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America and the World—The Effects of the Trump Presidency

The Trump Administration and Economic Sanctions

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Evaluating the significance and effects of economic sanctions is a serious challenge for scholars. For one thing, appraising the outcomes of sanctions raises the question of perspective: from whose vantage point do we observe their use and effects? While U.S. policymakers often change their approach to sanctions, to targeted countries the continuities in attitude are often more salient than the transfer of power in D.C. from one presidential administration to another. At the same time, the impression among Western capitals and U.S. allies has been that the election of Donald Trump in November 2016 marked a serious strategic shift for United States foreign policy. Any fully global assessment of sanctions must integrate these simultaneous perceptions of continuity as well as change.

A sound analysis of sanctions must also tackle important causal questions.[1] Sanctions are used to inflict pain and demonstrate resolve, and as a result it can be tempting to see them as key drivers in the decision-making of target states. In reality, they are never used in a vacuum. Their effects are bound up with a gamut of ideological, political, economic, and military factors. There are also historical patterns of persistence that shape sanctions. Several countries currently under U.S. economic sanctions–such as Iran, Russia, and North Korea–have been exposed to them in the past, operated under them for a long time, and changed their policies and political economies in response. Sanctions under the Trump Administration thus must be placed in a wider overview of world politics that captures the animosities and conflicts that result in their use.

Taking all this into account, what is remarkable about sanctions under the Trump Administration is how a major diplomatic and rhetorical shift was accompanied by the continuation and extension of economic pressure at the material level. In the deployment of sanctions, Trump used a tool that many previous presidents have resorted to. But he used it in a more aggressive, impulsive, and counterproductive way than his predecessors. Besides Trump's intensification of the use of sanctions, the change in tone around them was marked. Between 2017 and 2021 the U.S. government abandoned any plausible claim that it was using sanctions to enforce international rules. Indeed, international institutions such as the Netherlands-based International Criminal Court (ICC) found themselves directly

[1] Classic early works are Margaret P. Doxey, *Economic Sanctions and International Enforcement* (Basingstoke: Palgrave Macmillan, 1980) and David Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985). The literature on sanctions is dominated by political scientists and international relations scholars using large datasets and quantitative approaches. However, such large-scale analyses remain precariously dependent on coding hundreds if not thousands of individual sanctions cases along a spectrum of effectiveness based on the judgment of scholars and experts. As is to be expected, deeper qualitative examination of individual cases often leads to a multitude of possible interpretations and case-specific confounding factors that make it difficult to reach back to more general conclusions. This methodological impasse became clear after the appearance of the oft-cited dataset and analysis of Gary Clyde Hufbauer, Jeffrey J. Schott, Kimberly A. Elliott, and Barbara Oegg, *Economic Sanctions Reconsidered* (Washington: Peterson Institute for International Economics, 1990). The problem of multiple causality was highlighted by the critique of Robert A. Pape, "Why Economic Sanctions Do Not Work," *International Security* 22:2 (1997): 90-136. As Peter van Bergeijk argues, this has made it possible "to reach a general conclusion, but this comes at the cost of a deeper understanding of country-specific relationships." Peter van Bergeijk, "Can the Sanction Debate Be Resolved?," *CESifo Forum* 20:4 (2019): 3-8, at 8.

As a result, there is a lack of general consensus on the question of effectiveness in the overall sanctions literature, even though the most up-to-date datasets tend to indicate that their effectiveness has decreased in recent decades from an already restricted level of effectiveness. See Gabriel Felbermayr, Aleksandra Kiralakha, Constantinos Syropoulos, Erdal Yalcin, Yoto V. Yotov, "The Global Sanctions Data Base," *European Economic Review* 129 (October 2020). For a recent conceptually sophisticated in-depth analysis of three cases (apartheid South Africa, Ba'athist Iraq and Myanmar), see Lee Jones, *Societies under Siege: How International Economic Sanctions (Do Not) Work* (Oxford: Oxford University Press, 2015).

targeted by U.S. sanctions. Attorney General William Barr defended the Trumpist attack on internationalism by accusing the ICC of being "little more than a political tool employed by unaccountable international elites."[2]

This break in discursive norms–rivalled in some respects only by the unilateralist phase of the George W. Bush presidency–was important. It amounted to a wholesale abandonment of a core aspect of modern economic sanctions ever since their official invention at the Paris Peace Conference of 1919: the enforcement of international norms. Traditionally, many presidents had used sanctions in a dual fashion: multilaterally when possible and unilaterally when necessary. This meant that the U.S. would use international institutions such as the UN Security Council against outlier states and terrorist groups, but resort to alliance networks such as NATO when the target was more difficult to isolate. The sanctions against North Korea and al-Qaeda and the Islamic State were an example of the former; those imposed against Russia in 2014 an instance of the latter. In some cases, such as Iran, multilateral and unilateral measures were combined, with the milder multilateral sanctions forming a base on which Washington imposed its own, harsher sanctions. The final important element of U.S. sanctions, initiated during the Bush administration and subsequently expanded under the Obama administration, was the extra-territorial enforcement of U.S. sanctions through the international financial function of Wall Street banks.[3] These different modalities of sanctions use were complex and could, in the right hands, be calibrated to deliver pressure that was–at least in principle–more subtle and less onerous on the world economy and key U.S. allies.[4]

The risk of alienating allies by pushing sanctions too far has been a persistent problem for American administrations.[5] One reason for this is the relatively limited exposure of the U.S. economy to international trade and finance.[6] With a very large internal market buoyed by considerable consumer demand and a large trade deficit, American policymakers have to worry much less about the effect of sanctions on their country's exports than many open, trade-dependent European and Asian economies. U.S. sanctions were thus disproportionately burdensome for allies. Obama administration officials were aware of this imbalance. For this reason they sought to glue together the sanctions regimes developed against Iran and Russia in 2010-2016 through extensive diplomacy and negotiations with European and Asian governments.

Trump was never interested in such diplomatic groundwork. His administration rarely heeded the concerns of other states, friendly or opposed, in its use of sanctions. Across the board, Trump's sanctions ratcheted up tensions with allies and further antagonized opponents. The most dramatic episode in this respect was the U.S. unilateral withdrawal from the Iran nuclear deal. Declaring that "America will not be held hostage to nuclear blackmail," he announced in May 2018 that the U.S. would leave the Joint Comprehensive Plan of Action (JCPOA).[7] By the fall of that year, Trump had not only reimposed older sanctions but also launched a new "maximum pressure" campaign against Iran. Spearheaded by Secretary of State Mike Pompeo, this approach sought to completely eliminate Iran's oil exports, with exceptions administered through a special waiver system.[8] This extremely aggressive extra-territorial sanctions campaign against

[2] "Trump targets ICC with Sanctions after Court opens War Crimes Investigation," *The Guardian*, June 11, 2020, https://www.theguardian.com/us-news/2020/jun/11/trump-icc-us-war-crimes-investigation-sanctions

[3] Edoardo Saravalle, "The Watchful Eye of the U.S. Dollar," *Alchemist Mag* 1:5 (May 2021), https://www.alchemistmag.com/past-editions/the-watchful-eye-of-the-us-dollar

[4] Richard Nephew, *The Art of Sanctions: A View from the Field* (New York: Columbia University Press, 2017).

[5] A core insight of the study by Lisa Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions* (Princeton: Princeton University Press, 1997).

[6] For example, in 2019 U.S. exports and imports amounted to 11.7% and 14.6% of GDP, whereas the global average exports/GDP ratio was 29.5% and imports/GDP about 28.7%. See World Bank data: https://data.worldbank.org/indicator/NE.IMP.GNFS.ZS.

[7] "Read the Full Transcript of Trump's Speech on the Iran Nuclear Deal," *New York Times*, May 8, 2018, https://www.nytimes.com/2018/05/08/us/politics/trump-speech-iran-deal.html

[8] The initial eight countries benefiting from this waiver system were both U.S. allies (South Korea, Japan, Italy, Greece), territories where U.S. interests were perceived to be at stake (India, Iraq, Taiwan), and rivals whose bilateral trade with Iran was too politically and diplomatically costly for the U.S. to sever (China).

Tehran prompted European signatories to the JCPOA to create a special purpose vehicle, INSTEX, to facilitate EU-Iranian trade. However, INSTEX only covered the trade in humanitarian goods and food, leaving the rest of the Iranian economy exposed.[9] The effects for Iran of this sudden snapback were very serious, as the country's GDP fell by 6 percent in 2018 and 6.8 percent in 2019.[10]

"Maximum pressure" against Iran was a fruitless and even counterproductive strategy.[11] Instead of moderating its behavior, the Iranian government expanded its sanctions evasion infrastructure, setting up illicit oil exports to large Asian economies through Pakistan and Malaysia. Simultaneously, Iranian-linked groups and militias in the region asserted their presence from Iraq and Syria to Yemen. After an initial war scare in 2017, the continuous increase of U.S. pressure on the Iranian economy brought Washington and Tehran to brink of war in early 2020, when Trump directed the assassination of Iranian General Qasem Soleimani in Baghdad. The possibility of a stabilization of these tensions, let alone for longer-term U.S.-Iranian rapprochement, was repeatedly undermined by the administration's unilateral actions. Given the profound distrust created by this sanctions war, it is doubtful whether the new administrations in Washington and Tehran will be able and willing to come to any new kind of agreement.

Under Trump, old U.S. adversaries were targeted with new vehemence. This was also the case with Venezuela, whose government has been under U.S. sanctions for human rights abuses and money laundering since 2006. Trump went much further by imposing sanctions on Venezuela's access to public and private international debt markets in August 2017. His administration subsequently expanded these restrictions in 2018 and 2019 to cover crypto-currency, the national central bank, gold mining, oil exports, and government officials–putting virtually the entirety of the country's state and foreign trade under embargo.[12] This went hand in hand with a much more open pursuit of regime change in Caracas. Trump's sanctions aimed to cause such profound economic collapse and despair among the Venezuelans that the regime would be forced to compromise. But no convincing argument for how the aggravation of misery would produce a more democratic government was ever articulated. National Security Advisor John Bolton claimed that a full embargo "worked in Panama, it worked in Nicaragua once, and it will work there again, and it will work in Venezuela and Cuba."[13] Yet this was ignorance masquerading as confidence; political change in Central America in 1989-1990 required a U.S. invasion against Panamanian President Manuel Noriega and a decade of violent proxy warfare against the Sandinistas in Nicaragua; the six-decade-old embargo against Cuba has not succeeded either.

The inadequacy of sanctions as a tool of regime change became evident in Venezuela as well. The democratic opposition did not manage to benefit from increased U.S. economic pressure, which instead worsened the already considerable suffering among the poorest sections of the population.[14] One study estimated that Venezuela's excess mortality after the Trump sanctions went into effect rose to 40,000

"U.S. Renews Iran Sanctions, Grants Oil Waivers to China, Seven Others," *Reuters*, November 5, 2018, https://www.reuters.com/article/us-usa-iran-sanctions-oil-idUSKCN1NA0O8

[9] Esfandyar Batmanghelidj and Ellie Geranmayeh, "Trading with Iran Via the Special Purpose Vehicle: How it Can Work," *European Council on Foreign Relations*, February 7, 2019, https://ecfr.eu/article/commentary_trading_with_iran_special_purpose_vehicle_how_it_can_work/

[10] IMF data, World Economic Outlook (April 2021): https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/IRN?zoom=IRN&highlight=IRN .

[11] Mohammad Nuruzzuman, "President Trump's 'Maximum Pressure' Campaign and Iran's Endgame," *Strategic Analysis* 44:6 (2020): 570-582; "The Failure of U.S. 'Maximum Pressure' Against Iran," *International Crisis Group*, March 8, 2021, https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran/failure-us-maximum-pressure-against-iran ; Hadi Kahalzadeh, "'Maximum Pressure' Hardened Iran Against Compromise," *Foreign Affairs*, March 11, 2021, https://www.foreignaffairs.com/articles/iran/2021-03-11/maximum-pressure-hardened-iran-against-compromise.

[12] "White House Raises Pressure on Venezuela with New Financial Sanctions," *New York Times*, August 25, 2017, https://www.nytimes.com/2017/08/25/world/americas/venezuela-sanctions-maduro-trump.html ; "AP Explains: The wide reach of Trump's Venezuela sanctions," *Associated Press*, August 7, 2019, https://apnews.com/article/0b13effe006b41648f8285f8531ba869 .

[13] Jon Lee Anderson, "In Its Fight with Venezuela, the Trump Administration Takes Aim at Cuba," *New Yorker*, October 10, 2019, https://www.newyorker.com/news/daily-comment/in-its-fight-with-venezuela-the-trump-administration-takes-aim-at-cuba .

[14] Michael Shifter, "'It Worked in Panama.' This is Not True." *New York Times*, August 8, 2019, https://www.nytimes.com/2019/08/08/opinion/contributors/venezuela-embargo-trump.html

deaths in 2018.[15] As in Iran, the embattled Maduro government clung onto power, buttressing its position by building a vast smuggling network. In addition, Maduro has opened up the national economy to gradual privatization and dollarization. The government's opportunistic response to the sanctions has deepened the class rifts between the Venezuelan rich, who have access to foreign currency and luxury conveniences, and the poor, who are caught in a vicious spiral of poor health, hunger, and meagre incomes eroded by inflation.[16]

Russia, which was first targeted by U.S. sanctions in 2014 for its annexation of the Crimea, presented a different case. Any American sanctions measures against Russian President Vladimir Putin had to take into account the more considerable size of the Russian economy and Russia's links to European trading partners. Congress also showed itself to be an independent actor in shaping sanctions policy towards Moscow. Concerned about what they perceived as excessively close ties between Trump and Putin, Democrats and Republicans passed the Countering America's Adversaries Through Sanctions Act (CAATSA) in the summer of 2017.[17] This made it more difficult for the president to undo sanctions legislation quickly and gave the U.S. legislature additional power to increase pressure on Russia, North Korea, and Iran.

CAATSA also forced the president to impose economic sanctions on any country, whether a U.S. ally or not, that made a "significant transaction" in arms purchases from the Russian Federation. This set up a tense force field around Russia's exports of its state-of-the-art S-400 air defense missile system to Turkey, Saudi Arabia, Egypt, and India.[18] An often-heard nostrum among sanctions experts is that U.S. sanctions work better when threatened against allies, who value their relationship with Washington, than against rivals, who already have an antagonistic outlook. Yet the S-400 imbroglio demonstrates that Trump-era overuse of sanctions has diminished the returns to economic pressure to the point where sanctions no longer deter even allies from pursuing their own regional interests.

Congressional doubts about Trump's political and diplomatic leanings notwithstanding, the Treasury continued to impose new sanctions on Russia throughout his years in office. These sanctions were marked not only by their incongruence with presidential messaging, but also by a clear lack of research and preparation. A case in point was Treasury Secretary Stephen Mnuchin's announcement of sanctions against Russian oligarch Oleg Deripaska and his aluminum company, Rusal, in April 2018.[19] Lacking a good understanding of how crucial Rusal's operations were to global aluminum supply, Treasury's decision caused a severe crunch in the London-based market for this industrial metal, which was now threatened by the prospect of the sudden removal of a sizeable chunk of global supply. Eventually, a deal was arranged in which Deripaska distanced himself from his company, so that the damage to international minerals markets would remain limited. But the episode clearly showed how carelessly and quickly imposed sanctions could seriously destabilize parts of the world economy.

Although it is too early to be certain, the most significant long-term consequences of Trump's increased use of sanctions will probably concern those used against the People's Republic of China. As soon as Trump came into office, it was evident that rivalry with China

[15] Mark Weisbrot and Jeffrey Sachs, "Economic Sanctions as Collective Punishment: The Case of Venezuela," *Center for Economic and Policy Research*, April 25, 2019, https://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf

[16] See "Venezuela's Capital is Booming. Is this the End of the Revolution?" *New York Times*, February 1, 2020, https://www.nytimes.com/2020/02/01/world/americas/Venezuela-economy-dollars.html; "As Venezuelans Starve, Luxury Dollar Economy Booms in Caracas," *Bloomberg*, November 3, 2020, https://www.bloomberg.com/news/articles/2020-11-03/as-venezuelans-starve-luxury-dollar-economy-booms-in-caracas; and "How a Vast Network Allowed Venezuela to Evade U.S. Oil Sanctions,' *El País,* June 16, 2021, https://english.elpais.com/usa/2021-06-16/how-a-vast-network-allowed-venezuela-to-evade-us-oil-sanctions.html

[17] U.S. Department of the Treasury, "Countering America's Adversaries Through Sanctions Act," https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/countering-americas-adversaries-through-sanctions-act

[18] "Saudi Arabia Agrees to Buy Russian S-400 Air Defense System," *Reuters*, October 5, 2017, https://www.reuters.com/article/us-saudi-russia-missiles-idUSKBN1CA1OD; Paul Iddon, "Why Are Egypt and Turkey Risking U.S. Sanctions For These Russian Weapons Systems?" *Forbes*, August 5, 2020, https://www.forbes.com/sites/pauliddon/2020/08/05/why-are-egypt-and-turkey-risking-us-sanctions-for-these-russian-weapons-systems/?sh=17903b49220f ;Ian J. Lynch, "The S-400 Knot in U.S.-Turkey Relations: Assessing the Viability of U.S. Sanctions," *Lawfare*, December 11, 2020: https://www.lawfareblog.com/s-400-knot-us-turkey-relations-assessing-viability-us-sanctions ; "India's Friction with U.S. Rises over Planned Purchase of Russian S-400 Defence Systems," *Reuters*, January 15, 2021, https://www.reuters.com/article/us-india-usa-missiles-exclusive-idUSKBN29K2DO .

[19] Henry Foy & David Sheppard, "US Sanctions on Oligarchs Set to Resonate Globally," *Financial Times*, April 8, 2018, https://www.ft.com/content/7603106c-3b17-11e8-b7e0-52972418fec4

would occupy a prominent place in his administration's foreign policy. Initially this concerned the use of tariffs against Chinese exports to the US. The trade war was a shock to reigning global trade norms, but it did not yet involve the use of properly offensive economic sanctions. This began to change after the 2017 National Security Strategy adopted a new paradigm of strategic competition with the PRC. Chinese investment in U.S. enterprises was targeted by the Foreign Investment Risk Review Modernization Act (FIRRMA) of 2018.[20]

This closing of the U.S. economy to Chinese state capital was the preliminary step in a dramatic escalation. In the second half of his presidential term, Trump launched a battery of sanctions against China's government, military industry, and leading tech companies, most prominently the telecoms firms ZTE in 2018 and Huawei in 2019, and the semiconductor manufacturer SMIC in 2020.[21] These measures reflected an emerging bipartisan anti-Beijing posture in the U.S. political elite. It seems likely that the sanctions on Chinese tech firms will remain in force for the foreseeable future. The prospect of being shut out of global markets has prompted these state-linked enterprises to embark on mass buying sprees of vital inputs. Together with the pandemic-induced supply-chain crisis of 2020-2021, this has further squeezed the global supply of rare-earth metals, clogged factories with order backlogs, and contributed to a worldwide chip shortage.[22]

The arrival in office of the Biden administration has accentuated several features of sanctions policy under Trump. On the one hand, Biden's approach demonstrates more consistency and a return to liberal internationalist rhetoric in the application and justification of sanctions. Yet in terms of sanctions targets, many of the measures implemented under Trump have continued. From the point of view of U.S. efforts to counter China in particular, Trump-era sanctions were not an exceptional departure that was quickly corrected, but instead seem to have paved the way for intensifying competition. Similar continuities in the U.S. use of sanctions are apparent in relations with Russia and North Korea, where meetings between heads of state and an official return to multilateralism do not preclude the ongoing use of economic sanctions.[23] Despite the initial impression in the early years of the Trump Administration that his presidency represented a historic break with prevailing U.S. foreign policy, in the realm of sanctions the transition to the post-Trump period has so far seen a certain continuity of antagonisms and policy tools. As it turns out, both Trump's nationalist unilateralism and Biden's liberal internationalism have their uses for the economic weapon.

That said, Trump's actions have rendered Biden's project of diplomatic restoration significantly more difficult. By aggressively pursuing national self-interest in defiance of existing rules, the Trump administration forfeited much of what remained of U.S. credibility.[24] Its repudiation of the JCPOA will have consequences far beyond the Middle East, weakening the U.S. bargaining position in other negotiations involving the option of sanctions relief, including with North Korea, Venezuela, Russia, and China. Even if Biden restores the agreements broken by his predecessor and lifts all of Trump's sanctions (a scenario that unfortunately seems less and less likely), he will still have to convince foreign governments that his domestic opponents will not re-impose these measures if they return to office. Given the political situation in Washington, will a future administration be able to make believable promises? Conversely, how can any foreign

[20] Stephanie Zable, "The Foreign Investment Risk Review Modernization Act of 2018," *Lawfare*, August 2, 2018, https://www.lawfareblog.com/foreign-investment-risk-review-modernization-act-2018

[21] See Covington & Burling LLP, "Department of Commerce Activates Denial Order Against Chinese Telecommunications," April 20, 2018, https://www.cov.com/-/media/files/corporate/publications/2018/04/department_of_commerce_activates_denial_order_against_chinese_telecommunications_company_zte.pdf ; Kate O'Keefe, John D. McKinnon, and Dan Strumpf, "Trump Steps Up Assault on China's Huawei," *Wall Street Journal*, May 15, 2019, https://www.wsj.com/articles/trump-telecom-ban-takes-aim-at-china-huawei-11557953363; U.S. Blacklists More Than 60 Chinese Firms, Including SMIC," *Bloomberg*, December 18, 2020, https://www.bloomberg.com/news/articles/2020-12-18/u-s-to-blacklist-smic-and-dozens-more-china-firms-reuters-says

[22] Qu Hui, He Shujing, Zhai Shaohui, Liu Yukun, and Han Wei, "How a Perfect Storm Created the Global Chip Shortage," *Nikkei Asia*, June 1, 2021, https://asia.nikkei.com/Spotlight/Caixin/How-a-perfect-storm-created-the-global-chip-shortage

[23] "Sanctions Deadline Looms Ahead of Biden's Summit With Putin," *Foreign Policy*, May 26, 2021, https://foreignpolicy.com/2021/05/26/biden-putin-summit-navalny-sanctions-biological-chemical-weapons/

[24] A point made well by Jonathan Kirshner, "Gone but Not Forgotten: Trump's Long Shadow and the End of American Credibility," *Foreign Affairs*, March-April 2021.

government really be sure that it will permanently enjoy sanctions relief by acceding to American demands? This credibility problem will likely be a lasting legacy of the Trump years for U.S. sanctions policy.

But the frame of national foreign policy history only captures part of the possible effects of sanctions. Sanctions are invasive tools that affect entire societies and shape the decision-making of other states. It is in the interaction between U.S. sanctions and responses by target states that the complex process of historical change occurs. The unintended consequences of this two-way process can be significant, and this makes precautionary discretion in the use of sanctions always advisable. In throwing such caution to the wind, the Trumpian stint in the White House shook up the global history of the early twenty-first century. Yet much of the import of the decisions taken–and not taken–in Washington, D.C. between January 2017 and January 2021 will only become clear with the passage of time.

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