



# Financial Intelligence Shapes the Effectiveness and Blowback of Coercive Financial Statecraft

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Received: 11.05.2026 | Accepted: 14.06.2026 | Published: 23.06.2026

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DOI: [10.5281/zenodo.20815874](https://doi.org/10.5281/zenodo.20815874)

## Abstract

## Original Research

This article argues that the effectiveness of coercive financial statecraft depends not only on structural financial power but also on the quality of intelligence that makes coercive targeting discriminating and sustainable. Using a phased internal comparison of US financial pressure on Iran from 2018 to 2024, it develops a framework centred on sanctions design, financial intelligence precision, and target resilience. The analysis shows that calibrated pressure and sharper monitoring produced stronger early leverage, whereas prolonged coercion against adaptive networks raised the premium on attribution, monitoring, and recalibration. The article clarifies when coercive finance remains strategically usable.

**Keywords:** financial intelligence, coercive financial statecraft, sanctions effectiveness, financial warfare, weaponised interdependence, blowback, Iran.

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## 1. Introduction

Financial coercion has become one of the most consequential instruments of contemporary statecraft. States increasingly seek to alter adversary behaviour not only through military force or diplomatic pressure, but through restrictions on access to payment systems, correspondent banking channels, reserve assets, trade finance, and cross-border financial infrastructure. Yet the strategic record of such measures remains uneven. In some episodes, coercive financial pressure contributes to observable policy adjustment. In others, it produces delay, evasion, institutional adaptation, and wider

systemic fragmentation. This variation poses an important analytical question: why does financial coercion generate behavioural change in some contexts but blowback in others?

Existing scholarship offers important but incomplete answers. Research on economic statecraft has demonstrated that economic instruments can exercise independent causal force in international politics, while studies of sanctions have identified conditions affecting compliance, coalition durability, and target vulnerability. Work on weaponised interdependence has further shown how states occupying central positions in global networks can



exploit infrastructural asymmetries for surveillance and coercion. Yet these literatures still underspecify a crucial mediating mechanism. They explain why some actors possess structural leverage, but less clearly how that leverage is converted into strategically effective pressure in real time. In particular, they insufficiently address the role of financial intelligence precision in making coercive financial pressure discriminating, governable, and sustainable.

This article argues that the effectiveness of coercive financial statecraft depends on the interaction of three factors: sanctions architecture design, financial intelligence precision, and target state resilience. Structural financial power matters, but it does not operate automatically. Financial pressure is more likely to generate behavioural adjustment where measures are calibrated, attribution and monitoring capacities permit high-precision targeting, and the target possesses limited capacity for institutional and transactional adaptation. Where measures are broad, intelligence precision is weak, or target resilience is substantial, coercive finance is more likely to generate evasion, adaptive innovation, and fragmentation rather than meaningful concession. Financial intelligence is therefore not a background support function. It is a strategic variable that conditions whether financial warfare remains discriminating, governable, and politically sustainable.

The article makes three contributions. First, it extends scholarship on economic statecraft by showing that structural leverage derived from financial centrality does not automatically translate into coercive success. Second, it refines weaponised interdependence theory by identifying intelligence precision as a neglected enabling condition in the practical conversion of network position into strategic effect. Third, it contributes to intelligence studies by conceptualising financial intelligence in operational rather than purely informational terms. The issue is not only whether states possess information about illicit or adversarial financial activity, but whether they can transform that information into precise, timely, and adaptive coercive action while limiting false positives,

political overreach, and systemic blowback.

The remainder of the article proceeds as follows. The next section situates the argument within the literatures on economic statecraft, weaponised interdependence, and intelligence studies. The article then develops a tripartite framework centred on sanctions design, financial intelligence precision, and target resilience, and derives a set of propositions on coercive effectiveness and blowback. A subsequent section outlines the research design and empirical strategy. The analysis then applies the framework to the case of US financial pressure on Iran from 2018 to 2024 through a phased internal comparison. The conclusion discusses implications for sanctions policy, intelligence organisation, and the governance of financial warfare.

## 2. Literature Review: Economic Statecraft, Weaponised Interdependence, and Intelligence

### Structural power and economic statecraft

The starting point for the analysis is David Baldwin's classic argument that economic instruments possess independent strategic utility and should not be treated merely as secondary to military force or diplomacy (Baldwin, 1985).

In Baldwin's formulation, the political value of economic statecraft lies in the unequal distribution of sensitivity and vulnerability within international economic relations. That baseline insight remains indispensable for this article because coercive financial statecraft likewise depends on asymmetries in access, dependence, and exposure. Yet Baldwin's framework is ultimately more persuasive on the existence of leverage than on the operational problem of converting leverage into precise coercive effect. Financial warfare does not work through aggregate pressure alone. It also requires target selection, transactional attribution, and sustained monitoring across dense and adaptive financial networks.

Sanctions scholarship reinforces this point by showing that coercive outcomes depend not simply on cost imposition, but on enforcement conditions, coalition dynamics, and the specific pathways

through which pressure reaches the target. Crawford and Klotz asked how sanctions work, whether through capability denial, normative signalling, or induced political realignment, while Drezner highlighted the strategic and political constraints that often separate sanction imposition from sanction success. More recent work has underlined that sender willingness to enforce sanctions is itself conditional. Bapat and Kwon show that senders often face disincentives to enforce sanctions laws against their own firms, which means that sanctions effectiveness depends as much on enforcement credibility as on nominal legal scope. Normative and legal scholarship has also sharpened the distinction between broad sanctions and more discriminating targeted measures. Gordon's reassessment of smart sanctions and Hofer's analysis of targeted sanctions both underscore that effectiveness and discrimination are analytically linked, even when they do not always move together in practice (Crawford & Klotz, 1999; Drezner, 1999; Bapat & Kwon, 2015; Gordon, 2011; Hofer, 2019).

For present purposes, the important point is that this literature identifies variation in coercive performance, but does not specify with enough precision the intelligence requirements needed to make financial coercion discriminating under conditions of opacity and adaptation.

A further implication of this literature is that the problem of effectiveness is inseparable from the problem of measurement. Sanctions are often judged by visible economic deterioration or by the public accumulation of designations, yet neither metric reveals whether pressure is being applied at strategically meaningful nodes. The distinction matters especially in financial warfare, where the sender may be able to generate broad disruption even while missing the channels that preserve the target's core resilience. Existing sanctions debates on smart measures, private-sector implementation, and negative externalities all point towards the same underlying problem: without a convincing account of discrimination, there is no reliable way to distinguish strategic leverage from administratively impressive activity. That is why the article's emphasis on precision is not merely conceptual refinement. It is a

way of making coercive finance assessable in terms that are useful to professionals who must decide whether a programme is working, drifting, or imposing the wrong kinds of costs (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

Recent historical work also sharpens the article's scepticism about automatic effectiveness. Mulder's history of sanctions shows that the economic weapon has long carried a double character: it can coerce, but it can also reorganise markets, shift neutral behaviour, and generate second-order consequences that escape the sender's original design. That historical caution matters here because it prevents the argument from collapsing into a simple intelligence-optimist claim. Even highly capable financial intelligence cannot eliminate the structural tendency of prolonged sanctions to stimulate adaptation, substitution, and institutional improvisation. Zarate's practitioner account points in a complementary direction. He shows how modern US financial warfare was built through the deliberate fusion of Treasury authorities, intelligence support, and private-sector leverage. Read together, Mulder and Zarate suggest that financial coercion is best understood as an instrument whose effectiveness depends simultaneously on operational precision and on restraint in the face of predictable systemic side effects (Mulder, 2022; Zarate, 2013).

### **Weaponised interdependence and the problem of operational conversion**

Farrell and Newman's theory of weaponised interdependence provides the most powerful recent account of how global networks generate opportunities for state coercion. Their argument is that hub states positioned at key nodes of global economic and information networks can exploit those locations for surveillance and denial. In the financial domain, this directs attention to payment messaging systems, correspondent banking, reserve currency infrastructures, and regulatory reach as strategic chokepoints. This is a major advance over earlier accounts of interdependence because it shows how network topology can create asymmetrical

coercive capacities even in a world often described as globally integrated (Farrell & Newman, 2019).

Yet the theory also leaves an important operational question open. Hub position explains how coercive opportunity arises, but it does not on its own explain how that opportunity is translated into sustained strategic effect. Financial networks are not static pipes. They are layered, partly opaque, and highly adaptive. Beneficial ownership can be concealed. Transactions can be rerouted. Compliance behaviour can overshoot or undershoot policy intent. Alternative intermediaries can emerge. What matters, therefore, is not only whether a state controls a chokepoint, but whether it can identify the right targets, distinguish central from peripheral nodes, and update coercive pressure before adaptation outpaces enforcement. Weaponised interdependence is best understood as structural coercive potential. Financial intelligence precision is the mechanism that helps explain when that potential becomes effective pressure rather than blunt disruption.

### **Intelligence studies and the operational logic of financial coercion**

This is where intelligence studies becomes indispensable. Work on covert action, secrecy, and attribution is useful not because financial sanctions are covert in a formal legal sense, but because both domains involve selective disclosure, uncertainty over exposure, and the management of unintended consequences. Cormac and Aldrich argue that plausible deniability has long been conceptually unstable and that many covert actions are better understood as forms of unacknowledged intervention operating along a spectrum of visibility and acknowledgement. Cormac, Walton, and Van Puyvelde's work on evaluating covert action is equally relevant because it emphasises that success in secret statecraft is rarely binary and must be assessed against multiple audiences, time horizons, and strategic criteria. Those insights travel well to coercive finance. Financial warfare may be legally overt, but its operational effectiveness still depends on attribution quality, signal interpretation, and the capacity to communicate or withhold information

strategically while limiting collateral effects (Cormac & Aldrich, 2018; Cormac et al., 2022).

The intelligence dimension of financial warfare therefore extends beyond intelligence support in the narrow sense. It includes the capacity to map ownership and control, distinguish licit from illicit or strategically relevant flows, detect evasive adaptation, integrate cross-border data, and revise targeting decisions with sufficient speed to preserve discrimination. Official financial governance materials reinforce the importance of these capabilities. FATF standards continue to treat targeted financial sanctions, beneficial ownership transparency, and financial intelligence as core components of an effective AML/CFT architecture, while the Egmont Group defines financial intelligence units as national centres for receiving, analysing, and disseminating suspicious transaction information and related intelligence. McNaughton's comparative study of FIUs adds a useful governance dimension by showing that FIUs remain institutionally heterogeneous despite harmonisation pressures, which matters because the production and dissemination of financial intelligence are themselves shaped by organisational design. Work on sanctions implementation by private actors further strengthens the article's core claim. Giumelli and Onderco note that firms do not merely receive sanctions passively; their compliance choices actively shape sanction outcomes, which makes information quality, interpretive guidance, and signalling central to coercive performance (Financial Action Task Force, 2025; Egmont Group, 2026; McNaughton, 2023; Giumelli & Onderco, 2021).

This intelligence problem is also definitional and organisational. Warner's classic effort to define intelligence remains useful because it treats intelligence not as any information about security problems, but as a specialised craft of collection, analysis, and support to decision. Gill and Phythian similarly emphasise that contemporary intelligence work has expanded into new domains of insecurity without shedding its core challenges of uncertainty, secrecy, and accountability. That perspective helps justify treating financial intelligence as a distinct tradecraft rather than as a mere technical adjunct to

sanctions law. Marrin's work on intelligence analysis and decision-making then adds a methodological warning: analytical value lies not only in generating more data, but in producing judgement that decision-makers can actually use. Kibbe's work on covert action and the Pentagon is relevant here for a different reason. It shows that operational effectiveness and oversight are shaped by organisational boundaries, mandate competition, and ambiguity over who controls which tools. In financial warfare, similar questions arise across Treasury, financial intelligence units, regulators, law-enforcement bodies, and legislative oversight bodies. The result is that precision is not simply a technical matter. It is also a problem of institutional design, analytic translation, and accountable authority (Warner, 2002; Gill & Phythian, 2018; Marrin, 2009; Kibbe, 2007).

Professional relevance follows directly from this implementation problem. Financial coercion does not move from statute to strategic effect by legal declaration alone. It is mediated through financial intelligence officers who triage suspicious transaction reporting, sanctions policymakers who decide how far to escalate, compliance actors who interpret ambiguous instructions, and legislative oversight bodies that must judge whether pressure is producing meaningful strategic effect or merely generating accumulating collateral costs. In practice, the quality of coercive finance depends on whether these professional communities receive sufficiently precise indicators, clear target logic, and usable feedback on adaptation. Where information is vague, stale, or overbroad, enforcement drift is more likely. Banks de-risk indiscriminately, investigators chase peripheral entities, and policymakers confuse visibility of action with evidence of leverage. That implementation chain gives the article an institutional relevance that extends beyond academic theory. It speaks to the daily problem of how to translate financial visibility into targeted statecraft without exhausting the credibility of the instrument itself (Financial Action Task Force, 2025; Egmont Group, 2026; McNaughton, 2023; Giumelli & Onderco, 2021).

The same point matters for legislative and

parliamentary oversight. Oversight bodies rarely assess sanctions in purely abstract terms. They ask whether coercive programmes are legally grounded, operationally discriminating, and producing effects proportionate to their strategic purpose. That requires more than aggregate claims that pressure has increased. It requires evidence about target selection, false positive control, adaptation pathways, and the organisational capacity of the state to revise designations as the target changes behaviour. A framework centred on financial intelligence precision therefore provides a more decision-relevant way of evaluating sanctions than a narrow focus on the formal breadth of restrictions. It gives oversight actors a basis for asking whether a programme is well designed, whether intelligence collection is supporting calibration, and whether deterioration in compliance quality or coalition discipline signals a weakening coercive mechanism rather than a need for still broader pressure (Financial Action Task Force, 2025; Egmont Group, 2026; McNaughton, 2023; Giumelli & Onderco, 2021).

### The unresolved gap

Taken together, these literatures explain why financial coercion is possible, why network centrality matters, and why sanctions outcomes vary across contexts. They do not, however, explain with sufficient precision how targeting quality, transactional attribution, monitoring speed, and false positive minimisation shape coercive outcomes in practice. That is the unresolved gap this article addresses. Its central claim is that financial intelligence precision conditions whether structural financial power is translated into discriminating and sustainable coercive effect.

### 3. Conceptual Framework for Analysing Coercive Financial Statecraft

Coercive financial statecraft may be defined as the deliberate use of financial restrictions, access denial, asset immobilisation, transactional surveillance, and related monetary instruments to alter the behaviour of a target state, network, or politically relevant

actor. Its coercive force lies not simply in inflicting aggregate economic pain, but in exploiting asymmetries in access, visibility, and dependency within financial networks.

The article introduces the concept of financial intelligence precision. Financial intelligence precision refers to the capacity to identify relevant entities accurately, attribute ownership and control across opaque or layered structures, monitor flows and adaptive responses in near real time, and minimise false positives that widen collateral damage beyond the intended target set. It is an operational property of coercive finance linking structural access to practical efficacy.

The dependent variable is coercive effectiveness. This does not mean total strategic victory or comprehensive policy transformation. It refers instead to the extent to which financial pressure produces observable behavioural adjustment by the target within a relevant decision horizon. Outcomes can be placed on a spectrum ranging from timely concession and partial compliance to strategic delay, stalemate, and adaptive blowback.

The concept of blowback is especially important. In this article, blowback refers to outcomes in which coercive pressure stimulates evasive practices, alternative settlement channels, substitute transactional infrastructures, or broader institutional workarounds that reduce the long-term utility of the financial instruments being used.

Three independent variables shape coercive outcome. First, sanctions architecture design refers to the scope, sequencing, legal calibration, and institutional coordination of coercive financial measures. Second, financial intelligence precision includes attribution accuracy, entity resolution, beneficial ownership tracing, monitoring responsiveness, and the capacity to detect and limit evasive adaptation. Third, target state resilience refers to the capacity of the target to absorb, reroute, or politically withstand coercive financial pressure through reserves, alternative payment mechanisms, supportive external networks, domestic institutional adaptability, or political tolerance for economic hardship.

These variables interact. Design shapes the breadth and discrimination of pressure. Precision shapes the quality of target selection, attribution, and recalibration. Resilience shapes the target's capacity to absorb, evade, or politically neutralise pressure.

## Propositions

**1. Design proposition.** Calibrated and targeted financial measures are more likely to produce behavioural adjustment than broad sectoral restrictions that dilute discrimination and widen collateral disruption.

**2. Intelligence proposition.** Higher financial intelligence precision increases coercive effectiveness by improving target discrimination, limiting false positives, and reducing the speed with which the target can exploit evasive channels.

**3. Resilience proposition.** The greater the target's financial and institutional resilience, the lower the probability that coercive financial statecraft will generate timely concession.

**4. Blowback proposition.** Where broad coercive measures are combined with weak intelligence precision against a resilient target, financial warfare is more likely to accelerate adaptation, fragmentation, and systemic workarounds than produce meaningful compliance.

## 4. Materials and Methods

This article adopts a single case with phased internal comparison. The design is appropriate because the purpose of the study is not to estimate average effects across a broad population of sanctions episodes, but to identify the mechanisms through which coercive financial statecraft produces divergent outcomes over time. The relevant variation lies across phases of one coercive campaign in which the design of financial measures, the apparent precision of targeting and monitoring, and the resilience of the target evolve in ways that can be traced.

The methodological logic is therefore one of structured internal comparison combined with causal process tracing. Rather than treating the case as a

single undifferentiated sanctions regime, the article disaggregates it into analytically bounded phases. Each phase is examined through the same questions. How was the sanctions architecture designed? What evidence suggests a higher or lower degree of financial intelligence precision? What forms of resilience or adaptation were available to the target?

### **What coercive outcome followed?**

Within-case comparison follows the logic of structured, focused comparison as developed by George and Bennett: each phase is examined through the same analytical questions so that causal process observations, rather than impressionistic narrative, do most of the explanatory work (George & Bennett, 2005).

The empirical analysis is organised into three phases: an initial phase of reimposition and early leverage, a second phase of escalation, evasion, and diminishing returns, and a third phase of recalibration, persistence, and systemic consequence.

Operationalisation follows directly from the framework. Sanctions architecture design is assessed through the scope of measures, their sequencing, targeting specificity, and balance between multilateral and unilateral coordination. Financial intelligence precision is inferred from indicators such as designation specificity, quality of ownership attribution where visible, responsiveness to evasive routes, and the degree to which enforcement appears capable of limiting false positives. Target resilience is assessed through reserve capacity, access to intermediary jurisdictions or alternative payment channels, institutional adaptation, and political tolerance for sustained economic pain. Coercive effectiveness is assessed in terms of observable behavioural adjustment, partial compliance, strategic delay, stalemate, or adaptive blowback.

The evidentiary strategy remains conservative and credible. The analysis relies on official sanctions instruments, Treasury and finance ministry directives, regulatory guidance, central bank

materials where available, legislative materials, public enforcement notices, court records when relevant, policy speeches, investigative reporting, and high-quality secondary scholarship. The study works under conditions of partial observability but still permits meaningful causal inference through disciplined use of observable traces of design, enforcement, and adaptation.

### **Source limitations and evidential confidence**

The principal limitation of the design is evidential. Core targeting deliberations, real-time financial intelligence assessments, and attribution-sensitive operational details remain partly classified. The article therefore does not attempt to reconstruct the entirety of internal analytic processes. Instead, it triangulates across publicly available but institutionally proximate sources, including Treasury and FinCEN materials, OFAC designation narratives, IMF reports, FATF guidance, SWIFT statements, and scholarly work on sanctions implementation and evasion (Financial Action Task Force, 2025; Financial Crimes Enforcement Network, 2018; International Monetary Fund, 2017; SWIFT, 2018; US Department of the Treasury, 2021).

This strategy permits differentiated confidence rather than false certainty. Confidence is highest for observable shifts in sanctions design, public enforcement posture, macro-level financial effects, and documented adaptation by target networks. It is more cautious for attribution-specific judgements about internal intelligence processes or the precise content of classified assessments. The goal is therefore not impossible transparency, but disciplined inference under conditions of partial observability.

This design also serves a professional purpose. A phased internal comparison produces evidence in a form that practitioners can use. Financial intelligence officers and sanctions analysts rarely confront sanctions as abstract cross-national averages. They confront campaigns that unfold through stages, each with different information demands, operational

burdens, and policy trade-offs. By organising the case around sequential shifts in design, adaptation, and recalibration, the article mirrors the way these campaigns are experienced inside institutions. It also gives legislative oversight bodies a clearer basis for review. Rather than asking only whether a sanctions programme has been tough enough, a phased design allows scrutiny of whether particular rounds of action were still strategically coherent given the target's evolving behaviour (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

The methodology therefore links academic explanation to institutional evaluation. Each phase asks questions that a practitioner or overseer could reasonably pose in real time. Was the target set clear and proportionate. Did available intelligence support designation choices. Were adaptive channels identified quickly enough. Did additional rounds of pressure increase leverage or simply multiply enforcement tasks. Framed in this way, the case study does more than support a theoretical argument. It models a way of evaluating coercive finance that is operationally intelligible to the professional communities most directly involved in making, implementing, and scrutinising sanctions policy (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

## 5. Results and Discussion: US Financial Pressure on Iran, 2018 to 2024

### 5.1 Phase I: Reimposition and Early Coercive Leverage, 2018 to Early 2019

The first phase began with the restoration of the sanctions architecture and the reimposition of pressure through key financial chokepoints. On 5 November 2018, the US Department of the Treasury described its action as the largest ever single-day measure targeting Iran, sanctioning more than 700 individuals, entities, aircraft, and vessels and completing the reimposition of the remaining US sanctions lifted or waived under the JCPOA. This phase is analytically important because it combined breadth with a still relatively coherent targeting logic. The coercive campaign worked through access

denial, correspondent banking vulnerability, and renewed compliance risk for foreign financial institutions and commercial intermediaries. Treasury officials subsequently emphasised that the reimposed measures targeted critical sectors of Iran's economy, including energy, shipping, shipbuilding, insurance, and transactions involving the Central Bank of Iran and designated Iranian financial institutions. FinCEN's October 2018 advisory further warned that Iranian actors would intensify sanctions evasion through exchange houses, front companies, shipping practices, and other deceptive methods, underscoring that the campaign depended not only on legal restoration but also on anticipatory monitoring and private-sector detection (US Department of the Treasury, 2018a; US Department of the Treasury, 2018b; Financial Crimes Enforcement Network, 2018).

At the beginning of this phase, the combination of renewed legal pressure, strong signalling, and heightened monitoring plausibly increased coercive leverage. The target entered this period with an already weakened financial system and a fragile capacity for reintegration. IMF analysis had already documented the damage earlier sanctions had inflicted on Iran's correspondent banking relationships and cross-border financial operations, even after the partial reopening associated with the JCPOA period. SWIFT also suspended certain Iranian banks from access to its messaging system in November 2018, reinforcing the infrastructural dimension of financial pressure and the extent to which coercive leverage operated through chokepoint denial rather than through macroeconomic pain alone. The stronger claim for Phase I is therefore not decisive compliance, but stronger early leverage under relatively coherent design and sharper discrimination (International Monetary Fund, 2017; SWIFT, 2018).

A further reason Phase I mattered is that it exposed how much early coercive advantage depends on the disciplined sequencing of designation, intelligence cueing, and compliance signalling. Zarate's account of the rise of financial warfare is valuable here not as neutral evidence, but as a window into the operating assumptions of the US model itself. His description

of Treasury's strategy underscores that coercive finance works by enrolling banks, insurers, shippers, and correspondent institutions into the enforcement chain before targets can fully reorganise. That logic is visible in the Iran case. The practical power of November 2018 did not derive from formal sanctions text alone. It derived from the expectation, rapidly communicated across the financial system, that counterparties would treat Iranian exposure as legally dangerous, commercially costly, and reputationally toxic. For financial intelligence officers, this point is operationally important. The highest value of intelligence at the opening stage of a campaign often lies in cueing the right private-sector reactions quickly enough to deny the target time, liquidity, and discretion (Zarate, 2013).

A closer reading of Phase I highlights why the initial moment of reimposition mattered operationally. Treasury and FinCEN were not simply reactivating prohibitions. They were also attempting to shape the informational environment within which banks, insurers, ship registries, and correspondent institutions would make risk judgements. In professional terms, this was a phase of forced re-clarification. Compliance personnel had to re-map exposure, financial intelligence officers had to distinguish routine commercial links from sanctionable activity, and policymakers had to decide whether the early coercive signal was sufficiently sharp to induce withdrawal by third parties before elaborate evasive substitutes could be organised. That sequence helps explain why early leverage often appears stronger than later leverage in sanctions campaigns. At the point of reimposition, legal uncertainty is still skewed in favour of the sender, and private actors tend to move quickly to protect access to the core financial system (US Department of the Treasury, 2018a; US Department of the Treasury, 2018b; Financial Crimes Enforcement Network, 2018).

For financial intelligence officers, the practical lesson from this phase is that initial coercive advantage is perishable. The first months of a campaign offer a narrow window in which target mapping, beneficial ownership tracing, and suspicious activity triage can reinforce one another

before adaptive networks harden. If early intelligence support is weak, the sender loses the best opportunity to establish discriminating pressure and is more likely to slide into a longer cycle of reactive redesignation. For sanctions policymakers, the same phase demonstrates that signalling and implementation guidance are not ancillary to coercion. They are part of the mechanism through which third-party market actors convert formal sanctions into real access denial. For oversight bodies, Phase I provides the benchmark against which later claims of effectiveness should be judged. The key question is not simply whether pressure remains in place, but whether the quality of enforcement later on remains as discriminating as it was at the start (International Monetary Fund, 2017; SWIFT, 2018).

## 5.2 Phase II: Escalation, Evasion, and Diminishing Returns, 2019 to 2021

The second phase reveals the limits of structural financial power when the target adapted through opaque commercial networks. Treasury's September 2019 action against what it described as a vast Iranian petroleum shipping network supporting the IRGC-QF showed that the operational problem had shifted from denying access through formal chokepoints to identifying and disrupting transnational evasion structures built around vessels, brokers, and front companies. The coercive campaign increasingly consisted of repeated actions against shipping intermediaries, petroleum networks, and associated facilitators rather than a one-time restoration of known restrictions (US Department of the Treasury, 2019; Financial Crimes Enforcement Network, 2019).

This is the phase where financial intelligence precision becomes central. Once the target reorganised through intermediaries and layered corporate structures, the effectiveness of coercive finance depended increasingly on the coercer's ability to resolve ownership, track concealed transfers, and recalibrate designations at a pace that outstripped evasive adaptation. Public US materials repeatedly pointed to Iran's use of exchange houses,

trading companies, and shipping methods to conceal origin and destination, indicating that attribution and monitoring rather than mere legal scope had become the key operational challenge. Treasury's 2021 sanctions review adds weight to this interpretation because it explicitly called for clearer objectives, calibration, multilateral coordination where possible, and the mitigation of unintended economic and political effects, effectively acknowledging that sanctions breadth without sufficient discrimination could generate diminishing returns. Phase II therefore marks the point at which the burden on intelligence precision rose sharply and the problem of diminishing returns became more visible (US Department of the Treasury, 2021).

Phase II also shows that adaptation is not merely an economic response. It is an intelligence problem. Once petroleum revenues, shipping movements, brokerage functions, and payment arrangements are redistributed across layered intermediaries, the coercer faces a more demanding analytic task. Entity resolution becomes harder, beneficial ownership chains lengthen, and evidentiary thresholds for designation must be met across jurisdictions that do not share identical compliance incentives. At this point, financial intelligence officers are no longer primarily enforcing a settled map of exposure. They are reconstructing a moving network under conditions of deliberate deception. The policy consequence is important. When the analytic burden rises faster than collection, fusion, and dissemination capacity, the sender may respond with broader designations that preserve visible pressure but reduce discrimination (US Department of the Treasury, 2019; Financial Crimes Enforcement Network, 2019).

This phase therefore has direct relevance for sanctions policymakers and legislative oversight bodies. Policymakers often face pressure to demonstrate resolve through successive enforcement rounds, yet repeated action can conceal a strategic deterioration if each new round is required merely to catch up with workarounds that were not detected early enough. Oversight bodies should therefore ask not only how many new designations have been made, but why they were necessary, what

intelligence gaps they reveal, and whether the compliance ecosystem is being asked to carry unresolved ambiguity. For financial intelligence practitioners, the core operational issue is feedback speed. If suspicious activity reporting, maritime tracking, customs intelligence, and allied liaison do not feed redesignation decisions quickly enough, enforcement becomes performative rather than cumulative. The campaign still looks active, but its marginal leverage declines (US Department of the Treasury, 2021).

Private-sector implementation deepens this logic. As Giumelli and Onderco suggest, firms do not simply execute sanctions mechanically. They interpret risk under uncertainty and often react by widening buffers around prohibited activity. In Phase II, that interpretive role becomes even more consequential. Banks and traders may over-comply to protect access to the dollar system, but they may also miss disguised adaptation when signals are too generic or when intermediary chains stretch beyond standard due diligence routines. The result is a paradox central to this article's argument: greater coercive intensity can coexist with declining strategic discrimination. That is precisely the condition in which financial intelligence precision, rather than legal scope alone, becomes the decisive variable for sustaining leverage (Financial Action Task Force, 2025; Egmont Group, 2026; McNaughton, 2023; Giumelli & Onderco, 2021).

Recent Treasury practice also confirms that this implementation problem is not peripheral but central. Rosenberg's 2023 remarks on sanctions implementation explicitly described the private sector as the 'front line' of sanctions implementation and stressed that consultation is necessary to maximise impact while minimising negative externalities. That formulation aligns closely with the article's framework. Once sanctions move beyond the initial designation moment, the decisive question is whether regulators and financial intelligence authorities can keep guidance, targeting, and market interpretation aligned. Where they can, adaptation is harder and pressure remains more discriminating. Where they cannot, compliance signals become noisy, de-risking can overshoot

policy intent, and evasion networks gain room to manoeuvre. For sanctions policymakers and legislative oversight bodies, Phase II therefore illustrates why evaluation should not stop at counting designations or headline revenue loss. The more revealing indicators are closure speed, false-positive control, reporting quality, and whether implementation guidance keeps pace with evasive adjustment (Rosenberg, 2023; Giumelli & Onderco, 2021).

### 5.3 Phase III: Recalibration, Persistence, and System-level Consequence, 2022 to 2024

The third phase is best understood not as an end state, but as a period in which coercive financial pressure persisted while strategic effectiveness increasingly hinged on adaptation, endurance, and system-level effects. Treasury's September 2022 action targeting Iranian brokers and front companies in the UAE, Hong Kong, and India involved in petrochemical and petroleum sales illustrates the degree to which the campaign had become a durable process of repeated disruption across intermediary jurisdictions rather than a short-horizon effort expected to yield straightforward compliance. This continuity suggests that structural access to financial chokepoints remained intact, but that preserving strategic effect required continual recalibration against resilient and opaque commercial networks (US Department of the Treasury, 2022).

By this stage, the concept of blowback becomes especially useful. The point is not that coercive power vanished. It is that prolonged financial warfare could stimulate adaptations that reduced the marginal effectiveness of additional pressure while encouraging wider use of intermediary channels, opaque trade structures, and alternative settlement practices. Treasury's sanctions in October and December 2024 against Iran's shadow fleet and related petroleum facilitators indicate a continuing need to chase evolving transport and revenue-generation networks after Iran's October 2024 attack on Israel. Resilience here is expressed not through normal reintegration into global finance, but through the continued capacity to exploit shadowed

commercial networks and alternative transactional arrangements. The strategic implication is narrower than claims about wholesale systemic replacement, but still significant: prolonged coercive finance can deepen incentives for evasive innovation and partial fragmentation at the margins of the formal financial system (US Department of the Treasury, 2024a; US Department of the Treasury, 2024b).

Phase III pushes the analysis beyond the question of whether sanctions remain painful and towards the more demanding question of what kind of strategic environment prolonged coercion creates. By 2022 to 2024, the United States still possessed substantial network leverage, yet the coercive campaign increasingly resembled a long contest against a target that had learned to distribute functions across brokers, shipping facilitators, and shadow transport arrangements. For practitioners, this is the phase in which traditional success metrics become least satisfactory. A continuing stream of actions may indicate vigorous enforcement, but it may also indicate that the target has achieved sufficient resilience to force the sender into continual pursuit. In institutional terms, the issue becomes whether the state's financial intelligence architecture can still produce prioritisation rather than exhaustion (US Department of the Treasury, 2022).

This has immediate professional relevance for serving officers and policymakers. Financial intelligence officers in a mature sanctions environment need different organisational support than officers operating at the point of initial reimposition. They require stronger cross-border data integration, more sustained maritime and trade-finance analytics, and clearer authority for feeding operational findings back into policy design. Sanctions policymakers, in turn, require a sharper distinction between measures that impose genuine strategic friction and measures that mainly advertise persistence. Legislative oversight bodies should be especially attentive at this stage because long-running coercive campaigns often accumulate bureaucratic momentum. Once programmes are routinised, there is a risk that continuation itself becomes the metric of success. A precision-centred framework resists that drift by asking whether

pressure is still discriminating, whether adaptation costs are still rising for the target, and whether collateral burdens on allies, markets, and humanitarian channels remain proportionate (US Department of the Treasury, 2022).

The broader consequence is not necessarily systemic replacement, but systemic wear. Persistent evasion, shadow shipping, and indirect settlement practices can remain peripheral for long periods and still matter strategically. They create habits of avoidance, encourage service ecosystems that specialise in opacity, and normalise greater distance from formal financial channels. For policymakers, that does not mean sanctions should be abandoned whenever adaptation appears. It means that coercive finance should be judged partly by whether it is preserving the institutional authority of the formal system on which it relies. For financial intelligence officers, the same point translates into a practical mandate: the task is not simply to detect violations, but to identify when the pattern of violations signals the consolidation of an alternative operating environment. For oversight institutions, it means that programme review should include not only immediate pressure effects but also the cumulative governance costs of sustaining pressure over many years (US Department of the Treasury, 2024a; US Department of the Treasury, 2024b).

This is where Mulder's longer historical view becomes especially useful. His account of the economic weapon reminds us that sanctions regimes do not simply impose costs on targets; they also reshape the incentives of third parties, neutrals, and intermediaries that must decide whether to remain inside, around, or just beyond the sender's enforcement architecture. Seen through that lens, the later Iran phases are not only a story of target resilience. They are also a story of how repeated coercion can normalise workaround behaviour across shipping, brokerage, flagging, insurance, and payments. That matters professionally because it shifts the task for financial intelligence officers from one of simple detection to one of ecosystem management. It matters politically because it gives oversight bodies a clearer benchmark for questioning whether a campaign is still preserving strategic

leverage or merely widening the geography of circumvention (Mulder, 2022).

#### 5.4 Comparative Synthesis Across the Phases

Taken together, the three phases support the article's central claim that structural financial power alone does not explain coercive effectiveness. In Phase I, newly reimposed sanctions, clearer chokepoint governance, and stronger signalling generated relatively greater early leverage. In Phase II, the operational burden shifted towards tracking and disrupting adaptive networks, raising the premium on attribution, entity resolution, and monitoring responsiveness. In Phase III, the campaign persisted, but its strategic environment was increasingly shaped by resilience, repeated recalibration, and the longer-term consequences of sustained financial warfare.

Across the phases, what changed was not the existence of hub power, but the conditions under which that power could be converted into discriminating strategic effect. The phase comparison therefore supports the design, intelligence, resilience, and blowback propositions developed earlier. The empirical record is most consistent with the argument that coercive financial statecraft works best when network power is joined to high-quality intelligence-enabled discrimination, and becomes harder to sustain when resilient targets develop intermediary-heavy and evasive infrastructures faster than enforcement can adapt.

Viewed in sequence, the phases also illuminate where professional communities enter the causal chain. Financial intelligence officers are most consequential when target maps are still fluid and when early suspicious indicators can be fused into timely design choices. Sanctions policymakers are most consequential when deciding whether to privilege calibration over visibility of action as adaptation accelerates. Oversight bodies are most consequential when programmes mature and the temptation grows to equate persistence with effectiveness. The case therefore does more than show variation across time. It identifies specific moments at which different institutional actors can

preserve or erode coercive discrimination. That professional relevance strengthens the article's fit with a journal read not only by scholars but by practitioners concerned with how intelligence and statecraft are actually organised (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

This sequencing also has implications for how institutions should evaluate success over time. In Phase I, success is best measured by whether third-party withdrawal sharpens quickly around exposed nodes. In Phase II, the more relevant test is whether adaptation channels are being narrowed faster than they are being rebuilt. In Phase III, success can no longer be inferred simply from the persistence of sanctions or from the number of entities added to a list. It must also be judged by whether the sender is still able to prioritise genuinely strategic facilitators and whether the governance costs of maintaining the programme remain proportionate. Those shifting standards of evaluation matter for practitioners because they show that the same metrics cannot be used across the life cycle of a coercive campaign (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

## 6. Discussion

The Iranian case clarifies a central point that is often blurred in debates on sanctions and financial warfare. Structural financial centrality is a necessary condition of modern coercive leverage, but it is not a sufficient explanation of coercive effectiveness. The strategic effects of pressure varied across phases. Early leverage was stronger when sanctions were newly imposed and the coercive architecture remained relatively coherent. As adaptation advanced through intermediary structures and evasive commercial networks, coercive outcomes became more dependent on attribution, monitoring, and recalibration.

This finding matters first for the literature on economic statecraft. Coercive finance does not operate through cost imposition alone. It also operates through selective disruption across dense, adaptive, and partly opaque transactional systems.

The question is therefore not simply how much pressure a sender can impose, but how accurately it can identify strategically relevant nodes, distinguish central from peripheral entities, and update enforcement as the target adapts. That inference is consistent with broader sanctions research stressing that enforcement credibility, private-sector implementation, and target discrimination are central to coercive performance rather than secondary details. It is also consistent with scholarship arguing that targeted sanctions are judged not only by aggregate pressure but by whether they impose relevant costs on the intended decision-makers without excessive diffusion of collateral harm (Bapat & Kwon, 2015; Giumelli & Onderco, 2021; Gordon, 2011; Hofer, 2019).

The article also refines weaponised interdependence. Network position is best understood as coercive potential, not coercive performance. A state may occupy the hub and still face declining returns if the target develops opaque routing practices, intermediary commercial structures, and alternative settlement arrangements faster than enforcement can adapt. The Iranian case therefore suggests that hub control must be joined to attribution, monitoring, and recalibration capacities if network advantage is to remain strategically usable.

For intelligence studies, the key implication is that financial intelligence should be understood as part of the operational infrastructure of coercive statecraft itself. The issue is not only whether authorities possess information on illicit finance, but whether they can convert fragmented, cross-border, commercially embedded information into actionable judgement about ownership, transaction routing, network centrality, and evasive innovation. This shifts the analysis away from intelligence as background support and towards intelligence as a condition of coercive discrimination.

The article's intelligence contribution becomes sharper when viewed through work on analysis, surprise, and failure. Marrin warns against assuming that intelligence value flows automatically from collection to decision; the problem is whether analytic judgement is translated into forms that shape policy in time. Jervis likewise demonstrates that

failure often persists not because information is absent, but because organisations misread signals, discount inconvenient evidence, or become attached to prior expectations. Dahl's work on surprise reinforces the importance of organisational responsiveness over mere warning volume. Applied to financial warfare, these insights suggest that precision is not reducible to better databases or more designations. Precision also depends on whether institutions can recognise adaptation early, revise targeting assumptions, and communicate those revisions across the public-private enforcement chain before surprise turns into routine underperformance. That is why the article speaks directly to practitioners as well as scholars (Marrin, 2009; Jervis, 2010; Dahl, 2013).

The case also sharpens the concept of blowback. Prolonged coercive finance can generate a more complex and diffuse operational environment, encouraging shadow routing, substitute transactional channels, and incremental fragmentation pressures at the margins of the formal system. This point resonates with broader critiques of sanctions that emphasise negative externalities and governance erosion even where coercive capacity remains substantial. The broader lesson is straightforward: financial coercion is not self-executing. Its effectiveness depends on whether pressure remains sufficiently discriminating to impose costs on strategically relevant targets while limiting the adaptive and fragmenting dynamics that prolonged pressure can trigger (Peksen, 2019; Tan, 2025).

Professional relevance deserves explicit emphasis because the framework supplies different evaluative questions for different institutional actors. For financial intelligence officers, the central issue is not simply where suspicious activity exists, but which nodes matter enough to alter target behaviour if disrupted. For sanctions policymakers, the framework disciplines escalation by enumeration: additional designations may signal stronger leverage, but they may also reveal weak attribution or slow feedback. For legislative oversight bodies, the more useful questions are whether target sets are becoming more discriminating, whether adaptive channels are closing quickly enough, and whether governance

costs are rising faster than strategic returns (Marrin, 2009; Rosenberg, 2023).

The same point has an institutional dimension. Financial coercion rarely sits within a single organisation. Treasury, financial intelligence units, customs authorities, diplomatic channels, allied regulators, and private compliance departments all participate in the enforcement chain. Misalignment across those bodies can erode discrimination even when each is individually active. Delayed intelligence sharing, inconsistent interpretive guidance, or weak market feedback can turn a formally targeted programme into a noisier and less governable one. In that sense, financial intelligence precision is not only a question of collection quality. It is also a question of whether institutions are organised to convert information into timely and proportionate action (Warner, 2002; Gill & Phythian, 2018; Marrin, 2009; Kibbe, 2007).

More broadly, a precision-centred approach helps bridge the divide between normative critique and operational analysis. Officers charged with implementation cannot rely on abstract claims that sanctions are effective or ineffective in general. They need frameworks that indicate what to prioritise, when to recalibrate, and how to recognise when adaptive innovation is eroding leverage. By tying effectiveness to precision, feedback, and resilience, the article offers a vocabulary that can travel between academic analysis and professional assessment without collapsing one into the other (Peksen, 2019; Tan, 2025).

## 7. Conclusion

This article has argued that the effectiveness of coercive financial statecraft cannot be explained by structural financial power alone. States may occupy central positions in global financial networks and still struggle to translate that position into durable strategic leverage. What matters is whether coercive pressure remains discriminating under conditions of opacity, evasion, and adaptation. To explain that variation, the article introduced a tripartite framework centred on sanctions architecture design, financial intelligence precision, and target state

resilience. Its central claim has been that financial intelligence precision is the key operational mechanism linking financial network centrality to coercive performance.

The phased analysis supports that claim. In the first phase, newly reimposed sanctions, strong signalling, and a relatively coherent coercive architecture generated stronger early leverage. In the second phase, the strategic environment shifted as the target adapted through front companies, petroleum shipping networks, intermediary jurisdictions, and other evasive structures. At that point, the premium on attribution, monitoring, and rapid recalibration rose sharply. In the third phase, coercive pressure persisted, but its strategic environment was increasingly shaped by resilience, adaptation, and the longer-term consequences of sustained financial warfare. Across the phases, the decisive variable was not simply the existence of hub power. It was the extent to which that power could be rendered selective, governable, and sustainable in practice.

The broader implication is clear. Financial intelligence is not merely an auxiliary support function operating behind sanctions policy. It is part of the strategic infrastructure through which coercive finance is made operational. Attribution accuracy, entity resolution, anticipatory monitoring, and false positive minimisation shape whether financial pressure can be translated into behavioural effect without accelerating counter-adaptation or widening collateral disruption. Financial warfare is most effective not when power is merely concentrated at the network hub, but when that power can be converted into precise, adaptive, and politically sustainable coercive action. Future work can test this framework across other sanctions cases and examine more closely how public-private compliance ecosystems mediate the relationship between intelligence and coercive effect.

These conclusions also have direct professional relevance. For financial intelligence officers, the framework clarifies that success depends on disciplined connections between attribution, monitoring, and implementation guidance. For sanctions policymakers, it underlines that calibration is not a concession to weakness but a condition of

durable leverage. For legislative oversight bodies, it provides sharper questions than the usual binary of success or failure: are evasive routes closing more quickly, are private-sector signals becoming clearer, and is the campaign preserving discrimination rather than merely accumulating measures over time (Marrin, 2009; Rosenberg, 2023).

### Acknowledgments

No acknowledgements.

### Funding

No funding was received for this research.

### Disclosure statement

The author reports there are no competing interests to declare.

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