The Decoupling Dilemma: How US Sanctions Erode Global Economic Governance

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Abstract This essay argues that the United States' expansive use of financial sanctions—leveraging dollar-clearing chokepoints and global networks—has paradoxically accelerated pressures toward the erosion of the liberal economic order. As sanctions proliferate, targets move from short-term evasion to building alternative infrastructures, such as China's RMB settlement system (CIPS), BRICS financial mechanisms, central bank digital currencies (CBDCs), and barter-based trade, thereby fostering governance decoupling from US-led systems. Drawing on structural power and institutionalist insights, I show how sanctions catalyze parallel economic ecosystems that fragment the financial architecture and, over time, erode US leverage and dollar centrality—even as the dollar remains dominant. I emphasize heterogeneous switching costs, with near-term change concentrated in the "plumbing" (messaging, clearing, legal venue) rather than in core reserve functions, and sketch two possible futures-bifurcated rival blocs versus pluralistic coexistence—calling on scholars and policymakers to rethink coercive statecraft in light of sanctions' long-term institutional legacies.

Economic sanctions have become central to US foreign policy: Over the past two decades, Washington has imposed more sanctions than the European Union, the United Nations, and Canada combined, with around seventy active sanctions programs targeting over 9,000 individuals, companies, and economic sectors worldwide.[1] Early sanctions relied on broad trade embargoes and sectoral bans, but over time policymakers shifted toward more nuanced financial measures designed to target specific firms, individuals, and sectors. As Figure 1 shows, sanctions—whether imposed unilaterally by the United States or multilaterally through international bodies—jumped sharply after 2010, with financial measures now outnumbering trade, arms, military, and travel restrictions.[2]

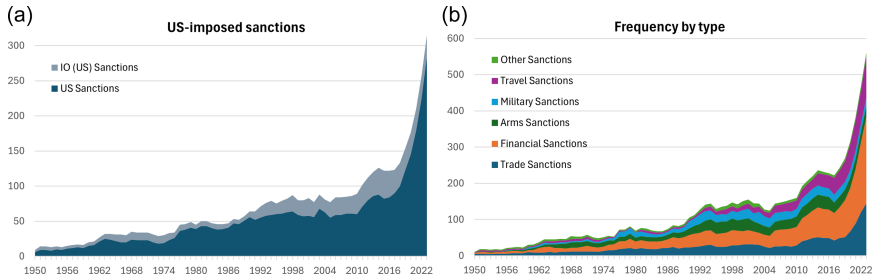
This pivot toward dollar-clearing chokepoints and correspondent-banking exclusion reflects America's confidence in networked leverage: by weaponizing access to SWIFT, dollar liquidity, and capital markets, Washington assumed it could

1. Demarais 2022.
2. Felbermayr et al. 2020.

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inflict targeted pressure without triggering major retaliation. Yet that very confidence has sown a backlash against US gatekeeping power. Rival states and firms have not passively absorbed these costs but rather mobilized a battery of countermeasures—central bank digital currencies, bilateral swap lines, gold accumulation, and barter networks—all aimed at creating "valves" around US-led infrastructure.



Notes: (a) Annual counts of US sanctions imposed by the United States versus those imposed by IOs including the US; (b) Breakdown of all US sanctions by type. (*Source*: Global Sanctions Data Base, Version 4)

FIGURE 1. *The evolution of US-imposed sanctions (1950–2023)*

One need only look at China's Cross-Border Interbank Payment System (CIPS) to see this logic in action: what began as an RMB settlement channel has rapidly grown into a partial SWIFT alternative, adopted by over 4,900 banking institutions in 187 jurisdictions.[3] Simultaneously, sanctioned economies like Russia, Iran, and Venezuela have diversified reserves, launched domestic payment schemes, and rewired supply chains to reduce reliance on US-controlled rails. These adaptations not only blunt the impact of individual sanctions but also form emergent parallel ecosystems—regional currency blocs, BRICS institutions, and normative claims to economic sovereignty—that challenge dollar primacy on a systemic level even as the dollar remains dominant in reserves and foreign exchange markets.

This unfolding paradox—where the tools intended to project US influence instead catalyze institutional decoupling—raises a fundamental question: How do sanctions reshape global governance? Beyond simple cost-benefit logic, this essay draws on structural power and institutionalist insights—extending classic accounts of complex interdependence and engaging recent work on monetary power and sanctions[4]—to trace the dynamic interplay between coercion and adaptation. It shows that each new wave of sanctions intensifies incentives for targets to build alternative nodes and interconnections, producing a process of "governance decoupling" that steadily erodes the interdependence once supporting American hegemony, even though

3. As of May 2025, CIPS has 174 direct and 1,509 indirect participants across 120 countries and regions (1,101 in Asia, 260 in Europe, 60 in Africa, 34 in North America, 34 in South America, and 20 in Oceania). <https://www.cips.com.cn>.

4. Keohane and Nye 1977; Strange 1988; McDowell 2023; Drezner 2024.

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adaptation is costly and often underperforms. These sanction–adaptation dynamics also interact with exogenous shifts—most notably China's rise as a credible outside option and recent volatility in US commitments to rule-based multilateralism—which would pressure dollar centrality even in the absence of sanctions. The analysis further recognizes domain variation in switching costs and the role of enforcement choices—such as selective enforcement—to manage backfire risks. In the sections that follow, I unpack the mechanics of this transformation, explore its plausible trajectories, and consider the long-term implications for coercion in an evolving, multipolar world.

From Interdependence to Weaponized Network Power

Traditional IPE saw economic interdependence as either a peace-promoting web of mutual gains or simply another arena for power balancing. Early liberal-institutionalist work held that commercial linkages and multilateral rules can facilitate cooperation by raising the costs of severed ties,[5] while classical realists emphasized that strategic competition persists beneath economic exchange.[6] Crucially, Keohane and Nye's account of *complex interdependence* and Strange's theory of *structural power* underscored two points central to later debates: asymmetric interdependence generates leverage, and exercising that leverage induces adaptation as exposed actors seek redundancy and alternative rules.[7] In this classical view, influence derives not only from market size or resources but also from how rules, standards, and linkages distribute sensitivities and vulnerabilities across actors. This foundation sets up subsequent work that specifies where, inside concrete infrastructures, those asymmetries reside.

Over the last decade, scholars have extended this logic by highlighting the networked nature of the global economy—trade flows, financial messaging, and overlapping regulations—that shapes states' leverage.[8] Overlapping jurisdictions and dense institutional linkages generate both opportunities and vulnerabilities. When national regulations collide—on issues ranging from accounting standards to export controls—actors can form transnational coalitions that reshape domestic institutions and contest global norms.[9] This "new interdependence" shows why sanctions can inflict damage beyond what simple cost-benefit logic predicts.

Building on this, weaponized interdependence argues that states occupying central "hub" positions in global networks—such as US dominance over the dollar payments system, SWIFT, and major capital markets—gain two asymmetric advantages: the panopticon effect, which allows monitoring and intelligence gathering, and the chokepoint effect, which enables targeted states to be cut off from essential services.[10]

5. Ruggie 1982; Keohane 1984; Ikenberry 2011.
6. Morgenthau 1948; Waltz 1979; Gilpin 1987; Mearsheimer 2001.
7. Keohane and Nye 1977; Strange 1988.
8. Farrell and Newman 2014, 2015.
9. Farrell and Newman 2015; Hameiri 2020.
10. Farrell and Newman 2019.

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In an age when traditional military options yield high risks and diminishing returns, states increasingly turn to economic coercion to preserve or enhance relative advantage and to exploit monetary centrality.[11] Yet weaponizing interdependence entails its own fragility: when states rely heavily on disrupting financial or trade chokepoints, they create the very incentives for rivals to develop counter-hegemonic architectures and to "sanctions-proof" key transactions, prompting a spectrum of coping strategies.

For analytic clarity, these strategies can be grouped into three forms: *evasion* (one-off concealment to complete a transaction), *adaptation* (operational workarounds that preserve dependence on existing rails), and *governance decoupling* (the deliberate construction of alternative rules, venues, and payment rails that reduce exposure to US chokepoints). These forms lie on an investment–institutionalization continuum: evasion is episodic, adaptation routinizes workarounds on existing rails, and governance decoupling institutionalizes alternative rules and payment rails. Because only the last alters underlying dependence, it is most likely under three scope conditions. First, actors must possess—or be able to manufacture over time—credible outside options: repeated coercion can turn demand for alternatives into actual supply.[12] Second, switching costs are heterogeneous across domains: reserve-currency functions are far stickier than supply chains, slowing substitution at the monetary core while enabling earlier shifts in trade and finance plumbing.[13] Third, policy feedbacks harden workaround investments into institutions: once firms and states internalize the value of redundancy, complementary rules and infrastructures accumulate, making reversion less likely even if sanctions abate.[14] Under these conditions, each sanction episode raises the expected return to investing in alternatives, pushing the system from transactional evasion toward persistent network reconfiguration.

Consequently, pressures can accumulate toward governance decoupling: rather than episodic evasion, targets begin to institutionalize redundancy and partial exit from US-led arrangements. Once a state perceives that continued participation in US-dominated systems poses an existential risk, it seeks alternative payment rails (such as China's CIPS), regional currency swaps, and digital currencies. Related diversification has also been driven by dissatisfaction with US-led financial governance and the search for non-IMF options, which has bolstered support for China's economic leadership.[15] Jurisdictional expansion—through internal regulatory harmonization within the European Union or coordinated BRICS fintech standards—further diminishes vulnerability to US extraterritorial measures.[16] Rather than simply weighing compliance costs against political objectives, sanctioned actors move from one-off evasion to institutionalized insulation, building valves around chokepoints

11. Drezner 2024.
12. Keohane and Nye 1977; Strange 1988; McDowell 2023.
13. Lipscy 2015; Cohen 2015; Eichengreen 2011.
14. Drezner 2024; Pierson 2000.
15. Broz, Zhang, and Wang 2020.
16. Kalyanpur and Newman 2019.

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that progressively blunt the intended impact of sanctions.[17] For instance, after the United States imposed financial sanctions on Iran in 2010, Tehran deepened barter networks, engaged third-party intermediaries, and pivoted to non-dollar trade partnerships, partially insulating key transactions and sectors.

Network-based research is consistent with these shifts being more than temporary detours. Even a resilient hub can see its position erode if targets gain access to alternative nodes. Empirical analyses of financial networks find that shocks—whether sanctions or financial crises—tend to drive lasting reconfiguration rather than mere reversion to the status quo.[18] Indeed, the post-2008 "new global disorder" has heightened the drive toward relative autonomy, as European and other actors reassess their dependence on US-centric systems, even as US monetary dominance persisted.[19]

Geoeconomic competition intensifies this dynamic. Rising powers are channeling resources into alternative institutions—such as the Asian Infrastructure Investment Bank (AIIB) and digital currency forums—to reduce reliance on US primacy.[20] Meanwhile, the piecemeal use of sanctions, rather than a unified geoeconomic strategy, creates opportunities for targets to exploit loopholes and shift toward rival systems.[21] To mitigate backfire risks, the United States can employ selective enforcement strategies of financial sanctions—narrowing scope, sequencing targets, and modulating penalties—to preserve cooperation incentives for pivotal third parties and reduce incentives to reroute through rival rails.[22] Accordingly, the near-term risk is less abrupt dollar displacement than incremental, system-level fragmentation as non-US actors build shared rules and payment networks.

Together, these works reveal that sanctions do more than penalize—they can reshape the very systems they rely on, strengthening incentives for targets to build alternative pathways—be it through blockchain innovations, parallel legal frameworks, or regional currency accords—so that the dialectic between coercion and institutional adaptation can move beyond episodic evasion toward governance decoupling in specific domains. The next section traces these pressures in practice, focusing on the emergence of parallel payment infrastructures and rule-making venues.

Sanctions and the Rise of Parallel Economic Ecosystems

Building on the logic of governance decoupling, this section assesses how US sanctions have contributed to the gradual fragmentation of existing networks and to the emergence of operational alternatives—both technical workarounds and broader

17. Demarais 2022; Beaumier and Cartwright 2024.
18. Oatley et al. 2013; Oatley 2019; Winecoff 2020.
19. Lavery and Schmid 2021; Norrlof et al. 2020.
20. Roberts, Moraes, and Ferguson 2019.
21. Blackwill and Harris 2016.
22. Lipscy 2015; Bapat et al. 2024.

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institutional orders—that are beginning to coexist with, and in select domains compete with, US-led systems. Where once global connectivity was assumed durable, repeated episodes of financial coercion—especially since 2010—appear to have catalyzed incipient institutional fragmentation, gradually giving rise to new, parallel economic ecosystems, despite limited uptake and continued dollar dominance.

Technical and Financial Workaround

One of the clearest manifestations of this trend is the emergence of alternative payment infrastructures. China's CIPS exemplifies this shift: originally launched to facilitate RMB trade settlements, it has grown into a partial SWIFT alternative that now links more than 4,900 institutions in 187 jurisdictions.[2] CIPS is best understood as an RMB-focused complement to SWIFT; when sanctions constrain access to dollar-denominated rails, its use can, at the margin, narrow Washington's secondary-sanctions leverage.[23] In foreign-exchange turnover, the dollar's vehicle-currency share is essentially unchanged—88.3 percent in 2019 and 88.5 percent in 2022—whereas the RMB posted the largest gain among major currencies, rising from 4 percent to 7 percent and moving from eighth to fifth most traded.[24] Thus while dollar dominance persists, the direction of change points to a gradually expanding RMB footprint and greater viability of RMB-based settlements as pressure relief valves rather than full substitutes for US-centric rails.[25] By contrast, official reserves are far more stable: the dollar still accounts for roughly 58 percent of reported global foreign-exchange reserves in 2024, versus about 2 percent for the RMB—underscoring limited reallocation even as RMB turnover rises.[26] In short, the "there is no alternative" constraint endures—anchored in the depth and liquidity of US markets[27]—even as sanctions-driven demand slowly manufactures partial alternatives in compliance-sensitive niches.

In this context, a natural question is where RMB internationalization is advancing: primarily in corridor-specific settlement and sanctions-exposed niches, or toward a broader challenge to system-wide dollar centrality. Optimists highlight China's economic scale, centrality in world trade, and perceived macroeconomic stability as drivers of global RMB use,[28] alongside bilateral swap agreements and reserve diversification that signal growing political alignment outside the dollar.[29] Skeptics emphasize capital-account restrictions and shallower financial markets as binding constraints on wider uptake.[30] A third perspective stresses deliberately constructed

23. Demarais 2022.
24. Bank for International Settlements 2022.
25. McDowell 2023.
26. International Monetary Fund 2025.
27. Eichengreen 2011; Cohen 2015.
28. Dobson and Masson 2009; Subramanian 2011.
29. Liao and McDowell 2016; Helleiner and Kirshner 2014; Prasad 2017.
30. Eichengreen 2011; Prasad 2017; Lai 2021.

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RMB networks—swap lines and settlement relationships designed to bypass dollar-centric chokepoints—as the proximate engine of recent growth.[31] Taken together, these views suggest that near-term gains will be concentrated in settlement and compliance-sensitive domains, consistent with the emergence of parallel ecosystems rather than wholesale displacement.

Complementing RMB-based trade, sanctioned economies have experimented with digital workarounds to keep critical transactions moving. CBDC pilots in Russia and China reflect attempts to build payment environments less reliant on US-controlled rails,[32] while informal networks of cryptocurrency exchanges and blockchain protocols have seen episodic use by Iranian and Venezuelan firms to evade banking restrictions.[33] These innovations can lower the marginal impact of sanctions by opening narrow relief valves around chokepoints, but they heighten compliance risk and are often reversible; for example, Iranian banks reconnected to SWIFT after the 2016 Joint Comprehensive Plan of Action (JCPOA) and remained connected until restrictions were reimposed.[34] In short, adaptation mitigates rather than eliminates coercive pressure, and its durability hinges on access to large, willing counterparties —above all China. For non-adversaries in particular, these trade-offs tend to dampen incentives to exit wholesale, making incremental hedging—rather than full substitution—the modal response.

Beyond transaction-level fixes, a broader "sanctions-proofing" playbook has taken root in Russia, Iran, and Venezuela: diversifying reserves away from dollars, deepening regional trade ties, and building commodity-barter networks.[35] Russia's MIR card network and reserve diversification into gold show how sanctions can trigger domestic payments reforms and balance-sheet insurance;[36] Iran's barter with China and India and its logistics cooperation with Turkey reconfigure supply chains to reduce exposure to interdiction;[37] and Venezuela has experimented with petro-barter and crypto channels to secure essential imports.[38] These strategies, however, entail efficiency losses and frequently underperform, with documented macroeconomic strain in Iran, slower innovation and productivity dynamics in Russia, and deepening informalization and output collapse in Venezuela.[39] Where they persist, it is typically because repeated coercion and credible external partners convert stopgaps into institutionalized rules and backstops—that is, governance decoupling in specific, compliance-sensitive domains.

31. Lee and Lim 2025.
32. Mancini-Griffoli et al. 2018.
33. Fanusie and Robinson 2018.
34. Katzman 2020.
35. Demarais 2022.
36. Connolly 2018.
37. Katzman 2020.
38. Fanusie and Robinson 2018.
39. Connolly 2018; Katzman 2020; Bull and Rosales 2020; Aray and Vera 2024.

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Emerging Institutional Orders

These fragmented economic measures have begun to coalesce into larger, coherent parallel arrangements, contributing to incremental de-risking from the dollar and experiments with regional monetary arrangements. Notably, BRICS countries established the New Development Bank (whose operational scale to date remains modest) and outlined plans for a shared contingency reserve arrangement, which together aim to provide capital outside of IMF channels and reduce collective dependence on the dollar. In parallel, regional initiatives such as the African Continental Free Trade Area (AfCFTA) and the Shanghai Cooperation Organization's push for cross-border RMB settlement are institutionalizing practices that depart from US-led templates. In many cases, the common design principle is to validate transactions in currencies and legal frameworks less exposed to US jurisdiction. Regional currency blocs themselves are not new; the novelty lies in their instrumentalization for sanctions-risk management and their tighter coupling to swap lines, clearing arrangements, and non-US legal venues. These pressures toward redundancy are not confined to sanctioned targets: many third countries hedge as well —motivated by dissatisfaction with IMF conditionality and by perceived variability in US commitment to liberal rules—by adopting dual-stack compliance, local-currency settlement options, and regionally anchored backstops.[40] Beyond sanctions, longer-run "Bretton Woods II" dynamics—reserve accumulation for self-insurance alongside regionally organized liquidity lines—have likewise encouraged diversification from IMF-centric adjustment, with China's swap-line diplomacy playing a visible role.[41]

Beyond the mechanics of payment rails, parallel ecosystems grow when participants doubt that access to dollar infrastructures will be governed as an impersonal, rule-bound "club good." In Strange's terms, perceived politicization of structural power raises the expected political-risk premium of reliance on US channels, even for actors that are not currently sanctioned.[42] Because states weigh the risk of politicization in any hierarchical system, participation in China-anchored arrangements may trade exposure to US leverage for exposure to Chinese leverage, keeping net gains contingent and domain-specific. High fixed costs and path-dependent complementarities also make institution-building lumpy and slow; where new bodies do emerge, they typically encode sponsor preferences rather than neutral rules.[43] For example, RMB internationalization illustrates these trade-offs: Beijing's swap-line diplomacy is partly politicized and relational rather than purely market-driven,[44] and contract analyses of Chinese overseas lending reveal confidentiality clauses and creditor-friendly terms that can amplify Beijing's bargaining power.[45]

40. Broz, Zhang, and Wang 2020; Drezner 2024.
41. Broz, Zhang, and Wang 2020.
42. Strange 1988; McDowell 2021.
43. Pierson 2000; Gelpern et al. 2023.
44. Liao and McDowell 2015.
45. Gelpern et al. 2023.

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Even where governance appears more multilateral—as at the AIIB—the extent of de facto political influence remains contested.[46]

These credibility and politicization concerns, on both sides, then operate on the supply side: repeated episodes of coercion and heightened uncertainty increase demand for redundancy, which—over time—can generate supply in the form of swap lines, RMB clearing, and regionally anchored adjudication venues.[47] China's rise matters here not only as a destination for trade and finance but as a credible outside option that can coordinate alternative standards.[48] Crucially, this does not imply imminent dollar displacement; deep, liquid US markets still slow substitution. Rather, credibility problems normalize limited decoupling as insurance, lowering switching costs and making partial re-routing more likely during shocks—so that repeated hedges gradually accumulate into institutional change.

China's leadership in promoting these parallel institutions is salient. By financing projects through the AIIB and encouraging RMB settlement among Belt and Road Initiative partners, Beijing has signaled that economic sovereignty—understood as the ability to conduct commerce without fear of unilateral external interference—is an achievable norm. This turn has diffused in some quarters: more states increasingly view economic sovereignty as not only desirable but necessary. As a result, regional trade agreements and multilateral development banks increasingly embed provisions for local currency use, dispute-resolution mechanisms insulated from US courts, and payment architectures linked to national swap lines rather than to the Federal Reserve.[49]

This normative turn frames a rivalry between traditional US-dominated institutions emphasizing rule-based integration and emergent frameworks prioritizing autonomy and resilience. Where US diplomacy once assumed that inclusion in Western financial systems guaranteed security and prosperity, emerging doctrines advocate for a multipolar governance landscape: one in which no single power controls the critical nodes of global trade and finance. This shift has important implications for institutional competition. As more governments and private firms hedge against potential US sanctions by locating assets in friendly jurisdictions or by adopting non-US legal standards, the drawing of new lines in the global economy becomes more feasible, and the costs of switching away from dollar-based systems decrease.

Because adjustment costs differ across domains, we should expect staggered change: faster innovation in *plumbing* (messaging, clearing, legal venue) than in *stores of value* (reserve assets).[50] Observable signals of durable decoupling therefore include: rising shares of non-dollar invoicing in specific corridors, greater drawdown and activation of non-US swap lines, migration of dispute resolution to non-US forums, and persistent membership growth in alternative messaging/clearing consortia—without reversion after sanctions abate. These criteria distinguish

46. Chin 2016.
47. McDowell 2023; Drezner 2024.
48. Broz, Zhang, and Wang 2020.
49. Liao and McDowell 2015; Roberts, Moraes, and Ferguson 2019; Kalyanpur and Newman 2019.
50. Lipscy 2015.

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decoupling from evasion and adaptation: we code "governance decoupling" only when changes persist beyond specific sanction episodes and diffuse to actors not presently under sanction. Enforcement patterns are thus a scope condition for these signals: predictable, narrow enforcement is typically associated with reversion, whereas broad or volatile enforcement is more likely to coincide with persistence and diffusion.[51] This framework clarifies why we see gradual erosion at the margins rather than abrupt replacement at the core.

These technical innovations and emerging institutional alternatives suggest pressures toward a reordering of global economic governance. While once-dominant US networks still retain considerable reach, their monopoly over some key chokepoints may be eroding as alternatives gain legitimacy and scale. Over time, these emergent ecosystems may operate under different rule sets and operating logics —whether through regional currency blocs, digital-token payment mechanisms, or legal frameworks that privilege economic sovereignty over unqualified liberalization. As they deepen, they could not only undermine US coercive leverage but also reshape geopolitical alignments, trade patterns, and the very architecture of international economic order.

Rethinking Coercion in a Post-unipolar Order

As repeated US sanctions interact with broader shifts—China's rise and recent volatility in US commitments to liberal rules—global economic governance stands at a crossroads. The core question is whether the future holds a bifurcation into rival economic blocs or a pluralistic coexistence of interoperable systems. On the one hand, bifurcation is plausible. As China, the BRICS countries, and other regional coalitions consolidate payment platforms and legal regimes independent of dollar-centric mechanisms, incentives to remain connected to US chokepoints diminish. Over time, separate spheres of finance and trade could crystallize, with firms and states choosing one bloc's clearinghouses, dispute-resolution norms, and settlement currencies over the other. In that scenario, parallel orders would evolve in relative isolation—effectively erecting economic "curtains" that limit cross-bloc integration and force states to navigate dueling sets of rules depending on their chosen alliances.

While this bifurcation scenario is plausible, it is not inevitable. Alternatively, pluralistic coexistence might emerge if multiple networks learn to interoperate—if, for instance, a state's domestic institutions and firms adopt dual-stack arrangements that allow seamless switching between US-led and alternative systems. In such a world, no single actor would fully dominate, but power would be diffused through a mosaic of overlapping regimes. Institutional resilience, in this context, would hinge not on absolute centrality but on adaptability: networks that can reconfigure in response to shocks and build bridges across regulatory divides would claim a competitive advantage. Indeed, the very concept of regime complexity takes on new

51. Bapat et al. 2024.

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urgency as scholars recognize that states will inhabit an ecosystem of competing—but not necessarily mutually exclusive—institutions. Under these conditions, durability arises less from dominance than from a network's capacity for modularity, interoperability, and rapid reordering in the face of novel coercive tactics.

If sanctions in a unipolar era served as powerful levers to impose costs without triggering full-scale war, their utility in a post-unipolar order is more conditional. As more actors develop their own valves and alternative channels—whether through digital tokens, regional swap lines, or parallel supranational courts—the marginal returns on US sanctions can decline. Every additional round of financial pressure may yield less raw leverage because the number of firms and states capable of rerouting transactions around chokepoints steadily grows. In effect, the sanctioning state confronts diminishing returns: the first wave of targeted financial exclusion may still inflict genuine hardship on a regime that lacks recourse, but by the third or fourth round, that same regime and its commercial partners have likely woven a denser web of alternatives.

This evolving landscape calls on IR scholarship to integrate backfire logic explicitly into theory. Traditional models of sanction effectiveness often assume that if targeted costs can be raised or varied sufficiently, the desired political outcome will follow. Yet the empirical record suggests otherwise: demand for alternatives can gradually create supply. This "backlash" dynamic is consistent with McDowell's account of how repeated sanctions reshape expectations about dollar risk and, over time, nudge institutional change even without dramatic shifts at the core. When coercive measures themselves drive institutional innovation, they tend to shift the balance of structural power rather than secure compliance. A mature research agenda must therefore move beyond simple cost-benefit calculations to examine how repeated sanctions reshape—and sometimes erode—the underlying networks they leverage. Conceptual frameworks that treat sanctions as static "sticks" miss the dynamic, reflexive process by which targets and allies co-construct alternative orders in response.

Finally, anticipating the institutional legacies of economic coercion is imperative. Today's sanctions leave more than economic pain; they incentivize sanctioned regimes and their partners to invest in durable parallel infrastructures and alternative legal standards that outlive any individual sanctions episode. Each round of coercion can durably reshape the global governance architecture, embedding new rules and norms into international relations. To navigate this reality, policymakers and scholars alike must develop a forward-looking understanding of how coercive episodes catalyze structural change—an understanding that acknowledges sanctions' paradoxical power to undermine the very order they intend to uphold. Only by anticipating these legacies can we reimagine coercion in a world where reliance on a single hegemonic currency and unified regulatory institutions is increasingly contested.

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