

By Strategic Studies Centre

GEOSTRATA

October 2026



WEAPONISING INTERDEPENDENCE

*US SANCTIONS AND EMERGING
MULTI-POLAR RESISTANCE*



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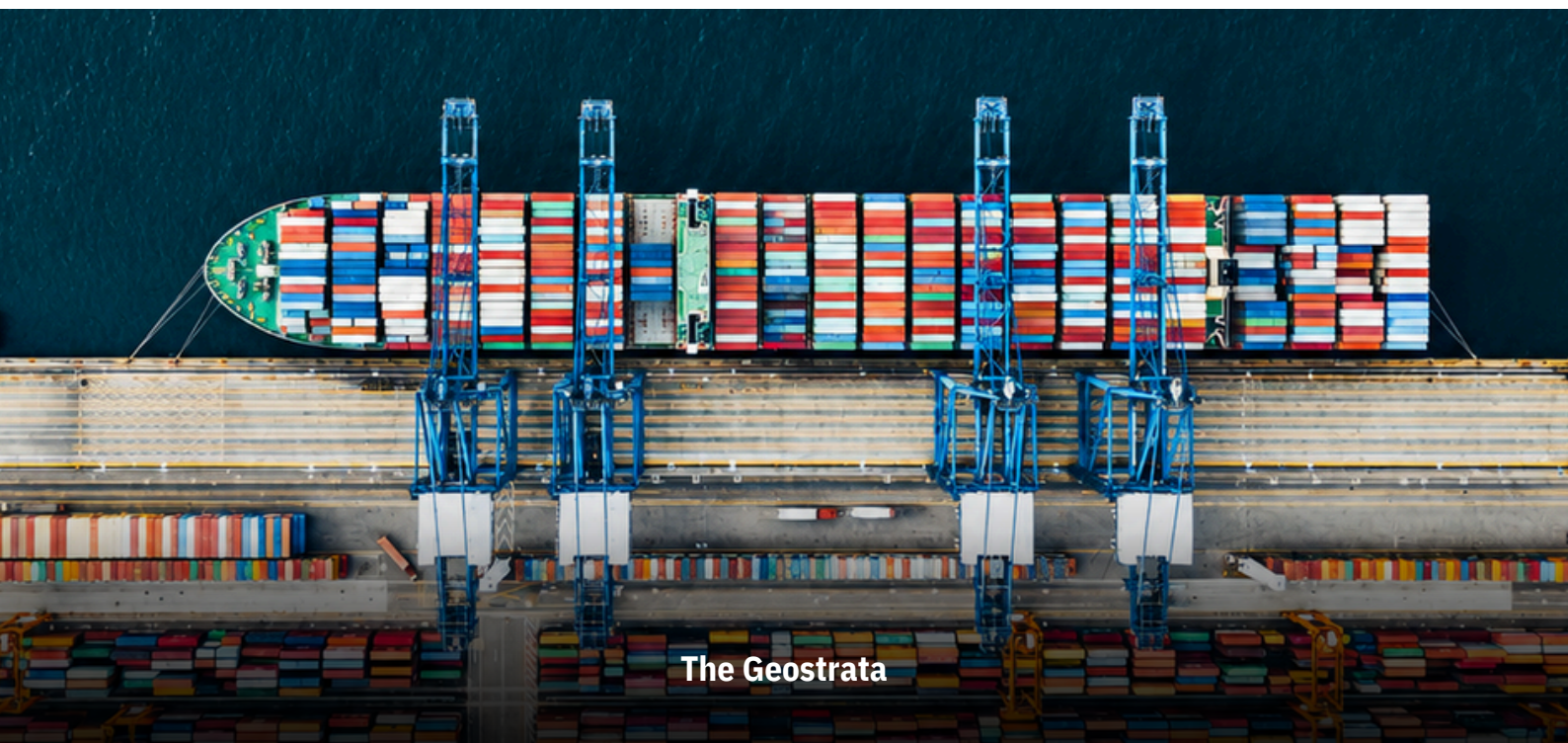
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Nevertheless, the increasing use of sanctions and “weaponised interdependence” is contributing to a gradual transition toward financial multipolarity.



Executive Summary

The United States leverages its “centrality” within global financial networks, particularly through the dominance of the US dollar and its influence over institutions such as SWIFT, to exert coercive economic pressure on other states. US sanctions policy has increasingly shifted from traditional trade embargoes toward targeted and secondary sanctions, extending pressure to non-sanctioned states and entities maintaining commercial or financial relations with sanctioned countries. India’s continued trade with Russia, particularly in crude oil, illustrates the pressures generated by this approach. Such financial coercion has encouraged states to develop alternative mechanisms to reduce dependence on Western-dominated financial infrastructure. Russia’s System for Transfer of Financial Messages (SPFS) and China’s Cross-Border Interbank Payment System (CIPS) are prominent examples. The growing use of these mechanisms has also facilitated greater trade and settlement in local currencies, potentially reducing dependence on the US dollar. However, these alternatives remain far from possessing the scale, liquidity, institutional depth, and global acceptance required to replace the dollar-centred system. Nevertheless, the increasing use of sanctions and “weaponised interdependence” is contributing to a gradual transition toward financial multipolarity. Rather than replacing the existing system outright, multiple alternative networks are emerging, offering states greater resilience against sanctions and gradually eroding the United States’ centrality within global financial networks.





INTRODUCTION

This was the largest and most expansive financial sanction imposed on a major world economy.

In February-March 2022, G7 members and the European Union coordinated measures that immobilised roughly \$300 billion of Russian central-bank assets held in their jurisdictions and, through EU sanctions, required SWIFT to disconnect designated Russian banks.¹ This was the largest and most expansive financial sanction imposed on a major world economy.² However, it was not an exception; rather, it was part of a trend starting from the early 2000s, when the US slowly shifted strategies from broad trade embargoes to the weaponisation of global financial institutions such as SWIFT and dollar dominance, which was cemented by the 1944 Bretton Woods institutions. Economic interdependence was interpreted as bringing a pacifying force and a shared commitment to mutual growth; however, it has also allowed certain nations with political influence over global economic bodies to weaponise it and use it as an extension of their geopolitical influence.³





EXPLAINING WEAPONISED INTERDEPENDENCE

While the phenomenon has existed during the early periods of globalisation, advancements in technology have allowed states to increase their surveillance networks to use digital records of private players

The institutions created in the pursuit of efficiency by market forces in an asymmetric network can be used by states for the coercive propagation of their economic and political ideals.⁴ This enables two forms of weaponisation of interdependence.

Firstly, the panopticon effect, which refers to gaining critical details from the information flows of other nations. This is done by states with jurisdiction or physical access to the hubs through which communication is facilitated and relied on due to the massive economic benefits. While the phenomenon has existed during the early periods of globalisation, advancements in technology have allowed states to increase their surveillance networks to use digital records of private players such as banks and everyday electronics such as smartphones as active sensors.





Secondly, the chokepoint effect, which refers to the states' ability to deny or limit access to the 'hub', thereby imposing severe consequences on the other state.⁵ Historically, during the First World War, the UK, with a monopoly on transoceanic communication, cut German undersea cables to hamper their wartime capability.

A state's ability to leverage these effects is subject to the amount of jurisdictional and physical access it has to these hubs, which helps explain why a large number of these hubs are located in the US and across the EU.⁶ However, the institutional framework and state-society relationship, in the form of privacy laws and public outrage over weaponisation, also serve as considerations regarding the degree of effective use of these methods.



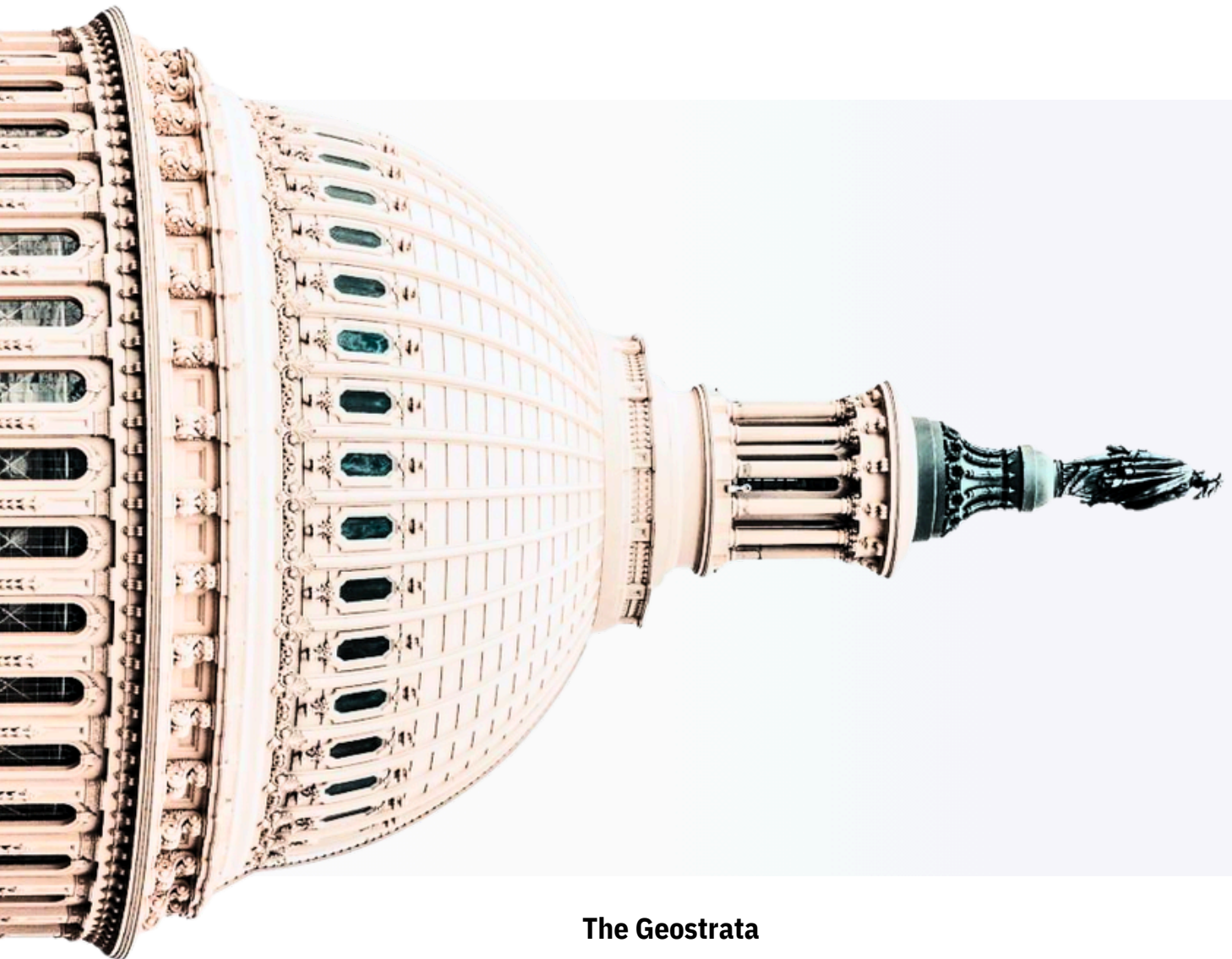


THE EVOLTION OF US SANCTIONS POLICY

While they were reconnected after the signing of the JCPOA, or the 2015 Iran nuclear deal, in 2018 they were again imposed.

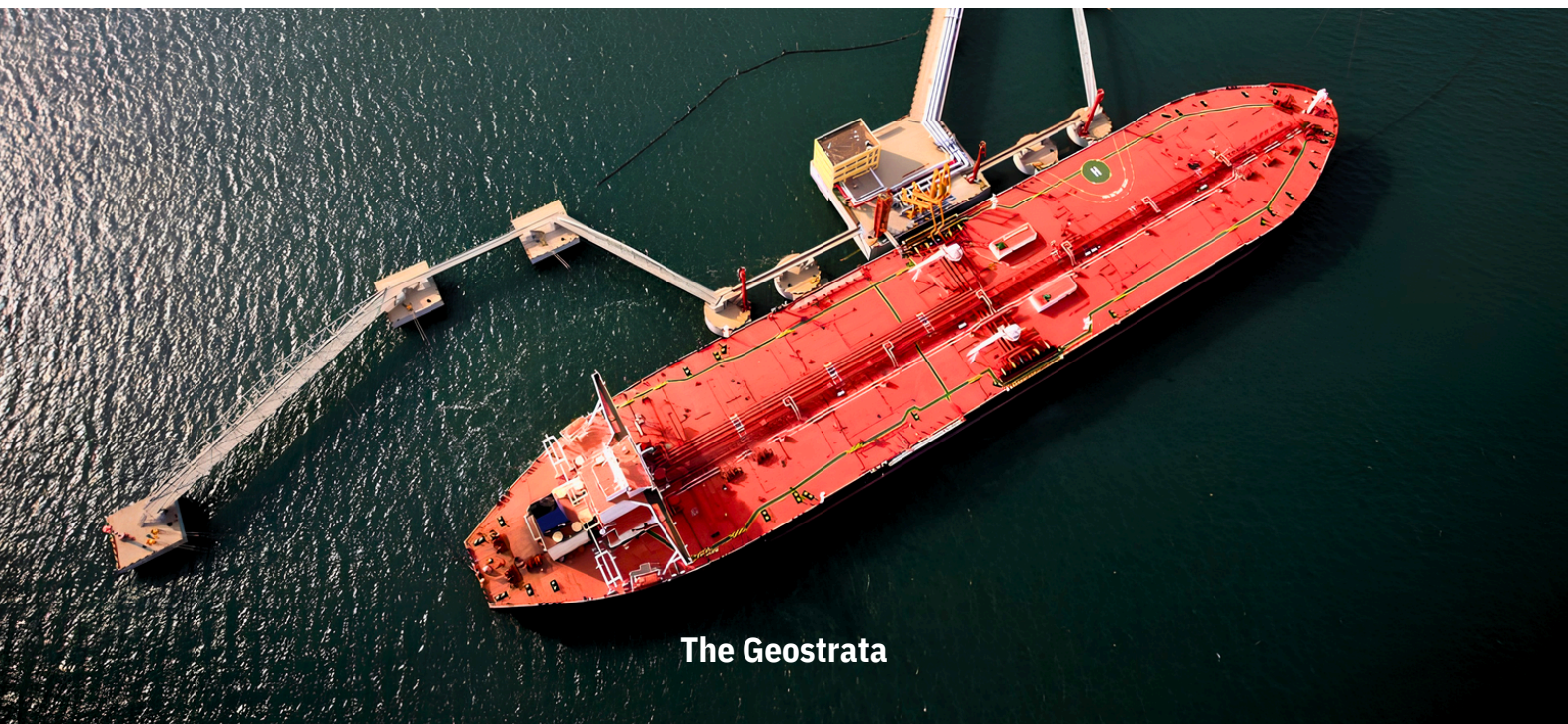
During the Cold War, the US relied on blanket trade embargoes that targeted the entire economy, such as those against Cuba and China. This measure acts through import and export controls rather than financial exclusion. They were also undermined to various degrees by intermediating goods through other non-embargoed nations.

In 2001, the Patriot Act and Executive Order 13224 considerably expanded OFAC's (Office of Foreign Assets Control) authority, allowing for the targeted designation of individuals, entities, and sovereign institutions.⁷ Adding the central bank of another state to the SDN (Specially Designated Nationals and Blocked Persons List) would "severely undermine the target's ability to ensure sufficient availability of foreign exchange reserves."





One of the first major uses of this was against Iran in 2012, with certain Iranian banks being cut off from SWIFT.⁸ While they were reconnected after the signing of the JCPOA, or the 2015 Iran nuclear deal, in 2018 they were again imposed. SWIFT followed US policy despite EU non-compliance, ‘in the interest of the stability and integrity of the wider global financial system,’ to avoid US sanctions on itself.⁹ The difference from before is that sanctions now also prohibit any non-US entities from violating US sanctions if the transfer of assets from one foreign bank or entity is intermediated through a US bank or entity to another foreign bank or entity.¹⁰ Thus, to avoid sanctions, they would have to leave the dollar-dominated trade in its entirety. Most recently, in August 2026, the renewed US sanctions on Iran demonstrate how weaponised interdependence allows Washington to leverage its central position in global financial and energy networks. The sanctions target Iran’s oil trade, shipping networks, and associated financial channels, extending their effects beyond Iran to countries and businesses dependent on Iranian energy. China, which purchased around 90% of Iran’s crude exports in 2025, is particularly exposed, while disruptions around the Strait of Hormuz threaten a major global oil transit route. The resulting pressure on oil supplies, shipping costs, and global markets illustrates the wider consequences of sanctions-based economic coercion. At the same time, such measures may accelerate efforts by affected states to diversify suppliers, strengthen alternative payment mechanisms, and expand local-currency trade, gradually reducing dependence on US-centred financial networks and contributing to a more multipolar economic order.¹¹



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SWIFT AND DOLLAR DOMINANCE

This system becomes self-reinforcing when a currency dominates trade invoicing, reserve accumulation, and cross-border clearing.

A cooperative of 239 banks from 15 countries formed SWIFT in 1973; it is a messaging system that banks use to send instructions, using standard codes and formats, to banks in other countries.¹² It facilitates credit and debit information for currencies other than the dollar. As of March 2022, the dollar accounted (by value) for 41.1% of payment instructions transmitted by SWIFT, the euro for 35.4%, the British pound for 6.5%, the Japanese yen for 2.8%, and the Chinese renminbi for 2.2%. By 2022, it had also connected over 200 countries and 11,500 institutions, with 44 million messages daily.¹³

As mentioned earlier, without formal jurisdiction, the US exerts influence over SWIFT through the threat of secondary sanctions.¹⁴ However, the dominance of the US dollar further amplifies this, as it is embedded across messaging and communications, medium of exchange, settlement, and clearing. This system becomes self-reinforcing when a currency dominates trade invoicing, reserve accumulation, and cross-border clearing.



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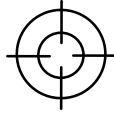
CASE STUDIES

In March 2012, in accordance with EU Regulation 267/2012 and sustained US pressure, SWIFT disconnected several Iranian banks from its messaging network.¹⁵ This also marked the first time the system had been used as a form of sanctions against a state.¹⁶ The economic impact of this was immediate, with Iranian crude oil export revenue falling from 95 billion dollars to 69 billion dollars from 2011 to 2012 and the GDP contracting by 7.4% that year. In response to this, Iran developed SEPAM (System for Electronic Payments Messaging), a domestic financial messaging system, and later linked it to Russia's SPFS (System for Transfer of Financial Messages), enabling cross-border transactions outside of SWIFT and eventually to 106 foreign banks across 13 countries.¹⁷

While countries always have alternatives in the form of telegraph, telex, and even blockchain, they prove to be slower, less secure, and costlier, with bespoke transactions taking even more time and money.¹⁸

Within days of the February invasion of Ukraine, G7 nations disconnected 7 major Russian banks from SWIFT and froze over 300 billion US dollars in Russian central bank assets. The coalition of 37 countries imposing sanctions did so across Russian imports, exports, and the financial sector.¹⁹ On 30th March 2022, Russia introduced parallel imports, or the import of goods without trademark owner consent, in response to the pullout of foreign companies. Sanctioned goods were rerouted by third-country intermediaries, shell companies, and transit hubs in Türkiye, Kazakhstan, and Kyrgyzstan.²⁰ Russian crude oil originally for Europe was later primarily absorbed by China and India, reorienting the energy trade.





Similarly, transactions shifted away from the dollar towards Roubles, UAE Dirhams, and Indian Rupees.²¹ The economic impact was less than predicted; three years after the invasion, Russian import values had declined by only approximately 3%, but pressure was visible, with the Russian current account balance falling by 4.8 billion dollars in Q4 of 2024.²² With its war expenditure now accounting for 40% of its budget, sanctions have not collapsed; rather, they have raised the costs for the Russian economy.²³ It has also pushed them to build alternative financial structures such as the CBDC-based settlement system raised at the BRICS forum in October 2024.

Before February 2022, Russian oil accounted for close to 2.5% of India's crude imports.²⁴ After the invasion, Russia offered India crude at a discount lower than the Brent benchmark, and Russian oil accounted for 35.9% and 35.8% of India's crude imports in FY2023-24 and FY2024-25, respectively.²⁵ Indian refiners benefited by approximately 12.2 dollars per barrel on discounted prices. Thus, even though India was not a sanctioned state, it was the target of action by the US. On August 27, 2025, the US imposed a 25% duty on Indian purchases of Russian oil, on top of the existing 25% reciprocal tariffs.²⁶ Then, on October 22, 2025, sanctions were imposed on Rosneft and Lukoil, taking effect from November 21st; they directly affected 60% of India's Russian crude oil supply. Indian imports of Russian crude oil fell from 1.56 million barrels a day to 0.94 million barrels per day from early August to early November. However, despite sanctions, Russian crude oil has remained accessible to Indian refiners, and India has not formally changed its position on the US-led sanctions policy.





MULTI-POLAR RESISTANCE

Intra-BRICS
trade conducted
in local
currencies
reached 65% of
total intra-block
trade in 2024.

The dollar's share of global foreign exchange reserves declined from a peak of 71% in 2000 to 57.4% in Q3 of 2024, which has been attributed to its increasing weaponisation.²⁷ The BRICS nations collectively hold 42% of the world's foreign exchange reserves and, as of 2024, account for 40.2% of global GDP in terms of purchasing power parity, surpassing the G7's 28.8%.²⁸ Intra-BRICS trade conducted in local currencies reached 65% of total intra-block trade in 2024.²⁹ At the country level, resistance takes the form of Russia developing SPFS and connecting it to 550 institutions across 24 countries and China's CIPS (Cross-Border Interbank Payment System), which processed over 6.6 million transactions worth approximately 17 trillion dollars in 2023, with over 1600 direct and indirect participants.³⁰





At the multilateral level, BRICS announced the CBPI (Cross-border Payments Initiative) during the 2024 Kazan Summit. It comprises BRICS Pay, a retail digital payments platform for cross-border transactions in local currencies, BRICS Bridge, a wholesale CBDC settlement infrastructure based on distributed ledger technology, and BRICS Clear, a securities clearing and depository system.³¹ The central banks of China, Hong Kong, Thailand, and the UAE developed the mBridge platform, which reached the minimum viability level in October 2024, and then the Bank for International Settlements withdrew to allow participating nations to operate independently.³² The Kazan Declaration also formally condemned unilateral coercive measures as “contrary to international law”.³³

However, a number of these initiatives remain operationally limited. No fully unified BRICS payment system exists, with BRICS Pay still in pilot stages, and BRICS Bridge without a formal operational structure.³⁴ 80% of China’s CIPS payments are still routed through SWIFT messaging.³⁵ Operating along multiple payment rails at the same time increases compliance burdens and counterparty risk, creating inefficiencies that slow adoption.³⁶ There is a causal link between sanctions and institutional response.³⁷ Between February 2022 and January 2025, the US has imposed 976 secondary sanctions tied to Russia, with a majority of them against companies in China, India, Türkiye, and the UAE. Each sanction adds to the cost differential, pushing states towards building alternatives.³⁸





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NUCLEAR STUDIES



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For a Distinctly Indian Take on World Affairs

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The logo for Geostrata, featuring the word "GEOSTRATA" in white, uppercase, sans-serif font. A small globe icon is positioned between the "O" and "S". The logo is set against a solid blue rectangular background.

For a Distinctly Indian Take on World Affairs

The Geostrata, with a commitment to fostering a comprehensive understanding of global dynamics and thereby promoting a distinctly Indian take on world affairs, has structured its expertise into distinct pillars of creation. These pillars represent a synthesis of profound research, informed perspectives, and proactive engagement in each domain.

In our "Strategic Studies" division, we delve into critical issues ranging from national security challenges, such as aerospace threats and terrorism, to focused areas like maritime and cybersecurity. Recognizing the pivotal role of international relations, our "Diplomacy" pillar spans geographic-specific desks, ensuring we maintain a nuanced perspective on global interactions.

Our commitment to sustainable futures is evident in our "Environment" section, where we tackle everything from energy security to biodiversity conservation. Meanwhile, the "Trade and Development" segment ensures a comprehensive understanding of both global trade dynamics and intricate nuances of India's economic sectors.

The "History and Culture Desk" stands as a testament to our belief in the importance of understanding our past, rich cultural heritage, and linguistic diversities. With the rapid advancements in the technological sphere, our "Science and Technology" division remains at the forefront, analyzing developments from nanotechnology to AI.

Acknowledging the intricate weave of governance, our "Politics and Law" pillar delves deep into domestic and international legal frameworks and political landscapes. Similarly, the "Infrastructure" section focuses on the bedrock of urban and rural landscapes, ensuring we remain informed about key developmental facets.

Our endeavor to remain at the cutting edge is further cemented with our "Space Desk," where space exploration and technology come to the forefront. Lastly, our additional centers like the "Problem Identifier Center" and "Graphics Innovation Center" underscore our commitment to innovation, risk management, and holistic analysis.

Together, these pillars underscore The Geostrata's unwavering dedication to understanding and interpreting the world in its multifaceted complexity.

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