

UNIVERSITY OF TARTU
Faculty of Social Sciences
Johan Skytte Institute of Political Studies



**BRICS's Role in Influencing the State Capacity through Sanctions-Proofing: A
Comparative Analysis of Russia, Iran, and Venezuela (2010-2022)**

MA Thesis

Author: Hanna Haiduk

Supervisor: Louis John Wierenga

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Authorship declaration

I have prepared this thesis independently. All the views of other authors, as well as data from literary sources and elsewhere, have been cited.

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Abstract

State capacity, a pivotal concept in political science, has garnered extensive scholarly attention for its crucial role in shaping human progress. This thesis explores the origins, significance, and measurement of state capacity, emphasizing the influence of foreign policy tools, particularly economic sanctions. Initially, the study delineates the state's definition, tracing its historical evolution and examining its core components as articulated by Tilly and Mann. It then focuses on state capacity, defined by McAdam et al., as the degree of control state agents exercise over persons, activities, and resources within their territorial jurisdiction.

The research investigates how economic sanctions, as a coercive foreign policy tool, impact the state capacity of targeted authoritarian regimes. Given the prevalent use of sanctions by the United States, the study selects three case countries—Russia, Iran, and Venezuela—examining the US-imposed secondary and oil sector sanctions. This focus is justified by the significant role of oil in these countries' economies and the global dominance of the US dollar.

State capacity is analyzed through three dimensions: coercive, administrative, and extractive, relevant to the context of authoritarian regimes. The study introduces BRICS (Brazil, Russia, India, China, South Africa) as an explanatory variable, assessing its potential to mitigate the adverse effects of sanctions and support the sanctioned states' economic resilience.

Employing qualitative research methods, including process tracing analysis, the thesis aims to elucidate the causal mechanisms linking sanctions, BRICS' interventions, sanctions-proofing tactics and changes in state capacity. Data sources include OFAC for sanctions, OPEC and Statista for oil market fluctuations, and the World Bank for state capacity indicators.

The anticipated outcome suggests that countries with strong economic ties to BRICS will better withstand sanctions, maintaining more stable state capacity compared to those without such support. This research contributes to understanding the interplay between international economic policies and state capacities in authoritarian states.

Keywords: State capacity, Economic sanctions, Foreign policy, BRICS, Oil sector sanctions, secondary sanctions, foreign policy tool, OFAC

List of Abbreviations

EU - European Union

G7 - Group of Seven

BRICS - Brazil, Russia, India, China, South Africa

US - United States

UN - United Nations

IEA - International Energy Agency

JCPOA - Joint Comprehensive Plan of Action

NPT - Nuclear Non-Proliferation Treaty

EO - Executive Order

NDAA - National Defense Authorization Act

OFAC - Office of Foreign Assets Control

PDVSA - Petróleos de Venezuela, S.A. Venezuelan state-owned oil and natural gas company

IRGC - Islamic Revolutionary Guard Corps

GDP - Gross Domestic Product

ASEAN - Association of Southeast Asian Nations

BTI - Bertelsmann Transformation Index

IMF - International Monetary Fund

LEF - Law Enforcement Forces

OPEC - Organization of the Petroleum Exporting Countries

PT - Process Tracing

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1. Introduction

Numerous studies and books have been devoted to exploring the concept of state capacity, aiming to elucidate its origins, significance, and methods of measurement (Lindwall & Teorell, 2016; Besley & Persson, 2009). Throughout history, the development of state capacity has been a pivotal factor in shaping human progress. In this chapter, I aim to delve into the origins and significance of state capacity while also providing insights into what foreign policy tools can influence this phenomena.

Before I jump into the question of what defines state capacity, I would like to explain what defines the state. It has been claimed that states have existed for over 8 000 years ago and evolved in Europe to consolidated one in the 18th century which means ‘large, differentiated, ruling heterogeneous territories directly, claiming to impose uniformal fiscal, monetary, judicial, legislative, military and cultural systems on their citizens’ (Tilly, 1994, 279). In its turn, Michael Mann (1984) admits that state is a broad concept and defines it through four primary components such as a diverse array of institutions, centrality of political power from a center to periphery, an area delineated by its territorial boundaries, exclusive control over the establishment of authoritative order supported by exclusive control over the use of physical force. Those functions undoubtedly address us to the idea of what is the merit of a successfully established state. Contemplating such an idea leads me to consider the notion of state capacity. The classics of political science define state capacity as ‘the degree of control state agents exercise over persons, activities, and resources within their government’s territorial jurisdiction’ (McAdam et al, 2001, 78). Hence, when it comes to state capacity, one of the approaches is to indicate it through the domestic power the government has over society and resources. However, the state does not exist in isolation; it is influenced by various foreign policy or power tools.

Foreign policy represents a constantly evolving narrative detailing the interactions among states, institutions, and populations within a fluid global environment (Alden et al, 2016). Policy tools can be divided into two broad categories based on the core principle they way they implemented — soft power and hard power where ‘hard power tools are coercive, including sanctions and military intervention, while political and economic conditionality should be placed in the soft power category although they are ‘tough’ uses of power which often do not leave the state in question very much choice (Matlárý, 2002, 8). However, there

are a variety of other perspectives that can define the classification of power tools. Additionally, Nye (2004) provides a multisectoral classification of three power types which converts military power into coercive diplomacy, war, alliance; economic power into aid, bribes and sanctions; soft power into public diplomacy, bilateral and multilateral diplomacy. For this study I will address the question how sanctions as a coercive economic policy tool can affect the state capacity of the targeted countries. The selection of the topic stays behind the reasoning that sanctions are a time-honored tool of foreign policy which since the end of the Cold War, the United States, European Union, United Nations, and, more recently, China have increasingly utilized economic sanctions to pursue various foreign policy goals (Peksen, 2019). Additionally, the justification of the choice behind the specific dependent variable is based on the fact that there is a number of research dedicated to the relations between sanctions and democracy (Marinov & Nilli, 2015; Peksen & Drury, 2010; von Soest & Wahman, 2014). However, when it comes to most cases of the sanctioning targets, one can see that most of them are authoritarian regimes which manage to survive after sanctions imposition. Thus, one of the objectives of this research is to analyze how the state capacity of authoritarian countries changes after sanctions are imposed.

The limitation of the chosen sanctions has several rounds. First of all, among the main actors who have a practice to apply sanctions, the US will be chosen as a primary body of the sending institution of the sanctions regime. Such justification is related to the fact that the US is a country which is the most actively using sanctions compared to other bodies having the same repertoire of foreign policy such as the United Nations (UN) and the European Union (EU) (Weber & Schneider, 2020). Secondly, according to Organski (1958) theory, the international world is built as an hierarchy where the US is the dominant nation considering its economic and political influence. Third of all, the US was the first country to impose sanctions on all three selected cases for this research which are Russia, Iran and Venezuela. Last but not least, the US dollar remains the most dominant currency in the world for the last decades which means that the sanctions from the US can be one of the most harmful for the economics of the targeted countries (Congressional Research Service, 2022). The second round of limitation is the focus exclusively on the oil sectoral sanctions for the reasons that a significant amount of oil trade happens in the US dollar (Siddiqui, 2020). Hence, it means that oil export is extremely tied up with the US and depends on the foreign policy moves of this country. Additionally, all the chosen cases share the features of rentier states whose revenues are substantially based on the oil resources (Lander, 2016; Hoppe, 2024; Dadgar & Orooji, 2020). Last but not least, oil related indicators are dynamic and accessible for

tracking.

When it comes to state capacity, the term will be defined through the concept of power and gathered by three dimensions such as coercive, administrative, extractive (Andersen et al, 2014; Vaccaro & Parano, 2024). Such dimensions have been chosen to fit the context of the authoritarian regimes into the relevant parameter of indicators which are rather focused on the goals of the ruling elite than the benefits of the population (Lindvall & Teorell, 2016). Additionally, the explanatory variable of the research is a political union BRICS (Brazil, Russia, India, China, South Africa). The BRICS group has emerged as a potential alternative to the G7, with a proposal to introduce its own currency for global transactions instead of the US dollar and it seeks to champion norms that resonate more with the perspectives of the Global South rather than those of the Global North (Ciuriak, 2023). Thus, one would expect that BRICS as a global political and economic project would be the actor that is interested in helping the countries which are sanctioned by the US to maintain their domestic economics and trade for their resources in local currencies or by using other mechanisms.

In nutshell, to elucidate BRICS' impact on the process of sanction resilience and its contribution to enhancing the state capacity of selected nations, this study will employ qualitative research methods, integrating process tracing and content analysis. Particularly, the process tracing method, characterized by its endeavor to track causal mechanisms, will empower the researcher to draw robust inferences within each case, thus enhancing confidence in the validity of theorized causal mechanisms (Rasmus & Pedersen, 2011). The process tracing method is the most pertinent approach for constructing a sequence of causal mechanisms that can comprehensively and decisively elucidate a range of outcomes within a complex context.

In order to perform the research with the announced question I will use a variety of indicators and other sources. To observe the imposed sanctions I will use Office of Foreign Assets Control (OFAC) materials which entail executive orders and sanctions programs (OFAC, 2024). For oil market fluctuations I will use data from OPEC, Statista and KSE Institute. When it comes to state capacity, most of the indicators will be taken from the World Bank.

In terms of anticipating outcomes, I predict that countries deeply engaged in economic relations with BRICS will fare better in the process of safeguarding against sanctions. Consequently, their state capacity is likely to be more stable compared to sanctioned countries, given the varied contexts.

2. Conceptual and theoretical framework

2.1 Sanctions as a tool of foreign policy

In this chapter, I will focus on the concept of sanctions, the main theories that are explaining their purpose and goals as well as their types and regulatory bodies.

Sanctions are defined as ‘a standard foreign policy tool that states and International Governmental Organizations (IGOs), such as the United Nations and the European Union, use – or threaten to use – against states, organizations, or individuals.’ (Weber and Shneider, 2020, 2). It is a common policy tool imposed by both national governments and global governance institutions to influence different purposes such as nuclear proliferation, terrorism, drug trafficking, human rights violations, and democracy promotion (Peksen, 2019). Besides a significant amount of research dedicated to the primary purpose of sanctions, political scientists also have identified a row of key factors that mostly make imposed sanctions work successfully such as limited and concrete demands, the expectation of imposed sanctions for a targeted country, sanctioning the trading partners of the sanctioned actor, multilateral support (Demarais, 2020). Additionally, a set of studies dedicated to the connection between the sanctions effectiveness and the actor which imposed sanctions on the targeted countries (Weber and Schneider, 2020). As one can see, sanctions are a popular foreign policy tool used by different actors for multiple reasons. Below, I will address how sanctions gained the influence and use they currently have.

Despite the fact that sanctions seems to be a modern term in our current reality, its origins go back to ancient times. Jean-Marc Thouvenin (2020) summarizes the history of sanctions and divides their use and practice into several eras — before the twentieth century, from World War I to the UN charter, since the UN charter, and economic sanctions adopted outside of the UN. I would like to use this logic of the process of sanctions evolution for several reasons. First of all, retrospective to the past can identify the variety of motives and intentions to apply sanctions. Secondly, it illustrates the range of bodies (or their coalition) that are responsible for reproducing sanctions regimes and their maintenance. Additionally, such an approach shows a raw of challenges and critics the sanctions faced as a foreign tool and, as a result, its

further modification.

Sanctions as a phenomena was first documented in the History of the Peloponnesian War, when in 432 BC, Athens enacted economic sanctions when Pericles initiated a decree prohibiting the importation and selling of goods procured in Megara against Greek city-states that had declined to join the Delian League under Athenian leadership (Alexander, 2009). The purpose of the sanctions was to punish the city for the kidnapping of three women (Carter, 2011). Subsequently, Thouvenin (2019) elucidates that in the early twentieth century, economic sanctions were predominantly characterized by individual efforts to initiate boycotts, drawing chiefly from the example of Chinese boycotts occurring between 1905 and 1931. Wong (1999) underlines the reasons for boycott were launched as a response to ‘the U.S. decades-long exclusion policy and the consistent mistreatment of Chinese visitors’ (144) which encouraged the political awakening in China spurred individuals from various social backgrounds to take action. In this case one can conclude that the boycott's implantation was a response to the challenges and discrimination Sino community has been facing for those who have been residing in the US. The following Chinese boycotts between 1908 and 1931 had been launched by Chinese institutions as a result of movements against Japanese influence and blooming nationalism (Wong, 1999). Also, it can be observed that in both cases there was one actor who applied restrictions vis-a-vis another.

Sanctions took another turn when it came up to the point of World War I and World War II. Several political scientists have been focusing their attention on the development and evolving of sanctions within the period between 1914 and 1945. Significant number of researchers (Mulder, 2022; Thouvenin, 2019; Hufbauer et al, 1985) have been highlighting their attention to the speech of the US President Woodrow Wilson who in the aftermath of World War I stated the following regarding sanctions: ‘Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside of the nation boycotted, but it brings a pressure upon that nation which, in my judgment, no modern nation could resist.’ (Wilson, 1923). Between 1914 and 1917 the Allied Powers (Britain, France, Russia, US) issued the decrees and acts to barred all trade with individuals from the Central Powers (Germany, Ottoman Empire, Austria-Hungary) and invalidated any contracts made with such individuals from the start of the war (Thouvenin, 2019; Mulder, 2022). Despite the fact that World War I was over and some of the trade restrictions had been removed with the win of the Allied Powers, the boom of economic sanctions started there, during the interwar period. Specifically, Mulder (2022) brings to the attention further actions of the newly established League of Nations and the Article 16 of the

Covenant issued by the Council which stated that ‘all members promised to join in common action against any other which made war in violation of the Covenant. This action was to take in all cases the form of economic sanctions as its primary coercive mechanism and, if this were not enough, of military intervention.’ (Britannica, 2024). Subsequently, the author states that the article was ‘not the only multilateral coercive instrument at the disposal of the three large European states, Britain, France, and Italy. Under the Versailles Treaty these countries, as well as Belgium, a non-permanent Council member, were earmarked to receive German reparations payments.’ (Mulder, 2022, 122). Despite the fact that among the Allied Powers the United States was the one that never joined, Woodrow Wilson personally played a significant role in putting and compiling the Covenant together. In fact, sources state the following related to this matter: ‘this arrangement [the Covenant] was the result of political maneuvering on the part of the League’s most fervent exponent, the American President Woodrow Wilson, who, according to one of his senior advisers, made the setting up of a League inevitable by insisting that it form part of the final treaty’ (Ridgley, 1997, 41). The next significant generation of the sanctions development came under the end of World War II and as a subsequent result, the creation of the UN and the UNSC. In fact, the UNSC has issued the principle similar to one that League of Nations employed that states the following in the Chapter 7 Article 41: ‘The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.’ (UN Chapters). The adoption of sanctions regimes by the global body for international security and peace stemmed from the collaborative efforts of unions that navigated through the adversities of war and international turbulence, as evident from the practices observed. It is important to notice that during the Cold War, the United Nations’ ability to uphold international norms was limited by the rivalry between the United States and the Soviet Union, with economic sanctions, when used, typically being more symbolic than effective (Elliott, 2010). Indeed, the table of Andrea Charron shows that the amount of sanctions imposed within the Cold War period has been extremely limited — sanctions applied for a reason of inter-state conflict Palestine, Egypt et al. (1948); intra-state conflict North Korea (1950) and Congo (1961); pariah target Portugal (1963), Rhodesia (1965), South Africa, South Africa (Namibia) (Charron, 2010). As one can see, the amount of sanctions applied by the UNCS has been significantly limited and most of them have been related to pariah states. Pariah or rogue

states during the Cold War has been marked as ‘a small power with only marginal and tenuous control over its own fate, whose security dilemma cannot easily be solved by neutrality, nonalignment, or appeasement, and lacking dependable big-power support (Harkavy, 1981). The 1990s marked a significant shift in the evolution of sanctions for several reasons. Firstly, with the dissolution of the Soviet Union and the conclusion of the Cold War era. Secondly, the 1990s ushered in a pronounced increase in the frequency of sanctions employment. The Charron table shows that in the Post-Cold War Era the amount of sanctions regimes has significantly increased and implemented in the above mentioned three categories (inter-state conflict, intra-state conflict, pariah target) but also additionally included the sanctions regimes issued against activities associated with terrorism such as Libya, Sudan, Afghanistan, Lebanon (Kimberly, 2010). Lastly, concerns regarding the effects on individuals escalated significantly due to the humanitarian fallout of comprehensive sanctions, initially observed in the case of Iraq following the first Gulf War (Kimberly, 2010). UNSC Resolution 661 has frozen the whole economic infrastructure of the country and population which ‘included a ban on all trade, an oil embargo, a freezing of Iraqi government financial assets abroad, an arms embargo, suspension of international flights, and banned financial transactions’ (Alnasrawi, 2010, 208). The embargo affected Iraq's food supply, as the nation relied heavily on imported food, accounting for 70%–80% of its total caloric intake which led to significant food shortages, causing a dramatic surge in prices ranging from 200% to 1800% between August and November 1990 (Provost, 1992). Considering the fact that the sanctions affected the civilian population and created a humanitarian crisis within the country, the idea of smart sanctions has been introduced and implemented for future practices (Gordon, 2011).

Additionally, after ‘a decade of sanctions’ in the 1990s, the UNSC was deemed ineffective and inflexible in reaching unanimous decisions regarding sanctions (Cortright & Lopez, 2000). Vines (2012) stated that numerous global matters, traditionally under the purview of the United Nations, are now being tackled by individual world capitals or regional power groups which poses a significant risk of marginalizing the UN. The increasing assertiveness of Russia and China within the Security Council, often backed by emerging nations, has led to consistent opposition to intervention proposals put forward by Western countries. This resistance extends to sanctions and highlights the challenges in reaching consensus on matters pertaining to Sudan, Burma (Myanmar), Iran, and Libya (Vines, 2012). The logic behind the criticism of the UNSC is valid till nowadays and encourages me to take a look at different

players who are using sanctions as a frequent and common policy tool along with the UNSC.

2.1.1 US as the primary orchestrator of sanctions and types of sanctions

Earlier, I discussed the historical significance of sanctions as a crucial instrument in foreign policy. Additionally, I provided an overview of global regulatory bodies tasked with implementing sanctions and the challenges they encounter in their efforts. Upon examining the evolution of sanction regimes within key global institutions responsible for collective security and peacekeeping, it becomes evident that the United States has consistently played a leading role in shaping the current framework of sanctions as we recognize it today. Thus, in this research I would like to focus specifically on the US sanctions for the following reasons. First of all, the US is considered a great power after the end of the Cold War. For several decades, the United States has held the position of the world's largest economy and has maintained its hegemonic status since the 1990s following the collapse of the Soviet Union (Karim & Susanto, 2021). Secondly, Weber and Schneider (2020) state that while the UN, EU and US are bodies that often use sanctions, the US is the most active one among them. The third reason is the fact that UNSC and EU present a significant amount of players and actors within themselves which means that their decision to implement economic coercive actions can be controversial and cannot crystallize the core reason of foreign policy that satisfies all of the players involved. Thus, rationally using sanctions 'has been increasingly used by States unilaterally' (Thouvenin, 2019, 88). Finally, my emphasis on the United States stems from my intention to delve deeper into the topic of economic sanctions imposed on Russia, Venezuela, and Iran, which I will elaborate on in subsequent chapters.

To start with, US economic sanctions have a variety of types such as 'trade embargoes; restrictions on particular exports or imports; denial of foreign assistance, loans, and investments; or control of foreign assets and economic transactions that involve U.S. citizens or business.' (Rennack & Shuey, 1998, 4). In the US, both the President and Congress have the authority to impose sanctions. The President can impose sanctions by declaring a national emergency and invoking powers granted by the International Emergency Economic Powers Act or by exercising authority specified in various public laws (Rennack & Shuey, 1999, 6). Since the Korean War, the Office of Foreign Assets Control (OFAC) within the Department

of the Treasury has overseen and enforced the comprehensive U.S. sanctions regime (Meagher, 2020). When it comes to justifying imposing US sanctions OFAC issues them ‘based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States’ (OFAC). US foreign affairs and defense claim that the main objectives of imposing sanctions are ‘express its condemnation of a particular practice such as military aggression; human rights violations; militarization that destabilizes a country, its neighbors or the region; proliferation of nuclear, biological, or chemical weapons or missiles; political, economic, or military intimidation; terrorism; drug trafficking; or extreme national political policies contrary to basic interests or values of the United States (e.g., apartheid, communism); block the flow of economic support that could be used by the targeted entity against the United States or U.S. interests; isolate a targeted country (or company or individual); force a change or termination of objectionable behavior; or coerce a change in the leadership or form of government in a targeted country.’ (Rennack & Shuey, 1998). The objectives of the sanctions are quite broad and need several further classifications to narrow the categorizing down. When it comes to the scope of targeting the sanctions are differentiated between comprehensive and targeted (or smart). Comprehensive sanctions ‘in nature and block the government and include broad-based trade restrictions’ (OFAC b). Meanwhile, targeted sanctions are ‘imposed on specific individuals—primarily decision makers and the political or economic elite in the target country, sanctioned by freezing assets or restricting travel—and on certain products, such as an arms embargo.’ (Erport & Fadlon, 2023, 93). Thus, when it comes to the goal of isolating a targeted country by applying embargo, export and import controls, freezing assets etc. classic unilateral sanctions might not be enough or sufficient. This is where the differentiation between the primary and secondary sanctions comes to be crucial. The purpose of primary sanctions is ‘to restrict its own companies and citizens (or other people who are in the United States) from doing business with a rogue regime, terrorist group, or other international pariah.’ (Meyer, 2009, 905). This explanation concludes the thought that primary sanctions are narrowly related to US Nexus — actors that are operating under US jurisdiction. Thus, in order to expand the influence of sanctions the actors that issue sanctions can go further apply secondary sanctions — ‘any form of economic restriction imposed by a sanctioning or sending state (e.g., the United States) that is intended to deter a third-party country or its citizens and companies (e.g., France, the French people and French companies) from

transacting with a sanctions target (e.g., a rogue regime, its high government officials, or a non-state terrorist entity)' (Meyer, 2009, 926). In this way, sanctions programs are related not only to the actors under the US jurisdiction but also those who would like to continue to have business with the US. This approach is founded on the belief among American policymakers that due to the United States' pivotal role in the global economy, the mere prospect of limiting access to its markets enhances the impact of sanctions beyond their territorial scope. Consequently, secondary sanctions can exert extraterritorial influence without the need for excessive reliance on primary sanctions (Meagher, 2020). Besides the undeniable importance of phenomena such as secondary sanctions, it is crucial to highlight the U.S. role within the oil market. The U.S. has increasingly focused its sanctions policies on the energy sector, leveraging the rise of its shale oil industry to use energy sanctions as a strategic tool against countries like Iran, Venezuela, and Russia (Shokri & Ardakani, 2019). Additionally, it is important to note that the U.S. dollar dominates global trade in the crude oil market (Mo et al, 2017). Therefore, in the era of targeted sanctions, the sanctioning body aims to concentrate economic pressure on the most vital sectors that generate revenue for the targeted government. Sectoral sanctions are relatively new in the history of sanctions, emerging prominently in 2014 after Russia annexed Crimea. They are defined as 'the targeted sanctions of specific industries within a sanctioned country to better manage the impact of the sanctions on the global economy' (Gressman, 2024). Thus, besides analyzing secondary sanctions, I will focus on the combination of secondary sanctions and energy sectoral sanctions, particularly in the crude oil industry.

Considering the fact that secondary sanctions are mostly related to the third parties, meaning, the actors who are not directly involved in the reasoning or primary target of sanctions, the targeted country will try to find a way to evade secondary sanctions through another geopolitical player which is BRICS.

2.2 BRICS geopolitical dedollarization strategy

BRICS initially began as a BRIC acronym in 2001, a term introduced by Jim O'Neill, a Goldman Sachs economist, to represent Brazil, China, India, and Russia with subsequently, in 2010, including South Africa, resulting in the expansion to BRICS (Economic Times, 2023).

BRICS originated in 2006 and held its inaugural summit in 2009, welcoming South Africa as a member in 2010. The trigger point of BRICS integration came into part after the global financial crisis of 2007–2008, doubts have grown regarding the dominance of the US dollar and America's leadership on the world stage. The crisis's origins within the United States sparked debates about the trustworthiness of US leadership and the wisdom of maintaining the dollar's dominant role in the global financial framework (Liu & Papa, 2022). The BRICS group is being proposed as an alternative to the G7, advocating for its own currency to replace the US dollar in international transactions and promoting norms that align with the perspectives of the Global South rather than the Global North (Ciuriak, 2023). The rising power of one of the members, China, can be also illustrated based on three examples — the Belt and Road Initiative (BRI), and Beijing's plan for "Made in China 2025, the creation of the AIIB. The last one along with the BRICS Development Bank financial innovations puts the meaning of the Chinese renminbi up to another level and declines the dependence on the US dollar (Kim, 2019). The BRICS alliance has been examined through the prism of global governance, reflecting its role in shaping international economic and political structures. The BRICS countries have sought to challenge and reform global governance, particularly in the context of international financial institutions and global economic regulation (Larionova & Shelepov, 2021). The BRICS alliance has been characterized as a challenge to the existing international order, with the collective activity of the BRICS countries seen as a challenge or a threat to the current or prospective international order (Rewizorski, 2018). Furthermore, the BRICS countries have been associated with promoting economic growth and governance, with evidence suggesting that growth and governance are complementary to each other (Singh, 2019). From this evidence, one can see that BRICS is a complex system with multiple functions, one of which is to modify the current international order. According to Mihaela Papa (2014), BRICS is the political entity that permanently challenges the US influence and the idea of a bipolar international order, rather than playing the rising role within a multipolar-focused international dimension. Thus, I suggest from my end that BRICS would be mostly focused on undermining sanctions imposed by the US and specifically OFAC for such reasons. First of all, due to the mentioned intentions to undermine the US hegemony and direct the scene to multipolar international theater. Secondly, to trade with the targeted sanctioned countries and spread its cooperation and influence. Last but not least, Russia is one of the co-founders of BRICS which makes it necessary to reorient its trade with co-members-states of BRICS. Additionally, it is important to mention that in the beginning 2024 BRICS has expanded and welcomed new members to its union such as Egypt, Ethiopia,

Iran and the United Arab Emirates (Garcia-Herrero, 2024). According to Roberts et al. (2017), the cooperative financial strategies employed by the BRICS manifest in diverse ways, ranging from advocating for internal reforms within multilateral institutions or global markets to exploring external options by establishing new multilateral institutions or collectively championing new norms in international financial markets. Surprisingly, these collective actions by the BRICS have proven largely successful. The authors recognize the positive outcomes of several multilateral initiatives, such as the establishment of key BRICS institutions like the New Development Bank and the foreign-exchange reserves pool (Cooper and Farooq, 2016), and express optimism about the future prospects of the BRICS Interbank Cooperation Mechanism (Shelepov, 2017). From the facts mentioned above I can make the conclusion that BRICS is a newborn governance power with ambitious plans in different areas. For this research the most important part is localized within the activities that come from the angle of dedollarization. As a consequence, it can lead to easier ways to prove the targeted country's economics from the US sanctions.

2.3 Sanctions-proofing

In this part, I would like to explain how sanctions-proofing works. Sanctions-proofing is an intriguing term that needs further and detailed explanation. Such phenomena is defined as a set of activities that encompass actions designed to insulate the government from the constraints of sanctions. Sanctions-proofing activities aim to limit both the exposure of the government to sanctions and the influence of sanctions on government decision-making, enabling the government to pursue its policy preferences' (Glenn, 2023,106). As one can see, sanctions-proofing is a significant process which changes for both the international and domestic systems when it comes to economic and political response to sanctions. Essentially, the targeted country needs to be flexible and 'smart' in order to both save the current political regime which is under coercive economic restrictions and promote its own political agenda from violating human rights to the support of terrorism or nuclear proliferation. Erport and Fadlon (2023) explain that targeted nations have a variety of methods which involves mapping out the tactics employed to bypass economic sanctions. To give a broader context, evading sanctions is not the only way of the targeted country to respond to sanctions.

Additionally, Erport and Fadlon (2023) mentioned a complex model that can put the state through ‘surviving sanctions’ which consists of several different coping mechanisms. One of them is adaptation of the country's economy to the imposed sanctions by diversification of imports and exports and bolstering domestic production of both industrial and agricultural goods. This strategy aims to substitute products subject to import bans or restrictions due to sanctions. Another mechanism to cope with sanctions is to impose counter-sanctions to the sending institution or it may opt to nationalize the assets belonging to citizens of the nation or nations accountable for imposing sanctions (Peksen & Jeong, 2022). Last but not least, which is one of the central concepts of this research, is related to acquiring techniques by the targeted country which allow them to compensate for the effect of sanctions (Erport & Fadlon, 2023). Such techniques can be separated into several categories by depending what kind of sanctions have been imposed — the former mentioned comprehensive or targeted (smart). The most common of them are listed below.

The first method to secure from sanctions is parallel import where ‘the target country often manages to import goods from countries that are sanctioning it by transporting these goods through third countries, often those in close geographic proximity.’ (Erport & Fadlon, 2023, 95). Parallel imports are ‘unauthorized flows of products across countries, which compete with authorized distribution channels.’ (Ahmadi & Yang, 2015, 279). There have been several prominent examples of using the parallel import as a strategy to cope with sanctions. For instance, Russia has extended the use of parallel import after the invasion to Ukraine (RIA, 2023). An alternative method for bypassing sanctions involves permitting private individuals within the targeted country to illicitly bring in specific goods. In certain instances, the targeted nation might even engage with criminal groups to guarantee a consistent flow of these goods (Andreas, 2005). Thus, when it comes to a variety of techniques to evade sanctions, all of the methods strongly depend on the nature of imposed sanctions and connections to other countries.

The separate broad topic of sanctions-proofing is related to financial sanctions. Financial sanctions are defined as the tool to ‘restrict the ability of sanctioned entities—countries, businesses, sanctions typically restrict the ability of sanctioned entities—countries, businesses, or even individuals—to purchase or sell some financial assets. Sanctions can also or even individuals—to purchase or sell some financial assets’ (Cipriani et al., 2023, 31). Over the past few years, financial sanctions have been embedded mostly to restrict the targeted country's access to foreign currency, its reserves of foreign currency, and its financial infrastructure including SWIFT, the Society for Worldwide Interbank Financial

Telecommunications (Cipriani et al., 2023). SWIFT serves as a conduit for the U.S. government to oversee third-party adherence to sanctions. Initially hesitant to share its proprietary data with U.S. authorities, SWIFT acquiesced following the events of 9/11, when Congress threatened sanctions against the organization (Eichengreen, 2022). Thus, as a result, other countries have been trying to become independent of the US dollar. One of the most influential examples is a China-based project — ‘ in 2015 the PBOC [People's Bank of China] launched the Cross-Border Interbank Payments System (CIPS), which is incorporated as an independent entity and supervised by the central bank’ (Eichengreen, 2022, 4). Demarais (2022) stated that the CIPS system was created to pursue several objectives such as promoting the global use of the renminbi, providing protection to Chinese companies against potential U.S. sanctions and could also potentially obscure certain sensitive transactions from SWIFT and U.S. oversight.

The next method to evade financial sanctions is to use cryptocurrency as a financial alternative. Cryptocurrency theft can occur through government-sponsored cyberattacks or by engaging in cryptocurrency mining. Another method involves the establishment of a national cryptocurrency regulated by the country's central bank and backed by assets such as gold or other commodities (Erport & Fadlon, 2023). The example of the latter method is the petro, Venezuela's cryptocurrency, which is supported by reserves of oil, gold, gas, and diamonds. It is designed to manage the money supply and circumvent the Western sanctions imposed by U.S. President Trump in 2017 (Mahdavi, 2022). Last but not least, a way to decrease the weight of the US dollar has been suggested by BRICS countries who created a unified cryptocurrency (Erport & Fadlon, 2023). BRICS Pay is set to integrate the credit or debit cards of BRICS citizens with online wallets, offering round-the-clock accessibility through a mobile application installed on their smartphones (Lui & Papa, 2022). Thus, digitalization of currencies is making a big step of accessibility into world economics dedollarization. When it comes to the oil industry, besides export diversification and avoiding paying for oil export in US dollars, targeted countries can use other methods to achieve their goal by making agreements with the trading partners. One of them is to use ship-to-ship tactics when the transfer of oil happens in open waters in rebranded ships (Khatonoglu, 2024). Another mechanism to cope with oil related sanctions is to ‘mix’ oil. This implies that even though the entity imposing sanctions permits a certain percentage of oil to be included in the export of a third party subject to sanctions, the oil will be sold irrespective of the actual volume included in the oil export which recently happened with the oil export from Turkey to the EU with the Russian oil inside the ships (Jack, 2024). Hence, the analysis of sanctions-proofing tactics of

the chosen cases for this research will be focused mostly on the data related to diversification of the crude oil export and qualitative analysis of the documented incidents related to the export through the third countries.

2.4 State capacity

In the introductory section of my thesis, I outlined a brief overview of the concepts of state and state capacity, along with an exploration of different policy tools used to affect it. In this part, I would like to give a detailed overview of contemporary approaches to define state capacity, its characteristics and indicators. To start with, state capacity has multiple approaches to the way it is viewed by different schools of thought. Holt and Manning (2014) concluded that overall after the release of Fukuyama's article "What Is Governance?" (Fukuyama 2013), scholars have broadly divided themselves into two camps: those who believe that state capacity should be measured by what the state produces and those who (more or less) agree that it can be measured by looking at how governments function.' (Holt & Manning, 2014, 717). Another point of view regarding state capacity can be taken from Migdal (1988) who believes that state capacity is equal to the state leaders' ability to utilize state agencies to influence societal compliance with their directives. The set of literature does not limit the state capacity through this clear distinction. Thus, I am going to review the most recent or substantial approaches to define state capacity and generalize the approach for further operationalization for chosen cases.

To begin with, Fukuyama (2013) brings up several valid points when it comes to the interest of political scientists. Specifically, he focuses his attention on the fact that since the advent of the Third Wave of democratization, scholarly attention in nondemocratic contexts has been primarily directed towards themes such as the persistence of authoritarian regimes and transition to democracy but relatively little scrutiny is given to the entity that centralizes and wields authority: the state (Fukuyama, 2013). The primary idea of the main nature of the state has been described by Mancur Olson (1993) by defining the state as a 'stationary bandit' who centralizes and systematizes theft through taxation — a stable autocrat, with a vested interest in the prosperity of their realm, is inclined to establish a peaceful environment and provide public services to enhance productivity. Later, he explains the mechanism of how the state works regardless of the established political regimes by saying 'some writers use the

metaphor of the 'predatory state' but this is misleading, even for autocracies. A stationary bandit has an encompassing interest in the territory he controls and accordingly provides domestic order and other public goods. Thus he is not like the wolf that preys on the elk, but more like the rancher who makes sure his cattle are protected and given water' (Olson, 1993, 569). Concluding the thoughts of Mancur Olson, I can say that the state is seen as a social contract where even autocracy is the maximizing guarantee of both security and public goods production through redistribution of capital provided by the taxation system. When it comes to determining the functions of the states, Michael Mann (1984) defines two different state powers that help to shape territorially-centralized organization : the despotic power which belongs to the state elite and consolidates the scope of actions that the elite can take without engaging in regular, institutionalized negotiations with civil society groups; and infrastructural power, the state's capacity to infiltrate and centrally organize the endeavors of civil society using its own resources without despotic power. Additionally, based on different measurements of two different state powers, the author provides four ideal types of states: 'low despotic power and low infrastructural co-ordination — feudal state; the state with high despotic power and low infrastructural co-ordination — imperial state; low despotic power and high low infrastructural coordination is bureaucratic state; the state with high despotic power and high low infrastructural coordination is authoritarian' (Mann, 1984, 191). As one can see, two state powers can coexist with each other by bringing up different varieties of suggested order within society ruled by the state elite. Mann's explanation and understanding of state through power has become prominent and brought up several authors who have been defining and measuring state capacity through the concept of power (Lindvall & Teorell, 2016; Andersen et al, 2014). The concept of power has been discussed within the works of such political philosophers as Plato, Aristotel, Machiavelli, Hobbes and Pareto, where the first came to conclusion that idea of power is when '*A* has power over *B* to the extent that he can get *B* to do that *B* would not otherwise do' (Dahl, 2007, 202). Under the given context, I predicate that *A* refers to the ruled state elite, while *B* refers to the state's population.

While the monopoly on violence is crucial in autocracies, administrative effectiveness is vital for stabilizing democracies, there is a set of studies that suggests that the whole state capacity similarly stabilizes autocratic regimes (Mann, 1984; Way, 2005). Also, it has been argued that in order to see the causation between state capacity and regime stability, it's crucial to differentiate between two key facets: coercive capacity, synonymous with the monopoly on violence which means the ability of military and police to maintain public order, and administrative capacity, also known as administrative effectiveness (Andersen et al, 2014).

Despite the fact that most of the literature is focused on the rise of the meaning of coercive capacity within autocracies, it also gives a prominent role to other functions of the state. Lindvall and Teorell (2016) who viewed the state capacity through the concept of power as well are defining that state capacity should not be mixed with the concept of good governance. Rather, ‘quality of government denotes procedural constraints on how states exercise power, whereas the concept of state capacity denotes the extent to which states can exercise any power in the first place.’ (Lindvall & Teorell, 2016, 9). Considering the approaches to define state capacity below, one can conclude that this is a complex concept to define. Since I am going to focus on authoritarian regimes as cases and take the approach to determine the state capacity through the concept of power, I am intending to focus on the dimensions which can strengthen the state elite's ability to extract the necessary resources to keep the political regime stable in order to pursue its goals. The scientists who study the stability of autocracies through state capacity suggest three dimensions to analyze the concept through — coercive, administrative, extractive (Andersen et al, 2014; Soifer, 2012, Hanson&Sigman, 2021, Vaccaro & Parano, 2024). Coercive capacity, as defined above, is a dimension which is focused on maintaining a monopoly on the use of force within a country. Extractive capacity aligns with what we've referred to as fiscal capability—the capacity to generate revenue (Lindvall & Teorell, 2016). Administrative capacity, although less precisely delineated, might be conceptualized as the efficiency and effectiveness of the state's workforce (Andersen et al, 2014). Moreover, it has been claimed that those three chosen dimensions are extremely interconnected one with another in this way. Administrative capacity enhances extractive capacity by improving tax collection and supporting the state's coercive apparatus, which, in turn, strengthens administrative and coercive functions through increased resources and information, enabling more productive administrative work and enhanced resource extraction through robust rule enforcement (Hanson & Sigman, 2021). Thus, I determine the importance of analyzing the nexus of three chosen dimensions for the following reasons. First of all, coercive, administrative and extractive capacity support each and work together within the systematic approach to bring the necessary resources and power to maintain the current political agenda of the ruling political elite. Secondly, since I focus on the state capacity as a concept of power and not through the prism of good governance it is essential for the given context to understand how the capacity of the targeted state can fluctuate as a result of the crises. Last but not least, the given nexus of aligned dimensions of state capacity gives the possibility to link them to the relevant theoretical framework which I intend to explain below. Additionally, since the research is related to sanctions' influence on

the state overall, I will add a generalized indicator to conclude the economic resistance of the chosen cases — gross domestic product (GDP) (Andersen et al, 2014). In this way, economic indicators will help one to identify the way how successfully a country is in sanctions-proofing while experiencing economic coercion from the Western market end. Additionally, in the following chapter I will determine the operationalization of the state capacity based on three dimensions.

2.5 Sanctions and state capacity relations — theoretical framework

In preceding sections, I have defined the fundamental concepts central to my research, namely, sanctions and state capacity. Within this section, I aim to explore the primary theories concerning the impact of sanctions on the state capacity of targeted nations. As previously mentioned, my focus on state capacity revolves around three specific dimensions: coercive, extractive, and administrative. The main overview of the effect of the economic sanctions on state capacity suggests different, even opposite, ways, on how sanctions can further influence the consolidation of power and the position of the winning coalition within the current political regime (Peksen, 2021). Thus, in the following paragraphs I will present the main statements and theories related to the way how sanctions as a foreign policy tool are affecting the state capacity of the targeted countries.

When it comes to the primary purpose of applying sanctions, one should look into the ‘naive’ theory of sanctions which states that policymakers in sending nations (i.e., countries imposing sanctions) enact sanctions with the aim of undermining targeted governments, compelling them to make policy concessions. These sanctions are intended to restrict the targeted leaders' access to crucial economic, military, and other resources (Galtung, 1967). As the author stated: ‘The denial of access to key economic and military resources would potentially harm a regime’s ability to use repressive tools to maintain the status quo’ (Peksen, 2021,189). Restricting access to vital economic and military resources could significantly impede a regime's ability to employ repressive tactics for preserving the existing order as well as additionally, it could erode the regime's strength by alienating its crucial civilian and military backers (Peksen, 2021). Thus, the naive theory of sanctions suggests that sanctions put a

pressure on the ability of the ruling government to accumulate and extract resources needed to preserve the loyalty of the citizens and the ability to extract and execute necessary resources to stay in power. From the above comment, it appears that sanctions have a negative effect on every dimension of the state capacity — coercive, extractive, and administrative. Additionally, it has been suggested that sanctions can limit the ability of autocratic leaders to access tools of repression such as military and police equipment and, as a result, diminish the incumbent's capability to quell dissent through violent means (Kaempfer et al, 2004). Thus, according to this direction of the theory, not the ruling coalition is experiencing the shortage of resources to stabilize the current political regime and, as a result, accepting the demands of the sending sanctions body (Allen, 2004, Peksen & Drury, 2009). As a result, one can see that the main purpose of the sanctions tool, no matter which agenda is at stake, is to limit the state capacity of the ruling coalition as much as possible in order to make a political regime collapse in the end.

Nevertheless, practical experience frequently contradicts the naive theory of sanctions, revealing that sanctions often function in certainly different ways. Against predictions, sanctions could potentially aid in strengthening the ruling coalition of the target regimes (Peksen, 2021). For instance, Reed (2008) claims that that sanctions are working as a two-fold mechanism when it comes to their effect on the ruling government: at first, sanctions limit the target leader's financial resources and impede the distribution of resources to allies, consequently raising the probability of defection from the incumbent's loyal support base to a challenger; then, in response to emboldened political opposition groups and potential public dissent provoked by sanctions, targeted leaders escalate repression measures to deter threats and maintain regime stability. Also, Peksen and Drury (2009) created a more detailed sequence of the mechanisms that are affiliated between sanctions' influence on coercive state capacity and increase of political repressions. Specifically, once a sending actor is imposing a sanctions regime 'whether it is for political reforms, nuclear proliferation, or another foreign policy position taken by the target—political opposition groups will see that willingness as a sign of weakness' (Peksen & Drury, 2009). It is expected that sanctions in the beginning will worsen the economic situation in the targeted country and, as per relative deprivation theory, increasing societal discontent due to economic hardships is anticipated to result in a rise in organized violence directed towards the state based on relative deprivation principle (Gurr, 1968). As a consequence, the ruling elite will redirect existing resources to suppress the opponents in order to stabilize its position (Peksen, 2009). It has also addressed the question how exactly the ruling coalition is able to accumulate necessary resources when

economic coercion has been implemented against the targeted country (Andreas, 2005). Specifically, Andreas (2005) generalized several consequences of sanctions for targeted countries in terms of criminalized activities and can potentially respond to the coercive economic imposition in several ways from different perspectives.

When it comes to state apparatus response, 'state sponsors organize crime to generate funds and secure supplies; foster alliances with clandestine transnational economic actors; subcontract out sanctions busting tasks and provide privileged access in exchange for loyalty and support' (Andreas, 2005, 336). Therefore, upon the imposition of a sanctions regime by the sending actor, the initial reaction from the ruling elite would likely involve seeking avenues to engage in illicit trading with third parties. This is done to safeguard the flow of future funds and benefits crucial for maintaining support from their key backers, thereby ensuring the stability of the regime. Another coping mechanism associated with the economy is sanctions-proofing and evasion (Andreas, 2005). Sanctions-proofing plays one of the central roles within this work, thus, I introduced it separately in the following section.

Taking into account all the information presented earlier, it becomes apparent that sanctions often yield unintended outcomes contrary to their original objectives. Rather than weakening state capacity and precipitating collapse, they often prompt governments to bolster their coercive and extractive abilities to maintain stability and economic viability. This is achieved through various mechanisms, including sanctions proofing.

Hence, based on multiple sources related to sanctions and state capacity relations theories, I expect to see several things. First, the ruling elite of the targeted country will try to tackle sanctions with several activities related to sanctions-proofing tactics. Second, when it comes to the dimensions of state capacity, they will respond differently to sanctions imposition. Namely, coercive capacity is expected to be increased as a fear of the ruling elite to lose control over the political regime. Last but not least, when it comes to extractive and administrative capacity, the decline is expected due to possible shortage of the resources coming to both the domestic economy and government revenue.

3. Methodology

3.1 Research design

This research will be performed in a small-N research design since the three cases will be compared. The reasoning for this choice comes from the fact that ‘small-N comparative research for theory testing works by isolating the supposed causal relationship from other possible competing influences, keeps everything the same, but lets your main explanatory variable of interest vary across the cases’ (Toshkov, 2016, 261). Thus, I am going to perform my research under rationality that the chosen cases need to be as similar as possible under conditions that are able to provide a certain and determined context to fit in which explains the outcome by the explanatory variable. In addition, the research design is based on MSSD (the most similar system design research) which means that all cases share some essential common. As per the same author, Toshkov (2016), the variables that need to be as similar as possible across cases are not merely any characteristics of the countries, counties, or time-periods being compared. They are the variables which could act as confounding factors or alternative causal factors, and thus, they should be maintained at a consistent level (or very similar) across all cases. Therefore, when one would like to compare cases based on the MSSD they should pay attention not only to the basic characteristics of the countries they choose but rather to make sure that the whole picture of the research makes sense within the given context. Thus, in my research below I will introduce the complex political reasoning which stands upon choosing my three selected cases for the research question I want to resolve — how BRICS affected the state capacity of the chosen cases through the process of sanctions-proofing, if it presents the case as a geopolitical core.

3.2 Case selection

In this section I would like to introduce the reasoning on behalf of case selection such as Russia, Iran, and Venezuela for this research. Before I start with presenting the substantial ground of similarities between those states, I would like to point out that despite different geographic locations, the history of state establishment, and even striking cultural differences these three specific countries have a lot in common. It can help us understand not only the narrow specific topic related to economic sanctions but, I might even venture to say, how the world order is drastically changing and evolving into another direction. The similarities between the cases presented in several blocks such as ideological, political and economic.

Ideological similarities

As I mentioned before, the center of my research is focused specifically on the US as an actor that uses foreign policy tools to change the behavior of the targeted states. The reason why I chose specifically the US comes from the the power transition theory (Organski, 1958) which is based on the realism paradigm of international relations but it also claims that the international order is characterized by hierarchy rather than anarchy where national governments acknowledge their standing within the international hierarchy and understand that influence is determined by variations in the distribution of power among states. Despite the fact that some of the elements of the theory and presented elements can be outdated to the one can see in the contemporary world, e.g. the presence of colonies in the pyramid of the world order which consists of the dominant nation on the top of the pyramid, which is currently the US, followed by the great powers, middle powers, small powers and colonies (Organski, 1958), it is still important to mention that the idea of the power transition theory has some statements that can be applicable to the chosen cases vis-a-vis the US position within the figure. Particularly, it has been concluded that ‘since 1945 the international order is characterized by a preponderance of power in support of the status quo’ (Kugler & Organski, 1989, 116). It means that all of the great powers are satisfied with the given direction and rules maintained by the domain power. However, Kugler and Organski (1989) pointed out as well that not everybody can be satisfied with the current global order. Thus, there is a possibility that dissatisfied segments will try to challenge the global order and once the great

power will join them to benefit more from engaging in conflict than from maintaining the existing status quo, it may seek to vie for global dominance and contest the established rules of the international order. Considering all the mentioned above, I present the political reasons of the similarities between three chosen cases — Russia, Iran and Venezuela.

First of all, Russia, Iran and Venezuela are anti-Americanist states. As stated, ‘Chávez redirected economic relations away from the U.S. and Europe and intensified ties with other anti-American countries, including China, Iran, and Russia’ (Gill, 2019, 295). At the same time, political scholars claim that ‘the United States should apply containment once again, now to Russia, China, and Iran’ (Mandelbaum, 2019, 123). This evidence clearly states that those countries are prone to be classified as anti-American and cooperate successfully with each other.

Secondly, the case countries can be considered as such that fall under ‘rogue states’ domain. Saunders (2006) has presented a variety of approaches from which the concept of the ‘rogue state’ can be defined. Specifically, from the United States point of view ‘the most commonly invoked criteria for “rogue” status were state support for terrorism and the pursuit of weapons of mass destruction (WMD)’ (Saunders, 2006, 23). Since this point of the definition can be biased within the realism paradigm of international relations from the perspective of the US, I decided to combine those attributes together with the constructivist approach which states that states need to follow ‘universal principles such as sovereignty and diplomatic recognition as the basis for order’ (Saunders, 2006, 32). My decision to define ‘rogue state’ as those who violate the principles of international law is based upon the reasoning that currently those are mostly universally accepted rules for national states to follow after the end of World War II. There is evidence that all of the listed countries have engaged in rogue-state behavior. For example, a recent incident with Venezuela threatening to annex the Essequibo region from Guyana (Al Jazeera, 2023). When discussing Iran, it's crucial to note the significant occurrence of the first direct aerial assault on Israel on April 14th, 2024 (Landale, 2024). Last but not least, the ongoing unjustified full-scale invasion of Ukraine by Russia which started on February 24th 2022, preceded by the launched aggression against Crimea and Eastern Ukraine in 2014 (Gomza, 2023; Kulyk, 2023). As one can see, all of the examples illustrate that chosen countries are challenging the status-quo of the sovereignty and integrity of other countries within the given world order which is determined by the rules of sovereignty.

Political similarities

Apart from how the selected countries view the international order and their methods of introducing instability into it, they also share certain domestic traits. Particularly, Russia, Iran and Venezuela are states with authoritarian political regimes. Diamond, Plattner and Walker (2016) stated that as a response to the ‘third wave’ of democratization happening in the middle of 70s, the potential of authoritarian regimes started to get significantly noticeable and impactful in the beginning of the middle of 2000s. Moreover, the authors stress that ‘led by the “Big Five” authoritarian states of China, Russia, Iran, Saudi Arabia, and Venezuela, the authoritarian powers have taken more coordinated and decisive action to contain democracy on a global level’ (Diamond et al, 2016, 4). It is evident that three out of five cases involve states that openly express their anti-American stance, with China being a founding member of BRICS, a group that welcomed Saudi Arabia as an official member in 2024 (Reuters, 2024). Such a group of events makes one suggest that the phenomena of raising authoritarianism is not only credible but tends to clear political and economic collaboration among authoritarian countries. Additionally, according to Freedom House, Russia, Iran, and Venezuela are considered as not free countries with one of the lowest scores across the globe (Freedom House). Empirical data allows one to suggest that the chosen cases share a similar climate of the current political regime and possibly government behaviors.

Economic similarities

For those countries, petroleum products constitute a significant part of their export. For instance, Venezuela's government expects oil exports to finance 63% of its national budget in 2023 (Armas, 2023). For Russia, the oil shares in their GPP constitute 10% as per 2021 (Statista, 2024a). Iran's GDP oil percentage share constitutes 17 percent as of 2018 (Tavakol, 2020). Third of all, China, the locomotive of BRICS, is one of the main trade partners for all three countries. Precisely, 28% of Venezuelan exports are going to China and 34 percent to India as of 2019 (O'Neill, 2024). Iran's exports to China constitute 48 percent of it going to China as per 2019 (O'Neill, 2024). As of 2022, China is considered one of the main export partners for Russia together with Turkey and India (Statista, 2023). Such context brings me to another feature which is hard not to mention under the given circumstances of the countries with rich petroleum capacity under authoritarian ruling — rentierism. The main purpose of rentier state theory (RST) is ‘to answer some of the most fundamental questions about the political economy of oil exporting states and to explain the “democracy deficit” in the region, the development hurdles faced by many oil states, and the nature of both elite politics and

wider state-society interactions' (Gray, 2011, 1). In fact, Lander (2016) confirms that following a century Venezuela lived in a dominated by an oil-based economy and the predominance of a rent-seeking, state-centric, clientelistic system, which has wrought devastation upon both the environment and cultural diversity. When it comes to Iran, sources claim that the combination of Dutch Disease, Rentier State, and Resource Curse has resulted in poor governance whose annual budget strongly depends on oil revenues (Dadgar & Orooji, 2020). The research related to Russian the combination of rentierism and capitalism in last years of Putinism concluded that 'rents, be they extracted through commodity exports, market imperfections, monopolies, the control of assets or sheer violence, constitute not only individual incomes for rent-seeking elites but a systemic feature of Russia's broader developmental regime as well' (Hoppe, 2024, 125). Hence, all three presented cases are based on the certain patterns of politico-economic nexus which significantly relies on the rent money that provides the conditions of allowance for the whole population.

The next point brings up the attention independent variable of this research — sanctions applied by the US (OFAC). Additionally, all of the listed countries (Russia, Venezuela, and Iran) are some of the most heavily sanctioned countries in the world, particularly by OFAC (Zandt and Richter, 2023). Additionally, it is important to mention that all three cases are a good fit for research questions in terms of sanctions for several reasons. First of all, all of the countries have experienced the issuing targeted sanctions during the proximity of BRICS establishment and existence which I touch upon in the analysis part. Second, Russia, Iran and Venezuela have experienced the influence of both financial and sectoral oil-related sanctions from the US (Katz, 2023; OFAC, 2024). Last but not least, all of the countries experienced either the imposition or proclamation of the possibility of mentioned above secondary sanctions which can severely affect not only trade associated with US companies but also the companies who would like to have business with US as I explained above (Han, 2016; CAATSA). Venezuela in this term is slightly a different case. Despite the fact that Venezuela has never experienced the imposition of secondary sanctions, it has been noticed that the US has been announcing several times its possibility which led the probable economic partners to cut off relationship with Venezuela (Rodríguez, 2022). Thus, as one can see, all of the listed countries have experienced the effect of secondary sanctions when it comes to the development of progressive trade within the oil sector.

The list of the similarities between the cases is substantial and crucial. However, when it comes to adoption of sanctions-proofing techniques I expect that among the cases Russia will

be the one that manages to stabilize its state capacity most successfully based on the significant involvement within the BRICS partnership and its strategy to de-dollarize the global international economy. The final table of the MSSD implications can be found below.

| | Russia | Iran | Venezuela |
|--|--------|------|-----------|
| Anti-American countries | x | x | x |
| Rogue states | x | x | x |
| Authoritarian political regime | x | x | x |
| Oil exporters | x | x | x |
| Close trade relations with China | x | x | x |
| Rentierism | x | x | x |
| OFAC financial and oil sectoral sanctions | x | x | x |
| Strong connection to BRICS | x | - | - |
| State capacity indicators after sanctions proofing | high | low | low |

3.3 Method of analysis

To clarify the influence of BRICS on the process of sanctions-proofing and its role in the development of the state capacity of the chosen countries, qualitative type of research will be

used with a combination of process tracing and content analysis methods. Specifically, the process trace method which is ‘often defined by the ambition to trace causal mechanisms and enables the researcher to make strong within-case inferences about how outcomes come about, updating the level of confidence we have in the validity of theorized causal mechanism’ (Beach & Pedersen, 2011, 2). Also, process tracing ‘attempts to identify the intervening causal process—the causal chain and causal mechanism—between an independent variable (or variables) and the outcome of the dependent variable’ (George and Bennett, 2005, 141). Thus, I see process tracing as a method which enables viewing the process deeply with the complexity of stages that bring the input of one phenomenon (independent variable) to multiple consequences. Due to process tracing, I will be able to trace the effect of BRICS within the context of targeted sanctioned countries and the dynamic of the sanctions-proofing. When it comes to using process tracing, it is important to mention Bennett (2015) point of view who claims that there is a significant difference between the academic and policy process tracing. Policy tracing is focus on calculating and rationalizing the possible outcomes of the policy which happens in the future, while academic process tracing, which I intend to use, is based upon ‘working backwards from an outcome that has already happened and forward from hypothesized variables to predict the observable implications about hypothesized processes that already either did or did not happen’ (Bennet, 2015, 230). Thus, I base the idea of my research around analyzing the mechanisms that affected state capacity prior to applying sanctions regimes upon the targeted countries.

The relevant model of the process tracing application for this research can be found in the article of Ferdinand Arslanian (2023) who is using process tracing to analyze the impact of economic sanctions on nuclear non-proliferation. The justification behind that is based on several reasons. First of all, the author managed to clearly map out the chain of mechanisms involved in the process from the explanatory variable to the outcome with clear explanation for each of them. Second, the author defines the parts of the analysis into certain time frames or as they call it ‘sub-episodes’ which helps to keep the analysis holistic and uninterrupted. Additionally, constructing the visual causal pathway framework enables one to consolidate the entire theoretical framework into a cohesive big picture. Hence, the compressed mechanism pathway takes the following steps (Figure 1).

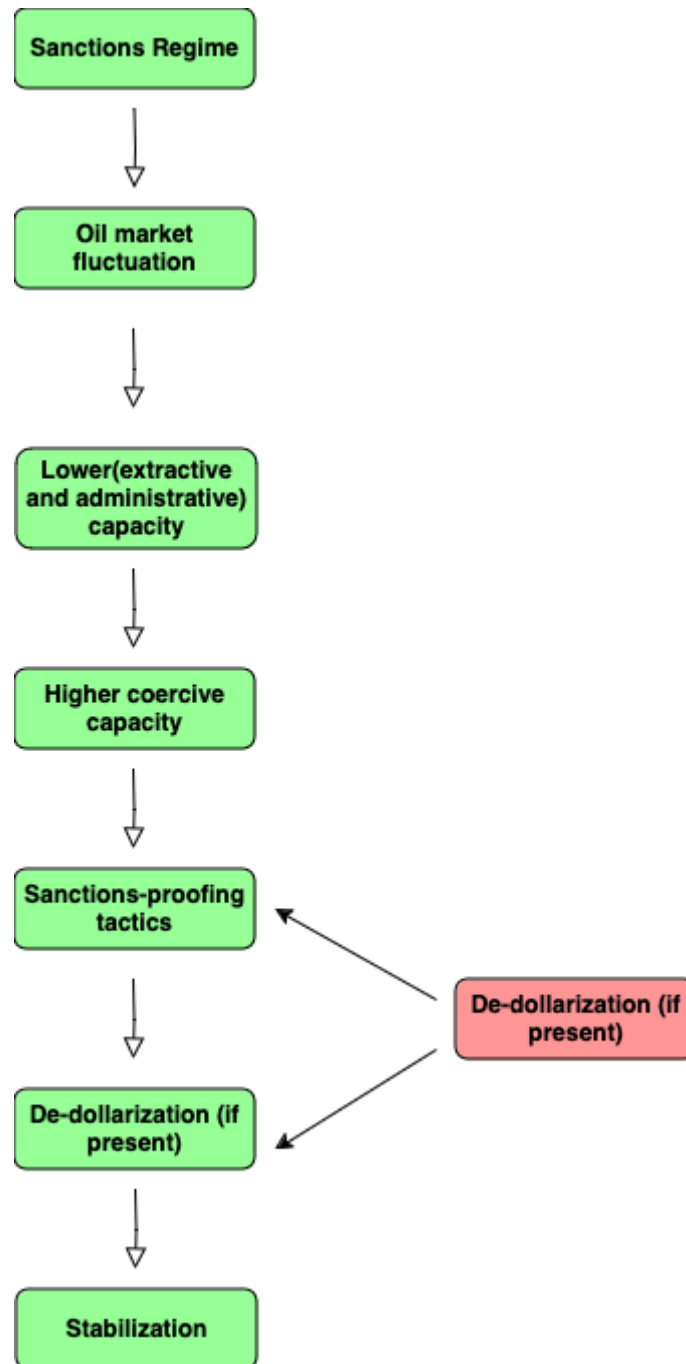


Figure 1. Process Tracing of the causal pathway framework

3.4 Operationalization, Data and Limitations

Earlier, I defined the main concepts and mechanisms this research is based upon. In this

section, before analysis, I would like to focus my attention on the crucial rails which will serve an essential role throughout process-tracing — operationalization. To make the overview as clear as possible I will divide this chapter into several paragraphs where each will be assigned to a particular element of the process which are economic sanctions (oil sectoral), sanctions-proofing, state capacity dimensions — coercive, administrative, extractive.

Sanctions

In order to present the sanctions regime I will give a brief general overview of the main economic sanctions imposed with keeping a narrow focus on oil sectoral sanctions based on the argument provided in the MSSD design part. I am going to take the Executive Order of the US President, notes from the US Congress and sanctions program description from the OFAC website.

Oil market fluctuation

Considering the fact that I will emphasize the way how oil imposed sanctions affect the oil market of the targeted country. In order to determine the fluctuation I am going to analyze three indicators such as crude oil production in million barrels BBL/D/1K, Oil rents as percentage of gross domestic product (GDP) and oil export volume from open sources. Such indicators have been chosen based on the initial objectives of the US sanctions imposition I will explain in the analyses part. The information is indicated in Figure 2, Figure 3, Figure 4, Figure 11, Figure 12, Figure 13, Figure 20, Figure 21 based on the sources from The World Bank and OPEC.

Sanctions-proofing

Since sanctions-proofing is a process which often relies on confidential quantitative information, the approach I am going to use to trace the process will be multilateral. First of all, I will use academic articles which discuss the process of de-dollarization of the global economy and BRICS governance institutions involved within this process when it comes to Russia as a case which is the most involved with BRICS interaction. Secondly, I will look if the diversification of oil export happened after sanctions imposed and in what directions. Such an indicator is reflected in Figure 9, Figure 10, Figure 18, Figure 19.

State capacity

As mentioned earlier, the presented dependent variable will be operationalized through coercive, administrative, extractive dimensions and general economic indicators. The chosen indicators for three mentioned above dimensions are based upon the research of the University of Michigan which gathers robust indicators that can track different aspects of state capacity of the chosen cases (Hanson & Sigman, 2021). Thus, in order to operationalize coercive capacity several indicators will be used. Specifically, one needs to count the percentage of Military Expenditures from GDP, and the budget spent on the security forces. Additionally, the utilization of the metric derived from the Bertelsmann Transformation Index (BTI) will be used to evaluate the extent to which the state holds exclusive control over the application of force (BTI, 2006). Within the BTI framework, this standard assesses how well a state administers its power and supervision over security forces, guaranteeing their adherence to legal parameters and civilian supervision. A favorable rating in this aspect reflects the state's firm control over the use of force, whereas a lower rating might imply the existence of armed factions, militias, or other entities that contest the state's dominion, thus jeopardizing security and stability (QOG, 2022). The indicators chosen around the amount of military, police and overall defense expenditure will help to indicate how the government is ready to use the repressions against the opponents of the ruling coalition and, as a result, keep the power under control. These results are indicated in Figure 6, Figure 7, Figure 14, Figure 22, Figure 27 in the Appendix section.

White (2018) claims that administrative capacity extends beyond both coercive and extractive capacities, encompassing various state functions such as policy development, provision of public goods and services, and regulation of commercial activities. As one can see, if we compare the state to a tree, then administrative capacity can be associated with the branches that distribute resources and energy to ensure efficient functioning and growth. Fortin-Rittberger (2017) while measuring state capacity, defines it through several indicators such as tax revenue, corruption, property rights, contract intensive money and infrastructural reforms. As per White (2018), some of them are related to administrative capacity such as corruption and infrastructure reform which will be the basis of administrative capacity for this research. Corruption can be viewed as an institute which is harmful to state capacity and is commonly framed as undermining Weberian rational bureaucracy (Schenk, 2021). Thus, as per given above description, the best combination of indicators to operationalize administrative capacity would be Transparency International's Corruption Perception Index (CPI), the most commonly referenced method for evaluating corruption assesses the perceived prevalence of corrupt practices among public officials and politicians, which

encompasses actions such as bribing officials, kickbacks in public procurement, and embezzlement of public funds, all falling under the broad definition of the misuse of public power for private gain (Lambsdorff, 2006). Additionally, I will review the Governance Index from the World Bank which consists of such supplements as resource efficiency and steering capability to measure infrastructure reforms potential (Transformation Atlas, 2024). Namely, resource efficiency is an indicator that addresses how the government maximizes the use of available resources and constitutes of the points such as management of human, financial and organizational resources; the way how government coordinates resonance policies; and anti-corruption policy. In its turn, steering capacity measures how the ruling elite manages reforms and achieves its policy priorities. It consists of such elements as how the government pursues its strategic priorities, implementing its own policies as well as how flexible and adaptive the government is. The score range is from 1 to 10 where 1 is lowest and 10 is highest. The results for administrative capacity are reflected in Figure 8, Figure 15, Figure 23. For extractive capacity I will analyze several indicators considering the specifics of the chosen cases I introduced below. First of all, Hanson and Sigman (2021) suggest using total tax revenues as a proportion of GDP to gauge extractive capacity. Additionally, the fiscal stability indicator from the World Bank (Transformation Atlas, 2024) will be used to overview how the government facilitates spending to buffer fluctuations in economic activity and aids in crisis management as required (European Commission, 2017). Moreover, it has been pointed out that fiscal capacity, referring to the state's capability to generate revenue, is frequently regarded as a crucial aspect of state functionality (Levi, 1988). Thus, I will use the World Bank fiscal stability indicator to trace the main features of fiscal stability after targeted countries get sanctioned (BTI). Fiscal stability focuses on the question to what extent budgetary solutions support a consistent financial stability within the country with the range of score 1-10 with 1 being the lowest. Last but not least, since all the chosen countries have the features of the rentier state, it is crucial for one to understand both the amount of oil shares coming into the government (federal budget) and the value of government revenue after the sanctions imposition. This information for analysis is indicated in Figure 5, Figure 16, Figure 17, Figure 24.

When it comes to stabilization, I am going to define it through economic decline and development as percentage economic growth and the level of GDP (Andersen et al, 2014). Thus, as a last step I am going to have a look at the macroeconomic indicator to define how the ruling elite adapted to sanctions, if it happened. This indicator is reflected in Figure 29, 30 and 31.

There are several limitations defined for this research. First of all, when it comes to economic sanctions, as explained before, I will focus on sectoral oil and secondary sanctions. Secondly, some of the data for chosen indicators are not available for Venezuela. Among them are data related to tax revenue percentage of GDP, oil shares coming to the national budget and budget spent on defense forces. Such data is restricted and not updated in the World Bank since 2014, several years before sanctions were imposed on Maduro's government. Last but not least, since Russia was under sanctions in both 2014 and 2022, data related to state capacity in Russia in 2022 is extremely limited which does not allow one to make consistent and comprehensive analysis. Thus, I am going to analyze state capacity since the imposition of sanctions in 2014 and collect the data related to sanctions-proofing before 2022 which affected the results related to oil market fluctuation after 2022.

4. Analysis

4.1 Russia

4.1.1 Overview of the sanctions regime imposed to Russia between 2014 and 2018

2014 was the year which was stated as a source of sanctions-waiver against Russia as a response to the Crimea seizure in Ukraine and further aggression (Ashford, 2016). The Congressional Research Service points out that US reaction to unjustified aggression in 2014 can be mostly gathered into four Executive Orders (EOs) and two laws were enacted to impose sanctions as a response to Russia's invasion of Ukraine (Welt et al, 2020). Specifically, the Ukraine Freedom Support Act (2014) can be considered as a starting point of sectoral energy and financial sanctions. Besides, points related to the limitations related to financing the defense sector, the Act authorized the imposition of sectoral sanctions on the actors which maintain significant financial relations with Russian entities related to energy

e.g. Gazprom (Powell, 2014). In its turn, at the same time, in April 2014 the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act (SSIDES) was signed which declared that the President can force sanctions against ‘any person that the President determines has perpetrated, or is responsible for ordering, controlling, or otherwise directing, significant acts that are intended to undermine the peace, security, stability, sovereignty, or territorial integrity of Ukraine, including acts of economic extortion’ (SSIDES, 2014). Additionally, four EOs focused on governmental entities, individuals, and businesses involved in activities that threatened democracy, held significant roles in the economy, or were linked to the annexation of Crimea such as EOs 13660, 13661, 13662 issued in March 2014 and EO 13685 issued in December 2014 (Cristol & Katz, 2023). For instance, the most comprehensive EO 13662 (OFAC d, 2024) prohibited any interest in the United States or under U.S. jurisdiction from being accessed or controlled by any individual or entity designated by the Secretary of the Treasury based on their involvement in such sectors of Russian economy as financial services, energy, metals and mining, engineering, defense (Federal Register, 2022). As a result for the oil sector, ‘previously active companies such as Exxon and Shell withdrew from dealing with five of the largest Russian oil producers and pipeline operators: Gazprom, Gazprom Neft, LukOil, Surgutneftegas, and Rosneft’ (Roberts, 2014). When it comes to the sanctions targeting the specific oil sector one should focus on several turning points between 2014 and 2019. As per analysis of Brown (2020), oil-sector sanctions had different gradients involved within the period of its implementation; specifically, they have been covered by two Directives (Directive 2 and Directive 4) which are the extensions of EO 13662 and can be combined as prohibiting the access to debt finance and forbids U.S. entities from selling or transferring goods, services, and technology to Russian companies listed on the SSI (Sectoral Sanctions Identification List) if such support is intended for three specific types of Russian oil exploration and production projects: deepwater, Arctic offshore, and shale. As a result of the EO and two followed Directives the most influential Russian oil companies appeared to be targeted such as Rosneft, Lukoil, Surgutneftegaz, Gazpromneft, Novatek as per period of 2018 (Brown, 2020). Despite the effort of applying coercive economic measures, Russia oil companies on Directive 2's SSI were able to find alternative financing avenues by tapping into Russia's federal financial reserves via domestic borrowing (Coote, 2018). Thus, Russian oil companies managed to cope with the US sanctions orders by getting coverage from the borrowing financial resources within the country. The next turning point comes in with applying a secondary sanctions program. Specifically, The Countering America's Adversaries Through Sanctions

Act of 2017 (CAATSA) imposing sanctions requires the President to enforce sanctions on those who offer substantial goods, services, technology, information, or assistance that directly and significantly aid in the upkeep or enlargement of the development, modernization, or restoration of energy export pipelines (CAATSA). Basically, the purpose of this Act states that if the President finds that foreign individuals or entities have made substantial investments in certain Russian crude oil projects, the President must enforce sanctions against those foreign individuals or entities (Brown, 2020). Last but not least, the Countering Russian Influence in Europe and Eurasia Act of 2017 The Ukraine Freedom Support Act was altered to mandate that the President impose sanctions on individuals or entities identified as having made substantial investments in particular Russian crude oil initiatives (CRIEEA, 2017; Brown, 2020). Knowing all the implications related to the oil sector one would like to see how the Russian oil market fluctuates within the given years. Specifically, I want to see how much oil Russia managed to produce and how much profit it received from oil revenues since the mentioned above orders and acts have been directed specifically for several purposes. First of all, limit cooperation with foreign countries when it comes to Russian oil business establishment and turnover of investments. Secondly, the targeted sanctions aim was to decrease the amount of income the Russian economy can receive as a result of economic trade.

4.1.2 Fluctuation of the oil market

When it comes to analyzing the effect of sanctions on the oil market one can see that it was stabilized. For instance, as indicated in Figure 2 the value of the crude oil production shows that the volume did not change after sanctions imposed with a slight drop in 2017. However, a significant decrease came in 2020 as a result of Covid-19 because the demand for oil in Europe experienced a decline (Katz, 2023). In its turn, the export of crude oil has been steadily increasing after 2014 and reached its peak right before Covid-19 in 2018 with a drastic decrease in 2020 (Figure 3). However, when it comes to oil rents (% of GDP), as per Figure 4 one can see that the pattern aligned with sanctions imposition on the oil sector caused a decrease in both 2014 and 2017.

4.1.3 Sanctions-proofing tactics and BRICS (2014-2021)

In the preceding sections, I outlined the sanctions imposed and their effect on the oil market. In this paragraph, I will elaborate on the measures Russia implemented to shield its economy from economic coercion, with a particular emphasis on BRICS role in de-dollarization. Glenn (2023) emphasized several mechanisms Russia has used to prove itself from sanctions such as protectionism, de-dollarization and partnership creation. Below, I will briefly describe each of them.

Russia also embarked on a wider strategy of "Russification" within its economy, aiming to replace US-origin inputs, mitigate vulnerabilities in its supply chains to sanctions as well as the government's import substitution initiative entailed reallocating oil and gas revenues to other sectors, notably domestic manufacturing, and pledged increased dependence on indigenous resources (Glenn, 2023). Thus, one can see that oil revenues are extremely important for Russia not only as a part which constitutes GDP but also as a way to make its domestic economy independent from external economic coercion. Also, as a plan of economic 'Russification' the country introduced the internal payment system 'Mir' on December 15, 2015 which currently can be used in Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkey (Wenhong, 2022). An independent card financial product managed Russia to incorporate a young payment system which is an alternative to Visa and Mastercard and cannot be tracked by the US. When it comes to oil companies which have been targeted by sanctions since 2014, e.g. Rosneft, which was the leader of Russian oil production with a share of 43 percent (Øverland & Fjaertoft, 2017), it has been proved that the company managed to adjust to sanctions by several ways. Specifically, Brown (2020) provides several techniques of Rosneft adaptation to sanctions. First of all, a state-managed Russian oil corporation, in securing loans from the domestic bond market to handle debt responsibilities and support operational needs (Glenn, 2023). Secondly, Rosneft has utilized the sale of minority ownership stakes to Chinese and Indian firms as a strategy to finance its oil production endeavors (Kaczmarek et al, 2017). Thus, one can see that Rosneft evaded mentioned above Directive 2 by getting financial revenues for investments from domestic sources and diversifying the shares of the ownership and controls over the company.

The mechanism of de-dollarisation together with the BRICS involvement deserves a separate into the process of sanctions-proofing. Previously, I mentioned that both China and India, which are the biggest members of BRICS, already helped Russian company Rosneft to adjust

to sanctions. However, the list of such activities is not limited. For instance, signed in 2014, Moscow and Beijing entered a three-year currency swap agreement worth USD \$24.5 billion, facilitating the exchange of Chinese renminbi and Russian ruble to mitigate currency risks and bolster bilateral trade and investment through the utilization of their respective currencies, subsequently renewing the agreement in 2017 (Glenn, 2023). Overall, it is notable that the percentage of US dollar involvement in Russia-China bilateral trade settlements decreased from approximately 90 percent in 2015 to 46 percent in 2020, as reported by Simes (2020).

Additionally, with the exception of South Africa, all BRICS nations have established their own autonomous payment systems—Russia's MIR, China's UnionPay, India's RuPay, and Brazil's ELO—while in February 2019, during the BRICS Business Council 33 meeting, Russia proposed the development of a unified payment system to integrate the internal payment structures of BRICS nations, aiming to streamline financial transactions, simplify cross-border payments, and mitigate the influence of the US dollar on international trade, culminating in the signing of pertinent agreements on November 14, 2019 (Wenhong, 2022). Additionally when it comes to oil sector, China has effectively initiated the yuan oil futures contract, introducing a novel financial instrument aimed at reducing the dependence on the US dollar in global oil transactions (Liu & Papa, 2022). Last but not least, Russia's Finance Ministry introduced the plan to in June 2021 its intention to reduce the proportion of US dollar assets held in the country's National Wealth Fund from 35 percent to 0 percent, a fund primarily fed by Russia's oil revenues aimed at bolstering the national pension system, with the strategic goal of diversifying the fund's currency holdings to ensure that sanctions targeting the US dollar do not hinder domestic expenditures from the Fund (Glenn, 2023). Incidentally, this point will be extremely important in the following subchapter when I will analyze the extractive capacity of Russia after the sanctions have been imposed.

Finally, it is important to mention two ambitious projects BRICS has launched since its foundation in 2014 — Contingent Reserve Arrangement (CRA) and New Development Bank (NDB) which are the analogues of the IMF and the World Bank respectively (Liu&Papa, 2022). The CRA functions as a collaborative platform within BRICS to address their global economic under-representation, stemming from disparities in the IMF's voting structure, especially prior to the US Congress's endorsement of the IMF's 2010 reform package (Würdemann, 2018). Basically, CRA serves as a 'pillow of emergency' which secures members to get hard currency when they crucially need it. Out of the authorized capital of US\$100 billion for the NDB, the founding members have subscribed US\$50 billion equally,

consisting of US\$40 billion of callable capital and US\$10 billion of paid-in capital, payable in seven installments until 2022 (Suchodolski & Demeulemeester, 2018). According to the website, most of the NDB activities are related to such spheres as clean energy and energy efficiency, transport infrastructure, water and sanitation, environmental protection, social and digital infrastructure (New Development Bank, 2024). Additionally, The NDB's dedication to utilizing local currency finance, instead of solely depending on the US dollar, represents just one aspect of the broader de-dollarization efforts within BRICS. At the core of the NDB's value proposition lies its dedication to offering financing in domestic currencies, constituting 20% of the portfolio by the end of 2020 (New Development Bank, 2020). As one can see, such ambitious projects as CRA and NDB under BRICS supervision can have several purposes. First of all, these young organizations are a growing substitute of the other more recognized global governance institutions which can be more attractive to developed countries when it comes to gaining a loan. Secondly, BRICS has created an umbrella of institutions to make itself independent and more representative as a rising power on a global stage. The collaborative initiatives within BRICS to construct an alternative financial system independent of the US dollar possess the capability to shield participants entirely from exchange and sanction vulnerabilities associated with the dollar's predominance and US hegemony, potentially appealing to allies of the United States aiming for increased monetary independence and continued trade with nations facing US sanctions (Liu & Papa, 2022). All of the signs of BRICS activities prove that BRICS is a platform of the global market de-dollarization and cooperation rooted on the local currencies. Another point of BRICS effect on the Russian economy is diversification of exports by country. For instance, according to information China has been one of top buyers of Russian oil for the last 10 years (Statista, 2023b). Additionally, when it comes to the export destination of the European market, one can see that Netherlands and Germany are holding leading positions of oil import in 2021. Overall, Liu and Papa (2022) conclude that Russia has shown greater assertiveness in safeguarding its economy against US sanctions and has emerged as the most fervent supporter of de-dollarization within the BRICS framework.

Another mechanism related to sanctions-proofing tactics is related to partnership creation. The government endeavored to shift its focus towards alternative markets for its products, secure fresh supply channels for domestic industries, and cultivate political backing and avenues for asserting power. For instance, the declaration signed by Russia and 43 African governments during the Summit highlights the need to foster stronger political ties, broaden

trade horizons, and expand Russian export markets, yet the actual benefits from this collaboration seem to be unfolding gradually, with only approximately 3.8 percent of Russian exports in 2020 directed towards African states, chiefly Egypt (Glenn, 2023). Besides searching for the opportunities to discover cooperation with Africa, Russia has strengthened its partnership with China. Amid the COVID-19 pandemic, Russia seized the opportunity to expand its market share in China, surpassing imports from Saudi Arabia, Iran, and Venezuela, a pivotal development that facilitated Russia's gradual shift away from European markets in the wake of the 2022 sanctions (Katz, 2023). Overall, in 2021, Russia shipped the highest quantity of crude oil to China, amounting to 1.4 million barrels per day followed by the Netherlands and Germany (Statista, 2023b).

4.1.4 State capacity overview between 2013 and 2022

As I mentioned earlier, I am going to focus on three dimensions of state capacity which can serve as an interconnective nexus of relevant clusters that support each other as a whole — extractive, coercive, administrative. Before I start with dimensions, one should take a look at the way how the Russian state and political regime has been functioning over the last two decades. White (2017) claims that the Russian regime's stability has been established through a neo-patrimonial system, where rents are distributed among political and economic elites; during Putin's initial two terms (2000-2008), rising oil prices facilitated the provision of economic benefits, garnering public support, while in his third term (2012-present), support has been sustained through a pronounced nationalistic appeal amidst declining oil prices. Hence, below I will emphasize two important features of such characterization of the political regime — neopatrimonialism and energy (oil and gas) based incoming revenues. Skigin (2020) believes that the unique characteristic of neopatrimonialism is the simultaneous presence of both patrimonial and legal-rational bureaucratic forms of domination which is combined with the personal rule of the country, rent extraction and conditional right to own a property. Thus, one can see that oil rents are an important source of wealth not only for the ruling elite but also for citizens of the country as oil rents can play a significant role in the funding of the federal budget of the country which matches with RST I introduced earlier. Now I will present the results of how sanctions affected extractive state capacity based on the explanation above. Since Russia is a country whose stability depends on the funds received

from the oil revenues I will start to analyze extractive capacity with oil shares coming to the citizens through the fiscal system. White (2018) claims garnering backing for the regime from diverse sectors of the populace such as pensioners, state employees (including healthcare workers, educators, and civil servants), and security personnel, all of whom have witnessed boosts in salaries, pensions, and perks during the Putin administration due to gas and oil rent redistribution. As one can see from Figure 5, after issuing EOs in 2014 to the biggest oil and gas companies such as Rosneft and Gazprom, the volume of oil and gas revenue to the federal budget in Russia has dropped from 7.43 trillion Russian roubles in 2014 to 5.86 and 4.84 in 2015 and 2016 respectively. However, after the imposition of the secondary sanctions in 2017-2018 the decrease did not happen. Additionally, the significant drop in 2020 to 5.24 trillion Russian rubles is associated with Covid-19 (Yermakov, 2024). As I could not find the separate data related to the oil revenues as a share of the federal budget, I illustrated that historically oil revenues are significantly predominant for the Russian economy than gas revenue which is indicated in Figure 28. Furthermore, as explained in the previous chapters an extractive capacity can be measured through fiscal capacity of the country as it determines the ability of the state to gather revenues from taxes. In retrospective within the given timeframe I can see the following: in 2012 and 2014, before sanctions imposition related to aggression towards Ukraine, fiscal stability of Russia have been performing on a high level — 9 out of 10 points and has been characterized as a successful withdrawal of funds from high oil prices (BTI, 2012). Then, in 2016 the value of fiscal stability significantly dropped by three positions — from 9 to 6 for the period of 2016 (BTI, 2016). Such decline can be explained by the 2014–15 Financial Crisis in Russia as a result of Western sanctions and a sharp fall in oil prices and a subsequent low ruble value exchange (Viktorov & Abramov, 2020). In the following, between 2018 and 2022 Russia managed to stabilize fiscal capacity up to 7 points (BTI). Last but not least, the indicator of tax revenue as a percentage of GDP shows that throughout the period 2014-2016 Russian government was getting up to 18 percent of taxes to GDP but later this value has been stable as 20 percent throughout the following years as per Figure 17.

When it comes to coercive capacity one can be perplexed when it comes to the mechanism of the ruling elite change. Hellman (1998) stated that in most of post-communist countries resistance does not stem from the general populace, but rather from the emerging political and economic elites who benefit from the advantages of incomplete economic reform and lack motivation to advance it further. An immense quantity of resources is directed towards bolstering its expansive military, as demonstrated by its ability to intervene militarily in

neighboring sovereign states. Under Putin's leadership, there has been a discernible pattern of directing substantial resources towards maintaining its vast military, evident in its capacity to intervene militarily in neighboring sovereign states, alongside a notable consolidation of power and resources within the siloviki, primarily comprising individuals from the "power ministries," such as the armed and security forces, the Federal Security Service (FSB), the Interior Ministry, and the police, resulting in a heightened concentration of influence and resources among them. (White, 2018). In fact, as per data issued since 2018, Russian expenditures on national security have been significantly increasing every year by reaching a peak in 2023 (Korsunskaya, 2022). Thus, one can see that there is a rising trend of the money from the federal budget spent on the securing of the ruling elite rather than other spheres of government concern such as education or healthcare. Besides that, it is important to mention the fact that coercive state capacity also serves a reserve for military interventions. During the tenures of the Putin presidencies, coercion has been employed to bolster the regime's legitimacy via assertive military measures in regions it views as its 'near abroad, while also quelling domestic dissent (White, 2018). Thus, one can see that indeed after both the imposition of sanctions and military intervention to Ukraine the domestic coercive capacity indicator has been increasing. At the same time military expenditure has been decreasing from 88.35 billion USD in 2014 to the range of 60-70 billion USD between 2015 and 2021 (Figure 6) as well as the percentage has been fluctuating between 3 to 5 percent within the given period of time (World Bank, 2024). Henceforth, one can make a conclusion that Russia put strong resources and effort to secure its political regime through getting a significant amount of resources to security forces after 2014. Additionally, Figure 7 identifies that after 2014, the monopoly on the use of force has significantly increased from 7 to 9 points.

Administrative capacity of Russia has several distinctive features. As White (2018) explains, During the 'bandit capitalism' era of the early 1990s, the Russian state had minimal regulatory control over the economy, leading to private sector dominance by organized crime syndicates, private security firms, and off-duty state law enforcement personnel, a situation highlighted as a significant threat to the Russian state by both Presidents Putin and Medvedev due to the widespread corruption. According to CPI rank, Russia is stable within the range of the countries whose rank is between 120-140th among all countries in the world which means that corruption is a significant element of the domestic political system. However, if one would look closer, after a drop from 127th to 136th position in 2014, Russia gained the best record of the Index within the period in 2015 — 119th (Figure 8). More comprehensive indicators such as resource efficiency and steering capability show the following results.

Resource efficiency since 2014 has slightly dropped from 4.7 to 4 which is stabilized till 2022 (BTI). Additionally, it has been noted that for the first time since 2014, the government managed to have positive relations between incoming government revenues and its expenditures within the period of 2019 and 2020. Policy coordination has been characterized as not flexible throughout the years due to a highly hierarchical regime which is fully under the President's control. Steering capacity has been granted the value 4 out of 10 as well where policy prioritization such as Russia plans to be in top 5 economics in the world was not even closely implemented into the reality. Additionally, it has been stated that a healthy economic growth cannot happen due to ongoing aggression against Ukraine (BTI). Implementation of important policies directed to wealthfare, education and medicine are implemented only partially due to high levels of corruption and lack of resources. Last but not least, policy learning has been identified as extremely restricted due to the nature of the political regime. Thus, from the following data I conclude that administrative capacity in Russia did not fluctuate after the imposition of sanctions.

4.1.5 Sanctions in 2022

Since the full-scale invasion of Ukraine began on February 24th, 2022, Russia has faced unprecedented multilateral sanctions, with the US, UK, EU, and countries such as Australia, Canada, and Japan collectively imposing over 16,500 sanctions related to banned exports of technologies, imports of gold and diamonds, and the sanctioning of entities, individuals, financial, and sectoral activities (BBC, 2024). As one can see, the sanctions packages have been issued one by one bringing up new restrictions for the Russian economy from different geopolitical sides. Despite the fact that Russia has experienced a variety of sanctions and limitations on the trading, I will focus only on the oil sector of the economy since this is the primary interest of this research. Additionally, given that previous data shows Russia has been exporting a significant share of its oil to Europe, it is important to highlight the subsequent geopolitical shift in the EU's energy policy towards Russia which I will highlight below.

When it comes to sanctions on the Russian oil sector in 2022, Babina and others (2023) suggest that there are two key sanctions measures – the G7 price cap on Russian seaborne crude oil, the EU embargo – both of which took effect on December 5, 2022. The 27 EU

member states, the G7 members (the US, Canada, France, Germany, Italy, Japan, and the UK), and Australia—collectively known as the Price Cap Coalition—adopted a cap of \$60 per barrel for crude oil of Russian origin and, in February 2023, set caps on refined oil products (US Department of the Treasury, 2023). It means that besides financial and sectoral sanctions the countries cooperated on bringing up the least amount of money to the Russian economy from the oil revenues based on the price decrease. The next point is related to the EU embargo which is worth investigating since according to the data I introduced in the section above, Europe was one of the main importers of Russian oil in 2021 which is confirmed by the International Energy Agency as well (IEA, 2024). Currently, the import of crude oil from Russia to the EU is extremely limited which I am going to show below.

4.1.6 Oil market fluctuation after sanctions in 2022 and diversification of oil export

Despite the fact that Russia started the full scale invasion against Ukraine in the beginning of 2022, it did not affect the values of oil market fluctuation to a negative side. For instance, in 2022 the level of crude oil production rose from 9 619. 359 to 9 756. 049 Barrel per Day as per Figure 2. Same increase dynamic is observed with crude oil exports in 2022 as per Figure 3. When it comes to diversification of oil export, one can make a more insightful conclusion. From Figure 9, it has been observed that the EU imported 1296 kb/D in April 2022 of seaborne crude oil by eventually decreasing the value of export to 0 in 2024. At the same time, the value of seaborne crude oil export is gradually increasing for India from 953 kb/D in April 2022 to 1568 kb/D in January 2024. The same trend is observed for China — 937 kb/D in April 2022 to 1238 kb/D in January 2024. When it comes to Russian oil products, the biggest importer has been the EU till January 2023, while currently the Figure 10 indicates that it is Turkey. Overall, one can see from those two Figures that Russia managed to substitute the volume of export by replacing the EU with big BRICS countries such as China, India and compensate for the level of oil and gas revenues coming to the national budget on the stable level in 2023 as per Figure 5.

4.1.7 Stabilization

In this section, I will summarize the factors that led to the stabilization of Russia's state capacity from the imposition of sanctions in 2014 to 2022. First of all, as one can notice Russian oil entities have been targeted with sanctions which are rather related to oil projects infrastructure development rather than direct export prohibitions to one of the most important trade partners of Russia — the EU. Additionally, such restrictions have been related specifically to the company which were under SSI list and fall under both Directive 2 and Directive 4 of the EO 13662. It has been expected that the such sanctions will not significantly affect the production of the crude oil and let Russia quickly stabilize the oil export market as well. However, the imposed sanctions did affect the oil share percentage of GDP which I refer to the fiscal crises in 2015-2016 addressed by the World Bank earlier. What is much more important, is that the part related to sanctions-proofing partially explains how Russia managed to prepare its domestic economy for unprecedented sanctions issued in 2022. First of all, Russia managed to spread geopolitical connections with China and India with their support in sanctions-proofing Rosneft as well by changing the balance of ownership and controls and diversifying exports. Secondly, starting from 2014 BRICS has been vocal regarding using local currencies instead of the US dollar for global trading which significantly helped Russia to maintain the trade relations with India, China and Turkey after 2022. Additionally, it makes the US dollar less valuable in oil trading as well. However, when it comes to state capacity, it is important to point out that Russia went through some negative shifts after 2014 which are specifically related to fiscal stability and devaluation of the ruble. When it comes to coercive capacity, one can see a significant growth in both national defense spending and the value of the monopoly on the use of force. Thus, the coercive capacity has increased after sanctions and as a result of the war with Ukraine. Administrative capacity has observed a decrease in the corruption sphere after the imposition of sanctions in 2014. When it comes to extractive capacity, both oil shares in the national budget and tax revenue as a part of GDP figures show a decline aligned with sanctions imposition with further stabilization. Namely, as per Figure 5 the volume of the national budget remained almost the same after the full-scale invasion of Ukraine. Additionally, the GDP of Russia already shows growth after a slight drop in 2022 within the range of less than 2 percent (Figure 29). Overall, Russia's economy is considered to be resilient to sanctions in the short to long term due to measures implemented since 2014.

4.2. Iran

4.2.1 Iran and the US during the Joint Comprehensive Plan of Action

Relations between the US and Iran have been tense for the last 40 years. Since the 1979 Islamic Revolution, US-Iran relations have been marked by structural conflict, notably evidenced through the US hostage crisis, freezing of Iranian assets, and divergent perspectives on Middle Eastern security, with the Shah's downfall representing a significant blow to US influence in the region, followed by the Tehran embassy hostage-taking and asset freezing as immediate retaliatory actions (Hussain, 2015). The first sanctions imposed by the US against Iran are documented within EO 12170 where the President Jimmy Carter which authorized to restrict all assets and holdings belonging to the Government of Iran, its affiliated organizations, and the Central Bank of Iran if they fall under the jurisdiction of the United States or are held by individuals under U.S. jurisdiction (OFR, 2023). As one can see it was the first time when the US imposed primary unilateral sanctions against the US. The 1980–88 Iran-Iraq War took another pivot with Iranian relations. Specifically, the Iran-Iraq Arms Nonproliferation Act of 1992 which committed the United States to oppose any transfer of goods or technology to Iran if there is a belief that they are related to chemical, biological, nuclear, or advanced conventional weapons; and the Iran Sanctions Act issued in 1996 which aims to punish entities investing in Iran's oil sector (Sen, 2018). However, the US and Iran affairs are not that crystal clear and transparent during the Iran-Iraq War. Particularly, the Iran–contra scandal witnessed that the gains from the clandestine U.S. arms sales to Iran were covertly redirected to the Contras in Nicaragua (Siekmeier, 2015). Thus, one can see that Congress did not have a straight line of position when it comes to the Iran-Iraq war and arms embargo imposed on Iran before due to the variety of the US political interest. Additionally, the crucial changes for Iran happened since the 2010s. Specifically, Marossi and Bassett (2015) claim that the combination of financial sanctions, notably the oil embargo beginning in 2011, has been argued to have notably affected Iran's economy, with exports declining by 39% in 2012 compared to 2011; furthermore, after the EU introduced an oil embargo and reinforced sanctions in October 2012 targeting Iran's banking, oil, petrochemical, and shipping sectors, Iran's oil revenue plummeted to one-third of the previous year's earnings. Such a turn was a first serious try from the US to make sanctions

against Iran multilateral based on blocking their most profitable asset — oil.

After providing a small recap of the main events that happened between Iran and the US, I would like to provide an overview of the prerequisites to JCPOA (The Joint Comprehensive Plan of Action). To start with, The Iranian nuclear program traces back to the early 1950s under the US-sponsored 'Atom for Peace Program', as Iran, foreseeing its oil reserves' inability to sustain its growing population and economic development, embarked on nuclear energy pursuits, influenced further by a 1973 forecast by the US-based Stanford Research Institute recommending the production of 20,000 MW of nuclear electricity by 1990; consequently, the Shah planned the construction of 20 nuclear power reactors and sought to allay concerns by joining the Nuclear Non-Proliferation Treaty (NPT) in 1968, ratified in 1970 (Hussain, 2015). As one can see, the idea of developing nuclear energy in Iran had been strongly supported and sponsored by the US when the regime which was plausible to them was established under the rule of Shah Pahlavi. Islamic revolution altogether with the Iran-Iraq war completely changed the geopolitical strategy of Iran during the following years. Particularly, Tabatabai and Samuel (2017) illustrate how the war influenced Iran's perception of international law and institutions, leading to skepticism about their effectiveness in ensuring security. Iran's skepticism toward nuclear policies, including doubting the assurances of the Nuclear Nonproliferation Treaty and related resolutions, leads Tehran to adopt a realist approach to security, prioritizing material capabilities in a perceived hostile world. During the period from 2000 to 2005, Iran extensively pursued nuclear weapon development within the guise of a civilian nuclear program, persisting with uranium enrichment despite negotiations with European nations; although an American National Intelligence Estimate in 2007 suggested Iran halted its nuclear weapons program in 2003, Iran did not acknowledge this until later, demonstrating a strategy akin to regional proliferators like Iraq and North Korea (Khan, 2010). Thus, all of the previous activities show that Iran shifted to the realism paradigm of international relations and put a significant effort into making its own nuclear arsenal broader for multiple purposes including weapon potential. Consequently, the US wanted to monitor the nuclear pursuits closely considering their impactful involvement into the region for the second half of XX century. This indicates that the US made concerted efforts to target Iran extensively, as evidenced by the multilateral sanctions implemented in 2012, as I outlined earlier. The first attempt to set up an international cooperation to observe Iran nuclear activities was the JPOA (Joint Plan of Action) which served as halting progress on Iran's nuclear program and rolling it back in significant areas between P5+1 partners and Iran in exchange for sanctions relief (US

Department of State, 2014). Katzman and Kerr (2016) claimed that JCPOA signed on July 14, 2015, followed by JPOA, stated that Iran's nuclear program would be subject to the same treatment as any non-nuclear weapon state party to the NPT, with comprehensive sanctions relief contingent upon agreements regarding the limitations on Iran's enrichment activities. Consequently, on April 2, 2015, Iran and the P5+1 outlined a framework for a historic nuclear deal, stipulating that if Iran adheres to its commitments, US and EU sanctions will be suspended, while US sanctions related to security and human rights abuses will persist, with the agreement capping Iranian nuclear enrichment for 15 years, subjecting Iranian nuclear facilities to IAEA inspections, and warning of sanctions reinstatement in case of agreement breaches (Hussain, 2015). To provide further specificity, the Implementation Day on January 16 was an important day in the contemporary history since it relieved the secondary sanctions of the US on the entities involved into cooperation with Iranian energy sector (oil and gasoline) and EU sanctions which resulted in exporting crude oil without restrictions and accessing limited foreign exchange reserves (Katzman & Kerr, 2016). Unfortunately, the promising deal fell off with further reimposition of sanctions which I am discussing in the next section.

4.2.2 Sanctions regime imposed in 2018

President Trump's announced on May 8, 2018, to terminate U.S. involvement in the Joint Comprehensive Plan of Action ("JCPOA") and reinstate sanctions against Iran, previously suspended under the 2015 nuclear agreement, marked a unilateral withdrawal by the United States from the deal, thereby breaching its obligations under the agreement (Teli, 2019). As a result, financial sanctions under Section 1245 of the FY2012 NDAA, as well as sanctions on the purchase of petroleum, petroleum products, and petrochemicals, were reintroduced (Brown, 2020). OFAC summarizes that on November 4, 2018 concluded the 180-day wind-down period to discontinue U.S. involvement in the Joint Comprehensive Plan of Action (JCPOA) and these sanctions represent the most stringent measures ever imposed by the United States on Iran, focusing on vital sectors of Iran's economy including energy, shipping, shipbuilding, and finance (OFAC (d), 2018). Additionally to that, in May 2019, the Trump administration enforced a complete prohibition on oil exports, compounded by the COVID-19 pandemic, resulting in Iran's exports dropping which I will review in more details

in the next section (Ghasseminejad & Jahan-Parvar,2020). Although the US implemented unilateral sanctions, the reimplementation was still intended to fall under the umbrella of secondary sanctions, impacting numerous EU companies' ability to engage in business with Iranian counterparts because of the risk of not being engaged with the US market (Meagher, 2020). Thus, despite the fact that other regulatory bodies have removed their sanctions after JCPOA Implementation day, the US secondary sanctions can still impact the Iranian oil market based on the risk for third parties to lose access to the US trading market.

4.2.3 Fluctuation of the oil market

Given that various sanctions packages have targeted the oil sector, I will examine the indicators described in the operationalization section to assess how these sanctions have impacted the oil market. As illustrated, oil production indicators reveal a rapid increase from 2016 to 2018, attributable to the JCPOA and significant sanctions relief (Figure 11). However, there is a notable decline in 2019 following the reimposition of US secondary sanctions, with the lowest production levels observed in 2020, likely due to the Covid-19 pandemic. After 2021, oil production shows a gradual rise, continuing to the present day in 2024. When it comes to oil exports data, I observe exactly the same trend which has been described related to oil production. A significant spike between 2016 and 2018 with a minimum value in 2020 and gradual rise since 2021 (Figure 12). Oil rents % of GDP shows that the rise of oil revenues happened in 2018 by concluding 27 percent of Iranian GDP (Figure 13). To summarize, there is a clear pattern which indicates that both JCPOA and 2018 US sanctions reimposition caused oil market fluctuation of Iran based on the years when one or another geopolitical solution got involved.

4.2.4 Sanctions-proofing tactics

When it comes to Iran, one should keep in mind that unlike Russia and Venezuela, Iran has been sanctioned by UNSC and comprehensively at the same time for over a decade since

2006. Additionally, Iran has been targeted with secondary sanctions by the US since 2018 as mentioned earlier. Thus, it puts Iran into a vulnerable position when it comes to finding a significant market for oil export. However, Iran found its way to trade with the rest of the world despite imposed sanctions. In the following years after the US sanctions had been implemented into place, China remained Iran's biggest trade client and it continued importing a small but significant quantity of Iranian oil through third countries and ship-to-ship (STS) transfers to evade sanctions over the following two years, including the fact that Iran has continued to sell a substantial amount of oil to China via intermediary countries like Malaysia (Scita, 2022). Additionally, there is a persistent growth of the economic cooperation between Iran and Southeast Asian countries, particularly Indonesia, Malaysia, and Thailand, in response to U.S. economic sanctions, which have forced Iran to make payments to Indonesia through third-party banks, typically in Turkey and Singapore, due to the blockade of the ASEAN market (Kibtiah et al, 2021). The information related to strong cooperation between Iran and ASEAN can be confirmed with data as well. For instance, Figure 18 indicates that since 2018 the destination of crude oil export has significantly climbed up from almost 0 to approximately 500 Barrels/Day. Besides that, Signed in Tehran in March 2021 during former President Hassan Rouhani's tenure, the "strategic accord" entails economic, military, and security cooperation between Iran and China, both under varying levels of U.S. sanctions, with China purchasing discounted Iranian oil over the past three years despite the sanctions, though exact details remain undisclosed (Motamedi, 2022). Figure 18 also indicates that China's oil imports from Iran have increased since the signing of the cooperation agreement.

4.2.5 State capacity of Iran (2012 - 2020)

Despite the fact that JCPOA clearly left a significant impact on oil industry production and profits for Iran between 2016 and 2018, the state capacity analysis can bring unexpected results and I explain below why. As Borszik (2016) stated, for the last 40 years Iran is governed by a post revolutionary regime, which emerged from the 1978/1979 revolution and has developed into a nondemocratic hybrid system comprising the supreme leader, the administration led by the president, key state entities involved in political decision-making, and a spectrum of Islamist factions capable of participating in government. Thus, as one can

see there are two central actors within the Iranian domestic political system — the Supreme Leader and the President which is conditioned by the theological origins of the political regime since the Islamic Revolution. However, during the Presidency of Mahmoud Ahmadinejad in 2005-2013 Iran has gone through one of toughest experiences in terms of both multilateral and comprehensive sanctions from the US, EU and UNSC which made the political economic situation more difficult (Borszik, 2016). Such economic pressure including the following electoral fraud boosted the conditions for contention politics and social grievances among the population which resulted in the mass Green Movement in 2009 which was oppressed by Mahmoud Ahmadinejad (Katzman, 2018). As a result of the social and economic complications caused by comprehensive sanctions issued since 2006, the presidency changes and Hassan Rouhani, who aimed to improve Iran's relations with the West, including the United States, won the presidential elections in 2013 and 2017, comes to power, while reformist and moderate candidates overwhelmingly won concurrent municipal council elections in all major cities (Katzman, 2019). Rouhani during the first years of his presidency managed to normalize Iran-US and signed JCPOA which resulted in a significant relief for the Iranian economy and restoration for the oil market (Rafique, 2021). One might expect such foreign policy steps to significantly improve the political and social order within the country; however, while the JCPOA yielded visible benefits for the domestic economy, these benefits were not felt by the general population. Additionally, Rouhani's December 2017 budget proposal, which included cutbacks and higher fuel prices alongside increased funding for bonyâds, sparked public anger, as the economic benefits from the JCPOA largely favored the elite, particularly state and semi-state entities, including the IRGC (Islamic Revolutionary Guard Corps) and the supreme leader's economic empires which resulted in mass national protests, also known as Dey Protests happened in 2017-2018 (Fathollah-Nejad, 2020). As Fathollah-Nejad (2020) later concluded the Islamic Republic's power structure integrates state, business, and military relations into a system characterized by a monopolistic-capitalist, religious-commercial framework, comprising the economic empires of the IRGC, bonyâds controlled by both regime conservatives and reformists, and Supreme Leader Khamenei. Hence, the well-being of the population has suffered not only due to imposed sanctions but also because of poor state management, inequitable resource distribution, and rampant corruption among the ruling elite. Even though Iran managed to increase the shares of oil coming to the domestic economy it did not reflect on the demands of the protestors. Below, I will analyze three different dimensions of state capacity to see how they changed based on sanctions relief, sanctions reimposition and national protests.

When it comes to coercive capacity, one can see that the BTI Monopoly of the force indicates that Iran lost the position from 9 in 2014 to 7 in 2015 and continued to be the same way (Figure 14). Kirkham (2022) explains that the development of Iran's social welfare compact has not primarily been a method of top-down state control but rather the outcome of intense factional rivalries and internal pressures from various population groups. In its turn, the military expenditure has changed during the period the JCPOA has been in place — from 10.59 billion USD in 2015 to around 14 billion USD in 2017 which coincided with mass Dey protests as well (Figure 6). In the following years the expenditure has been decreasing since the US reimposed secondary sanctions on Iran. On the other hand, military expenditure (% of GDP), from 2013 to 2022 has been insignificantly fluctuating between 2 and 3 percent (World Bank, 2024). Additionally, according to IMF calculations, most of the defense budget has been spent on IRGC (34 %), social security (27 %) and LEF (19%) (Rome, 2020). The research based on data from IISS and SIPRI shows that Iran spent the least amount of money on the defense budget during the JCPOA (between 10 to 15 billion USD) between 2015 and 2017 and extensively raised the amount by spending approximately 20 billion USD since 2018 (The Iran Primer, 2020).

As noticed earlier, administrative capacity is closely related to the way how transparent redistribution of resources is. The incident of the Dey protests proved that after sanctions relief the population still experienced inflation and cut off the subsidiaries from the national budget. Thus, it is logical to see that according to CPI the position of Iran has dropped from 130 to 150 in 2021 with a steady decrease trend within the given years (Figure 15). More extensive indicators, such as resource efficiency and steering capability, yield the following results. For instance, steering capability has been low during the last 10 years with the value between 2.3 and 3.7 points with a peak value in 2018 (BTI). The World Bank explains such changes by the fact that Rouhani presidency plan was promising and his first term (2013-2017) gained some economic improvements, including, 12.5 percent of economic growth; however, the second term has been remembered by the fail of implementation of all promised policies, high level of corruption within administrative sector, and US withdrawal from the JCPOA (BTI). Resource efficiency has been marked as 3.3 in 2016 with decreasing to 2 points in 2020 after the withdrawal from JCPOA with further comments which identified the new reformist parliament that is still limited by the IRGC. Other than that the politics has always been identified by a strong corruption, nepotism and failure to keep the educated population within the country. The extractive capacity can be summarized with the following results. The value of oil shares in the Iranian budget has been stable around 20 percent

between 2018 and 2022 with a significant drop in 2020 with the number of less than 10 percent in 2020 which can be related to Covid (USIP, 2021). Additionally, the monetary and fiscal stability indicator has been fluctuating between 3.5 points in 2016, peaked with the value of 4 in 2018 and after that significantly declined to 2.5 and 1.5 in 2020 and 2024 that is explained by the US withdrawal from JCPOA which resulted in Iranian rial devaluation (BTI). Last but not least, the tax revenue as a % of GDP illustrated in figure 16 shows that the share of tax revenue after the US withdrawal from JCPOA has dropped from 7 % in 2017 to 5 % in 2020.

4.2.6 Stabilization

Since Iran is comprehensively sanctioned, it is expected that JCPOA and further the US withdrawal from the deal immediately affected the changes within the oil market with steady rise between 2016 and 2018 and the same decline afterwards when it comes to both crude oil production and crude oil export volume. The PT model related to Iran was not fully applicable to this case since the government started to raise coercive capacity after the implementation of JCPOA which also can be related to the national Dey protests since the ruling elite did not have the level of life for average citizens as was expected. The monopoly on the use of force index also indicated a drop after 2016 which is currently stabilized. When it comes to administrative capacity, all of the indicators have been improved within JCPOA with the following decline after 2018 related to the position of the country within CPI as well as resource efficiency and steering capacity. When it comes to extractive capacity it shows the same trend as administrative capacity by indicating a strong decline after 2018. Overall, Iran is trying to fix the economic situation and raise oil revenues from gaining a new partnership with Indonesia, Malaysia and Thailand all together with China. Overall, GDP growth indicator shows that Iran managed to cope with sanctions by raising its economy up to 6 percent after a significant decline in the value -2 percent in 2019 (Figure 30) . As per Figure 25, the government revenue has been steadily increasing since 2014.

4.3. Venezuela

4.3.1 Sanctions regime imposed between on Venezuela between 2017-2023

Historically, the US has maintained close relations with Venezuela, a significant oil supplier, but tensions escalated during the leftist populist administration of President Hugo Chávez (1999-2013) and his successor Nicolás Maduro, with U.S. policymakers and Members of Congress expressing long-standing concerns about Venezuela's human rights record, democratic deterioration, and lack of cooperation on anti-drug and counterterrorism efforts, particularly its assistance to Colombia as well as connections to Cuba and Iran (Sullivan, 2014). Thus, the US concerns regarding the domestic and foreign affairs of Venezuela have been in place since Hugo Chávez term. As a result of suspicious behavior related to support of drug trafficking and terrorism, the US sanctions Venezuela for the first time in 2005, with targeted sanctions (Seelke, 2024). Besides that, the US has levied sanctions on three Venezuelan firms for their support of Iran, as well as on various Venezuelan individuals for their backing of Hezbollah (Sullivan, 2014). However, the serious turn in the US sanctions policy towards Iran happened in August 2017 when US sanctions prohibited the Venezuelan government from accessing U.S. financial markets, impeded the economy's recovery from a severe recession, exacerbating the existing hardships faced by the population and leaving both the economy and its people more vulnerable to subsequent sanctions triggered by the economic crisis (Weisbrot & Sachs, 2019). These sanctions can potentially have a crucial effect since before sanctions imposition US has been the main export-partner for Venezuela (Richter, 2019). In nutshell, E.O. 13808 implemented by Trump 'prohibits engaging in transactions related to, providing financing for, or otherwise dealing in debt issued on or after August 25, 2017, with a maturity of longer than 90 days and issued by, on behalf of, or for the benefit of PdVSA, its property, or its interests in property' (OFAC (e), 2023)). It means that despite the fact that the US government used targeted sanctions against Iran, they were related to PdVSA which is considered a central element for both the Venezuelan government and national economy. As Demarais (2022) concluded PdVSA is a state-owned company ,

which accounted for 60 percent of fiscal income and almost all export revenues, was also the regime's sole supplier of hard currency, with oil sales being the only profit-generating activity in U.S. dollars. Additionally to issued matters in 2017, Treasury expanded the E.O. to oil sectoral sanctions by adding PdVSA to the US sanctions list and restricted transactions between the company and U.S. individuals or entities (Seelke, 2024). Moreover, OFAC created collateral secondary sanctions in January 2019 which indicate that non-U.S. entities that transact with PdVSA with any US Nexus can be subject to sanctions. As one can observe, the sanctions applied to Venezuela have been drastic under the Trump administration as they targeted the only meaningful sector of the economy directly linked to the Maduro government. In the next section I will analyze the consequences of the imposed sanctions regime by the US.

4.3.2 Oil market fluctuation

The results of the oil market for Venezuela are the following. Figure 20 shows that oil production has been steadily decreasing from 2016 till 2021. It aligned with the restriction of the financial debts imposed on PdVSA and announcement of the state-owned company to be within the sanctions list. Overall, the volume of crude oil production has dropped from approximately 2.500 Barrel/Day to less than 500 Barrel/Day. To conclude, the volume of crude oil production has decreased by five times according to Figure 20 with a decreasing trend starting from 2017. The same trend is applicable to the oil export volume. For ten years, the peak of the value has been observed in 2015 (1 974 Barrel/Day) to the minimum value of 438 Barrel/Day in 2022 (Figure 21). The World Bank does not indicate the recent data of the oil rents as a share of GDP .

4.3.3 Sanctions-proofing tactics

As one can see, the sanctions affect Venezuela's oil market crucially and graphs indicate a clear pattern of US influence on the domestic economy. Thus, one can assume that the Maduro government did not prepare themselves for the damage coming from the coercive economic tool. However, some connections and tactics to sell oil have been identified since

2017.

For instance, the Russian company Rosneft, serving as the primary intermediary for Venezuela's crude oil, facilitated transactions for buyers hesitant to directly engage with the country due to fear of violating US sanctions, with China and India utilizing this route for importing oil (Voices, 2020). Overall, it has been concluded that since 2019, Rosneft has emerged as a major exporter of Venezuelan oil, with its market share steadily increasing, having purchased 66% of Venezuelan crude in August 2016 and subsequently resold it to buyers in China and India, effectively doubling pre-sanction sales levels (Katz, 2023b). Besides that, there has been evidence that in order to evade the trace of the US dollar, the Venezuelan government agreed to sell PDVSA in exchange for food which is basically barter (Cohen & Parraga, 2021). Additionally to that, Figure 21 which indicates OPEC data regarding the direction of crude oil export by destination shows that while all of the importers are declining their trade is declining, the region with the mark 'other asia' is gradually climbing up. According to the official website of PDVSA, on January 18th, 2024 Pedro Rafael Tellechea, the People's Minister of Petroleum and President of PDVSA, welcomed a visit from Arifin Tasrif, the Minister of Energy and Mineral Resources of the Republic of Indonesia (PDVSA, 2024).

4.3.4 State capacity of Venezuela

Before I start with observing state capacity during the sanctions imposed starting from 2017, it is important to give a short overview with a broader perspective of Venezuelan political past. As mentioned earlier, Venezuela is a country with significant and primary reserves of oil in the world (Worldometers, 2024). Thus, it is logical that the former Venezuelan President Hugo Chavez, elected in 1999 after campaigning for change amid Venezuela's political and economic instability, remained in office for nearly 14 years by using oil revenues to fund social programs that garnered support from the lower class despite significant opposition (Martin, 2017). Later, Martin (2017) follows with explanation that Chavez main stones to support political regime were coup-proofing which relied on recruiting a reliable military personnel; forming international alliances with Iran, Cuba, Russia and distancing from the US; incentivizing the officer corps; frequently rotating high-level

officers; establishing a parallel armed force for regime security along with secret police or intelligence agencies for oversight and counterbalancing; and ensuring ample financing for all these measures. After Chavez could not perform his responsibilities, following the April 2013 presidential election, won by acting president Nicolás Maduro, and the December 2013 municipal elections it seemed that "Chavismo" would endure (Sullivan, 2014). Overall, Maya (2013) concludes that the Chavez political regime can be characterized as an authoritarian populism. When it comes to Maduro, the most relevant expression regarding his political regime is the following: 'Lacking personal charisma and booming oil revenues, Nicolas Maduro of Venezuela has struggled to obtain his predecessor's popular support and failed to legitimize his rule at the polls. Instead, Maduro consolidated his power through sharing it with elites and the military' (Oner, 2021). From this explanation one can see that Maduro could not continue the way of his predecessor as smoothly as it was in the past for several reasons. First of all, Chavez had been ruling for 14 years and gained popularity from the groups of population which were benefiting from oil revenues. Second, Chavez managed to build his own foreign policy without serious consequences in terms of sanctions from the US by maintaining partnership with Cuba, Iran, Russia and, as a result, diversified a trade economy. However, the expression points out that Maduro as well as Chavez heavily relies on the military. Thus, I am going to observe the conditions of the coercive capacity under the economic crisis in Venezuela below.

Irreversible changes in the military sector happened under Hugo Chavez rule. Trinkunas (2021) pointed out that during Hugo Chávez's administration, the Venezuelan Bolivarian Armed Forces roles and missions expanded unprecedentedly, yet the military became less autonomous and politically independent, especially after the 1999 Constitution redefined it as a singular armed force, emphasizing jointness and roles in economic development and internal security, including potential police functions. Such decisions create a dangerous precedent where the army is under control of the ruler and serves as a repression machine to keep the winning coalition in power. Despite the expectations from the PT model the coercive capacity of the state went down after the imposition of the sanctions. When it comes to the BTI Monopoly on force use, one can see from Figure that the value has significantly changed from 8 points in 2008 to 4 points since 2020 which means that the ruler is challenged to keep control over the whole territory of the state by the other armed groups. Another indicator, such as military expenditure, also shows a significant decline starting from 2017 with a peak point of 2.13 billion USD to extremely low point of 4, 627, 333 million USD in 2022 with a declining trend among the given years (Figure 6). Meanwhile, the percentage of military

expenditure has increased after 2018 from 0.2 to 1.8 and 1.9 percent in the following years respectively (BTI).

The World Bank observes that Venezuela's extractive capacity is extremely vulnerable, particularly in terms of its monetary and fiscal stability. The Central Bank of Venezuela is heavily influenced by PDVSA (Petróleos de Venezuela, S.A.), the state-owned oil and natural gas company. This relationship led to severe consequences: after PDVSA was restricted from obtaining debt financing, inflation skyrocketed, reaching 400% in January 2019 (BTI). Weisbrot and Sachs (2021) stated that it is crucial to note that almost all foreign exchange necessary for importing vital goods such as medicine, food, medical equipment, spare parts, and equipment for electricity generation, water systems, and transportation comes from the Venezuelan government's oil export revenues, meaning that any sanctions reducing export earnings and government revenue consequently decrease the imports of these essential, often life-saving, goods. Administrative capacity is explained by the following. Figure 23, illustrating the Corruption Perception Rank, shows that following the imposition of sanctions, Venezuela dropped several positions and is currently ranked around 180th, placing it among the most corrupt countries in the world. Governance index from BTI shows that after Maduro came to power in 2014 both the resource efficient and steering capacity indicators started to decrease (BTI). It happens after 2017 due to the reasons that state budget information is not publicly announced and it is hard to determine how the Venezuelan government is redistributing resources. Additionally, Maduro's government failed to address any of the policy objectives related to education, health care, and public security. The steering capacity has been rated 1 out of 10, indicating that Maduro's government is making efforts to stay in power through an unproductive and initiative-lacking approach, with the regime demonstrating an inability to learn (BTI). From all the information mentioned above it seems like Venezuela does not have enough revenues to back not only administrative but coercive capacity which main function under this context is to keep the leader in power. Venezuela is experiencing an extreme shortage of oil revenues coming to fill up the state budget from the PDVSA which is sanctioned.

4.3.5 Stabilization

As one can see, the Maduro government did not prepare for sanctions imposed on PDVSA. The oil market has dropped significantly after sanctions imposed and the Venezuelan

government never managed to get the volumes of both crude oil production and export volume back by diversifying partners or finding investors for industry innovations. Same as Iran, Venezuela maintained partnerships with South-Eastern Asia. However, it was not enough to maintain state capacity. Some data for Venezuela is not open which makes it harder to determine the exact political situation within the county. However, from the previous sections, I can conclude a steady decline in all three capacities. When it comes to the Government Budget, one can see that it has been negative before Maduro came to power with the recording value of minus 30 percent of GDP in 2018 as per Figure 26 . However, when it comes to the indicator of the growth of GDP, one can see that the value of it is also negative throughout the period between 2015 and 2020 as per Figure 31.

Thus, the only way to survive the current political regime was to negotiate. Thus, The Biden Administration has issued licenses to encourage the Maduro government to negotiate a path to free and fair elections, allowing Chevron to discuss future operations with PDVSA in May 2022, and resuming production and trade of petroleum products at its joint ventures in November 2022, with further progress following the October 18, 2023 signing of the Barbados Agreement, which included a roadmap toward competitive elections (Seelke, 2024). It is yet to be expected what kind of changes this agreement can bring to both domestic economy and state capacity. However, I expect that in a nutshell the agreement will open the export and investment market for Venezuela which will allow to fill the GDP and government budget value with money coming from oil revenues.

5. Conclusions

Within this research, my primary aim was to address the question of how BRICS influences state capacity through sanctions-proofing in selected cases such as Russia, Iran, and Venezuela. Employing the Most Similar Systems Design (MSSD), I developed an original process-tracing (PT) model that identifies causal mechanisms enabling ruling elites to navigate sanctions and sustain state capacity dimensions. The research is premised on the expectation that states with closer cooperation with BRICS are more adaptive to sanctions and better equipped to respond to economic coercive challenges.

Application of this methodological model to the selected cases revealed several key insights. Sanctions-proofing is a legitimate process that determines the success of state capacity

stabilization following the imposition of sanctions. Specifically, in the crude oil market, targeted countries employ various tactics such as diversifying export partners, ship-to-ship oil trade, currency swaps, barter, misleading labeling of oil shares within exported products, and diversifying ownership and control of sanctioned oil companies.

Among the cases studied, Russia has shown the greatest preparedness for targeted sanctions imposed in 2014, secondary sanctions in 2017, and broader sanctions in 2022, as evidenced by oil market indicators like crude oil production, export volume, oil's share of GDP, and GDP growth. Russia successfully shifted its export partnerships from the EU to China, India, and Turkey after 2022. Additionally, Russia's direct partnership with BRICS has driven global dedollarization efforts, contributing significantly to local currency growth through institutions like the New Development Bank (NDB), the Contingent Reserve Arrangement (CRA), and the alternative payment system BRICS Pay. Notably, Iran's membership in BRICS in 2024 underscores its regional and global aspirations.

However, it is crucial to note that until 2017, most sanctions targeted entities listed in the Sectoral Sanctions Identifications (SSI) list and aimed to slow oil production without restricting crude oil exports to secondary partners. When it comes to the Iran and Venezuela cases, they have more similarities based on the fact that for both of those countries crude oil export has been secondary sanctioned by the US. In a nutshell, secondary sanctions with specific purposes can strongly affect the oil market for targeted states which means the governments need to adapt fast and efficiently. Both Venezuela and Iran have also attempted to diversify their export partners to countries in Southeast Asia such as Malaysia, Indonesia, and Thailand. OPEC data showed a steadily growing trend to these countries since the sanctions imposition of the US.

Failure in sanctions-proofing, as seen in Venezuela with its negative GDP and national budget, leaves a state unable to support its capacity dimensions. This led to Venezuela and the Biden administration signing an agreement in 2023 for democratic elections in exchange for sanctions relief, illustrating a recurring pattern of negotiation between sanctioning and sanctioned entities. Additionally, the research examined how the Joint Comprehensive Plan of Action (JCPOA) positively impacted Iran's oil market growth and state capacity from 2016 to 2018 due to sanctions relief.

When evaluating state capacity expectations, not all were applicable to the selected cases, particularly regarding coercive capacity. Coercive capacity should consider not only the threat of sanctions to the ruling elite in the face of potential opposition but also factors such as involvement in wars or mass protests driven by relative deprivation and dissatisfaction with government policies. In Iran and Russia, coercive capacity has increased primarily due to these factors. However, a decline in coercive and administrative capacity has been observed as a consequence of imposed sanctions, largely because sanctions can limit oil revenue flow to the national budget, impacting fiscal stability. This, in turn, leads to increased corruption and decreased resource efficiency and steering capability which is indicated with CPI and Governance Index from the World Bank.

Therefore, despite the dominance of the US dollar in global trade, strategic diversification of trade partners with significant oil needs can enable targeted states to profit from oil exports which is confirmed by the positive growth of GDP and increasing federal budget as the case of Russia indicates.

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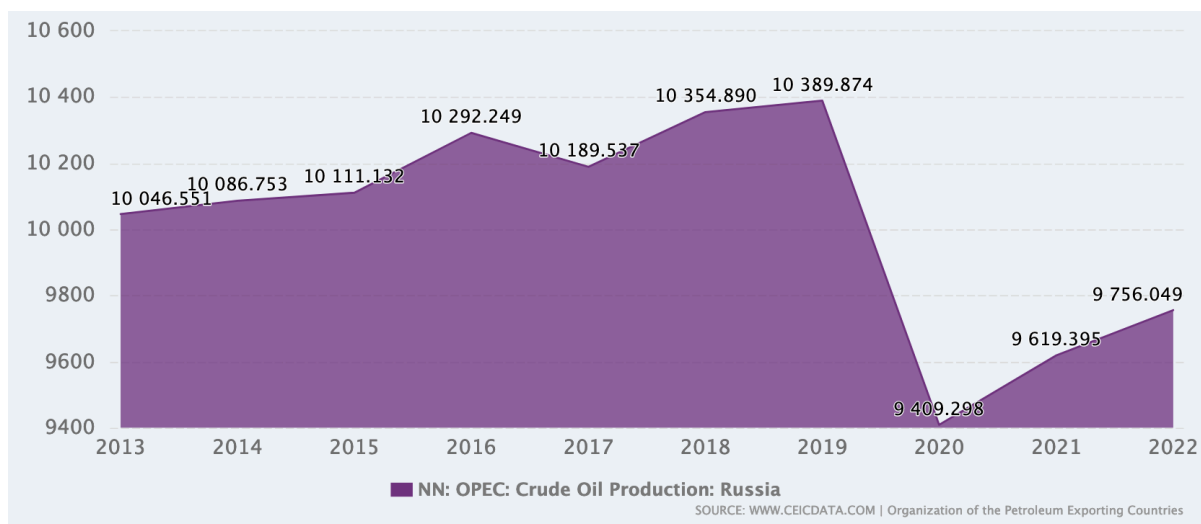
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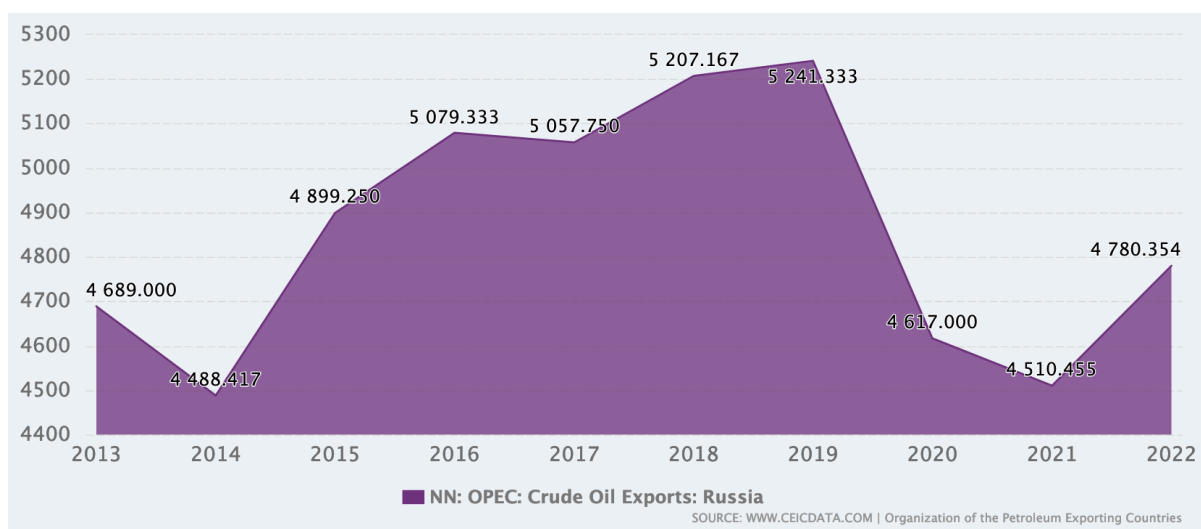
7. Appendix

Russia's Crude Oil: Production from 2013 to 2022 (FIGURE 2)



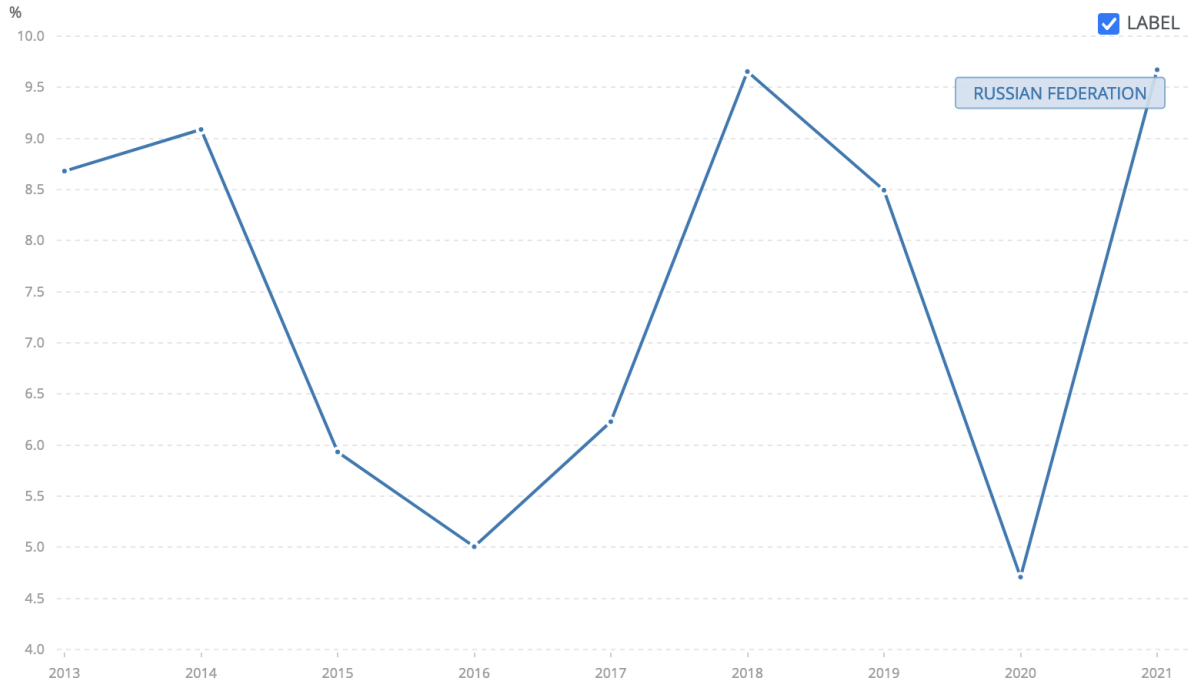
Source: CEIC. (2024). *Russia Crude Oil: Production*. CEIC DATA.
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Russia's Crude Oil: Exports from 2013 to 2022 (FIGURE 3)



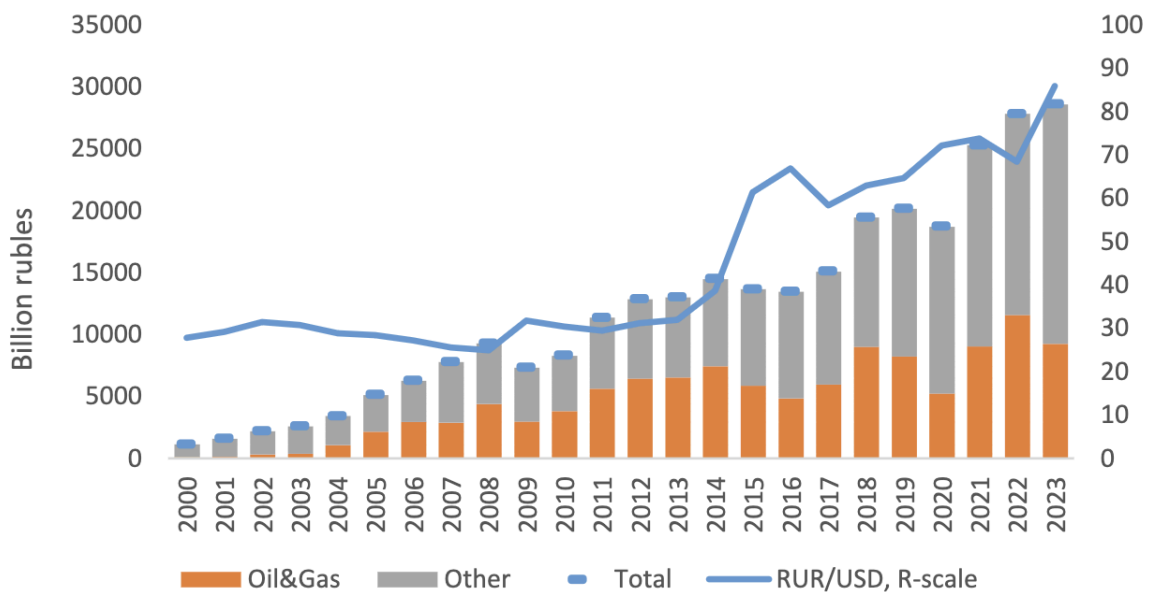
Source: CEIC. (2024b). *Russia Crude Oil: Exports*. CEIC DATA.
<https://www.ceicdata.com/en/indicator/russia/crude-oil-exports>

Oil rents (% of GDP) - Russian Federation (FIGURE 4)



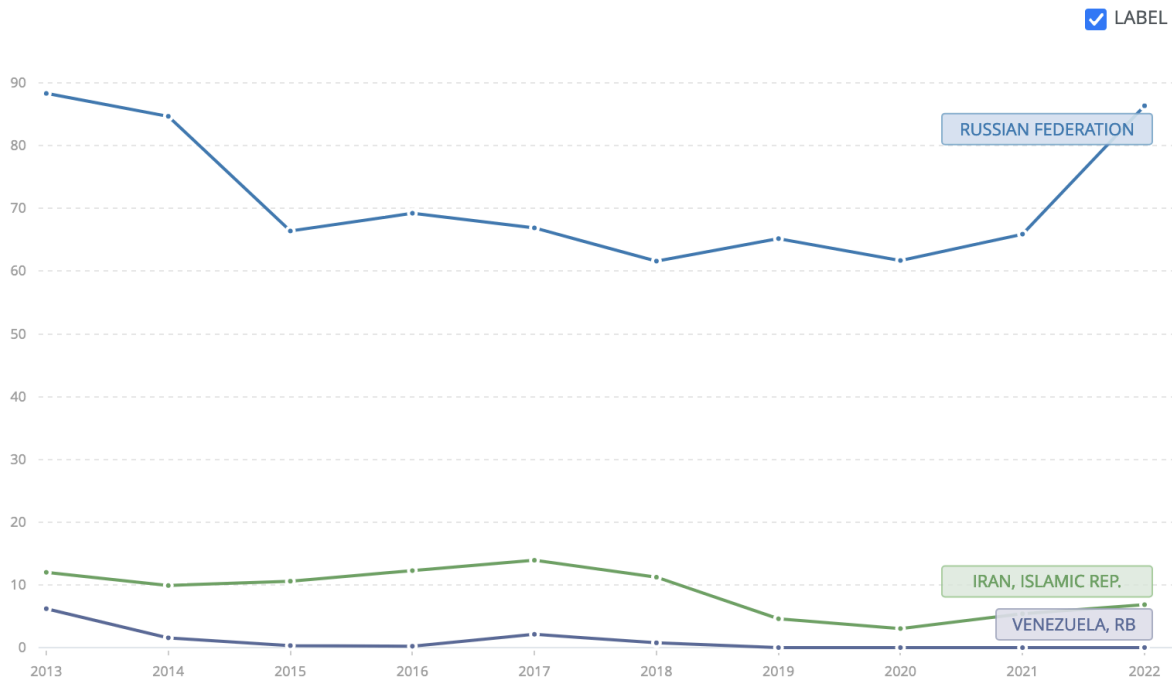
Source: The World Bank. (2024). *Oil rents (% of GDP) - Russian Federation*. Data Worldbank. <https://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?end=2021&locations=RU&start=2013>

Russia’s Federal Budget Revenues, 2000-2023 (FIGURE 5)



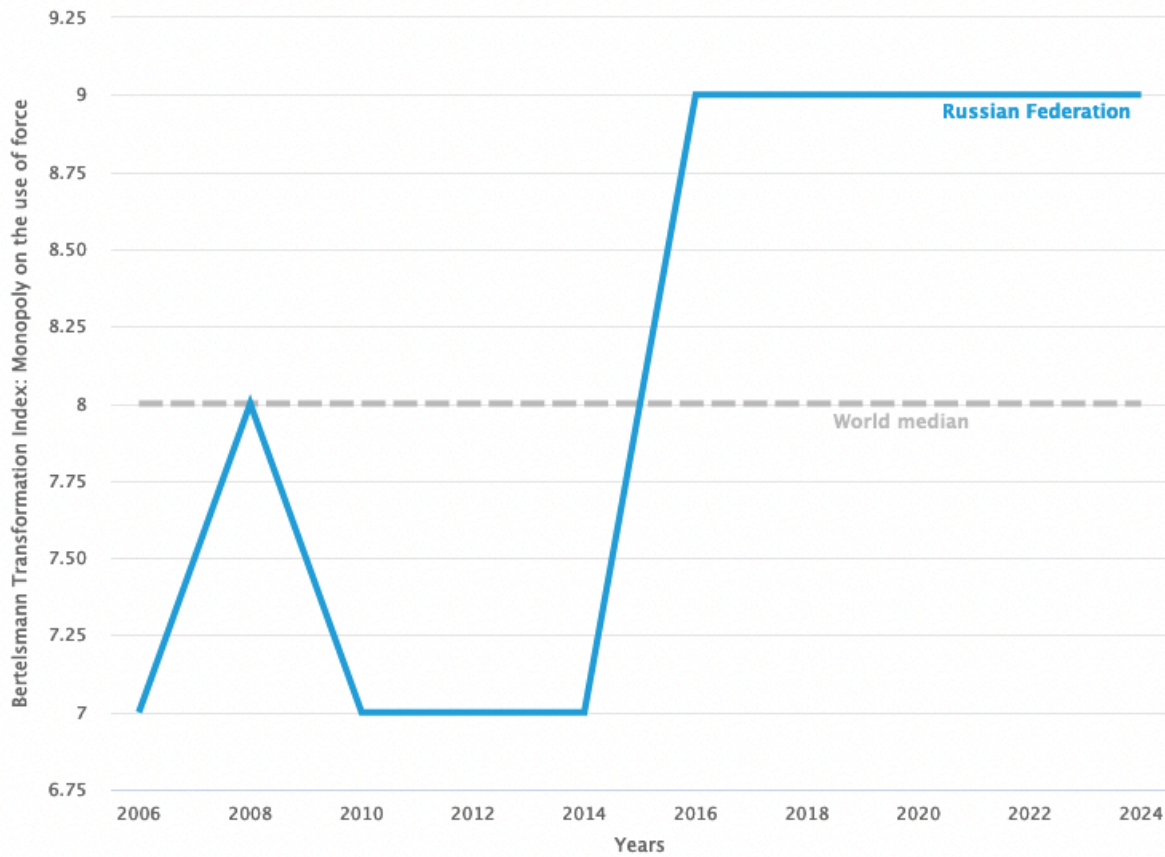
Source: Yermakov, V. (2024). *Follow the Money: Understanding Russia’s oil and gas revenues*. Oxford Institute for Energy Studies. <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/03/Follow-the-Money-Russian-Oil.pdf>

Military expenditure (current USD) - Russian Federation, Iran, Islamic Rep., Venezuela RB
(FIGURE 6)



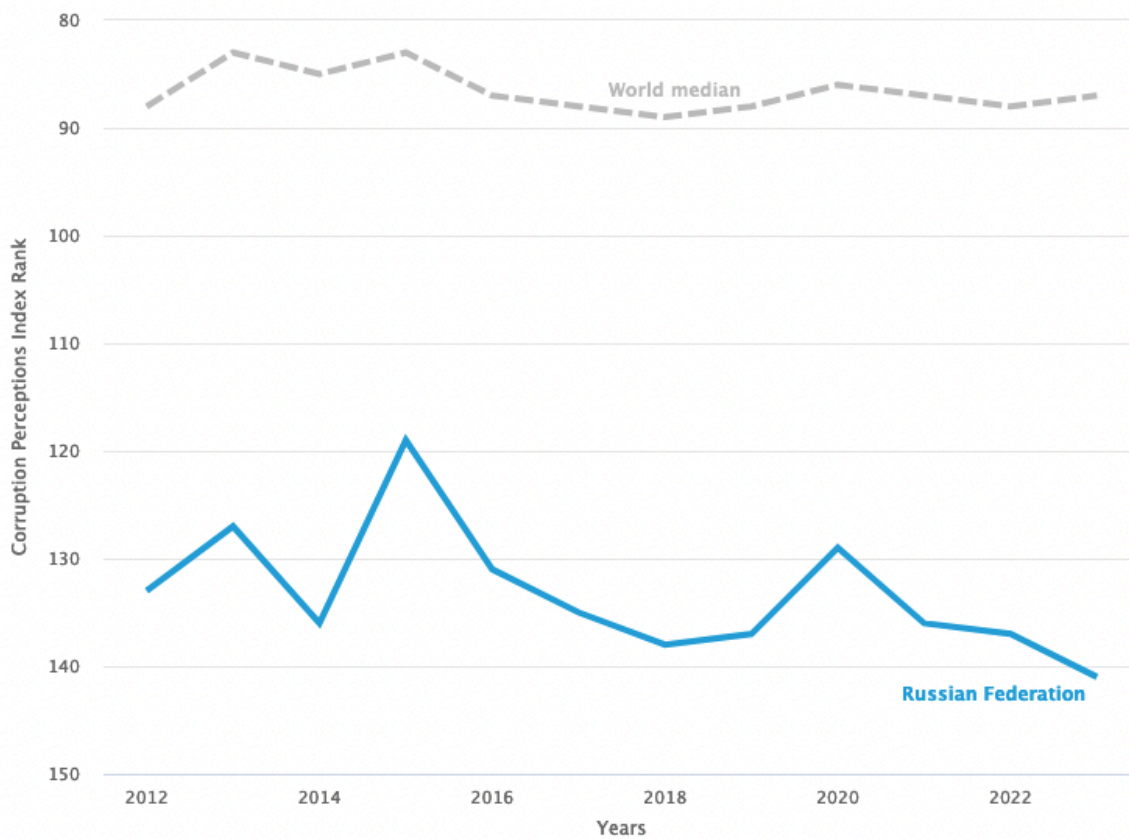
Source: The World Bank. (2024). *Military expenditure (current USD) - Russian Federation, Iran, Islamic Rep., Venezuela, RB.*
<https://data.worldbank.org/indicator/MS.MIL.XPND.CD?end=2022&locations=RU-IR-VE&start=2013>

Bertelsmann Transformation Index: Monopoly on the use of force for Russia (FIGURE 7)



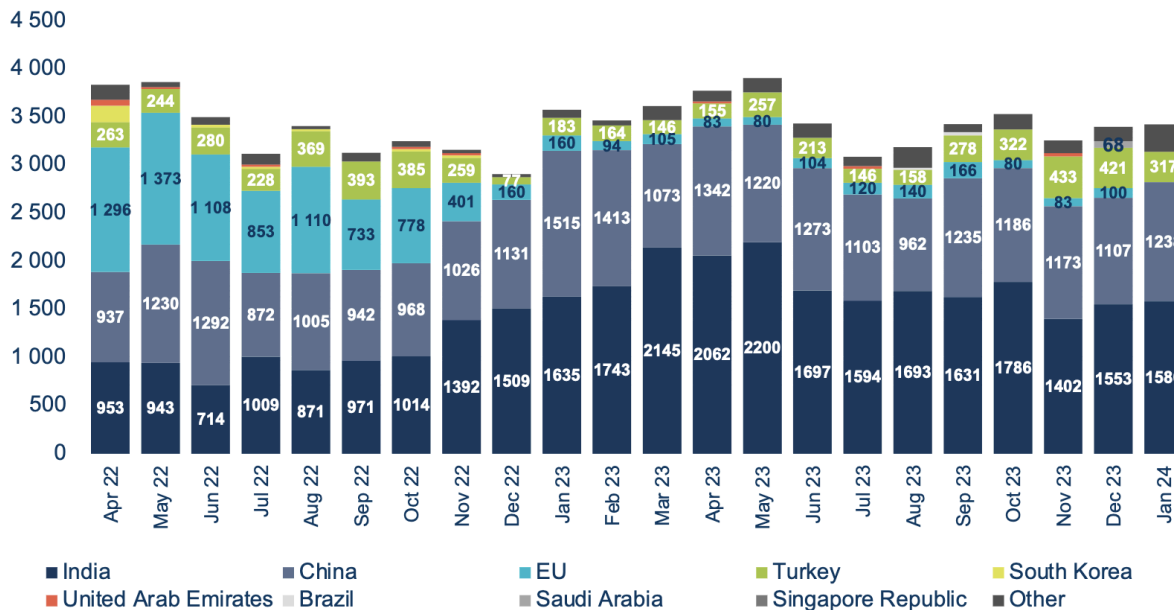
Source: The World Bank. (2024). *Bertelsmann Transformation Index: Monopoly on the use of force*. <https://prosperitydata360.worldbank.org/en/indicator/BS+BTI+Q1+1>

Corruption Perceptions Index Rank for Russia (FIGURE 8)



Source: The World Bank. (2024). *Corruption Perceptions Index Rank*. World Bank. <https://prosperitydata360.worldbank.org/en/indicator/TI+CPI+Rank>

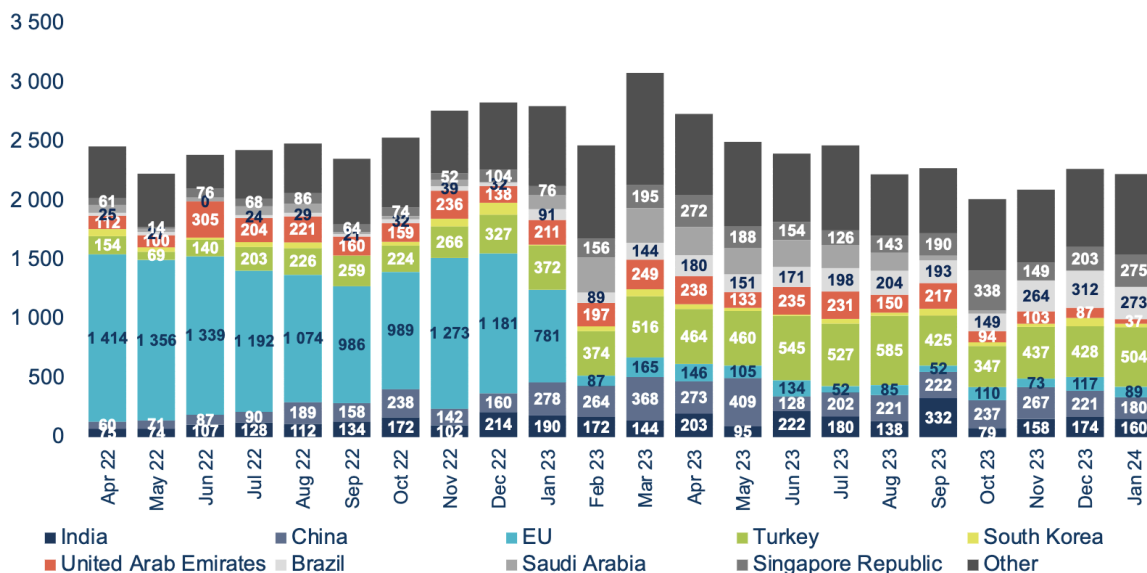
Russian seaborne crude oil exports by destinations countries, kb/d (FIGURE 9)



Source: Kpler, KSE Institute estimates

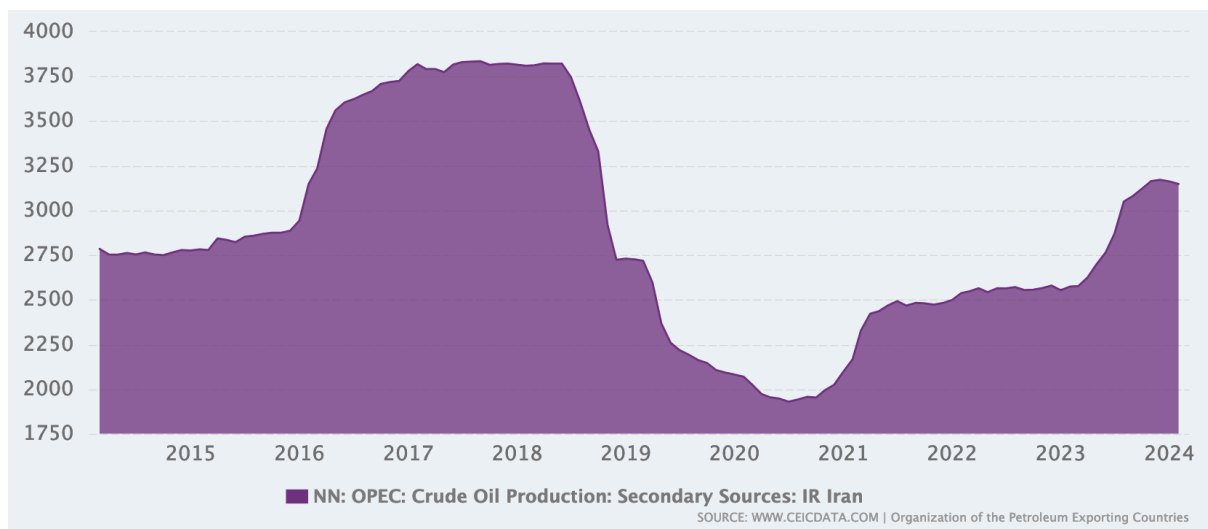
Source: Dodonov, B., Hilgenstock, B., Kravtsev, A., Pavytska, Y., & Shapoval, N. (2024). Russian Oil Tracker. KSE Institute. https://kse.ua/wp-content/uploads/2024/03/ROT_FEB24.pdf

Russian oil products exports by destinations countries, kb/d (FIGURE 10)



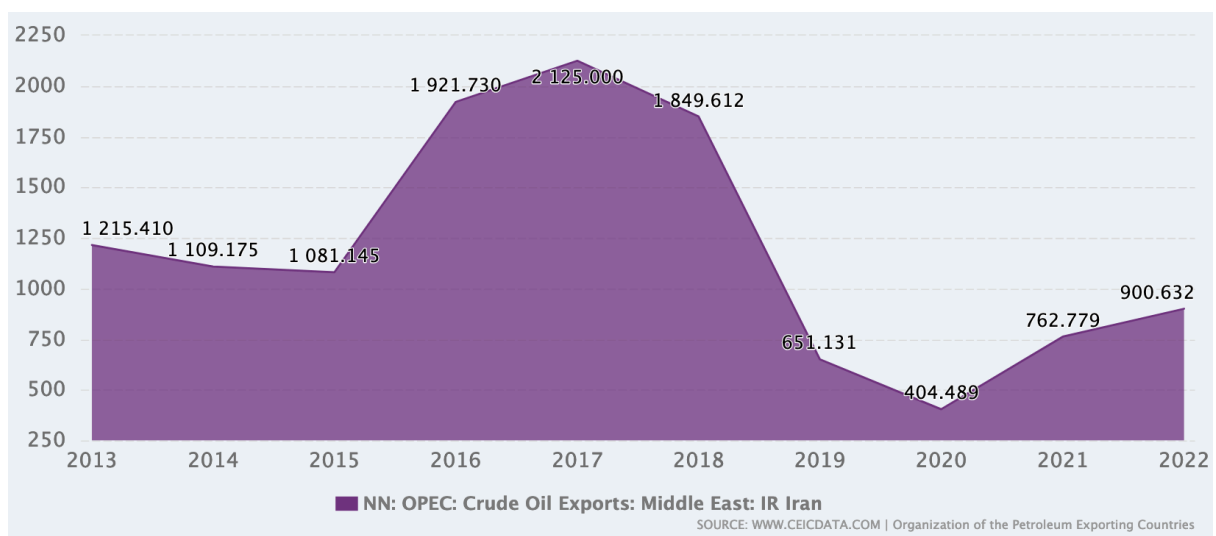
Source: Dodonov, B., Hilgenstock, B., Kravtsev, A., Pavytska, Y., & Shapoval, N. (2024). Russian Oil Tracker. KSE Institute. https://kse.ua/wp-content/uploads/2024/03/ROT_FEB24.pdf

Iran's Crude Oil: Production from 2015 to 2024 (FIGURE 11)



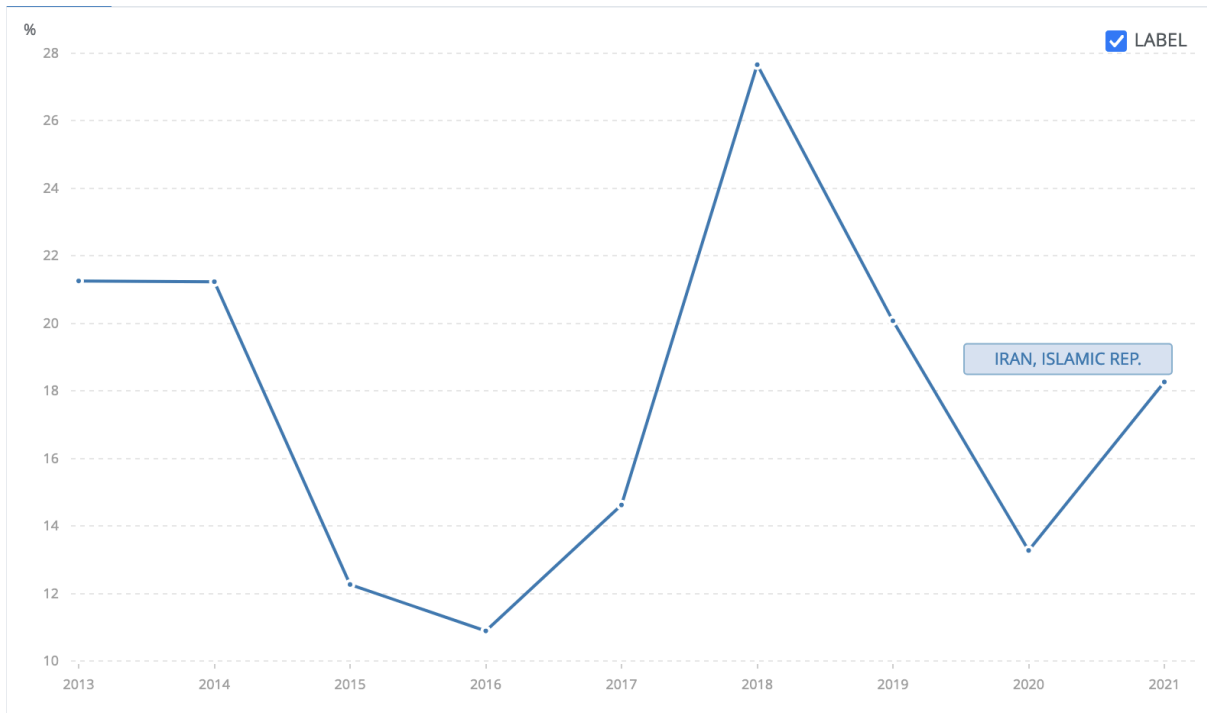
Source: CEIC. (2024). *Iran's Crude Oil: Production*. CEIC DATA.
<https://www.ceicdata.com/en/indicator/iran/crude-oil-production>

Iran's Crude Oil: Exports from 2013 to 2022 (FIGURE 12)



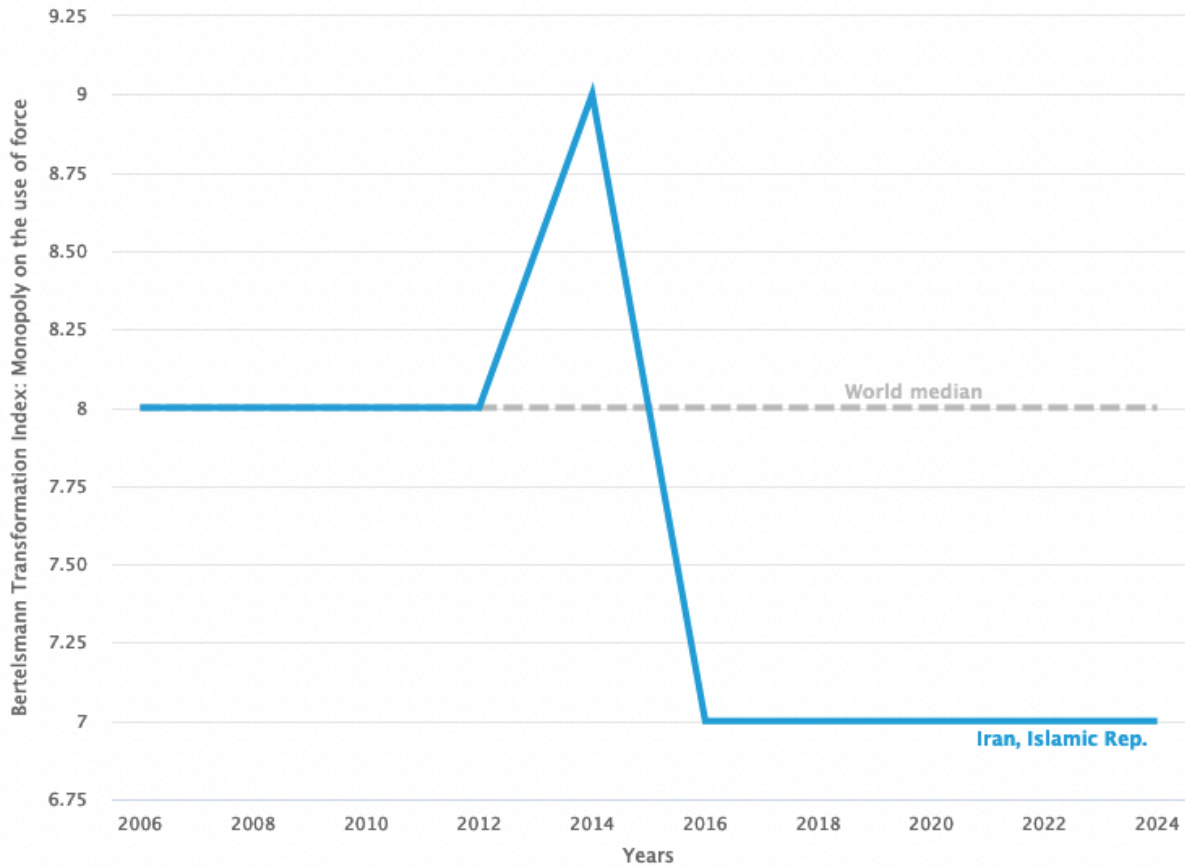
Source: CEIC. (2024). *Iran Crude Oil: Exports*. CEIC DATA.
<https://www.ceicdata.com/en/indicator/iran/crude-oil-exports>

Oil rents (% of GDP) for Iran (FIGURE 13)



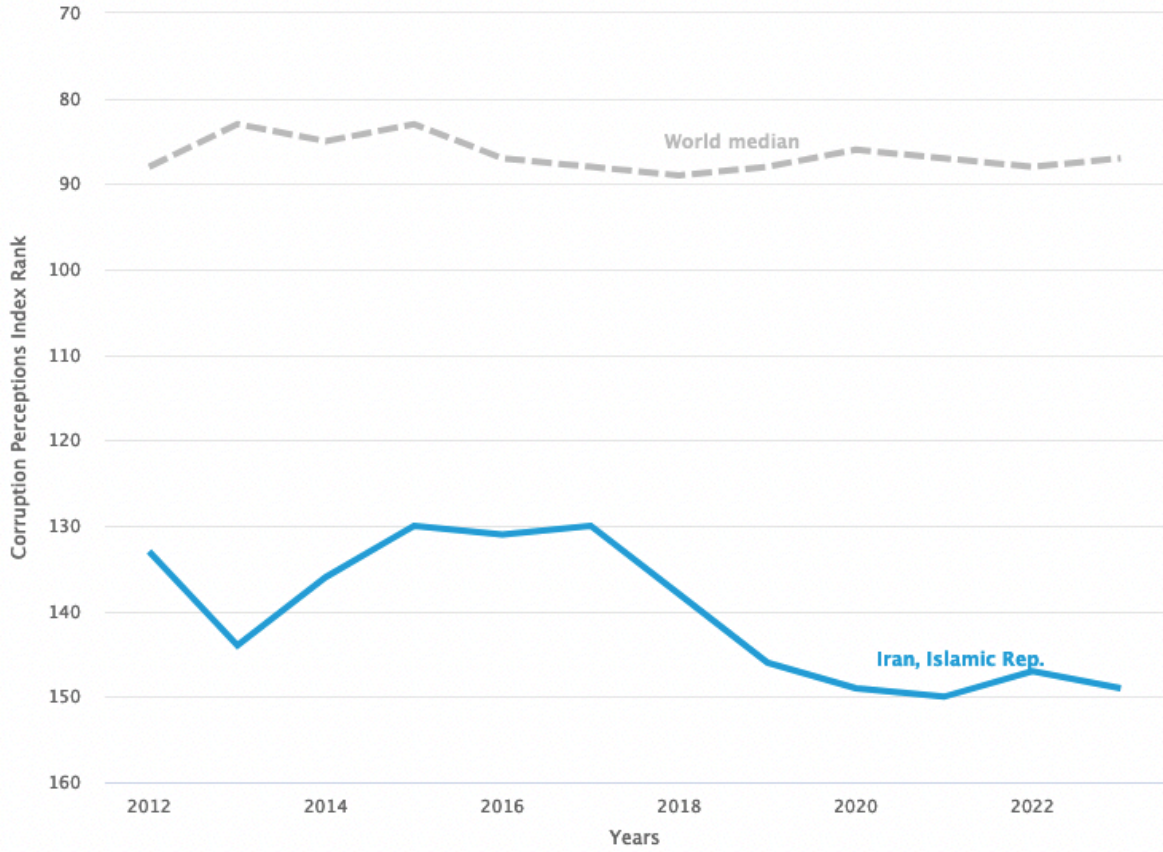
Source: The World Bank. (2024). *Oil rents (% of GDP) - Iran, Islamic Rep.* World Bank. <https://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?end=2021&locations=IR&start=2013>

Bertelsmann Transformation Index: Monopoly on the use of force for Iran (FIGURE 14)



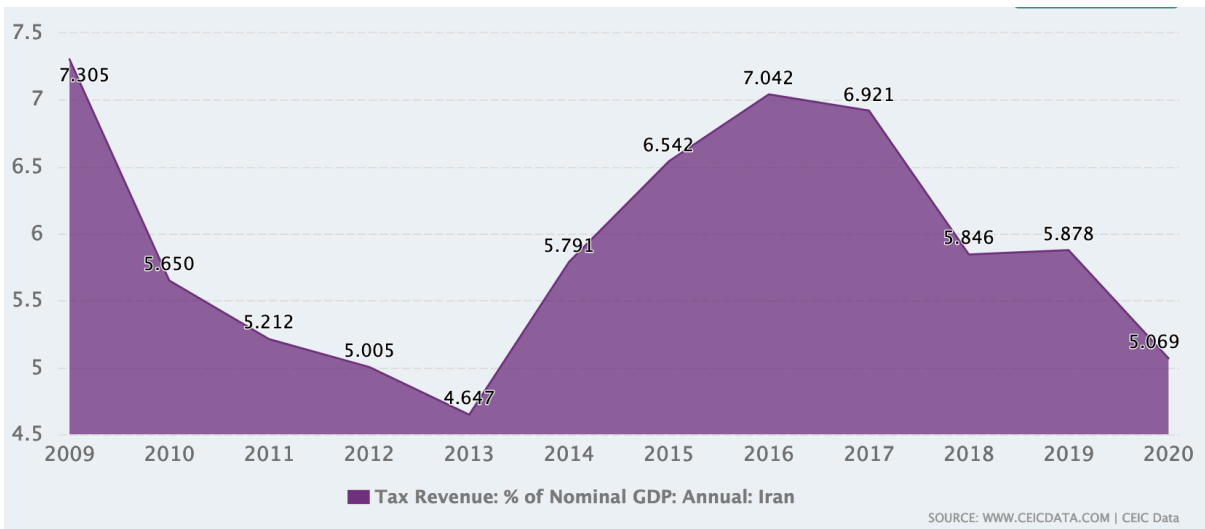
Source: The World Bank. (2024a). *Bertelsmann Transformation Index: Monopoly on the use of force*. World Bank. <https://prosperitydata360.worldbank.org/en/indicator/BS+BTI+Q1+1>

Corruption Perceptions Index Rank for Iran (FIGURE 15)



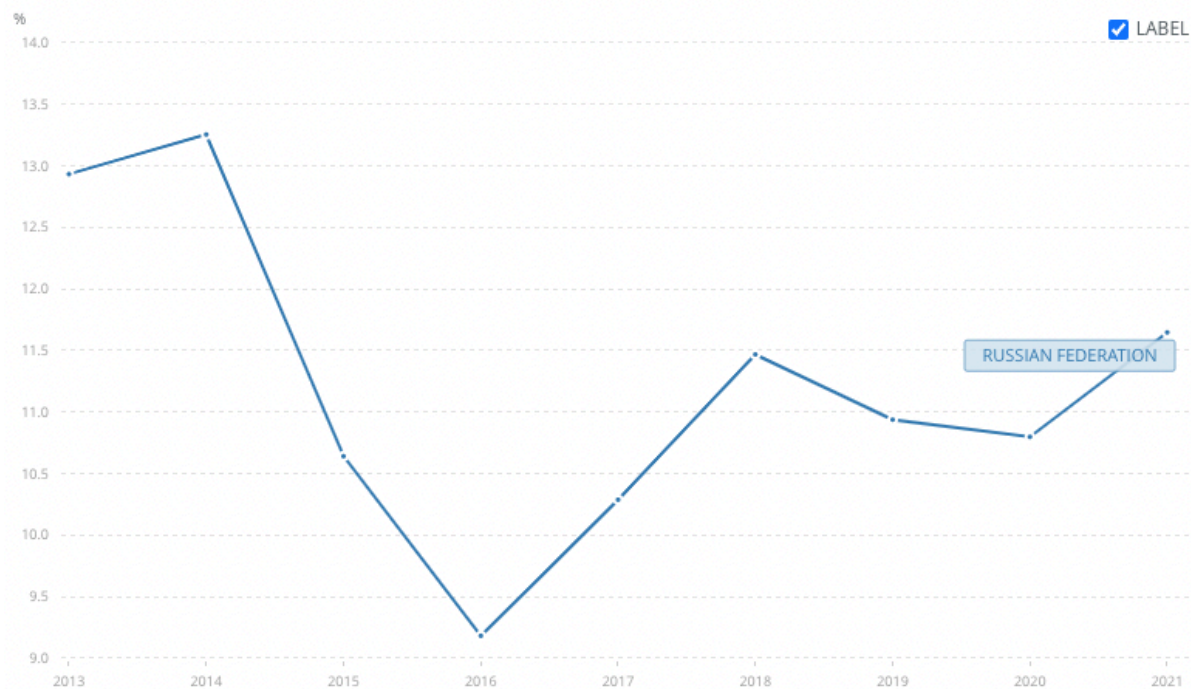
Source: The World Bank. (2024c). *Corruption Perceptions Index Rank Iran*. World Bank. <https://prosperitydata360.worldbank.org/en/indicator/TI+CPI+Rank>

Iran Tax Revenue: % of GDP (FIGURE 16)



Source: CEIC. (2024). *Iran Tax Revenue: % of GDP*.
<https://www.ceicdata.com/en/indicator/iran/tax-revenue--of-gdp>

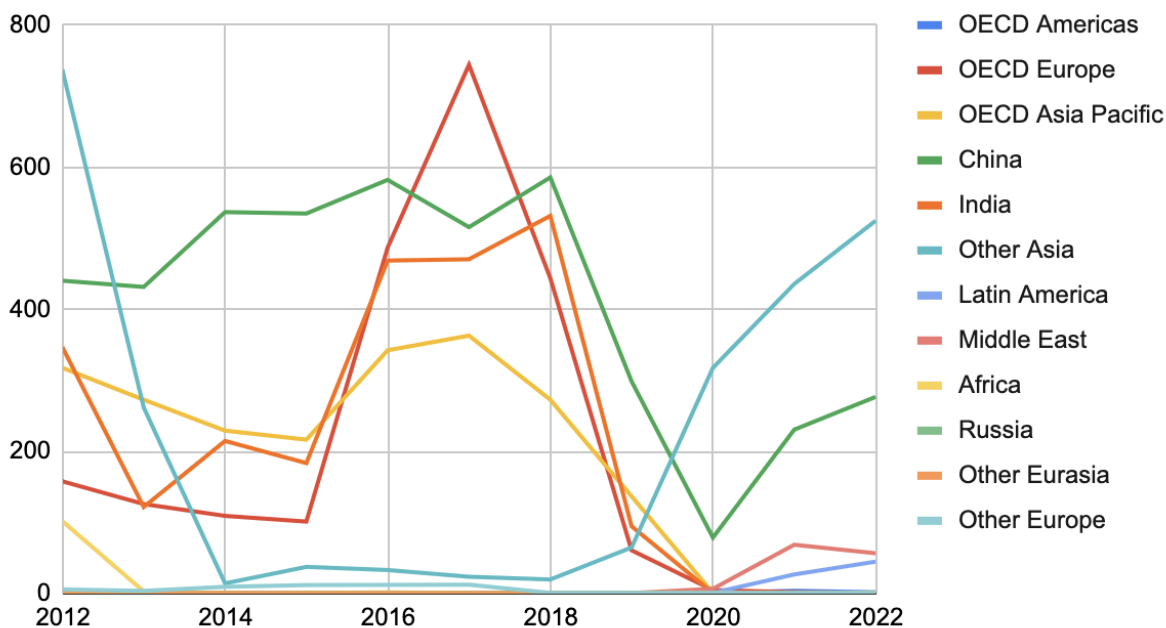
Russia Tax Revenue: % of GDP (FIGURE 17)



Source: The World Bank. (2024). *Tax revenue (% of GDP) - Russian Federation*. World Bank.
https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=RU&name_desc=true&view=chart

OPEC Members' crude oil exports by destination / IRAN 2012 2022 (FIGURE 18)

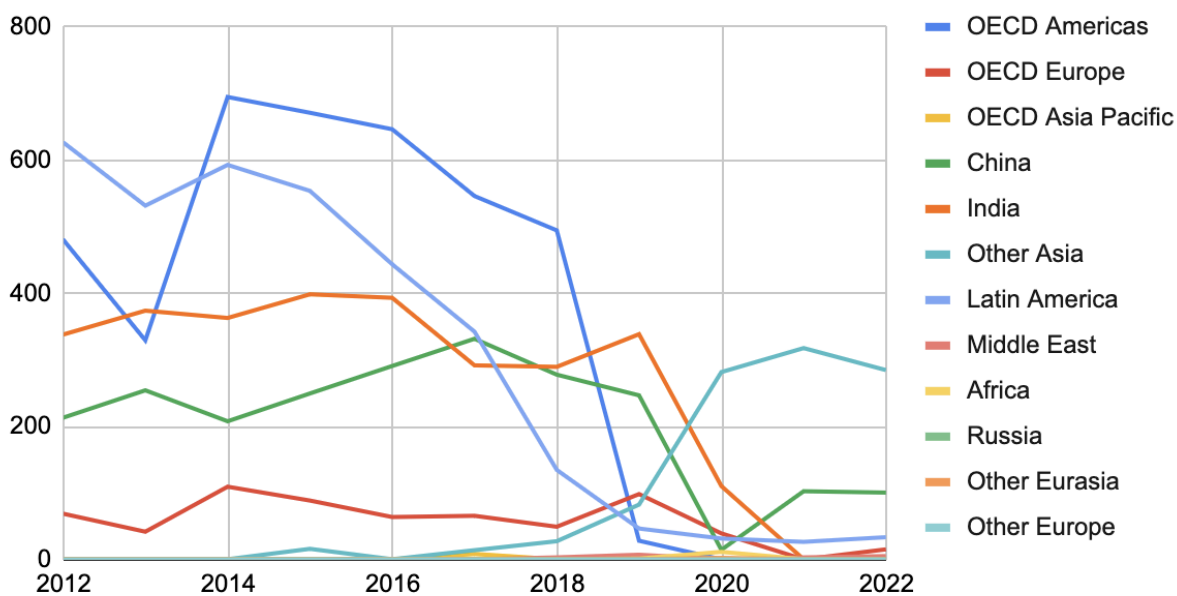
OECD Europe, OECD Asia Pacific, China, India, Other Asia...



Source: OPEC. (2024). *OPEC Members' crude oil exports by destination / IRAN*. https://asb.opec.org/data/ASB_Data.php

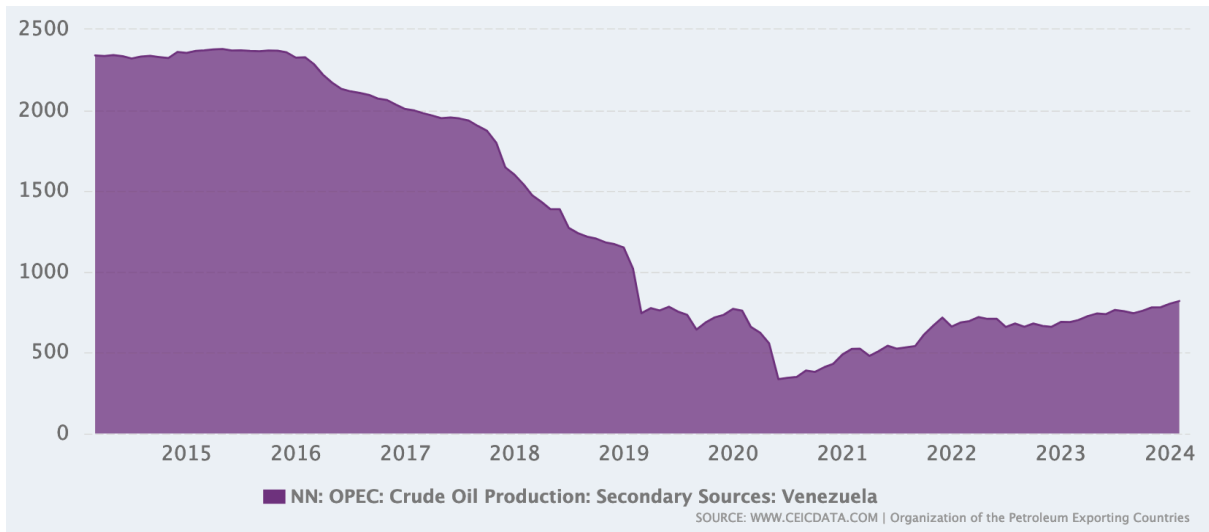
OPEC Members' crude oil exports by destination / Venezuela 2021 2022 (FIGURE 19)

OECD Americas, OECD Europe, OECD Asia Pacific, China, India...



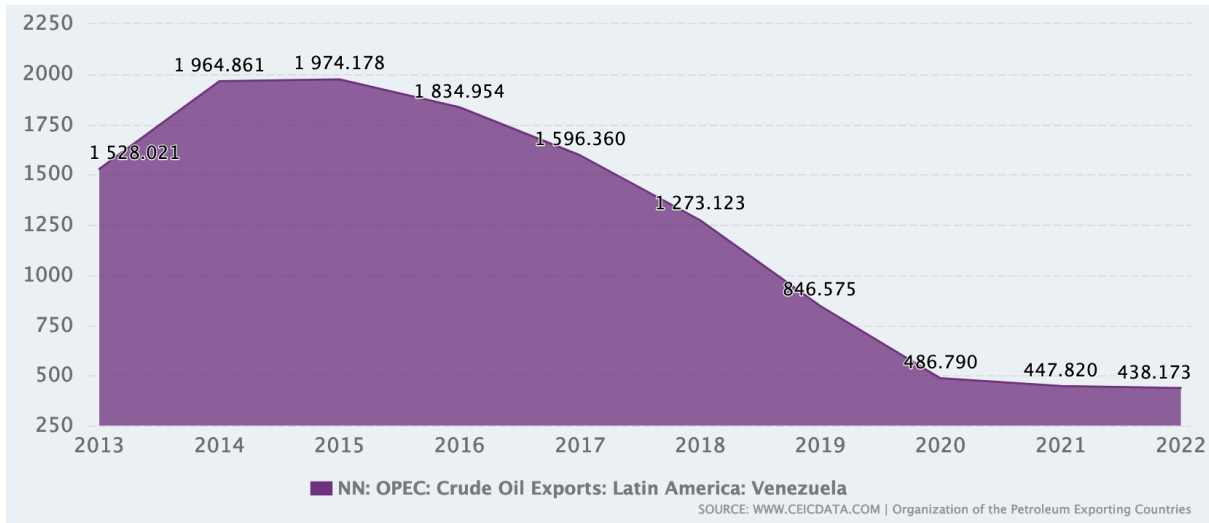
Source: OPEC. (2024). *OPEC Members' crude oil exports by destination / Venezuela*. https://asb.opec.org/data/ASB_Data.php

Venezuela's Crude Oil: Production from 2015 to 2024 (FIGURE 20)



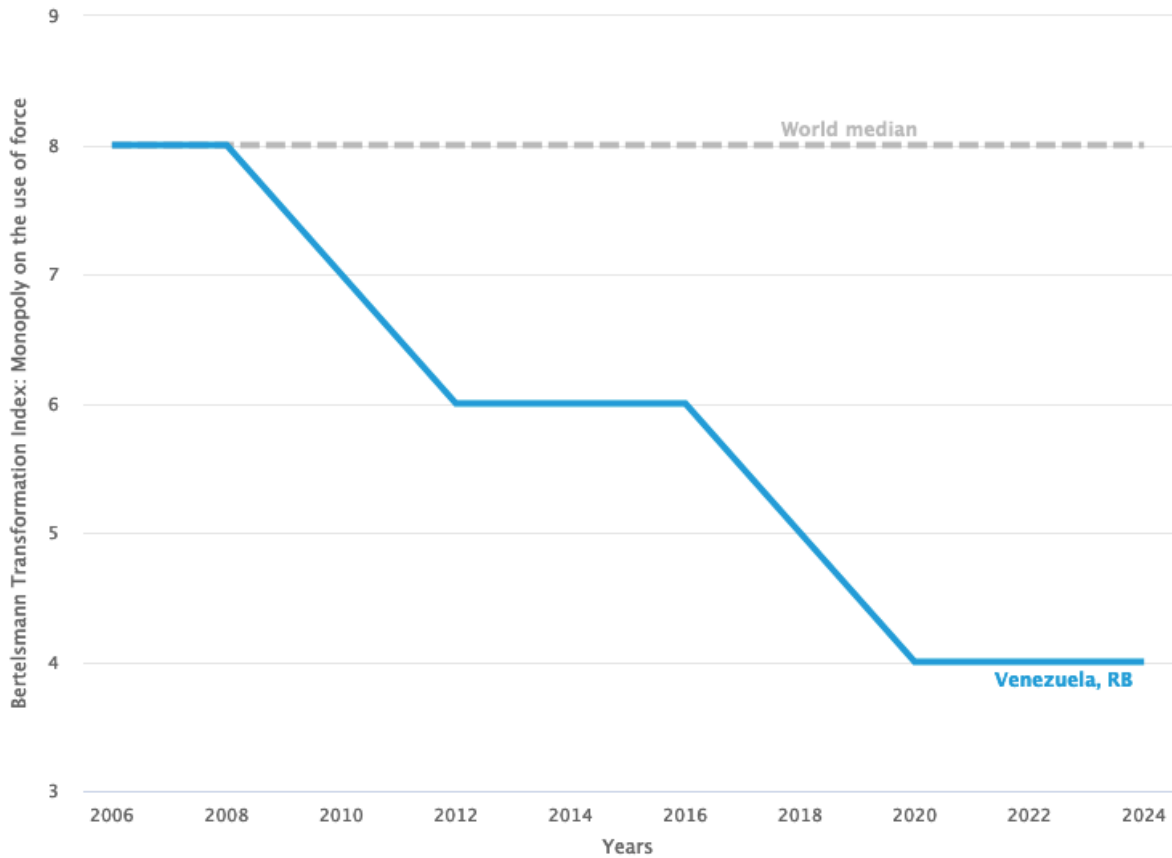
CEIC. (2024). *Venezuela Crude Oil: Production.*
<https://www.ceicdata.com/en/indicator/venezuela/crude-oil-production>

Venezuela Crude Oil: Exports (FIGURE 21)



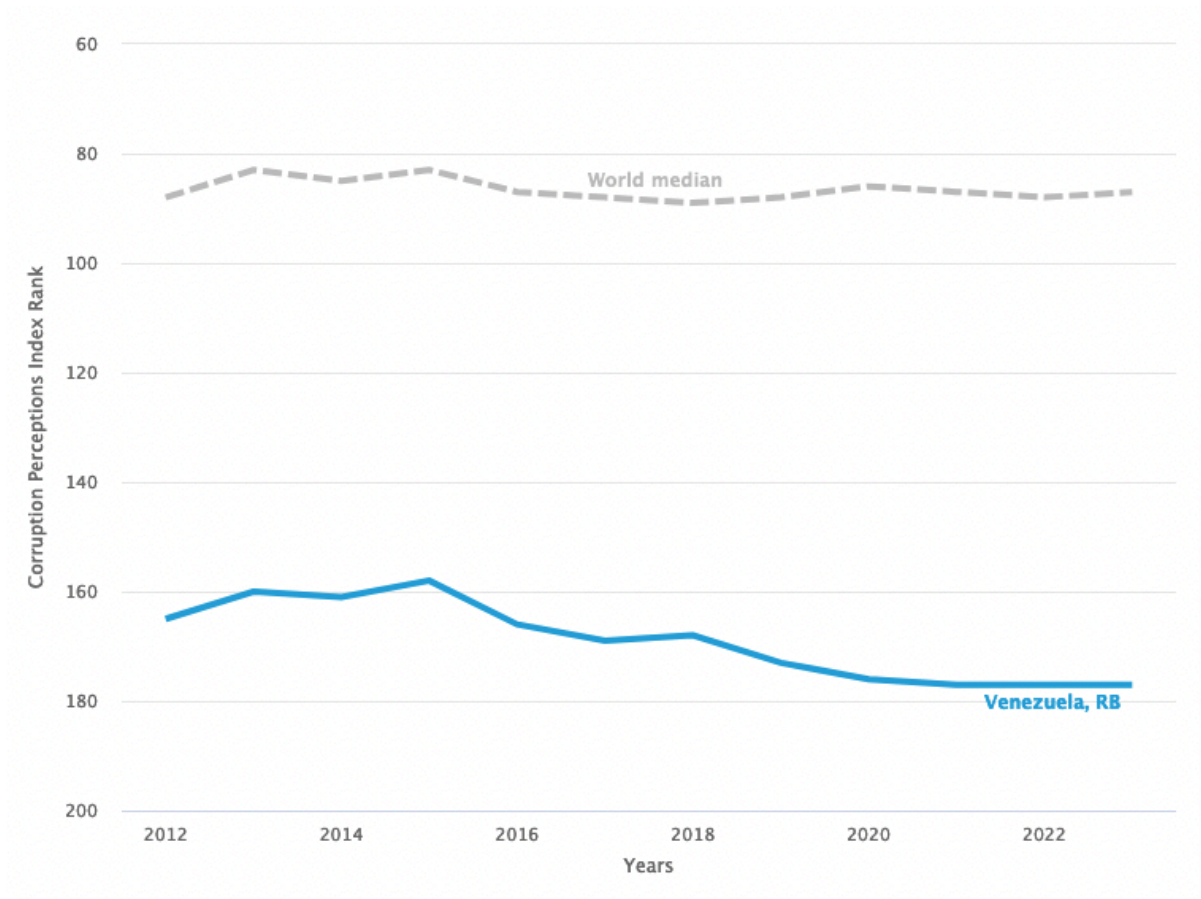
Source: CEIC. (2024). *Venezuela Crude Oil: Exports.*
<https://www.ceicdata.com/en/indicator/venezuela/crude-oil-exports>

Bertelsmann Transformation Index: Monopoly on the use of force for Venezuela (FIGURE 22)



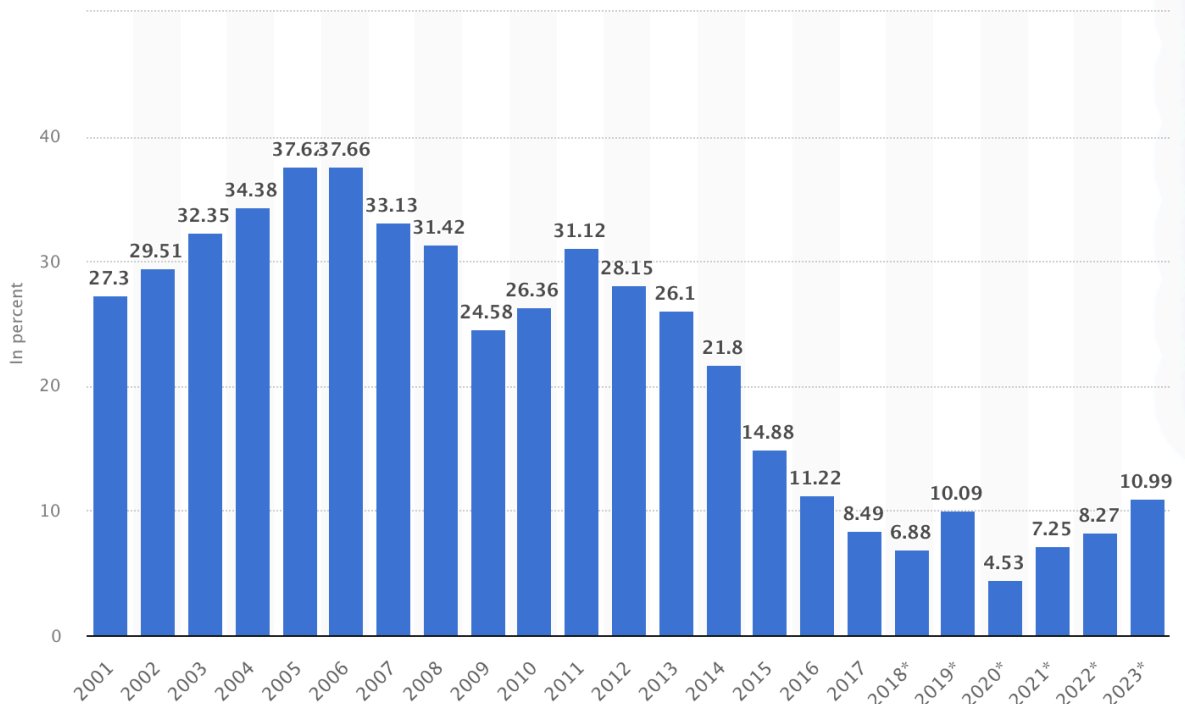
Source: The World Bank. (2024b). *Bertelsmann Transformation Index: Monopoly on the use of force*. World Bank. <https://prosperitydata360.worldbank.org/en/indicator/BS+BTI+Q1+1>

Corruption Perceptions Index Rank Venezuela (FIGURE 23)



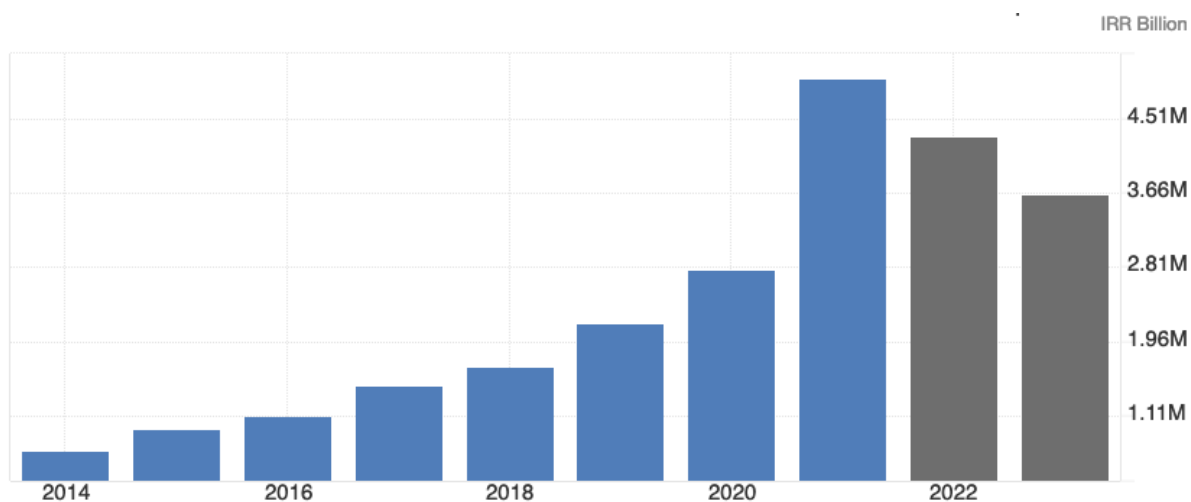
Source: The World Bank. (2024). *Corruption Perceptions Index Rank Venezuela*. World Bank. <https://prosperitydata360.worldbank.org/en/indicator/TI+CPI+Rank>

Ratio of government revenue to gross domestic product (GDP) in Venezuela from 2001 to 2023 (FIGURE 24)



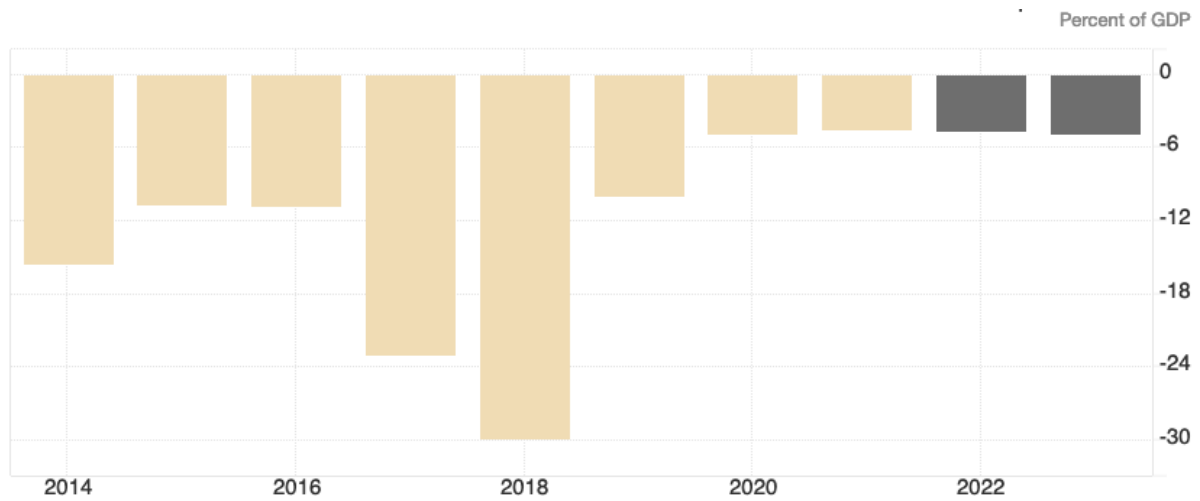
Source: Statista. (2024). *Ratio of government revenue to gross domestic product (GDP) in Venezuela from 2001 to 2023.*
<https://www.statista.com/statistics/1392621/ratio-of-government-revenue-to-gross-domestic-product-gdp-venezuela/>

Iran Government Revenues from 2014 to 2022 (FIGURE 25)



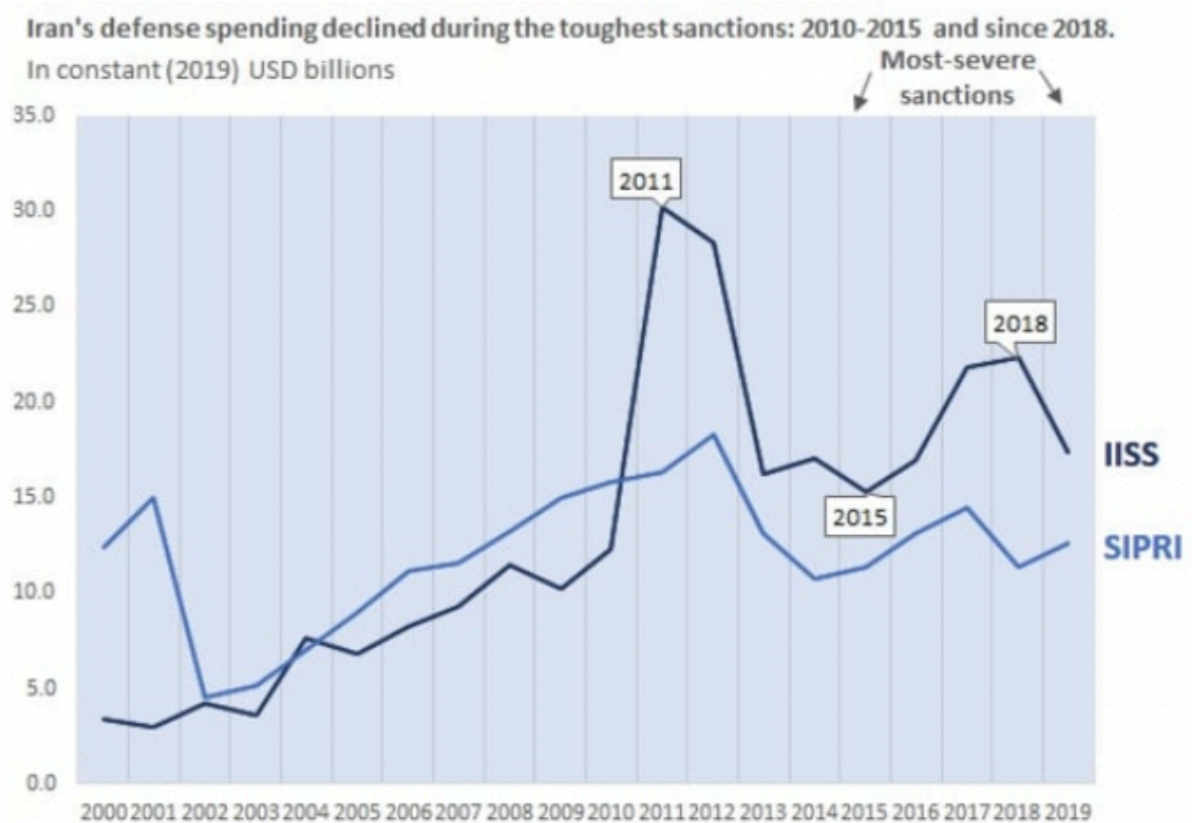
Source: Trading Economics. (2024). *Iran Government Revenues.*
<https://tradingeconomics.com/iran/government-revenues>

Venezuela Government Budget from 2014 to 2022 (FIGURE 26)



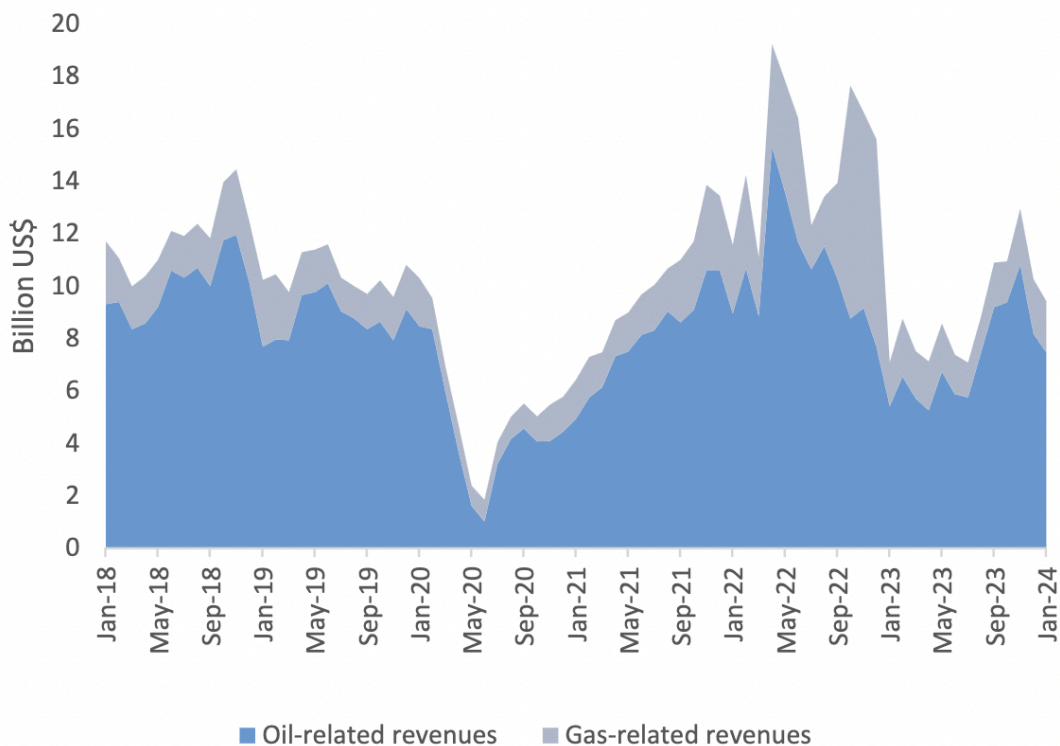
Source: Trading Economics. (2024). *Venezuela Government Budget*.
<https://tradingeconomics.com/venezuela/government-budget>

Estimates of Iranian Defense Spending 2000-2019 (FIGURE 27)



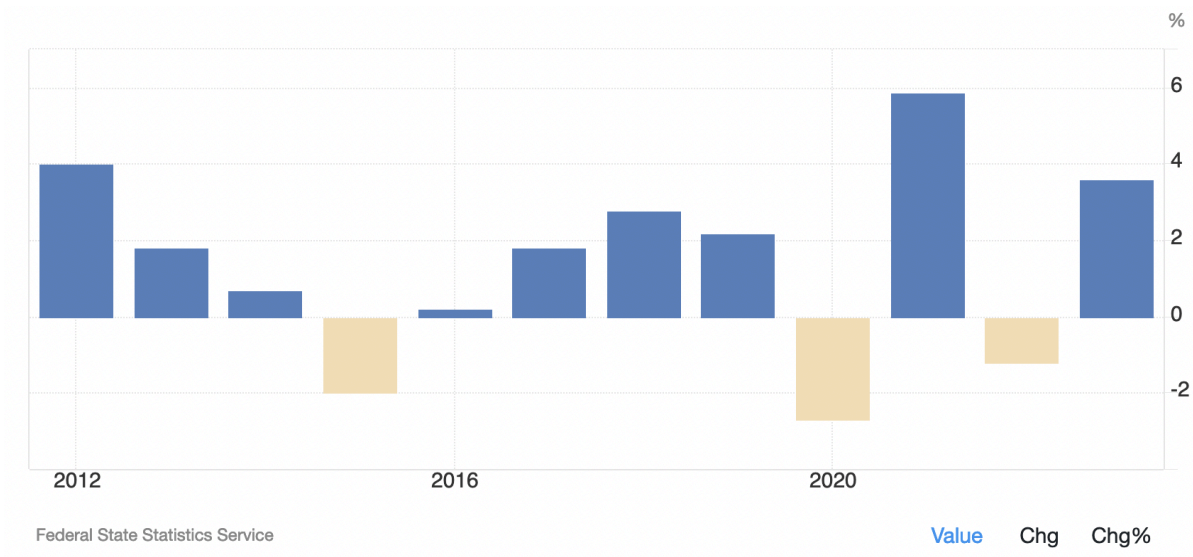
Source: Rome, H. (2020). "Iran Military Power": International Institute for Strategic Studies, "Military Balance". SIPRI Military Expenditures Database.

Oil versus Gas Revenue for Russia (FIGURE 28)



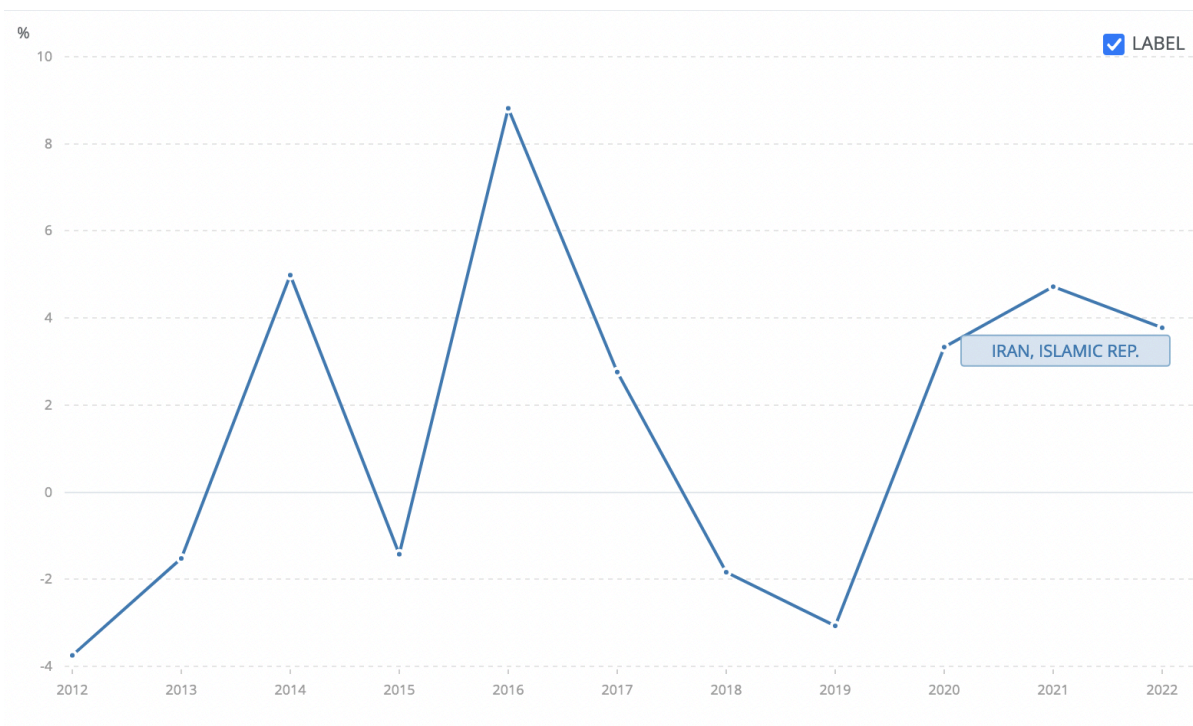
Source: Source: Yermakov, V. (2024). Follow the Money: Understanding Russia's oil and gas revenues. *Oxford Institute for Energy Studies*.
<https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/03/Follow-the-Money-Russian-Oil.pdf>

Russia Full Year GDP Growth (FIGURE 29)



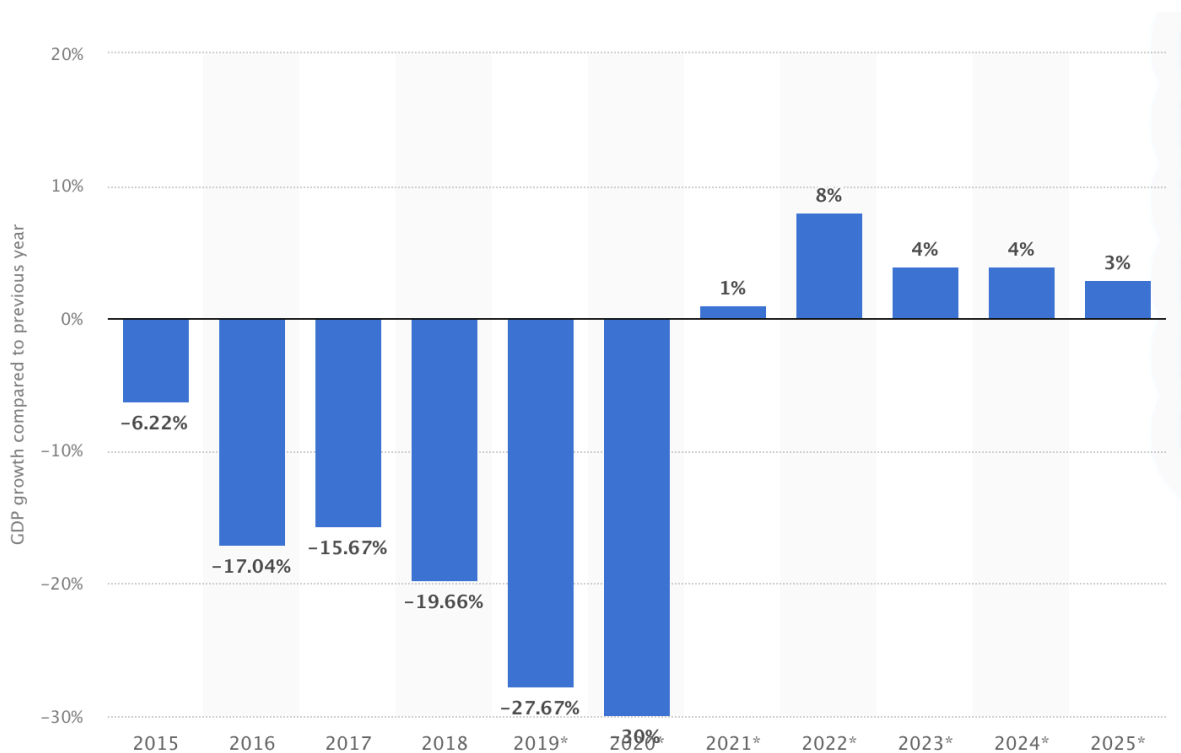
Source: Trading Economics. (2024). *Russia Full Year GDP Growth*. <https://tradingeconomics.com/russia/full-year-gdp-growth>

GDP growth (annual %) - Iran, Islamic Rep. (FIGURE 30)



Source: The World Bank. (n.d.). *GDP growth (annual %) - Iran, Islamic Rep.* World Bank. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2022&locations=IR&start=2012>

Venezuela: Growth rate of the real gross domestic product (GDP) from 2015 to 2025
(FIGURE 31)



Source: Statista. (2024). *Venezuela: Growth rate of the real gross domestic product (GDP) from 2015 to 2025*.
<https://www.statista.com/statistics/370918/gross-domestic-product-gdp-growth-rate-in-venezuela/>