums similar to the repeated Prisoner's Dilemma. Total negatives unify domestic constituents and energize them to respond, which,

from a nationalist frame, legitimizes Putin more, while Baldwin proposes punitive negatives = positive sanctions (incentives such as lifted sanctions for reduced hostilities) as potential Pareto improvements that move the Nash outcomes closer to the cooperation zone. Nevertheless, punitive persistence drives the same outcomes, where the West escalates, and Russia responds, making coercion ineffective and reinforcing the need for the theory's calibrated and asymmetrically mindful statecraft to prevent the condition of boomerang resilience in multipolar antagonisms from occurring.

C. Policy Instruments and Multipolar Constraints

As of 2024, comprehensive sanctions are estimated to breach 15,000 individual measures and stand as a warning to Baldwin's criticism of punitive measures of a more scattershot nature, which in unifying a target's adversarial posture creates a face of hostility, as opposed to being a more mutually coercive actor (Baldwin 2017). With regard to Russia, sweeping financial exclusions from SWIFT cut-off and expedited the development of SPFS, which is a domestic payment system that processes 20% of payment transactions, and coupled with the other technology bans, which drove microchip and software systems localization, exemplified Baldwin's evasive capacities from target innovations designed to circumvent the disruption. This unifying effect is far more expansive than economics: domestic elites, hitherto fragmented, fused around the state-regulated substitution of foreign tech and the reinvestment of the disruptive revenues into dual-use, self-sufficient, and autonomous structures. Baldwin's theory centers on predicting such phenomena as backlash in the comprehensive strategy, where the overreach of the sanctions, in their symbolic value, compromised the precision coercive mechanisms available. Thus, the attenuation of granular state control mechanisms paradoxically ignited the consolidation of the very structures of the elite's hold on state power.

Multipolarity increases these deficiencies with China, a non-abstaining power who chooses to remain non-aligned, showing that they act as coalition defectors who dilute the multilateral bite of sanctions. From a strategic perspective, non-alignment can be considered a primary external factor. For example, the significant increases (63%) in Russia-China trade

have quite literally filled the trade voids that the West created. Other nations, such as India, whose trade is also growing neutrally (560%), demonstrate that Global South trade is increasingly influenced by realism rather than norm-based trade. Baldwin comments on the absence of such a political measure, without which a sellout can turn unified pressure toward a target into self-sabotaged porous sieves. Here, third-party arbitrage provides the target with the necessary cushioning. This phenomenon acts on the asymmetry the other way; the impasse remains on the senders. They suffer the enforcement costs, as in the case of Turkish parallel imports covering 80% of the tech gap. Meanwhile, Russia uses the multipolarity of these loose intersections to reshape the global production network.

With each round of sanctions contributing to what we can consider the Baldwin model of diminishing returns, the sanctions on Crimea in 2014 primed the ground for the more extensive adaptations of 2022. The first sanctions shaped the playbooks of the sanction evasion systems, e.g. parallel banking and diversion of commodities, lowering the pain threshold of future sanctions and embedding systemic resilience through repeat iterations, much like in games of iterations where the learning curves of the players make the target the most adaptable. Each incremental closure of the West (e.g., advanced technology embargoes) creates diminishing outcomes for the sanctioning countries, whereas the outcome for the target of the sanctions, Russia, is an increasing rate of response to the economic embargoes, resulting in a target who has very high resilience to coercive measures and a sustained Nash equilibrium. Baldwin's model of suggesting to target end positive outcomes instead of continuously negative outcomes captures the paradox of sanctions applied in extremely broad measures. Such measures do not attain the intended immediate outcomes; on the contrary, they condition the targets to develop high systemic insulation, and the systems acquire a structural resiliency; in effect, the systems acquire hierarchical, fragmented order.

D. Feedback Loops and Escalation Risks

Baldwin's inclusion of political aspects in the theory of economic interdependence makes clear that, concerning sanctions as escalatory, the first Western

measures, including exclusion from SWIFT and caps on energy, invite direct Russian counteractions, including cutting gas supplies to Europe and export bans in retaliation. These reciprocal actions deepen mutual vulnerability by turning economic coercion into a negative feedback mechanism. This hostile spiral, which interlocks measures and counter-measures, Baldwin suggests, overlooks the unity and elite counter incentives within the domestic targets. In Russia, for example, there is nationalist mobilization that recasts the imposition of sanctions as unifying threats. This emphasis on politics suggests the missing element in statecraft: the sender believes that defiance will elicit submission, while the target interprets the actions as direct threats to its existence. This dynamic creates a coercive double bind and is self-defeating as a means of increasing hostility.

Misperceptions intensify these scenarios, causing a zero-sum view similar to a security dilemma in economic form, such that the West sees Russian strength as signaling defiance that justifies escalation, while Moscow sees sanctions as a form of hybrid warfare with the objective of regime change. From Baldwin's perspective, this is like non-cooperative games, where actors are locked in suboptimal Nash equilibria together, and nobody can successfully deviate from the equilibrium. Europe suffers from energy austerity in order to demonstrate resolve, while Russia boosts military Keynesianism to show economic strength. Both situations produce undesirable outcomes without changing behavior (Kendall-Taylor et al, 2023). Like security miscalculations, frozen assets and other economic examples are misinterpreted, and these misinterpretations amplify the distrust which bypasses rational assessments of the costs, and closes the door on compromise.

An overexaggerated assessment of sanctions continues securing the impasse, as the Western forecast of Russia's collapse, with a predicted 15% decline in GDP, collided with Russia's adaptive responses and led to the closing of diplomatic off-ramps such as Minsk-style negotiations (Singh, 2023). Baldwin points out such cognitive biases, which cause blindness to the target's evasion playbooks, and in this way, the punitive measures

keep strengthening with little or no results; this reinforces the trap of misperception and demonstrates the need for grounding in humility, as the political variables need to be adjusted over and over, or the economic means become self-destructive. Keeping in mind the political climate, Baldwin suggests greater signaling and stepwise de-escalation in order to re-establish equilibrium in situations where there is asymmetric conflict.

E. External Factors Influencing Interdependence

Sanctions from the West, in response to NATO's eastward expansion, and Ukraine's attempts at EU integration, have negatively impacted the EU and have resulted in a new chapter of the EU's relations with Ukraine. Also, from the West's perspective, the situation creates a 'zero-sum game' dilemma, which Baldwin states as a focus of the economic/financial tools of containment, which as a means of answer the 'dilemma of security' does not mitigate it, rather, it worsens it. Baldwin states that the 'success' of sanctions is defined by the 'political' situation at the time, which transforms them into instruments of war. Therefore, the West utilizes sanctions to cut off Russian diplomatic ties, as that appears to be a diplomatic solution to Moscow's actions of a post-review, 'revanchist' threat to the post-Cold War order.' Russia's encircled view of the situation, including NATO's proximity to Russia as a potential source of future invasions, renders the situation 'compliance' virtually impossible. Therefore, the relationships formed by the vent of trans-interdependence are a potential 'cooperative' vent of conflict, and the situation provides a battleground for the spheres of influence (Ahmad, et al. 2025). Sanctions, in the context of this rivalry, are a function of 'sequential games' whereby each new escalation of the game (Finland joins NATO) justifies Russian non-compliance, and the intent to apply sanctions lose their coercive power as the situation becomes increasingly entrenched.

The weaponizing of bilateral energy trade interdependencies illustrates Baldwin's vulnerability asymmetries in reverse. Pre-war, Russia's dominant pipelines (supplying 40% of Europe's gas) created the opportunistic leverage to chill the West. The economic fallout (over €100 billion) from the sabotage and subsequent imposition of Russian gas

supply restrictions fragmented the European Union's (EU) political cohesion and unity. Baldwin describes such interdependencies as double-edged, where the self-sustaining harm of the senders (Germany's industrial slowdowns and reliance on LNG) ultimately weakens cohesion and unity, allowing the targeted states to exploit the created interdependencies (Hungary's vetoes, for example, in the EU). It is reminiscent of coercive reciprocity, where Russian supply manipulations in the face of Western sanctions transferred the burden towards Europe and illustrated that the locus of power lies in a commodity in a dyad that is heavily reliant on the resource. It also aligns with Baldwin's opportunity cost calculus with respect to the commodity dependent dyads.

India's quadrupling of oil purchases from Russia, in conjunction with China's increased trade with Russia, is indicative of the Global South's neutrality and illustrates the dilution of the imposition of sanctions as a result of the emergence of a multipolar world. It parallels proxy non-alignment and is indicative of the fragmentation of coalitions (Order, 2025). Baldwin characterizes external actors as political variables, deriving a result in which BRICS abstention (supplying 45% of the world GDP) provided Russia with a shadow fleet means of circumventing the imposed revenue caps through dominant Russian crude oil trade. Eroding the unilaterally imposed WTO mechanisms to dispute settlements continues to weaken the constraints imposed, fostering new and alternative orders such as settlements in the Chinese yuan and the System for Transfer of Financial Messages where the established order of the West has overstepped and created fragmentation (Xu & Guan, 2025). The dominant interstitial multipolarity continues to create the negative and inefficient outcomes of suboptimal equilibria and has created a strong need for Baldwin's inspired reframing of inclusive diplomacy to restored lost, yet desired, control in the diversified global system.

F. Challenges and Obstacles to Sanction Efficacy

The participants of the sanctions regime have different, conflicting, and often opposing interests, leading to the West focusing on transnational norms, such as the Westphalian principle of state sovereignty and the international rule-based order, while Russia

maintains the principle of state sovereignty and strategic autonomy, particularly from NATO. Baldwin's framework offers an analytical lens for understanding how such disparate interests turn economic statecraft into a contest of credibility by virtue of the "moral" posturing of the economic statecraft sender and the "existential" framing of the economic statecraft target, thereby nullifying good faith. From the Western perspective, sanctions are a rational deterrent. Russia, on the other hand, views sanctions as a form of hybrid warfare aimed at regime change, which creates a trust deficit and a lack of willingness to compromise on any position (Bobarykina, 2025). This is a textbook example of Baldwin's political variables, where the lack of convergence of conflicting goals reinforces an adversarial approach where antagonism becomes the primary focus of the actors involved and, hence, the sanctions lose their capacity of persuasion.

As Baldwin (2017) notes, lack of convergence of conflicting goals is one of the hallmarks of a commitment problem where the sender's credible threats lose their effectiveness because of gaps in enforcement, which creates a perception of a lack of resolve on the part of the sender. An example of such gaps is the case of Turkish import hubs that reroute 80% of banned technologies via Kazakhstan, which exemplifies Western attempts to impose sanctions to Russia losing upon imposed bans. Moreover, Baldwin argues that the absence of bargaining power is such an example from the perspective of Russia, who seems to dodge the sanctions, while the parties imposing the sanctions give the appearance of being cohesive. This example of Russia demonstrates the sanctions losing their effect, which confirms Baldwin's principles of the lack of completeness, or, in other words, a case of a leaky sieve, where the Western losing sanctions, from a contrary perspective, impose upon Russia. This example also illustrates Baldwin's principles of the lack of completeness, or, in other words, a case of a leaky sieve, where the Western sanctions, from a contrary perspective, impose upon Russia. The breakdown of coordination across more than one multilateral channel increases fragmentation, similar to the coordination challenges created by complex coalitions: Hungary's repeated vetoes of EU measures and Serbia's defiance of EU energy control

fractured the G7 front, allowing the expanding Russian countermeasures of monetizing gas to exploit Domac et al. (2025) the Fragmented front. Baldwin classifies these as alliance gaps: the diverging national priorities of the U.S. and Germany—U.S. hawkishness on Ukraine versus Germany's industrial vulnerabilities—result in the inability to impose unified costs and, thus, create a collective action problem. Just as the strategic literature on the multilateralism paradox notes, such fragmentation gives the target, in this case Russia, the opportunity to wait out the imposition of costs, creating a cycle of increasing coercive rhetoric, to conceal a sustained operational inefficacy.

These phenomena lead to the diminished returns of sanctions, as Baldwin's prescriptions remain valid: the more diverging interests and the greater the gaps in commitment, the more punitive measures must give way to more targeted measures whereby the gaps in interests and the gaps in commitment create a more resilient defiance. The multiplicity of fractures and leaks in the system represents the risk of relying upon behavioral expectations without a cohesive source of enforcement and invites a return to less attractive policies that respect state sovereignty in order to restore a semblance of balance in asymmetric conflicts.

IV. LESSONS LEARNED AND POLICY IMPLICATIONS

Baldwin's theories of economic interdependence explain the challenges posed by the West's sanctions on Russia and show that target defiance, not compliance, is induced when the West adopts a comprehensive, punitive approach. The lesson, within the context of the theory's focus on asymmetry, is that the West overestimated its power, ignoring the available resources and multipolar options Russia possessed, which reversed the economic vulnerability and embedded defiance. The reverse sanctions effects of the Crimea sanctions of 2014 that were adapted for the 2022 sanctions illustrate the diminishing effects of self-sanctioning mechanisms such as SPFS and shadow fleet autonomy. From a political perspective, the sanctions strengthened the so-called "rally-round-the-flag" effect, which unified and emboldened the Russian

elites and strengthened the regime's legitimacy by confronting perceived hybrid threats. This is what Baldwin was alluding to when describing the use of negative sanctions against asymmetrical sanctions in superpower dyads, where the negative effects of sanctions reduce the power of coercion for the imposing state, and the interdependence turns from a vulnerability for the target to a liability for the imposition.

The paradoxes of empirical evidence such as a rise in Russia's GDP and the reorientation of trade patterns lend credence to Baldwin, who, in explaining the paradox, suggested that the opportunity cost of adapting, which formed the 5% permanent loss of GDP, was less than the loss of economic sovereignty. The loss of economic sovereignty meant that the West would design and impose a supranational economic order(s) geared toward political ends. The Russian self-sanctioning mechanisms such as SPFS and shadow fleet increased the sanctions and self-sanctions of the West and led to uncooperative multilateralism. The Russia/Ukraine war demonstrated that negative sanctions are not successful against multipolar economic environments where the South is economically neutral. The greatest learning from Baldwin's perspective is that there is a need for theoretical linearity. The self-adjusting mechanisms of the free economy must drive a linear model of inclusion of political parameters in order to forecast realistically.

A. Precision-Targeted Sanctions

Baldwin (2017) promotes precision over blunt force and suggests sanctions that are more likely to avoid unintended consequences while intentionally causing greater harm to the targeted decision-makers. Instead of 15,000+ rules that comprehensively integrate and unify Russia, focus on measures that specifically target elites with individual asset freezes and secondary sanctions on enablers (e.g., Chinese banks that support sanctions evasion), while keeping the broader economic system intact to retain leverage for the future. Baldwin's distinction between negative and positive sanctions is crucial: the punitive breadth provokes fortifications, whereas positives—like Ukraine de-escalation incentive relief that is phased—could lower defiance costs and recalibrate the equilibria. For example, in regard to opportunistic

SWIFT sanctions, positive reintegration offers may European energy paradox value compromises to avoid the classic Nash equilibria of Chicken Game brinkmanship. There is a need for greater dynamic modeling of iterative adaptations and Baldwin's system of sequenced game logic, especially in Western strategies to avoid Western sanctions from being evaded. Such strategies include the pre-emptive use of shadow fleets, naval patrols, and trade monitored by AI in order to avoid European energy paradox value compromises. Hybrid instruments that use investment incentives (carrots) and sanctions (sticks) to address opportunity costs with the hope of Pareto improvements over perpetual escalation may be better utilized.

B. Engaging Global South to Balance Asymmetries

The phenomenon of multipolarity requires the engagement of the Global South to rebalance asymmetries, as Baldwin's political variables refer to third-party defections as coalition undermining. China's nonalignment and India's oil purchases sustained Russian revenues; therefore, diplomacy should entice BRICS neutrals through WTO-compliant technology transfers and infrastructure deals to take a position against evasion hubs like Turkey. This is the best way to address arbitrage, to restore cohesive pressure and avoid overreach. Baldwin suggests that costs for the 'sending' country increase with incomplete multilateralism; therefore, engaging Delhi and Brasilia through shared stakes (particularly, food security with the inclusion of Russian grains) is a way to reverse coalition dynamics and reduce deflections for Moscow. Reinforcing norms through inclusive multilateralism is counter to the creation of parallel orders; unilaterally sanctions face WTO dispute resolutions that signal a commitment to the rule-based order to Global South coalition skeptics and the West and South unilaterally. Long-term, the imposition of power through technology to monitor sanctions (shadow fleet satellites) is constructive to power without ostracizing the neutrals.

C. Diplomatic Hybrids and Spiral Disruption

Diplomatic hybrids—Track II dialogues blending official and unofficial channels—offer Baldwin-informed disruption of escalatory spirals, echoing recommendations for sustained engagement.

Backchannel talks, facilitated by neutrals like Turkey or India, could clarify misperceptions (e.g., NATO non-expansion pledges), reducing zero-sum mistrust per Baldwin's emphasis on signaling. These forums test positive sanctions incrementally, building trust absent in punitive monologues, potentially unlocking Minsk-style off-ramps eroded by ratcheting.

Multitrack approaches integrate economic statecraft with security guarantees, addressing Russia's sovereignty calculus while upholding Western norms. Baldwin's framework supports phased de-escalation: partial relief for verifiable steps (e.g., gas flow restorations), modeling cooperative equilibria.

D. Long-Term Norm Reinforcement Against Sanction Fatigue

Baldwin advises sustained norm reinforcement so that sanction fatigue won't set in. Losing credibility from an overreliance on the negative is an eroding factor in Baldwin's arguments. Sanction "sunset clauses" should be institutionalized, linked to operational milestones that avoid the creation of long-term sanction regimes that foster resentment and sanction evasion. Revise models of coercion and invest in positive multilateral funds: the EU reconstruction aid, for instance, may shift compliance along the preferred lines.

In predictive modeling—prior asymmetric audits of the tail-end pre-crisis—equip statecraft, per Baldwin, on the expected negative blowback in a multipolar environment. The considered implications adjust the economic toolbox for the increasing use of precision, deploying engagement hybrids, and norms to avoid fragmentation and restore positive leverage.

V. CONCLUSION

Baldwin's economic interdependence theory outlines the negative impacts of Western sanctions which were meant to try to force Russia to collapse economically. Instead, these sanctions helped Russia improve economically through strategic pivots, institutional developments, and strengthened alliances. This example illustrates the theory's predictions of the asymmetry of vulnerability and the adaptation of targets. Instead of causing the economic collapse that was hoped for, the sanctions, including

SWIFT exclusions, energy price caps, and technology bans, resulted in the rapid implementation of a number of self-sustaining countermeasures and self-contained systems. These included the SPFS payment system, shadow tanker fleets to avoid the sanctions, and a massive increase in trade using the yuan, which constituted 34% of trade settlements by 2024. These self-contained systems helped Russia to cushion the impacts of initial capital flight and inflation, and provided new structural autonomy. In the new system, vulnerabilities were self-turned. The West's imposition of the energy sanctions pivoted the initial leverage of the system to the West, which imposed the sanctions. Europe's self-inflicted energy constraints, costing more than €100 billion in LNG and industrial pivot losses, along with the imposition of inter-partitioning proxies such as the vetoes by Hungary, supplants the Western prognostics and magnifies the West's political will impotence.

The strategy also reveals the West's also with Russia's control over 10% of the world's oil, and paired with the multi-polarity of Russia, China, and India, the over \$200+ billion and then some on the cash flow supporting the military industrial and substitutions programs stays positive. Baldwin's construct shows how this situation binds actors into negative equilibrium, of chronic low-effort, high escalation. The West continues to impose punitive measures in the steady flow of contraband Turkish imports. Simultaneously, Russia channels the inflow from the Global South, and the whole thing continues to devolve into an ongoing zero sum game. The Western underestimation of the circumvention of the restrictions for Russia's geopolitical self-preservation, and the unilateral enhancement of the 'flag rally' around the Russian president, and the interdependence turned positive as a form of resiliency rather than Russo-Western collusion. The reinforcing 'no' layered over the apparent 'yes' effectively unifies the targets of the West's policies against the West, and the West's policies, thus, aptly captures the essence of Baldwin's emphasis on calculus over overreach in hierarchical dyades.

The insight demonstrated the need for re-established statecraft in today's multipolar realities, focusing on the restructuring of positive sanctions, state engagements with the Global South, and diplomatic

hybrids, such as Track II dialogues, to regain leverage and avoid further catalyzing fortification. Future conflicts need nuanced Baldwin: preemptive evasion spiral model dynamic iterations, norm reinforcement in compliance with the WTO to avoid sanction fatigue, and blended incentive (e.g. for cooperative equilibrium reintegrate SWIFT in phases for verifiable de-escalation, counter zero-sum deep-rooted distrust). If policymakers rigorously employ this theory, they will give fragmented global orders the means to address real rather than fictitious asymmetries, ensuring economic statecraft works once more among the rising powers and avoiding the self-defeating boomerangs that have emerged from the Russia sanctions, and defuse the fragmentation of the global order.

VI. AREAS OF LIMITATION AND FUTURE STUDIES

This theoretical analysis, while comprehensive regarding the dissection of sanction mechanisms through Baldwin's perspective, suffers from the limitations of pure theory. The lack of empirical quantification (for instance, the econometric modeling of the impacts on GDP) runs the risk of overstating adaptation determinism and potentially underestimating the war distortions or the long-term technological lags in Russia. The contextual focus on the asymmetries of Russia and the West may also constrain the potential generalizability of the theory in the case of symmetric dyads or of resource-poor states such as Iran. Future research should employ a more refined mixed methodology: such as the use of agent-based models to simulate evasion spirals, retrospective and prospective case studies (Venezuela and Russia), and the longitudinal analysis of trade networks in a multipolar system, in order to explore and dynamically test Baldwin's variables, particularly the constructive efficacy of sanctions in the contexts of BRICS, or AI-driven enforcement against parallel systems.

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