

Donald Trump

Sanctions are Donald Trump's new way of war

The president has merged America's economic policy with its security strategy



by **Philip Stephens**

Call it America's new way of war. Forget aircraft carriers, stealth fighters and cruise missiles. Think instead about dollars, silicon chips, digital data — and sanctions, embargoes and blacklists. Nations have often **employed economic coercion.** Donald Trump has gone three steps further. He has **merged America's economic policy with its national security strategy.**

When Steven Mnuchin, the Treasury secretary, was asked if the US could halt Turkey's onslaught against the Kurds in Northern Syria, he had an easy answer. "We can shut down the Turkish economy". Mr Mnuchin, a former banker and hedge fund investor, was once what the president calls a "globalist". Now, it seems, part of his job is to roll back the frontiers of globalisation.

Perhaps nothing about Mr Trump's presidency should surprise us. After all, a couple of days before he slapped **sanctions on Ankara**, he had all but blessed President Recep Tayyip Erdogan's invasion by announcing the withdrawal of the US troops who fought alongside the Kurds against Isis.

Mr Trump says that by pulling out he is redeeming an election pledge to bring home US troops from the Middle East. And, after Iraq and Afghanistan, there is something to be said for his reluctance to put US troops in harm's way. Mr Trump's peremptory dismissal of John Bolton as national security adviser may well have averted a war with Iran.

Throwing the Kurds overboard is a different story. The president has handed **strategic victories** to Russia, Syria and Iran simultaneously, while damaging America's own **regional credibility**. The Kurds were vital partners in the defeat of the jihadis. By betraying them, Mr Trump shows the US to be a wholly unreliable ally — as capricious in dealing with friends as with enemies.

Mr Trump is not the first president to weaponise America's economic might. In 1956, Dwight Eisenhower's administration forced Britain to withdraw from Suez by blocking international support for sterling. Ronald Reagan and Margaret Thatcher were famously firm allies, but had a protracted fight about the extraterritorial reach of US sanctions on the Soviet Union after the invasion of Afghanistan.

Throughout the cold war, most western nations restricted the export of sensitive technology to the Soviet Union. More recently, the EU imposed its own sanctions on Moscow, alongside those of the US, after the annexation of Crimea and occupation of eastern Ukraine.

Now, tariffs, embargoes and the like have become America's remedy for all seasons. The dollar's role as the sole reserve currency gives the US a unique capacity to control the international financial system. The tariffs imposed on Chinese, Canadian and Mexican goods at the start of Mr Trump's presidency had the limited aim of tilting bilateral trade accounts back towards balance. Since then the myriad restrictions applied to China signal a more fundamental goal of decoupling the two economies.

The communications giant Huawei, along with scores of other Chinese companies, has found itself on the so-called entity list, which bars it from buying US technology. The list was conceived to hit terrorists and proliferators of weapons of mass destruction. The 2018 Foreign Investment Risk Review Modernization Act caps investment in Silicon Valley by Chinese businesses. The Denied Persons List imposes even more draconian curbs on technology transfer.

Mr Trump reaches for the sanctions manual whenever the mood takes him. The latest set directed against Beijing supposedly provides a response to the repression of the Uighur population in China's Xinjiang province. The president has invoked cold war legislation passed by the Kennedy administration to declare imports to the US of European and Canadian automobiles and flows of immigrants across the Mexican border as national security threats demanding retaliation.

During Barack Obama's presidency, sanctions on Iran helped persuade it to reach an agreement with the international community on its nuclear programme. Mr Trump disowned that accord, only to apply even tougher measures. The purpose now reaches well beyond nuclear ambitions to include Iran's behaviour across the region.

Where the US goes, Mr Trump expects its allies to follow. By denying Iran access to dollars, Washington has all but broken the back of European efforts to salvage the nuclear accord. Not content with pushing Huawei out of the US market, the administration is demanding that European allies exclude it from their 5G digital communications networks. The allies have been warned they will lose access to US intelligence if they step out of line.

And much of the time **the administration does not need to apply direct pressure to achieve such extraterritorial effect. Western companies operate within complex, cross-border supply chains.** Many have operations or sales in the US. They cannot risk finding themselves added to a US blacklist or at risk of losing access to dollars.

The White House is unapologetic. **Peter Navarro**, the president's trade adviser, says economic security is indivisible from national security. Another way of putting it is that for as long as the US holds the only reserve currency and a preponderance of economic power, America has decided it can do as it pleases. In Mr Trump's world, **rules are for the weak.**

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