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## **Universitat Autònoma de Barcelona**

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### **Under pressure: The impact of sanctions on Iran's economy and regional ambitions**

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Final degree project

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## 1. Introduction

In the context of contemporary international relations, economic sanctions have become a fundamental tool of pressure used by Western powers against states that challenge the established order. Iran, subjected to a long history of sanctions by the United States of America and its allies -particularly in the energy sector- has often been portrayed as a paradigmatic case of resilience in the face of international isolation. In this scenario, the consolidation of a strategic alliance with the People's Republic of China (PRC) raises important questions regarding the actual effectiveness of such measures.

I wanted to do this work because the Middle East region has always seemed interesting to me, especially the role that powers like PRC and the USA have in the dynamics of alliances between the actors in the region. Mainly what interests me is how these powers influence the actors and what consequences it entails from them. That is why the dynamics that are generated from the imposition of sanctions is a topic that fits with my interests. Within this framework, the research question explores *to what extent the relationship with China has helped Iran withstand the impact of oil sanctions imposed upon it*. The hypothesis needed to be precise but with sufficient scope to recognize all the effects that sanctions can generate. That's how I ended up deciding that my hypothesis would be: *the relationship with China has not only allowed Iran to withstand the economic impact of oil sanctions, but has also stabilized the Iranian regime internally and strengthened its regional ambitions, thereby limiting the effectiveness of the sanctions in their aim to weaken Iran's power*.

To study and investigate the research question, I firstly needed to understand the background and the functioning logic behind the sanctions imposed on Iran and how it has evolved over time. Secondly, the focus of my research shifts to the economic and political relationship between PRC and Iran, with particular attention given to the oil trade. This includes examining the evolution of Iranian oil exports -both official and reportedly covert- and the possible existence of price discounts resulting from international restrictions. In parallel, indicators such as real GDP or inflation are studied to assess the country's internal stability, along with the social unrest witnessed in recent years. Finally, the extent to which Iran has continued to project regional power through its support for militias and allied actors it's also considered.

Through this integrated approach, which combines economic, trade and political data with contextual analysis, the study aims to contribute to the broader debate on the effectiveness of international sanctions in a world increasingly shaped by interdependence and the reconfiguration of global alliances.

## 2. Theoretical framework and context

This section provides, on one hand, the theoretical framework that guides the analysis of the Iranian case, and on the other hand, the necessary context to understand the conditions in which it unfolds as it offers key insights into the nature of the sanctions, their objectives and the chronology of events.

### 1. Theoretical Framework

In this work I have used Offensive Realism as a theoretical basis to understand the reality of Iran and its response to Western sanctions and its strategic partnership with the PRC. As I will now explain, the branch of Realism proposed by John J. Mearsheimer is the most appropriate, in my opinion, to approach this case.

Offensive realism posits that the international system is anarchic, that states possess military capabilities, that no state can ever be certain of the intentions of others, that survival is the primary goal, and that states act as rational entities (Mearsheimer, 2001, pp. 30-31). These structural conditions coerce states to maximise their relative power as it's the most reliable way of ensuring their security.

As Mearsheimer asserts, “States quickly understand that the best way to ensure their survival is to be the most powerful state in the system”(Mearsheimer, 2001, p. 2). This will to increase power is not rooted in ideology or morality, but rather a logical response to the reality of the international system. In this way, Iran can be interpreted as a rational actor that operates in a hostile environment and that seeks to strengthen its regional influence and mitigate external threats. Iran exemplifies the behaviour of a “power maximizer”. Isolated by sanctions and subject to sustained diplomatic pressure, it has

opted for a strategy of regional projection through indirect means, specially with its support for non-state actors. This reflects Mearsheimer's premise that "each seeks to maximize its own share of world power" (Mearsheimer, 2001, p. 26), and that "states seek to gain as much power as possible over their rivals" (Mearsheimer, 2001, p.29). Iran's regional activities, such as its presence in Syria to uphold the Assad regime and counter Saudi or American influence, or the support for the Houthis in Yemen, can be understood through this theoretical lens. "The best outcome a great power can hope for is to be a regional hegemon" (Mearsheimer, 2001, p. 22), and Iran appears to pursue such a status within its immediate geopolitical environment.

Furthermore, offensive realism offers an explanation for Iran's strategic alignment with the PRC. Given the structural impossibility of achieving global hegemony, Iran seeks to balance more powerful adversaries through partnerships. As Mearsheimer notes "states are rational actors who are reasonably effective at designing strategies that maximize their chances of survival" (Mearsheimer, 2001, p. 83). The partnership with Beijing grants Iran access to markets, technology and political backing, thereby weakening the effectiveness of Western isolation.

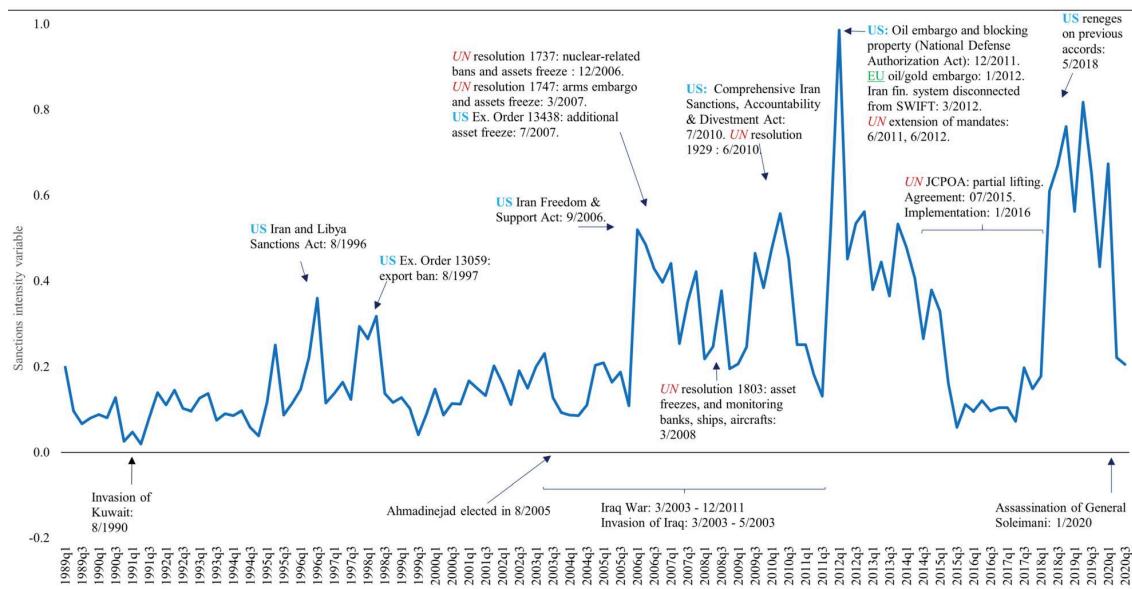
## 2. Context

Before analyzing the hypothesis, it is necessary, to facilitate the understanding of the work, to provide a brief explanation of the sanctions and a brief historical context of those that have been imposed on Iran over the years.

According to the Spanish Ministry of Foreign Affairs, international sanctions are defined as "coercive measures applied against States, non-State entities or individuals that pose a threat to international peace and security" (Ministerio de Asuntos Exteriores, Sanciones Internacionales). This definition is important in understanding that not all sanctions are directed to the State or government, as there are also individuals who are sanctioned. Furthermore, the reactive and selective nature of these measures is highlighted, as they are used in response to behaviour that is considered a threat to international stability. Taking this into account, we can understand why international sanctions are instruments of diplomatic pressure, which, beyond punishing, have as their main objective "modify the behaviour of an agent, reduce its capacity for manoeuvre or weaken its

position”(Ministerio de Asuntos Exteriores, Sanciones Internacionales) without resorting to the use of military force. This explains why they are so frequent in cases of nuclear proliferation, human rights violations or territorial aggression.

On the other hand, to continue to better understand the history of sanctions on Iran, I was able to extract a collection of the periodization of sanctions from a study<sup>1</sup> on the sanctions imposed on Iran. This Graph 1 shows and fits with the historical events of these last decades. As we can see, there is a peak that stands out among others in 2012 which coincides with the government of Mahmoud Ahmadinejad and the nuclear program of Iran. Subsequently, the intensity of sanctions decreased drastically during the years of the Joint Comprehensive Plan of Action (JCPOA) between 2016 and 2018, the year in which US President Donald Trump and his administration made the decision to withdraw. Since then, Iran has been under a high intensity of sanctions.



<sup>1</sup>Laudati, D., & Pesaran, M. H. (2022). Identifying the effects of sanctions on the Iranian economy using newspaper coverage. *Journal Of Applied Econometrics*, 38(3), 271-294. <https://doi.org/10.1002/jae.2947>

### 3. Methodology

#### 1. Type of Study

To test the hypothesis that the relationship with PRC has enabled Iran to withstand the economic impact of oil sanctions, stabilize the domestic regime, and strengthen its regional ambitions, I have followed a methodology that combines both qualitative and quantitative methods. The aim is not only to analyze trade data but also to explore the political, diplomatic and geopolitical dimensions of this relationship.

#### 2. Data Collection

##### 2.1. Quantitative Data

To verify whether the relationship with PRC has economically helped Iran mitigate the impact of the sanctions, I will analyze data on oil exports to PRC: I obtain statistics on Iran's total oil exports and PRC's oil imports since the sanctions were imposed and its evolution. This data allows me to verify whether the export volume has been maintained and if there has been an increase in Chinese imports. I have used sources such as: BP Statistical Review of World Energy, International Energy Agency (IEA), U.S. Energy Information Administration (EIA), Statista i Trading Economics, The Observatory of Economic Complexity (OEC)

I will also analyze data on oil price evolution. It is important to analyze it, as it would provide more precise information on the benefits that Iran obtains from trade with the PRC. Unfortunately this data, as I explain in the corresponding section, it's difficult to find due to the lack of transparency in the crude trade itself.

##### 2.2. Qualitative Data

To learn about the social, political, diplomatic and regional aspects of the work, I have focused on the following three sources of information. Firstly, information about Diplomatic Relations between Iran and PRC. I review the recent history of bilateral relations, including relevant trade and political agreements. I will assess whether this alliance has strengthened as a result of the sanctions and if PRC has provided diplomatic support that allowed Iran to continue oil trade despite the sanctions. Sources used:

reports from international organizations such as the International Monetary Fund (IMF) and the World Bank. Also I investigate the impact of international sanctions through think tank analyses from institutions such as Chatham House and the Brookings Institution. Secondly, information relative to internal stability in Iran. I will investigate how revenues from oil exports to PRC have helped Iran maintain internal stability. This will include data on GDP, inflation, unemployment and government welfare policies during this period. I will analyze whether this stability has led to reduced pressure on the government from the population or the opposition. Sources: IMF reports, World Bank, Tehran Times and international portals. Thirdly, information regarding Iran's Regional ambitions. I will investigate whether trade with PRC has allowed Iran to continue financing its regional allies, such Hezbollah, Syria and Shia militias in Iraq and whether its influence in the Middle East has been affected by the sanctions. I will also evaluate if its ability to maintain these regional supports has been impacted or not by its relationship with PRC. Sources: Middle East Institute, Gulf Research Center and sanctions reports from the International Crisis Group.

### 3. Analysis Method

#### 3.1. Quantitative Analysis

The quantitative analysis will focus on the collection and comparison of trade and economic data. I will develop a comparison of Oil Exports before and after sanctions. I will compare Iran's oil exports to the PRC before and after the sanctions, using graphs to show the evolution of exported quantities. This analysis will help determine if the hypothesis is true or not in economic terms (maintenance of export volume). In regard to analyzing the internal stability I will focus on a stable economic and GDP growth index or at least not in severe decline as it would indicate that despite the sanctions, the Iranian economy has managed to endure. The indicators on unemployment and inflation will help me measure the level of economic pressure on the population and to know if the government has been able to manage the economy effectively.

#### 3.2. Qualitative Analysis

The qualitative analysis will focus on reviewing documents, reports and articles to assess the impact of the relationship with PRC on diplomatic, political and regional

levels. I will review reports on trade agreements, bilateral policies and strategies used by the two actors to avoid sanctions and strengthen their commercial relationship. Through news and reports I will assess whether the government is keeping the population happy under its regime. I will use data on riots and demonstrations and whether these are direct consequences of the effects of the sanctions on the economy and well-being of the country to analyze the Iranian's internal stability. To assess the impact of sanctions on regional ambitions I will analyze reports and articles to discover whether the relationship and influence on regional actors have been maintained or not. Specifically, I will investigate whether Iran has continued offering financial and military support to its allies due to revenues generated from trade with the PRC.

#### 4. Timeframe

My work focuses on the period from 2018 to the present (2024 due to lack of public data) because this is the period that sanctions have intensified, after the United States withdrew from the nuclear deal with Iran and when significant changes in oil trade were observed. This timeframe is adequate to analyze the evolution of all aspects of the hypothesis with enough perspective.

#### 5. Hypothesis Validation

To determine whether the hypothesis holds true, I will compare the results obtained in each area. If the data shows that Iran has been able to maintain significant oil trade with the PRC despite sanctions, this part of the hypothesis will be validated. If the quantitative and qualitative data indicates that the relationship with PRC has contributed to maintaining Iran's internal stability and bolstering its regional ambitions, I will conclude that the relationship has gone beyond mere economic compensation and had a deeper impact. If any of these conditions are not met, I will revise the hypothesis and consider whether the relationship with PRC has had a lesser or limited impact on Iran's ability to withstand the sanctions.

## 4. Discussion and analysis of the hypothesis

To carry out the analysis of the hypothesis proposed, several studies are necessary. First, it is necessary to study the trade relations between the two states, Iran and PRC. In this way, we will see the role of PRC in Iran's resistance to the sanctions imposed by Western countries. Subsequently, and to finish analyzing all parts of the hypothesis, it will be necessary to analyze both the development of Iranian economy and politics and its performance in the region.

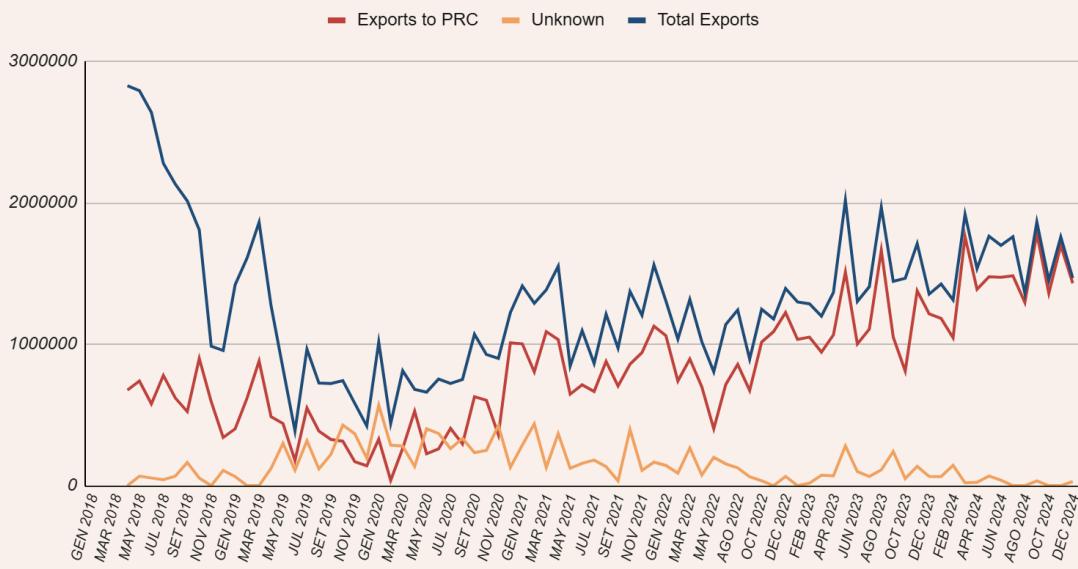
### 1. Trade relations with PRC

In this first analysis I seek to discover how trade relations between the PRC and Iran have developed during the established time frame, that is, from 2018 to the present (2024). Taking into account that the sanctions are mainly aimed at the oil sector, it is important to know what weight this sector has in the Iranian economy and how closely related the PRC is to this commercial sector. According to data from the Statistical Review of World Energy of 2024, Iran is the 5th largest oil producer in the world, just behind Saudi Arabia and Canada. Regarding oil exports, the first thing that caught my attention was the large number of reports and articles that point to the “techniques used to obscure Iranian petroleum exports”(Congressional Research Service, 2024) and falsification of export data, a process carried out by the “ghost fleet”. This fleet is based on a group of oil tankers that operate outside international systems to evade sanctions imposed on Iran. Their methodology is based on turning off automatic location systems, which is against international maritime regulations. They also change their flag to avoid being associated with Iran, the use of oil transfers from one ship to another on the high seas, to make it difficult to trace the origin of the crude oil, as well as the manipulation of cargo documents to falsify the origin data of the goods they transport. All this is explained in an exhaustive article by Reuters, since taking advantage of an act of hacking “Reuters was able to show how the Iranian company evaded Western sanctions”(Reuters, 2025). Through leaked emails Reuters was able to prove that “Sahara Thunder shipped around the world almost 20 million barrels of oil, valued at around \$1,7 billion based on the average market price in 2023” (Reuters, 2025). At this

point in the research I encountered an obvious problem, the data I had found on crude oil exports could be erroneous. This is why I was forced to look for figures on crude oil exports from the ghost fleet in order to complete the export data.

**Graph 2: Iran's crude exports 2018-2024**

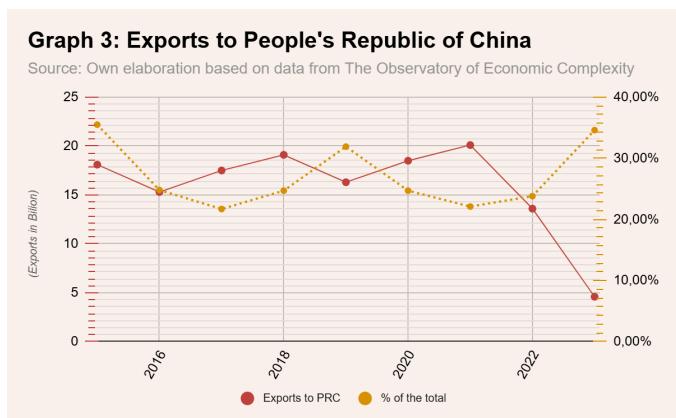
Source: Own elaboration based on data from United Against Nuclear Iran



As we can see in Graph 2, starting in 2018, a period in which sanctions intensified, the export of barrels of oil per day (BPD) suffered a sharp decline and it was not until 2020 that the trend seemed to be upward again. During this period, the significant increase in exports with an unknown destination and the decline in exports to the PRC stood out, where at the beginning of 2020 they almost reached zero. Since 2020, with the Covid-19 pandemic, it is believed that control over sanctioned subjects and objects has been reduced and exports to the PRC have increased again, while exports to an unknown destination have a downward trend. The most important aspect to highlight is how the PRC has absorbed this Iranian product to such an extent that practically all exports are destined for the PRC. A report by the US Congressional Research Service (2025<sup>25</sup>) states that “Iran’s petroleum exports reportedly reached new heights in 2024, with nearly all exports going to the People’s Republic of China”. As for the study of the hypothesis, it is important to note that despite the decline in exports, the trend seems to be stable and upward and that the relationship with the PRC is increasingly closer, at least in this sector of the Iranian economy. Unfortunately, since we are talking about a sanctioned product, Iran cannot use international markets or large banks, which has made it impossible for me to find the real price at which the PCR buys this goods. This is what

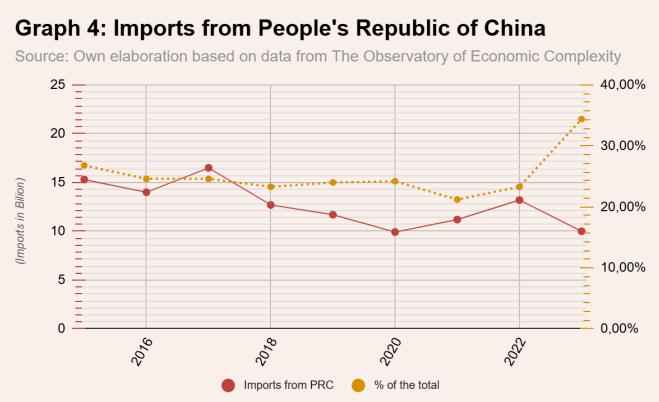
the US Congressional Research Service (2025) points out in a report: Iranian petroleum is often sold below prevailing market prices, reportedly at a discount compared to Persian Gulf or price-capped Russian suppliers. Therefore, taking into account that I have not been able to find out how much profit Iran derives from exporting oil, it is necessary to know how commercial relations in general between Iran and the PRC have evolved. With this, together with the information on the oil trade, the first part of the hypothesis will already be covered. In this case the data is more accessible and I was able to find some prior to the time frame established in the methodology in order to see the commercial relations between both states with a better perspective.

As we can see in Graph 3, just after 2018 Iran's exports suffer a significant decline that stands out with the growth of previous years and at the same time the percentage with respect to the total destined to the PRC increases, therefore, it is understood that this decline is



precisely due to the interruption of exports to Western countries. Later we see how clearly the level of exports suffers a sharp drop while the percentage destined to the PRC increases. Regarding imports, as can be seen in Graph 4, they have remained much more stable than exports over the past decade. Little variation in PRC imports is observed in

percentage terms, although there is a clear difference between the level before and after 2018, where Iran has not been able to maintain its import expenditure in general, probably due to lack of export income. It is worth noting the large increase in the percentage of the total that comes from the PRC in



2023 compared to previous years, with a difference of 11.1 percentage points compared to 2022.

As you already have seen in Graphs 2, 3 and 4, trade relations between the two countries have remained stable over the years until 2021, when both exports and imports experienced significant declines. Seeing that the percentage of the total with the PRC increases, we can conclude that both total imports and total exports have decreased even more sharply than those related to the PRC. This is confirmed by the OEC data, which report a 78,4% drop in Iran exports in 2023 compared to 2022, representing a loss of \$48,1 Billion . This is surprising because in March 2021, a 25-year trade cooperation agreement was signed in Tehran based on “investment in sectors such as transport, ports, energy and industry” (Aljazeera, 2022). This agreement is one of the many expansions that the PRC has made in its project to build a new Silk Road, officially called “One Belt, One Road” (OBOR). As its name suggests, this geopolitical and geoeconomic project of the PRC aims to form a corridor of cooperation and economic development across the entire Asian continent to Europe, both land and sea routes, through investment in railway infrastructure and seaports.

In short, the trade relationship between the PRC and Iran has become close in recent years as we have seen in the important oil sector but not so much in both imports and exports. This is due to the clear expansionist intentions of the PRC as demonstrated by the agreement that includes Iran within the OBOR. However, the level of these macroeconomic indicators has been reduced year after year, so it will be necessary to observe whether this trade relationship with the PRC is sufficient to deal with the sanctions by observing in which situation is Iran internally.

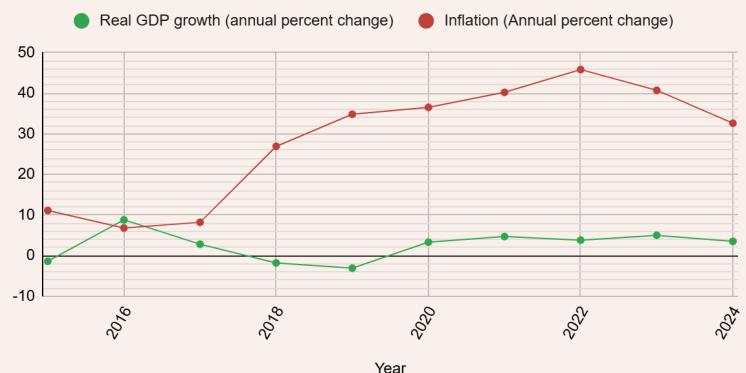
## 2. Internal Stability

The state of the Iranian economy and society is key for several reasons. Initially because it is a very important part of the hypothesis proposed. In addition, one of the objectives of the sanctions is precisely to destabilize the country internally and, finally, because as I explained previously, it is necessary to see if trade relations with the PRC help Iran or only the PRC benefits from it. That is why in this section I have decided to gather both macroeconomic and news information to know what the situation in Iran is and how it has evolved in recent years.

First of all, to observe the economic situation of Iranian society, I have collected data on inflation, real GDP, GDP per capita and I have also compared population growth with the unemployment rate in the country.

**Graph 5: GDP real and Inflation**

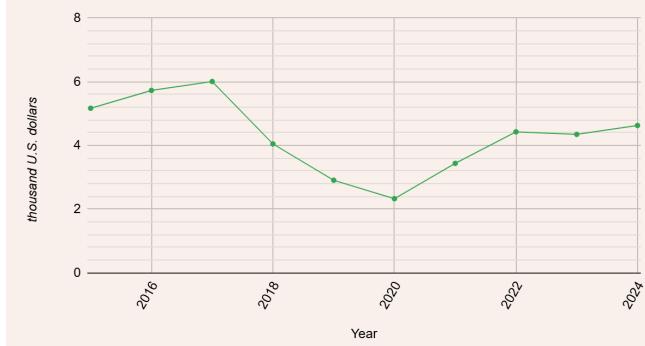
Source: Own elaboration based on data from International Monetary Fund



Therefore, as shown in Graph 5, I have crossed the data provided by the International Monetary Fund (IMF). The objective of crossing the inflation rate with real GDP is to observe whether there is really economic growth, since with nominal GDP being at current prices, the crossing would not make any sense. The strong growth of Inflation stands out, every year above 30% since 2019. Despite the downward trend of the last two years, every year Iranian society suffers an increase in product prices, as I have said, of more than 30%. In terms of real GDP growth, the country suffered an economic slowdown that ended in a recession from 2018 to 2019 reaching a reduction in real GDP of 3.1%. Since then, growth has been sustained with figures between 3.3% and 5%.

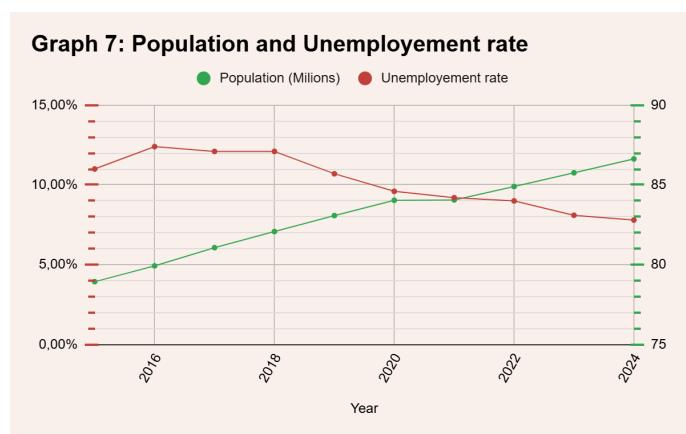
With a similar picture of the real GDP growth, Graph 6 indicates GDP per capita at real prices. During the 2016-2020 period, GDP per capita decreased year after year, going from 6.01 thousand to 2.33 thousand. Then, from 2020 to 2024 it went from 2.33 thousand to 4.63 thousand. This indicates, therefore,

**Graph 6: GDP per capita**



that Iran's economy was initially severely affected by the sanctions and that the functioning of its economy has improved since 2020 but the government is unable to reduce or control the high inflation that the country suffers despite the already mentioned downward trend in inflation in the last two years.

To finish with the macroeconomic data analysis, unemployment in Iran has decreased every year since 2018 as shown in Graph 7 with an unemployment rate below 10% since 2020 and which in 2024 was 7.8%. This also shows how, contrary to unemployment, the population has continued to



increase. Contrary to what is suggested by the data in Graph 7, World Bank figures indicate that the labor force participation rate has decreased year after year, starting in 2018 at 44% and currently standing at 40%. This suggests that either people who were previously looking for work have stopped searching, thus lowering the unemployment rate, or that some are finding jobs but many others are losing theirs. In any case, this data indicates the fragile situation of the Iranian population in economic terms.

Regarding the degree of citizen satisfaction with the regime, since 2018 there have been several stages of mass demonstrations with fatal victims. In November 2019 the government announced a 50% increase in gasoline prices. The demonstrations were “significant” and people attacked a gasoline depot and tried to set it on fire”(El Mundo, 2019). The government admitted the death of one civilian, while Amnesty International speaks of more than a hundred. These events occurred at the worst moment of the Iranian economy, when the decline in the economy was highest and the purchasing power was lowest during the study period, as we have just seen.

Later, in 2022, after the death of Masha Amini in police custody, large riots took place under the slogan of “Women, Life, Freedom”, where the government violently repressed it. “Hundreds of protesters, including children, were victims of illegitimate killings committed by the security forces of the state; hundreds of people were blinded by the firing of metal pellets, and thousands suffered other serious injuries due to the illegitimate use of force. For fear of being arrested and of other reprisals, many people did not go to receive medical attention. Tens of thousands of people were also arbitrarily detained”(Amnesty International, 2023)

Is it clear then, that the internal stability in the country is in danger of ending up exploding completely, with a timid growth in GDP per capita that is of no use because of the high inflation rate that year after year increases prices in a practically unsustainable way and with periodic massive demonstrations that are harshly repressed by the security forces, causing mortal victims. It will therefore be necessary to see if this internal instability has also been transferred to its regional aspirations to finally complete the analysis of the hypothesis.

### 3. Regional ambitions

The Middle East is one of the most tense and unstable regions on the international scene. It is formed by a combination of geopolitical rivalries, religious division and large economic interests in strategic sectors such as oil. The region suffers from different armed conflicts, both open and latent. The civil wars in Syria or Yemen as well as the cruel war between Israel and Palestine are clear examples of the reality of the region.

In this context, realism and mainly offensive realism, the theory explained by John J. Mearsheimer, has a lot of explanatory power. This perspective starts from the premise that states seek to maximize their relative power as a mechanism to guarantee their own security. “States should behave according to the dictates of offensive realism, because it outlines the best way to survive in a dangerous world”(Mearsheimer, 2001, p. 6). From a realistic perspective, Iran acts like any other state seeking its own security and increasing its influence in a hostile and competitive environment.

From this point of view, it is understandable why Iran has sought to project its power and influence through various armed groups, many of which have achieved key positions within the political structures of their respective countries. As shown in Table 1, Iran’s influence on other militias is very diverse and wide-ranging, covering much of the territory of the Middle East.

Main area of activity	Militia	Iranian influence	Estimated size
BAHRAIN	Al-Ashtar Brigades	Strong	Unknown
IRAQ	Kata'ib Hezbollah	Strong	20,000–30,000
	Badr Organization	Strong	30,000–60,000
	Asa'ib Ahl al-Haq	Strong	20,000–30,000
	Hezbollah Harakat al-Nujaba	Strong	10,000–20,000
	Kata'ib Sayyed al-Shuhada	Strong	10,000–20,000
LEBANON	Hezbollah	Strong	30,000–45,000
PALESTINIAN TERRITORIES	Hamas	Moderate	30,000–40,000
	Palestinian Islamic Jihad	Moderate	1,000–15,000
SYRIA	Fatemioun Brigade	Strong	10,000–15,000
	Zainabiyoun Brigade	Strong	2,000–5,000
	Quwat al-Ridha	Strong	3,000–3,500
	Baqir Brigade	Strong	3,000
YEMEN	Houthi movement	Moderate	10,000–30,000

Sources: Militia Spotlight, Washington Institute for Near East Policy; Financial Times; International Institute for Strategic Studies; CFR research.

The Revolutionary Guards army and specially its external branch, the Quds Force, is the branch of the Iranian military responsible for protecting the Islamic system from foreign intervention. The Revolutionary Guards are the ones that maintain contact with these militias, providing them with funding, training and armament to promote Iran's regional goals. Regarding funding and the delivery of armament, there is varied and little-contrasted information, as most of it goes to illegal terrorist groups. However, this has been maintained during the period of study. Some sources speak of 220 million dollars to Hamas between 2014 and 2020. "Last year, Hamas leader Ismail Haniyeh, in an interview with Al Jazeera television, said that his group had received \$70 million in military help from Iran" (Iran International, 2024). On the other hand, the "US State Department estimated previously that Tehran's support for Palestinian terror groups, including Hamas, reached \$100 million a year" (Congressional Research Service, 2025). This foreign policy is part of a doctrine that seeks to establish a network of like-minded actors outside the national territory in order to act as a first line of containment against possible threats. This approach, together with the ideology of protecting the Islamic system against foreign intervention, that is, anti-Western, has resulted in the formation of the axis of resistance, facing the interests of Israel, among others. Cases such as support for the Bashar al-Assad regime in Syria, logistical assistance to the Houthis in Yemen, influence over Shiite militias in Iraq or support for Hamas and Hezbollah exemplify the

continuity and scope of the Iranian strategy on the region. Not only have these interventions persisted, but despite international sanctions, “Iran significantly increased funding for Hamas’ military wing in the past year from \$100 million to about \$350 million a year”(Reuters,2023). This fact shows that these Western measures have not been effective in curbing Iran's regional ambitions. Therefore, in this regard, Iran's ambitions have remained, although there is no direct relationship with the PRC and its support in the face of sanctions.

It is obvious, though, that public information on this issue contains discrepancies that do not allow us to truly clarify the financing situation for armed groups.

## 5. Conclusions

The hypothesis of this research was that the relationship with the PRC has not only allowed Iran to withstand the economic impact of oil sanctions , but has also contributed to internally stabilizing the Iranian regime and strengthening its regional ambitions, thus limiting the effectiveness of sanctions imposed by Western countries.

After the three phases of the hypothesis analysis, the data confirms that the commercial relations between the PRC and Iran, especially in the oil sector, have been fundamental to maintain a stable level of trade and to cope with the sanctions. Despite international sanctions, Iran has managed not only to maintain, but to increase little by little its oil exports levels in recent years. In large part, this has been thanks to covert mechanisms and a constant demand, often unofficial, by the PRC. The use of the ghost fleet and the sale at discounted prices demonstrate how the sanctions have forced Iran to act outside the conventional international systems, and it is clear that Iran has been unable to reach the trade levels it had before 2018. Both in imports and exports, graphs 2, 3 and 4 demonstrate this, all of them, without exception, show a decline from 2018. The fact that practically all crude oil exports are to the PRC may be because the sanctions have forced Iran to find a single buyer, or that the PRC itself has, deliberately and taking advantage of Iran's situation, absorbed this sector of the Iranian commercial market. In any case, several studies show the negative effects of sanctions on exports. As early as 2016, a study showed that “in 2012, the sanctions decreased Iran's exports to 28 percent”(Shirazi et al., 2016, p. 120).

The second part of the analysis further demonstrates this lack of capacity to cope with sanctions. First, the real GDP growth data show that the Iranian economy suffered quite a bit after 2018, and growth since then has been sustained but low. “In the absence of sanctions-induced mismanagement Iran’s average annual growth over 1989q1-202q1 could have been around 4-5 percent, as compared to the 3 percent realized”(Laudati & Pesaran, 2021, p. 37). Secondly we have seen how, despite the reduction in the unemployment rate, the labor force participation rate has decreased by 4% since 2018. “Iran’s employment rate contracts by about 1 percent per year more than in other Middle East and North Africa countries as a reaction to sanctions”(Laudati & Pesaran, 2021, p. 39).

Finally, we have seen that the situation seems stable regarding Iran’s regional ambitions, with the maintenance of financing its allies in the region. However, as we have just seen, the Iranian economy is at a critical juncture, and no matter how much it maintains financing and aid to its allies, it will increasingly require a greater effort as long as the economy does not improve. In addition, in a short period of time, Iran has suffered serious changes in its allies, such as the fall of the Bashar al-Assad regime on Dec. 8, 2024 that represents the most recent strategic blow suffered by Iran. Syria functioned as a corridor for the arms trade with Hezbollah in Lebanon, and although Iran continues to support Hezbollah, international sanctions and Israeli military pressure have limited Iran’s ability to project its influence in Lebanon. The deaths of prominent Hezbollah leaders in Israeli attacks have weakened the group’s structure, and the economic crisis in Lebanon has further complicated the situation.

To conclude the work, we can say that the hypothesis is only confirmed in the last part of limiting the effectiveness of the sanctions, since in terms of the economy, the PRC has been a lifesaver for Iran, since it has become the only buyer of the most important good of its economy, but despite this the population suffers economically and politically and the economic situation of Iran and the regional situation does not allow it to maintain its aspirations in the region.

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