Hacettepe University Graduate School of Social Sciences

Department of International Relations

BRICS AND SOFT BALANCING: THE CASE OF IRANIAN SANCTIONS

Burçak GÜNDÜZ

Master's Thesis

Ankara, 2025

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Burçak GÜNDÜZ tarafından hazırlanan “BRICS and Soft Balancing: The Case of Iranian Sanctions” başlıklı bu çalışma, 19.09.2025 tarihinde yapılan savunma sınavı sonucunda başarılı bulunarak jürimiz tarafından Yüksek Lisans Tezi olarak kabul edilmiştir.

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ABSTRACT

GUNDUZ, Burcak. *BRICS and Soft Balancing: The Case of Iranian Sanctions*, Master's Thesis, Ankara, 2025.

Set against the post-peak legitimacy and capacity erosion of the Western-led liberal order and a gradual reallocation of power toward the East and South, this thesis re- frames the debate over whether BRICS constitutes "counter-hegemony." Contrary to a common claim in the literature, it argues that BRICS lacks the cohesive institutional, financial, and normative toolkit required to mount a full counter-hegemonic project; instead, it practices order-internal soft balancing. The Iran sanctions file is selected as the empirical testing ground because its multilayered architecture (UNSC/IAEA alongside U.S./EU unilateral regimes), high salience, and rich observability illuminate variation across BRICS members. Using a qualitative comparative design and process tracing, the analysis identifies three instrument bundles: (i) economic strengthening and connectivity (energy trade, long-term contracts, infrastructure/credit lines); (ii) financial empowerment (local-currency/barter arrangements, state-backed insurance and payment channels); and (iii) institutional positioning and entangling diplomacy (text-softening, procedural delay, and leveraging alternative fora such as BRI–AIIB– SCO–BRICS). Member strategies diverge: China and Russia pair limited Security Council cooperation with deepening energy-finance ties; India, under "strategic autonomy," calibrates rupee-denominated payments and Chabahar/INSTC; Brazil experiments with mediation (the 2010 Tehran initiative); South Africa adopts a cautious, IAEA-centered rhetoric. Overall, BRICS does not act as a unified counter-hegemonic bloc; it exhibits a differentiated repertoire that raises costs, delays implementation, and narrows the scope of sanctions. The theoretical contribution is to specify the scope conditions and instrument weights of soft balancing through the Iran case. The findings further show that sanctions' effectiveness is shaped not only by the target state but also by the secondary trade-finance networks and institutional venues that sustain it, and that BRICS' mobilization of these channels generates dynamics that increase implementation costs, induce delays, and constrain effective reach.

Keywords

BRICS, Iran sanctions, soft balancing, Western hegemony

ÖZET

GUNDUZ, Burcak. *BRICS ve Yumuşak Dengeleme: İran Yaptırımları Örneği*, Yüksek Lisans Tezi, Ankara, 2025.

Batı liderliğindeki liberal düzenin meşruiyetinde ve kapasitesinde zirve sonrasına ait bir aşınma ile gücün Doğu ve Güney'e doğru kademeli yeniden dağılımı zemininde, bu tez BRICS'in "karşı-hegemonya" oluşturup oluşturmadığına dair tartışmayı yeniden çerçevelendirmektedir. Literatürdeki yaygın bir iddianın aksine, BRICS'in tam anlamıyla karşı-hegemonik bir proje yürütebilmesi için gerekli olan bütünlüklü kurumsal, finansal ve normatif araç setinden yoksun olduğu; bunun yerine düzen-içi yumuşak dengeleme (soft balancing) uyguladığı ileri sürülmektedir. Ampirik inceleme alanı olarak İran yaptırımları dosyası seçilmiştir; çünkü çok katmanlı yapısı (BM Güvenlik Konseyi/IAEA ile ABD/AB tek taraflı rejimlerinin birlikte varlığı), yüksek önemi ve zengin gözlemlenebilirliği BRICS üyeleri arasındaki farklılıkları görünür kılmaktadır. Nitel karşılaştırmalı bir tasarım ve süreç izleme yöntemi kullanılarak üç araç demeti tespit edilmiştir: (i) ekonomik güçlendirme ve bağlantısallık (enerji ticareti, uzun vadeli sözleşmeler, altyapı/kredi hatları); (ii) finansal güçlendirme (yerel para birimiyle/barter düzenlemeleri, devlet destekli sigorta ve ödeme kanalları); ve (iii) kurumsal konumlanma ve dolaylı diplomasi (metin yumuşatma, usuli geciktirme ve BRI–AIIB–SCO–BRICS gibi alternatif forumların kullanımı). Üye stratejileri farklılaşmaktadır: Çin ve Rusya sınırlı Güvenlik Konseyi işbirliğini derinleşen enerji-finans bağlarıyla birleştirirken; Hindistan "stratejik özerklik" çerçevesinde rupi cinsinden ödemeleri ve Çabahar/INSTC projelerini kalibre etmektedir; Brezilya arabuluculuk denemeleri yapmıştır (2010 Tahran girişimi); Güney Afrika ise temkinli, IAEA-merkezli bir söylem benimsemektedir. Genel olarak BRICS birleşik bir karşı-hegemonik blok olarak hareket etmemekte; bunun yerine yaptırımların maliyetini artıran, uygulanmasını geciktiren ve kapsamını daraltan farklılaştırılmış bir repertuar sergilemektedir. Tezin teorik katkısı, İran vakası üzerinden yumuşak dengelemenin kapsam koşullarını ve araç ağırlıklarını somutlaştırmaktır. Bulgular ayrıca yaptırımların etkinliğinin yalnızca hedef devlet tarafından değil, aynı zamanda onu ayakta tutan ikincil ticaret-finans ağları ve kurumsal mecralar tarafından da şekillendiğini; BRICS'in bu kanalları harekete geçirmesinin uygulama maliyetlerini artıran, gecikmelere yol açan ve etkin erişimi sınırlayan dinamikler ürettiğini göstermektedir.

Anahtar Kelimeler

BRICS, İran yaptırımları, yumuşak dengeleme, Batı hegemonyası

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ABM : Anti-Ballistic Missile Treaty

ACU : Asian Clearing Union

AIIB : Asian Infrastructure Investment Bank

AIS : Automatic Identification System

ANC : African National Congress (South Africa)

ARF : ASEAN Regional Forum

ASEAN : Association of Southeast Asian Nations

b/d : barrels per day

BIT : Bilateral Investment Treaty

BRI : Belt and Road Initiative

BRI : Belt and Road Initiative

BRIC : Brazil, Russia, India, China (ilk dört üye, Güney Afrika henüz dahil edilmemiş hali)

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

BRICS+ : Expanded BRICS (with new members such as Egypt, Ethiopia, Iran, UAE, Indonesia)

CBI : Central Bank of Iran

CISADA : Comprehensive Iran Sanctions, Accountability, and Divestment Act

CITIC : CITIC Group Corporation (China)

CNPC : China National Petroleum Corporation

CPEC : China–Pakistan Economic Corridor

CRA : Contingent Reserve Arrangement

CRS : Congressional Research Service

DIRCO : Department of International Relations and Cooperation (South Africa)

E.O. : Executive Order

EAEU : Eurasian Economic Union

EC : European Community

EIA : U.S. Energy Information Administration

EIH : Europäisch-Iranische Handelsbank

EIKO : Execution of Imam Khomeini’s Order

EU : European Union

Exim Bank : Export–Import Bank (India)

G20 : Group of Twenty

G7 : Group of Seven

GAO : Government Accountability Office (U.S.)

GATT : General Agreement on Tariffs and Trade

GDP : Gross Domestic Product

GSPA : Gas Sales and Purchase Agreement

IAEA : International Atomic Energy Agency

IBSA : India, Brazil, South Africa Dialogue Forum

ICC : International Criminal Court

IEEPA : International Emergency Economic Powers Act

IFCA : Iran Freedom and Counter-Proliferation Act

ILSA / ISA : Iran–Libya Sanctions Act / Iran Sanctions Act

IMF : International Monetary Fund

INSTC : International North-South Transport Corridor

IPC : Iran Petroleum Contract

IPI : Iran–Pakistan–India Pipeline

IRGC : Islamic Revolutionary Guard Corps

IRGC : Islamic Revolutionary Guard Corps

IRIB : Islamic Republic of Iran Broadcasting

JCPOA : Joint Comprehensive Plan of Action

LEU : Low-Enriched Uranium

LNG : Liquefied Natural Gas

MEA : Ministry of External Affairs (India)

MENA : Middle East and North Africa

MINUSTAH : United Nations Stabilization Mission in Haiti

MMcfd : Million Cubic Feet per Day

MTN : Mobile Telephone Network Group (South Africa)

NAM : Non-Aligned Movement

NATO : North Atlantic Treaty Organization

NDAA : National Defense Authorization Act

NDB : New Development Bank (BRICS Development Bank)

NNWS : Non-Nuclear-Weapon States

OEEC : Organization for European Economic Cooperation

OFAC : Office of Foreign Assets Control (U.S. Treasury)

P&I Clubs : Protection and Indemnity Clubs

P5+1 : Permanent Five + Germany (UNSC members plus Germany)

P5+3 : Permanent Five + Brazil and Turkey (proposed expansion of P5+1)

PATRIOT Act : USA PATRIOT Act (2001)

PRC : People's Republic of China

R2P : Responsibility to Protect

RMB : Renminbi (Chinese yuan)

SCO : Shanghai Cooperation Organization

SDN : Specially Designated Nationals (OFAC listesi)

SDR : Special Drawing Rights

TRR : Tehran Research Reactor

U.S. : United States

UCO Bank : United Commercial Bank (India)

UNDP : United Nations Development Programme

UNSC : United Nations Security Council

UNSC : United Nations Security Council

WMD : Weapons of Mass Destruction

WTO : World Trade Organization

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INTRODUCTION

In the literature, a direct link is often drawn between the decline of U.S. hegemonic leadership and the rise of BRICS countries within the international system (Stuenkel, 2015; Layne, 2012). Some scholars interpret BRICS' emergence as part of the capitalist world order established under U.S. leadership, explaining its growing influence within the boundaries of the existing system. Others, however, regard BRICS as an alternative power center capable of transforming or challenging the Western- centric international order. Indeed, BRICS states demand greater representation in global governance and seek a more active role in decision-making processes, calling for the reshaping of existing international norms and standards to reflect these aspirations. Given their growing economic weight, military capacity, and political visibility, the question of whether BRICS truly challenges the global order has become one of the most critical debates in contemporary international relations.

This rise is not solely the product of BRICS' internal dynamism but also a consequence of the structural crises experienced by Western hegemony since the 1970s. The collapse of the Bretton Woods system, the oil shocks, the U.S. defeat in Vietnam, the 2003 Iraq War, and the 2008 global financial crisis all eroded American legitimacy and leadership, thereby broadening the room for maneuver of alternative power centers. Yet, whether BRICS represents a genuinely counter-hegemonic project or rather adopts soft balancing strategies that constrain U.S. unilateralism and interventionism remains contested. This study argues that BRICS has chosen not to construct a new hegemonic order but instead to employ soft balancing methods that raise the costs of Western dominance and limit its freedom of action. Therefore, understanding BRICS' role in the international system requires going beyond their aggregate power and examining their concrete responses to specific crises.

In this respect, the case of Iran sanctions provides a highly suitable test for assessing BRICS' strategic behavior. As a reflection of the broader U.S.

hegemonic crisis since the 1990s, the Iranian dossier illustrates both the operation of the Western-led order and the ways BRICS countries have responded to it. China and Russia, for instance, approved certain sanctions in the Security Council to avoid direct confrontation with the West but simultaneously continued cooperation with Iran in energy, trade, and finance, thereby mitigating the sanctions' effects. Brazil openly opposed sanctions and, through initiatives such as the 2010 fuel-swap proposal, offered a clear example of diplomatic soft balancing against Western pressure. India and South Africa, while more cautious, also refrained from full alignment with U.S. policy, instead adopting flexible positions shaped by their own economic interests.

Thus, the case of Iran sanctions demonstrates that BRICS is less engaged in constructing a counter-hegemonic order against the West than in employing soft mechanisms to balance the existing system. Accordingly, this thesis will proceed as follows: the second chapter will provide a detailed examination of soft balancing theory; the third chapter will trace the historical development of the Iran sanctions regime; and the fourth chapter will analyze the responses of BRICS countries to these sanctions, thereby offering a concrete assessment of the distinction between counter- hegemony and soft balancing. In this way, the nature of BRICS' rise can be more accurately understood at both the theoretical and empirical levels.

The first chapter conceptualizes hegemony not merely as material preponderance but as a form of global governance that combines coercive power with the production of consent and legitimacy, operating through norms and institutions. Drawing on Gramsci's notion of "intellectual and moral leadership" and Arrighi's theory of historical cycles, it demonstrates how each hegemonic cycle progresses through phases of material expansion and financialization, with legitimacy sustained by the provision of public goods, institutional frameworks, and the presentation of particular interests as "universal interests." The post–World War II consolidation of U.S. leadership through the Atlantic Charter, Bretton Woods, the United Nations, and NATO is examined as the institutionalization of a liberal

international order, with instruments such as the Marshall Plan and Bretton Woods institutions reinforcing both economic openness and security governance. From the 1970s onward, however, a series of ruptures— including the Vietnam defeat, the collapse of Bretton Woods, the oil shocks, the 2003 Iraq War, and the 2008 global financial crisis—drove Western hegemony into crisis, producing a significant erosion of legitimacy and authority. Parallel to this decline, multipolar tendencies and the rise of BRICS became increasingly visible. The chapter thus situates the debate over whether BRICS represents a genuine counter-hegemonic project or functions instead as a reformist actor employing soft-balancing strategies that constrain Western dominance without replacing it, thereby laying the groundwork for the theoretical and empirical analyses of the following chapters.

The second chapter develops the theoretical scaffold for the study by moving from classic balance-of-power logic (Waltz 1979; Walt, 2006; Levy 2004) and its internal/external variants to a typology that distinguishes hard**,** limited hard, and soft balancing. It explains why, in the post–Cold War unipolar context—given U.S. preponderance, nuclear risks, globalization, and dense interdependence—traditional hard balancing has been rare, giving rise instead to soft balancing through institutions, informal alignments, economic statecraft, territorial denial, entangling diplomacy, and signals of coalition resolve (Paul 2005 2018; Pape 2005; Walt,2006,2013). The chapter traces the emergence of soft balancing after 1991 (especially post-2003 Iraq), outlines its toolkit and scope conditions—inclusiveness, sustained commitment, and status recognition (Wivel & Paul,2020)—and shows how second-tier powers employ legitimacy politics and multilateral venues to constrain hegemonic freedom of action without direct military confrontation. Historical precedents (e.g., the Concert of Europe, League of Nations) and contemporary practices (NAM; ASEAN; IBSA/BRICS institutional initiatives) illustrate how diplomatic and economic mechanisms can delay, dilute, or reframe hegemonic preferences while preserving order. The chapter also clarifies limits and reversal risks—how nationalism, expansionist aims, or fraying interdependence can shift incentives back toward hard balancing. It concludes by

deriving testable expectations for the Iran sanctions case, where BRICS behavior should manifest as coordinated, institution-heavy, and economically mediated soft balancing rather than counter-hegemonic replacement.

The third chapter examines the historical evolution of sanctions against Iran in order to provide the necessary background for the study. It traces the shift from the unilateral and crisis-driven measures of the 1979 hostage crisis, through terrorism-related restrictions in the 1980s, extraterritorial laws in the 1990s, and the comprehensive bans on the energy and financial sectors in the 2000s. In the post-9/11 period, the focus turns to how sanctions acquired an increasingly multilateral character through UN Security Council resolutions and EU measures. In this way, the chapter shows how sanctions gradually became institutionalized as a central tool of international pressure, while also revealing their scope and limitations. It thereby forms the link between the theoretical discussion of soft balancing in Chapter 2 and the analysis of BRICS responses to the sanctions regime in Chapter 4.

The fourth chapter examines BRICS responses to the Iran sanctions regime through the lens of soft balancing, asking whether these moves amount to a coordinated counter-hegemonic bloc or, rather, country-specific toolkits. Building on the theoretical framework (Chapter 2) and the historical trajectory of sanctions (Chapter 3), the analysis foregrounds three mechanisms: economic empowerment (energy trade, long-term contracts, credit lines, non-dollar/clearing-barter payments), institutional balancing (leveraging UN/IAEA processes and the alternative architectures offered by BRI–AIIB–SCO–BRICS), and diplomatic entanglement (text-watering, procedural delay, mediation). The chapter traces when and how these mechanisms were activated using process tracing and structured, focused comparison, with indicative cases including China’s energy–finance–infrastructure channels; India’s access strategy via Chabahar/INSTC and alternative payments; Russia’s controlled cooperation through Bushehr and “oil-for-goods”; Brazil’s 2010 fuel-swap diplomacy; and South Africa’s IAEA-centered discourse and voting practices. In the conclusion,

findings are synthesized across cases to specify the conditions under which soft balancing operates, the relative weight of the three mechanisms, and the limits of coordination—thereby adjudicating whether BRICS behavior reflects a coherent counter-hegemonic project or a patterned practice of soft balancing.

RESEARCH QUESTION

Against the backdrop of U.S. hegemonic decline and the relative rise of emerging powers, BRICS has become central to debates on the transformation of global order. Yet the nature of its challenge remains contested: is BRICS constructing a counter- hegemonic order, or is it instead pursuing the more limited strategy of soft balancing that constrains Western dominance without replacing it (Paul, 2005; Pape, 2005; Stuenkel, 2015) While BRICS rhetoric frequently emphasizes multipolarity and global governance reform, the group's heterogeneity and the divergent national interests of its members make it difficult to claim that it constitutes a coherent counter-hegemonic project. This ambiguity calls for closer empirical investigation, particularly in issue areas where collective and national behavior can be observed in practice.

The Iranian sanctions regime provides a critical lens through which to assess this question. Since 1979, sanctions on Iran have evolved from unilateral U.S. measures into a comprehensive and institutionalized multilateral framework under the UN and EU (Katzman, 2013). These sanctions not only demonstrated the coercive capacity of the West but also created opportunities for rising powers to resist, dilute, or circumvent Western dominance. For BRICS countries, Iran has served both as a strategic partner and as a test case for assessing their responses to Western hegemony (Onderco, 2016; Cronberg, 2018).

Examining the differentiated strategies of BRICS members makes it possible to evaluate whether their responses fit within the framework of soft balancing. China and Russia combined limited cooperation in the UN Security Council with extensive energy and financial engagement. India balanced alignment with U.S.

positions in the IAEA with continued oil imports through alternative payment mechanisms. Brazil sought to exercise diplomatic activism through the 2010 Tehran Declaration. South Africa defended Iran's right to peaceful nuclear energy while resisting coercive measures, before ultimately ending oil imports under external pressure (Jesus, 2011; Onderco, 2016). These patterns indicate that BRICS did not seek to build an alternative hegemonic order but rather to restrict U.S. unilateral freedom of action, increase its costs, promote institutional venues, and create economic alternatives.

Accordingly, the central research question guiding this thesis is: Can the responses of BRICS countries to the Iranian sanctions regime be understood as strategies of soft balancing against Western hegemony? Addressing this question not only contributes to theoretical debates on the applicability of soft balancing in a multipolarizing world but also offers empirical insights into how rising powers navigate the contradictions of contesting Western dominance while remaining embedded in its institutional order.

In pursuing this inquiry, the thesis undertakes a comparative analysis of the five BRICS members—China, Russia, India, Brazil, and South Africa—by investigating their policies, behaviors, and cooperation with Iran during the sanctions era. Although each country followed a distinct trajectory, these variations provide an empirical basis to assess whether BRICS operates as a unified counter-hegemon or, more plausibly, as a coalition engaging in differentiated forms of soft balancing within the existing global order.

RESEARCH METHODOLOGY

This thesis adopts a qualitative research design in order to analyze the responses of BRICS countries to the Iranian sanctions regime. The qualitative approach is particularly suitable because it focuses on the interpretation of political behavior, institutional dynamics, and diplomatic practices that cannot be fully captured through quantitative indicators alone. The study uses the case study method, with

the Iranian sanctions regime serving as a multi-dimensional case that illustrates how BRICS members navigated Western coercion.

The research follows a comparative case study framework, examining China, Russia, India, Brazil, and South Africa individually. Each country's policies, behaviors, and forms of cooperation with Iran are analyzed in order to identify patterns of convergence and divergence. This comparative perspective enables the thesis to assess whether BRICS acted as a coherent counter-hegemon or, more plausibly, as a coalition of states engaging in differentiated forms of soft balancing.

Although primarily qualitative, the study also incorporates limited quantitative data in the form of descriptive statistics and graphics. These include indicators such as the share of BRICS in global GDP, export volumes, and comparative economic performance vis-à-vis the United States and the European Union. The graphs and tables serve a supportive role, providing visual and contextual background to complement the qualitative analysis, rather than constituting the main method of inquiry.

Data sources include official documents such as UN Security Council resolutions, U.S. and EU sanctions legislation, policy reports, and scholarly literature. Through **process** tracing and interpretive evaluation, the study reconstructs the sequence of events and strategic choices of BRICS members, highlighting whether their responses can be understood as soft balancing strategies.

Data Collection

The data for this thesis is collected from both primary and secondary sources. Primary data includes official documents such as UN Security Council resolutions, U.S. and EU sanctions legislation, and governmental statements. Secondary data consists of scholarly works, policy reports, think-tank publications, and media

coverage that analyze the evolution of the sanctions regime and the responses of BRICS countries. Additionally, limited quantitative data is incorporated through descriptive statistics and graphics illustrating BRICS' GDP growth, export rates, and trade flows, mainly drawn from international organizations such as the World Bank, IMF, and Statista. These figures serve as supportive tools to contextualize the qualitative findings rather than as the primary basis of analysis.

Data Analysis

The collected data is analyzed through qualitative content analysis and process tracing. Content analysis is used to identify patterns in BRICS countries' diplomatic behavior, institutional engagement, and economic policies toward Iran. Process tracing allows for the reconstruction of causal sequences, linking Western sanctions strategies with BRICS responses in multilateral and bilateral settings. Each BRICS member— China, Russia, India, Brazil, and South Africa—is examined individually, and their policies are then compared to highlight both convergence and divergence. This comparative perspective enables an assessment of whether BRICS functions as a coherent counter-hegemonic actor or more plausibly as a coalition of states engaging in differentiated forms of soft balancing.

LITERATURE REVIEW

The concept of soft balancing was systematically articulated by Robert Pape (2005) in his article Soft Balancing against the United States. Pape argues that during the Bush era, U.S. foreign policy displayed a distinctly unilateral orientation, most clearly illustrated by its withdrawal from the Kyoto Protocol, its refusal to join the International Criminal Court, the 2002 withdrawal from the Anti-Ballistic Missile (ABM) Treaty, the 2001 Afghanistan intervention conducted solely with the United Kingdom, and the 2003 invasion of Iraq despite opposition from major powers. This unilateralism demonstrated Washington's readiness to bypass multilateral institutions whenever they conflicted with its strategic preferences. At

the same time, the sheer scale of U.S. military superiority—by 2009 the United States accounted for roughly 43% of global military expenditure, compared to 3.5% for Russia and 6.6% for China (SIPRI Yearbook, 2010)—rendered traditional hard balancing prohibitively costly and risky. As a result, rival powers turned to alternative, less costly strategies of soft balancing. Pape (2005) identifies four principal methods: territorial denial, entangling diplomacy through mechanisms such as vetoes in powerful international institutions, economic strengthening, and signaling of resolve. Building on this logic, Paul (2016; 2018) emphasizes that rising powers such as the BRICS states have relied on economic and institutional instruments rather than direct military confrontation to constrain U.S. unilateralism. He frames this approach within the idea of "peaceful accommodation," meaning that BRICS seeks not to overthrow the existing order but to carve out greater space within it and limit the monopolistic dominance of the West.

This framework also provides an analytical basis for understanding the foreign policy behavior of the BRIC states. Mette Skak (2011), drawing on Kenneth Waltz's second- image theory, argues that the strategies of Brazil, Russia, India, and China are shaped not only by systemic balance-of-power dynamics (the third image) but also by domestic political, economic, and social transformations (the second image). According to Skak, the soft balancing strategies of the BRIC states have emerged as a result of globalization and internal transformations. In this regard, Pape's four mechanisms— territorial denial, entangling diplomacy, economic strengthening, and signaling of resolve—offer a useful analytical lens for interpreting how BRIC countries have responded to U.S. hegemony.

At the institutional level, Tella (2014) highlights the establishment of the BRICS Development Bank (New Development Bank, NDB) as a significant step in soft balancing, since it provides investment and financing in local currencies as an alternative to the IMF and the World Bank. Rather than functioning as a formal political alliance, BRICS operates as a cooperative platform oriented toward economic growth and greater representation in global governance, with South

Africa in particular supporting South–South cooperation within this framework to consolidate its regional leadership. In a similar vein, Paul (2016) points to China's initiatives such as the Asian Infrastructure Investment Bank (AIIB) and the NDB as institutional innovations that offer rising powers greater representation and room for maneuver vis-à-vis Western- centered institutions. These initiatives, far from constituting an outright counter- hegemonic bloc, are better understood as soft-balancing mechanisms designed to raise the costs of Western dominance and to limit the maneuverability of the U.S.-led order.

Fernandes, Freitas, and Onuki (2021) similarly emphasize that BRICS' efforts to reshape global governance gained momentum after the 2008 financial crisis. Through institutions such as the G20 and the NDB, BRICS advanced alternatives to the Western-dominated order and, in Brazilian public opinion, came to be seen both as a coalition countering great powers and as an alternative channel that did not necessarily undermine the United States and Europe.

Skak (2011) further argues that BRICS has adopted soft-balancing strategies against U.S. hegemony as its global weight has increased, particularly by creating institutional alternatives such as the AIIB and the NDB, demanding greater representation within the existing order, and constraining the maneuverability of the West. By contrast, Peitz (2015) questions whether BRICS—initially conceived as an economic category—has genuinely evolved into a collective foreign policy actor. He argues that classical balance-of-power theory has proven inadequate in the post–Cold War era, which explains why soft balancing through international institutions and economic instruments has moved to the forefront. From a neorealist perspective, the growing economic power of BRICS vis-à-vis the United States can thus be interpreted as a reflection of its pursuit of political influence.

In the literature, BRICS' soft-balancing capacity is often examined through country- specific examples, since each member's foreign policy priorities, economic interests, and varying relations with the West are directly reflected in

the strategies they pursue. Brazil is frequently cited in the literature as one of the clearest examples of soft balancing. Its refusal in 2002 to allow the United States access to bases in the Amazon and its rejection of U.S. initiatives regarding military facilities in Colombia illustrate the strategy of territorial denial (Flemes, 2007). Furthermore, the 2007 Brasília Summit strengthened Brazil's regional position, while the BRICS solidarity at the 2010 G20 Seoul Summit brought forward discussions on an alternative reserve currency to the U.S. dollar (Skak, 2011). Brazil's deepening trade relations with China also contributed to reducing the costs of Western dominance through economic empowerment, allowing Brazil to practice balancing via burden sharing without directly confronting the United States. Brazilian public opinion has likewise emphasized China's role as an alternative balancing actor against the U.S. (Fernandes, Freitas, & Onuki, 2021).

Russia, by contrast, while occasionally employing soft balancing instruments, largely operates within a hard power framework due to its significant military capacity (Skak, 20). Its frequent use of the veto in the UN Security Council exemplifies entangling diplomacy aimed at blocking Western initiatives. At the same time, Russia has pursued institutional balancing by supporting platforms such as BRICS and the Shanghai Cooperation Organisation as alternatives to Western-led institutions (Tella, 2014). However, although Russia–Iran cooperation has expanded in the security realm, limited economic and institutional engagement has prevented the partnership from evolving into a durable soft balancing capacity (Karami, 2022). Moreover, Russia has sought to limit China's influence within BRICS by forming alliances with smaller members and by assuming a mediating role in Sino-Indian military disputes (Chaulia, 2021; Korolev, 2016). Nevertheless, Russia has gradually shifted toward hard balancing, as illustrated by the 2008 war in Georgia and the 2014 intervention in Ukraine (Skak, 2016). Aneja (2017) highlights this divergence, noting that Russia views BRICS as a geopolitical instrument, whereas China pursues a more long-term strategic vision. While China and India tend to favor preserving the existing order, Russia's assertiveness has weakened the group's strategic cohesion.

India’s strategy has been more ambivalent. Its rejection of U.S. requests to establish military bases on Indian soil can be considered an instance of territorial denial, yet at the same time India engaged in close counterterrorism cooperation with Washington, participated in joint military exercises, did not object to U.S. missile defense plans, and refrained from openly criticizing the Iraq War (Kraft, 2010; Skak, 2011). This demonstrates that India has pursued a strategic partnership approach rather than directly opposing the United States. Nevertheless, India has utilized multilateral platforms such as BRICS and IBSA to cooperate with Brazil and South Africa, thereby practicing institutional balancing aimed both at enhancing its own international status and at constraining China’s more assertive behavior (Chaulia, 2021; Li, 2019).

China has adopted the most pragmatic and flexible strategy of soft balancing. Its refusal to host U.S. military bases represents a direct case of territorial denial. At the same time, China’s acceptance of NATO’s presence in Afghanistan and its tolerance of the U.S. presence in Asia—so long as its vital interests were not undermined— illustrate a selective accommodation strategy. By contrast, in international institutional arenas such as the UN Security Council, China has employed entangling diplomacy to constrain U.S. initiatives (Skak, 2011; Izadi & Khodaee, 2017). As Izadi and Khodaee (2017) demonstrate, Beijing deliberately negotiated the wording of UNSC resolutions on Iran, softened provisions, and delayed their passage to safeguard its own economic interests while avoiding a direct clash with Washington. Simultaneously, China continued and further developed trade with Iran, thereby rendering U.S. sanctions more costly and less effective, while also tying the United States down in the Middle East and preventing it from fully concentrating on East Asia. Its promotion of Special Drawing Rights (SDRs) as an alternative reserve currency, as well as its leading role in establishing the BRICS Development Bank, are interpreted as economic empowerment strategies directed against U.S. dollar dominance (Paul, 2018). Moreover, China’s support for South Africa’s admission in BRIC has been described as a politically motivated balancing move designed to limit Western influence in Africa and expand BRICS’ regional reach (Skak, 2011). Sun (2013)

emphasizes that BRICS functions as a balancing instrument for China against U.S. “containment and encirclement” policies, while Jacob (2014) highlights that China accepted the “equal shareholding” model within the NDB at the expense of its own preferences, thereby signaling multilateralism and internal legitimacy. These examples reveal that China employs soft balancing within BRICS both to constrain the West and to consolidate legitimacy within the group’s internal dynamics. Pape (2018) also notes that BRICS, particularly from China’s perspective, should not be seen merely as an economic development platform but as an institutional framework binding neighboring states and as a vehicle for mobilizing a broader international community against U.S. hegemony. In this sense, BRICS functions as a mechanism that limits Washington’s freedom of action at both the regional and global levels.

South Africa, in turn, stands out as a multilateralist and peace-oriented balancer. Its accession to the Ottawa Treaty and its voluntary renunciation of nuclear weapons enhanced its status as a normative power in international politics (Le Pere, 2014). Active participation in IBSA, the G20, and BRICS has allowed South Africa to limit Western influence through entangling diplomacy and institutional balancing (Tella, 2014). At the same time, its reception of direct investment from China and its rising economic visibility through BRICS demonstrate the application of economic empowerment strategies. In this way, South Africa has strengthened both its regional leadership and its global profile, enhancing its soft balancing capacity within BRICS.

To understand the specific link between Iran and BRICS’ soft-balancing practices, it is necessary to turn to the literature that directly addresses BRICS–Iran interactions.Ozekin and Sune (2023), in their study on BRICS’ role in the MENA region, assess BRICS’ rise in the context of the decline of Western hegemony. They argue that BRICS has not sought to establish an alternative hegemony in the region; rather, it has created a “within-system challenge” that tests the boundaries of the West’s institutionalized order. This perspective highlights that BRICS, instead of constructing counter-hegemony, has developed cost-raising

and constraining strategies from within the system. In this regard, economic and diplomatic ties with actors such as Iran—long targeted by Western sanctions—constitute a crucial component of this strategy. Iran thus emerges as both a key hub in BRICS' regional outreach and a central partner in building alternative forms of cooperation against Western pressure in MENA. Accordingly, Özekin and Sune's findings underscore the importance of incorporating the Iranian dimension into analyses of BRICS' activities in the region, offering both a theoretical and regional backdrop for this research. Paul (2016; 2018) interprets BRICS not as an outright counter-hegemonic bloc but as a "within-system challenge," namely a cost-raising and constraint-producing practice from inside the order rather than an attempt to overturn it.

On the Russia–Iran axis, Güneylioglu (2023) conceptualizes the relationship not as hard balancing but as a form of soft balancing: rather than a formal alliance or comprehensive militarization, cooperation has revolved around issue-specific and flexible arrangements—such as the nuclear dossier, selective arms transfers, and operational coordination in Syria—that serve to constrain U.S. initiatives. The intensity of this cooperation, however, fluctuates depending on the trajectory of Moscow– Washington relations. This reading aligns with Izadi and Khodaee (2017), who similarly emphasize that the partnership has often been strategic in nature but tactical in scope. Brazil's mediation in the 2010 Tehran Declaration provides another concrete example of middle-power soft balancing within the BRICS orbit. As Oliveira and Santos (2018) show, Brasília sought to limit U.S. coercive options without resorting to military confrontation by pursuing status-driven diplomacy, coalition-building with Turkey, and "issue entrepreneurship." Although the swift passage of UNSC Resolution 1929 exposed the ceiling of this initiative, the episode nonetheless affirmed Brazil's orientation toward multipolarity and Global South diplomacy. This case can also be related to the analysis of Vieira and Alden (2011), who highlight Brazil's reliance on South–South networks and multilateral institutions as avenues for soft balancing.

With regard to the design of sanctions and BRICS responses, Katzman (2010) argues that the Iran sanctions regime aimed not only to limit nuclear activities but also to reinforce U.S. hegemony. He notes that while China and India continued energy trade with Iran, and Russia refrained from severing ties despite supporting some UN sanctions, none of these states fully aligned with Washington's unilateral line. Examining the EU dimension, Cronberg (2018) points to the fragilities of transatlantic coordination, which in turn created room for BRICS to pursue "negative alignment– positive distancing" strategies. In debates on effectiveness, Esfandiary and Fitzpatrick (2011) contend that while sanctions did not halt enrichment, they did restrict Iran's access to critical technology and finance; nevertheless, Russia and China, despite occasionally supporting UN measures, preserved economic links and avoided full alignment.

Takeyh and Maloney (2011) likewise stress that China, Russia, and India sustained trade with Iran through selective compliance and alternative payment mechanisms, thereby narrowing the reach of Western hegemony not by forming a counter- hegemonic bloc but through within-system constraints. Zhao Hong (2014) illustrates this dual-track approach in the Chinese case: Beijing supported only limited and mandatory UN sanctions—often diluting or delaying their content—while simultaneously securing long-term supply contracts and upstream investments in fields such as Azadegan and South Pars. These findings demonstrate that China pursued cost-raising and constraining soft balancing strategies through institutions and economic channels rather than seeking a counter-hegemonic bloc, while at the same time hedging to sustain its relations with the United States (see also Downs & Maloney, 2011; Shariatinia & Azizi, 2017).

On the Indian side, Hafeez (2019) shows that New Delhi managed its relations with Iran by maneuvering between opportunities—such as energy supply, the Chabahar Port, and access to Central Asia—and constraints, primarily U.S. sanctions, under the principle of "strategic autonomy." Fair (2007) broadens this framework beyond energy, highlighting India's policies of connectivity, limited

defense and naval cooperation, and balancing diplomacy in IAEA votes. Similarly, Dietl (2012) analyzes the delicate calibration India pursued between U.S. expectations and its regional interests, emphasizing how India balanced its strategic partnership with Washington with the need to sustain ties with Tehran through energy deals, connectivity initiatives, and cautious diplomatic engagement. Cheema (2012) reinforces this pattern by showing that while India publicly criticized U.S. unilateral sanctions and initially resisted pressure to cut crude imports, it gradually adapted to them behind the scenes—quietly urging refiners to reduce Iranian purchases. This contradiction between rhetorical defiance and pragmatic compliance illustrates India's strategy of hedging, where partial accommodation of U.S. demands coexisted with efforts to maintain vital ties with Iran. Although none of these authors explicitly employ the concept of soft balancing, their analyses illustrate mechanisms that the soft balancing literature identifies—such as economic empowerment, entangling diplomacy, and institutional hedging—thereby demonstrating how India informally resisted unilateral U.S. pressure while avoiding direct confrontation.

From the Iranian perspective, Engin Sune (2017) demonstrates that the country was never fully isolated under sanctions. Instead, Iran developed "alternative internationalization" mechanisms through oil trade, buy-back/IPC contracts, semi-state entities such as the IRGC and *bonyads*, and sovereign wealth funds. These mechanisms generated indirect balancing practices against Western hegemony, reinforced by growing cooperation with BRICS members: China's major energy investments, India's rupee-based oil payments, and Russia's energy swap arrangements were particularly significant.

In the existing literature, comprehensive studies that directly analyze soft balancing, BRICS, and Iran sanctions together are scarce. Some works examine soft balancing tendencies in BRICS' broader foreign and security strategies, while others address individual responses to Iran sanctions. Yet systematic analysis of these responses through a soft balancing lens remains rare. This study seeks to address that gap by analyzing each BRICS member individually and linking their

behavior during the Iran sanctions period to specific soft balancing tools. In doing so, it provides both country-specific insights and a holistic framework encompassing the original five BRICS members, as the group had not yet expanded during the period when sanctions were imposed on Iran. The contribution here lies in conceptualizing BRICS not as a bloc engaged in counter-hegemony, but as a group of states practicing within-system, cost-raising, and constraining soft balancing strategies, with variation in their application across different national contexts.

The literature that directly examines BRICS, Iran, and the concept of “soft balancing” in a single framework remains very limited. Most studies either address BRICS’ broader impact on the international order as rising powers or focus on the effectiveness of sanctions on Iran. Nevertheless, the framework of soft balancing provides a valuable analytical lens for explaining BRICS’ behavior during the sanctions era: even when the term itself is not explicitly employed, observed patterns often align with soft balancing strategies. This research excludes the newly admitted BRICS members after 2023, as their accession is too recent and they did not generate meaningful practices in the 2000s and 2010s that could be analyzed in the context of Iran sanctions. Accordingly, the analysis focuses on Brazil, Russia, India, China, and South Africa, investigating their strategies in depth during the period when sanctions were at their peak

CHAPTER 1
THE RISE, MECHANISMS, AND CRISIS OF WESTERN HEGEMONY: BRICS AND THE TURN TO SOFT BALANCING

1.1. WORLD HEGEMONY

In the field of international relations, world hegemony cannot be reduced merely to material preponderance; it signifies a state's capacity to exercise both coercive domination and consensual leadership over others. As Antonio Gramsci emphasized, hegemony is not only "domination" but also "intellectual and moral leadership." (Gramsci, 1971, pp. 57–58). A hegemon, therefore, shapes the international order not solely through military and economic power but also by means of ideas, values, and institutions. According to Giovanni Arrighi, successive world hegemonies in the trajectory of historical capitalism have performed a transformative function over the system of sovereign states, giving rise to progressively more comprehensive orders (Arrighi, 1994, pp. 29–30, 76). In this sense, world hegemony can be explained as a mode of governance that transcends the ordinary management of sovereign states, partially circumscribing their sovereignty while constructing a more inclusive international system through norms and institutions.

More precisely, Arrighi argues that hegemony derives not only from military and economic superiority but also from the hegemon's capability to present its own interests as "universal interests." This capacity provides the dominant power with an additional source of authority beyond coercion (Arrighi, 1994, p. 30). Historically, successive hegemonic powers—Genoa, the Netherlands, Britain, and the United States—have not only managed the system but also expanded its geographical scope and transformed its institutional density (Arrighi, 1994, p. 76). World hegemony thus performs a dual function: on the one hand, it secures order through the instruments of capital and coercion; on the other, it legitimizes that

order by embedding it within norms and values framed as serving the general interest.

Arrighi and Silver propose two fundamental conditions for a hegemon to achieve genuine hegemonic legitimacy. The first is the ability to overcome what Kenneth Waltz (1979) in Theory of International Politics terms the “tyranny of small decisions.”

According to Waltz, states—when acting merely on the basis of narrow national interests—cannot generate solutions to problems affecting the international system as a whole. The only way out of this structural trap is through transformations that enable system-wide cooperation and division of labor (Waltz, 1979, p. 111). Thus, a hegemon demonstrates true hegemonic leadership only when it is capable of organizing new forms of cooperation that move the state system beyond this structural impasse (Arrighi & Silver, 1999, p. 28). The second condition is the provision of effective “world- governance capabilities.” This refers not only to material power but also to the capacity to offer governance for the state system under the guise of collective interests through institutional dominance in economic, military, financial, and ideological spheres (Arrighi & Silver, 1999, pp. 33–35).

According to hegemonic stability theory, the sustainability of the international economic order depends on the existence of a hegemon willing to assume leadership and bear disproportionate burdens for maintaining that order. For a liberal economic system to function, one state must—whether deliberately or not—set behavioral standards for others, induce compliance with those standards, shoulder a disproportionate share of system costs, and, in times of crisis, stabilize the order by absorbing surpluses, sustaining capital flows, and guaranteeing financial commitments (Kindleberger, 1973, p. 28).

As Arrighi and Silver emphasize, financial expansions signal not only the autumn of an existing hegemonic order but also the onset of a new hegemonic cycle

(1999, pp. 33– 35). World hegemony, therefore, embodies a dual dynamic in each cycle: on the one hand, the capacity to provide global stability; on the other, an inherent tendency toward crisis and transformation. Arrighi identifies two fundamental phases in every systemic cycle of accumulation: material expansion and financial expansion (1994, p. 6). The phase of financial expansion corresponds to the period of hegemonic maturity and relative decline, when the hegemon loses its productive and commercial supremacy and increasingly derives profits from financial operations. Each financial expansion begins with a **“signal crisis”**—the moment at which opportunities for profitable reinvestment of capital into the material expansion of the world economy reach their limits (Arrighi, 1994, p. 372). While financialization can temporarily extend the leadership of a hegemonic power, historically it has always heralded the terminal crisis and eventual collapse of the prevailing hegemonic order.

This process entails not only the relative decline of the hegemonic power but also the erosion of the system’s capacity to maintain order. As Gill argues, the decline of American hegemony has weakened global leadership, reduced the provision of international public goods, and fostered the resurgence of economic nationalism and mercantilist blocs, thereby increasing the risk of systemic disintegration (Gill, 1992, pp. 59–61). According to Arrighi and Silver, overcoming such chaos is possible only through the emergence of a new hegemonic complex endowed with greater organizational capacities (1999, p. 34).

In sum, hegemony in the world capitalist system is not merely the product of material preponderance but also of institutional, ideological, and organizational capacity. This framework is instructive for understanding how Western hegemony historically rose and became institutionalized, as well as the conditions under which it has been drawn into crisis. Western hegemony reached its zenith with the liberal international order institutionalized under U.S. leadership after the Second World War. Yet, as the cyclical logic suggests, in today’s increasingly multipolar environment this hegemony has inevitably encountered crisis dynamics and the challenges posed by rising powers such as BRICS. The

following section will therefore examine the rise and institutionalization of Western hegemony, before turning to its crisis and the alternative role played by BRICS.

1.1.1. The Rise and Institutionalization of Western Hegemonic Order

Following the Second World War, the United States consolidated its superiority in political, economic, and military spheres, becoming the hegemonic power of the capitalist world system and playing a decisive role in shaping the postwar international order. One of the most foundational moments in this trajectory was the issuance of the Atlantic Charter on August 14, 1941, jointly declared by U.S. President Franklin D. Roosevelt and British Prime Minister Winston Churchill. The Charter laid the ideological and economic groundwork for the postwar order by articulating liberal principles such as self-determination, economic cooperation, freedom of the seas, rejection of territorial aggrandizement, and collective security (Office of the Historian, n.d.).

According to Kennedy (1999), the Atlantic Charter encouraged the two Western leaders to aim a postwar world that would honor the principles of free trade, self-determination, freedom of the seas and nonaggression (p. 71). These ideals marked a departure from traditional power politics and laid the normative basis for a rules- based liberal order. Reflecting this context, Verheul (2021) point out that the Charter revived Wilsonian ideals including self-determination, opposition to territorial expansion, and support for economic cooperation and reintroduced the vision of a multilateral global institution and later named the United Nations (p. 43). McKean and Szewczyk (2021) likewise emphasizes that these institutions played a vital role in embedding liberal values into the framework of global governance (pp. 15–16).

As Verheul (2021) observes, “The Atlantic Charter… was nothing short of a blueprint for a postwar world,” binding the U.S. to a framework of multilateral cooperation even before formally entering the war (p. 43). He further adds that the Charter “firmly entangled [the U.S.] in a web of multilateral institutions and

heralded a new era of liberal internationalism," presenting "a major revolution in American foreign policy" (Verheul, 2021, pp. 44–45). Thus, the Charter can be regarded as a defining moment in articulating the liberal principles that shaped the postwar system and anticipated the formation of institutions such as the United Nations, the Bretton Woods system, and NATO.

The UN Charter, signed in 1945, established the foundational legal framework of the postwar order, enshrining norms such as sovereign equality, territorial integrity, and the prohibition of the use of force (United Nations, n.d.). However, as Kundnani (2017) bring forward, the Charter was shaped more by Westphalian principles of sovereignty and non-intervention than by liberal democratic ideals (pp. 2–3). In light of this, the postwar order was not inherently "liberal" in a universal sense but was layered on top of older realist foundations. Despite institutions such as GATT later introduced elements of economic liberalism, they remained embedded within a Western-defined framework (Kundnani, 2017, pp. 2–3, 6–7).

In the broader context, one of the most decisive instruments of the emerging order was the Marshall Plan. Far from being a mere financial aid initiative, it was conceived as a strategic project to reinforce political stability in Western Europe and to limit Soviet expansion. Confronted with the devastation of war and the growing appeal of communist ideology, President Truman and Secretary of State George Marshall launched the European Recovery Program in 1947, channeling more than $13 billion to rebuild and realign the region. This represented a turning point in U.S. foreign policy, marking the abandonment of post–World War I isolationism and the embrace of long- term global engagement (Weissman, 2013, p. 111). On June 5, 1947, in his Harvard University address, Marshall further emphasized that the plan paved the way for both political and economic reconstruction in Europe (May, 1948, p. 457).

Ikenberry (2011) interprets the Marshall Plan not merely as an economic initiative but as a strategic instrument designed to embed liberal democratic norms in

postwar Europe. By fostering joint institutions and economic interdependence, the United States sought to prevent renewed interstate rivalries and to create a stable and cohesive bloc. As Marshall himself emphasized, the objective was “the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist,” adding that “without American-assisted European recovery, there can be no political stability and no assured peace” (Ikenberry, 2011, pp. 185, 199; Marshall, 1947). In line with this perspective, George Kennan, the principal architect of the U.S. containment strategy, argued in his 1946 “Long Telegram” that ideological opposition alone would be insufficient and that constructive and positive support for war-torn Europe was essential. Thus, the Marshall Plan functioned both as an instrument of economic assistance and as a strategic tool that provided a viable alternative to Soviet influence (Kennan, 1946).

By 1947, the United States gained the military and economic capacity to direct Europe’s reconstruction. It had emerged as a hegemonic actor due to its atomic bomb, powerful military, and a developing industrial economy. Even though European powers such as Britain and France had differing agendas—Britain sought to preserve its special relationship with the U.S., and France aimed to secure American economic support—they ultimately aligned with U.S. leadership. While U.S. officials like Kennan advocated for a more autonomous and integrated Europe, European governments showed reluctance to shoulder these responsibilities and chose instead to align themselves within the constraints of the bipolar system. As Ikenberry (1989) observes, U.S. could not fully dictate the postwar order, but it did establish a wider sphere of influence than originally expected.

When the Marshall Plan was emerged in 1948, the United States necessitated European nations to coordinate the distribution of aid, leading to the establishment of the Organization for European Economic Cooperation (OEEC). This institution, which later evolved into the European Community, played a central role in managing postwar recovery and fostering cooperative governance among

European states (Ikenberry, 2011, p. 206). While the United States encouraged European unity and supported trade liberalization, it deliberately avoided direct control.

Following the conclusion of the Cold War, the United States emerged as the sole remaining superpower while simultaneously becoming the principal architect and guarantor of a liberal international order aligned with its strategic objectives. With unmatched military strength, vast economic influence, and global political reach, the United States occupied a position of dominance “by a wide margin” (Ikenberry, 2001, p. 232). This power was institutionalized through global governance structures such as NATO, the IMF, and the United Nations, which not only managed economic affairs but also expanded into norm-setting in areas such as international development, peacekeeping, state-building, and democratic transitions. In this context, the United States and its Western allies sought to prevent another global depression and future international conflicts by reasserting liberal values in the system and constructing a new regulatory regime. Through institutions like the IMF and the World Bank, they provided the legal and institutional foundations for international public goods, including security, free trade, financial stability, global public health, and the advancement of knowledge (Özekin & Sune, 2023, p. 414).

As a conclusion, the rise and institutionalization of Western hegemonic order in the postwar and post-Cold War eras shows unprecedented historical moment in which the United States used its power to build a liberal international order. Although foundational documents such as the Atlantic Charter, strategic initiatives like the Marshall Plan, and institutions including the United Nations, Bretton Woods system, and NATO, the U.S. embedded its interests and values into global governance. While this order was outwardly liberal and cooperative, it was also marked by structural asymmetries and Western-defined norms. From the perspective of Ikenberry’s optimism and Kundnani’s critique, the liberal order has inherent contradictions: a commitment to rules-based cooperation coexisted with the reality of hegemonic dominance. This institutionalized hegemony

provided the United States to sustain its leadership and also determined the rules of the international system for decades to come—preparing the ground for both continued influence and emerging resistance, which will be explored in the following chapters.

1.1.2. Material and Ideational Mechanisms of U.S. Hegemonic Order

Having traced the rise and institutionalization of the Western hegemonic order, the next step is to examine the concrete mechanisms through which U.S. power was exercised. In the aftermath of the Second World War, the United States occupied an unparalleled position of political, economic, and military strength, enabling it to shape the emerging international order. As Ikenberry (2001, p. 170) notes, “The United States was in an unprecedented position to shape world politics.” Washington leveraged this dominance to embed its preferences in institutions such as NATO, the IMF, and the United Nations. Despite sharp power asymmetries, no major state attempted to counterbalance U.S. leadership; instead, cooperation among industrial democracies deepened, enhancing the order’s legitimacy and stability (Ikenberry, 2001, pp. 216– 218). As Ikenberry (2001, p. 234) further emphasizes, the United States employed institutions to lock in allied states to desired policy orientations, accepting certain limits on its own autonomy in return. Consequently, rules contrary to U.S. interests seldom emerged, and the liberal order appeared legitimate, durable, and highly favorable to American leadership.

Together with the United Kingdom and other allies, the United States undertook comprehensive negotiations to define the rules of the postwar international economy. The most tangible outcomes of these efforts were the creation of the International Monetary Fund (IMF) and the World Bank at Bretton Woods in July 1944 (U.S. Department of State, n.d.; Ikenberry, 2001, p. 9). Through these institutions, Washington not only promoted the expansion and institutionalization of capitalism but also sought to contain the spread of communism led by the Soviet Union (Ozekin & Sune, 2023, p. 413). The establishment of NATO in 1949

further bound America's destiny to European security and consolidated its leadership in the Western world (NATO, n.d.). Yet these institutional achievements rested on ideological foundations laid earlier, most notably in the Atlantic Charter of 1941, when Roosevelt and Churchill articulated guiding principles for the liberal order that would shape the postwar system.

Building on this foundation, between 1944 and 1951 the United States spearheaded the creation of key organizations such as the United Nations, the Bretton Woods system, GATT, and NATO—laying the groundwork for a Western-centric order based on economic openness, security alliances, and institutionalized cooperation (Ikenberry, 2011, pp. 158–160). This order combined hierarchical power relations with liberal principles by anchoring U.S. influence in complex institutional arrangements that conferred legitimacy, reciprocity, and voice among allies (pp. 160–167). Rather than pursuing outright imperial dominance, the United States adopted a milieu-oriented grand strategy designed to foster a stable and cooperative environment in which American interests could thrive over the long term.

In the military sphere, NATO functioned not only as a collective defense alliance but also as a mechanism for institutionalizing American dominance, while simultaneously underpinning a vast network of alliances and overseas bases. As Press-Barnathan (2006) argues, diverging threat perceptions between the United States and its European allies gradually transformed NATO into an instrument through which Washington could legitimize and project its strategic preferences within the unipolar international system (pp. 274–275). During key crises such as the Kosovo intervention, the Afghanistan War, and the 2003 Iraq invasion, NATO provided a platform that enabled the United States to advance its agenda while constraining the strategic autonomy of its allies (pp. 294–296, 302–303). In this sense, NATO has operated not merely as a defense pact but as a mechanism of institutionalized hegemony.

Building on this institutional dominance, Gilpin (1981) emphasizes that the hegemonic power derives its legitimacy not solely from coercion but also from its ability to provide international public goods, such as an open and stable international economy (p. 34). As the hegemon, the United States safeguarded the global commons, offered security guarantees, stabilized conflict-prone regions, and reduced the likelihood of arms races and counter-hegemonic coalitions (pp. 144–145). Moreover, the hegemon possesses the distinctive capacity to frame security threats and establish the legal frameworks through which the international community responds, thereby further consolidating its preeminent status (p. 145). In practice, these system-level functions conferred durable advantages inside the very institutions that purportedly constrain great powers. As Walt (2006, p. 28) underlines:

The norms and rules that govern these institutions will prevent any single state (or group of states) from controlling them completely. Yet the United States plays a unique role in the most important global organizations. In the United Nations, the United States is one of five permanent members in the Security Council, and thus retains veto rights over all matters falling within the council's aegis. Because of its military dominance, the United States can also ignore the Security Council when it wants to, as it did in waging war in Kosovo in 1999 and in Iraq in 2003. The United States is also the dominant power within the North Atlantic Treaty Organization (NATO). The position of NATO Supreme Allied Commander Europe (SACEUR) is always held by an American officer—who also commands all U.S. forces in the European theater. Further, the United States can at any time reduce its commitment to Europe's security because it is not on the same continent; the Europeans do not have that option.

Beyond security institutions, U.S. primacy was equally entrenched in the monetary and financial order: the Bretton Woods architecture and the roles of the IMF and World Bank embedded American preferences and elevated the dollar's centrality (Strange, 1987; Moon, 2005).

In Strange's (1987) terms, this reflects structural power in both finance and production. The dollar's status as the primary reserve currency rested not only on the depth of the U.S. economy but also on post-war institutions—the Bretton Woods system and the roles of the IMF and World Bank—that entrenched dollar liquidity and U.S. rule-making authority (Strange, 1987; Moon, 2005). State intervention further shaped which firms could access the vast U.S. consumer market and which managerial practices diffused globally (Strange, 1987). By issuing the world's most widely accepted and tradable liabilities, the United States could shape the global supply of credit; in a dollar-centric system, conventional indicators such as foreign-exchange reserves recede in importance. This structural advantage was not confined to financial architecture alone; it becomes most visible during episodes of global stress, when demand for dollar assets spikes and U.S. institutions set the terms of stabilization.

Indeed, American financial dominance was most apparent during the debt crises of the 1980s in the Global South and Eastern Europe. Most loans—whether from U.S. banks to Latin America or from German banks to Poland—were denominated in dollars. When defaults occurred in countries such as Mexico, Brazil, and Argentina, the United States, through its expansive financial institutions, was uniquely positioned to provide emergency liquidity and press for debt restructuring (Strange, 1987, pp. 568–569). Luis Suárez Salazar (2011) further argues that U.S. financial power over Latin America was embedded within a broader system of asymmetrical economic partnerships and institutional hierarchies. Instruments such as free trade agreements, the influence of the Inter-American Development Bank (IDB), and conditional aid were designed to lock Latin American economies into dependence on U.S. geopolitical objectives. In this sense, the dollar functioned not merely as currency but as a mechanism of political control across the hemisphere. Yet the durability of U.S. financial power was sustained not only by its crisis management capacity, but also by the structural advantages provided by the size and relative insulation of its domestic market.

Bruce E. Moon (2005) stresses that the historic insulation of the American economy— stemming from its scale and geographic remoteness—enabled the U.S. to shape global institutions without becoming deeply dependent on them (p. 2). In the 1950s, the United States accounted for 20% of world trade, while exports constituted less than 5% of its GNP (p. 2). This configuration allowed Washington to “shape the international system’s fundamental structure” without incurring significant economic risks. Access to the American market became a major incentive for other states, creating constant pressure “not to be left out of the lucrative U.S. market” (p. 11). Moreover, the U.S. supported the liberal international order only when it served its own interests, retracting its leadership whenever the system no longer aligned with its national priorities (pp. 2, 11).

In addition to these economic and military pillars, technological superiority played a crucial role in maintaining hegemonic order. Zbigniew Brzezinski (2004) highlights that America’s global power at the outset of the 21st century based both military and economic foundations and on its leadership in technological innovation. The ability to develop and disseminate advanced technologies enabled the United States to drive global economic growth and shape international information systems. The “innovative impact of America’s technological dynamism” granted the U.S. political leverage and reinforced its role as a global leader (Preface, p. 12). This advantage became particularly noticeable throughout the Gulf War, where high-tech weaponry not only showcased U.S. military superiority but also reduced dependence on nuclear deterrence.(pp. 25, 34). The 2002 National Security Strategy further reflected a shift toward preemptive action based on technological superiority, revealing the growing link between innovation and strategic power (p. 148). According to Brzezinski, this approach was backed by conservative elites and defense-oriented sectors of the American state (p. 33).

Similarly, Krasner (1976) argues that the postwar international economic order—established through the Bretton Woods or other multinational system—was fundamentally an American creation. This system relied on U.S. economic size,

deficit spending, and military protection to sustain an open trading structure. Through a combination of positive incentives—such as reach to its large market—and coercive economic pressures, the United States was able to shape the global economic architecture to maintain its dominance and ensure other states' compliance with an open economic order (pp. 323, 337–338). Notably, while the World Bank was chaired by an American in each period, they played an effective role in the recovery period of Europe, which was devastated by both American and German bombs during the war. The European Recovery Program, commonly known as the Marshall Plan depended on the condition that European countries loosen their border controls, lower trade barriers, and embrace the production model advocated by the United States. In essence, the U.S. aimed to establish a strategic economic and political buffer against the perceived threat posed by Soviet Russia. While these initiatives of the U.S. were also seen in East Asia, Japan or South Korea, the U.S. made its influence felt in these regions and protected its interests with important trade agreements. The large number of military bases that ensure the strong geopolitical position of the United States in the South China Sea seriously demonstrates the degree of American military imperialism in these regions (Skerritt, 2019–2020, p. 154).

Although colonialism has officially ended, Western hegemony continues through institutional and discursive mechanisms determined by the legacy of imperial domination. According to Sinha (2019–2020), the economic inequality that defines the post-colonial world is a direct outcome of colonial resource extraction, now repackaged under the language of “development” and “modernity.” What was once a “civilizing mission” has turned into a “developing mission,” where the West maintains its dominance by shaping global norms and institutions. These post-colonial frameworks are not neutral; rather, they reproduce global power asymmetries as they are legitimizing Western control over economic rules, cultural standards, and knowledge systems (Sinha, 2019–2020, pp. 82.4–82.5).

In sum, U.S. hegemonic power has rested on a mutually reinforcing blend of material capabilities and ideational influence. Its military alliances, command over

global financial institutions, technological leadership, and large domestic market have provided the structural foundation of American dominance. At the same time, the promotion of liberal norms—free markets, democracy, and institutional governance— has helped legitimize U.S. leadership globally. As Walt (2005/2006, p. 28) emphasizes, “No single state can hope to match the combined U.S. economic and military capabilities; even a large coalition would struggle to assemble a comparable portfolio of power.” However, this imbalance does not mean the United States can issue orders and expect instant obedience; institutional and political resistance can erode U.S. superiority over the long term (Walt, 2005/2006, p. 28). Institutions have not only facilitated cooperation but, as in the cases of NATO and the IMF, also functioned as instruments of domination that allow the U.S. to adapt international rules to its strategic interests. Ultimately, this fusion of hard power and normative leadership enabled the construction of a liberal international order that appeared both inclusive and hegemonic—laying the groundwork for the contradictions and challenges addressed in the following sections.

1.1.3. Erosion of Western Dominance and Towards Hegemonic Decline

The crisis of U.S. hegemonic order became particularly evident in the 1970s. According to Arrighi and Silver, around 1970 it became clear that the United States was heading toward a “humiliating defeat in Vietnam” and that the Bretton Woods system was on the verge of collapse—signaling the onset of a prolonged hegemonic crisis (Arrighi & Silver, 1999, pp. 88–89). This crisis manifested itself not only in the military domain but also in the economic and financial spheres. The authors emphasize that the first signs of hegemonic decline emerged with the defeat in Vietnam, and that America’s “loss of power and prestige culminated in the 1979 Iranian Revolution and the 1980 hostage crisis” (pp. 214–215). They further argue that from the 1970s onward, “economic constraints restricted the room for maneuver of both superpowers, but the U.S. crisis began earlier than that of the Soviet Union and continued in various forms even after the end of the

Cold War" (pp. 264–266). These evaluations suggest that the starting point of U.S. hegemonic decline was the 1970s.

The failure in the Vietnam War, combined with the Watergate scandal and an economic downturn marked by high inflation, led to a serious strategic setback for the United States both domestically and internationally (The Strategy Bridge, 2017). The stagflation of the 1970s pushed the U.S. economy into a prolonged period of instability, with unemployment and inflation rising simultaneously, thereby deepening the erosion of global prestige (Stubbs, 2023). Socially, this decade represented a contradictory transformation in which economic and social inequalities both increased and took new forms (Borstelmann,2012).

In this context, some scholars define the 1970s not only as an economic crisis but also as a legitimacy crisis. Volscho et al. (2015) argue that the decade constituted a "legitimation crisis of U.S. capitalism," which paved the way for policies that re-entrenched the interests of the ruling class. Similarly, Habermas (1975), in his work *Legitimation Crisis*, highlighted how the structural problems of late capitalism in the 1970s led to a questioning of the state's legitimacy at both the economic and political levels. Thus, while the 1970s did not mark the absolute collapse of American hegemony, it represented a period of significant decline and rupture at systemic, societal, and ideological levels.

The oil crises of 1973 and 1979, together with the U.S. defeat in Vietnam, marked some of the earliest signs of the constraints on American power. As the U.S. balance of payments position worsened, Washington had no option abandon the dollar's convertibility to gold within the Bretton Woods fixed exchange rate framework, which in turn reduced its capacity to ensure the collective interests of the system (Ozekin & Sune, 2023, p. 413).

Between the 1980s and the mid-2000s, the decline of U.S. led Western hegemony slowed due to the financialization of global capitalism and Washington's counter- strategies. The shift from material to financial expansion—

reinforced by neoliberal reforms such as deregulation, trade liberalization, privatization —helped restore profit rates. At the same time, the collapse of the Soviet Union left the U.S. unchallenged. Yet the resulting power vacuum, particularly in the Middle East, pushed the U.S. toward militarization and imperial overstretch, which ultimately deepened its hegemonic decline. (Ozekin & Sune, 2023, p. 416).

After the September 11, 2001 terrorist attacks, the United States deployed its military power intensively in Afghanistan and Iraq. According to Wallerstein (2003, p. 191), these actions did not consolidate America's hegemonic position but instead accelerated its long-standing decline. He argued that excessive military spending and state–capital partnerships provided short-term advantages but, in the long run, encouraged technological advances in rival states that eroded U.S. superiority. He also stressed that it was impossible for the United States to wage a successful war in Iraq alone, as such an endeavor would impose heavy costs in terms of economic interests and energy security (2003, p. 34). Similarly, Tisdall (2002), writing in *The Guardian*, noted that the Bush administration's Iraq policy provoked serious international backlash and warned that persisting on this path would bring significant losses. Wallerstein (2003, p. 34), citing Paul Kennedy's 2002 assessment, further underlined that the economic growth of the 1990s was unsustainable, and that once growth slowed and fiscal problems mounted, the danger of "overstretch" would re-emerge as a structural weakness at the core of U.S. hegemony.

These concerns culminated in the 2003 Iraq invasion, the first concrete enactment of the Bush Doctrine, which significantly altered international perceptions of U.S. power. Launched on the basis of faulty intelligence and flawed assumptions, the war heightened global fears about the unrestrained nature of American primacy. Undertaken without UN Security Council authorization and in the face of widespread opposition, it revealed Washington's willingness to bypass multilateral institutions in pursuit of strategic objectives. As Walt (2005, pp. 47–48) sharply put it: "The issue was straightforward: how can

other states be comfortable and secure when U.S. decisions affect all of their interests, and when the United States is strong enough to act pretty much as it wishes?”

This unilateral approach exposed the deeper contradictions of American hegemony. Skerritt (2019–2020, pp. 152–153) argues that the war reflected a logic of military imperialism aimed at safeguarding U.S. political and economic interests while bypassing multilateral channels. He also emphasized that arms manufacturers and private contractors profited from the conflict, demonstrating that U.S. hegemony operated through a profit-driven military–industrial complex embedded within the state. As such, the Iraq War did not reinforce U.S. primacy but rather accelerated a broader legitimacy and authority crisis.

Ikenberry (2011) argues that the liberal international order, which the United States helped construct and lead after World War II, has entered a phase of crisis—not because of the failure of liberalism itself, but due to a crisis of authority within the hegemonic system (pp. xii–xiii). In the post-Cold War era, the unipolar dominance of the United States triggered reactions from other states as its power became more visible and assertive, especially during the George W. Bush administration’s unilateral actions and the “war on terror” strategy, which bypassed multilateral norms and institutions (p. xii). These developments, coupled with the erosion of traditional Westphalian norms such as state sovereignty and the rise of interdependence and non-traditional security threats, have made the administration of the liberal hegemonic order more difficult.(pp. xiii–xiv).

Furthermore, the 2008 global financial crisis severely undermined confidence in the American-led economic model, damaging the legitimacy of U.S. leadership (Ikenberry, 2015, p. 451). Ikenberry (2011) contends that while liberal internationalism remains broadly supported, the U.S.-centered hegemonic structure has become unstable, as the liberal order has, in a sense, outgrown its original foundations (p. xiv).In the post- Cold War period, the West increasingly

broke the very rules of the security order it had established. NATO's military intervention in Serbia in 1999, conducted without the authorization of the UN Security Council, was viewed by many as a violation of international law. Similar concerns intensified after the 2003 invasion of Iraq, which was undertaken under U.S. initiative without multilateral legitimacy.

Especially since 2012, U.S. and European foreign policy think tanks have increasingly focused on the threat against the liberal international order, particularly from rising powers and authoritarian countries such as Russia and China. Parallel to this, belief in the liberal order has eroded in Europe and the United States. This erosion is exemplified by the United Kingdom's decision to leave the European Union through Brexit, and by the results of the U.S. elections (Kundnani, 2017, p. 1). Since the U.S. and the U.K. have historically been among the strongest proponents of liberalism, such developments reveal a deeper reaction to liberalism itself.

Taken together, these developments reveal a significant erosion of Western leadership and the fragility of the liberal international order in the face of shifting global power dynamics. As Western states struggle to preserve their normative authority and institutional dominance, emerging powers have started to contest the existing order not necessarily through direct confrontation, but through alternative strategies of resistance. This has triggered the establishment of new forms of indirect balancing behavior—particularly soft balancing—where states seek to constrain hegemonic dominance through diplomatic, institutional, and economic means. In this context, the BRICS countries have emerged as main actors adopting soft balancing strategies to counterbalance Western influence and reshape the contours of global governance without resorting to hard military power.

As Eisentraut (2017) observes, Western states have mainly lost their leading role in managing global affairs over the past 25 years, weakening their dominance over the liberal international order (p. 1). Non-Western powers such as China and

Russia now play a more active role in shaping international norms and providing global public goods, while most of these states—often authoritarian—view the current order as biased in favor of the West (pp. 2–3). Through effective coalitions, they are capable of determining norms, establishing international rules, and solving universal issues in ways that serve their own interests (p. 2). To address this challenge, Eisentraut advocates that Western countries should use their diverse ties with non-Western states to build more inclusive cooperation strategies, thereby avoiding perceptions of imposition and enhancing legitimacy, particularly on sensitive issues such as democracy and human rights (pp. 7–8). Yet even traditional partners such as Brazil and India have grown more skeptical of Western-led interventions, especially after the Libya operation's shift toward regime change, which reduced their support for similar initiatives (p. 8).

In particular, over the last 25 years, the West has not had to exert much effort in shaping the global order, as the overwhelming military, economic, and soft power of the United States provided significant leverage over the design of international institutions (Eisentraut, 2017, p. 1). With this support, Western leaders were able to push forward the institutional framework established after World War II and advance Western preferences in international forums. Encouraged by the United States, the West also promoted the foundational principles of the liberal order—such as open markets, free trade, human rights, and the strengthening of democracy—yet today this era is widely seen as coming to an end (pp. 1–2). Without the support of non-Western countries, the West will struggle to preserve or reshape the liberal international order and maintain its normative influence (p. 2). This challenge is compounded by the shifting distribution of power, particularly with the rise of newly assertive actors like China and Russia (p. 2). Although these countries are not yet able to unilaterally impose alternative rules, they have proven capable of obstructing Western order- building efforts—for instance, through frequent use of veto power in the UN Security Council, which has significantly undermined effective international responses to global security crises (p. 2).

In sum, the post–Cold War era has revealed both the limits and contradictions of American primacy. Although the United States emerged as the sole superpower with unparalleled military capabilities, the wars in Iraq and Afghanistan, coupled with the costs of the 2008 global financial crisis, exposed the fragility of its hegemonic position and raised profound doubts about the sustainability of U.S. leadership. As Layne (1993) predicted in his “unipolar illusion,” the rise of new great powers has underscored the transience of unipolarity, while Arrighi (1994) reminds us that every hegemon enters a historical cycle of crisis and decline. Accordingly, despite its unmatched hard power, the U.S.-led order has entered a deepening crisis of authority and legitimacy, making the prospect of multipolarity increasingly visible.

The trajectory of U.S. hegemony can be interpreted through Arrighi’s cyclical logic. After 1945, American leadership rested on material expansion and the assumption of disproportionate burdens to stabilize the global economy—most visibly through the Bretton Woods system and the defense of open markets (Kindleberger, 1973). Yet the 1970s marked a “signal crisis” (Arrighi, 1994), as the Vietnam War, stagflation, and the collapse of Bretton Woods exposed the structural limits of U.S. power. While neoliberal reforms and financialization in the 1980s and 1990s temporarily prolonged American primacy, they also entrenched systemic contradictions that later surfaced in crises of legitimacy and authority.

This broader erosion of Western hegemony has coincided with the economic rise of the BRICS countries. The pole of the world economy has shifted from North America and Western Europe to the emerging economies of the East and South (Malik, 2013, p. 22). This transformation was particularly evident in the aftermath of the 2008–09 financial crisis, when developed economies stagnated while large emerging markets quickly recovered (Malik, 2013, p. 1). BRICS economies not only contributed to more than half of global growth in the three years following the crisis (Goldman Sachs, 2011, p. 2), but also accounted for nearly 40 percent of global expansion between 2010 and 2014 (World Bank, 2016, p. 180). The *Human Development Report 2013* further emphasized that for the first time in 150

years, the combined output of Brazil, China, and India equaled that of the six traditional industrial powers of the North, marking a profound global rebalancing (Malik, 2013, p. 1). Together, these dynamics illustrate how the decline of U.S. authority and the structural shift of economic power have converged to make BRICS emblematic of a more multipolar global order.

1.2. EMERGING POWERS: BRICS

Since the 1990s, and especially after the 2008 global financial crisis, the BRICS countries (Brazil, Russia, India, China, and South Africa) have gained increasing weight in the world economy. Goldman Sachs reports that the rapid recovery of BRICS after the 2007–08 global crisis further highlighted their rise, stressing that in the three years following 2008 they contributed to more than 50 percent of global growth (Goldman Sachs, 2011, p. 2). BRICS has distinguished itself not only economically but also politically, voicing demands at summits since 2009 such as “a more democratic and just multi-polar world order” (Joint Statement, 2010; cited in Kiely, 2015, p. 35), “corresponding transformations in global governance” (Second BRICS Summit, 2010), and “much emphasis has been placed on the need for voting reform within international institutions such as the World Bank and International Monetary Fund” (Kiely, 2015, p. 15).

At the institutional level, BRICS strengthened intra-group economic resilience through the creation of the Contingent Reserve Arrangement (CRA) in 2014 with $100 billion and the New Development Bank (NDB) in 2015 with an initial capitalization of $50 billion. At the 2024 Kazan Summit, Egypt, Ethiopia, Iran, and the United Arab Emirates were admitted, followed by Indonesia in 2025, bringing the group to ten members under the BRICS+ framework and further consolidating its global weight (Patrick & Hogan, 2025).

The bloc’s practical functionality has also become evident through these institutional mechanisms. For example, during the COVID-19 pandemic the NDB provided rapid resource transfers through its emergency credit mechanism,

demonstrating the group's capacity to deliver collective responses to crises. At the same time, BRICS has advanced calls for reform in Western-dominated institutions such as the IMF and the World Bank, while its approach of offering financing without political conditionalities has made it an attractive alternative for developing countries. In this way, BRICS has not only expanded its economic weight but also strengthened its claim to be the voice of the global majority. Nevertheless, geopolitical differences and internal heterogeneity continue to pose significant constraints on the group's ability to act as a cohesive and effective global actor (Vyas-Doorgapersad, 2022,pp. 1–8).

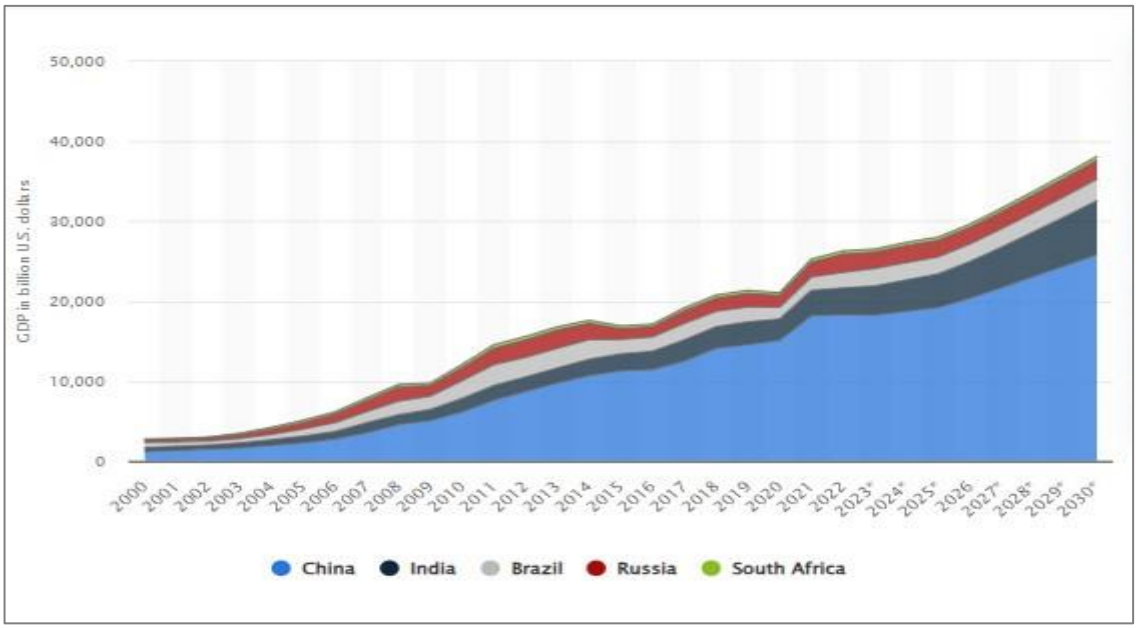
BRICS's evolution has transformed it from a forum for economic coordination into an increasingly institutionalized, multidimensional governance actor. This shift is embodied in the creation of alternative financial instruments such as the CRA and the NDB, alongside networked, issue-based cooperation spanning energy security, health, climate, and technology Rather than seeking an outright exit from the existing order, BRICS articulates a reformist challenge to the Western-led architecture of global economic governance—including the IMF and World Bank—pursuing system-internal transformation over rupture (Patrick & Hogan, 2025).

Over the past decade, BRICS has influenced global governance not only by increasing its economic weight but also by creating alternatives layered on top of existing institutions. As Stephen (2017, pp. 484–485) argues, these developments have made decision-making processes more multi-centered and fragmented. The continued privileging of developed countries in IMF and World Bank voting rules and the effective veto power of the United States (p. 492) have strengthened BRICS' reform demands, and the lack of responsiveness to these demands led to the establishment of new institutions such as the NDB and the Asian Infrastructure Investment Bank (AIIB) (p. 497). At the same time, the stalemate in the WTO's Doha Round revealed the "gridlock" of multilateralism (pp. 494–495), further positioning BRICS as a "blocking power" in global trade governance. The result, as Stephen notes, is a new governance order that is "less

universal, less liberal, and more fragmented" (p. 490)—a system rooted in existing structures but increasingly tilted toward the preferences and weight of BRICS.

In quantitative terms, the economic and demographic weight of BRICS and BRICS+ has become increasingly visible. In 2022, the BRICS countries represented almost 41 percent of the world's population, more than 25 percent of global GDP, and accounted for nearly 18 percent of exported goods and services worldwide (World Bank, 2022). In the same year, BRICS+ represented about 45 percent of the global population, 28 percent of global GDP, and at least 20 percent of exported goods and services (World Bank, 2022). Trade composition further underscores these differences: in 2021, an average of 16 percent of merchandise exports from BRICS countries consisted of fuels, while for BRICS+ members the figure reached around 31 percent—roughly double that of BRICS alone (World Bank, 2021). Reflecting this structural weight in global energy markets, BRICS+ currently represents for over 40 percent of the supply of world's crude oil. (BRICS, 2024).

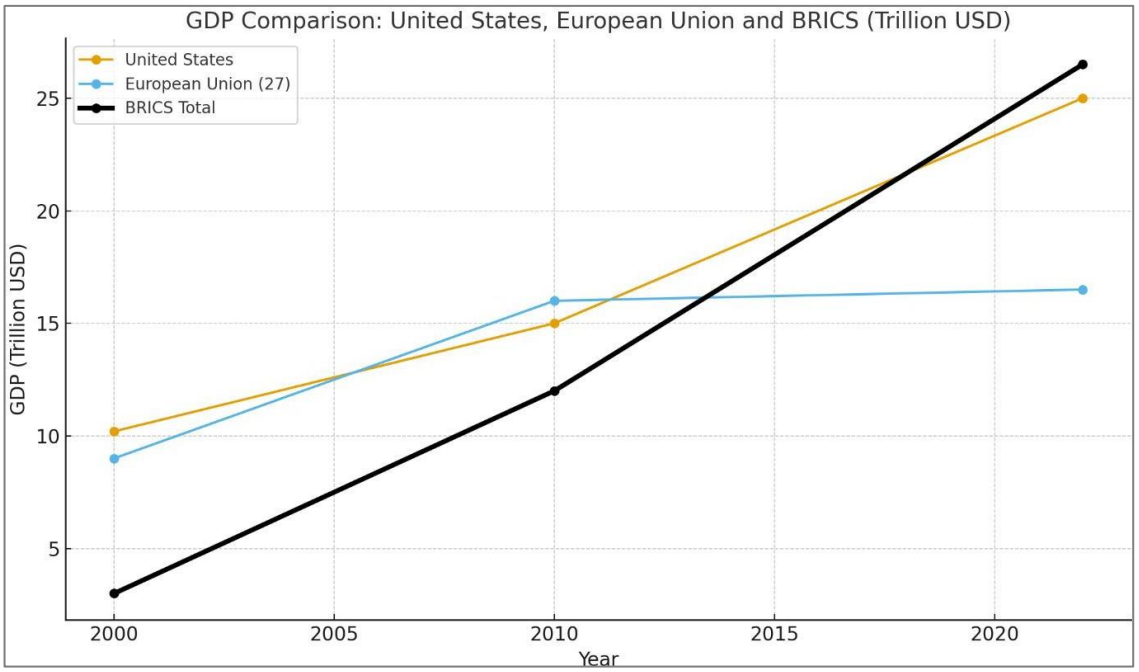
After discussing the demographic and trade dimensions of BRICS and BRICS+, it is also important to underline the group's aggregate GDP growth. According to World Bank (2024) "current US$" data, the BRICS countries together reached a GDP of approximately 3 trillion USD in 2000. By 2010 this figure had risen to around 12 trillion USD, and by 2022 it approached nearly 27 trillion USD, reflecting a remarkable long- term expansion in economic capacity. In comparative terms, the BRICS share of global GDP has risen steadily, underscoring the broader rebalancing of the world economy away from the traditional Western core toward the East and South (Statistica, 2024).



Source: Statista (2023). Gross domestic product (GDP) of the BRICS countries from 2000 to 2028 (in billion U.S. dollars). https://www.statista.com/statistics/1223665/brics- gdp/

Figure 1. *Gross Domestic Product (GDP) of the BRICS Countries From 2000 to 2028 (in billion U.S. Dollars)*

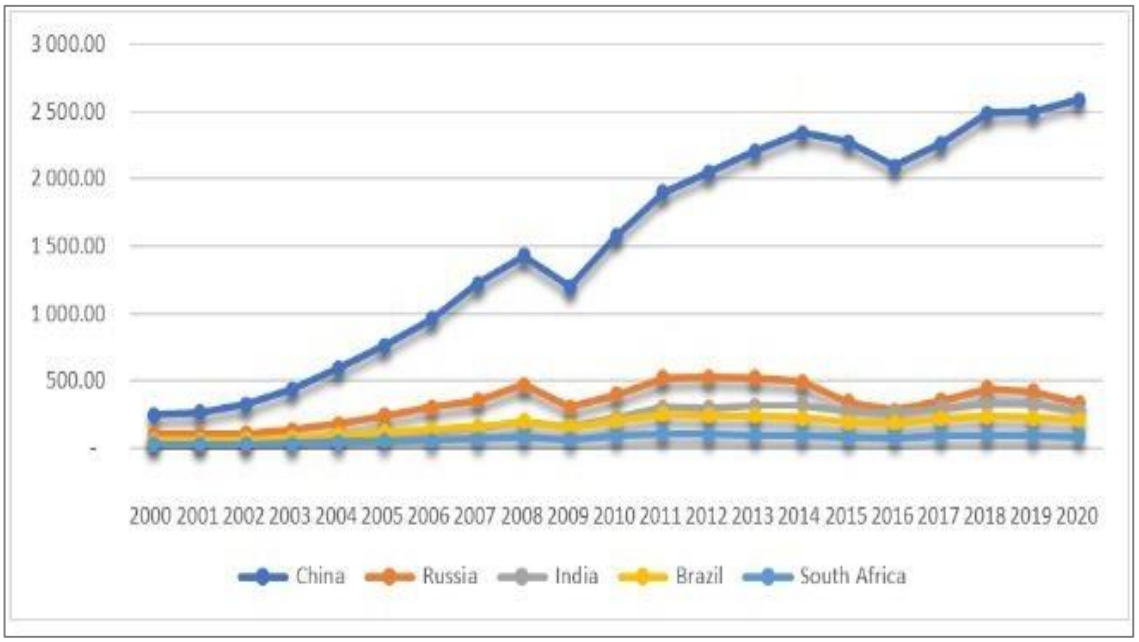
The relative rise of BRICS becomes even clearer when compared to the established Western economies. In 2000, the combined GDP of the United States and the European Union stood at nearly 19 trillion USD, accounting for the dominant share of the global economy, while BRICS registered only about 3 trillion USD. However, by 2022 the gap had narrowed substantially: while the U.S. and EU together reached around 38 trillion USD, BRICS countries expanded their combined GDP to approximately 26.5 trillion USD, nearly closing the distance within two decades. This trajectory highlights the ongoing shift in the global balance of economic power away from the transatlantic core toward the East and South, where BRICS has increasingly established itself as a central pillar of global growth (World Bank, 2024).



Source: World Bank. (2024). GDP (current US$) [Data set]. World Development Indicators. https://data.worldbank.org/indicator/NY.GDP.MKTP.CD

Figure 2. *Comparison of the Total GDP of the United States, the EU, and BRICS (2000– 2022, trillion USD)*

According to Statista, the merchandise exports of BRICS countries increased significantly between 2000 and 2020. During this period, China raised its exports from about 500 billion USD to over 2.5 trillion USD, consolidating its position as the dominant actor within the bloc. Russia traditionally ranked second, while India surpassed Brazil in 2009 to become the third-largest exporter. Brazil and South Africa's export volumes remained more limited, with South Africa consistently recording the lowest levels. Despite a temporary decline during the 2008 global financial crisis, the overall trend was upward, and BRICS countries gradually secured a growing share of global trade (Statista, 2022).



Source: Statista (2022).

Figure 3. *Export of BRICS Countries in World Merchandise Exports (2000–2020, %)*

BRICS's evolution has transformed it from a forum for economic coordination into an increasingly institutionalized, multidimensional governance actor. This shift is embodied in the creation of alternative financial instruments such as the CRA and the NDB, alongside networked, issue-based cooperation spanning energy security, health, climate, and technology. The BRICS countries have consistently emphasized institutional reform demands in various areas of global governance in order to promote a more balanced and multipolar order (Patrick & Hogan, 2025). According to Niu Haibin (2013), member states have assumed responsibilities in international security through their contributions to UN peacekeeping operations and their cautious approach to the principle of the Responsibility to Protect (R2P) (pp. 2–3). At the same time, they have called for more inclusive representation in the UN Security Council, with particular attention to the aspirations of India, Brazil, and South Africa for permanent membership (pp. 3–4). Furthermore, the establishment of the NDB, decided at the 2013 Durban Summit, aims to provide infrastructure financing for developing countries and to serve as an alternative to Western-dominated financial institutions (pp. 6–7). Rather than seeking an outright exit from the existing order, BRICS articulates a

reformist challenge to the Western-led architecture of global economic governance—including the IMF and World Bank—pursuing system-internal transformation over rupture (Patrick & Hogan, 2025). Taken together, these initiatives suggest that BRICS does not seek to dismantle the existing order, but instead aims to reform it gradually and peacefully in order to make it more equitable and representative (p. 7).

For many years, the BRICS countries have expressed discontent with the U.S.-led global economic order and have sought to develop alternative visions aimed at constraining Western dominance. Institutions such as the IMF and the World Bank, with their historically privileged power structures and conditional lending practices linked to neoliberal policy prescriptions, have fostered deep mistrust among developing countries. Against this backdrop, BRICS has advanced calls for a more inclusive and representative global governance architecture, particularly stressing the need to increase the voting power and representation of emerging economies in platforms such as the IMF, the World Bank, and the United Nations. As Marida Nach (2025) underlines, BRICS is not merely an actor seeking to dismantle the current order, but also a platform that performs a function of “institutional balancing” through initiatives such as the NDB and CRA. In this sense, BRICS is striving to transform the existing global architecture into a more just, inclusive, and sovereignty-oriented system within the broader search for multipolarity. Related to this agenda, the grouping has also advanced efforts to develop autonomy against global financial pressures by promoting trade in local currencies, creating alternative payment systems, and pursuing regional agendas (Nach, 2025).

1.3. CAN WE CONSIDER BRICS AS COUNTER-HEGEMONY?

As the U.S.-led liberal international order has entered a prolonged crisis, scholars argue that its foundations are eroding without a clear successor emerging to replace them (Mearsheimer, 2019; Acharya, 2017). At the same time, a historic shift in the “pole” of the world economy toward the East and South has taken

shape, with UNDP identifying the “Rise of the South” as a structural transformation rather than a cyclical fluctuation (UNDP, 2013). Against this backdrop, the rising profile of BRICS signals a diffusion of power rather than a settled hegemonic transition.

When assessing whether BRICS can function as a counter-hegemonic force in the global order, the group’s goals and capacities reveal important limitations. First, BRICS neither claims hegemony nor possesses the capacity to sustain a hegemonic project. As Varela and Delgado (2019, p. 89) note, BRICS does not position itself as a hegemon and lacks the requisite capabilities. Although mechanisms such as the NDB and the CRA are often cited as concrete steps in the economic domain, BRICS still lacks a unified charter, a permanent secretariat, or common funds. Its functioning, therefore, largely depends on the political will of member states. As Fokina (2023) emphasizes, this configuration makes BRICS an informal and flexible platform akin to the G7, operating through rotating presidencies, annual summits, ministerial meetings, and working groups, and thereby limiting its organizational model.

Second, in military terms, BRICS cannot play a decisive role in global power balances. As Varela and Delgado (2019, p. 103) argue, the grouping’s capabilities in the security realm remain merely persuasive and secondary, given the United States’ uncontested superiority in this field. Consequently, rather than direct challenges in the security domain, BRICS tends to exert influence primarily through economic and diplomatic instruments.

Third, BRICS’s institutional design and limited integration constrain the development of counter-hegemonic capacity. Despite steps taken thus far, Varela and Delgado (2019, p. 94) stress that BRICS is neither a forum for binding agreements nor a trade- integration pact and that progress on integration has been quite limited. The NDB’s governance model does not constitute a decisive break from the Western-centric financial architecture, since voting power is tied to capital contributions—reproducing the same logic as the World Bank (Luna,

2020, pp. 203–204). As Luna (2020, pp. 209– 211) underscores, the Bretton Woods era (1945–1973) enabled broad-based industrialization and welfare gains through fixed exchange rates, capital controls, low interest rates, and state-led development banking. By contrast, the NDB's market- rational lending orientation is far from recreating such a "golden age" institutional context, which undermines the Bank's ability to offer a robust long-term development perspective. Moreover, China's dependence on the G7 in trade, foreign direct investment, and reserve management—along with its large-scale holdings of U.S. Treasury securities—further constrains BRICS's potential to act as a counter- hegemonic bloc (Luna, 2020, pp. 210–211). As a result, the claim that BRICS could build an alternative global economic order is weakened; in practice, it risks reinforcing the continuity of the existing Western-led hegemony. In addition, the grouping remains only lightly institutionalized—lacking an independent secretariat and operating largely through annual summits and joint declarations—which has complicated collective decision-making, a problem thrown into sharp relief during the recent enlargement process (Sune, 2023, p. 434).

Fourth, internal heterogeneity and normative cleavages significantly limit BRICS's counter-hegemonic capacity. On one side stand democratic regimes such as India,

Brazil, and South Africa; on the other, China's authoritarian system and Russia's authoritarian tendencies. As Varela and Delgado (2019, p. 100) observe, these divergent political systems impede the development of common objectives on democracy and human rights. While members can articulate a shared discourse of sovereignty against Western interventionism, this often remains at the level of "negative solidarity" and struggles to evolve into a forward-looking, constitutive political project (Laïdi, 2012). Historical rivalries (Sino-Russian, Sino-Indian) and contemporary mistrust—especially concerns among other actors over China's rise—further complicate cooperation. In such an environment, sovereignty is frequently perceived as a zero-sum issue, pushing states to hedge against one another rather than act collectively. This intra-group competition sidelines

common interests, renders solidarity fragile, and ultimately constrains BRICS's counter-hegemonic potential (Laïdi, 2012).

Fifth, structural vulnerabilities and limited performance in security crises also weaken the group's counter-hegemonic prospects. Varela and Delgado (2019, p. 100) highlight how poverty, inequality, and a lack of economic diversification erode internal capacities. BRICS's failure to agree on joint candidates in IMF and World Bank leadership contests—and the willingness of some members to back Western nominees—has undermined its institutional credibility and internal cohesion (Laïdi, 2012). Moreover, although BRICS members were able to say "no" to Western interventions in cases such as Libya and Syria, they did not articulate viable alternative solutions and thus remained defensive and reactive. As De Coning, Mandrup, and Odgaard (2015) emphasize, BRICS's overarching strategy is grounded in "coexistence," but because this approach is interpreted differently across member states, it has not produced a shared strategic vision. Therefore, while BRICS's rise signals a shift in the distribution of power, it points less to a hegemonic transition than to a diffuse and multipolar international configuration.

The way BRICS positions itself further demonstrates why it cannot be regarded as a genuine counter-hegemonic bloc. Rather than adopting an explicitly hostile "anti- Western" discourse, BRICS defines itself in terms of a "non-Western" approach. This distinction became particularly clear after the 2024 Kazan Summit, when Russian President Vladimir Putin, echoing the words of Indian Prime Minister Narendra Modi, expressed that BRICS is "non-Western rather than anti-Western" (Kremlin, 2024; Times of India, 2024). Such framing highlights that BRICS does not constitute an alliance directly confronting the Western-centered order, but instead presents itself as a platform through which non-Western actors can pursue independent interests and promote multipolarity. In the same vein, C. J. Polychroniou, in his analysis of the Kazan Summit, argued that while BRICS's ambition to present an alternative to the Western order has grown stronger, this should be understood not as the emergence of an "anti-

Western bloc," but as the gradual formation of a non-Western global actor (Polychroniou, 2024). Accordingly, BRICS is less a counter-hegemonic force than a forum that reinforces the autonomy of non-Western states and articulates aspirations for a multipolar order, thereby underscoring its reliance on limited reformist and balancing strategies rather than direct hegemonic contestation.

Although the BRICS countries are neither homogeneous nor fully cohesive, their common political project is grounded in an effort to constrain Western hegemony and promote a more pluralistic international order. Through the strategy of "coexistence," they seek to prevent any single state or alliance from establishing dominance, envisioning instead an international system managed on a multilateral, rules-based, and egalitarian foundation (de Coning, Mandrup & Odgaard, 2015). Yet, as the literature emphasizes, while many emerging powers express dissatisfaction with the current order, they have not articulated a clear alternative. Rather, what has emerged is a more chaotic and multi-centered world order, characterized by competing powers and uncertain guiding principles (de Coning, Mandrup & Odgaard, 2015, p. 3). Divergent interpretations of "coexistence" within BRICS further highlight this heterogeneity: Russia adopts a realist, balance-of-power approach; Brazil, India, and South Africa prioritize socioeconomic development and pluralism; while China stresses resistance to hegemonic intervention and the right of each state to pursue its own development path. As such, BRICS is less a cohesive counter-hegemonic bloc than a platform shaped by varied priorities and instruments under the broad banner of "coexistence."

BRICS's self-positioning as "non-Western rather than anti-Western" underscores why it cannot be seen as a cohesive counter-hegemonic bloc. Its internal heterogeneity, lack of institutional depth, and divergent strategic priorities mean that BRICS does not replicate the integrated military and organizational structures characteristic of Western hegemony. Instead, its initiatives—such as the NDB, currency swap arrangements, and summit diplomacy—reflect a strategy of coexistence that seeks to limit Western dominance without presenting a fully-

fledged alternative order (de Coning, Mandrup & Odgaard, 2015; Kremlin, 2024; Polychroniou, 2024).Iran's accession to BRICS illustrates this logic in practice. By joining the group, Tehran challenges the U.S. portrayal of Iran as a pariah state and gains a platform for greater legitimacy and partial relief from Western sanctions through closer ties with China, Russia, and other Global South partners. Analysts note that BRICS provides Iran with both symbolic and material benefits: symbolically, it signals defiance of U.S.-led exclusionary policies; materially, it opens channels for non-dollar trade, investment opportunities, and expanded energy cooperation (Heiran-Nia, 2023; Al Jazeera, 2024). For Iran, BRICS thus functions less as an alternative hegemonic order and more as a political shield—an arrangement consistent with BRICS's broader role as a vehicle for soft balancing rather than counter-hegemony.

In conclusion, rather than constructing a direct counter-hegemony, BRICS develops soft balancing strategies aimed at constraining Western dominance and contributes as a loose platform to the building of a multipolar order. At this point, in order to better grasp BRICS's position in the international system and, in particular, its responses in the context of the Iran sanctions, it is first necessary to examine the theoretical framework of soft balancing. The next chapter will therefore elaborate this concept before turning to the Iranian case to illustrate how it operates in practice.

Taken together, these dynamics highlight that BRICS does not constitute a direct counter-hegemonic force. Rather, it actively engages in soft balancing strategies that seek to constrain Western dominance through diplomatic, institutional, and economic instruments. This tendency becomes particularly visible in the collective responses of BRICS states during the sanctions imposed on Iran, which will serve as a key case study. Accordingly, the next chapter will first elaborate the theoretical framework of **soft balancing**, before turning to the Iranian sanctions episode to illustrate how BRICS operationalizes this strategy.

CHAPTER 2
SOFT BALANCING

Having examined the rise and mechanisms of Western hegemony in Chapter 1, this chapter turns to the question of how states respond to concentrated power. It revisits the balance of power tradition, outlines different forms of balancing, and explains why **soft balancing** has emerged as a distinct strategy under U.S. unipolarity. By situating soft balancing alongside hard and limited hard balancing, the chapter provides the conceptual framework for analyzing how states—particularly second-tier powers—constrain hegemony through institutional, economic, and diplomatic means.

2.1. BALANCING

2.1.1. Balance of Power Theory

From a theoretical perspective in international relations, the balance of power is one of the most fundamental concept to understand and explain how states act in an anarchic international system. The realist tradition holds that in the absence of a central authority, states must secure their survival by balancing against any actor that seeks preponderant power (Waltz,1979, p. 128). As Levy and Thompson (2005) express “balance of power policies are defined as strategies aimed at preventing any state from establishing hegemony in the international system” (p. 1). The ultimate objective of such policies is the preservation of sovereignty, independence, and the overall stability of the international system.

This framework assumes that states behave rationally and strategically in response to shifts in the distribution of power. According to Kenneth Waltz (1979), the international system is defined by structural anarchy, which creates a self-help environment and states must rely on their own capabilities or form alliances to ensure security under these conditions (pp. 102–128). The preservation of

equilibrium within the system is not a conscious effort to maintain order for its own sake, but rather an unintended result of states' individual attempts to increase their own security (Paul, 2004, p. 32).

2.1.1.1. Balancing as a Strategic Response to Hegemony

Essential to balance of power theory is the concept of balancing, which refers to the measures taken by states to prevent the emergence or dominance of a hegemonic actor. Balancing is defined by Robert Pape (2005) as a strategy aimed at equalizing opportunities in a rivalry between the strong and the weak (p. 30). In this sense, states attempt to increase the cost of aggression or dominance by enhancing their own capabilities or aggregating capabilities with others. Waltz (1979) identifies balancing as a natural systemic outcome: "States balance power when they fear being dominated by other states" (p. 128). Importantly, Stephen M. Walt (1987) highlights this perspective in his balance of threat theory, advocating that states do not simply balance against power itself, but rather against threats which means actors perceived as both powerful and aggressive (p. 32). This distinction helps to clarify why certain rising powers confront resistance while others do not, although they have close level of material capabilities to each other. Jack Levy (2004) further emphasizes that balancing is not pursued as an end in itself but as a means to maximize security: "State strategies to maintain a balance or equilibrium of power are not ends in themselves but means to maximize their own security" (p. 32). Hence, balancing behavior— whether individually or in coalition—emerges as a rational response to the threat of domination. Mearsheimer also support this by expressing that great powers "fear each other and always compete with each other for power" (Mearsheimer, 2001, p. XI).

According to balance of power theory, traditional ways for constraining great powers are the fundamental methods employed to ensure their own security and prevent the dominance of others in the international system. Neorealism also posits that in an anarchic, self-help international system, great powers primarily

pursue security. To achieve this, they rely on two main strategies: internal and external balancing. Early interpretations of balance of power theory maintained that great powers had no choice but to balance against potential threats. This balancing could fundamentally be achieved in two ways: through external balancing by forming military alliances, or by internal balancing through harnessing additional domestic resources, including military capabilities (Brawley, 2004, p. 76). These approaches were regarded as fundamental strategies adopted to prevent a rising or threatening power from establishing its hegemony in the international system. According to Parent and Rosato (2015, p. 56), internal balancing takes place when states strengthen their own military capabilities. This can involve measures such as increasing defense expenditures, expanding weapons production, raising troop numbers, or adopting a mix of these steps. It may also occur through emulating the effective military strategies and technological advances of other powers. By contrast, external balancing refers to the creation of alliances—formal military agreements designed to deter or defend against shared adversaries.

To counter the rise of a potential hegemon, states typically pursue strategies of balancing by either strengthening their own military capabilities (internal balancing), forming alliances with like-minded powers (external balancing), or employing a combination of both methods. This widely accepted distinction between internal and external balancing reflects a broader theoretical consensus within balance of power theory. According to Layne (2002, p. 105), in an anarchic international system, states seek to ensure their long-term survival by countering rising concentrations of power either through internal efforts—such as military buildup—or by aligning with other states to pool capabilities. In line with this view, Wohlforth (2003) emphasizes that internal balancing refers to a state's effort to augment its power in the face of a potential hegemon (p. 215), primarily through the mobilization of domestic resources like defense spending or enhanced industrial capacity (p. 219). Similarly, Brawley (2004, pp. 76–78) argues that balancing is essentially a process of power accumulation, realized either through

internal means or external alliances, depending on the nature and severity of the perceived threat.

2.1.1.2. Balancing Types

In order to clarify the distinctiveness of soft balancing, it is useful to briefly mention other strategies that states employ when confronted with potential aggressors or hegemons. Mearsheimer (2001) identifies buck-passing as the main alternative to balancing, whereby a threatened great power seeks to shift the burden of confronting the aggressor onto another state while remaining on the sidelines (pp. 139, 157–159). Abb (2013) similarly defines buck-passing as any strategy of staying on the sidelines and avoiding direct engagement with a superior state, on the assumption that others will bear the costs of addressing the threat (p. 6). This differs from bandwagoning**,** which Walt (1987) defines as a threatened state aligning with the stronger power in the hope of gaining at least a share of the spoils of war (p. 17), or from appeasement**,** in which a state concedes power to the aggressor in the expectation of moderating its behavior (Mearsheimer, 2001, p. 140; Abb, 2013, p. 6). Finally, hedging combines engagement and reassurance with elements of balancing, serving as an “insurance” policy against uncertain future intentions of other powers (Goh, 2006, pp. 1–2). Although these approaches highlight the broader repertoire of strategic responses to rising powers, they are not the central focus here. Instead, the following discussion of hard balancing, limited hard balancing, and soft balancing aims to situate soft balancing within the historical evolution of balancing practices and thereby clarify its conceptual essence as a distinct strategy in response to U.S. primacy and Western hegemony.

a) Hard Balancing

Hard balancing refers to formal arrangements that aim to increase a state’s relative power against a threatening or hegemonic actor. This strategy generally contains domestic military buildups and external alignments through joint

command structures, established bureaucratic frameworks, and permanently stationed combat-ready forces. Based on the realist sense of the anarchic international system, hard balancing has historically used as a primary option for maintaining state security (He & Feng, 2008, p. 365). Walt (2005) similarly explains that “hard balancing focuses on the overall balance of power and seeks to assemble a counter-vailing military coalition that will be strong enough to keep the dominant power in check no matter what policies it decides to adopt (p. 109).

According to T.V Paul, two conditions are necessary for traditional hard balancing. States must feel that their sovereignty and territorial integrity will be threatened if a rising or hegemonic power cannot be prevented. Second, if they are unable to maintain this balance through their own capabilities, they must find allies to restrain the rising or hegemonic power. (Paul, 2018, p. 24). A fundamental prerequisite for traditional 'hard balancing' strategies is that states must feel a perceived threat to their sovereignty and territorial integrity. This threat perception gains particular importance when a rising or hegemonic power cannot be prevented. Indeed, "The belief that states form alliances in order to prevent stronger powers from dominating those lies at the heart of traditional balance of power theory." (Walt, 1987, p. 1) According to Stephen M. Walt's balance of threat theory, states primarily form alliances to balance against threats (Walt, 1987, p. 5). These threats, in turn, can stem from factors such as power, geographic proximity, offensive capabilities, and perceived intentions (Walt, 1987, p. 5). When a state is unable to balance this threat through its own capabilities, seeking allies to restrain the rising or hegemonic power becomes inevitable (Walt, 1987, general argument). As Walt observes, "Every attempt to achieve hegemony in Europe since the Thirty Years War has been thwarted by a defensive coalition formed precisely for the purpose of defeating the potential hegemon." (Walt, 1987, p.43) Within the framework of balance of power theory, the rise of a hegemon is aimed to be prevented, and international stability preserved, through coalitions (alliances), increased military capabilities (armaments), or potentially preventive strategies so through hard balancing.

While the aim of the states engaging in soft balancing is to reduce the strength of the threatening state's behavior so it can be argued that soft balancing is more temporary in nature and generally directed against a specific threat, with the objective not being direct confrontation. In contrast, hard balancing can be developed both against a specific threat and against the mere existence of power itself, based on the assumption that a powerful state will eventually pose a threat hard balancing is generally applied by the states who are in intense competition with other states in the system. (Levy & Thompson, 2010, p. 10-12). This kind of balancing can be developed both against a specific threat and against the mere existence of power itself, based on the assumption that a powerful state will eventually pose a threat. Since hard balancing involves traditional balance of power tools such as military alliances and armament, it can be developed directly against the phenomenon of power imbalance. This stems from the balance of power theory's understanding that power accumulation eventually leads to threat. "Great powers recognize that the best way to ensure their security is to achieve hegemony now, thus eliminating any possibility of a challenge by another great power." (Mearsheimer, 2001, p. 47.)

b) Limited Hard Balancing

Rather than combining military forces or conducting joint operations, limited hard balancing links arms build-up with existing diplomatic assets to safeguard national interests. Similar to soft balancing, it accepts the current balance of power but seeks to achieve more favorable outcomes by developing adequate diplomatic and military capabilities to impede or constrain specific policies of the threatening state (De Castro, 2022, pp. 261–262). Positioned between soft and hard balancing, it often involves semi-formal arrangements such as the Association of Southeast Asian Nations (ASEAN). Countries like Vietnam and India have engaged in limited hard balancing initiatives with the United States in response to China's threatening behavior toward its neighbors. Within the broader concept of soft balancing, ASEAN's approach toward China can be seen as limited hard balancing. As Emmers (2001) explains, the ASEAN Regional Forum

(ARF) sought to constrain China not through military alliances but through institutional and political means: “The Association wanted the PRC to be constrained through its participation in an embryonic security regime and respect its rules and interests” (p. 282). India’s inclusion in the ARF for “power balancing considerations” (p. 283) and the Philippines’ 1998 Visiting Forces Agreement with the U.S. (p. 285) further demonstrate such semi-formal balancing efforts. These initiatives illustrate a middle ground—more assertive than soft balancing yet short of traditional military alliances—capturing the essence of limited hard balancing. These coalitions do not pursue offensive warfare or operational goals. Rather, they stop short of formal alliances but may include agreements that allow the U.S. Navy to use military base facilities.

The Indian case illustrates limited hard balancing more clearly: New Delhi has entered into a strategic partnership with Washington to counterbalance China. This approach includes defense spending aimed at raising India’s military capacity to a level comparable to China’s. In turn, China and Russia have also formed a partnership characterized by arms cooperation and symbolic military alignment, which can be understood as limited hard balancing against the United States. Both cases show how states, wary of economic interdependence and the risks of escalation, avoid rigid alliances and instead adopt calibrated military strategies within a broader soft balancing context (Paul, 2018, p. 29; Paul, 2020, pp. 28–35).

Finally, limited hard balancing typically emerges when competition is low or moderate but expected to intensify in the near future. States practice risk management (hedging) to prepare for potential threats. In doing so, they may arm themselves against a powerful opponent, though not to the point of fully matching its strength. Hard balancing is generally directed against a dominant rival, while soft balancing is more often applied between allies and adversaries (Paul, 2018, p. 34). The third type of balancing, soft balancing, will be examined in the following section.

2.1.2. Theoretical Expectations of Balancing after the Cold War

After the end of the Cold War, many scholars expected that states would form balancing coalitions against the United States and that the so-called "unipolar moment" would be short-lived. Krauthammer stated that although a unipolar order prevailed after the Cold War with the United States at the center, multipolarity would eventually emerge; not in the near future, but in the next generation, great powers equal to the U.S. could arise, and the global structure could resemble the pre–World War I era. Christopher Layne similarly argued the unipolar moment is merely a temporary geopolitical phase which, he predicts, will inevitably give way to multipolarity between 2000 and 2010. He contends that even if the United States attempts to maintain its dominance through a benign hegemonic strategy, such efforts will still be met with balancing behavior by other states. (Layne, 1993, p. 7)

According to balancing tendencies in both realism and liberalism, states will choose to create balance against each other especially in the case of preponderant power of the United States (Layne, 1993, p. 8). The traditional realist perceives the balancing between great powers will occur in any case in the environment of international politics. According to the theory, states engage in balancing behavior without considering the end of balanced power actions, and there is a strong tendency to create balance in the system (Waltz, 1979, p. 128). Traditional realists assert that balancing among great powers is a natural and inevitable outcome in an anarchic international environment. States, they argue, engage in balancing behavior regardless of the eventual success or failure of the balance itself, driven by an instinct for survival and security. In an anarchic environment, the most powerful state is perceived as a threat by the others because they never feel secure about whether this great power will harm their national sovereignty or threaten their security (Waltz,1993). Some thinkers advocate that the absence of strong balancing is due to the fact that other states were not at a sufficient level to compete with the United States, especially in military terms. Therefore, there has been a lack of hard balancing, as state capabilities

were not strong enough to constrain U.S. power (Lieber & Alexander, 2005, p. 115).

Regarding the common expectation that there would be sign of balancing at the end of the Cold War against the United States, Kenneth N. Waltz famously argued "in international politics, overwhelming power repels and leads other states to balance against it" (Waltz, 1997, p.916). Although such an expectation existed and the United States' power on the international stage continued to grow, a true balance of power capable of constraining this major power did not emerge. Most of the counterbalancing that has occurred since 1991 is rhetorical and unrealistic. No great power has been courageous enough to accept the political and economic costs of countering the United States (Wohlforth, 1999, p. 35).

A key turning point came with the U.S. invasion of Iraq in 2003, which triggered widespread international criticism and provoked debate among scholars. Many analysts argued that traditional balancing behaviors would occur; in other words, that states would not only strengthen their internal defenses but also form external alliances with their partners. On the other hand, some scholars suggested that a new trend, known as soft balancing, was emerging. According to this view, states were attempting to limit and reduce U.S. influence without resorting to the traditional methods mentioned earlier. The common ground shared by both perspectives is that states have begun to develop a stance against the rising power of the United States (Lieber & Alexander, 2005, p. 109).

2.1.3. Emergence of Soft Balancing as an Alternative

The overwhelming power of the United States has driven scholars to investigate how other states respond to American hegemony. While some argue—drawing from the balance of power literature—that “strategies of opposition” would emerge, others have suggested that “strategies of accommodation” would become more prevalent (Walt, 2006, p. 124). Contrary to theorists who predict that military alliances will be formed against the US through hard balancing, some

approaches suggest that states can resist US dominance without resorting to traditional military power. This approach is known as soft balancing. This strategy is based on achieving results outside the US's preferences through diplomatic means by remaining within this balance, rather than aiming to change the current distribution of power.

After World War II, interdependence among states in the realms of economics and security has diminished the advantages of war and traditional military balancing strategies—such as formal alliances and large-scale armament—while significantly increasing the associated risks. The increase in these risks can be explained by factors such as the possibility of nuclear escalation, resistance in weak countries, the potential to harm economic targets, and public sensitivity to military costs (Keohane & Nye, 2011, p. 195). In this context, values such as the right to self-determination, the legacy of decolonization, and peaceful conflict resolution have increasingly replaced expansionist ideologies. Based on these developments, institutionalization and growth of global politics have created an environment in which diplomatic negotiations are facilitated, and available conditions for multilateral cooperation through international regimes. The institutions ensure symmetry and information exchange, provide mechanisms for monitoring and sanctioning aggressive or rule-breaking states, and determine the legitimate standards of action for states (Keohane, 1984, p. 244). International agreements not only facilitate intergovernmental communication and the formation of coalitions, but also enable states to make mutual commitments to one another. For this reason, governments prefer these regimes because they provide mutually beneficial agreements rather than imposing binding rules (Keohane, 1984, p. 244). As a result, states are more inclined to adopt institutional and diplomatic ways to resist threats, rather than relying on hard balancing such as developing armament or establishing military alliances (Wivel & Paul, 2020, p. 473).

T.V. Paul notes that in the contemporary international system, states increasingly seek to balance power and restrain threatening behavior through international

institutions, limited alignments, and economic tools. While military capabilities remain relevant, they are no longer the sole or even preferred instruments of balancing. Instead, the availability of less confrontational and more legitimate mechanisms—such as multilateral diplomacy, informal coalitions, and economic sanctions—has altered the cost-benefit calculus of states. As a result, many states now resort more frequently to nonmilitary strategies to counter dominant powers, often opting for soft balancing over traditional hard balancing (Wivel & Paul, 2019, pp. 91–92). The existence of these less threatening tools is causing states to resort more frequently to nonmilitary means in their balancing strategies because they change their cost-benefit calculations.

2.1.4. Limits of Hard Balancing and the Shift toward Soft Strategies

The fundamental limitation of hard balancing lies in the near impossibility of building a rival force capable of countering the overwhelming military superiority of the United States. For this reason, states had no desire to create an anti-American coalition, as their power would not match that of the United States, their military capabilities could not compete, and the alliance would also suffer from internal disagreements and uncertainties that would undermine cohesion (Walt, 2006, p. 124). Based on this argument, proponents of soft balancing frequently use this reasoning to explain the absence of traditional balancing (Wohlforth, 1999, p. 7). Additionally, “Efforts to produce a counterbalance globally will generate powerful countervailing action locally,” thus undermining the effort (Wohlforth, 1999, p. 29). External balancing of a unipolar state by establishing military alliances cannot be valid in a unipolar world. In an effort to establish an alliance against the US, coordination problems or geographical restrictions may be encountered. It is not easy to achieve traditional hard balancing, and secondary states can also maintain their political autonomy by resorting to diplomatic means and restricting the hegemonic state (Pape, 2005, p. 68).

In parallel with these structural limitations, the post–Cold War international environment further discouraged hard balancing strategies. In this period, the

resolution of disputes within transatlantic relations also came to rely largely on economic interdependence (Sokullu, 2019, p. 4). At the end of the Cold War, due to globalization and the decrease in returns obtained through military means, economic interdependence led countries to less aggressive policies and economic strategies (Brooks, 1999, p. 646). As emphasized by Keohane&Nye (2011), the possession of advanced military technology, such as surface-to-surface antiship missiles, raised the potential costs of military action, discouraging its use even by major powers. Furthermore, general norms against the use of force and the growing perception that force hinders the attainment of broader goals contributed to a preference for less aggressive economic strategies (p. 88). In this context, even economically advanced countries came to recognize that the benefits of conquest had substantially diminished, making cooperation and interdependence more attractive and functional alternatives. As Nye and Keohane (2011), also point out, the use of force has become increasingly costly for major powers due to the risks of nuclear escalation, economic repercussions, domestic opposition, and the resistance from weak or poor states (194-195) .In this context, complex interdependence—characterized by multiple channels of interaction, lack of hierarchy, and the declining relevance of the threat or use of force—has become a defining feature of international politics (240).

In the post–Cold War era, economic globalization has reshaped how states engage with great powers. As Paul (2018) highlights, “economic interdependence, generated through globalization, has required states to adopt less threatening economic strategies, since economic prosperity demands access to the markets, technology, and the goodwill of others, especially the dominant economic powers” (pp. 13–15). The growing interdependence has made soft balancing a more attractive option, allowing states to constrain dominant actors without risking access to vital economic benefits. In contrast, if military balancing is preferred, these markets may not be reached and negative consequences may arise in terms of security. When a state directly pursues a military balancing strategy against a powerful actor, this can lead to deterioration of trade relations and economic losses. These developments laid the

groundwork for soft balancing strategies, whereby states began to constrain hegemonic powers not through military coalitions, but through institutional opposition, economic statecraft, and diplomatic entanglement. As military means lost their former effectiveness, the costs and limited returns from coercive strategies encouraged rising powers to utilize indirect, non-military tools to counterbalance U.S. dominance, especially in multilateral forums.

2.1.5. Defining Soft Balancing: Tools, Strategies, and Aims

Walt defines soft balancing as “soft balancing is the conscious coordination of diplomatic action in order to obtain outcomes contrary to U. S. preferences—outcomes that could not be gained if the balancers did not give each other some degree of mutual support. By definition, “soft balancing” seeks to limit the ability of the United States to impose its preferences on others. To practice soft balancing, therefore, other states must coordinate their actions with this aim explicitly in mind” (Walt, 2006, p. 108). States may not want to draw the focused enmity of the United States upon themselves; however, they may be willing to restrict its freedom of action, complicate its diplomacy, weaken its power, enhance their own strength, reduce U.S. resolve, and generally make it more difficult for the United States to achieve its objectives (Walt, 2002, p. 125). These strategies reflect an emerging pattern in contemporary international politics, where states seek to preserve autonomy and restrain hegemonic dominance through non-military means, thereby contributing to the evolution of a more multipolar and institutionally mediated global order.

Soft balancing refers to efforts to restrain the unilateral and interventionist policies of a hegemonic power, particularly the United States, not through direct military confrontation, but via diplomatic, institutional, and normative means. As Paul (2018) emphasizes, this strategy relies on nonmilitary tools such as international institutions, informal diplomatic alignments, and economic sanctions to delegitimize and obstruct aggressive actions, especially when traditional military alliances or arms buildups are not feasible or desirable. In other words,

> “Soft balancing is a rational and calculated response to threatening behavior, employed when other options, such as alliances and arms buildups, are not easily available. It is not a mere rhetorical device but a consistent strategic approach relying on mechanisms such as institutions and economic sanctions (Paul, 2018, p. 46)….. Great powers have resorted as often to softer diplomatic instruments as to military ones to restrain their opponents…While nonmilitary instruments are sometimes dismissed as ineffective, military instruments have also failed.” (Paul, 2018, p. 421)

The concept of soft balancing can be understood as a definition that encompasses the initiatives of weaker states seeking to curb the influence of a stronger state (Whitaker, 2010, p. 1110). Pape limits soft balancing to the responses of states with relatively less power than a dominant power—such as today's hegemon, the United States—against the security threats they perceive (Pape, 2005, p. 10).

Proponents of soft balancing have put forward several key premises to define and identify this strategy. These include efforts to constrain dominant powers by encouraging their engagement within international institutions in a way that limits unilateral action; preventing their participation in regional economic cooperation frameworks (Pape, 2005, pp. 36–37); restricting or denying access to military bases in order to hinder their ability to project power and expand their spheres of influence; and providing various forms of support to so-called “rogue states” that are considered adversaries of the United States.

2.1.5.1. Tools of Soft Balancing

Through soft balancing tools, states may seek to balance the power asymmetry among strong and weak actors. The tools encompass a range of non-military tools constructed to complicate or constrain the dominant state's ability to use force or exercise coercive impact. In contrast to traditional hard balancing, soft balancing aims to restrict the military capacity or strategic freedom of a powerful state without resorting to direct military measures. Common mechanisms of soft balancing covers territorial denial, entangling diplomacy, economic strengthening, and signaling the resolve to join a balancing coalition.

a) **Territorial denial:** Powerful states seek to gain advantage by using the territories of other states as a route for deploying ground forces or air or naval forces. If this access is denied to powerful states, the strong state may face logistical problems or fight only with air and naval forces, its chances of winning may decrease and its military strength could potentially diminish in relation to the state it plans to target. According to Daniel Flemes, Brazil demonstrated a clear case of territorial denial, one of the key soft balancing strategies, by rejecting the U.S. request to use Brazilian air bases and military facilities in the Amazon region in 2002 (Flemes, 2009, p. 408). This rejection, coupled with its opposition to the U.S. military presence in Colombia, is seen as a determined yet non-military form of resistance to U.S. unilateralism. Flemes highlights Brazil's behavior as an assertive application of soft balancing, aligning with Robert Pape's definition of soft balancing, which involves non-military tools—such as territorial denial, diplomatic entanglement, and economic measures—to delay or constrain the dominant power without provoking direct military confrontation. (Pape, 2005, pp. 36–37) In this sense, Brazil's approach can be viewed as a firm, even "harsh" response within the framework of soft balancing.
b) **Engtangling diplomacy:** Powerful states cannot completely disobey the rules of international institutions or strong international norms, otherwise they may not gain the support necessary to achieve their goals. States can postpone the war plans of the powerful state or provide time for the weak state to prepare or delay the war due to these institutions and temporary diplomatic initiatives (Pape, 2005,30). A clear example of this is China's use of its veto power in the United Nations Security Council or its preference for prolonged negotiations, which can be seen as an attempt to create a counterbalance to U.S. unilateralism through effective multilateral institutions like the UN (Paul, 2018, pp. 34, 42).

From the context of entangling diplomacy, second-tier states that are classified as such and exhibit a tendency toward soft balancing may enter into diplomatic coalitions and make agreements with other like-minded states to establish a

counterweight against a powerful or rising state that they perceive as a threat against themselves. In this context, the veto power granted to these states in the United Nations Security Council have a significant importance within this strategy. For example, such states may refrain from granting UN approval to U.S.-led interventions, thereby attempting to invalidate Washington's ambitions by framing them as imperialist and in violation of the principle of sovereignty.

c) **Economic strengthening**: Militarily strong states usually owe their military superiority to a strong economic power. The shift of economic power toward the weaker side can create an effective form of balancing, and this can be realized by forming regional trade blocs that increase trade and economic growth among member states while excluding non-members. If the strong state is excluded from these regional trade blocs, its trade volume and growth rates may be negatively affected.
d) **Signals of resolve to balance:** In a unipolar system, states that want to act together against the hegemonic power often worry about whether the required collective action will take place. While limiting the actions of this strong state, soft balancing can also overcome this issue by aligning expectations regarding mutual balancing actions. If states apply soft balancing methods in cooperation with each other, their cooperation and trust also will become stronger. Based on this, the purpose of soft balancing is not to openly block the actions of the superior state, but rather to give signals that it will face resistance to its future goals. The effectiveness of soft balancing is not measured solely by whether the unipolar state insists on or abandons certain policies, but also by the number of states joining the soft balancing coalition (Pape, 2005, 31).

2.1.5.2. Historical Precedents of Soft Balancing

a) Concert of Europe

If we illustrate soft balancing through significant historical examples, the Concert of Europe can also be considered a notable instance from the 19th century (Paul, 2018, p. 57). The Concert of Europe ensured the prevention of great war between the years of 1815 and 1853 as there were no wars among great powers and security and stability was partially ensured in the international system (Elrod, 1976, p. 159). After the Napoleonic Wars in 1815, the five European great powers—Austria, Prussia, Russia, France, and the United Kingdom—established the Concert of Europe, a system based on largely informal but nonetheless influential rules agreed upon by these states (Lascurettes,2017). These major powers agreed that no territorial changes could be made without the consent of all, and that none of them could alter their foreign policy unilaterally without the approval of the others. As Mazower notes, this system was based on "a principle of general union, uniting all the states collectively with a federative bond, under the guidance of the five principal powers" (Mazower, 2012, p. 21). In this way, the status quo would be preserved, the great power positions would remain unchanged, and none would undertake ambitious actions without considering the others (Popović, 2024, p. 4). This arrangement aimed to protect the system and ensure stability, thereby guaranteeing the continuity of their great power status. These goals were pursued through international treaties and, at times, by relying on both hard and soft power (Wivel & Paul, 2020, p. 476).

One of the striking aspects of this system is that the great powers tried to balance each other not only through military capacity but also through institutional arrangements, norms and diplomatic consensus (Holsti, 1991, p. 135). In this context, the Concert system can be considered a historical premise in terms of soft balancing (Holbraad, 1971, p. 30). Instead of use of force, the Concert of Europe emphasized legitimacy, common responsibility, and collective decision-making. As Elrod notes, it relied on "moral suasion—an appeal to the collective

responsibility of the great powers for European peace and stability" (Elrod, 1976, p. 168). This balance was ensured thanks to diplomatic consultation and status-based restrictions, not formal alliances. As a result, the Concert of Europe can be considered one of the historical reflections of soft balancing; because it presented a system in which powers resorted to diplomatic, normative and institutional tools to limit each other without engaging in open conflict.

As Pape highlights, "The Concert was a bold experiment in combining hard- and soft-balancing approaches." It was largely based on self-binding institutional and normative restraints among Europe's great powers, designed to reinforce their efforts to balance one another without resorting to direct confrontation (Paul, 2018, p. 58). This system was built on several basic premises. First, it was the responsibility of the great powers to supervise the implementation of the Vienna Peace Agreement and maintain peace and for the purpose of consulting upon their common interest (Holbraad, 1971, p. 30) Second, changes in territorial borders could only be made with the joint approval of the five great powers reflecting a norm of collective decision-making and mutual restraint. The third premise argued that the interests of all the great powers in the system should be protected. Fourth, unilateral steps should be avoided in foreign policy decisions and every step should be taken with consensus (Holsti, 1991, p. 135). When these elements are evaluated, the Concert system can be seen as a structure in which major powers limit each other without directly threatening each other by replacing confrontation or a deliberate escalation of balance of power politics, unlike a balancing system based solely on hard power (Elrod, 1976,pp. 195-167). Rather than relying on military alliances or coercive balancing, it promoted a shared sense of responsibility, acceptance of mutual limits, mutual recognition of status, institutionalized norms of restraint and loyalty to a collective order—elements that distinguished it from traditional power politics (Schroeder, 1994, p. 577). In particular, the efforts of major powers to limit each other's areas of action were carried out through international norms and consensus, without resorting to hard balancing in the classical sense. This makes it possible to evaluate the

Concert of Europe as a historical predecessor of soft balancing (Paul, 2018, pp. 60-61).

Another well-known example of soft balancing is the League of Nations. The League of Nations was an international organization founded after World War I to prevent a repetition of the 1914 debacle by promoting international cooperation and establishing a collective security system among states (Henig, 2010, pp. 36–38).In this system, when a state engaged in aggression, all other members were expected to act collectively to suppress such behavior (United Nations, 1945, Article 49). Although the UN Charter envisaged collective action against aggressors, there was no legal mechanism that would make this obligation mandatory or a binding structure that would guarantee the implementation of sanctions.Even the relatively powerful Security Council could only authorize forceful actions under Chapter VII in response to a clear threat or breach of peace, and such actions were dependent on voluntary military contributions under Article 43 agreements—which were never realized in practice. As a result, the UN lacked an institutionalized enforcement capacity and could not oblige member states to behave collectively in the face of aggression or breaches of international peace and security. This structural limitation weakened the credibility of coercive enforcement and created a permissive space for alternative strategies—such as soft balancing—where states could use diplomatic alignments, international institutions, or symbolic resistance to counter dominance. From this point of view, The League of Nations can be evaluated as an example of soft balancing that does not rely on direct military intervention and aims to limit the state that poses a threat with institutional and normative tools. However, due to the lack of binding sanctioning mechanisms and the tendency of members to avoid their obligations, this structure has largely failed to achieve the goal of collective security (Paul,2018,p.69).

b) League of Nations

By the twentieth century, institutional soft balancing became more common, as international organizations like the League of Nations and later the United Nations ensured platforms for containing aggressive powers via legitimacy- based and normative mechanisms (Wivel & Paul, 2020, p. 473). The straightening institutionalization of world politics allowed states—particularly those with less material power—to push back against unilateral actions by great powers without engaging in direct military conflict. International institutions helped delegitimize expansionist behavior and contributed to managing systemic tensions through more peaceful and rule-based means through joint declarations, legal mechanisms, and diplomatic coordination. For instance, both the League and the UN served not only as forums for negotiation but also as instruments for signaling disapproval of aggression and reinforcing international norms. As Wivel and Paul argue, this institutional infrastructure decreased the costs of collective action and enabled small and medium-sized states with protective mechanisms against domination by stronger actors (Wivel & Paul, 2020, pp. 473–475). Although their effectiveness varied, particularly in the face of geopolitical fragmentation, such institutions became vital to the practice of soft balancing in the modern international order. From this perspective, these international platforms turned into arenas that aimed to control the rivalry among great powers and maintain balance. During the Cold War, relatively smaller powers, known as the Non-Aligned Movement, also exhibited a passive form of soft balancing against the dominant authority of superpowers. Economic sanctions, facilitated through international institutions, were used as a tool of soft balancing to constrain the sphere of influence of a power perceived as a threat or to punish it. By the end of the Cold War, traditional balancing tools such as armament and binding alliances began to lose their former importance.

c) The Non-Aligned Movement (NAM)

One of the early examples of soft balancing strategies in the post–World War II international system can be observed in the actions of the Non-Aligned Movement (NAM). The Non-Aligned Movement (NAM), which was created during the Cold War period, implemented a limited yet significant soft balancing strategy by refusing to join military alliances and resisting the dominant influence of the superpowers. The newly emerging states, particularly within the framework of the United Nations system, seek to limit the actions of major powers like the United States and the Soviet Union via diplomatic means without resorting to direct military force. As Wivel and Paul note, developing countries adopted soft balancing strategies within the UN by utilizing platforms such as the Group of 77 to resist the dominance of industrialized powers through peaceful conflict resolution, human rights advocacy, and advocates for global equality (Wivel & Paul, 2019, p. 93).

The Bandung Conference in 1955 and the establishment of NAM at the Belgrade Summit in 1961 marked critical turning points in institutionalizing these efforts. As Prashad (2008) expressed, Bandung offered a moment of political awakening where leaders from Asia and Africa collectively refused the Cold War's bipolar logic and present a vision of global justice rooted in sovereignty, solidarity, and anti-imperialism (Prashad, 2008, pp. xv–xvi, 32–33, 96). These events laid the normative and institutional foundations for NAM's soft balancing agenda. According to Paul, these states strategically adopted soft balancing tools to question the legitimacy of prevailing alliance structures and to propose a normative alternative to great power hegemony. In this context, influential countries such as India advocated for nuclear disarmament through the UN system, while Yugoslavia pursued an independent course by abstaining from joining former Soviet alliances (Paul, 2018,xv–xviii). Although the direct effects of these strategies on superpower behavior were limited, NAM countries played an influential role as norm entrepreneurs—particularly in advancing causes such as nuclear disarmament, a new international economic order, and decolonization

(Paul,2018,86). Hence, NAM presented an alternative model of soft balancing against systemic powers by avoiding military instruments and relying instead on diplomacy, institutions, and international norms.

2.1.6. Key Conditions for Effective Soft Balancing

Wivel and Paul (2020) advocate that for soft balancing to successfully enable peaceful change, three following conditions must be satisfied: inclusiveness, preserved commitment by key actors, and the recognition of status among participating states. Inclusiveness refers to the inclusion of the targeted state in international institutions, not excluding it but drawing it into the system by restricting it. In this way, soft balancing strategies can be implemented without creating conflict. The second condition, commitment, requires both the consistent commitment of the actors implementing soft balancing to these strategies and the formation of strong coalitions in this direction within the domestic political structure of the target state. These domestic actors are expected to be convinced that aggressive behavior is costly and to defend the sustainability of restrictive policies. Third, the target state must feel included in the system not only technically but also politically and symbolically, in other words, its status must be recognized. If the status is not recognized, even institutional participation can be perceived as ineffective or humiliating. In this context, the joint action of the members of the European Council to ensure stability in Europe shows how soft balancing strategies are shaped on the basis of these three condition (Wivel & Paul, 2020, pp. 478–480). The three conditions can be further clarified with the case of Iran, it was increasingly perceived as a regional threat due to its clandestine nuclear activities, which raised deep concerns about the country’s compliance with international safeguards and its potential nuclear ambition.At the beginning of the 2000s (Takeyh, n.d.). The 2015 Joint Comprehensive Plan of Action (JCPOA), signed between Iran and the P5+1 countries together with the European Union (U.S. Department of State, 2015), can be defined as a clear example of a soft balancing strategy aimed at restraining Iran through diplomatic and institutional means rather than military force. As Wivel and Paul (2020)

expressed, the agreement ensured the three key conditions for soft balancing success: inclusiveness, commitment, and status recognition. In return for gradually lifting sanctions, Iran agreed to restrict its nuclear activities and was recognized as a legitimate international actor. However, the U.S. exit from the agreement in 2018 interrupted this framework, rescinding Iran's status and causing to a resurgence of hard power dyanamics. This case shows that for soft balancing to be effective, not only institutional mechanisms but also maintained political will are essential (Wivel & Paul, 2020, p. 480).

One of the key institutional necessities for peaceful change through soft balancing is status recognition, especially in terms of great power relations. As Wivel and Paul argue, the successful integration of France into the Concert of Europe after the Napoleonic Wars illustrates the importance of recognizing a state's status to avoid humiliation and ensure compliance. In contrast, the initial exclusion of Germany from the League of Nations undermined efforts at peaceful change. Therefore, for soft balancing to succeed, the target state's legitimacy must be protected. Rather than aiming to replace regimes, soft balancing strategies should work on modifying objectionable policies in a manner that maintains the target state's dignity and standing in international society (Wivel & Paul, 2020, p. 479). While military capacity is important in deterring potential aggressors and ending current aggression, the form of soft balancing that targets peaceful change gains meaning not only by preventing violence but also by obtaining a certain level of consent and involvement from the target state.

Soft balancing strategies are founded on the assumption that great powers can be restrained through non-military means such as international institutions, economic interdependence, and normative pressure. However, the effectiveness of these strategies becomes increasingly fragile in the face of resurging political nationalism, especially in its expansionist or exclusionary forms. Zakaria (2008) express the paradox that globalization and economic modernization have, instead of diminishing nationalism, frequently supported it: "It may seem paradoxical that globalization and economic modernization are fostering political

nationalism...” (Zakaria, 2008, pp. 32–33). As nationalism intensifies, states may become less inclined to rely on cooperative mechanisms and instead pursue more assertive policies. Walt (2009) supports this reasoning by arguing that when a hegemon develops expansionist ambitions and begins to act on them, “a hard balancing coalition would almost certainly form” (p. 103). These insights suggest that soft balancing is viable only under conditions of normative restraint and mutual economic benefit. If globalization fails to produce sustainable growth and prosperity, or if expansionist or nativist nationalism resurfaces in key countries, this pattern may change—and military power may come to the fore as a way of rebalancing.

The absence of competition in an intense bipolar or multipolar structure triggers the formation of soft balancing. Since competition is intense under these conditions, states tend to prefer hard balancing. In contrast, the unipolar system that emerged after the Cold War can create a suitable environment for soft balancing to be applied more frequently when the hegemonic power is not perceived as a direct threat by other states. As William C. Wohlforth asserts in his work "The Stability of a Unipolar World" (1999), "the current world order is characterized not by a looming U.S. threat that is driving other powers toward multipolar counterbalancing" (p. 41). In the absence of such a threat perception, the ground becomes fertile for indirect strategies like soft balancing, rather than hard balancing. Furthermore, the sheer preponderance of U.S. power—encompassing military, economic, and technological dimensions, as extensively analyzed by Wohlforth throughout his article (Wohlforth 7-13)—makes it highly improbable for other states to successfully engage in hard balancing against it through military means. (Wohlforth, 1993, pp. 5-41). Consequently, even if there is a perceived need to constrain the hegemon's power, this can only be achieved through soft means. The overwhelming nature of the hegemon's power makes indirect and less confrontational avenues (i.e., soft balancing) more appealing than a "hard" challenge.

2.1.7. Second-Tier Powers and Indirect Constraints on Hegemony through Soft Balancing

Building on the theoretical framework of soft balancing, second-tier powers have adopted a range of indirect strategies to constrain hegemonic dominance while preserving their own political autonomy.

As Walt (2013) highlights, external pressure from great powers does not always result in compliance; even dependent or allied states often retain a important degree of political autonomy. “Foreign aid has made allies stronger but not more obedient,” and “clients have retained their freedom of action, despite often heavy reliance on external support” (Walt, 2013, pp. 301-344). From this perspective, the United States may endeavor to project its power through multilateral institutions, diplomatic arrangements, or strategic partnerships. However, subordinate states can respond by establishing coalitions within these institutions alongside others who perceive U.S. policies as threatening, thereby weakening Washington’s unilateral initiatives. As an alternative, they can build new regional or international institutions—such as trade blocs or economic frameworks—that reflect their own interests rather than enforcing U.S. hegemony.

Second-tier states—those that are not great powers but still wield important degree of regional or strategic dominance—can preserve their political autonomy and resist U.S. dominance by deliberately formulating foreign policies that diverge from Washington’s preferences. These states often engage in coordinated diplomatic efforts and engage actively in multilateral institutions to collectively restrain the United States’ capability to unilaterally insistence its will on the international system. Soft balancing, as asserted by Walt (2006), involves the conscious coordination of diplomatic and institutional actions between these states, where mutual support strengthens their ability to limit U.S. freedom of action. This kind of resistance does not directly challenge U.S. military supremacy but seeks to restrict Washington’s unilateral initiatives by leveraging international norms, economic statecraft, and institutional cooperation. Through such

coordinated efforts and reciprocal backing, secondary states can bring express their interests and influence global outcomes despite the prevailing unipolar structure (Walt, 2006, pp. 109–114). Beyond diplomatic coordination and institutional participation, soft balancing use diverse toolkit, including economic statecraft, limited military cooperation, and the strategic use of international norms to constrain hegemonic ambitions (Paul, 2005, p. 10). These tools pave the way for states to signal resolve and create costs for unilateral actions without triggering open confrontation. Multilateral institutions such as the United Nations, the World Trade Organization, and regional bodies like the European Union can serve as strategic arenas through which second-tier states enhance their international presence and counter hegemonic dominance without direct confrontation. For instance, China’s growing engagement in such institutions since the mid-1990's has paved the way China to assert its national interests, show an figure of a responsible power, and decrease the perceptions of threat toward itself—thereby exemplifying how multilateralism can be instrumental in soft balancing strategies (Goldstein, 2005, pp. 127, 175).

In the post-Cold War era, soft balancing has become a viable strategy through which second-tier major powers are able to challenge the legitimacy of the interventionist policies of the United States and its allies both internationally and in U.S. domestic public opinion. These indirect methods—designed to influence result and constrain unilateral actions—have come to offer core practices of soft balancing strategies. Such approaches make possible them to indirectly challenge the policies of the U.S. and its allies, especially in contexts where military interventions lack broad international support. A key element of these strategies involves contesting the legitimacy of interventions by emphasizing the necessity of multilateral approval—typically through the United Nations or regional organizations. After the Cold War period, second-tier power engaged more often in limited and indirect soft balancing, relying on informal alignments, international institutions, and economic sanctions to restrain threatening powers thanks to coalition building and diplomatic bargaining to restrain the power of US. In the aftermath of the Cold War, second-tier great powers have increasingly

turned to soft balancing strategies to question and undermine the legitimacy of U.S. interventionist policies, both on the global stage and within American public discourse. States aiming to curb U.S. unilateralism tend to refrain from direct military opposition and instead depend on institutions like the United Nations to increase the political cost of interventions. As Inis L. Claude argues (372), the United Nations functions as “the most impressive and authoritative instrument for the expression of a global version of the general will,” enabling states to seek “collective legitimization” for or against foreign policy actions of others, particularly interventions (372).

As a member of BRICS and second-tier power, China pursues a soft balancing strategy by choosing economic development and military modernization as means to limit the influence of the United States. At the same time, it uses multilateral tools and institutions not only to alleviate international concerns about its rising power but also to strengthen its own interests. Specifically, Beijing actively engages in multilateral institutions to balance American power, resorts to bilateral partnerships, and employs economic diplomacy for this purpose. Thus, China carries out external balancing through these instruments. (Wang, 2010, pp. 554–556) In a unipolar world where direct military balancing is costly and risky, soft balancing can be considered a logical, viable and important option for states seeking to protect autonomy and influence global governance. As we will discuss in the next chapter, China as a rising power has taken advantage of developing relations with ASEAN, for example, through multilateral dilemma, while trying to counterbalance the great power of the US, while also weakening US hegemony. Through ASEAN, it has directed the economic dimension of the soft balancing strategy with ASEAN and has attempted to balance its economic competition with the US by establishing a trade bloc in the region.

Soft balancing strategies that aim for peaceful change tend to avoid discourses that directly threaten the regime or sovereignty of the target state. As Paul (2005) notes, second-tier states have largely forgone traditional hard balancing “because they do not fear losing their sovereignty and existential security to the

reigning hegemon" (p. 47). In contrast, they chose non-military tools such as institutional binding, economic statecraft, and limited diplomatic coalitions to restrain unilateral actions without provoking direct confrontation. This strategic restraint shows an intent to alter behavior—not regimes—thereby maintaining stability while challenging hegemonic overreach. Building on this, soft balancing strategies that aim for peaceful change tend to rely on low-profile mechanisms — that is, cautious and non-confrontational tools such as institutional engagement, diplomatic coordination, and economic cooperation — to promote behavioral transformation. As demonstrated by the IBSA Dialogue Forum, which laid the normative and strategic foundations for BRICS, this approach allows emerging powers to counterbalance dominant actors like the United States without provoking direct backlash or polarization (Lemes, 2007, pp. 17–18).

2.1.8. Institutional Soft Balancing and the Politics of Legitimacy

While collective legitimacy can be defined as the legitimacy that multilateral organizations provide on national policies or other elements, collective legitimacy can also be gained through international institutions (Brewer, 1972, p. 74). Although great powers can gain collective legitimacy through international institutions, weaker states can use these same institutions as tools to express opposition—especially when they want to challenge a state that provides them with security or economic benefits, without risking the loss of those advantages (Wivel & Paul, 2020, p. 474). Through such institutions, weaker actors can obtain a legitimate basis for imposing economic or political sanctions against stronger powers. This foundational legitimacy is one of the building blocks of a soft balancing strategy (Paul, 2019, 59). In this way, while weaker states are to some extent protected by active international institutions, these institutions can also play a mediating role in achieving peaceful change. As the literature on international institutions suggests, such bodies play a crucial role in facilitating cooperation among states by reducing the costs of collective action. They do so by enhancing transparency—primarily through the provision of reliable information—reducing uncertainty, limiting the risk of cheating, and offering

institutional and legal frameworks for resolving disputes and implementing agreements. In this regard, Keohane (1984, p. 94) emphasizes that international regimes help reduce the costs of legitimate transactions by providing information, decreasing uncertainty, and at times assisting in the implementation of negotiated arrangements. As Ikenberry (2001) notes, such institutions regularize and legitimize power while constraining unilateral action through institutional binding, particularly among democracies. This makes them effective tools of soft balancing by integrating strong states into a constitutional order that limits domination and power asymmetries While international institutions can restrain and routinize the exercise of power, they can also simultaneously make that power more durable, systematic, and legitimate (pp. 35–36, 273).

Furthermore, these institutions can determine what constitutes appropriate behavior in international relations. Since expansionist or aggressive actions are not seen as legitimate within the framework of international institutions, institutional soft balancing serves as a tool to deter aggressive states. With a broad membership structure, international institutions can act collectively when the norms they establish are violated, providing a legitimate foundation for soft balancing. By withholding institutional approval in cases where established norms are perceived to be violated, states can collectively undermine the legitimacy of dominant powers' actions—especially when such actions are seen as imperial or threatening to sovereignty, as discussed by Paul (2005, p. 59).The legitimacy of soft balancing strategies is enhanced when they are rooted in widely accepted institutional norms and exercised through multilateral platforms, which provide international legitimacy, cost-effectiveness, and flexibility. Although not always explicitly backed by a formal coalition, the collective nature of institutional mechanisms increases the perceived fairness and authority of such responses (Wivel & Paul, 2019, pp. 91–93). When the aggressor state is a member of such an institution, the likelihood of applying soft balancing measures against it increases. Countries that violate norms set by organizations like the UN suffer reputational damage, which in turn weakens their bargaining power in the international arena.

Another critical premise for the implementation of soft balancing is access to international institutions where great powers and other states can engage and mutually constrain one another. Such institutions create arenas for interaction and peaceful accommodation; as they proliferate globally, they offer rising powers opportunities to gain status and assume leadership roles. As Paul (2016, p. 18) emphasizes, the effective participation of emerging major states in system-wide decisions is essential to prevent these bodies from becoming mere arenas of exclusive privilege and power contestation. This logic dovetails with T. V. Paul's soft-balancing framework, in which rising powers enhance influence without direct military confrontation through diplomacy, economic privileges, and active institutional participation. Contemporary accommodation thus occurs especially via institutional engagement and governance, complemented by selective economic advantages. In this regard, the efforts of rising power blocs such as BRICS (e.g., Brazil and India) to seek greater voice in global governance—or to establish institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB)—are better read not as an outright challenge to the liberal order, but as attempts to reform it and to build a complementary or alternative institutional architecture, offering concrete instances of institutional 'soft balancing' and status-seeking (p. 19). These actions reflect rising powers' drive to project their own norms and interests and thereby strengthen their positions in global decision-making—whether within existing institutions or through parallel arrangements.

However, the very institutional arenas that enable soft balancing are also sites of contestation over legitimacy. As Paul notes, a common thread across soft-balancing tools is the denial of a threatening power's legitimacy (Paul, 2018, p. 40). International institutions are often perceived as serving the interests of powerful Western states, which undermines their impartiality and legitimacy in the eyes of other actors. This perception suggests that great powers instrumentalize international institutions not only to legitimize their own policies

but also to delegitimize alternative initiatives that challenge their dominance (Zürn & Stephen, 2010, pp. 96–97). Great powers have used international institutions as a tool to legitimize their own policies and to delegitimize the initiatives of their rivals, while weaker states may seek to use these same institutions to constrain dominant powers. However, rather than being constrained, the dominant power often co-opts these institutions to magnify its influence and promote its own interests (Walt,2006,128). Multilateral economic sanctions and institutions with international authority such as the United Nations are among the elements that increase the legitimacy of the state imposing the sanctions. The United Nations stands out as an institutional actor that enhances the legitimacy of the state imposing sanctions. As Andrew Hurrell notes, the UN plays a “unique role as the source of collective legitimation for the use of force and the forum within which the norms surrounding the use of force are maintained, developed and interpreted” (Hurrell, 2005, p. 28).

The increasing inclination of emerging powers toward soft balancing reflects a pragmatic adaptation to the shifting constraints and opportunities characterizing the post–Cold War international system. Since traditional forms of hard balancing became increasingly costly—both materially and normatively—states like Brazil, India, China, and South Africa began to pursue alternative strategies that avoid direct confrontation while still allowing them to assert their interests. Based on this, Joseph Nye (2004) express that “the progress of science and technology… gradually increased the political and social costs of using military force for conquest,” especially in democratic societies where public opinion resists high casualties. He further notes that “postindustrial societies are focused on welfare rather than glory,” which places significant normative constraints on governments’ ability to justify the use of military power (pp. 18–19). In the interdependent global economy conditions, coercive action also bring the risks of undermining economic interests, further diminishing the appeal of traditional balancing approaches.

Within this framework, soft balancing strategies (institutional engagement, economic cooperation, and diplomatic coordination) have emerged as more

viable and less provocative alternatives. These low-profile tools pave the way for emerging powers to determine the behavior of dominant actors and promote normative transformation without incurring direct backlash or polarization. As Paul (2005) argues, soft balancing may contain delaying tactics, institutional restrains, or coordinated diplomatic efforts to limit hegemonic powers through indirect means (p. 47). A prime example is the IBSA Dialogue Forum, which laid strategic and normative foundations for cooperation among emerging democracies by emphasizing development, multilateralism, and South–South solidarity (Lemes, 2007, pp. 17–18). Furthermore, international institutions serve not only as arenas for influence but also as platforms for status-seeking. BRICS countries such as Brazil and India have actively attempted to reform existing governance structures or create parallel institutions—such as the AIIB or the New Development Bank—to project their own norms and values within global governance (Paul, 2005, p. 19). This cautious yet assertive behavior presents strategic calculation and the underlying foreign policy orientation of these states. Narayanaswami (2011) assert that BRIC countries avoid direct confrontation with the United States due to increasing economic interdependence, opting instead for cooperative, status- quo-preserving approaches unless directly threatened (pp. 5, 10). In the same way, Kahler (2013) notes that China, India, and Brazil are “less likely to be radical reformers than conservatives,” emphasizing sovereignty and resisting coercive interventions against incumbent governments (pp. 712–718). These tendencies closely align with the assumptions of defensive realism, which posits that states primarily seek security and status within the boundaries of the existing system rather than attempting to radically revise it (Paul, 2016, p. 37).

Consequently, this chapter has shown that, in the post–Cold War era, classic “hard balancing” (alliances + armament) has become a constrained option due to risks of nuclear escalation, economic blowback, and domestic political costs; accordingly, states have increasingly turned to soft balancing. Soft balancing is an intra-system strategy that delays, raises the costs of, and contests the legitimacy of a hegemon’s preferences without resorting to military force**,** relying

instead on institutions, diplomacy, and economic instruments (sanctions, trade/financial networks) (Walt, 2006; Pape, 2005; Paul, 2018). Its effective application hinges on inclusiveness, sustained commitment, and status recognition, as well as the capacity to produce institutional legitimacy in a context of deep interdependence (Wivel & Paul, 2020; Keohane & Nye, 2011). In this sense, soft balancing is neither mere rhetoric nor “the consolation of the weak”; it is a rational adaptation that substitutes for overt force and indirectly constrains hegemonic behavior. The next chapter will systematically map the historical evolution and institutional architecture of the Iran sanctions regime, thereby laying the groundwork for Chapter 4’s analysis of BRICS responses within a soft-balancing framework.

CHAPTER 3
EVOLUTION OF THE IRANIAN SANCTION REGIME: ANALYTICAL GROUNDWORK

This chapter traces how the sanctions architecture against Iran evolved from the ad hoc responses of 1979 into a formalized, extraterritorial, and finance-centric regime by the 2000s. It examines which legal instruments (IEEPA, presidential executive orders, congressional statutes), which institutional channels (UN/EU frameworks, export controls, secondary sanctions), and which financial mechanisms (dollar clearing, SWIFT access, insurance/shipping constraints) expanded coercive capacity—while mapping the target state's three response modes: adaptation (e.g., use of humanitarian exemptions and general licenses, capital controls), evasion (e.g., front- company networks, ship-to-ship transfers with AIS darkening, trade misinvoicing), and reorientation (e.g., trade pivot to Asia, invoicing in yuan/rupees, gold/commodity swaps, deeper China–India energy ties). In doing so, it lays the analytical groundwork for the next chapter's assessment of third-party reactions—especially among rising economies—through the lens of soft balancing.

3.1. ORIGINS OF U.S. SANCTIONS

The U.S. strategy of sanctions against Iran has evolved over time in response to shifting justifications, diverse instruments, and changing international conditions. To understand how this strategy became institutionalized, it is necessary to examine the historical background of the first period in which sanctions were introduced. In this regard, the developments between 1979 and 2000 laid the foundation for the policies that would shape the decades that followed.

Since the establishment of the Islamic Republic of Iran in 1979, after the takeover of the U.S. Embassy and the hostage crisis involving American diplomats, the country has been subject to sanctions. The first step came quickly: on November

14, 1979— just ten days after the embassy seizure—President Jimmy Carter issued Executive Order 12170 under the International Emergency Economic Powers Act (IEEPA), freezing nearly $12 billion of Iranian government assets in the United States (Sune, 2018, p. 160). This order also banned Iranian oil exports, froze state assets held in U.S. institutions, and imposed travel restrictions on certain nationals, thereby creating the first comprehensive sanctions package and signaling the beginning of a lasting regime. In April 1980, following the rupture of diplomatic relations, Carter reinforced these measures by prohibiting all U.S. exports to Iran (Estelami, 1999, 2). As Hewitt and Nephew (2019) note, the initial sanctions provided Washington with acute leverage during the hostage crisis and paved the way for the institutionalization of sanctions in the decades that followed. The crisis itself was ultimately resolved through the Algiers Accords of 1981, which linked the hostages' release to Washington's most effective instrument of pressure—the freezing of Iranian assets. This settlement ended the immediate crisis while safeguarding U.S. financial interests (Farah, 2013, pp. 105– 106, 126) and, crucially, set a precedent for the continuity of sanctions well beyond the resolution of the hostages' ordeal.

In the immediate aftermath of the 1979 Iranian hostage crisis—after the U.S. Embassy in Tehran was seized and its staff held—debate within the White House and the State Department quickly coalesced around a "two-track strategy" that sketched the outlines of U.S. policy toward Iran**.** A 6 December memorandum set out two parallel lines: first, sustaining diplomatic pressure on Iran's leadership via Secretary-General Waldheim, the Non-Aligned Movement, and other interlocutors; second, building a graduated path toward sanctions by first seeking, under UN Charter Article 39, a Security Council determination that there existed a "threat to the peace, a breach of the peace, or an act of aggression," and, if required, moving to measures under Article 41 (non-force steps such as economic restrictions or severing diplomatic relations). Taken together, this dual approach shows Washington pairing international diplomacy with a credible sanctions track within the UN legal framework (U.S. Department of State, 1979/2013, pp. 231–232; SanctionsExpert, n.d.).

In practice, the dual-track strategy relied primarily on economic coercion: a ban on Iranian oil imports, the freezing of assets, travel restrictions, and a broader trade embargo. The freezing of assets imposed significant financial constraints on Tehran and pushed the negotiations leading to the Algiers Accords of January 1981 to focus heavily on resolving financial disputes. The hostage crisis therefore represented one of the rare instances where U.S. sanctions extracted tangible concessions from Tehran. Moreover, the Iran–U.S. Claims Tribunal established under the Accords emerged as the most enduring mechanism of official relations between the two countries (U.S. Department of State, 2013). However, these early sanctions also revealed their limitations. Even Washington's closest allies were reluctant to jeopardize their economic interests, imposing only symbolic or limited restrictions, while the Soviet Union vetoed proposed UN measures in January 1980. At the same time, U.S. officials overestimated their capacity to influence Iran's domestic politics, hoping that sanctions could empower moderates within the regime through a balance of inducements and penalties—a strategy that ultimately proved ineffective (Takeyh & Maloney, 2011).

In sum, the 1979–2000 period laid the foundations of U.S. sanctions policy toward Iran. What began as ad hoc responses to the hostage crisis gradually evolved into a durable, institutionalized sanctions regime—anchored in legal frameworks and broadened through multilateral export control. Over time, the rationale for sanctions also shifted— initially rooted in the hostage crisis and financial disputes, they soon came to be associated first with Iran's involvement in terrorism during the 1980s and later with its nuclear ambitions in the 1990s (Hewitt & Nephew, 2019). As will be discussed in the following chapters, these shifts in rationale marked the transition from unilateral sanctions tied to specific crises to broader, internationally coordinated efforts that would dominate the post-2000 era.

3.2. 1980s: IRAN'S ASSOCIATION WITH TERRORISM AND THE FIRST SANCTIONS

From the early 1980s, sanctions became a central instrument of U.S. policy toward Iran. The turn from broad strategic goals to concrete measures crystallized after the 1983 bombings of the U.S. Embassy and Marine barracks in Beirut, attributed to Hezbollah. In January 1984, Washington designated Iran a "state sponsor of terrorism," which automatically triggered sweeping restrictions: a ban on arms sales and direct financial assistance, limits on exports of dual-use goods, and U.S. opposition to loans from international financial institutions. Financial transactions between U.S. persons and the Iranian government were criminalized, and U.S. policy began laying the groundwork for secondary measures aimed at third countries assisting Tehran (Katzman, 2003, pp. 3–12, 10; 2012, pp. 27, 32). Although the United States had lifted its across-the-board trade ban after the hostages' release, the Beirut attacks became the core justification for re-imposing and tightening sanctions. Throughout the 1980s, annual State Department reports repeatedly cited Iran's material and financial support for Hezbollah to sustain the terrorism designation and associated restrictions (U.S. Department of State, 1984, 1985).

In the 1990s, the framework expanded further as concerns over Iran's nuclear ambitions grew. Washington intensified efforts to curb transfers of sensitive technology—pressuring Russia and China—while export controls on strategic technologies and materials were progressively multilateralized through the Nuclear Suppliers Group, moving beyond a purely unilateral approach (Esfandiary & Fitzpatrick, 2017, p. 143).

After Iraq's defeat in the Gulf War and the renewed prospects for Arab–Israeli peace, Tehran intensified its regional assertiveness, seeking to expel U.S. forces from the Middle East, undermine peace initiatives, expand its influence in the Gulf, and counter the rise of Arab powers. As Schahgaldian notes, Iran "adamantly resisted the American presence in the region" out of fear that it could reestablish

U.S. influence inside Iran; at the same time, however, it pragmatically tolerated limited bilateral security arrangements with Arab states (Schahgaldian, 1994, pp. viii, 10–14). In 1993, under President Clinton, Washington pursued a “new Middle East” strategy centered on Arab–Israeli reconciliation while isolating both Iran and Iraq through a policy of “dual containment.” Yet U.S. efforts to rally European allies against Iran achieved only limited success, highlighting the constraints of unilateral sanctions when not matched by allied support. This dynamic reflects what Takeyh and Maloney describe as the “self-limiting success” of sanctions: effective in signaling opposition but insufficient to build a cohesive international front (Takeyh & Maloney, 2011, p. 1302).

The Iran–Iraq Nonproliferation Act (1992) represented a turning point by formalizing new sanctions. It prohibited transfers of goods and technologies that could contribute to chemical, biological, nuclear, and conventional weapons programs, and explicitly extended to Iran the sanctions that had previously been applied to Iraq under the 1990 Iraq Sanctions Act. The Act also mandated penalties on entities that materially contributed to Iran’s or Iraq’s acquisition of such weapons, including restrictions on U.S. procurement, denial of export licenses, and exclusion from U.S. government contracts. Moreover, it authorized the suspension of U.S. assistance and opposition to financial support by international institutions for countries involved in such transfers, and empowered the President to impose additional discretionary measures, such as suspending most-favored-nation status (Congress.gov, 1992). What made this legislation distinctive was Washington’s first explicit resort to extraterritorial sanctions (Dahlitz, 1993, p. 180) against third countries—a move earlier administrations had avoided to preserve relations with key allies.

While the Act broadened Washington’s toolkit, it also exposed structural weaknesses: by extending U.S. jurisdiction extraterritorially, it provoked unease among European partners and complicated enforcement. As Genard observes, “the United States has adopted legislation to regulate the movement of goods that contain extraterritorial provisions. When such laws do not comply with

international law, disputes may occur, complicating transatlantic relations" (2014, p. 1). This reflected a broader pattern in which U.S. attempts to universalize its legal standards through extraterritoriality often collided with European resistance, especially in the domain of strategic trade controls. Thus, even as the scope of sanctions widened, their political effectiveness remained contested. This outcome, as Takeyh and Maloney (2010, p. 1302) argue, illustrates the paradox of sanctions that seek wider reach but simultaneously reveal their political limits.

During 1995–1996, the Clinton administration introduced the most stringent unilateral sanctions since the hostage crisis. It first imposed a comprehensive trade and investment ban, followed by the passage of the Iran–Libya Sanctions Act (ILSA). The law sought to curtail Iran's nuclear program and support for terrorism by restricting its most important revenue source—the petroleum sector. At the time, oil accounted for 20 percent of Iran's GDP, 80 percent of foreign exchange earnings, and 50 percent of government revenue (Katzman, 2001, pp. 6–7). ISA mandated sanctions on foreign companies investing more than $40 million annually in Iran's energy sector, prohibited technology transfers, and restricted access to U.S. financial institutions (Congress.gov, 1996). In 1995, when Iran offered a U.S. company its first post-revolution oil contract, Washington responded by expanding the comprehensive trade and investment ban and imposing secondary sanctions on third-country investors (Sune, 2018, p. 160). Shortly thereafter, the measure was broadened to include Libya and was enacted in 1996 as ILSA. This law penalized foreign firms investing more than $20 million annually in Iran's energy sector, effectively forcing them to choose between access to the U.S. market and dealings with Iran (Katzman, 2001, p. 7). However, this extraterritorial approach generated strong transatlantic tensions. Implementation gaps and disputes between Europe and the United States further limited its effectiveness. As a result, ILSA became a prime example of sanctions that imposed economic pressure but also triggered political backlash, thereby undermining their long-term impact (Katzman, 2001, p. 7).

After the political change in Iran in 1997, Washington briefly shifted its stance in response to President Mohammad Khatami's reformist agenda. Seeking to encourage liberalization and reduce the "wall of mistrust" between the two countries, the Clinton administration partially eased sanctions during 1999–2000. Secretary of State Madeleine Albright announced the lifting of restrictions on key Iranian exports such as carpets, pistachios, caviar, and dried fruit, framing these measures as both symbolic and substantive gestures of rapprochement (Wright, 2000). In parallel, the United States authorized limited sales of aircraft spare parts and relaxed controls on food and medicine. Yet neither the harsher sanctions of the mid-1990s nor their partial easing under Khatami produced meaningful changes in Tehran's behavior. This oscillation between escalation and limited openings once again illustrated the inherent paradox of sanctions—inflicting economic costs but failing to compel Iran to alter its core policies.

In August 2001, just one month before the 9/11 attacks, President George W. Bush signed the ILSA Extension Act into law, prolonging the sanctions regime for another five years and reaffirming U.S. concerns over Iran's support for terrorism, opposition to the peace process, and pursuit of weapons of mass destruction. In his signing statement, Bush explicitly underscored that the United States remained "deeply concerned about the objectionable policies and behavior of Iran and Libya," highlighting in particular Iran's support for terrorism, opposition to the Middle East peace process, and pursuit of WMDs (Bush, 2001). This moment closed the pre-9/11 chapter: by the early 2000s, U.S. sanctions against Iran had transformed from mostly unilateral and often contested measures into a more institutionalized and internationally reinforced regime, setting the stage for the post-9/11 era.

In the 1980s and early 1990s, these measures were primarily justified as efforts to curb Tehran's support for terrorism and restrict its regional ambitions. By the mid-1990s, however, the focus shifted toward containing Iran's nuclear program, with the stated aim of limiting it to peaceful, civilian purposes. Over time, U.S. sanctions objectives evolved, and from the 2000s onward Washington's stance

increasingly gained international support as European and Asian states adopted their own restrictive measures. This transformation illustrates how sanctions moved from being unilateral instruments of pressure to mechanisms underpinning broader international efforts to isolate Iran (Katzman, 2022, pp. 43–47). In sum, during the 1980s and 1990s, U.S. sanctions policy expanded in scope from terrorism to nuclear concerns, broadened its tools through extraterritorial measures, and revealed both its coercive potential and its structural limits.

3.3. POST-9/11 AND THE SHIFT TO MULTILATERAL PRESSURE (2001–2006)

Following the 9/11 attacks, Iran became increasingly entangled in the broader security calculations of the Bush administration, and Washington began to approach Tehran with growing mistrust (Bush, 2001). From the outset, the Bush administration's approach toward Iran was marked by suspicion; however, the aftermath of 9/11 dramatically heightened this sense of urgency. Revelations about Iran's covert nuclear activities further reinforced a strategy of maximum pressure. During Bush's first term, the emphasis rested more on harsh rhetoric and diplomatic pressure rather than the imposition of entirely new sanctions. Nevertheless, the second term ushered in a more systematic approach, with Washington seeking to strengthen multilateral coordination in order to enhance the effectiveness of U.S. unilateral measures (Takeyh & Maloney, 2011, pp. 1302–1304).

After 2001, sanctions against Iran began to acquire a sharper security dimension. In 2002, the disclosure of the secret nuclear facilities at Natanz and Arak, followed by IAEA inspections, revealed that Iran had engaged in uranium enrichment, plutonium separation, and related activities in violation of its obligations (Squassoni, 2006, pp. 1– 3). As a result, from 2006 onward the UN Security Council found Iran to be in noncompliance with its NPT obligations and adopted resolutions demanding the suspension of enrichment and reprocessing, the

ratification of the Additional Protocol, and greater transparency (Squassoni, 2006, pp. 5–6). In parallel, the United States imposed additional measures targeting Iranian institutions linked to terrorism and the proliferation of weapons of mass destruction, while also restricting foreign banks operating in the U.S. from conducting business with Iran. These steps were reinforced by concerns that, although Iran was assessed to have halted weaponization-related work in 2003, its continued enrichment and heavy-water programs could provide the foundation for a future nuclear weapons capability (Kerr, 2009, pp. 13–16). Unlike earlier extraterritorial sanctions that often provoked serious European objections, this new round of restrictions faced relatively little resistance. The main reasons were Washington's more effective diplomacy with its allies (Kerr, 2009, pp. 4–6), the IAEA's findings of concealment and noncompliance (Squassoni, 2006, pp. 2–3), and growing international skepticism about Iran's nuclear intentions (Kerr, 2009, pp. 4–6).

One of the most notable developments of this period was Washington's launch of a sustained pressure campaign aimed at globalizing its previously unilateral sanctions regime. In particular, the U.S. targeted financial institutions in Europe and the Gulf, stressing the legal and reputational risks of conducting business with Tehran. By doing so, Washington leveraged the structural power of the U.S. financial system and the central role of the dollar in international transactions, which compelled numerous foreign banks and companies to divest from Iran even in the absence of binding multilateral sanctions. As recent reports underscore, this strategy has evolved into sweeping actions against transnational networks, with more than 115 individuals, vessels, and companies sanctioned for allegedly funnelling tens of billions of dollars to Iran across 20 countries, illustrating how U.S. sanctions became increasingly global in scope and enforcement (Chávez & Hauslohner, 2025). Thus, unilateral pressure was effectively transformed into a form of globalized coercion, significantly constraining Iran's economy and amplifying Tehran's isolation through convergence with allied efforts.

In parallel, Iran's nuclear program came under growing international scrutiny. In 2002, the International Atomic Energy Agency (IAEA) launched an investigation into Iran's undeclared nuclear activities and eventually concluded that Tehran had violated its safeguards obligations. Iran's refusal to suspend uranium enrichment and its reluctance to fully cooperate with the Agency led to the referral of its case to the United Nations Security Council in February 2006 (Kerr, 2006, pp. 2–4). By bringing the Iranian nuclear dossier to the UN, Washington sought to soften its unilateral stance and secure international legitimacy. This paved the way for the adoption of a multilateral sanctions framework that would later culminate in a series of binding Security Council resolutions (Takeyh & Maloney, 2011, pp. 1304-1307).

3.4. UN SANCTIONS FRAMEWORK (2006–2010)

While unilateral U.S. sanctions had long shaped Washington's approach to Iran, the post-2006 period marked the emergence of binding UN Security Council sanctions, which carried greater legitimacy and global reach. Reinforced by regional and international actors—and further amplified by U.S. restrictions—these multilateral measures gradually became the central framework of coercive diplomacy toward Tehran. Over time, the rationale behind sanctions evolved. From the mid-2000s onward, attention increasingly focused on Iran's nuclear program, with Washington and its international partners portraying restrictions as necessary to ensure the program's exclusively civilian character. Nevertheless, beyond the nuclear issue, sanctions retained a broader function—serving as versatile instruments to address multiple perceived threats from Iran, including security concerns and geopolitical influence (Katzman, 2015, p. 1).

This process culminated in Resolution 1929, adopted on 9 June 2010, which marked the most comprehensive expansion of sanctions within this period. Resolution 1929 significantly broadened the scope of sanctions, extending beyond Iran's WMD infrastructure to include financial transactions, arms transfers, and the energy sector, thereby consolidating the international

community's coercive strategy. Following UN Security Council Resolution 1747 (2007) of 24 March 2007, the European Union adopted Council Common Position 2007/246/CFSP on 23 April 2007, amending Common Position 2007/140/CFSP to markedly broaden EU restrictive measures against Iran (Council of the European Union, 2007; United Nations Security Council, 2007). The act transposed the UN decision, which prohibits the procurement of arms and related materiel from Iran and calls on states to exercise vigilance and restraint regarding conventional arms transfers (Council of the European Union, 2007; United Nations Security Council, 2007).

At the EU level, the measures went beyond the UN framework. A binding embargo was imposed on the supply, sale, or transfer to Iran of all arms and related materiel, together with associated technical assistance, training, financing, investment, and brokering services (Council of the EU, 2007, Art. 1(1)(c)). In addition, Article 3a was inserted, under which Member States were prohibited from entering into new commitments for grants, financial assistance, or concessional loans to the Government of Iran—including via international financial institutions—except for humanitarian and development purposes. In parallel, asset-freeze and travel-ban listings were extended to additional persons and entities involved in proliferation-sensitive nuclear activities or in developing nuclear-weapon delivery systems (Council of the EU, 2007, Art. 3a).

Iran's failure to suspend uranium enrichment and its lack of full cooperation with the International Atomic Energy Agency led the case to be referred to the UN Security Council in February 2006. Between 2006 and 2010, the Council adopted Resolutions 1696, 1737, 1747, 1803, 1835, and 1929, thereby establishing the international sanctions framework (UNSC, 2006a, 2006b, 2007, 2008a, 2008b, 2010)· These resolutions imposed obligations such as the suspension of enrichment and heavy- water projects, the implementation of the Additional Protocol, and comprehensive access for the IAEA.

The key Security Council resolutions adopted during this period can be summarized as follows:

Resolution 1696 (31 July 2006) demanded the immediate suspension of all enrichment- and reprocessing-related activities, including research and development, and urged full cooperation with the IAEA. It warned that non-compliance by 31 August would trigger punitive measures under Article 41, thereby laying the legal groundwork for binding sanctions (UNSC, 2006a).

Resolution 1747 (24 March 2007) further tightened the regime. It prohibited Iranian arms exports, extended the list of sanctioned individuals and entities, and called on states and international financial institutions to avoid new financial commitments to the Iranian government except for humanitarian or developmental purposes (UNSC, 2007). The European Union transposed this resolution through Council Common Position 2007/246/CFSP, going beyond the UN framework by imposing a binding embargo on arms sales and related services, as well as new financial restrictions (Council of the European Union, 2007).

Resolution 1803 (3 March 2008) deepened financial and travel restrictions by obliging states to monitor transactions with Iranian banks, inspect cargoes suspected of containing prohibited materials, and expand visa bans on officials involved in the nuclear program (UNSC, 2008a).

Resolution 1835 (27 September 2008), though not introducing new sanctions, reaffirmed the Council’s determination and reinforced the legitimacy of previous measures (UNSC, 2008b).

Finally, Resolution 1929 (9 June 2010) constituted the most far-reaching sanctions package. Adopted with 12 votes in favor, 2 against (Turkey and Brazil), and 1 abstention (Lebanon), it expanded the arms embargo, prohibited Iran from

undertaking ballistic missile activity, imposed broad restrictions on financial transactions and insurance, authorized cargo inspections, and—by emphasizing the potential use of oil revenues to fund nuclear activities—extended sanctions to the energy sector. It also encouraged states to exercise vigilance over dealings with Iranian banks, the Revolutionary Guard Corps, and shipping companies, thereby institutionalizing a global enforcement network (UNSC, 2010). The main provisions of these resolutions can be summarized as follows:

Table 1. *Summary of Provisions of UN Security Council Resolutions on Iran (1696, 1737, 1747, 1803, 1835, and 1929)*

Resolution	Date	Key Provisions
1696	31 July 2006	Demanded immediate suspension of enrichment and reprocessing; warned of sanctions under Article 41.
1737	23 Dec 2006	Prohibited transfer of nuclear/dual-use items; froze assets of individuals/entities; travel restrictions.
1747	24 Mar 2007	Banned Iranian arms exports; expanded asset freeze list; restricted financial commitments.
1803	3 Mar 2008	Required vigilance over Iranian banks; authorized cargo inspections; extended visa bans.
1835	27 Sep 2008	Reaffirmed previous resolutions; no new sanctions.
1929	9 Jun 2010	Most comprehensive: expanded arms embargo; prohibited ballistic missile activity; imposed financial & energy-sector restrictions; strengthened monitoring of IRGC and shipping.

Source: Text of UN Security Council resolutions 1737, 1747, 1803, and 1929; Katzman, K. (2015).

From the standpoint of international law, Iran's nuclear and missile development activities are considered in violation of UN Security Council resolutions. While uranium enrichment and ballistic missile programmes are not explicitly prohibited under the Nuclear Non-Proliferation Treaty (NPT), six UN Security Council resolutions have established a new international framework. These resolutions

were based on findings by the International Atomic Energy Agency (IAEA) that Iran had failed to comply with its safeguards obligations, deepening international doubts about the peaceful nature of its nuclear programme. Thus, the debate does not concern Iran's right to nuclear energy itself, but rather the conditions under which this right is exercised and the level of transparency with which it is pursued. In this context, the crisis of confidence has become the central justification for sanctions.

3.5. EXPANSION OF U.S. SANCTIONS (2006–2013)

The expansion of U.S. sanctions after 2006 rested on a diverse legal foundation. Some measures were enacted by Congress, while others were issued through presidential executive orders—often under the authority of the International Emergency Economic Powers Act (IEEPA) (Casey, Rennack & Elsea, 2024, pp. 2, 6). Most of these instruments included provisions allowing the President to waive or suspend sanctions in line with national interests, demonstrating that sanctions were not only coercive measures but also flexible tools of strategic adjustment and diplomatic negotiation (Katzman, 2011,11-12). Against this legal backdrop, Washington gradually broadened the scope of sanctions from the energy sector to financial institutions and other key areas of the Iranian economy, transforming them into a comprehensive instrument of pressure. The core strategy of these measures was to target the most vital pillar of Iran's economy—the energy sector—by restricting oil exports, blocking investment, and limiting the country's access to external financial resources (Katzman, 2011, 3).

After 2006, U.S. sanctions increasingly focused on Iran's energy sector, grounded in the Iran Sanctions Act of 1996 and broadened by the Iran Freedom Support Act (2006), CISADA (2010), and a series of post-2010 executive orders (Katzman, 2012, pp. 1–3; Katzman, 2015, pp. 7–8). The ISA authorizes a twelve-part menu of penalties (Katzman, 2011, pp. 6–7), including cutting access to Export–Import Bank financing; denying export licenses for defense or dual-use items; barring U.S. bank lending above $10 million in any twelve-month period;

excluding financial institutions from serving as primary dealers in Treasuries or as depositories of U.S. government funds; disqualifying firms from federal procurement; blocking foreign-exchange operations; prohibiting credit and payment relationships with U.S. banks; restricting the acquisition or use of property located in the United States in which the firm has an interest; limiting U.S. imports from the company; forbidding U.S. persons from taking significant equity or debt positions; rendering corporate officers or controlling shareholders inadmissible to the United States; and extending these measures to the firm's principal offices.

By 2010, sanctions on Iran became increasingly multilateral. The GAO reports that, in addition to unilateral U.S. measures, key international partners such as the European Union, Japan, and South Korea imposed restrictions on Iran's oil exports, shipping insurance, and financial transactions, thereby reinforcing Washington's objectives, while countries like China, India, and Turkey continued energy ties but were forced to modify payment mechanisms under U.S. pressure (GAO, 2013, pp. 43). Building on this convergence, President Obama issued Executive Order 13608 on May 1, 2012, authorizing the Treasury Department to target foreign individuals and entities engaged in sanction evasion related to Iran and Syria by excluding them from access to U.S. markets and suspending their entry into the United States—measures that, according to OFAC, significantly strengthened U.S. enforcement capacity (OFAC, 2012).

At the same time, the Obama administration pursued what it termed a "dual-track strategy": on the one hand, seeking dialogue with Tehran, and on the other, laying the groundwork for tougher sanctions in coordination with allies (White & Case, 2009, pp. 1- 6). Unlike its predecessors, the administration invoked the Iran Sanctions Act (ISA) more actively to deter companies from maintaining commercial relations with Iran, while making clear that failure to fulfill nuclear obligations would trigger increased pressure. This approach was also shaped by shifting regional dynamics. The U.S. interventions in Iraq and Afghanistan had eliminated some of Iran's principal adversaries, while democratic uprisings in the

Arab world created new opportunities for Tehran to assert itself (Takeyh & Maloney, 2011, p. 1). Against this backdrop, Washington viewed sanctions as necessary not only to constrain Iran's nuclear program but also to contain its expanding regional influence. In doing so, Obama preserved much of the Bush-era sanctions framework but introduced important innovations—most notably through the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA, 2010). CISADA significantly tightened restrictions on petroleum trade and investments while enhancing coordination with European and Asian partners (U.S. Department of the Treasury, 2010, p. 1). Although these measures sometimes drew criticism for unilateralism, they did not undermine allied cohesion and instead reinforced the global pressure campaign against Iran. As Maloney (2015) emphasizes, the dual-track strategy represented continuity in U.S. policy, echoing Carter's use of sanctions during the 1979–1981 hostage crisis while adapting coercive tools to the nuclear disputes of the 2010s.

Concurrently with the political–diplomatic track, the sanctions regime underwent pronounced financial consolidation. The U.S. State Department delineated sanctionable conduct through quantitative thresholds spanning the petroleum value chain: (i) the importation of refined petroleum into Iran; (ii) the development of hydrocarbon resources within Iran; (iii) the maintenance or expansion of domestic refining capacity, including refinery works and associated fuel-delivery services; (iv) single or aggregated investments above specified monetary limits that directly and materially enhance Iran's ability to develop petroleum resources; and (v) from 1 January 2012, participation in extra-territorial joint ventures for petroleum development in which the Iranian government is a substantial partner or stands to acquire previously unavailable technology or equipment that would significantly augment such capacity (Sune, 2018, p. 140).

From 2010 onward, the sanctions regime pivoted decisively to finance. The pivotal statute was CISADA (2010): §104(c) authorizes the U.S. Treasury to prohibit or condition the opening and maintenance of correspondent and payable-through accounts in the United States for foreign financial institutions that

knowingly conduct significant transactions with designated Iranian banks (Public Law 111-195, 2010). Layered onto the baseline prohibition on dealings with SDNs, the 2011 PATRIOT Act finding on Iran and money laundering, the FY2012 NDAA, and the IFCA (2013), this architecture functionally severed Iran from dollar-clearing channels: U.S. banks regarded transactions with Iranian counterparts as effectively infeasible, while foreign banks faced the credible threat of losing U.S. correspondent access if they persisted (Carter & Farha, 2013, pp. 315–316, 318, 320–322).

Although Congress considered in the FY2012 NDAA an outright block on Iran's access to electronic payment systems, the enacted text ultimately confined itself to reporting requirements (Katzman, 2012, p. 29). On December 31, 2011, the National Defense Authorization Act (NDAA) §1245 required blocking—within U.S. jurisdiction—the property and interests in property of all Iranian financial institutions, including the Central Bank of Iran (CBI). It also sought to reduce Iran's oil revenues by authorizing secondary sanctions on FFIs that knowingly conducted significant transactions with the CBI. For non-petroleum dealings, the provision took effect on February 29, 2012; for petroleum and petroleum products, it applied from June 28, 2012, including to central banks and other state-owned banks, subject to presidential determinations on supply and price conditions (U.S. Department of the Treasury, OFAC, 2012).

Building on these legislative measures, Executive Order 13599 (February 5, 2012) reinforced the NDAA provisions by blocking the property of the Government of Iran and all Iranian financial institutions, requiring U.S. persons not just to reject but also to freeze transactions. The order further clarified that the blocking applied not only to explicitly listed entities but also to any institution owned or controlled by the Government of Iran, thereby broadening the scope of restrictions beyond earlier regulations (Federal Register, 2012). Following this order, numerous entities operating in the oil, petrochemical, and investment sectors were added to the SDN list, directly targeting Iran's most vital sources of revenue. The Federal Register also emphasized that this step was based on the

International Emergency Economic Powers Act (IEEPA) and was issued under a “national emergency” (Federal Register, 2012). The responsibility for implementation and licensing was delegated to the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC). These measures significantly deepened Iran’s financial isolation, institutionalized the shift from “reject” to “freeze,” and underscored Washington’s determination to strike at the core of Tehran’s economic lifelines. Dozens of entities operating in the oil, petrochemical, and investment sectors were subsequently added to the SDN list under this order. For instance, on June 4, 2013, the Treasury designated 38 companies—mostly in the oil, petrochemical, and investment fields—as components of the Execution of Imam Khomeini’s Order (EIKO), an organization managing billions of dollars in assets on behalf of Iran’s leadership. More broadly, between 2010 and 2013, hundreds of Iranian banks, shipping lines, and energy firms were blacklisted, reflecting the comprehensive expansion of OFAC’s SDN listings during this period (Congressional Research Service, 2019, 3). Together, these actions significantly tightened Iran’s financial isolation and institutionalized its exclusion from the global financial system.

Humanitarian exemptions remained an integral part of the sanctions framework. Under NDAA §1245, trade in food, medicine, and medical devices was explicitly excepted (U.S. Treasury/OFAC, 2012). Beyond this, the ban never covered personal communications (such as telephone or email) or family remittances. In 2013, a general license was issued for the export of communications technologies (including mobile phones). Exports of food and medical products were likewise exempted on humanitarian grounds, though alcohol, tobacco, and similar products were excluded (U.S. Treasury/OFAC, 2012). Approved sales could use special financing methods, but U.S. government credit guarantees were prohibited. Furthermore, the President was granted authority, on national interest grounds, to issue emergency export licenses in cases of environmental disasters or humanitarian crises.

U.S. efforts to exclude Iran from the international banking system rested on progressive measures that shaped global risk perceptions. These steps were reinforced by the Treasury's campaign of "targeted financial measures," led by Under Secretary Stuart Levey, who met with finance ministries and more than forty international banks to highlight Iran's illicit practices (Levey, 2007). Evidence of front companies and "stripping" methods persuaded at least eighty foreign banks to curtail exposure, culminating in March 2012 when SWIFT suspended access for sanctioned Iranian banks (Katzman, 2012, p. 21). Having isolated Iran's financial sector, Washington next broadened the scope of sanctions to cover other strategic industries, especially oil, petrochemicals, and precious metals.

By 2012, U.S. sanctions had moved beyond energy and finance, targeting a broader array of Iran's economic activities. The CISADA had already exposed Tehran's structural vulnerability in its dependence on imported gasoline. Building on this, Executive Order (E.O.) 13590 (2011) and the Iran Threat Reduction and Syria Human Rights Act (2012) expanded penalties to cover sales of goods and services that could support Iran's oil and gas sector, including critical equipment such as drills, pumps, and rigs. On July 30, 2012, E.O. 13622 went further by sanctioning entities purchasing Iranian crude oil and petrochemical products, or engaging with the National Iranian Oil Company (NIOC) and National Iranian Tanker Company (NITC). It also prohibited the transfer of gold and other precious metals to Iran in exchange for oil or goods, a restriction broadened in 2013 to include precious stones and jewels. These sectoral sanctions paved the way for an even more comprehensive legislative step: the Iran Freedom and Counter-Proliferation Act (IFCA).

The Iran Freedom and Counter-Proliferation Act (IFCA), enacted at the end of 2012 and implemented in 2013, broadened the scope of U.S. sanctions by extending them beyond the energy sector to other key areas of the Iranian economy. Under this legislation, companies providing goods or services to Iran's energy, shipping, shipbuilding, and port operations, as well as institutions offering

insurance for such activities, became subject to sanctions (U.S. Congress, 2012). The act also prohibited the supply of gold, other precious metals, semi-finished metals, and industrial software to Iran, while banning broad categories of insurance and reinsurance services related to energy and transportation sectors. In addition, IFCA specifically targeted Iran's state broadcasting corporation, IRIB, for human rights violations and imposed visa bans and asset freezes on Iranian officials involved in corruption or diversion of goods (Department of the Treasury, 2013**)**. In this sense, IFCA aimed to tighten the sanctions regime by exerting pressure not only on Iran's energy sector but also on other strategic areas of its economy, thereby making the overall framework of sanctions more comprehensive and restrictive (Katzman, 2012, p. 11) Following IFCA's expansion into multiple sectors, Washington further diversified the scope of sanctions by addressing Iran's automotive industry and national currency.

The Presidential Executive Order 13645, issued in 2013, extended the scope of sanctions beyond the energy and financial sectors by targeting Iran's automotive industry and its national currency, the rial. This measure brought under sanction firms supplying goods and services to the automotive sector, banks conducting transactions in rials, and individuals or entities accused of corruption, thereby creating a multidimensional instrument of pressure that spread across different areas of the Iranian economy (Congressional Research Service, 2022). These developments coincided with changes to the statutory framework of the Iran Sanctions Act (ISA), which expanded both the number of sanctions and the conditions for their eventual termination.

The United States, however, adopted by far the broadest measures, which were extraterritorial in nature and targeted virtually all sectors of the Iranian economy that contributed, even marginally, to the nuclear and missile programs. CISADA (2010) had already extended restrictions to refined petroleum products and a wide range of financial transactions, prompting several refining companies to quietly end sales to Iran even before its entry into force. Moreover, the U.S. decision to blacklist Iran's national shipping line, the Islamic Republic of Iran

Shipping Line (IRISL), due to its transport of banned goods, had a particularly severe impact. The measure led to the loss of insurance coverage for IRISL and the subsequent detention of at least seven of its vessels in Singapore and other international ports. These developments illustrate the extent to which sanctions restricted Iran's international activities not only in the energy and financial sectors but also in the maritime domain (Katzman, 2012, pp. 1–5). Together, these measures underscored the extraterritorial nature of U.S. sanctions, targeting virtually all sectors of the Iranian economy with even marginal links to proliferation activities.

3.6. EU AND ALLIED MEASURES

With the emergence of Iran's nuclear issue in 2002, the European Union sought to frame the negotiations in line with its principle of "effective multilateralism," in contrast to the United States' more unilateral approach. At first, European countries were reluctant to adopt the harsh stance of Washington regarding Iran's regional influence and its support for militant groups. However, over time—particularly with the adoption of United Nations Security Council Resolution 1929 in 2010—the EU's sanctions policy converged more closely with the American line, making the multilateral framework of the JCPOA negotiations more evident (Cronberg, 2018, p. 2-10). This shift laid the groundwork for deeper EU–U.S. coordination in the following years. As Adebahr (2014) highlights, while EU sanctions require unanimity among member states and apply only within EU jurisdiction, their convergence with U.S. extraterritorial sanctions after 2010 marked a turning point in transatlantic coordination (Adebahr, 2014, pp. 2-9).

Western withdrawal from Iran's energy sector gradually created a vacuum that Asian powers—most notably China—moved to fill. During the late 2000s, as European, Japanese, and South Korean firms scaled back their involvement due to tightening sanctions, Chinese companies stepped in as major investors. In 2008, the China National Petroleum Corporation (CNPC) signed a US$1.76 billion contract with the National Iranian Oil Company (NIOC) to develop the North

Azadegan oil field (Zhao, 2012, p. 68), followed by a US$3.2 billion gas deal in March 2009 and a US$4.7 billion agreement in 2010 to develop phases of the South Pars field (Zhao, 2014, pp. 414– 415). These projects marked a strategic shift: China effectively replaced Western firms as Iran's primary energy partner, underscoring how sanctions unintentionally deepened Tehran's reliance on non-Western actors. This dynamic reflects what the Atlantic Council termed the "unintended side-effects" of sanctions, where restrictive measures by Europe created economic vacuums quickly filled by non-Western competitors. In fact, the European oil import ban was impactful largely because, at the same time, the United States pressured Iran's non-Western clients such as India, South Korea, Japan, and China to reduce their own crude purchases (Adebahr, 2014, p. 9). As Howard (2007) notes, Iran's energy resources also became a political lever in its relations with India and Russia. India's engagement with Tehran was largely driven by its growing domestic energy demand, while Russia—despite not depending directly on Iranian oil—profited from lucrative infrastructure projects that simultaneously weakened U.S. influence over both Moscow and Tehran (Howard, 2007, pp. 96–113, 105).

From 2011 onward, the United Kingdom and Canada severed relations with Iranian financial institutions, and the subsequent embassy attack further intensified diplomatic tensions. During this period, the EU began aligning its sanctions more closely with the United States, ultimately moving to restrict Iran's vital oil revenues (Council of the EU, 2012).At the same time, insurance services, precious metals, and petrochemical trade were prohibited with Iran.

In 2012, the European Union and the United States imposed unprecedentedly strict sanctions on Iran's oil and financial sectors. The Council of the European Union adopted Decision 2012/35/CFSP and Regulation 267/2012, which prohibited the import, purchase, transport, and related financing and insurance of Iranian crude oil and petroleum products (Council of the European Union, 2012). These measures also encompassed a ban on petrochemical trade, the suspension of new investments, and the freezing of the Central Bank of Iran's

assets within the EU. Furthermore, they restricted the export of equipment and technologies for the petrochemical sector, banned the trade of gold, precious metals, and diamonds with Iranian public bodies, and prohibited the supply of Iranian banknotes and coinage to the CBI. European Protection and Indemnity (P&I) Clubs were barred from insuring Iranian tankers, disrupting shipments not only to Europe but also to Asia, compelling states such as India and South Korea to suspend imports (U.S. Energy Information Administration, 2015). In March 2012, Iranian banks were excluded from the SWIFT system, further entrenching financial isolation. Additional restrictive measures entered into force in October, including a ban on natural gas imports, the suspension of industrial metals exports, and restrictions on Iran's shipping sector (Katzman, 2015). Collectively, these sanctions produced dramatic effects: Iran's crude oil exports fell by nearly half compared to 2011, and virtually all Western companies suspended their operations in the country (U.S. Energy Information Administration, 2015).

These restrictive measures marked a clear break from the earlier decades. Between 1979 and 2005, when U.S. sanctions were largely unilateral, Iran's oil sector was particularly supported by European actors. However, the multilateral sanctions imposed after 2006 in response to Iran's nuclear program triggered a profound change in the country's trade orientation. Popova and Rasoulinezhad (2016) show that sanctions reduced Iran–EU trade by an average of 46.9%, while increasing trade with Asian countries by 85.2% (p. 2). They conclude that sanctions pushed Iran to shift its foreign trade policy toward strengthening relations with Asian countries instead of the European Union (Popova & Rasoulinezhad, 2016, p. 13). In this process, economic ties with China and India in particular deepened. According to the U.S. Energy Information Administration (2015), Iran's crude oil exports stood at about 2.6 million barrels per day in 2011; the EU collectively imported around 600,000 b/d, while Asia was the main market—China (550,000 b/d), India (320,000 b/d), Japan (315,000 b/d), and South Korea (250,000 b/d). Turkey (185,000 b/d), South Africa (75,000 b/d), and the United Arab Emirates (95,000 b/d) were also dependent on Iranian crude. By 2013, exports had nearly halved, falling below 1.3 million b/d, with sales

concentrated in China, India, Japan, South Korea, Turkey, the UAE, and Syria. In 2014, exports slightly recovered to 1.4 million b/d due to increased demand from China and India. These dynamics illustrate that sanctions not only reduced Iran's export volumes but also geographically redirected its oil markets away from Europe and toward Asia (EIA, 2015).

Since 2012, the United States has implemented sanctions directly targeting Iran's oil exports. Under Section 1245 of the FY2012 NDAA, a waiver mechanism pressured Iran's main buyers to reduce their imports while also allowing a degree of flexibility. In parallel, the European Union announced an oil embargo in 2012, with EU member states withdrawing entirely from Iranian oil. Major importers such as Japan, South Korea, Turkey, India, and China, however, secured exemptions by gradually reducing their purchases. As a result, Iran's primary source of revenue—its oil exports—was progressively curtailed, leading to severe income losses and heightened financial vulnerability for the Iranian economy (Katzman, 2012, p. 24). These oil export restrictions were reinforced by broader U.S. trade and investment bans administered by OFAC, which had already established a multi-dimensional framework of control.

However, the EU's sanctions regime toward Iran has not been limited to the nuclear program. Since 2011, measures addressing human rights violations have been introduced. Council Decision 2011/235/CFSP and Council Regulation (EU) No 359/2011 imposed visa bans and asset freezes on individuals and entities responsible for the repression of opposition groups, while also prohibiting the export of equipment and software intended for internal repression and surveillance (Council of the EU, 2011a; 2011b). Similarly, since 2006, measures related to the non-proliferation of weapons of mass destruction, based on successive United Nations Security Council resolutions, have been transposed into EU law through Council Decision 2010/413/CFSP and Council Regulation (EU) No 267/2012 (Council of the EU, 2010; 2012). Although nuclear-related sanctions were temporarily lifted in 2016 with the implementation of the Joint Comprehensive Plan of Action (JCPoA), the Council decided in 2023 to maintain

its autonomous measures due to Iran's non-compliance. Consequently, the arms embargo, missile technology restrictions, and limitations on certain metals and software have remained in force through the 2024 and 2025 amendments (Council of the EU, 2024; 2025). This demonstrates that the EU's sanctions framework is both multi-layered (covering energy, finance, human rights, and nuclear issues) and enduring.

3.7. OUTCOMES AND LIMITATIONS OF SANCTIONS

Since the 1979 Revolution, Washington has relied primarily on economic sanctions as its main tool to constrain Tehran. Despite the Obama administration's broad and powerful measures, Iran persisted with its nuclear and regional policies. Although these sanctions inflicted heavy political and economic costs, they did not succeed in convincing Tehran that negotiations would serve its interests. This resilience reflected both Iran's ability to circumvent restrictions and the shifting regional dynamics that created new opportunities for the regime. Ultimately, the sanctions imposed significant costs but failed to alter Iran's core behavior (Takeyh & Maloney, 2011). As a consequence, Iran's international trade contracted, its banking system came under severe strain, and the country was forced to seek alternative methods to mitigate the impact of sanctions. The decline in trade with Europe and the blockage of payment channels made the Iranian economy increasingly fragile (Takeyh & Maloney, 2011). The inability to conduct transactions in dollars and euros left billions of dollars of revenues frozen in countries such as China, India, and South Korea, directly pressuring unemployment and inflation (Katzman, 2015, p. 8).

Beyond these immediate disruptions, the historical record shows that sanctions reshaped Iran's long-term economic behavior. As Torbat (2005) notes, while oil export bans had limited durability due to the fungibility of global energy markets, financial sanctions proved far more damaging. By restricting Iran's access to international credit markets, Washington forced Tehran to rely on costly "buyback" contracts and high- interest borrowing, resulting in an estimated annual

loss of $777 million—about 1.1% of Iran's GDP in 2000 (pp. 426–428). These constraints delayed infrastructure investment, undermined Iran's creditworthiness, and created structural vulnerabilities in the energy sector. Over time, the sanctions entrenched a dual dynamic: on the one hand, they weakened Iran's growth potential and increased the burden on ordinary citizens through inflation and unemployment; on the other, they incentivized Tehran to develop sanction-circumvention networks, diversify trade partnerships, and institutionalize the so-called "Resistance Economy" (*eqtesad-e moqavemati*). Officially articulated by Ayatollah Khamenei in 2014, this doctrine emphasized self-sufficiency, reduced dependence on oil revenues, and greater reliance on indigenous production as a strategic response to sanctions (İRAM, 2016, pp. 1-6). This paradox—persistent economic pain alongside continued political defiance—illustrates why sanctions have struggled to achieve their stated goal of changing Iran's core policies.

Beyond these economic contractions, sanctions also generated profound socioeconomic repercussions within Iranian society. Following the U.S. withdrawal from the JCPOA in 2018, the Iranian economy entered three distinct phases—the "transition," "waiver," and "maximum pressure" periods—each characterized by escalating instability (Aslan, Aslan, & Rashid, 2020, pp. 6–8). Crude oil exports, which had recovered to nearly 2.5 million barrels per day in early 2018, fell below 500,000 barrels by mid-2019, depriving the state of its primary source of revenue. During the same period, the toman[1] lost more than 250% of its value against the U.S. dollar, pushing inflation to nearly 50% by late 2019. These shocks had tangible consequences for daily life: unemployment rose, more than 10 million Iranians fell into poverty, and the prices of essential goods such as meat and vegetables increased by 65–70%. The contraction of income, soaring costs, and shortages of critical imports such as medicine intensified social

[1] "Toman" was historically used as Iran's common unit of account. Although the rial was the official currency for decades, a 2020 law approved switching the official unit to the toman. In the 2018–2019 context referenced here, "toman" denotes the colloquial unit in everyday use.

despair, culminating in the mass protests of November 2019, which erupted after a 200% increase in gasoline prices (Aslan, Aslan, & Rashid, 2020, pp. 11–22).

These socioeconomic strains also reshaped Iran's political economy. As formal channels contracted, more trade shifted into informal networks, expanding the role of actors such as the Islamic Revolutionary Guard Corps and altering elite power balances. Sanctions limited access to external finance and raised economy-wide costs, deepening the burden on households; at the same time, the crisis showed structural weaknesses and policy mismanagement (Katzman, 2015, p. 8). Oil earnings offered only partial relief: net oil export revenues were about $53 billion in 2023— roughly the same as 2022 but above ~$37 billion in 2021. Revenues rose in 2022 with higher prices and volumes; in 2023, even as exports increased, lower global prices and mandatory discounts kept receipts flat. Meanwhile, the post-2018 currency crisis constrained energy-sector financing, delaying or canceling many projects (EIA, 2024).

Despite the tightening of international sanctions, China has consistently preserved its position as Iran's principal oil customer. During the first ten months of 2023, China imported on average 1.05 million barrels per day of Iranian crude—approximately 60% above pre-sanctions levels—and even reached a record 1.45 million barrels per day in October (Reuters, 2023). This continuity reflects a broader long-term pattern. As Downs and Maloney (2011) observe, Chinese firms largely complied only with the formal requirements of Resolution 1929, which did not explicitly restrict energy trade, thereby positioning China as the linchpin of the international sanctions regime. They further emphasize that Iran remains China's third-largest supplier of crude oil, highlighting Beijing's enduring strategic energy interests in Tehran. Iran's pursuit of financial alternatives in oil trade further demonstrates both its determination to sustain exports and the gradual weakening of the U.S. dollar's exclusivity in global energy markets. In early 2012, Tehran agreed to receive 45% of its oil payments from India in rupees through UCO Bank in Kolkata, marking a notable departure from conventional hard-currency settlements (Reuters, 2012a). Likewise, Iran began accepting the

Chinese yuan for part of the roughly $20 billion worth of crude it supplied annually to China, its largest customer. As Western sanctions increasingly obstructed dollar- and euro-based payments, importers turned to alternative currencies such as the rupee, yuan, won, and yen (Reuters, 2012b). These arrangements illustrate Tehran's adaptive strategies to sustain oil exports by establishing alternative financial channels and reducing reliance on dollar-denominated transactions.

The broader context of Iran–China relations also helps explain these dynamics. On the Chinese side, sustained economic growth transformed the country into a global industrial powerhouse and expanded its demand for energy imports (Shariatinia, 2011, p. 69). On the Iranian side, persistent tension with the West—particularly the United States—since the 1980s, and the imposition of UN sanctions after 2006, left Tehran with limited economic partners. In response, Mahmoud Ahmadinejad's presidency formally adopted the "Look to the East Policy," emphasizing closer ties with Russia and Asian powers, with China emerging as the most promising partner (Shariatinia, 2011, pp. 62–63). However, China's broader grand strategy of becoming a world power, coupled with its simultaneous rapprochement with the West, placed structural constraints on this relationship. Beijing's support for UN Security Council sanctions against Iran since 2006 demonstrated these limits, even in the vital energy sector. Consequently, Iran–China relations evolved within a dual dynamic: providing opportunities for economic collaboration while simultaneously revealing clear political and strategic boundaries. "Moscow's and Beijing's reluctance to follow the US line is also informed by their long memories of their own countries' experiences with sanctions and other forms of western economic pressure." (Takeyh & Maloney, 2011, 1311). It cannot be said that sanctions have succeeded in achieving their main objective of changing Iran's nuclear policy. Nor have they been tactically successful in persuading Iran to enter negotiations through pressure. However, these sanctions have limited Iran's speed and ability to build a nuclear arsenal. At the same time, they have also created conditions conducive to negotiations, insofar as Iran's complex domestic politics allow. At the same time, these sanctions also penalized Iran and adversely affected its

citizens. The underlying rationale was to make the costs Iran would have to bear for its enrichment activities prohibitively high and thereby deter such actions (Esfandiary & Fitzpatrick, 2011, pp. 143–146).

Iran's energy sector, particularly oil production and exports, has been directly affected by sanctions. Because sanctions have prevented Iran from fully utilizing its production capacity, the country has been exempted from the production quotas applied under OPEC+. This indicates that sanctions have functioned as a greater constraint for Iran than international oil market regulations. However, despite such pressure, Iran managed to increase its crude oil production by roughly 1 million barrels per day between 2020 and 2023 and redirected most of its exports to China. "Between 2020 and 2023, Iran increased its crude oil production by about 1 million b/d and raised its exports to China to nearly 870 million b/d during this period" (U.S. Energy Information Administration [EIA], 2024). This strategy can be seen as an example of Iran's efforts to balance Western pressure through relations with alternative trade partners. Nevertheless, sanctions have forced Iran to sell its oil at discounted prices on global markets, thereby limiting its export revenues.

To relieve the impact of sanctions, Iran created front companies through entities with close ties to the state and preferred the use of barter trade. Iranian traders increasingly relied on informal financial channels, and the depreciation of the rial boosted non-oil exports. Although these sanctions did not compel Iran to make concessions in the nuclear field, they hindered access to foreign technology, which could disrupt progress in nuclear and missile development. Despite UN calls for Iran to halt cross-border arms transfers, Tehran continued providing military support to the Assad regime in Syria While oil revenues accounted for nearly half of Iran's state budget, the country's oil exports fell from 2.5 million barrels per day in 2011 to around 1.25 million barrels per day. This decline was largely driven by the EU embargo on Iranian crude oil and the decision of some buyers to reduce imports in order to obtain exemptions from U.S. sanctions. With decreasing oil revenues and Iran's exclusion from the international banking system, the national

currency collapsed, inflation exceeded 50%, and the economy contracted during 2012–2013. (Katzman, 2012, p. 1). Although these sanctions severely damaged Iran's energy sector and limited its access to international finance, they did not compel the leadership to reconcile with the international community. Over time, Tehran sought economic adaptation while simultaneously emphasizing the humanitarian costs of sanctions, thereby eroding their strategic effectiveness.

In sum, sanctions disrupted Iran's economic structure and imposed heavy social costs, but they neither ended its nuclear program nor changed its broader foreign policy orientation. Instead, they pushed Tehran to seek alternative strategies and external partners. The lack of universality in UN enforcement, the partial but firm stance of the EU, and the continued engagement of major powers such as China, Russia, and India provided Iran with vital room for maneuver. These dynamics gradually reinforced ties with BRICS countries. The following chapter will examine how BRICS states engaged with Iran under sanctions and what this reveals about the role of soft balancing in the strategies of emerging powers.

CHAPTER 4
SOFT BALANCING AND BRICS UNDER THE IRAN SANCTIONS REGIME

4.1. CHINA-IRAN

After the 1979 Revolution, the seizure of U.S. diplomats with Khomeini's direct approval and the ensuing hostility led Washington to sever relations with Tehran; U.S. policies, constrained by Israel-centered unilateral diplomacy, made this rupture durable (van Kemenade, 2009, pp. 105–106). American absence created strategic space for Beijing to expand its footprint. During the 1980–1988 Iran–Iraq War, China emerged as Tehran's principal arms supplier, providing key platforms—from fighter aircraft and tanks to surface-to-surface missiles—while channeling the foreign-exchange proceeds into its own defense modernization. Although arms transfers decreased sharply after the war's end, the partnership diversified: cooperation in nuclear-related technology, sustained oil purchases, large-scale infrastructure projects, and broader industrial investment substituted for dwindling weapons sales. At the end of the day, this multifaceted engagement finally positioned China as Iran's leading trading partner (United States Institute of Peace [USIP], 2023). Toward the end of the 1990s, China's accelerated industrialization rendered it increasingly dependent on new oil imports, a development that laid the foundation for the deepening of its economic ties with Iran (USIP, 2023).

Iran possesses one of the world's most significant energy endowments. As of 2010, the country accounted for approximately one-tenth of global proven oil reserves, ranking just behind Saudi Arabia and making it the fourth-largest oil producer worldwide. Its reserve-to-production ratio, estimated at 89, was the highest among major producers. In addition, Iran controlled about 16 percent of proven global natural gas reserves, second only to Russia (Damato, 2011). Beyond its resource wealth, Iran is perceived as an indispensable actor by China

due to its capacity to shape the political and economic structures of both the Middle East and the broader Islamic world. The growing instability in China's Xinjiang region and the resurgence of radical movements further underscore Iran's value as a potential partner in Beijing's security strategy. Indeed, China views Iran as a "center of gravity" in its energy security architecture. Iran's strategic location enables Beijing to secure overland flows of energy from the Middle East and Central Asia and to reduce its dependence on vulnerable maritime routes. This, in turn, provides China with the potential to safeguard its own energy security. At the same time, it enhances Beijing's capacity to influence global oil distribution and the balance of power (Madani,2022 , pp. 65–71) On this basis, the bilateral dynamics between Iran and China are shaped not only by considerations of energy security but also by strategic interests linked to regional stability, the pursuit of a multipolar order, and the broader struggle over the global balance of power.

4.1.1. Economic Empowerment: Sustaining Energy Flows and Financial Resilience

China's engagement with Iran was not limited to crude oil purchases; it also sought to secure long-term energy supplies and expand exports of capital goods by partnering in Iranian energy investments. During the 2000s, as international tensions over Iran's nuclear activities escalated, Washington tightened sanctions targeting foreign firms investing in Iran's energy sector, which forced not only major European companies but also Japanese (Reuters, 2019) and South Korean (Chung & Tsukimori, 2018) firms to withdraw from the Iranian market. This withdrawal created a significant vacuum for Tehran, prompting it to redirect its search for strategic partners toward Asia— particularly China and India (Calebrese,2018). For instance, when European companies such as Total, Saras, and Eni pulled back, China seized the opportunity through its state-owned oil trader Zhuhai Zhenrong Corp. and its largest refining company, Sinopec Group (Aizhu,2018), which continued purchases from Iran and employed vessels of the National Iranian Tanker Company (NITC) (Reuters,2018) Capitalizing on the

retreat of its Western competitors, Beijing entered Iranian projects more aggressively, aiming both to guarantee long-term oil supply and to expand its exports of capital goods. This process not only increased China's influence in Iran's energy sector but also partially mitigated the economic pressure of sanctions on Tehran. As Calabrese (2018) emphasizes, "It is India and China—together accounting for just over half of Iran's oil exports—that will play key roles in determining the amount of Iranian oil that is eventually taken off the market and its impact on the global supply- demand balance and on prices (Calebrese,2018).

U.S. State Department officials, in pursuit of sanctions aimed at decreasing Iran's oil exports rates to zero, dispatched delegations not only to European capitals but also to the Middle East and Asia in an effort to dissuade countries from purchasing Iranian crude. The Trump administration systematically pursued this diplomatic pressure as part of its strategy to compel Iran back to the negotiating table (Wroughton, 2018). Nevertheless, China and India together absorbed more than half of Iran's crude oil exports, thereby limiting the effectiveness of Washington's sanctions strategy (Calebrese, 2018) In the first half of 2018, roughly half of Iran's crude oil and condensate exports were directed to these two countries, with China importing an average of 644,000 barrels per day and India 554,000 barrels per day (U.S. Energy Information Administration, 2018). Moreover, by 2017, 62% of Iran's shipments were bound for Asia, underscoring the critical role of these two states in safeguarding Iran's energy security (Middle East Institute, 2018). This posture by China and India undermined the intended economic isolation sought by the United States and increased the costs of Washington's sanctions policy. In this sense, their refusal to fully comply with U.S. measures constitutes a typical instance of soft balancing. As explained in Chapter 2, soft balancing refers to efforts to constrain the policies of a dominant power not through direct military opposition but by employing economic and diplomatic instruments. By sustaining energy trade with Iran, China and India established a counterweight to U.S. unilateral sanctions, thereby carving out an alternative space within the international system in which American hegemony could be diluted.

Particularly noteworthy is the decision of Chinese companies such as Zhuhai Zhenrong and Sinopec to continue purchasing Iranian oil by employing NITC tankers, a move that underscored Beijing's determination to circumvent sanctions. India, for its part, undertook a strategic maneuver by increasing its oil imports from Iran at discounted rates prior to the full implementation of U.S. sanctions, despite mounting pressure from Washington. These practices can be understood as a typical example of soft balancing, insofar as BRICS members refrained from fully complying with U.S. unilateral sanctions, thereby increasing their costs and fostering alternative channels of cooperation. By sustaining Iran's oil exports, China and India not only provided Tehran with a vital financial lifeline but also undermined Washington's "maximum pressure" strategy by preventing the complete economic isolation of Iran. In doing so, they simultaneously raised the costs of U.S. coercive measures while securing privileged access to discounted energy supplies.

With the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) implemented after 2011, the United States aimed to exclude Iran from the financial system, depriving foreign financial institutions dealing with Iran of access to U.S. markets and the use of the dollar. This measure was described by then–Treasury Under Secretary David Cohen as "a death penalty for any international bank," stating that "any foreign bank that transacts with designated Iranian banks – or with most other designated Iranian individuals or entities – can lose access to the U.S. financial system. That means losing the ability to facilitate transactions in the dollar, a death penalty for any international bank." (U.S. Senate Committee on Banking, Housing, and Urban Affairs, 2011) In this way, the free transfer of Iran's oil revenues was prevented, payments were held only in blocked accounts in the purchasing countries, and these funds could be used solely for bilateral trade or the import of humanitarian goods. However, China and India did not fully comply with U.S. pressure; they continued to purchase Iranian oil at lower prices and carried out payments through barter-like alternative mechanisms. Although Iran's exports fell by half during this process, they were not completely reduced to zero, allowing Tehran to breathe in the face of

Washington's "zeroing-out" objective. Therefore, this approach by China and India can be regarded as a concrete example of economic soft balancing, as it diluted U.S. unilateral goals (Laub, 2015).This pattern reflects what Robert Pape (2005) identifies as the essence of soft balancing: the use of economic and diplomatic tools that fall short of military confrontation but still serve to constrain the hegemon's freedom of action. By maintaining oil imports through alternative payment schemes, China and India raised the costs of U.S. coercive measures. At the same time, the outcome resonates with T.V. Paul's argument that in a unipolar system, secondary powers often engage in "limited balancing" through institutional, economic, and normative strategies rather than direct military means. In this sense, Beijing and New Delhi's behavior exemplifies how second-tier states can dilute unilateral U.S. objectives by exploiting financial loopholes and sustaining strategic trade flows, thereby reinforcing the logic of soft balancing as theorized in the post–Cold War era.

According to a 2010 article in *The Washington Quarterly*, China accelerated its energy- centered engagement with Iran even during the intensified sanctions pressure of the second half of 2009; between June and November 2009, it signed contracts worth $14.5 billion, including capacity expansions for two refineries and the development of South Pars, and was further invited to participate in projects totaling $42.8 billion involving seven refineries and 1,600 kilometers of pipeline. During the same period, Chinese companies supplied Iran with between 30,000 and 40,000 barrels per day of refined products (Blass, 2029); which constituted a critical lifeline for a country that met approximately 40 percent of its gasoline demand through imports (Kemenade, 2010, pp. 101-109). This pattern illustrates that Chinese investments and trade flows were concentrated in oil and natural gas and that, despite sanctions, they sustained the bilateral economic relationship—an outcome that can be interpreted as the use of economic strengthening tools within the framework of soft balancing.

Sinopec's $2 billion investment agreement in 2007 for the development of Iran's Yadavaran oil field, which by late 2016 had reached a production capacity of

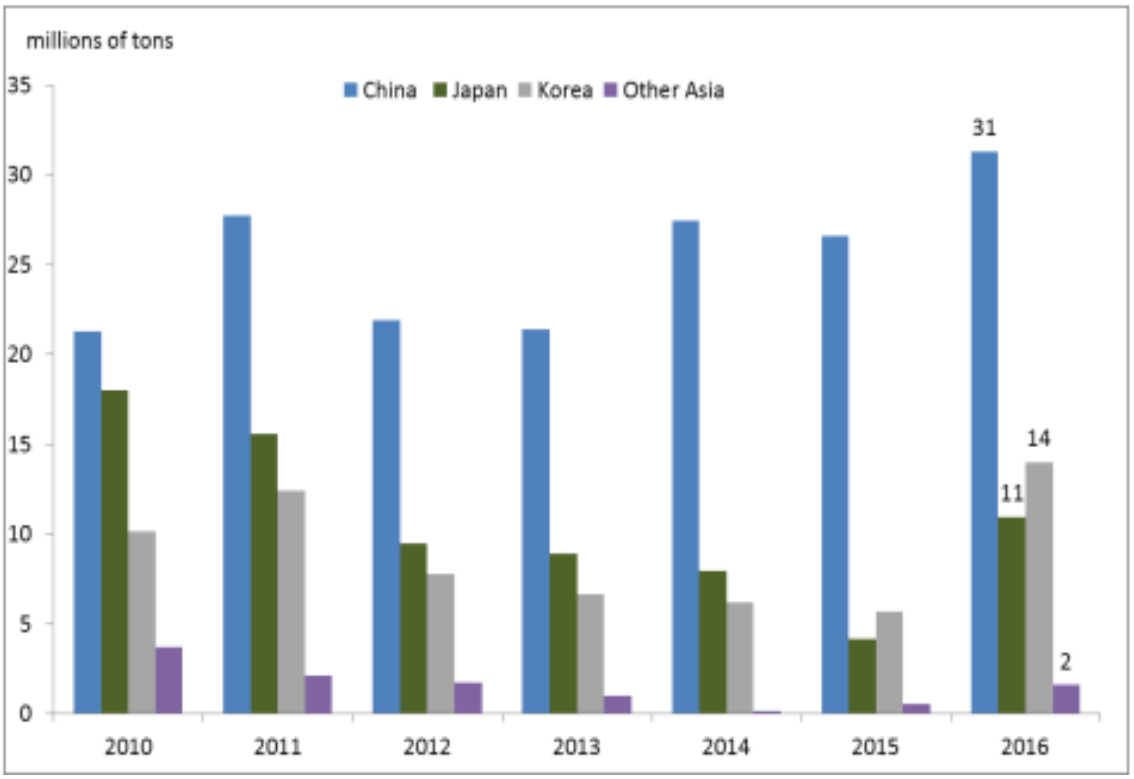
approximately 160,000 barrels per day, clearly demonstrates China's strategic posture in the energy sector (Hafezi, 2007). In 2017, Sinopec further signed a $2.1 billion modernization contract for the Abadan refinery, effectively commencing the project, which remains under construction. That same year, the Chinese financial institution CITIC Trust extended a $10 billion credit line to five Iranian banks for projects in energy, water, transportation, and infrastructure—one of the most significant steps in strengthening Iran's economic resilience in the post-JCPOA period (Financial Tribune, 2017). Such investments and financial arrangements exemplify what T.V. Paul emphasizes: in today's international system, states increasingly pursue balancing not primarily through raw military means but through limited alignments and economic instruments. While military power remains relevant, it is no longer the sole or most preferred method; the availability of less confrontational and more legitimate mechanisms—such as multilateral diplomacy, loose coalitions, or economic financing—reshapes states' cost–benefit calculations. Sinopec's energy projects and CITIC's credit line thus provided Iran with crucial economic breathing space, limiting the effectiveness of U.S. pressure and functioning as an another clear example of soft balancing through economic empowerment (Wivel &Paul, 2019, pp. 91-92).

The South Pars Phase 11 project can be regarded not merely as an attempt by Iran to increase its energy production capacity but also as part of a soft balancing strategy through economic strengthening in the face of sanctions. The $4.8 billion agreement signed in 2017 between Total, CNPC, and Petropars clearly demonstrated Iran's intention to counter U.S. pressure by attracting international investment and facilitating technology transfer. Following Total's withdrawal due to sanctions, the possibility of China expanding its stake was seen as a strategic opportunity for Beijing to provide Iran with vital breathing space (Jalilvand ,2019,pp.7-8). However, CNPC's suspension of investment in December 2018 revived earlier criticisms of the poor performance of Chinese companies in Iran (Chen, 2018).Similarly, Sinopec's $3 billion investment offer for the Yadavaran field, tied to stringent conditions, and indicated Beijing's willingness to exploit Iran's vulnerable position. In this regard, although China has remained Iran's

largest oil purchaser and a significant partner, in the case of South Pars it avoided strategic risk-taking and pursued a cautious, interest-driven energy policy, contrary to Tehran's expectations. Thus, while the South Pars case theoretically supports the "economic strengthening" dimension of soft balancing, in practice it met Iran's expectations only to a limited extent, being shaped by the power calculations of major states (Jalilvand, 2019, pp. 7–9). Under the 2017 agreement, the consortium consisted of Total (50.1%), CNPC (30%), and Petropars (19.9%), enabling Iran to demonstrate its intent to balance U.S. pressure by mobilizing international capital and technology transfer (Reuters, 2017). Iranian officials explicitly emphasized that the agreement sent a "strong political message" to global energy markets and would encourage further investment by other European and Asian companies (Reuters, 2017).

The $10 billion credit line extended by China's CITIC Trust Group in 2017, through an agreement with the Central Bank of Iran, represented the largest foreign credit line granted to Iran in four decades (CRS, 2017). This facility was designed to support medium- and long-term import financing, thereby providing Iran with much-needed breathing space at a time when its access to Western financial markets was severely restricted. Alongside this financial lifeline, China's energy investments—such as in the South Pars gas field and the Abadan refinery—materialized through multibillion-dollar agreements concluded after the JCPOA. These ventures enhanced Iran's capacity to survive economically under U.S. sanctions. By supplying alternative sources of capital, technology, and market access during a period of Western isolation, Beijing's engagement constitutes a clear soft balancing strategy aimed at diluting U.S. pressure. In particular, it undermines Washington's ability to leverage energy markets as an instrument of coercion, thereby highlighting the economic empowerment dimension of soft balancing. Notably, whereas Western firms withdrew from Iran even in the aftermath of the JCPOA, Chinese companies maintained their presence, reinforcing the durability of this strategic alignment.

During the 2010s, the intensification of sanctions significantly increased Iran's economic dependence on China. China's share in Iran's global trade rose from 20% in 2001 to 31.2% in 2016. Particularly in 2012, at the peak of U.S. and EU sanctions, China became the largest purchaser of Iranian oil. As shown in Figure 5, China's imports rose sharply after 2011, surpassing Japan, South Korea, and India, and making China by far the top destination for Iranian crude exports. During this period, crude oil accounted for nearly one-third of China's total imports from Iran, while trade in non-energy sectors such as textiles, locomotives, ships, and steel products reached the $650–1400 million range. These indicators demonstrate that by the mid-2010s, China had consolidated its position not only as Iran's largest trading partner but also as its most critical oil customer (CRS, 2017).



Source: International Trade Centre (2017)

Figure 4. *Asian Cruide Oil Importers From Iran*

From this aspect, Iran's sanctions-era witnessed the "economic empowerment" through the lens of soft balancing's economic strengthening mechanism. As Pape

(2005) argues, non-military tools can delay, frustrate, and dilute a hegemon's coercive strategy; Paul (2005, p.54) adds that secondary powers do so primarily via economic and institutional channels. Skak (2011) deepens this by showing that BRIC soft balancing is not only a systemic (third-image) response, but also the outcome of second-image choices—namely, deliberate globalization and economic opening by decision-makers (Skak, 2011, 5). Empirically, the 2010s saw China's share in Iran's global trade rise from ~20% to 31%, continued crude purchases despite pressure, and sectoral import shares reaching 50–100% in key goods—quantitative signs that China functioned as a shock absorber for Iran's economy (CRS, 2017; Reuters, 2014). At the micro level, the 2017 CITIC USD 10 billion credit line provided alternative liquidity when Western finance was shut, thereby raising the costs of U.S. financial coercion and widening Iran's room for maneuver—exactly the kind of economic instrument soft balancing theory anticipates.

Despite sustained U.S. pressure—culminating in the 2011 NDAA amendment mandating sanctions on entities dealing with Iran's Central Bank or purchasing its petroleum—China consistently maintained its determination to secure energy supplies in accordance with its national interests. By declaring that "coercion and pressuring will not achieve anything," Beijing signaled its resolve to safeguard sovereignty, security, and development priorities (Tang, 2025). This strategic stance not only separated political disputes from commercial relations but also underscored China's enduring role as Iran's principal energy partner, reinforcing the broader argument that soft balancing in the economic domain provided Tehran with crucial resilience against Western coercion.

4.1.2. Alternative Mechanisms Against Sanctions

In particular, China's cautious approach to direct investment in Iran's capital-intensive sectors through state-owned enterprises and banks has led the two countries to develop alternative mechanisms. In this context, a significant portion of investments has been carried out either through barter arrangements or by

making payments in Chinese yuan (renminbi). These two methods eliminate the dependence of Chinese and Iranian actors on Western banks or the U.S. dollar, thereby limiting the effectiveness of American financial sanctions. Consequently, the economic interaction between China and Iran is not confined to energy and trade alone; it also acquires a dimension that bypasses the Western-centered financial order and enhances China's institutional autonomy within the global system (Garcia & Oskrouchi, 2025). By adopting such mechanisms, China and Iran have created alternative financial channels—such as barter systems and RMB-based payments—to circumvent U.S. sanctions. In this way, China consolidates its rule-making and institution-building role across Eurasia, while Iran is offered the possibility of strengthening connectivity and integrating into a multilayered international order despite Western pressure.

China kept trade with Iran going through sanctions by effectively using Bank of Kunlun as the main payment conduit; on July 31, 2012 the U.S. Treasury sanctioned the bank for "knowingly facilitating significant transactions" and "providing significant financial services" to designated Iranian banks, restricting its access to the U.S. financial system (OFAC, 2012; Treasury, 2012) . Despite this, Kunlun continued to function as the key Chinese conduit for non-dollar settlements tied to China–Iran trade; as sanctions were re-imposed in 2018, it informed clients it would suspend euro settlement in August and stop accepting yuan-denominated Iranian payments from November 1 (Aizhu & Zhang, 2018). By year-end, the bank still held an Iranian central bank account into which Chinese national oil companies made payments for annual oil imports, while CNPC explored shifting this business to smaller Chinese banks (Aizhu, 2018). Read through a soft-balancing lens, this arrangement—diversifying payment currencies and channels within domestic banking networks to maintain commerce without direct confrontation—fits a pattern of financial resilience against U.S. sanctions (Greenwald, 2020).

Iran sought to mitigate the pressure of sanctions by developing trade mechanisms based on non-dollar currencies from an early stage. As Sune (2018) observes:

> "Iran tried to bypass the financial sanctions by trying to export its oil with currencies other than dollar. In 2006, firstly, they declared the establishment of an oil market based on euros, and later with China and India it is agreed to transact oil with the local currencies. Even though, the system of payments with local currencies has not developed well, it sheds light on the efforts of Iran to integrate the oil industry into the international economy with alternative means."

These attempts were subsequently followed by more concrete mechanisms. With the tightening of Western sanctions, Iranian oil payments began to be settled in Korean won and Japanese yen; according to the *Financial Times*, China also transferred payments to Iran through Russian banks in yuan, which Tehran then used for imports from China. Yet under U.S. pressure, some Chinese banks, including the Bank of China, suspended their transactions with Tehran (Kasolowsky, 2012). During the years of the most severe restrictions on access to foreign exchange, Iran increasingly turned to barter arrangements with China, and the share of China in Iran's global trade rose from 20% in 2010 to 31% in 2016 (CRS, 2017). These findings illustrate that, under sanctions pressure, the diversification of payment channels and the strengthening of trade ties with China functioned as a tangible manifestation of soft balancing strategies.

The theoretical framework of soft balancing presents that secondary powers seek to restrain hegemonic pressure not through direct confrontation but by applying indirect strategies, thereby preserving a degree of political autonomy. Walt (2013) underscores that external pressure exerted by major powers does not necessarily reinforce dependence; even weaker or allied states can retain meaningful room for maneuver. This kind of insight is especially relevant to the Iran case, where sanctions did not eliminate autonomy but instead incentivized Tehran and its partners to seek alternatives. Walt (2006, pp. 109–114) further conceptualizes soft balancing as deliberate coordination through multilateral norms and economic instruments designed to limit U.S. unilateralism. Besides, Paul (2005, p. 10)

expands the toolkit of soft balancing to include economic statecraft, limited military cooperation, and the strategic use of international norms. Within this framework, the alternative payment systems developed by China and Iran shows how economic mechanisms preserved autonomy under sanctions: barter arrangements and RMB-based transactions reduced Iran's vulnerability to dollar-centered restrictions while simultaneously developing China's institutional autonomy in the global financial order. In this sense, the use of economic instruments emerges as a tangible manifestation of soft balancing, constraining hegemonic leverage without escalating into overt conflict.

4.1.3. China's Belt and Road Initiative as a Soft Balancing Strategy Under Sanctions

China–Iran relations have been increasingly deepening beyond bilateral trade within the framework of the Belt and Road Initiative (BRI), characterized by a multilateral and institutional logic. As Shariatinia and Azizi emphasize, over time the BRI has become the "defining axis" of Iran–China relations and was institutionalized particularly through the signing of 17 cooperation agreements during Xi Jinping's visit to Tehran in 2016 (Shariatinia & Azizi, 2017, pp. 48–49). In this regard, the BRI links the parties' relations not merely to the exchange of goods and energy but to a multilayered institutional framework encompassing five core dimensions: policy coordination, connectivity, unimpeded trade, financial integration, and people-to-people bonds (World Economic Forum, 2023). This approach defines Iran–China interaction not only in economic terms but also through political coordination, technical–administrative harmonization, and social engagement. Moreover, these five dimensions directly overlap with the institutional tools described in the soft balancing literature; for instance, financial integration creates alternative channels under sanctions, while policy coordination serves as a form of "institutional entanglement" that constrains the hegemon's room for maneuver (Paul, 2018).

From China's perspective, the Belt and Road Initiative (BRI) is not merely a geopolitical maneuver but an institutional strategy aimed at constructing new supply chains and energy corridors that ensure the development of its inland regions and safeguard social stability. In this context, Iran emerges as a crucial gateway for China to access energy resources, Eurasian trade routes, and new markets. Conversely, by engaging with the BRI, Iran seeks to revive its historical role as a hub of Eurasian trade, expand access to development financing and technology, and embed itself within alternative frameworks of cooperation beyond the Western-centered order. Tehran's "Look to the East" policy, declared in 2005, became the central axis of this orientation in foreign policy, while the 2016 Comprehensive Strategic Partnership agreement and its participation in institutions such as the Asian Infrastructure Investment Bank (AIIB), the Shanghai Cooperation Organization (SCO), and, more recently, BRICS, have enabled Iran to institutionalize this strategy (Garcia & Oskrouchi, 2025). Membership in these structures not only broadens Iran's economic opportunities but also enhances its diplomatic representation and status within global governance. In this way, Iran translates institutional engagement into political leverage, gaining recognition as a legitimate stakeholder and thereby constraining U.S. hegemonic dominance—an illustration of soft balancing through institutional and diplomatic empowerment.

In order to institutionalize its cooperation with China and render its connectivity strategy more durable, Iran has assumed an active role in regional organizations aligned with the BRI. In this framework, Iran has joined institutions such as the Asian Infrastructure Investment Bank (AIIB), the Shanghai Cooperation Organization (SCO), and, more recently, BRICS, thereby integrating itself into the alternative institutional networks developed by China across Eurasia. This participation not only reduces Iran's dependence on Western-centered financial and economic institutions but also reinforces the normative order that China seeks to advance through the BRI. In this way, China consolidates its role as a rule setter and institutional builder in Eurasia, while simultaneously offering Iran opportunities to embed itself in multilateral mechanisms despite Western sanctions (Garcia & Oskrouchi, 2025). Consequently, states increasingly prefer

institutional and diplomatic means of soft balancing over traditional reliance on armament or military alliances. As Wivel and Paul (2020, 473) underline, the contemporary international system is marked by a tendency among states to employ international institutions, limited alignments, and economic instruments in order to constrain dominant powers. Less confrontational and more legitimate mechanisms—such as multilateral diplomacy, loose coalitions, and economic sanctions—are becoming more frequent strategies of soft balancing, as their very existence reshapes cost–benefit calculations and limits the hegemon's freedom of action (Paul, 2019, pp.91-92).

The alternative frameworks offered by the BRI beyond Western-centered institutions emerge as particularly attractive options for second-tier states under hegemonic pressure. As Nurgozhayeva notes, "The BRI represents a new arrangement that offers an alternative to traditional development institutions and, at the same time, respects international norms. The BRI appears not to challenge, but, rather, to complement, established practices by consolidating and upgrading a network of bilateral free trade agreements and bilateral investment agreements into a single multilateral plan" (Nurgozhayeva, 2020, pp. 253–254). This institutional logic creates a critical opportunity for Iran, which has been excluded from Western financial institutions and constrained by U.S. sanctions. By participating in the BRI, Iran not only gains access to economic investments and infrastructure projects but also expands its diplomatic autonomy, thereby indirectly counterbalancing Western pressures. According to Yulianti, Mahendra, Sari, and Mozaffari Falarti (2024, pp. 66–76), Iran's foreign policy approach to the BRI combines elements of balancing and adaptation, using the initiative both to secure economic benefits and to strengthen its deterrence capacity against external pressure. Furthermore, they emphasize that Iran's approach seeks to obtain "tactical advantages," mitigate potential losses, and strengthen its bargaining position in international negotiations. In this regard, Iran's engagement with the BRI can be understood as a tool for reinforcing its regional role while overcoming constraints at the global level. This dynamic exemplifies, in line with the soft balancing literature, how regional powers such as China and Iran

employ institutional and economic instruments to constrain hegemonic dominance.

As Nurgozhayeva (2020, 255–256) observes, the BRI represents the evolution of China's role in global governance from that of a rule taker to an active rule maker. Through this initiative, China has introduced a series of normative and conceptual frameworks to expand its international influence as a new rule-making power. The principles highlighted in China's official "Vision and Actions" document (State Council of the People's Republic of China et al., 2015)—multipolarity, diversity of development models, and respect for sovereignty—closely resonate with the core discourses of Iran's foreign policy (Shariatinia & Azizi, 2017, p. 49). This strategic convergence provides the basis for Iran to frame the BRI as an opportunity to broaden its international maneuvering space, while China positions Iran as a pivotal partner for embedding it into its Eurasian corridor strategy. Moreover, Iran's membership in the Asian Infrastructure Investment Bank (AIIB) and the completion of its ratification process in 2017 (Asian Infrastructure Investment Bank, n.d.) represent a significant threshold, strengthening the financial and institutional dimensions of this multilateral alignment.

At a concrete level, transportation projects constitute the most visible manifestations of the BRI in Iran. The Tehran–Qom–Isfahan high-speed railway (410 km, 300 km/h) (Jones, 2021) has been undertaken with Chinese financial support and contractors (Shariatinia & Azizi, 2017, s. 51-52). Likewise, the electrification of the Tehran– Mashhad railway has been realized through cooperation between Chinese companies such as CMC and SU Power (Tasnim News Agency, 2014) and Iran's MAPNA consortium. These projects not only integrate Iran into China's Eurasian transportation corridors but also undermine the isolation envisaged by Western sanctions. Moreover, the signing of customs information-sharing agreements and the transit of Chinese goods to Europe through Iranian ports demonstrate that not only physical infrastructure but also administrative and commercial processes have been aligned with China's broader Eurasian strategy (Shariatinia & Azizi, 2017, s. 52-52).

Stephen Walt defines soft balancing primarily as the conscious coordination of diplomatic and institutional actions to obtain outcomes contrary to U.S. preferences. According to him, this strategy does not seek to alter the overall distribution of power but rather aims to achieve more favorable results within it; the key mechanism is collective action in multilateral institutions that narrows the hegemon's freedom of maneuver (Walt, 2006, pp. 108–109). Examples include the G-21 coalition in the WTO or the joint Franco-Russian-German opposition to the Iraq War within the UN Security Council. In this context, Iran's accession to the AIIB and integration into institutional networks promoted through the BRI provide an alternative legitimacy framework beyond Western-centered financial structures, thereby constraining U.S. pressure without direct military confrontation. Thus, the BRI can be interpreted as a contemporary manifestation of Walt's notion of institutional soft balancing.

At a concrete level, the BRI has facilitated Iran's integration into non-Western multilateral networks, generating channels of operation and partnerships that function with relative independence from the sanctions architecture (Mohammadi, Sohrabi, & Rabiei, 2025, pp. 1-3). In this way, while revitalizing Iran's geoeconomic position, the BRI also enhances Tehran's capacity to mitigate the vulnerabilities associated with external pressure (Mohammadi, Sohrabi, & Rabiei, 2025, p. 8). Thus, Iran's participation in BRI-linked institutions and connectivity projects reflects not only a strategy of economic diversification but also a deliberate use of soft balancing mechanisms. As Walt emphasizes, soft balancing does not overturn U.S. military primacy but constrains its unilateral initiatives through diplomatic coordination and institutional cooperation (Pape,2018,pp. 34-42). In this sense, Iran's integration into the AIIB, SCO, and BRICS—alongside BRI projects—illustrates a clear case of diplomatic entanglement: by embedding U.S. pressure within multilateral processes and prolonging negotiations, Tehran gains both time and leverage while imposing political costs on Washington. This demonstrates how, under sanctions, Iran and China employ institutional and economic frameworks to restrain hegemonic dominance without resorting to direct military balancing. Through such coordinated efforts and reciprocal

backing, secondary states can articulate their interests and shape global outcomes despite the prevailing unipolar structure (Walt, 2006, pp. 109–114).

4.1.4. Alternative View: Institutional Balancing

Kai He expands the discussion on soft balancing by introducing its institutional variant, which he terms “institutional balancing.” According to He, rather than forming alliances or resorting to military means to counter pressures, states may seek security through the creation, use, and agenda-setting of multilateral institutions (He, 2008, pp. 492– 497). This approach represents a specific subtype of soft balancing, since it aims to constrain other actors’ behavior within an institutional framework rather than through hard power. For the sake of analytical clarity, He distinguishes between two forms: inclusive institutional balancing and exclusive institutional balancing (He, 2015, pp. 213, 215) .In the inclusive form, states attempt to limit other actors’ behavior or steer agendas in their favor through norm- and rule-building within multilateral institutions. In the exclusive form, by contrast, states demonstrate solidarity against external pressures by forming political and economic blocs. He argues that in a multipolar world, high levels of economic interdependence raise the opportunity costs of internal military mobilization and external alliance antagonism, thereby increasing the likelihood of institutional balancing. Thus, institutional balancing is positioned as a typical soft balancing strategy that states adopt depending on conditions of economic interdependence and power distribution (He 2008, 492–97).

The BRI and the AIIB, in He’s framework, represent typical instruments of inclusive institutional balancing: while China expands its network through norm- and principle- building and agenda-setting (e.g., the “consultation–joint construction–sharing” formula; emphasis on sovereignty and mutual benefit), Iran attaches itself to this framework in order to soften the one-channel pressure of the U.S./EU sanctions architecture through institutional alternatives. Iran’s membership in the AIIB and its participation in transport and customs projects under the BRI diversify the transmission channels of sanction costs (financing,

logistics, administrative procedures), thereby generating non-military delaying and cost-increasing effects. This dynamic directly corresponds to He's interdependence-based logic of institutional balancing (He 2008, 494–496).

Kai He's second category of institutional balancing, "exclusive balancing," refers to the strategy of forging regional solidarity and "unity from within" against a hegemon, as exemplified by the ASEAN+3/Chiang Mai Initiative's creation of a regional financial network as an alternative to the IMF during the Asian financial crisis (He 2008, 506– 509). In this logic, Iran's physical and administrative integration into the Belt and Road Initiative (BRI) corridors—through high-speed rail and electrification projects, customs data exchange, and reciprocal Authorized Economic Operator (AEO) arrangements— generates a functional "exclusive" dimension that weakens the monopoly of Western- centered surveillance and enforcement standards in sanction regimes. By shifting transaction flows toward China-centered norms, this process raises the coordination and enforcement costs of sanctioning coalitions (He, 2008, pp. 493–497). Moreover, Iran's membership in the AIIB and the completion of its ratification process in 2017 represent a critical threshold, reinforcing the financial and institutional dimension of this multilateral alignment (Asian Infrastructure Investment Bank [AIIB], n.d.). This move can also be interpreted as part of China's broader strategy of expanding its legitimacy base through inclusive institutional balancing, with Iran's accession deepening the financial and institutional pillar of the BRI at the regional level (He, 2018, pp. 1–11).

Overall, Iran's incorporation into China's institutional networks through transport infrastructure, customs and transit integration, energy investments, and alternative financing arrangements creates structural linkages that constrain the effectiveness of U.S. sanctions and isolation policies. The forms of institutional embeddedness described here—gradual alignment across the five connectivity areas, access to multilateral financing, and operational standardization, long-term investment agreements,—closely correspond to what the literature identifies as "soft balancing by entanglement" (Shariatinia & Azizi, 2017, pp. 50–53, 56–57).

Consequently, the BRI should be regarded as a key platform that elevates China–Iran relations beyond the bilateral level, enhancing their collective capacity for soft balancing against Western hegemony.

4.1.5. Diplomatic Entanglement

During Xi Jinping's visit to Iran in 2016, seventeen cooperation agreements were signed in areas such as science, technology, communications, transportation, and energy, marking a decisive step in aligning bilateral relations with the framework of the new Silk Road. The two sides also agreed to design a twenty-five-year roadmap for their comprehensive strategic partnership (Shariatinia & Azizi, 2019, p. 10). This partnership built on earlier foundations, most notably the 1994 Bilateral Investment Treaty (BIT), which had already provided Iran with legal guarantees and signaled Beijing's long-term interest in Iran's geo-economic potential. In September 2019, the agreement was updated and significantly expanded: China pledged $280 billion in investments in Iran's petrochemical, gas, and oil industries, and more than $400 billion across the broader Iranian economy over the next quarter century. The strategic deal prioritized cooperation in energy, transportation, railways, ports, and finance, granting Chinese firms the right of first refusal in petrochemical projects and allowing them to provide technical assistance (Zreik, 2023, pp. 45-49).

This institutional integration exemplifies the logic of soft balancing. Through the investment and financial channels obtained via China, Iran is able to offset Western economic pressure; while resisting U.S. sanctions, it simultaneously strengthens its regional diplomatic standing. As Garver notes, the emphasis on a 'new international order rejecting sanctions' in the joint communiqués of the Khatami era (Garver, 2018, p. 118) and the conclusion of the 2004 LNG and Yadavaran energy agreements despite the U.S. D'Amato Act (Garver, 2018, p. 271) demonstrate China's willingness to disregard U.S. unilateral restrictions and provide Iran with long-term energy security. In this sense, the institutional framework offered by the Belt and Road Initiative (BRI) is not merely economic

but also geopolitical, creating strategic autonomy for second- tier states such as Iran in the face of Western dominance.

The Congressional Research Service emphasizes that the expanding economic ties with East Asia—particularly China's view of Iran as the "lynchpin" of its regional economic strategy within the BRI—have provided Tehran with additional diplomatic leverage (Cimino-Isaacs & Katzman, 2017, pp. 1–4). With its permanent seat on the UN Security Council, Beijing is explicitly positioned to slow down U.S. efforts to isolate Iran. Within this framework, the BRI's goal of enhancing intercontinental connectivity strengthens Iran's role as a hub through infrastructure and energy projects. Within this framework, the BRI's goal of enhancing intercontinental connectivity strengthens Iran's role as a hub through infrastructure and energy projects, including the inauguration of the Iran–Kazakhstan–Turkmenistan railway in 2014, the arrival of the first freight train from China to Tehran in 2016, and the modernization of Tehran's metro system by Chinese actors. This network logic integrates Iran into regional and international supply chains through institutional and logistical linkages that go beyond bilateral trade, thereby raising the costs of unilateral pressure. As such, it represents a typical manifestation of entangling diplomacy in institutional and geopolitical terms (Katzman, 2011).

4.1.6. China and the Politics of Sanctions

China occupies a pivotal position in the U.S.–Iran strategic rivalry, and by virtue of its permanent seat on the UN Security Council, it plays a significant role in shaping the framework of international sanctions. Beijing's official stance can be summarized as implementing only those sanctions mandated by the Council while refraining from unilateral or additional measures. In line with this, Chinese representatives have underlined that sanctions should not aim at punishing Iran but rather at creating space for diplomacy. They further stressed that restrictive measures must avoid harming the Iranian people or disrupting normal economic, trade, and financial exchanges with other states, and that the Council's actions

should remain appropriate, incremental, and proportionate so as not to aggravate tensions or trigger confrontation (UNSC, 2007, para. 23). This approach reflects China's broader strategy of softening the impact of sanctions and steering the process toward diplomatic resolution.

China's stance during the deliberations on United Nations Security Council Resolution 1929 exemplified its strategy of diplomatic delay and dilution. Motivated by the desire to safeguard its energy cooperation with Tehran, Beijing resisted the inclusion of provisions that would directly target Iran's energy sector, thereby stalling negotiations for several months (Cordesman, Toukan, & Wilner, 2012, p. 17). Ultimately, China consented only to a watered-down text. As Garver has observed, Beijing's obstructionist tactics likely provided Tehran with several years of breathing room. In mid-December 2009 the Obama Administration began pushing for a fourth round of Security Council sanctions after concluding that Tehran would not respond adequately to Washington's overtures over the previous ten months. China did not agree to begin discussing this matter until the end of March 2010, about three and a half months after the U.S. proposal. It then took another nine weeks to reach agreement on what became Resolution 1929. China's lethargic approach helped delay Security Council action by several perhaps six months. All together Beijing's delaying tactics probably gained several years of time for Tehran. This occurred in a situation in which Washington was urging that time was running out for a peaceful settlement and as Tehran pushed forward vigorously with its nuclear efforts (Garver, 2011). In this way, China's strategy afforded Iran additional diplomatic space, reducing the deterrent impact of sanctions. This approach reflects the essence of soft balancing: slowing the process, raising costs, and diminishing effectiveness without directly confronting the hegemon. Together with Russia, China's reservations in the Council prevented the sanctions process from advancing at the pace desired by the United States and thereby played a balancing role (Laub, 2015).

From Beijing's perspective, the use of limited sanctions serves as a balanced approach that prevents harm to its reputation both globally and in Iran. Such

targeted measures are designed to encourage the sanctioned state to resume negotiations, whereas sweeping, comprehensive sanctions often backfire. Consequently, China has endorsed sanctions imposed through UN Security Council resolutions while selectively adhering to certain provisions of the 2010 Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA). This two-pronged approach has enabled Beijing to sustain its ties with Tehran, while at the same time reinforcing the credibility and impact of UN sanctions.

Russia and China's positions in the United Nations Security Council were among the main factors preventing the escalation of sanctions against Iran to the level sought by the United States. As noted in a 2015 report by the Council on Foreign Relations, Moscow and Beijing expressed various reservations toward Washington's attempts to broaden the scope of sanctions, thereby playing a balancing role in decision-making processes. Indeed, the "snapback" mechanism included in the Joint Comprehensive Plan of Action (JCPOA) of 2015 was designed precisely to neutralize the potential veto power of Russia and China. This illustrates how the two major BRICS members sought to limit U.S. institutional hegemony over international organizations and constitutes an example of soft balancing, specifically within the framework of entangling diplomacy (Laub, 2015).

In this context, Beijing voted in favor of UNSC Resolution 1929 while defending its scope under the principle of proportionality so as not to undermine "normal economic, trade and financial exchanges." On the ground, however, China established payment facilities—such as RMB-based settlements, barter arrangements, non-dollar clearing mechanisms, and the use of domestic insurance and guarantee schemes—to bypass the dollar-centric bottlenecks of the sanctions architecture. This approach was also combined with a normative emphasis that sanctions should not harm humanitarian or civilian commercial activities. As Chinese Foreign Ministry spokesman Hong Lei explicitly stated in 2012, *"*China and Iran have normal and transparent trade and energy exchanges that do not contravene U.N. Security Council resolutions. The dealings in question should not be affected (by sanctions)" (Cordesman, Toukan, & Wilner,

2012, p. 17). Thus, China narrowed the legitimacy basis of sanctions without rejecting them outright and, by protecting its own commercial space, simultaneously employed both the normative discourse and the economic empowerment dimensions of soft balancing.

China's continued energy trade with Iran despite its support for UN Security Council Resolution 1929 exemplifies the opportunistic yet cautious balancing described in the soft balancing literature. Beijing filled the gap left by Western firms through CNPC and Sinopec, while systematically limiting its exposure by tightening contractual conditions, slowing project timetables, and demonstrating "selective compliance" once sanction thresholds intensified. Downs and Maloney stress that China complied only with UN Security Council resolutions, while explicitly rejecting unilateral U.S. sanctions. (Downs & Maloney, 2011) Garver reinforces this cautious stance by highlighting CNPC's slow progress and partial withdrawals from the South Pars project (Garver, 2011, p. 273). Similarly, Cordesman, Toukan, and Wilner note that although China ultimately voted in favor of Resolution 1929, it actively sought to prevent provisions targeting the energy sector (Cordesman, Toukan, & Wilner, 2012, p. 17). Mao conceptualizes this behavior under the notion of "selective compliance," emphasizing that Beijing shows only minimal adherence to international norms while shaping the nature of its compliance in line with its own normative interests (Mao, 2019, p. 25).

This dynamic reflects the typical logic of soft balancing, in which tools are employed to increase the hegemon's costs while avoiding direct confrontation (Pape, 2005, pp. 7– 45; Paul, 2005, pp. 46–71). Within the framework advanced by Norrlof, who explains the persistence of dollar hegemony through the triad of bargaining, structural, and socializing power, the mechanisms by which Iran's oil revenues are recycled into the Chinese market—through imports of Chinese equipment and services as well as payments to Chinese firms—constitute an alternative financial circuit aimed at reducing dependence on dollar-centered flows (Norrlof, 2014, pp. 1043–1045, 1054–1062). However, given Cohen and Benney's findings on the high concentration of the global monetary system, such

circuits remain not a systemic substitute but merely a limited pressure-relieving instrument (Cohen & Benney, 2014, pp. 1020–1022). At this point, Mao employs the concept of “selective compliance” to characterize China’s behavior, noting that Beijing demonstrates basic adherence to international norms but shapes the form of this compliance according to its own normative interests (Mao, 2019, pp. 25–26). Ultimately, China enhances Iran’s resilience capacity, insures its own energy security, and recycles its profits back into domestic channels—yet it does so through an opportunistic and cautious strategy that remains within the line of soft balancing (Skak, 2011, pp. 149–151).

The current Sino–Iranian relations mainly emphasize pragmatism and economic interests, focusing on energy trade and direct investment, economic and technological cooperation. From American perspectives, China has been both a partner and a ‘spoiler’ in the US-led effort. Beijing has participated in UN resolutions punishing Iran for its undisclosed nuclear ambitions, but China has also maintained strong economic ties with Iran and undercuts the aggressive sanctions programs initiated by the US and its allies (Zhao, 2014, p. 418).

On the one hand, Beijing has participated in UN resolutions sanctioning Tehran for its undisclosed nuclear activities; on the other, it has preserved strong economic ties with Iran, thereby undermining the effectiveness of U.S. and allied sanctions. This duality reflects the logic of soft balancing: China formally aligns with international norms at the diplomatic level, while simultaneously cushioning Iran against external pressure through sustained economic engagement. In doing so, Beijing raises the costs of U.S. containment strategies without resorting to direct confrontation, securing its own energy interests while enhancing Iran’s resilience.

4.2. INDIA-IRAN

After the end of the Cold War and the collapse of the bipolar system, the appeal of the “Third World/non-alignment” discourse declined. In this environment, where

ideological divisions were loosened, India reformulated its foreign policy in a more pragmatic way (Mao, 2019, pp. 25–26). From the 1990s onward, the pragmatic and interest-based orientation replaced earlier ideological patterns in India's West Asia policy, with increasing weight given to relations with Iran, Israel, Saudi Arabia, and the United Arab Emirates (Mohan, 2022).

India and Iran share relations that extend back centuries, grounded in history, trade, and cultural exchanges. In the modern era, however, the character of this partnership has been reshaped by shifting geopolitical and economic dynamics. Iran constitutes a critical "vector" in India's West Asia outreach, both strategically and economically (Agarwal, 2024). Its geographic position provides India with alternative transportation and logistics routes to Afghanistan and Central Asia, most notably through the International North–South Transport Corridor (INSTC), thereby reducing dependence on Pakistan. (CAPS India [Shuja], 2012) Moreover, Iran's location along the Strait of Hormuz—through which a significant share of global oil supplies transit— directly affects India's energy security (U.S. Energy Information Administration [EIA], 2023). For energy-hungry India, Iran remains a vital supplier of hydrocarbons, while for Tehran, India represents a major market for its abundant energy resources As Hafeez (2019, p. 4) further observes, India's growing global profile, expanding economy, and vast consumer base offer Iran an opportunity to emerge from international isolation by tapping into a sustained demand for its natural resources (Hafeez, 2025, p. 24).

By the late 1990s, India and Iran had found common ground on several strategic concerns, ranging from regional stability in Central Asia, Afghanistan, and Pakistan to securing reliable energy supplies and countering the rise of Wahabbist/Deobandi extremism linked to the Taliban. They also recognized the broader benefits of economic cooperation (Fair, 2004, p. 10). Within this framework, both sides institutionalized regular consultations, particularly on the Afghan question. Yet, during the same period, the most decisive external factor shaping India–Iran relations was the United States. As the world's sole superpower, Washington's strong objections to Iran's nuclear program exerted

direct pressure on New Delhi, compelling it to pursue a delicate balancing. While India's ambition to emerge as a global economic power made sustained cooperation with energy-rich Iran indispensable, it also had to remain attentive to the strategic sensitivities of the U.S., resulting in what one scholar aptly describes as walking a "tight rope" (Hafez, 2025, p. 24).

The 2001 Tehran Declaration highlighted energy- and trade-centered cooperation in India–Iran relations while also framing the security dimension through its call for a broad-based government in Afghanistan and a comprehensive UN convention against terrorism (Woodrow Wilson International Center for Scholars, 2004). During this period, the initiation of the Strategic Dialogue between national security councils and foreign ministries institutionalized regular consultation mechanisms between the two capitals (Ministry of External Affairs [MEA], 2003). This was followed by the 2003 New Delhi Declaration and its accompanying Road Map to Strategic Cooperation, along with signed agreements and memoranda that institutionalized a comprehensive and time-bound agenda. These included the principle of "no double standards in counterterrorism," an emphasis on the UN framework regarding the Iraq issue, defense cooperation in the form of training and visits, collaboration in science and technology, energy projects (upstream and downstream flows, LNG), as well as infrastructure initiatives such as the Chabahar port, rail, and marine terminal, supported by a US$200 million Exim Bank credit line (Ministry of External Affairs [MEA], 2003). In addition, the parties approached connectivity projects such as the North–South Transport Corridor (INSTC), extending through Iran into Eurasia, as strategic levers to strengthen regional trade and access (Roy, 2015).

4.2.1. Strategic Partnership

Since the early 1990s, New Delhi and Tehran have worked to build a broad-based partnership—spanning energy and trade, infrastructure projects in Iran and the wider region, and even elements of defense and intelligence cooperation.

According to the Asia Program Special Report (2004), the Tehran Declaration of April 2001 sought to deepen bilateral relations by supporting the establishment of a broad-based government in Afghanistan and calling for a comprehensive UN convention against terrorism (Khan, 2001), while also raising the prospect of energy and transport projects such as the North–South Corridor and the Chabahar linkages. The New Delhi Declaration and the accompanying Road Map to Strategic Cooperation (January 2003) elevated the relationship to the level of a "strategic partnership." This institutional framework included defense and naval cooperation, joint working groups on terrorism and narcotics, energy supply projects (pipeline/LNG), collaboration in science, technology, and space, as well as infrastructure investments such as the Chabahar port, railways, and tank terminal (Ministry of External Affairs, 2003). The first joint naval exercise in 2003 and regular security contacts were concrete reflections of this evolving partnership (Fair & Roshandel, 2004, pp. 12–14). Taken together, these steps do not amount to overt balancing. Rather, they constitute an order-internal strategy: by institutionalizing ties and deepening connectivity, New Delhi broadened its strategic options and reduced the ability of any single power to coerce—an archetypal case of soft balancing.

Iran, with its strategic geographical position overlooking the Persian Gulf and the Strait of Hormuz, is a critical actor for India in terms of regional stability and energy security. Teja further emphasizes that energy, connectivity, and trade constitute the fundamental axes of India–Iran relations. Moreover, Iran's function as a "gateway" through its network of road, rail, and pipeline linkages extending into Central Asia and Afghanistan provides India with access to the north without dependence on Pakistan, thereby granting New Delhi greater strategic flexibility (Teja, 2015, pp. 87–90). By institutionalizing access routes through Iran, New Delhi reallocates bargaining power and spreads the costs of coercion across multiple corridors, a characteristic soft- balancing move.

Iran holds some of the world's largest hydrocarbon reserves—third in proved oil and second in proved natural gas—which makes hydrocarbon exports a structural

pillar of its economy and creates a clear push to sell (U.S. Energy Information Administration [EIA], 2024). India, meanwhile, with a population exceeding 1.425 billion, is projected by the International Energy Agency (IEA) to experience the largest increase in energy demand of any country across all scenarios to 2040, reflecting a sustained pull to buy (International Energy Agency [IEA], 2021; United Nations, Department of Economic and Social Affairs [UN DESA], 2023). This supply–demand complementarity was explicitly recognized in the 2003 New Delhi Declaration, which described Iran and India as “natural partners” in the field of energy cooperation and identified the sector as a strategic area for cooperation. (Ministry of External Affairs [MEA], Government of India, 2003) Scholarly analysis likewise casts Iran as a supplier and India as a major importer, noting that linkages such as the International North–South Transport Corridor (INSTC) and the build-out at Chabahar further deepen this interdependence (Fair & Roshandel, 2004).

4.2.2. Iran-Pakistan-Indian Pipeline

India and Pakistan’s protracted antagonism shaped the geopolitical context of the proposed Iran–Pakistan–India (IPI) pipeline, frequently referred to as the “Peace Pipeline.” The project was envisioned to stretch approximately 2,775 kilometers from Iran’s South Pars gas field through Balochistan to Khuzdar, with one branch extending to Karachi and the main line continuing via Multan toward India, at an estimated cost of about US$7.5 billion (Asghar & Nazuk, 2007, pp. 537–538). In parallel with these pipeline negotiations, India and Iran signed a landmark agreement in January 2005 for the supply of liquefied natural gas (LNG). Under this arrangement, Tehran committed to deliver 7.5 million tonnes of LNG annually to India for a period of twenty-five years beginning in 2009, a deal that underscored the strategic significance of Iranian energy resources for India’s long-term energy security planning (Asghar & Nazuk, 2007, pp. 537–538).

During this period, Tehran emphasized that while the door remained open for India’s participation, the project would not wait indefinitely and could be restructured if necessary (Press Trust of India, 2009a, 2009b). New Delhi’s

hesitation was largely shaped by U.S. opposition; Washington had long opposed the IPI and recently reiterated its refusal to support the project (Reuters, 2007; Singh & Lewis, 2024). Furthermore, a CRS report noted that India's participation had effectively been shelved, as banks were reluctant to provide financing under the sanctions environment, which in turn complicated Indian companies' ability to purchase energy from Iran (Kronstadt et al., 2011, p. 35).

In mid-2009, Pakistan signed a Gas Sales and Purchase Agreement (GSPA) with Iran for the IPI pipeline without India's participation, securing the supply of approximately 750 million cubic feet of natural gas per day (≈750 MMcfd) to Pakistan (Oil & Gas Journal, 2009). At the same time, Tehran emphasized that while the door remained open for India's involvement, the project would not wait indefinitely and could be restructured if necessary(Press Trust of India, 2009). India's hesitation was largely shaped by U.S. opposition: Washington had long objected to the IPI project and reiterated its refusal to support it in the same period (Hafeez, 2019, p. 10). A Congressional Research Service (CRS) report similarly observed that India's participation had been effectively shelved, as sanctions discouraged banks from financing the deal and complicated Indian firms' ability to secure energy from Iran (Kronstadt, Kerr, Martin, & Vaughn, 2011). The Bush administration had opposed the project on the grounds that it would generate substantial revenues for Tehran at a time when it faced international sanctions over its controversial nuclear program. As Mahwish Hafeez notes, during the final negotiations of the IPI pipeline, India was also occupied with courting the United States in pursuit of a civil nuclear agreement (Hafeez, 2019, p. 10) From a soft balancing perspective, India's reluctance to pursue the IPI pipeline can be seen as a strategic calculation to avoid alienating Washington while maintaining limited engagement with Tehran. By prioritizing alignment with the United States on the civil nuclear deal, New Delhi tacitly accepted constraints on its autonomy in energy policy, illustrating how smaller powers adapt their choices within a hegemonic structure through selective cooperation and restraint rather than outright balancing.

According to a Congressional Research Service report dated August 12, 2008, Washington maintained “strong opposition” to pipeline projects involving Iran, while New Delhi continued to regard the Iran–Pakistan–India pipeline as a matter of national interest. However, sensitivities surrounding the United States–India civil nuclear agreement prompted India to adopt a more low-profile approach to the talks by late 2007 (Kronstadt, 2008, pp. 28–29). Although India confirmed in April 2008 that it would rejoin the negotiations, developments in subsequent years revealed a gradual decline in its commitment: scholars point out that India increasingly shifted its focus to alternatives such as the United States-backed Turkmenistan–Afghanistan–Pakistan– India pipeline, raising questions about the extent to which India’s Iran policy reflected independent decision-making (Hafeez, 2019, p. 11).

Viewed through a soft-balancing lens, the IPI episode presents how states seek to raise the political and economic costs of coercion without forming a military counter- coalition. By binding India (and Pakistan) to Iranian gas through long-term infrastructure and supply contracts, Tehran attempted entangling diplomacy and institutional embedding, which would complicate future escalatory moves and create stakeholders in continuity (Paul, 2005; Pape, 2005). New Delhi’s oscillation—keeping talks alive while de-prioritizing IPI during the U.S.–India civil nuclear negotiations and exploring the TAPI alternative—resembles hedging within a hegemonic order: selective cooperation and restraint that preserve access and bargaining leverage, rather than outright balancing. In effect, IPI functioned as a time-buying and cost- inflation mechanism for Iran and a calibration device for India, underpinning autonomy with economic instruments while avoiding hard balancing.

4.2.3. Chabar Project

The International North–South Transport Corridor (INSTC) was institutionalized by an intergovernmental agreement signed by India, Iran, and Russia in St. Petersburg in September 2000, later entering into force in May 2002 (Vinokurov,

Ahunbaev, & Zaboev, 2022). The corridor envisages a multimodal chain running from India across the Arabian Sea/Sea of Oman to Iran's southern ports (notably Bandar Abbas and Chabahar), then by rail/road to Bandar Anzali/Bandar Amirabad on the Caspian Sea, across to Russian ports, and onward up the Volga toward Moscow and Northern European markets. Chabahar constitutes the critical hinge linking the Indian Ocean to the Caspian—and via Sarakhs/Ashgabat along the INSTC to Russia and Northeastern Europe—while, for India, it also enables overland access to Afghanistan and Central Asia without transiting Pakistan (Roy, 2015). For regional economies, Chabahar is widely described as a "golden gate" facilitating Central Asia's seaborne access and accelerating West Asia–Eurasia trade through emerging trilateral formats (Haidar, 2021). Following the United States' 2018 withdrawal from the JCPOA, sanctions pressures slowed work on the 628-km Chabahar–Zahedan railway, though targeted waivers allowed the project to continue; once operational, this link is expected to strengthen India's supply-chain resilience and provide strategic leverage vis-à-vis BRI/CPEC (Wani, 2024).

Iran—through the Port of Chabahar—is not only India's gateway to Eurasia but the geographic and political backbone of the project; the ten-year operating agreement concluded with India on 13 May 2024 in Sistan–Baluchistan gives Tehran new leverage over transit and logistics networks. Although the United States' 2018 withdrawal from the JCPOA and ensuing sanctions weakened Iran's economy and caused delays on the Chabahar–Zahedan line, waivers granted to the project enabled Iran to maintain its central role within the INSTC. Meanwhile, at Gwadar Port, New Delhi fears that a Chinese presence could enable surveillance of Indian and U.S. naval activity and potentially provide a base for Chinese warships and submarines; by contrast, Chabahar offers India a vital route into Afghanistan and beyond via the Zaranj–Delaram highway (Wani, 2024)—a potential demonstrated in October 2017 when India sent its first wheat shipment (about 1.1 million tonnes) to Afghanistan through the port.

Iran’s geostrategic position furnishes India with the overland access it needs to Afghanistan and Central Asia, aligning with New Delhi’s regional aims. Accordingly, India has advanced the International North–South Transport Corridor (INSTC) / Chabahar axis—expanding Chabahar and the Zaranj link—to reduce reliance on Pakistani transit and secure direct entry into Afghanistan.This network undercuts Pakistan’s pursuit of “strategic depth” and helps blunt any resurgence of extremist actors in Afghanistan, while cooperation with Iran on counter-terrorism and counter- narcotics adds a security layer to the connectivity vision (Fair, 2007, 44-50).

Ultimately, seen through the lens of soft balancing, the Chabahar project illustrates the ways in which Iran and India employ institutional and infrastructural linkages as non- military tools to moderate hegemonic pressure and expand their strategic autonomy. For Iran, participation in the INSTC and the operationalization of Chabahar alleviate the isolating effects of U.S. sanctions by embedding the country into multilateral connectivity frameworks, therefore sustaining economic resilience. From the aspect of India, Chabahar provides strategic room for maneuver against both Pakistan and China’s Gwadar/CPEC axis, proving how economic corridors and port access can function as non-military instruments of soft balancing. In this sense, the Chabahar project demonstrate the dual economic and geopolitical dimensions of institutional balancing strategies that challenge unilateral dominance without direct confrontation.

4.2.4. India’s Policy Responses to the Sanctions Regime

India’s approach combined institutional alignment with operational soft balancing. In 2005, it supported an IAEA resolution criticizing Iran’s safeguards performance and, in 2006, backed the referral of Iran’s dossier to the UN Security Council (The Times of India, 2009). Officially, New Delhi pressed Tehran to comply with the NPT, IAEA, and UN resolutions, and on 27 November 2009 it joined the United States in supporting an IAEA resolution demanding the immediate suspension of operations at the clandestinely built enrichment plant near Qom—reflecting

India's assessment that further nuclear proliferation in its neighborhood would undermine regional security. These political frictions, however, did not sever economic ties. Seeking to diversify supply and stabilize its energy security, India continued importing Iranian crude; in FY2018–2019, average purchases reached 479,500 barrels per day, representing a year-on-year increase of roughly five percent (Reuters, 2019). When European insurers withdrew cover, New Delhi facilitated continued shipments by providing state- backed insurance for Iranian-flag tankers (Reuters, 2018). Taken together, these measures exemplify the logic of soft balancing: while signaling cooperation in the institutional arena of the IAEA, India simultaneously adjusted financial, insurance, and logistics channels to preserve energy flows—raising compliance costs for sanctions enforcers without openly defying international rules or rupturing relations. At the same time, the U.S.–India civil nuclear agreement, and India's resulting posture toward Iran's nuclear program, introduced frictions into the bilateral relationship; nevertheless, the strategic and economic benefits that both sides derived from each other prevented a complete rupture (Cheema, 2010, p. 1).

U.S. pressure formed the counterweight to this maneuvering. During External Affairs Minister Natwar Singh's 2005 visit to Tehran, the Bush administration warned that failure to cooperate on Iran could jeopardize the emerging civil nuclear deal (Times of India, 2005; Prashad, 2013, pp. 10–11). Days later, on 24 September 2005, India voted against Iran at the IAEA—a move widely read as linked to U.S. leverage and quid pro quo dynamics on the path to the nuclear agreement—provoking domestic criticism that the Manmohan Singh government was "falling in line" with Washington (Prashad, 2013, pp. 10–12, 24; Al Jazeera, 2005). In the same period, New Delhi edged away from the Iran–Pakistan–India (IPI) pipeline, while Tehran declined to ratify the LNG understanding and sought to renegotiate pricing (Prashad, 2013, p. 15). Taken together, these developments constrained India's international nuclear positioning and narrowed space for certain forms of energy-sector cooperation with Iran. But the broader pattern still reflects soft balancing: even as flagship projects stalled under U.S. pressure, India preserved autonomy at the margins—leveraging

payment/insurance workarounds and calibrated import levels—to minimize diplomatic escalation with Washington while maintaining functional energy ties with Tehran.

India remains cognizant of its interests with Iran and is not inclined to abandon the relationship altogether. Yet several factors—chief among them ties with the United States—constrain New Delhi's approach. Amid Iran's ongoing nuclear crisis and the implementation of the UN's fourth sanctions package, India found itself in a bind. When External Affairs Minister Nirupama Rao voiced opposition to additional unilateral measures adopted by individual states, she was in effect referring to the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) and its restrictions on foreign investment in Iran's energy sector. This stance put India at odds with Washington and laid bare the dilemma generated by the strategic partnership with the United States.

In July 2010, Indian Foreign Secretary Nirupama Rao underlined New Delhi's concerns over unilateral sanctions targeting Iran's energy sector. (Cheema, 2010,1). She stated that;

> "we are justifiably concerned that the extra-territorial nature of certain unilateral sanctions recently imposed by individual countries, with their restrictions on investment by third countries in Iran's energy sector, can have a direct and adverse impact on Indian companies and, more importantly, on our energy security and our attempts to meet the development needs of our people" (The Hindu, 2010).

By voicing this position, Rao emphasized India's disapproval of additional sanctions going beyond the United Nations Security Council's measures and highlighted their detrimental impact on India's energy security. Her remarks also signaled an effort to reinvigorate Indo-Iranian relations, which had slowed following India's IAEA votes against Tehran, and demonstrated India's determination to pursue relations with Iran according to its own national interests, even under the pressure of its growing ties with the United States.

Decision-makers in New Delhi confronted a persistent dilemma: they could not disregard the sanctions' adverse effects on India's energy security and trade, yet they also recognized the importance of a strategic alliance with the United States. Over the previous two years, India–U.S. relations advanced notably in defense cooperation and counterterrorism: bilateral defense trade reached roughly US$3 billion, and the FBI worked closely with Indian intelligence regarding the Mumbai attacks. With the civil nuclear agreement, India gained opportunities to access advanced technologies in energy, space, and communications. Ideally, New Delhi aimed to pursue parallel relationships with both the United States and Iran, but this did not materialize in practice. India's votes at the IAEA and the lingering uncertainty surrounding the Iran– Pakistan–India (IPI) gas pipeline underscore how strongly the U.S. factor shaped India–Iran relations.

Katzman further observes that India gradually reduced its dependence on Iranian crude. In 2008, more than 16 percent of India's oil imports originated from Iran, but by 2012 the share had declined to around 10 percent. Despite significant switching costs, India lowered purchases to an average of roughly 265,000 barrels per day in FY2012– 2013—a reduction of about 27 percent—thereby qualifying for U.S. sanctions waivers, which were subsequently renewed. U.S. officials acknowledged this as "significant progress" in 2013. During the same period, India withdrew from the Iran–Pakistan gas pipeline project over security and pricing concerns, while a proposed undersea alternative was deemed commercially unviable; major Indian conglomerates such as the Tata Group either terminated or sharply curtailed their activities in Iran (Katzman, 2013). Under pressure from U.S. Secretary of State Hillary Clinton, New Delhi further reduced crude imports from Iran by approximately 11 percent in FY2012–2013 (Reuters, 2012). Yet as sanctions were partially eased, imports rebounded to more than 500,000 bpd in FY2016–2017 and rose to about 705,000 bpd in May 2018, the highest level at that time (Reuters, 2017; 2018). This oscillating pattern illustrates India's soft-balancing approach: flexibly adjusting financial and trade channels to safeguard energy supplies, while simultaneously mitigating diplomatic frictions with Washington.

According to Katzman, although India accepted the implementation of UN sanctions on Iran, New Delhi's historical, cultural, and economic linkages with Tehran—as well as its strategic interest in overland access to Afghanistan—precluded full compliance with all U.S. and EU measures. Reserve Bank of India shut down the ACU mechanism for trade with Iran in December 2010—under the shadow of pressure from the U.S. Treasury—India avoided open confrontation by engineering an alternative payments architecture after oil remittances froze. Payments then shifted to Europäisch-Iranische Handelsbank (EIH), but once the bank was blacklisted by the EU in 2011, transactions were rerouted through Turkey's Halkbank. (Purushothaman, 2012, pp. 907–908). After U.S. legislation targeted the Central Bank of Iran, Halkbank withdrew in 2012 and settlements moved to India's UCO Bank. When foreign-exchange balances were exhausted in 2013, India agreed to remit roughly 45% of its crude-oil payments in rupees. Because the rupee is not fully convertible, settlements largely took a barter form—e.g., exports of wheat, pharmaceuticals, rice, sugar, and soybeans—so Tehran's 2013 demand that payments be made into local accounts had limited practical effect on bilateral trade (Katzman, 2013). When the this strategy of "payment indirectness" constituted a form of soft balancing conducted through institutional- financial channels rather than overt hard balancing: India preserved a minimum level of compliance with Washington's sanctions regime while sustaining energy flows from Tehran, thereby safeguarding strategic proximity to the United States without disrupting Iran-sourced supply and maintaining room for autonomous maneuver (Purushothaman, 2012, pp. 907–908).

Iran affords India overland access to Afghanistan and Central Asia while also enabling New Delhi to balance China's growing influence among neighboring states. Consequently, India has prioritized Pakistan-bypassing connectivity projects such as Chabahar and the International North–South Transport Corridor (INSTC). This corridor is frequently described as a "central piece" that explicitly circumvents Pakistan and deepens India's political alignment with Iran, Russia, and the Central Asian republics— moves that dovetail with New Delhi's aims to

dilute Pakistani influence in Afghanistan, counter extremist groups, and resist perceived Chinese encirclement (Pethiyagoda, 2018, p. 1).

For India, Iran represents more than a supplier of energy: it provides overland access to Afghanistan and Central Asia while enabling New Delhi to counterbalance Chinese and Pakistani influence in its neighborhood. Consequently, despite U.S. pressure and the costs of sanctions, India has refrained from severing ties altogether, investing in projects such as Chabahar and the International North–South Transport Corridor to sustain cooperation. At the same time, it cannot disregard the strategic and technological benefits of its partnership with the United States. This dual orientation captures the essence of India's soft balancing strategy: New Delhi has demonstrated minimal compliance with multilateral sanctions while simultaneously employing alternative payment mechanisms and trade channels to maintain Iranian energy flows. In doing so, it avoided direct confrontation with Washington while preserving a measure of autonomy in its relations with Tehran. Yet this pragmatic balancing has also drawn criticism, as India's maneuvers have often fallen short of its proclaimed strategic autonomy, leaving ties with Iran circumscribed under the shadow of U.S. pressure. Prashad (2013) likewise emphasizes that India's Iran policy illustrates a classic soft- balancing pattern: while U.S. primacy pushed New Delhi toward partial compliance with sanctions, India simultaneously sought to sustain regional projects such as Chabahar and the INSTC, and engineered financial workarounds to maintain energy flows. In this sense, Iran functioned as both a strategic corridor and a testing ground for India's ability to maneuver between U.S. pressure and regional imperatives, highlighting how connectivity and payment innovations became central instruments of soft balancing.

4.3. RUSSIA-IRAN

Since 1991, Russia–Iran relations have not followed a stable trajectory. Although the two countries have expanded their political ties at bilateral, regional, and international levels, their economic and military cooperation has remained

inconsistent. Between 1991 and 2021, the total volume of economic and trade exchanges did not exceed 4 million USD, reflecting the absence of institutionalized frameworks and permanent mechanisms. Nevertheless, both Russia and Iran advocate for a multipolar and multilateral international order, and they converge on opposing Western double standards on human rights as well as resisting the preservation of the current structure of the United Nations (Karami, 2022, p. 1).

The critical developments of the late 1980s, notably the end of the Iran–Iraq War in 1988 and the Soviet Union's withdrawal from Afghanistan in 1989, paved the way for closer cooperation between Tehran and Moscow. In the same year, the death of Ayatollah Khomeini and President Akbar Hashemi Rafsanjani's subsequent visit to Moscow marked a turning point in the definition of bilateral relations. At the broader systemic level, the ideological and political collapse of communism in Eastern Europe was interpreted by both the Soviet Union and Iran as the closing of an era. Khomeini's letter to Mikhail Gorbachev, in which he declared that "communism will find its place in museums," Iran Press (2022) vividly reflected this perception (Parker, 2009, pp. 28– 29). These circumstances laid the groundwork for the alignment of Iranian and Russian security concerns and regional interests.

The beginning of this new phase in Iran–Russia relations was formally set in motion by Rafsanjani's 1989 visit to Moscow, during which significant military cooperation agreements were signed, including the purchase of MiG-29 and Su-24 fighter aircraft (Freedman, 2000). Building on this momentum, on 12 March 2001 the two sides signed in Moscow the *Treaty on the Basis for Mutual Relations and the Principles of Cooperation*, a document that provided a ten-year legal foundation for bilateral ties and established a comprehensive framework covering energy, nuclear collaboration, and economic cooperation (United Nations, 2004; CNA, 2025, p. 17). As neither side submitted a termination notice one year before the treaty's expiry, it was automatically extended for successive five-year periods in 2011 and 2016, and once again reaffirmed in March 2021 (CNA, 2025, p. 17;

Russian International Affairs Council, 2021). Despite fluctuations, this institutional framework enabled Moscow and Tehran to sustain cooperation across bilateral, regional, and international levels. . From a soft-balancing perspective, these agreements and institutionalized mechanisms allowed Iran and Russia to hedge against U.S. dominance, creating durable channels for coordination without directly confronting Washington militarily.

Although Iran–Russia relations have occasionally converged around shared security concerns—such as balancing against the United States and its allies—their overall character has remained largely transactional and volatile. Economic integration has been limited primarily to nuclear technology and arms trade, while weak societal interaction has prevented deeper institutionalization. Moreover, Russia's pursuit of multi-vector regional balancing, including its ties with Israel and Gulf actors, together with competition in energy markets, has constrained the formation of a durable and comprehensive strategic architecture between the two (Çetin & Akçapa, 2024, pp. 53– 54, 72–73).

Within this context, cooperation linked to China's Belt and Road Initiative (BRI) strengthens a trade bloc that prioritizes regional connectivity and seeks to curtail U.S. economic influence in the region. It also aligns with President Putin's vision of a "Greater Eurasian Partnership," which emphasizes a global order "free from the dominance of a single country and attentive to the harmonious interests of all states" (President of Russia, 2016). Ultimately, Iran's admission as a full member of the Eurasian Economic Union (EAEU) is expected to reinforce.

The strategic rationale for Russia's rapprochement with Iran has been shaped since the mid-1990s by the perception of threats arising from U.S. unilateralism and NATO's eastward expansion (Tsygankov, 2018, pp. 1–3). Moscow interpreted Western actions—including the Kosovo intervention (Ingimundarson, 2022, p. 1), the U.S. withdrawal from the ABM Treaty, and the military campaigns in Iraq and Libya, as well as Western positions on the Syrian conflict—as manifestations of a unipolar project that fostered encirclement in its near abroad

(NATO Allied Command Transformation, 2021, pp. 14–15; Goldgeier & McFaul, 2003). This interpretation elevated the imperative of constraining the U.S.-led order, consistent with Russia's emphasis on influence in its neighborhood and regime security. Following the 2014 Crimea crisis, Moscow viewed U.S.–EU sanctions not as routine policy instruments but—as Suslov argues—as a precedent of the West exploiting its dominance in global economic governance to punish a major power for political reasons (Suslov, 2016, pp. 555–556). This perception underscored the necessity of curbing Western leverage by turning to multilateral platforms such as the UN Security Council and the Astana process on Syria, while simultaneously mitigating the economic impact of sanctions through deeper energy, financial, and trade ties with non-Western partners like Iran. In this process, the threat perceptions of Moscow and Tehran became increasingly aligned: Iran sought economic breathing space and diplomatic shielding under sanctions, while Russia consolidated non-Western linkages to reduce vulnerability to Western isolation (Bazoobandi & Osypenkova, 2024).

4.3.1. Russia's Responses to the Iran Sanctions

A persistent obstacle in Russian–Iranian relations has been Iran's nuclear program. From Moscow's perspective, this issue was not merely about Tehran's compliance but also about the broader principles of international order. Russia consistently emphasized the importance of preserving the Non-Proliferation Treaty (NPT) and safeguarding the central role of the United Nations Security Council (UNSC), while resisting U.S. attempts to use non-proliferation as a pretext for interfering in the domestic affairs of sovereign states. This position was in line with Putin's (2007) critique of unipolarity in his Munich speech, where he warned against "a world in which there is one master, one sovereign" (para. 7), clearly rejecting a U.S.-dominated order. Against this backdrop, between 2006 and 2011 Russia supported several UNSC sanctions resolutions—most notably Resolution 1737 in December 2006—not in full alignment with Washington's hardline stance, but rather to ensure that any measures against Iran retained multilateral legitimacy under the UN framework (Arms Control Association, 2007).

In fact, during 2006–2010 Russia voted in favor of all six UNSC resolutions concerning Iran's nuclear program, four of which directly imposed economic sanctions. This pattern reflected a dual-track approach: Moscow backed international pressure to curb Tehran's sensitive activities, yet refrained from endorsing Western claims about the military dimension of Iran's program and continued to stress diplomacy as the preferred solution. Russia has warned that excessive pressure might push Iran to withdraw entirely from the NPT, which would undermine global security, and therefore has supported peaceful, step-by-step diplomatic solutions (Parker, 2012). Thus, Russia's policy in this period embodied a pragmatic, conditional balancing strategy—maintaining cooperation with the West while simultaneously keeping its ties with Iran intact (Arbatov, 2014).

This conditional balancing, however, was never straightforward. Russia's approach has often been marked by ambiguity. While Moscow—typically alongside Beijing—has been far less inclined than Washington, London, Paris, or Berlin to pursue punitive measures against Tehran for failing to meet UN Security Council or IAEA requirements, it has nevertheless joined with the United States and the EU-3 to endorse limited sanctions at times. This mixed posture reflects competing priorities. On the one hand, Russia takes satisfaction in constraining American influence, yet it simultaneously seeks recognition as a responsible major power. On the other, it values close economic and political ties with Iran but, like Western governments, remains opposed to Tehran's acquisition of nuclear weapons. Even when supporting UN sanctions, Russian officials have stressed to Iranian leaders that Moscow had mitigated the severity of the measures. For instance, in early 2008 the Russian foreign minister emphasized that the most recent resolution added no fresh penalties and underscored Russia's role in softening its provisions (Katz, 2013, p. 170). Such practices illustrate a form of soft balancing, whereby Moscow sought to constrain U.S. unilateral pressure through institutional channels, diluting punitive measures while maintaining its image as a responsible great power.

Beyond the diplomatic arena, these tensions were also reflected in the economic dimension of the relationship. Despite Iran's willingness to engage Russia in order to compensate for its inability to acquire Western technology, several obstacles undermine meaningful economic cooperation between the two countries. Sanctions imposed by the UN Security Council, as well as unilateral measures by the United States and the European Union, have created a restrictive business environment, particularly through financial and banking restrictions (e.g., UNSC Resolution 1929). Russian firms, especially those with global exposure like Lukoil, are reluctant to risk profitable ties with Western partners for uncertain prospects in Iran. Additional barriers include Iran's complex legal framework, which limits foreign participation despite partial reforms, and Tehran's bureaucratic decision-making rooted in *velayat-e faqih*, which produces inefficiency and corruption. Structural problems such as weak financial and insurance mechanisms, the absence of binding bilateral agreements, and limited people-to-people exchanges further constrain economic ties. As a result, while economic potential exists, Russian companies remain cautious due to sanctions, and the broader political climate discourages substantive trade and investment initiatives (Belobrov, 2014, pp. 28–30). This selective and symbolic level of engagement constituted not merely economic pragmatism but a calculated form of soft balancing: by maintaining limited cooperation with Tehran, Moscow could demonstrate its opposition to the legitimacy of unilateral U.S.–EU sanctions, keep channels of influence open in Iran, and cultivate leverage in broader regional politics—all while minimizing the costs of alienating Western markets. In this way, Russia's cautious economic posture functioned as a strategic hedge, reinforcing its role as a veto- wielding power able to constrain Western pressure without committing to a fully- fledged partnership with Iran.

Similar dynamics were visible in the nuclear field, most notably in the Bushehr project. Russia's stance toward U.S. sanctions on Iran during the Bushehr nuclear project reflected a balancing strategy shaped by both cooperation and defiance. Moscow initially tied the delivery of fuel for the Bushehr reactor to Tehran's suspension of uranium enrichment, with senior officials such

as Igor Ivanov in March 2007 insisting that shipments would only proceed once Iran complied with IAEA requirements. Yet by December 2007, Putin authorized fuel deliveries despite Iran's refusal to suspend enrichment, marking a reversal of Russia's earlier policy. This move was facilitated by the U.S. acceptance of Russia's role in providing enriched uranium, which allowed Moscow to argue that Iran had no need to enrich domestically. By framing Bushehr as an IAEA-monitored civilian project with a fuel take-back arrangement, Moscow employed institutional binding—keeping Iran within multilateral safeguards while limiting U.S. unilateral leverage. At the same time, Russia continued to resist harsher sanctions at the UN Security Council, slowing and softening measures proposed by Washington. This amounted to diplomatic dilution, a tactic designed to constrain U.S. coercive options and maintain Russian influence over the process. Finally, the controlled delivery of nuclear fuel under Russian oversight represented a form of controlled technology cooperation, allowing Moscow to preserve commercial interests, signal strategic autonomy vis-à-vis Washington, and still demonstrate its opposition to Iran's acquisition of nuclear weapons (Parker, 2009, pp. 307–309).

Yet Russia's balancing was even more fragile in the security realm, as seen in the suspension of the S-300 deal. While Moscow aimed to project itself as a responsible great power and maintain cooperative ties with Washington and the EU, this move simultaneously cast doubt on its reliability as a security partner for Tehran. Although the resolution did not explicitly prohibit such air defense deliveries, Russia froze the contract. On 12 June 2010, Deputy Prime Minister Sergei Ivanov stated that the resolution contained no formal prohibition, but emphasized that the fate of the S-300 contract required a "political decision." The suspension of the deal symbolized a broader cooling of bilateral ties, with Tehran openly criticizing Moscow for siding with the West (Pikayev, 2010).

Taken together, these episodes reveal how Russia's responses to sanctions on Iran were shaped by soft balancing strategies, but also by their inherent contradictions Moscow emphasized the legitimacy of the UN Security Council as a

form of institutional binding, diluted punitive measures through diplomatic softening and pursued controlled technological cooperation via projects such as Bushehr.Yet these same policies often produced outcomes detrimental to Iran. Between 2006 and 2010, Russia voted in favor of all six UN sanctions resolutions, thereby contributing to the very international pressure it rhetorically sought to restrain. In the Bushehr project, Moscow limited fuel supply to a take-back mechanism under its control, effectively restricting Iran's independent nuclear capacity. Similarly, the suspension of the S-300 air defense contract subordinated Tehran's security concerns to Russia's desire to maintain cooperative ties with the West. As Karami (2022, p. 1269) notes, Russia attempted to steer Iran toward a softer line in hopes of boosting its long-term leverage, while Katz (2013, p. 170) shows how Moscow's strategy of delaying and watering down sanctions aimed to signal conditional protection against Western pressure. Yet this strategy often failed, as Iran resisted external influence and questioned Russia's reliability. In the end, Russia's responses highlight both the utility and the limits of soft balancing: they constrained U.S. dominance to some degree but simultaneously reinforced Moscow's image in Tehran as an unreliable and ambivalent partner.

4.3.2. Economic Strengthening Between Iran and Russia

After the end of the Persian Gulf War in 1991, Moscow and Tehran deepened their cooperation as both sought to counterbalance U.S. influence and address regional security concerns (Katz, 2001, p. 1). Throughout the 1990s, the Kremlin supported Iran through arms sales and infrastructure development, while assuming the lead role in constructing the Bushehr nuclear reactor, thereby becoming Tehran's principal nuclear supplier (Katz, 2015, pp. 1–5). This period also saw the signing of a five-year strategic cooperation agreement and the establishment of a joint energy working group, which institutionalized their collaboration (Papageorgiou & Vieira, 2023, p. 71). These measures can be read as early steps of institutionalized soft balancing, where Moscow sought to embed Tehran in frameworks that limited the effects of U.S.-led isolation.

Russia’s cooperation with Iran in the fields of energy and nuclear technology has functioned as a mechanism of economic strengthening in the face of U.S.-led unilateral sanctions. By supporting Iran’s economic and technological capacities through major joint projects, Moscow helped Tehran mitigate the pressures of sanctions. In particular, Russia’s completion of the Bushehr Nuclear Power Plant and provision of nuclear fuel significantly enhanced Iran’s energy security. Moreover, the 2005 agreement on fuel supply and the return of spent fuel to Russia ensured Tehran’s continued access to civilian nuclear energy despite Western opposition (Arms Control Association, 2006). These steps illustrate signals of resolve, as Russia openly defied U.S. objections to guarantee Iran’s right to nuclear energy within the NPT framework.

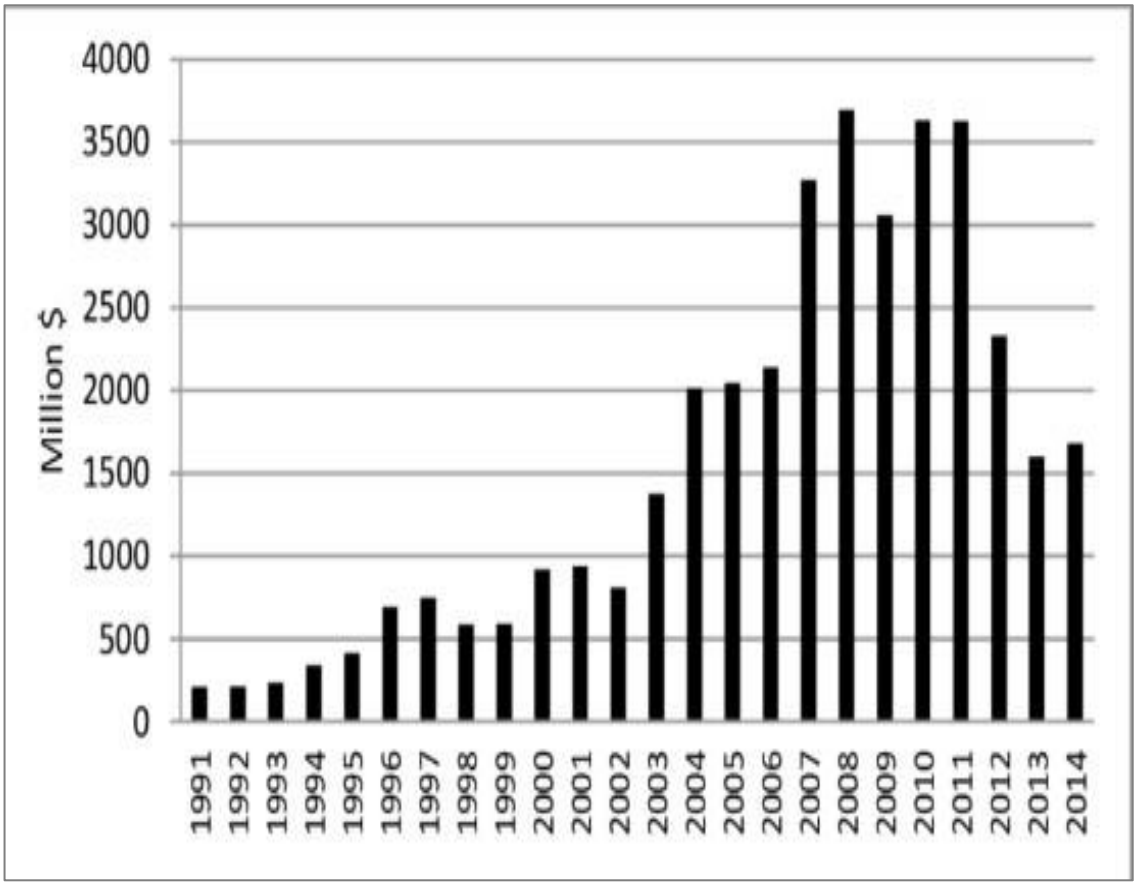
The trajectory of bilateral cooperation expanded further in the following decade. In 2011, Bushehr-1 was officially connected to the grid, and in 2014 Moscow and Tehran signed contracts for the construction of two additional reactors at the Bushehr site, with groundwork beginning in 2016–2017 (World Nuclear Association, 2024). In the same year, the two sides moved forward with a large-scale oil-for-goods deal reportedly worth up to $20 billion, despite U.S. objections (Reuters, 2014). The oil-for-goods mechanism constituted economic denial, as it bypassed the dollar-based financial system dominated by the United States and ensured Iran alternative trade routes. More recently, in 2022, Russia’s Gazprom and Iran’s NIOC concluded a $40 billion memorandum of understanding covering the development of major gas fields, LNG projects, and export pipelines (Reuters, 2022). In 2025, the two sides agreed on the supply of 55 billion cubic meters of natural gas annually alongside Russian financing for a new nuclear plant (Reuters, 2025). These initiatives revitalized Iran’s energy sector, provided crucial external financing and technology, and softened the effects of international isolation. Taken together, they reflect economic empowerment strategies, strengthening Iran’s resilience while demonstrating Moscow’s intent to dilute U.S. sanctions.

Moscow's close cooperation with Iran in the fields of energy and security is a well-established fact. Through energy projects, nuclear technology collaboration, and regional security coordination with Tehran, Russia has consistently questioned the legitimacy of Washington's sanctions. This stance can be regarded as a clear *signal of resolve* within BRICS against U.S. hegemony. Moscow's support for Iran has partially alleviated Tehran's international isolation and softened the impact of sanctions. Therefore, Russia's strategic closeness with Iran is significant not only in terms of bilateral relations but also as a form of *soft balancing* behavior that demonstrates the limits of the United States' global sanctions strategy.

Beyond energy, Russia and Iran institutionalized their cooperation within the framework of the Eurasian Economic Union (EAEU). The "Interim Agreement on the Establishment of a Free Trade Area," signed in 2018 between the EAEU and Iran, aimed to reduce or eliminate import tariffs on a wide range of goods (EAEU Commission, 2018). This initiative not only sought to strengthen Iran's fragile economy but also represented a form of territorial/economic denial, as it carved out a trade zone beyond the West's influence and constrained the hegemon's ability to monopolize regional economic flows.

The trajectory of Iran–Russia trade after 2000 illustrates how economic ties were closely shaped by political and security developments. While the bilateral trade volume expanded rapidly in the early 2000s—surpassing one billion USD by 2005 and peaking at around 3.5–3.7 billion USD between 2007 and 2009—this growth was not sustained. From 2010 onwards, the imposition of UN and Western sanctions on Iran contributed to a sharp decline, with trade falling below two billion USD by 2012. By 2014, the volume stabilized at approximately 1.6–1.7 billion USD, reflecting a relationship constrained by external pressures despite earlier momentum in energy and defense cooperation (Rasoulinezhad & Popova, 2017). This volatility itself underscores the limits of Western coercion: although sanctions suppressed trade, Russia maintained sufficient engagement to prevent Tehran's complete isolation, thereby exemplifying the soft balancing function of

economic ties. As shown in Figure 5, the trade trajectory reflects both the peaks of the mid-2000s and the subsequent decline under sanctions pressure.



Source: Rasoulinezhad & Popova (2017).

Figure 5. *Iran–Russia Bilateral Trade Volume (1991–2014)*

Overall, the trajectory of Iran–Russia economic relations shows how bilateral cooperation has oscillated between expansion and constraint under the weight of external sanctions and geopolitical pressures. While landmark initiatives such as the Bushehr nuclear project, oil-for-goods mechanisms, and EAEU free trade arrangements present a persistent logic of economic strengthening and soft balancing, trade volatility and institutional shortcomings reinforce the limits of this strategy. Moscow's selective engagement provided Tehran with critical lifelines that alleviated international isolation and signaled opposition to U.S. hegemony, yet it also emphasize the asymmetric and fragile nature of the partnership. From this aspect, Iran–Russia economic cooperation embodies both the opportunities

and contradictions of soft balancing—effective in diluting sanctions and preserving resilience, but inadequate to offset structural dependence and the wider constraints imposed by the global order.

4.4. BRAZIL-INDIA

4.4.1. Brazil's Foreign Policy Activism Towards Soft Balancing

During the presidency of Luiz Inácio Lula da Silva, Brazil sought to position itself as a more visible actor in the international system, going beyond its economic capacity and regional weight. Hal Brands (2010) identifies Lula's government as a turning point in Brazilian foreign policy, describing his eight years in office as the period of forging a Brazilian "Grand Strategy." The central objective of this strategy was to accelerate the construction of a multipolar order less dominated by U.S. unipolarity and Western economic hegemony, and more favorable to Brazil's interests. To this end, Brazil placed the principles of multipolarity and mediation through diplomacy at the heart of its foreign policy, pursuing three main policies: first, soft balancing against the United States; second, coalition-building designed to enhance Brazil's bargaining power; and third, the consolidation of its leadership role in a more unified South America. The most concrete expression of this diplomatic posture was Brazil's attempt to act as a mediator in the international crisis over Iran's nuclear program (Brands, 2010).

While Lula's administration maintained Brazil's traditional commitment to multilateralism and the relevance of international norms, it also articulated a stronger defense of sovereignty and leadership through proactive diplomacy, as illustrated by the 2010 Tehran Declaration jointly brokered with Turkey and Iran. For Lula's team, this agreement was not only a means of securing greater autonomy but also a demonstration of Brazil's capacity to diversify diplomatic relations and reduce dependence on major powers (Jesus, 2011, p. 71). In this context, Brazilian decision makers emphasized that dealing with Iran required opening space for dialogue rather than pursuing isolation. They believed that

engaging Tehran would contribute to peace and stability in the Middle East by allowing its positions to be considered with less confrontation and by creating incentives for Iran to demonstrate the peaceful nature of its nuclear program (Jesus, 2011, p. 73). Between 2003 and 2010, under President Lula, Brazil sought a more prominent role in global affairs. Its expanding international profile included a readiness to assume greater responsibility for security, reflected above all in its tenure as an elected member of the UN Security Council and its leadership role in the UN mission in Haiti (MINUSTAH). These efforts were designed to showcase Brazil's capacity to uphold international peace and security and, ultimately, to strengthen its claim for a permanent seat on the Council (Aguilar, 2025).

This activist approach built upon the patterns established during the Cardoso era, when Brazil's leadership strategy in South America rested not on coercion or material incentives but on dialogue and consensus. As Burges (2006) observes, one key reason for this approach was Brazil's "shortage of the resources necessary to force and maintain the compliance of others" (p. 24). Consequently, rather than relying on the "sticks or carrots" emphasized by realist and neoliberal theories, Brazil adopted a "consensus-generating style" that functioned through discussion and inclusion. In practice, this often meant that Brazilian negotiators would "propose draft treaty text" to steer deliberations, thereby shaping outcomes while allowing regional partners to share a sense of ownership in the process (Burges, 2006, pp. 25–29). This method closely resembled strategies of soft balancing, insofar as Brazil sought to limit U.S. influence not through direct confrontation but through negotiation, coordination, and the creation of alternative frameworks.

4.4.2. Mediation in the Iranian Nuclear Crisis and Sanctions

In 2009, the Vienna Group (the United States, Russia, France, and the IAEA) proposed a confidence-building swap under which Iran would ship 1,200 kilograms of low- enriched uranium (LEU) abroad for further enrichment, with the

fuel rods to be fabricated in France for the Tehran Research Reactor. This initiative laid the groundwork for subsequent diplomatic efforts and directly inspired the Tehran Declaration of 17 May 2010, brokered by Brazil and Turkey, which envisioned a similar arrangement whereby Iran would transfer the same quantity of LEU to Turkey under IAEA supervision, in exchange for fuel enriched to nearly 20 percent for medical isotope production at the TRR (Acton, 2010; Crail, 2010, pp. 25–27). Building on this proposal, Brazil and Turkey stepped in as mediators to transform the formula into a concrete diplomatic initiative.

As non-permanent members of the UN Security Council, Brazil and Turkey thus took the unusual step of mediating an agreement on Iran's contested nuclear program. For Tehran, agreeing to send part of its uranium abroad and designating Turkey as the host country was intended to demonstrate the peaceful intent of its nuclear activities (Viera de Jesus, 2011, p. 6). The arrangement was conceived as a confidence-building measure, signaling that Iran's program was directed toward peaceful purposes such as medical isotope production (Anthony, 2010, p. 3; Arms Control Association, 2010; IranWatch, 2010). Yet despite this initial optimism, Western governments remained skeptical, contending that the deal did not halt enrichment within Iran and therefore failed to resolve the core proliferation concern.

Building on this skepticism, many major powers argued that the arrangement neither halted Iran's enrichment activities nor resolved the core proliferation concerns, though contemporaneous analyses regarded it as a modest confidence-building step rather than a breakthrough (Acton, 2010; Weitz, 2010). Western capitals nevertheless pressed ahead with new sanctions; on 9 June 2010 the UN Security Council adopted Resolution 1929 by a margin of 12–2–1, with Brazil and Turkey voting against and Lebanon abstaining (United Nations Security Council, 2010). Brazil's opposition reflected three interrelated concerns: (i) that sanctions could open the door to intervention, as in the case of Iraq, (ii) that pressure might backfire by accelerating Iran's pursuit of nuclear deterrence, and (iii) that the non-proliferation regime was being applied selectively by great

powers as a tool to impose rules on weaker states (Spektor, 2010). This interpretation underscores that Brazil's stance was not only about safeguarding its own economic interests but also about defending the sovereign space of peripheral countries (including the right to peaceful nuclear energy) and, in doing so, projecting leadership and building status within the Global South. This sequence illustrates a typical case of soft balancing, whereby Brazil sought to restrain the momentum of sanctions and dilute Western coercive pressure through diplomatic flexibility and mediation, rather than through material confrontation. In this context, Brazil consistently emphasized that as a signatory of the Nuclear Non-Proliferation Treaty (NPT), Iran retained the legal right to develop nuclear energy for peaceful purposes, provided it complied with its obligations (Vieira de Jesus, 2011, p. 62). Brazilian officials, such as Foreign Minister Celso Amorim, argued that restrictions beyond the treaty's provisions would create an unequal regime between nuclear "haves" and "have-nots," undermining the non-discriminatory spirit of the NPT. "The Non-Proliferation Treaty is an intrinsically unfair Treaty, which divides the world between 'haves' and 'have-nots'" (Amorim, 2010, p. 1). "No country should be denied the right to peaceful nuclear activities as long as it complies with NPT and agreed IAEA requirements" (Amorim, 2010, p. 6).According to Willem van Kemenade (2010), Brazil was among the strongest opponents of Western pressure to impose sanctions on Iran. Brazil directly rejected Washington's strategy of squeezing Tehran and openly resisted being told how to conduct its foreign relations: "Brazil fiercely opposes 'to push Iran against a wall' and deeply resents being lectured by the United States on how it should conduct its relations with Iran" (van Kemenade, 2010, p. 100). Together with China and Turkey, Brazil argued that time should be given to diplomacy rather than sanctions, thereby advancing a multipolar and balancing approach: "Meanwhile, Brazil, China, and Turkey have been unified against any form of sanctions and want the diplomatic process to continue" (van Kemenade, 2010, p. 100). This stance can be read as a, resisting U.S. hegemony through indirect and diplomatic means. Moreover, the fact that Lula was the only leader to host Iranian President Mahmoud Ahmadinejad while also visiting Israel

highlighted Brazil's attempt to keep both parties at the negotiating table and to pursue engagement rather than sanctions.

After the failure of the Brazilian-Turkish fuel-swap initiative to gain support among the permanent members of the UN Security Council, Iran nevertheless expressed renewed interest in dialogue. In December 2010, Tehran resumed negotiations with the P5+1 in Geneva under the chairmanship of EU High Representative Catherine Ashton, although the meeting produced little immediate progress (Al Jazeera, 2010; USIP, 2010). Western governments argued that Iran's willingness to return to the table was primarily a result of intensified sanctions, but President Ahmadinejad rejected this claim, insisting that the core of Iran's nuclear program would not be altered and calling for a broader agenda including security and economic cooperation (Jesus, 2011). The talks broke down again in January 2011 in Istanbul after Iran demanded preconditions such as the lifting of sanctions and recognition of its right to enrich uranium, which the P5+1 were unwilling to concede (Arms Control Association, 2012; Christian Science Monitor, 2011). This sequence illustrates both the limits of Brazil's diplomatic effort and the continuing tension between coercive pressure and negotiated solutions in the Iranian nuclear crisis.

At the same time, Brazil's opposition to sanctions also reflected a broader strategy of status-seeking within the Global South. By aligning itself with Turkey and, to some extent, China, Brasília positioned itself as a credible voice of the periphery capable of challenging the dominance of Western powers in setting the rules of the international system. This posture went beyond immediate nuclear diplomacy: it projected Brazil as a mediator committed to preserving sovereign equality and to promoting multipolar governance structures. In this way, Brazil's approach to Iran can be seen as soft balancing not only in the narrow sense of resisting coercive measures, but also in the wider sense of reshaping the normative environment of global non-proliferation debates—one where peripheral states had greater agency and the right to be heard.

Brazil highlighted its capacity to resolve conflicts through negotiation and to generate options that avoided the use or threat of force, arguing that new and tougher UN Security Council sanctions would be ineffective by strengthening hardliners in Iran, increasing secrecy, and pushing the program in a more military direction. Leveraging the relative trust that Tehran placed in Ankara and Brasília, Brazil sought to revive the fuel-swap formula by changing the actors while keeping the substance intact, thereby aiming to steer the process away from a sanctions spiral (Gwertzman, 2010). This approach was not merely a pragmatic attempt to block sanctions but also part of Brazil's ambition to consolidate its status as a credible mediator and to enhance its global visibility. In line with its long-standing critique of the discriminatory design of the NPT, Brazil favored diplomacy over coercive measures while defending the autonomy and sovereign rights of non-nuclear weapon states—including the right to peaceful nuclear energy—under international safeguards (Jesus, 2014, pp. 62–63).

Brazil's approach was not limited to defending Iran's rights under the NPT; it also reflected a broader concern that international interventions could set dangerous precedents for weaker states. Within Brazil's strategic community, there was a widespread fear that great powers might exploit international law and institutions to impose punitive measures selectively against developing countries (Jesus, 2014, p. 62). As a result, Brasília adopted diplomacy over sanctions as a core foreign policy principle. In line with the paradigm shaped during Lula's presidency—"not excluding Iran, but bringing it into the process"—Brazil consolidated its identity as a mediator and gave practical expression to its soft balancing strategy (Amorim, 2011; Kenkel & Moraes, 2012). Together with Turkey, Brazil spearheaded the Tehran Declaration of 17 May 2010, offering a diplomatic solution that envisioned the exchange of Iran's low- enriched uranium for fuel. This initiative underscored Brazil's effort as a middle power to create diplomatic space and to soften great power pressure through multilateral negotiation rather than coercion (Crail, 2010; Arms Control Association, 2010).

One of the clearest illustrations of this strategy was the flexible design of the Tehran Declaration itself. Beyond its economic interests, Brasília positioned itself as a defender of the sovereign rights of peripheral countries, with “flexibility” serving as the key instrument in the 2010 joint declaration. The text did not require Iran to halt enrichment at the 20 percent level; instead, it included a return clause that allowed low- enriched uranium (LEU) to be reclaimed if the terms were not fulfilled. However, because the specific violations that would trigger this clause were not detailed, Western capitals argued that Tehran could recall its stock almost at will, and that the deal left the core dynamics of Iran’s nuclear program unchanged. Brazilian officials, by contrast, insisted that the real source of discontent lay not in the technical provisions but in the fact that two elected members of the Security Council—Brazil and Turkey—were making progress on an issue “typically monopolized by the P5.” Ultimately, Brasília sought to expand the negotiating space, slow the momentum of sanctions, and shift discussions outside the exclusive P5+1 framework by invoking arguments grounded in the NPT’s legitimate rights to peaceful nuclear energy. This architecture of “flexibility”— reversible commitments, normative claims to legitimacy, and alternative mediation channels—can be seen as an stance of soft balancing, aiming to limit great power coercive capacity through rules and institutions. (Jesus, 2011, p. 64).

4.4.3. Diplomatic Engagements (Entangling Diplomacy)

Brazil’s grand strategy under Lula aimed to accelerate the formation of a multipolar international order in which the country’s interests could be more effectively defended, distancing itself from the dominance of the developed world. Given its relative limitations in economic and military capacity, the Lula government turned to methods typical of “middle powers,” seeking to shape the system through multilateralism, coalition-building, and similar tools. At the global level, this approach represented a classical soft balancing strategy, relying on the strengthening of international institutions and norms that could constrain American power. Within this framework, Brazil expanded both its bilateral

networks and multilateral coalitions, focusing on diversifying trade, enhancing strategic flexibility, and increasing its bargaining power. As part of this strategy, Brazil engaged not only with friendly partners but also with actors openly opposed to the United States—most notably Iran (Brands, 2010, pp. 3– 4).

During Lula's presidency (2003–2010), Brazil's nuclear nonproliferation diplomacy followed two key lines of action. First, Brasília advocated mediation and negotiation between nuclear-weapon and non-nuclear-weapon states as the most legitimate way to ensure that all NPT members retained the right to peaceful nuclear technology, including for energy production and medical purposes. Second, Brazil supported the multilateral defense of nonproliferation while at the same time safeguarding its own autonomy, particularly by protecting commercial and technological secrets linked to its nuclear program. Within this framework, the 2010 fuel-swap initiative with Iran and Turkey enabled Brazil to emerge as one of the architects of a proposal welcomed in much of the developing world, opening doors for broader participation in international security debates (Jesus, 2011, p. 70). From a theoretical perspective, this diplomatic behavior exemplifies soft balancing: Brazil sought to constrain Western dominance not by confrontation or material power, but by offering alternative mechanisms of cooperation and legitimacy, thereby projecting influence while avoiding the costs of coercion. This diplomatic maneuver functioned as a form of soft balancing, allowing Brazil to project leadership, strengthen ties with the Global South, and gain visibility in international security debates without relying on material coercion. Ultimately, these initiatives reflected Brazil's aspiration to make its voice heard more clearly within the international system, reinforcing its claim to be recognized as a legitimate and influential actor in global governance.

Brazil's most visible soft-balancing maneuver was its attempt to mediate the Iranian nuclear dispute. By co-sponsoring the May 2010 fuel swap with Turkey, Brasília sought to show that middle powers could succeed where great powers had failed. Foreign policy adviser Marco Aurélio Garcia even urged expanding the P5+1 into a "P5+3," with Brazil and Turkey as full participants—an explicit

move to draw established powers into a broader negotiation structure (Diehl & Fujii, 2010). This aligns with Robert Keohane's classic view that "a middle power is a state whose leaders consider that it cannot act alone effectively but may be able to have a systemic impact in a small group or through an international institution" (Keohane, 1969, pp. 296–297). Accordingly, Brazil's initiative constitutes a case of soft balancing via coalition-building and institutional channels—an agenda-setting strategy that diluted the permanent members' exclusive bargaining prerogatives.

Brazil framed its initiative as a defense of the sovereign rights of non-nuclear-weapon states (NNWS) under the NPT. Foreign Minister Celso Amorim described the treaty as "intrinsically unfair," dividing the world between "haves" and "have-nots" (Diehl & Fujii, 2010, p. 84). By incorporating explicit recognition of Iran's enrichment rights into the Joint Declaration, Brazil challenged the UN Security Council's resolutions and highlighted the structural asymmetry of the nonproliferation regime. Moreover, Brasília voted against Resolution 1929, underscoring its skepticism of sanctions and its refusal to validate what it perceived as discriminatory enforcement of NPT obligations.

Besides Brazil's intentions to contribute towards stability, the country also wanted to display its influence as a crafty diplomatic negotiator in world affairs (Chatin, 2016) because of its pursuit of a United Nations Security Council (UNSC) seat and its elite's ambitions to play a role in major global issues. Brazil, through its soft power-oriented foreign policy, sought to contribute to global stability by prioritizing diplomacy and mediation in international crises. The Tehran Declaration, negotiated with Turkey and Iran, exemplified Brazil's preference for dialogue over sanctions. By emphasizing multilateralism within the UN and presenting itself as a bridge-builder, Brazil aimed to enhance its legitimacy on the global stage. In this context, it supported UN Security Council reform and regarded a permanent seat as a "natural" step in its international projection (Chatin, 2016, pp. 3–12).

From Brasília's vantage point, international institutions mirror power asymmetries: they under-recognize rising states and should not be instrumentalized by established powers to narrow the sovereign policy space of developing countries—particularly the right to develop peaceful nuclear energy under safeguards. Consistent with this view, Brazil defended Iran's right to enrich while implicitly recalling its own experience mastering ultracentrifuge enrichment—announced in 1987 despite external skepticism. Analytically, this position functioned both as a normative claim against discriminatory governance and as a strategic signal aligned with Brazil's broader reform agenda (Jesus, 2014, p. 64), including UNSC reform. Critics, however, countered that such leniency risked blurring enforcement lines, privileging South– South solidarity at the expense of nonproliferation credibility.

Consequently, Brazil's diplomatic activism under Lula illustrates the dual nature of middle-power soft balancing—its capacity to project influence and its vulnerability to structural constraints. As Ribeiro, Malamud, and Schenoni (2024) observe, Lula's foreign policy combined ambitious efforts to elevate Brazil's global role through BRICS and South–South cooperation with the risk of overstretch. Anchored in an "active and assertive" diplomacy (Adler & Long, 2023), these initiatives relied on dialogue, mediation, and coalition-building to expand the negotiating space of emerging powers. The Tehran Declaration, co-sponsored with Turkey, epitomized this strategy: it demonstrated Brazil's potential to act as a bridge-builder and momentarily broadened participation in global governance, yet its swift rejection by the United States and other permanent UNSC members revealed the fragility of such leverage (Oliveira & Santos, 2018). Ultimately, Brazil's experience underscores both the promise and the limits of diplomatic soft balancing: it can enhance legitimacy, strengthen South–South solidarity, and challenge the exclusivity of great powers, but it remains constrained by entrenched hierarchies within the international system.

4.5. SOUTH AFRICA-IRAN

During the Shah's reign, Iran maintained close relations with apartheid South Africa, supplying up to 30% of its oil imports and contributing to the design of several South African refineries. This cooperation ended abruptly after the 1979 Islamic Revolution, when Tehran severed ties in opposition to apartheid. (Fakude, 2023, pp. 239–242). With South Africa's democratic transition in 1994, diplomatic relations were rapidly restored. According to the South African Department of International Relations and Cooperation (DIRCO) and the Embassy of Iran in Pretoria, Iran expressed its willingness to normalize ties on 16 February 1994, with full diplomatic relations officially resumed on 10 May 1994 (South African Embassy in Tehran, n.d.). This step was facilitated by United Nations General Assembly Resolution 48/1 of 8 October 1993, which called upon all states to resume economic relations with South Africa and lift the oil embargo once the transitional executive authority was in place (United Nations, 1993).

To consolidate this renewed relationship, Iran and South Africa established a Joint Commission for Cooperation in 1995, designed to expand bilateral trade and investment while also fostering collaboration in areas such as science and technology, taxation, and shipping. This institutional mechanism reflected both countries' determination to build durable economic ties and provided a structured framework for future agreements (Council on Foreign Relations, 2022; Government of South Africa, 2009; Tehran Times, 2000). Economic relations were particularly significant in the immediate post-apartheid years, with Iran supplying nearly 70% of South Africa's oil between 1994 and 1996 (Bakshi, 1997). Over time, the Joint Commission became the main framework for political and economic cooperation, convening multiple sessions that demonstrated the continuity of the partnership. For example, the 13th Joint Commission was held in Pretoria on 23 October 2017, where officials emphasized expanding trade and investment (DIRCO, 2017). More recently, the 15th Joint Commission took place in Pretoria on 10 August 2023, reaffirming commitments to strengthen bilateral ties in energy, trade, and multilateral cooperation (DIRCO, 2023). These

commissions illustrate the persistence of structured dialogue between the two countries despite changing international and regional dynamics**.** Over the following decades, Pretoria often acted as one of Iran's most consistent partners on the continent, even supporting Tehran's right to pursue peaceful nuclear energy. While energy cooperation initially dominated the bilateral agenda, the telecommunications sector later emerged as another key area of partnership, with South Africa's MTN establishing a strong presence in Iran. However, the deepening of South Africa's relations with Saudi Arabia in recent years—most notably through large-scale refinery investments—has posed new challenges for Iran's position in the country (Fakude, 2023, pp. 239–242).

With the end of the Cold War and South Africa's internal democratic transformation, the government dismantled six nuclear devices and acceded to the Nuclear Non- Proliferation Treaty (NPT) in 1991. In 1993, the IAEA verification process restored Pretoria's legitimacy, and at the 1995 Review Conference South Africa made its "bridge" role between the West and the Non-Aligned Movement (NAM) visible, making a meaningful contribution to the consensus on the Treaty's indefinite extension (Van Wyk & Van Wyk, 2015, pp. 32–45). This transformation shifted the country's role in the international system from a "nuclear pariah" to a "legitimacy actor." As Van Wyk and Van Wyk (2015, p. 45) summarize: "South Africa emerged somewhat of a hero from the meeting, having come a full circle from its earlier status of nuclear pariah."

Similarly, du Preez and Maettig (2010) emphasize that South Africa's embrace of nuclear disarmament transformed its position from that of a "pariah state" to a "nuclear poster boy," noting that this reversal provided a model for the institutionalization of global disarmament norms. In this way, South Africa not only revised its own security strategy but also became a notable example of how nuclear rollback could strengthen international non-proliferation efforts. However, this position placed Pretoria in a difficult situation vis-à-vis Iran's nuclear program, as it had to balance its role as a spokesperson for NAM with Western expectations, navigating this dilemma under the weight of its own historical

experience (Van Wyk & Van Wyk, 2015, pp. 32–45). At the same time, the African National Congress (ANC)-led government deliberately steered South Africa's foreign policy away from close alignment with the West and toward stronger engagement with developing countries and the Global South. This orientation further complicated Pretoria's approach to Iran's nuclear program: on the one hand, its strong record in nuclear disarmament and non-proliferation compelled it to express concern about Iran's behavior; on the other hand, international assessments had confirmed that Iran was in violation of its legal obligations, which placed South Africa in an even more delicate position as it sought to uphold its credibility without alienating a fellow Global South partner (Onderco, 2016, p. 257). The result was a careful attempt to balance relations—maintaining constructive engagement with Iran while also preserving strong ties to Western partners (Onderco, 2016, p. 253).

In September 2005, the IAEA Board of Governors adopted a resolution declaring Iran not in compliance with its nuclear obligations. The resolution passed with the support of 22 countries, while 12 abstained—including South Africa (Langenbach, Olberg, & du Preez, 2005). Pretoria's abstention showed its reluctance to support Western efforts to refer Iran's case to the Security Council and highlighted its preference for resolving the issue within the IAEA framework. This position reflected South Africa's dual approach of maintaining its commitment to nuclear disarmament while preserving historical and political ties with Iran.

Since 2002, when Iran's nuclear program became a main issue on the global agenda, South Africa consistently resisted adopting coercive measures against Tehran. Pretoria argued for giving Iran more time and favored discussions within the IAEA Board of Governors, frequently suggesting that Western powers were motivated by hidden agendas (Onderco, 2016, p. 258). Consistent with this line, South Africa maintained that Iran's dossier should remain with the IAEA, which had the necessary technical expertise, and that referring the matter to the Security Council would constitute "mission creep" beyond its mandate. At the

same time, Pretoria urged the United States and Israel to end their threats against Tehran and called for lifting embargoes to encourage diplomatic engagement.

According to Fakude (2016), this position reflected both pragmatic economic interests and a principled commitment to Global South solidarity. From the aspect of theoretical perspective, these strategies amount to forms of soft balancing: South Africa endeavored to limit Western dominance by anchoring the debate in institutional venues like the IAEA, by entangling great powers in protracted diplomatic procedures, and by framing the dispute through normative appeals to equity and non-alignment. By doing so, Pretoria aimed to limit U.S. leverage without resorting to hard balancing, demonstrating how middle powers employ institutional and normative tools to exercise influence and mitigate hegemonic pressure in global nuclear governance.

In March 2008, after the UN Security Council adopted its third resolution on Iran, South Africa's ambassador stressed that Pretoria opposed an Iranian nuclear weapons capability but also rejected denying an NPT member the right to peaceful nuclear technology (Kumalo, 2008). In July 2008, Pretoria reiterated this stance, emphasizing that the IAEA—not the UN Security Council—should handle the Iranian file, and even suggested that all embargoes, including arms and financial bans, be lifted to encourage diplomatic engagement (Farrar-Wellman, 2009). Consistent with this position, South Africa repeatedly warned against confrontational strategies that could destabilize regional and international peace. From a theoretical perspective, these rhetorical moves exemplified soft balancing**:** Pretoria sought to limit Western dominance by framing the dispute in normative terms, promoting institutional solutions through the IAEA, and advocating diplomacy over coercion.

South Africa's voting record at the United Nations and its rhetoric in multilateral fora reflected a careful balancing act between its non-proliferation commitments and its solidarity with the Global South. As Steve Gruzd observed, *"*when the ANC makes a friend, it's almost a friend for life and all sins are forgiven thereafter…

The ANC had admired Iran since the 1979 revolution, and it falls into the category of ANC friends that are not popular in the West" *(*Gruzd, 2025). He further noted that South Africa had *"*defended Iran at the United Nations for its right to run a nuclear programme for peaceful purposes" *(*Gruzd, 2025). This position placed Pretoria among the few non- aligned states that consistently questioned the legitimacy of coercive measures and highlighted dialogue and engagement instead. International observers recognized this conciliatory stance, with The Economist *describing South Africa in 2010 as* "one of Iran's doughtiest supporters at the UN" *(*The Economist*, 2010).*

Yet, in the very same period, South Africa's actual voting behaviour revealed the limits of this strategy. During the adoption of UNSC Resolution 1803 in March 2008, Pretoria—despite earlier threats to abstain or vote against—ultimately cast a "yes" vote in favour of new sanctions. Ambassador Dumisani Kumalo justified the decision by pointing to Iran's failure to comply with previous Security Council requirements, while simultaneously criticizing the tactics of the resolution's sponsors and restating South Africa's preference for IAEA-led deliberations (LaFranchi, 2008). This illustrates the tension inherent in soft balancing: while South Africa employed institutional and normative tools to constrain Western coercion, structural pressures within the Security Council forced it into alignment with great powers. The 2008 vote thus stands out as a moment where Pretoria's principled discourse on peaceful nuclear rights clashed with the practical constraints of multilateral diplomacy, underscoring both the scope and the fragility of soft balancing by middle powers.

In 2011, prior to the intensification of international sanctions, South Africa was importing around 75,000 barrels per day of Iranian crude, which accounted for nearly 35 percent of its total oil imports and was valued at over $3.4 billion between May 2011 and May 2012 (EIA, 2015). Such reliance underscored Pretoria's deep dependence on Iranian supplies and made an abrupt suspension of imports seem virtually impossible. Indeed, officials openly objected to energy sanctions, with one statement in 2012 emphasizing that "it is impossible to say that we will not

import oil from Iran overnight" (Bakshki, 2014, p. 100). Nevertheless, following the imposition of United States sanctions at the end of 2011 and the European Union's embargo in mid-2012, South Africa was compelled to halt its crude imports from Iran entirely (EIA, 2015). Energy Minister Dipuo Peters even declared in July 2012 that the government was exploring mechanisms to maintain imports despite the EU insurance ban (Sapa-AP, 2012), yet by 2013 Iran's exports had fallen to just under 1.3 million barrels per day, with South Africa no longer among the importers, having shifted to alternative supplies from Saudi Arabia, Nigeria, and Angola (EIA, 2015). This contrast between Pretoria's heavy reliance in 2011–2012 and its complete disengagement by 2013 demonstrates how sanctions reshaped Iran's export profile and forced traditional partners to diversify their energy sources, highlighting South Africa's struggle to reconcile compliance with external pressures and the imperatives of energy security.

The hypothesis suggests that Iran's efforts to expand ties with an emerging regional power such as South Africa serve multiple objectives: enhancing its national interests, deepening South–South cooperation and mitigating the effects of international isolation and Western pressure (Bakshki, 2014, p. 1). South Africa's responses to sanctions illustrate both the opportunities and the constraints of this strategy. On the one hand, Pretoria repeatedly resisted coercive measures, defended Iran's right to peaceful nuclear technology, and sought to shield the relationship through institutional and normative instruments such as support for the IAEA process, diplomatic abstentions, and vocal objections to oil embargoes. These moves exemplify soft balancing**,** as South Africa attempted to constrain Western dominance by promoting dialogue, entangling great powers in multilateral procedures, and invoking Global South solidarity. On the other hand, Pretoria's eventual compliance with U.S. and EU sanctions in 2012—most notably by halting crude oil imports despite its economic dependence on Iranian supplies—demonstrated the structural limits faced by middle powers under hegemonic pressure. Thus, while Iran's outreach to South Africa did help blunt its isolation and offered a platform for South–South cooperation, the South African case ultimately reveals how soft balancing

strategies can be significant yet fragile tools when confronted with the material leverage of Western sanctions.

CONCLUSION

This thesis demonstrates that BRICS' conduct in the context of Iran sanctions is best understood through the lens of soft balancing rather than as a counter-hegemonic rupture. The objective was not to confront U.S. dominance through direct military means, but rather to incrementally raise the costs, slow the implementation, and narrow the scope of coercive measures. This was pursued via strategies of economic empowerment, the creation of alternative financial circuits, institutional embedding, and diplomatic circumvention. Examined across the five cases of China, India, Russia, Brazil, and South Africa in their interactions with Iran during the sanctions regime, these strategies reveal a common repertoire of instruments which, though applied in varying configurations, collectively slowed the momentum and reduced the effectiveness of the sanctions architecture. In doing so, BRICS states opened bargaining space and resilience capacity for Iran, thereby illustrating the ability of soft balancing to function within—rather than in opposition to—the existing international order.

China's behavioral pattern activated the core pillars of within-order soft balancing across five dimensions:

- **Economic Resilience:** China's sustained engagement during the sanctions era provided Iran with structural resilience. Long-term purchases by Zhuhai Zhenrong and Sinopec using NITC tankers, Sinopec's $2 billion investment in Yadavaran and $2.1 billion modernization of the Abadan refinery, as well as refined-product deliveries in 2009–2010, all compensated for the withdrawal of Western companies. These measures not only kept crude exports running but also secured Iran's technological and industrial continuity at a time of acute isolation.
- The most significant boost came with the 2017 CITIC $10 billion credit line, which restored liquidity and access to finance under conditions of severe exclusion from global markets. Together with China's large crude imports—averaging 644,000 barrels per day in early 2018 and accounting for the

majority of Iran's exports—these steps prevented the collapse of Tehran's fiscal base. Viewed through the lens of soft balancing, such actions demonstrate how economic empowerment can dilute the effectiveness of U.S. "maximum pressure," raise enforcement costs, and create strategic resilience without direct military confrontation.

- **Financial circulation:** Under U.S. and EU financial sanctions, China enabled Iran to preserve trade by creating alternative monetary channels. Bank of Kunlun became the central conduit for oil-related transactions, handling RMB-denominated payments and enabling clearing and two-way swap mechanisms insulated from the dollar system. When Western banks withdrew, barter arrangements, yuan settlements, and transfers routed through Russian banks ensured that Iranian revenues could still be recycled into imports of Chinese goods. These measures restricted the planned effect of CISADA and subsequent U.S. financial sanctions, which aimed to choke off Iran's access to global liquidity.
- While these mechanisms never displaced the structural primacy of the dollar, they complicated enforcement and demonstrated the viability of parallel circuits. By maintaining local-currency and barter-based exchanges, Beijing blunted Washington's strategy of financial isolation and gave Tehran breathing space to sustain trade and development projects. From a soft-balancing perspective, China's financial maneuvers exemplify "institutional and economic entanglement": rather than confronting U.S. hegemony militarily, Beijing preserved its commercial ties with Iran, raised the costs of unilateral coercion, and legitimized non-dollar financial practices within the international system.
- **Institutional layer:** China expanded its partnership with Iran beyond bilateral trade by embedding it into wider multilateral frameworks such as the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), the Shanghai Cooperation Organization (SCO), and, more recently, BRICS. These institutions offered Iran alternative avenues for financing, connectivity, and diplomatic recognition, reducing its dependence on Western-centered structures. Concrete projects—including the Tehran–Mashhad railway

electrification and the Tehran–Qom–Isfahan high-speed rail—illustrated how infrastructure investment was tied to new regulatory and operational standards, ranging from customs data sharing to administrative harmonization. Such integration created practical difficulties for sanctioning coalitions by complicating the monitoring and enforcement of restrictions.

- This pattern also corresponds to Kai He's concept of "institutional balancing." Rather than countering U.S. primacy with a military coalition, China restrained Washington's freedom of maneuver through rules, membership arrangements, and procedural entanglement. By situating Iran within multilateral networks that operated with relative autonomy from Western oversight, Beijing ensured Tehran with both economic breathing space and political legitimacy. From a soft-balancing perspective, institutional embedding explains how second-tier powers can exploit multilateral platforms to dilute unilateral coercion while remaining formally within the existing order.
- **Diplomatic tactics:** At the United Nations Security Council, China adopted a dual strategy of delay and dilution that proved critical during the negotiations on Resolution 1929. Beijing resisted provisions targeting Iran's energy sector, stalled discussions for months, and ultimately agreed only to a softened text. This obstructionist approach, while maintaining China's image as a responsible stakeholder, bought Tehran valuable time and undermined the scope of sanctions. On the ground, Beijing paired this behavior with selective compliance, continuing energy trade and financial arrangements even as it formally endorsed UN resolutions. These kind of tactics exemplify the soft-balancing logic of entangling diplomacy. By narrowing the legitimacy base of sanctions and slowing their implementation, China raised the political and administrative costs of U.S. coercion without directly confronting American primacy. The combination of institutional delay in New York and pragmatic circumvention in Tehran shows how diplomatic maneuvering can create resilience for a targeted state, frustrate the hegemon's objectives, and preserve strategic autonomy—all while avoiding open military or bloc-based opposition.

- Veto-shadow leverage : China, often in tandem with Russia, used its permanent seat on the UN Security Council to determine sanctions outcomes under the implicit “shadow of the veto.” Rather than exercising a formal veto, Beijing employed behind-the-scenes bargaining to soften provisions targeting Iran’s energy and financial sectors, to insert exemptions and review clauses, to narrow committee mandates, and to delay voting schedules. This practice of abstaining only on a “sufficiently softened” text facilitated China to avoid direct confrontation while still influencing the architecture of sanctions from within the institution.

From a soft-balancing perspective, this approach represents the institutional layer of resistance in its most refined form. By working inside the UNSC framework, China reduced the scope, speed, and enforceability of sanctions while maintaining the legitimacy of multilateral decision-making. This “abstain-to-shape” strategy highlights how secondary powers can constrain hegemonic initiatives not by rejecting institutions outright, but by bending their rules and procedures to limit coercive outcomes—thereby establishing resilience for the targeted state without undermining the authority of the institution itself.

From the aspect of limitations, CNPC’s cautious stance and periodic withdrawals from South Pars indicated interest-driven risk management rather than strategic defiance. Alternative payment circuits functioned more as temporary bypasses than as genuine substitutes. While institutional networks such as the BRI and AIIB complicated sanctions enforcement, they did not eliminate core structural dependencies such as dollar clearing, maritime insurance, and critical technology inputs. Accordingly, the overall effect remained in the boundaries of the existing order: raising costs, buying time, and diluting pressure, but not fundamentally overturning the sanctions regime.

To understand India’s soft-balancing posture, it is useful to start with its institutional behavior;

- **Institutional layer:** Along the IAEA and UNSC tracks, India pursued a dual posture of minimal compliance and critical distance. By voting for certain resolutions and urging Tehran's adherence to NPT and IAEA safeguards, New Delhi avoided open defiance of multilateral institutions. At the same time, however, it sought to keep the Iranian nuclear issue anchored in technical forums rather than allowing it to escalate into sweeping sanctions. This strategy slowed the momentum of punitive measures from within the institutional framework, reflecting the logic of "institutional binding": engaging in rules-based processes while carefully diluting their coercive edge.
- From a soft-balancing perspective, India's calibrated maneuvering illustrates how secondary powers can manage U.S. pressure without openly rupturing relations. By maintaining its strategic partnership with Washington, India refrained from overt confrontation; yet by adjusting oil import levels to align with waiver windows—an *"abide-by-to-buy"* approach—it preserved access to Iranian energy while minimizing sanctions exposure. This balance between legitimacy and autonomy highlights India's preference for constraining hegemonic initiatives through procedural and reputational channels rather than through outright defiance, a characteristic form of institutional soft balancing.
- **Economic/financial layer (cost-raising bypass):** India responded to sanctions pressure by constructing flexible and indirect financial mechanisms that kept energy flows alive. After the Asian Clearing Union mechanism was shut down under U.S. pressure, transactions shifted sequentially through the Europäisch-Iranische Handelsbank (EIH), Turkey's Halkbank, and eventually India's own UCO Bank. Partial settlements in rupees and barter arrangements—covering goods such as rice, wheat, and pharmaceuticals—were introduced, while blocked accounts ensured that oil revenues could at least be recycled into bilateral trade. When European insurers withdrew, New Delhi stepped in with sovereign-backed insurance to cover Iranian tankers. These measures did not render flows seamless, but they made them sustainable and prevented a full rupture in India–Iran energy ties.

- From a soft-balancing perspective, these financial maneuvers represent a typical form of cost-raising through bypass. Each new payment circuit made sanctions enforcement slower, more complex, and more expensive, thereby diluting Washington's "maximum pressure" objectives without triggering open confrontation. India thus maintained Iranian energy access while simultaneously minimizing diplomatic escalation with the United States. The outcome reflects the essence of soft balancing: not overturning the order, but sustaining autonomy by raising the costs of coercion and keeping trade channels open within the formal framework of sanctions compliance.
- **Connectivity and institutional embedding**: India's investment in Chabahar Port and its role in advancing the International North–South Transport Corridor (INSTC) provided alternative land access to Afghanistan and Central Asia without transiting Pakistan. Beyond securing trade routes, these projects generated standardized customs and logistics procedures and embedded Iran into multilateral operating routines with India, Russia, and Central Asian partners. By diversifying transit channels and creating institutionalized connectivity frameworks, New Delhi effectively complicated the enforcement of sanctions, since multiple stakeholders and regulatory regimes became involved in sustaining flows.

Viewed through a soft-balancing lens, this represents a form of entangling diplomacy in infrastructure. Rather than challenging U.S. dominance directly, India expanded its maneuvering space by binding Iran into a web of supply chains and connectivity platforms that could not easily be severed by unilateral sanctions. In practice, this shifted the "Iran file" from a single-channel sanctions architecture toward multi-channel networks of transport and trade, raising the procedural costs of isolation. Thus, Chabahar and the INSTC illustrate how connectivity itself can function as a restraint on hegemonic pressure, embedding autonomy within infrastructure and institutional frameworks.

Along the UN track, Moscow pursued entangling diplomacy by consistently promoting a "step-by-step, proportional, and reversible" framework. It worked to

dilute draft resolutions by paring back provisions that would cripple Iran's energy and economic activity, postponing votes, and softening language. These tactics narrowed sanctions packages from within and cast doubt on their legitimacy. In the sensitive field of controlled technology, the Bushehr nuclear arrangement—fuel supplied by Russia and spent fuel taken back—anchored Iran within the NPT/IAEA regime. This solution simultaneously undermined Washington's objective of "total isolation" while allowing Moscow to project the image of a "responsible great power."

Economically, Russia offered partial relief but avoided large-scale confrontation. Oil-for-goods schemes, steps toward an EAEU free trade agreement, and energy cooperation created alternative trade and financial channels that helped cushion Iran against sanctions. Yet banking and insurance constraints, combined with firms' global risk calculations, meant these channels operated as bypasses rather than substitutes. The conditional nature of Moscow's support—illustrated by its suspension of S-300 deliveries—signaled its reluctance to cross Western security red lines or burn bridges. In sum, Russia's approach exemplifies soft balancing within order: raising costs, slowing implementation, and diluting the scope of sanctions, but stopping short of precipitating a rupture with the West.

Under President Lula, Brazil pursued soft balancing by seeking to decelerate and dilute sanctions momentum through diplomacy, mediation, coalition-building, and normative discourse rather than military or economic coercion. The 2010 Tehran Declaration, co-sponsored with Turkey, functioned as entangling diplomacy: it challenged the exclusivity of the P5 by gesturing toward a P5+3 configuration, broadening the representational scope of negotiations and anchoring the process in a wider diplomatic tent. By grounding its arguments in NPT-based rights to peaceful nuclear use and sovereignty, Brasília aimed to delegitimize maximalist sanctions claims at the discursive level, while its "no" vote on Resolution 1929 sought to constrain coercive measures through procedural and rule-based channels rather than outright confrontation.

The initiative nonetheless faced sharp limitations. Its swift rejection by P5 capitals, lingering concerns over Iran's refusal to adopt the Additional Protocol, Brazil's limited economic and military leverage, and the tension between its Global South solidarity posture and global verification norms all confined its impact to short-lived deceleration. Even so, Brazil demonstrated the capacity of middle powers to generate outcomes from within the system by bending institutional rules and reshaping diplomatic practices, rather than by exiting or openly defying the order. At the same time, the episode highlighted the contingent and episodic nature of such influence, underscoring both the possibilities and the limits of soft balancing when pursued by a rising but resource-constrained state.

South Africa's engagement with Iran illustrates both the promise and the limits of soft balancing by middle powers. On the one hand, Pretoria consistently sought to anchor the Iranian nuclear file within the IAEA, employed abstentions and procedural objections to delay escalation, and defended Iran's right to peaceful nuclear technology through a normative discourse rooted in its own disarmament legacy. Coupled with heavy crude imports and sectoral cooperation such as MTN's investments, these strategies created economic and institutional buffers that diluted, if not dismantled, the momentum of Western coercion. In this sense, South Africa aligned with the broader BRICS repertoire of constraining hegemonic pressure from within existing institutions, demonstrating that even middle powers can generate leverage by invoking legitimacy and procedural norms.

On the other hand, the sharp contraction of Iranian oil exports to South Africa after 2012 and Pretoria's eventual alignment with UNSC sanctions underscore the fragility of this strategy under structural pressure. Once financial and insurance networks dominated by the West were mobilized, South Africa's autonomy narrowed, forcing compliance despite its principled rhetoric. The outcome, therefore, remained order-internal: raising costs, delaying escalation, and softening language rather than overturning the sanctions regime. The South African case highlights the duality of middle-power soft balancing—its capacity to

contest hegemonic dominance rhetorically and procedurally, yet its ultimate subordination to systemic constraints when material leverage peaks.

The comparative analysis of China, India, Russia, Brazil, and South Africa demonstrates that BRICS' conduct in the context of the Iran sanctions regime cannot be reduced either to a coherent counter-hegemonic bloc or to passive compliance with Western preferences. Instead, their behavior aligns most closely with the logic of soft balancing: strategies designed to raise the costs, delay the pace, and dilute the scope of U.S.-led coercion, while remaining formally embedded within the international order. While each member employed elements of soft balancing, their strategies were directed by divergent domestic politics, asymmetric economic dependencies, and distinct geopolitical calculations. These variations produced convergence in form but not in purpose, China sought energy security, India maneuvered between autonomy and U.S. partnership, Russia calibrated support to avoid Western rupture, Brazil preferred diplomatic status, and South Africa balanced Global South solidarity with systemic financial constraints. The result was fragmented and interest-driven instead of coordinated and collective. The Iran case therefore confirms that BRICS can complicate and dilute hegemonic coercion, but lacks the cohesion, structural capacity, and political will to mount a unified counter-hegemonic challenge.

The overarching finding is that BRICS soft balancing in the Iranian case was impactful, though ultimately circumscribed. It sustained Iran's resilience and procured bargaining space, highlighting how rising and middle powers can dilute hegemonic pressure without open confrontation. Yet the strategies remained fragmented, episodic, and interest-driven, falling short of transforming the structure of global governance or overturning the sanctions regime. The BRICS experience thus underscores both the potential and the limits of soft balancing: it is a meaningful instrument of autonomy and multipolar signaling, but one ultimately restrained by systemic asymmetries and the different priorities of the states that employ it.

From another perspective, the absence of any significant military or deterrent response by BRICS members—particularly China—in the face of U.S. and especially current Israeli attacks on Iran can be cited as further evidence that the group does not constitute a counter-hegemonic bloc. This illustrates that China's primary concern lies in safeguarding the stability of the international trade order and ensuring its own energy security and economic interests. Consequently, China has avoided risky military engagements and instead relied on system-internal instruments such as financial bypasses, energy trade, and diplomatic dilution. This choice explains why BRICS remains within the boundaries of soft balancing rather than evolving into counter-hegemony. If BRICS were indeed a genuinely counter-hegemonic bloc, interventions against Iran would not have taken place with such ease. In this regard, the limited and ineffective reactions of BRICS members to U.S actions against Iran also highlight the fragility of soft balancing strategies. For soft balancing to be meaningfully present, a strong balancing motive would be required. Yet, in the Iranian case, the dominant drivers of BRICS members' policies were energy security and commercial interests. As a result, the behavior that emerged was often episodic, interest-driven, and confined to a limited pattern of soft balancing, falling short of a coherent and sustainable strategy.

For future research, it is important to examine not only the contribution of BRICS soft balancing strategies to the resilience capacity of the target state, Iran, but also the reactions of the United States to these strategies. Assessing to what extent BRICS behavior was taken into account, or prompted adjustments, during Washington's "maximum pressure" campaign and in the context of more recent military interventions will be critical to understanding the true transformative potential of soft balancing in the international order. In this sense, the Iranian case reveals both the potential and the fragility of soft balancing, underscoring BRICS' capacity to generate system-internal resistance while also exposing the limitations that prevent it from evolving into counter-hegemony.

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APPENDIX 1 ORIGINALITY REPORT

	HACETTEPE ÜNİVERSİTESİ SOSYAL BİLİMLER ENSTİTÜSÜ	Doküman Kodu *Form No.*	FRM-YL-15
		Yayım Tarihi *Date of Pub.*	04.12.2023
	FRM-YL-15 **Yüksek Lisans Tezi Orijinallik Raporu** *Master's Thesis Dissertation Originality Report*	Revizyon No *Rev. No.*	02
		Revizyon Tarihi *Rev.Date*	25.01.2024

TO HACETTEPE UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF INTERNATIONAL RELATIONS

Date:06/11/2025

Thesis Title (In English): BRICS and Soft Balancing:The Case of Iranian Sanctions
.....

According to the originality report obtained by myself/my thesis advisor by using the Turnitin plagiarism detection software and by applying the filtering options checked below on ...06.../...11.../...2025... for the total of .....218..... pages including the a) Title Page, b) Introduction, c) Main Chapters, and d) Conclusion sections of my thesis entitled above, the similarity index of my thesis is ...9... %.

Filtering options applied**:

1. ☐ Approval and Decleration sections excluded
2. ☒ References cited excluded
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I hereby declare that I have carefully read Hacettepe University Graduate School of Social Sciences Guidelines for Obtaining and Using Thesis Originality Reports that according to the maximum similarity index values specified in the Guidelines, my thesis does not include any form of plagiarism; that in any future detection of possible infringement of the regulations I accept all legal responsibility; and that all the information I have provided is correct to the best of my knowledge.

Kindly submitted for the necessary actions.

Name-Surname/Signature

Burçak Gündüz

Student Information		
	Name-Surname	Burçak Gündüz
	Student Number	N22131180
	Department	International Relations
	Programme	Masters with Thesis

SUPERVISOR'S APPROVAL

APPROVED

Prof. Dr. Murat ÖNSOY

	HACETTEPE ÜNİVERSİTESİ SOSYAL BİLİMLER ENSTİTÜSÜ	Doküman Kodu *Form No.*	FRM-YL-15
		Yayım Tarihi *Date of Pub.*	04.12.2023
	FRM-YL-15 **Yüksek Lisans Tezi Orijinallik Raporu** *Master's Thesis Dissertation Originality Report*	Revizyon No *Rev. No.*	02
		Revizyon Tarihi *Rev.Date*	25.01.2024

HACETTEPE ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
ULUSLARARASI İLİŞKİLER ANABİLİM DALI BAŞKANLIĞINA

Tarih: 06/11/2025

Tez Başlığı (Türkçe):...BRICS ve Yumuşak Dengeleme: İran Yaptırımları Örneği .....

Tez Başlığı (Almanca/Fransızca)*:.....

Yukarıda başlığı verilen tezimin a) Kapak sayfası, b) Giriş, c) Ana bölümler ve d) Sonuç kısımlarından oluşan toplam .....218... sayfalık kısmına ilişkin, ...06.../...11.../...2025..... tarihinde şahsım/tez danışmanım tarafından Turnitin adlı intihal tespit programından aşağıda işaretlenmiş filtrelemeler uygulanarak alınmış olan orijinallik raporuna göre, tezimin benzerlik oranı % ...9 'dır.

Uygulanan filtrelemeler*:

1. ☐ Kabul/Onay ve Bildirim sayfaları hariç
2. ☒ Kaynakça hariç
3. ☒ Alıntılar hariç
4. ☐ Alıntılar dâhil
5. ☒ 5 kelimeden daha az örtüşme içeren metin kısımları hariç

Hacettepe Üniversitesi Sosyal Bilimler Enstitüsü Tez Çalışması Orijinallik Raporu Alınması ve Kullanılması Uygulama Esasları'nı inceledim ve bu Uygulama Esasları'nda belirtilen azami benzerlik oranlarına göre tezimin herhangi bir intihal içermediğini; aksinin tespit edileceği muhtemel durumlarda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi ve yukarıda vermiş olduğum bilgilerin doğru olduğunu beyan ederim.

Gereğini saygılarımla arz ederim.

Ad-Soyad/İmza
Burcak Gündüz

Öğrenci Bilgileri		
	Ad-Soyad	Burçak Gündüz
	Öğrenci No	N22131180
	Enstitü Anabilim Dalı	Uluslararası İlişkiler
	Programı	Tezli Yüksek Lisans

DANIŞMAN ONAYI

UYGUNDUR.
(Unvan, Ad Soyad, İmza)

* Tez **Almanca** veya **Fransızca** yazılıyor ise bu kısımda tez başlığı **Tez Yazım Dilinde** yazılmalıdır.

APPENDIX-2. ETHICS COMMISSION FORM

	HACETTEPE ÜNİVERSİTESİ SOSYAL BİLİMLER ENSTİTÜSÜ	Doküman Kodu *Form No.*	FRM-YL-09
		Yayım Tarihi *Date of Pub.*	22.11.2023
	FRM-YL-09 **Yüksek Lisans Tezi Etik Kurul Muafiyeti Formu** *Ethics Board Form for Master's Thesis*	Revizyon No *Rev. No.*	02
		Revizyon Tarihi *Rev.Date*	25.01.2024

HACETTEPE UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF.....INTERNATIONAL RELATIONS...

Date:19 /09./2025...

ThesisTitle (In English): BRICS and Soft Balancing: The Case of Iranian Sanctions.....

My thesis work with the title given above:

1. Does not perform experimentation on people or animals.
2. Does not necessitate the use of biological material (blood, urine, biological fluids and samples, etc.).
3. Does not involve any interference of the body's integrity.
4. Is not a research conducted with qualitative or quantitative approaches that require data collection from the participants by using techniques such as survey, scale (test), interview, focus group work, observation, experiment, interview.
5. Requires the use of data (books, documents, etc.) obtained from other people and institutions. However, this use will be carried out in accordance with the Personal Information Protection Law to the extent permitted by other persons and institutions.

I hereby declare that I reviewed the Directives of Ethics Boards of Hacettepe University and in regard to these directives it is not necessary to obtain permission from any Ethics Board in order to carry out my thesis study; I accept all legal responsibilities that may arise in any infrigement of the directives and that the information I have given above is correct.
I respectfully submit this for approval.

Burçak Gündüz

Student Information		
	Name-Surname	Burçak Gündüz
	Student Number	N22131180
	Department	International Relations
	Programme	Masters With Thesis

SUPERVISOR'S APPROVAL

APPROVED
Prof Dr. Murat ÖNSOY
(Title, Name Surname, Signature)

	HACETTEPE ÜNİVERSİTESİ SOSYAL BİLİMLER ENSTİTÜSÜ	Doküman Kodu *Form No.*	FRM-YL-09
		Yayım Tarihi *Date of Pub.*	22.11.2023
	FRM-YL-09 **Yüksek Lisans Tezi Etik Kurul Muafiyeti Formu** *Ethics Board Form for Master's Thesis*	Revizyon No *Rev. No.*	02
		Revizyon Tarihi *Rev.Date*	25.01.2024

HACETTEPE ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
.....ULUSLARARASI İLİŞKİLER ..... ANABİLİM DALI
BAŞKANLIĞINA

Tarih: 19/09/2025

Tez Başlığı (Türkçe):BRICS ve Yumuşak Dengeleme:İran Yaptırımları Örneği
.....
.....
Tez Başlığı (Almanca/Fransızca)*: .....
.....

Yukarıda başlığı verilen tez çalışmam:

1. İnsan ve hayvan üzerinde deney niteliği taşımamaktadır.
2. Biyolojik materyal (kan, idrar vb. biyolojik sıvılar ve numuneler) kullanılmasını gerektirmemektedir.
3. Beden bütünlüğüne veya ruh sağlığına müdahale içermemektedir.
4. Anket, ölçek (test), mülakat, odak grup çalışması, gözlem, deney, görüşme gibi teknikler kullanılarak katılımcılardan veri toplanmasını gerektiren nitel ya da nicel yaklaşımlarla yürütülen araştırma niteliğinde değildir.
5. Diğer kişi ve kurumlardan temin edilen veri kullanımını (kitap, belge vs.) gerektirmektedir. Ancak bu kullanım, diğer kişi ve kurumların izin verdiği ölçüde Kişisel Bilgilerin Korunması Kanuna riayet edilerek gerçekleştirilecektir.

Hacettepe Üniversitesi Etik Kurullarının Yönergelerini inceledim ve bunlara göre çalışmamın yürütülebilmesi için herhangi bir Etik Kuruldan izin alınmasına gerek olmadığını; aksi durumda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi ve yukarıda vermiş olduğum bilgilerin doğru olduğunu beyan ederim.

Gereğini saygılarımla arz ederim.

Burçak Gündüz

Öğrenci Bilgileri		
	Ad-Soyad	Burçak Gündüz
	Öğrenci No	N22131180
	Enstitü Anabilim Dalı	Uluslararası İlişkiler
	Programı	Tezli Yüksek Lisans

DANIŞMAN ONAYI

UYGUNDUR.
Prof Dr. Murat ÖNSOY

* Tez **Almanca** veya **Fransızca** yazılıyor ise **)ilinde** yazılmalıdır.