<u>Washington Post</u> (8.28.20)

THE COST OF IMPOSING SANCTIONS

BY Fred Zakaria

Under the Trump administration, the United States has withdrawn from so many international agreements, broken with so many precedents and angered so many allies that it can be difficult to cut through all the noise. But one particular approach could irreparably damage America's superpower status: its promiscuous use and abuse of sanctions.

Currently, the United States has more than 8,000 sanctions in place against individuals, companies and countries. While the United States has used sanctions for decades, they have proliferated dramatically in recent years, especially under President Trump. He has instituted more than twice as many sanctions per year as his two predecessors, including 700 on a single day in 2018 (on Iran). Sanctions against countries such as Iran and Venezuela are so broad that they prompted U.N. High Commissioner for Human Rights Michelle Bachelet to warn that they are putting healthcare systems at risk of collapse and endangering the lives of millions of ordinary people.

But it is not just against America's foes that Trump wields sanctions. He has brandished them against partners such as Iraq and Turkey — threatening to destroy both those countries' economies if they didn't do what he asked. Earlier this month, three Trump allies in the Senate sent a letter to a Baltic Sea port operator in Germany threatening "crushing legal and economic sanctions" if it proceeds with the Nord Stream 2 project, a gas pipeline between Russia and Germany. The threats have been badly received in Germany, where senior politicians are accusing the United States of "blackmail" and "neo-imperialism."

Why is the United States gravitating toward sanctions as a preferred tool of foreign policy? Because they are a seemingly cost-free way of forcing countries to change course. They require neither the commitment of U.S. troops nor the appropriation of large sums of foreign aid. They allow Washington to register disapproval and show it is doing something without having to make hard choices and sacrifices. As scholar Eliot Cohen once said of air power, sanctions are seductive because, like modern courtship, they offer gratification without commitment.

In fact, they do have costs. As with tariffs, the average American consumer pays for these policies, but the costs are spread thinly across the citizenry. And though sanctions can cause real pain to the target, they have rarely been effective at what is often the underlying goal: regime change. The governments of Cuba, Venezuela, Iran and North Korea are all still standing after decades of sanctions.

Nevertheless, the United States has increasingly turned to sanctions under Trump, taking advantage of the enhanced power of the U.S. financial system. The growing interconnectedness of the global economy has bolstered the need for a single dominant currency, and the dollar has filled that role. As a result, when the United States issues

"secondary sanctions" against anyone doing business with a sanctioned entity, it can cripple the target's access to international transactions. Thus, when the United States unilaterally withdrew from the Iran deal and reimposed sanctions, Iran was largely cut off from the international economy.

This is an extraordinary power, and Washington should not use it lightly. The United States' leverage causes intense discomfort even among its allies. The more Washington abuses its power, the greater the efforts to find some alternative to the hegemony of the dollar. The Russians and Chinese have long been trying to find ways to skirt dollar control. Infuriated by the Iran sanctions, the Europeans are now doing the same. So far they have refrained from the most extreme options, such as nationalizing the SWIFT system, which processes international bank transfers and happens to be based in Belgium. They have set up an alternative mechanism, INSTEX, but have been reluctant to back it fully and openly.

But the more Trump resorts to sanctions as unilateral cudgels, and the more he wields them to look tough rather than to execute an overarching strategy, the more other countries will resent the United States and push back. This is the real cost of sanctions.

The power of the dollar remains one of America's greatest strengths. In facing the challenge of covid-19, Washington has a major advantage: It can issue debt in its own currency, which is the world's reserve currency, without the fear of hyperinflation or depreciation. But if one day that privilege evaporates, it will be a permanent blow, and we will look back on the misuse of this precious asset and wish we had handled it with greater care.