

The Characteristics of the Trump Administration's Sanctions

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Abstract: The Trump administration heavily relies on economic sanctions to solve diplomatic problems. Those sanctions are far more protrusive than the ones enforced by his predecessors in terms of scale and scope of the intended target. The Trump administration has manufactured many new programs for sanctions and has attached much importance to imposing sanctions on entities that violate human rights. It also has increased its use of secondary sanctions, export controls and investment restrictions. Both sanction-related criminal enforcement and fines have hit new heights. The main reason for this strategy is that Trump and his economic team are keen on waging a “money war.” Meanwhile, sanctions can appeal to Trump’s requirements for quick, easy achievements, and can also contain and suppress opponents. The economic impact of these sanctions is obvious, while the political impact is still questionable. These sanctions have harmed the US alliance system and boosted the de-dollarization trend in the global economy, which makes it increasingly difficult for the United States to achieve its prospective goals in the future.

Keywords: Trump, sanctions, US diplomacy

In recent years, the Trump administration has increasingly relied on economic sanctions to solve diplomatic problems. “They are throwing sanctions at everybody for everything,” expressed Richard Nephew, a scholar at Columbia University’s Center on Global Energy Policy and author of *The Art of Sanctions*. “The administration seems to think that sanctions are a surrogate for foreign policy.”¹

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¹ “Trump’s Embrace of Sanctions Irks Allies and Prompts Efforts to Evade Measures,” November 15, 2019, accessed April 10, 2020, <https://www.asianewsday.com/trumps-embrace -of-sanctions-irks-allies-and-prompts-efforts-to-evade-measures/>.

As discussed in the following analysis, the Trump administration's "sanctions-diplomacy" has shown some new characteristics in terms of scale, quantity, project and implementation, which has had a profound impact on US foreign policy and its global financial position.

New Features of Trump's Sanctions

Sanctions refer to a policy or an act in which one or more international actors impose discriminatory restrictions on the economic resources and diplomatic space of other specific international actors in order to achieve certain foreign policy objectives. Historically, the United States has made use of sanctions to advance its foreign policy. After Donald Trump came to power, his administration relied more and more on sanctions and used them more frequently than previous administrations, often with barely any prior notice or serious negotiations. Sanctions have become the main tool for the United States to advance its foreign policy towards Iran, Russia, Venezuela and other countries.

In general, the sanctions imposed by the Trump administration have shown the following new features:

First, they have far exceeded the sanctions imposed by Trump's predecessors in terms of scale. According to statistics from law firm Gibson, Dunn & Crutcher LLP, the US Treasury Department imposed sanctions on 944 foreign entities and individuals in 2017, reaching a record high at that time. In 2018, the Trump administration added about 1,500 individuals and entities to its sanctions list, an increase of 50 percent since 2017.¹ From January to October 2019, 606 individuals and entities were added, totaling more than 3,100.² It is worth noting that the sanctions also included two large-scale increases in 2018. On April 6, the US Treasury Department imposed a one-time increase in sanctions on 40 Russian officials, oligarchs and other related entities. The other was that on November 5, just as Trump announced the withdrawal of the United States from the Joint Comprehensive Plan of Action (JCPOA),

¹ "2018 Year-End Sanctions Update," February 11, 2019, accessed April 10, 2020, <https://www.gibsondunn.com/2018-year-end-sanctions-update/>.

² OFAC, "Changes to the Specially Designated Nationals and Blocked Persons List, Since January, 2019," accessed April 10, 2020, <https://www.treasury.gov/ofac/downloads/sdnnew19.pdf>.

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also known as the Iran Nuclear Agreement, the US Treasury Department once again initiated large-scale sanctions against Iran. Included in the sanctions were Iran’s energy industries as well as transactions related to oil or its central bank. More than 700 individuals and entities were added to the Special Designated Nationals (SDN) list at one time, making it the largest expansion of the sanctions list so far.¹

In contrast, President Bush added 2,549 items to the SDN list and removed 274 items during his eight years in office. While throughout Obama’s eight-year term, he added 2,595 items to the SDN list and removed 1,542 items.² The Obama administration only focused on one or two major sanction plans at a time. Iran was the priority from 2010 to 2015, while Russia was the priority from 2014 to 2016, with other sanction plans being addressed as a lower priority. However, the Trump administration’s sanctions policy has blossomed, targeting not only Iran, Venezuela and North Korea, but also individuals and entities that have allegedly committed so-called “human rights violations” by imposing sanctions on Cuba, Syria and Russia.

Second, many new sanctions have been created and their scope has been expanded. The Trump administration has expanded sanctions through new bills and executive orders. In August 2017, Trump signed the Countering America’s Adversaries through Sanctions Act, expanding sanctions against Russia, North Korea and Iran, and comprehensively attacking Russia in the fields of economy, trade, investment and energy.³ Furthermore, in September 2018, Trump signed Executive Order 13848, creating a new sanctions program to combat foreign interference in US elections. He authorized the Treasury Department to put individuals and entities suspected of interference onto the SDN list. Nine Russian intelligence officials were included.⁴

¹ OFAC, “Changes to the Specially Designated Nationals and Blocked Persons List, Since January, 2018,” accessed April 10, 2020, <https://www.treasury.gov/ofac/downloads/sdnnew18.pdf>.

² “Sanctions Tracker, accessed April 10, 2020, <https://labs.enigma.com/sanctions-tracker/>.

³ “Countering America’s Adversaries Through Sanctions Act,” accessed April 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/hr3364_pl115-44.pdf.

⁴ “Imposing Certain Sanctions in the Event of Foreign Interference in a United States Election,” accessed April 10, 2020, <https://www.federalregister.gov/documents/2018/09/14/2018-20203/imposing-certain-sanctions-in-the-event-of-foreign-interference-in-a-united-states-election>.

In order to further exert pressure on Venezuela's Maduro administration, the Trump administration believes that additional sanctions beyond banning trade with the US dollar is necessary. It has since added digital currency, government bonds and gold to its sanctions program. In March 2018, Trump signed Executive Order 13827, prohibiting US citizens and entities from conducting digital currency transactions with the Venezuelan government and its "agents."¹ Additionally, in May, Trump signed Executive Order 13835, banning US citizens and entities from trading with Venezuelan government bonds.² Moreover, in November, Trump signed Executive Order 13850, imposing sanctions on Venezuela's gold sector while enforcing secondary sanctions on gold trading with Venezuela.³ After the sanctions came into effect, the Bank of England rejected Venezuela's request to ship back US\$550 million gold bars, and Deutsche Bank also seized 20 tons of Venezuelan gold.

Third, the countries affected by secondary sanctions often become real targets. Secondary sanctions refer to third-party countries with which the United States punishes trade in order to encircle the target countries. Its main purpose is to contain the targeted countries, not to suppress their foreign aid. Before Trump took office, the United States had used secondary sanctions occasionally. For example, regarding US sanctions on Iran's energy sector, the Obama administration had given priority to the strategy of persuading foreign governments to join its sanctions through diplomatic methods. It gave more than 20 economies sanction waivers, and only applied secondary sanctions if diplomatic means failed. The Trump administration announced in April 2019 that US would end all waivers on imports of Iranian oil. Eight countries and regions that were previously exempted, namely Japan, South Korea, Turkey, China, India, Italy, Greece and Taiwan, would be subject to secondary sanctions if they continued to import oil

¹ "Executive Order 13827, accessed April 10, 2020, <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13827.pdf>.

² "Executive Order 13835, accessed April 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/venezuela_eo_13835.pdf.

³ "Executive Order 13850, accessed April 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/venezuela_gl16.pdf.

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from Iran. In the sanctions against Venezuela and Cuba, Trump also made extensive use of secondary sanctions to punish third-party foreign governments and enterprises that provided “material support” to the governments of the two aforementioned countries. “Because the scope of the obligation is ambiguous, a company doesn’t know when it is at risk of being in non-compliance,” said Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics. He described it as an example of “collateral damage” and it did restrict such sanctions.¹

Since Trump came to power, the objective of his secondary sanctions is to not only affect the sanctioned countries, but also the third-party countries. Trump regards secondary sanctions as a tool to promote the overall foreign policy of the United States, and shows obvious selectivity in choosing his targets. He uses secondary sanctions to promote the economic expansion of the US and to suppress its competitors. For example, in the sanctions against Iran, the United States has great amount of discretion to prosecute. Due to the secondary sanctions against Iran, the Trump administration has sanctioned Chinese tele-communications company Huawei. By indicating that the issues could be resolved within the framework of Sino-US economic and trade negotiations, Trump casted very strong political character on the Huawei issue.² International public opinion also widely believes that the main reason for the secondary sanctions against Huawei is to suppress its position in the global 5G market. Another example is when India purchased the S-400 missile defense system from Russia for US\$5.2 billion in October 2018, which violated the Countering America’s Adversaries Through Sanctions Act. The act requires the imposition of secondary sanctions on entities that conduct “major transactions” with Russia’s state-owned defense industry. According to a report in *Defense News*, both the White House and the US Department of Defense were inclined to grant

¹ Christine Armario, “AP Explains: The Wide Reach of Trump’s Venezuela Sanctions,” August 7, 2019, accessed April 10, 2020, <https://apnews.com/0b13effe006b41648f8285f8531ba869>.

² Doina Chiacu and Stella Qiu, “Trump Says ‘Dangerous’ Huawei Could Be Included in U.S.-China Trade Deal,” May 23, 2019, accessed April 10, 2020, <https://www.reuters.com/article/us-usa-trade-china/trump-says-dangerous-huawei-could-be-included-in-u-s-china-trade-deal-idUSKCN1ST0PA>.

immunity to India in order to ask for its help in advancing the US Indo-Pacific Strategy.¹ Turkey has also purchased the S-400 missile defense system from Russia, but the United States imposed sanctions on Turkey in its National Defense Authorization Act for Fiscal Year 2020, explicitly prohibiting the delivery of F-35 fighters to the Mediterranean country and the provision of spare parts and maintenance services for the fighter planes unless it abandons the S-400 system.

Fourth, the Trump administration has been inclined to accuse target countries of violating human rights as an excuse for imposing sanctions. Although US President Trump is rarely guided by moral ideology, if at all, he is quite strategic at playing the human-rights card to advance his policies of economic sanctions. The Global Magnitsky Human Rights Accountability Act was passed in December 2016, but its effects did not come into full swing until during the Trump administration. The act authorizes the US government to sanction countries for human rights violations and corruption around the world. The main sanction measures include banning entry into and freezing assets in the United States.² In December 2017, Trump signed Executive Order 13818, effectively expanding the sanction power granted to the president by law.³ According to statistics from the Federal Register, between December 2017 and December 2018, the US government designated 101 individuals and entities according to the Magnitsky Act and EO13818, claiming that the implementation of the act can help the United States deal with “serious human rights violations and corruption problems” in Nicaragua, Myanmar, Congo (DRC), Dominica,

¹ Joe Gould, “India Watching US for Sanctions on Turkey,” *Defense News*, accessed April 10, 2020, <https://www.defensenews.com/congress/2019/11/29/india-watching-us-for-sanctions-on-turkey/>.

² “Global Magnitsky Human Rights Accountability Act,” December 23, 2016, accessed April 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/globmag_pl_114-328.pdf.

³ “Executive Order Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption,” December 21, 2017, accessed April 10, 2020, <https://www.whitehouse.gov/presidential-actions/executive-order-blocking-property-persons-involved-serious-human-rights-abuse-corruption/>.

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Turkey, Cambodia and Saudi Arabia.¹ In 2019, the United States designated an additional 97 individuals and entities according to the act.²

The Trump administration has also enacted more human rights sanctions and executive orders against certain regions. In November 2018, due to political turmoil in Nicaragua, Trump signed EO 13851, authorizing the Department of Treasury to include individuals and entities that are “violating human rights and democracy” in Nicaragua to the SDN list, with Nicaragua’s first lady and vice president among them.³ In December of that same year, Trump signed the Nicaragua Human Rights and Anticorruption Act of 2018, which instructs the US executive directors of the World Bank and Inter-American Development Bank to oppose any loan that benefits the Nicaraguan government.⁴ In November 2019, Trump signed the Hong Kong Human Rights and Democracy Act to intervene with the Hong Kong protests.

Fifth, export controls and investment restrictions have been increasingly used as sanction tools. The Trump administration is more willing to use export controls and investment restrictions than previous administrations to prevent rivals from gaining advantages in key areas. These two methods are both effective means of modern economic sanctions. Modern economic sanctions can be divided into two categories, namely trade sanctions and financial sanctions, among which trade sanctions can be subdivided into import and export quantity restriction, category control and embargo. Financial sanctions can be further divided into reduction or suspension of aid, investments, loans, credit guarantees and even freezing assets. The Trump administration has repeatedly added many high-tech enterprises to the

¹ “Global Magnitsky Human Rights Accountability Act Annual Report,” December 28, 2018, accessed April 10, 2020, <https://www.federalregister.gov/documents/2018/12/28/2018-28311/global-magnitsky-human-rights-accountability-act-annual-report>.

² Michael R. Pompeo, “United States Takes Action against Corruption and Serious Human Rights Abuse,” December 10, 2019, accessed April 10, 2020, <https://www.state.gov/united-states-takes-action-against-corruption-and-serious-human-rights-abuse/>.

³ “Executive Order 13851, November 27, 2018, accessed April 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/nicaragua_eo.pdf.

⁴ “Nicaragua Human Rights and Anticorruption Act of 2018,” accessed April 10, 2020, <https://www.foreign.senate.gov/imo/media/doc/7-18-18%20Nicaragua%20Sanctions%20bill%20SIGNED.pdf>.

Entity List of the Bureau of Industry and Security (BIS) on the grounds of national security and violation of US sanctions, which restricts US enterprises from selling their products to the listed entities and setting strict examination on foreign investment. The United States has also expanded its Entity List and restricted scientists from certain countries, imposing a strict technical embargo.

In August 2018, Trump signed the Foreign Investment Risk Review Modernization Act (FIRRMA), expanding the jurisdiction and power of the Committee on Foreign Investment in the United States (CFIUS) and requiring foreign companies to obtain the committee's approval even if they hold non-controlling shares in US businesses. In that same month, Trump signed the Export Control Reform Act (ECRA), which was pushed through Congress by the White House to update the export control regulations on technologies and products made in the United States. The US Department of Commerce was authorized to take appropriate control measures for technologies related to national security, whether export, re-export or transfer. It was also asked to lead an inter-agency group that would define "new technologies" deemed "essential" to national security. In October, the US Department of Treasury released the interim regulations for the FIRRMA Pilot Program, which determined that foreign investment in 27 specific industries, including aircraft, tele-communications, semi-conductors, computers and batteries, must be regulated. In November, the BIS proposed the Review of Controls for Certain Emerging Technologies to strengthen export controls in 14 emerging fields of technology, including biotechnology, artificial intelligence and machine learning, logistics technology, and robotics.

In addition, the Trump administration has implemented two different trends of sanctions. The first one is that the Department of Justice has stepped up criminal enforcement of law-breaking business executives. The United States usually takes criminal actions against business executives before formally bringing a lawsuit against the enterprise. The Department of Finance and the Department of Justice use legal action to force the enterprise to compromise. In September 2017, France's Alstom International Sales Vice President Frederic Pirogue was sentenced to 30 months in prison

by US Federal District Court for bribery in Indonesia. Alstom's leadership, in order to avoid jail time, complied with all of the United States' demands, including the GE acquisition of all Alstom power and grid businesses. In May 2018, former Halkbank Executive Vice President Mehmet Hakan Atilla was sentenced to 32 months in prison by US Federal District Court for helping Iran use the US financial system for transactions. In December, Canadian police arrested Huawei CFO Meng Wanzhou in Vancouver at the request of the US, saying she was suspected of violating Iran sanctions and committing fraud.

The other trend is that the Trump administration's fines for violating its sanctions reached new heights in 2019. According to statistics from the Wall Street Journal, the sanction fines imposed by US regulators reached their highest level in 10 years. From January to July of 2019, the Office of Foreign Assets Control (OFAC) of the US Treasury Department issued a total of 18 enforcement actions and a total of about US\$1.3 billion in fines. In 2014, the second-highest year in terms of fines over the past 10 years, the OFAC handled 22 cases with fines totaling only US\$1.2 billion.^{1,2} The OFAC carried out 16 enforcement actions in 2017 with fines totaling US \$120 million, and seven enforcement actions in 2018 with fines totaling only US \$71.5 million.³ The spike in fines for violating US sanctions in 2019 shows that the cases currently under investigation by the US Treasury Department have matured in recent years, and a climax of promulgation and enforcement had been formed in that year.

¹ The amount of fines recognized by some companies is paid to different departments of the US government, including the Treasury Department, the Justice Department and some banks for confiscated assets. For example, in the famous case of BNP Paribas in 2014, according to data from the US Department of Justice, BNP Paribas committed a total fine of 8,976.6 million US dollars, of which only 964 million US dollars were paid out to the OFAC of the Treasury Department, thus the total fine of the OFAC for 2014 was only 1.2 billion US dollars.

² "U.S. Sanctions Compliance Fines Hit Decade High," July 25, 2019, accessed April 10, 2020, <https://www.wsj.com/articles/u-s-sanctions-compliance-fines-hit-decade-high-11564057920>.

³ "2018 Year-End Sanctions Update," February 11, 2019, accessed April 10, 2020, <https://www.gibsondunn.com/2018-year-end-sanctions-update/>.

Reasons Why Trump Relies on Sanctions

Although successive US administrations have used economic sanctions to achieve their foreign policy goals, Trump has gone much further on this issue, combining US economic policies and national security strategies more closely. His sanctions reflect his strong personality, while also highlighting the United States' strategic choices during this specific historical period.

First of all, Trump is keen on a “money war” rather than a real war. Trump is not the first president to weaponize the economic power of the United States, but he is one who is especially enthusiastic about sanctions. According to Trump’s experience as a real estate developer and entrepreneur, the world is a big market and economic means can achieve his goals. He hopes to exert pressure on his opponents and competitors, but since war is expensive and beyond his specialty, he is unwilling to launch a real war and prefers to use economic means such as sanctions. In June 2019, Iran shot down a US drone. US Secretary of State Mike Pompeo and John Bolton, then National Security Adviser, were eager to use force. However, Trump decided at the last minute not to retaliate militarily against Iran, but instead to continue to impose more sanctions. Marshall Billingslea, Assistant Secretary of the US Treasury Department, believes that the growth reflects Donald Trump’s innovative “financial statecraft.”¹

Second, the economic hawks surrounding Trump in his administration are keen on sanctions. The US Treasury Secretary Steven Mnuchin, Commerce Secretary Wilbur Ross and Peter Navarro, Director of the Office of Trade and Manufacturing Policy at the White House, are all hawks in economic and trade policies, with strong protectionist tendencies. Secretary Mnuchin has frequently addressed the issue of sanctions, and he did not delegate this issue to junior officials like previous secretaries. According to media reports, Secretary Mnuchin claimed to spend half of his working time on sanctions, meanwhile Secretary Ross was equally

¹ “Financial Carpet-bombing: Donald Trump Uses Sanctions More Keenly than Any of His Predecessors,” November 24, 2019, accessed April 10, 2020, <https://www.economist.com/united-states/2019/11/24/donald-trump-uses-sanctions-more-keenly-than-any-of-his-predecessors>.

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enthusiastic about sanctions.¹ When asked whether the United States could stop Turkey's military operations in northern Syria, Secretary Mnuchin said, "We can destroy Turkey's economy." Director Navarro also believes that economic security is inseparable from national security.²

Because Trump and his economic team attach much importance to sanctions, the various departments within the US government are increasingly strict with their implementation, which accounts for the increase of sanctions being implemented. Besides OFAC, BIS, and some major banks, the Office of International Affairs (OIA) of the Justice Department is also a main sanctions enforcement agency. OIA is responsible for tracking criminal cases that violate financial sanctions and filing extradition requests. These enforcement agencies have great discretionary power in how to interpret the provisions of each sanction. Due to the scrutiny of the Trump administration, the enforcement standards have become stricter, resulting in a substantial increase in the number of sanction-enforcement cases in recent years.

Third, sanctions are easy to impose and implement. They can easily fulfill Trump's expectations of "doing something instead of standing still." Sometimes, sanctions are not only a tool for foreign policy, but also a reflection of domestic politics. They are both declarative and instrumental. In this sense, "declarative" means they meet the needs of the public, while "instrumental" means they achieve practical policy objectives. Trump likes the idea of declarative. He focuses on achievements, especially those that can be achieved with quick results, in order to show the American people of his ability to solve problems. For example, as mentioned earlier, in October 2019, Turkey launched a military operation in northern Syria. Trump's decision to withdraw US troops from Syria faced huge opposition at home. Meanwhile, the troops stationed in Syria also faced the threat of fire from Turkey. In order to demonstrate his toughness at home and abroad, and

¹ "US Targets Terrorist Financing with New Round of Sanctions," October 25, 2017, accessed April 10, 2020, <https://www.nytimes.com/2017/10/25/us/politics/us-targets-terrorist-financing-with-new-round-of-sanctions.html>.

² Philip Stephens, "Sanctions Are Donald Trump's New Way of War," accessed April 10, 2020, <https://www.ft.com/content/86eb2db4-f016-11e9-ad1e-4367d8281195>.

to not allow Turkey to gain the upper hand, Trump chose to impose economic sanctions on Turkey in a display of his will and ability to problem solve.

For the congressional and administrative departments, the temptation to impose sanctions is equally great. For congressmen and women, freezing assets and banning US dollar trading are quick and easy ways to prove to their voters that they are dealing with national problems. For the administrative departments, the formulation of strategies or policies for a certain region requires coordination among various departments, while imposing sanctions only require the Treasury Department to increase the SDN list or the Commerce Department to increase the Entity List, making things much easier and efficient in their perspective.

Fourth, after Trump took office, sanctions have not only served as a punishment, but also have become a tool to encircle and suppress his opponents. In the past, the usual purpose of sanctions was to punish countries or individuals for committing certain acts that violated the rules or laws formulated by the enforcer, to pressure the targets to change their policies or acts, and to warn others not to follow. But Trump adheres to the concept of “America First” and pursues unilateral trade and investment protectionism policies. The Trump administration chooses the targets of secondary sanctions and uses more export controls and investment restrictions, in order to contain and suppress his competitors. Trump believes that FIRRMA will help protect the United States from “harmful trade and foreign investments” from other countries and maintain its key technological leadership, national security and future economic prosperity.¹ He believes that strengthening foreign investment review is an advantage in US trade negotiations and a weapon to maintain its economic competitiveness. Trump hopes that sanctions will prevent China from acquiring high-tech and emerging technologies from the US and curb China’s economic rise. Nova J. Daly, former Deputy Assistant Secretary of the Treasury for

¹ “Remarks by President Trump at a Roundtable on the Foreign Investment Risk Review Modernization Act (FIRRMA),” August 23, 2018, accessed April 10, 2020, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-roundtable-foreign-investment-risk-review-modernization-act-firrma/>.

Investment Security, said that although the FIRRMA Pilot Program claimed not to target any particular country, there was no doubt that Chinese investors would face additional and stricter review.¹

At the same time, sanctions are an integral part of US geo-economic strategy and a means to safeguard US global financial leadership. Although the United States is still in the core position in the world financial system and has leading advantages in technology, emerging countries are rising rapidly and the trend of global multi-polarization is accelerating, particularly the trends of de-dollarization and the rise of non-centralized digital currency. The United States feels that its global leading position is being threatened, and it is trying to seize the last window of opportunity and use its advantages in its monopoly of finance and technology to launch the last wave of blocking against its competitors. This is also an important reason for the recent increase in sanctions.

Impacts of the Trump Administration's Sanctions

The Trump administration relies more on sanctions and uses them to maintain US global leadership. Sanctions come in various forms and are more strictly enforced, which has had an important impact at all levels around the world.

First, due to the US monopoly in finance and its advanced position in technology, the economic impact of sanctions is widespread. When individuals or entities are sanctioned by the US Treasury Department, their assets in the United States will be frozen. However, the effect of these sanctions goes far beyond that. Companies operating in the US or clearing in US Dollars will avoid dealing with individuals or entities on the US sanctions list. The influence of the US dollar makes it difficult for the sanctioned entities to open accounts, even in bank accounts, in other countries. Similarly, if a company is listed on the Entity List by the US Department of Commerce, it will usually risk facing technology embargoes and supply chain disruptions.

¹ Nova J. Daly, "Testimony before the Senate Committee on Banking, Housing, and Urban Affairs," July 18, 2019, accessed April 10, 2020, <https://www.banking.senate.gov/imo/media/doc/Daly%20Testimony%207-18-19.pdf>.

Enterprises are usually fiscally conservative, hoping to effectively avoid major risks. The power of US secondary sanctions often makes enterprises withdraw from risky business. When Trump announced in May 2018 that the US would withdraw from the JCPOA and would resume its sanctions against Iran, European leaders expressed opposition to the unilateral actions of the United States and encouraged its enterprises to continue doing business with the Middle-Eastern countries. However, companies are profit-oriented. Total S. A., Maersk, Peugeot, General Electric, Siemens and Honeywell all said they would withdraw from the Iran market. The US sanctions against Venezuela and Nicaragua have also made global enterprises take preventive measures. As a result, the two countries have lost a large number of foreign investors and business partners.

The economic impact of US sanctions is immediate and direct. Take Iran as an example. In November 2018, the United States resumed its sanctions against Iran's energy, shipping and financial sectors, banning US and global companies from trading with Iranian related industries. According to data from the World Bank and OPEC, Iran's GDP fell by 4.8 percent in 2018 and was expected to fall by 9.5 percent in 2019, while the unemployment rate rose from 14.5 percent in 2018 to 16.8 percent in 2019. The damage done to crude oil exports is even worse. At the beginning of 2018, Iran's crude oil output reached 3.8 million barrels per day with exports at about 2.3 million barrels. By April 2019, Iran's oil exports were only one million barrels per day and by October, only 260 thousand barrels per day.¹

Second, the political impact of sanctions has been questioned as they have often not had the expected effect. Economic sanctions alone usually cannot achieve the goal of weakening military potential because the latter involves national security. Since the Trump administration is unwilling to resort to war, its reliance on sanctions will increase and it will place more expectations on them, hoping they can change the behavior of the target

¹ "Six Charts that Show How Hard US Sanctions Have Hit Iran," December 9, 2019, accessed April 10, 2020, <https://www.bbc.com/news/world-middle-east-48119109>.

countries, and thus save its executive resources. The economic impact of US sanctions is easy to achieve, but their success is difficult to translate into political and security successes, because the latter two objectives are related to the survival of the target regime. This is especially true when the target country is hostile toward the United States. Even if the target country changes its behavior, as long as the regime remains unchanged, the firm policy of the US is still unlikely to change. Therefore, the target countries are often unwilling to compromise. They will also use sanctions as propaganda and call on their people to unite to resist the sanctions, prevent the “enemy” from succeeding, and turn external pressure into a motive force for domestic solidarity.

This is true of the Iran and Venezuela cases. Trump’s decision to withdraw from the JCPOA and resume sanctions against Iran has benefited the conservative forces in Iran, which rejected the agreement from the beginning. Many Iranians are disappointed with the United States and believe that although they have always abided by the terms of the agreement, the economic benefits are still unattainable. The conservative faction believes that their fundamental distrust of the United States has been fully confirmed: no matter how much goodwill Iran puts out, the United States will still oppose its pursuit of political, economic and security independence. Iran’s Supreme Leader Khamenei said that they will not negotiate with the United States, “because negotiation has no benefit and carries harm.” Iran will not negotiate over “the core values of the revolution” or its “military capabilities.”¹ In order to consolidate its power, the Iranian government has gradually become more ambitious. Since 2019, it has broken the terms of the JCPOA four times and shot down a US drone. In regard to the Venezuela case, the Maduro government has remained strong since the United States imposed large-scale sanctions in January 2019. Maduro has won key support from the military and security departments, while the opposition is gradually divided and lacks a unified and capable core figure. In April 2019, the US-backed opposition

¹ “No Negotiations with U.S., Says Iran’s Supreme Leader,” May 29, 2019, accessed April 10, 2020, <https://www.reuters.com/article/us-usa-iran-rouhani/no-negotiations-with-u-s-says-irans-supreme-leader-idUSKCN1SZ12M>.

leader Juan Guaidó called for an army uprising, but received little response. Maduro also used resistance to the “business blockade” of the United States to unite the people. “The United States completely underestimated the sociology of authoritarian governments, which are often more resilient than you think,” said David Smilde, a Venezuela expert and senior fellow at the Washington Office on Latin America.¹

In modern international trade, a financial blockade cannot cut off all trade routes, especially when the sanctions are imposed unilaterally. Trump’s sanctions are mostly unilateral, lacking UN authorization and legitimacy in international law, which makes it difficult to form an allied containment strategy against the target countries. In the case of Iran, The EU still supports the JCPOA and is willing to help it economically by establishing an independent trade channel called the Instrument in Support of Trade Exchanges (INSTEX) system. As for Venezuela, the South American country received support from Russia, China, Iran and Cuba. Russia has increased its investment in Venezuela, not only helping it develop two major gas fields on its continental shelf, but also helping it collect oil revenue. The Venezuelan government and oil company PETRONAS also said they could pay the suppliers and contractors in Chinese renminbi.

It is even more difficult to suppress competitors by means of sanctions. This kind of action will make the target countries realize that even if they temporarily satisfy the US demands, it will sooner or later raise its stakes and put forward more demands. It will further increase high-tech investment and export restrictions in order to prevent rivals from overtaking it. The target countries thus lose basic trust in the US and their independent technological research and so their development becomes stimulated by US sanctions. In a word, the backlash of the Trump administration’s sanctions is huge, and may very well weaken the US itself.

Third, US sanctions have harmed its alliance system and even changed the balance of power in international politics. In recent years, European

¹ “Venezuela: New US Sanctions Pressure Maduro but ‘Risk Exacerbating Humanitarian Crisis and Torpedoing Negotiations’,” August 11, 2019, accessed April 10, 2020, <https://www.independent.co.uk/news/world/americas/venezuela-us-sanctions-maduro-guaido-humanitarian-crisis-white-house-a9051786.html>.

countries have been blackmailed and bullied by the United States. Many of the largest companies in Germany, France, Italy, Sweden, Netherlands, Belgium and the United Kingdom have been convicted one after another. Among them, a considerable proportion of these cases are for violation of United States sanctions, with tens of billions of dollars having been fined into the United States. Trump's decision to withdrawal from the JCPOA and the resumption of sanctions against Iran have created a greater rift between the US and Europe. Between 2015 and 2017, when the JCPOA was in effect, trade between Europe and Iran increased from eight billion Euros to 21 billion Euros.¹ French President Macron's office said, "It's an important test of sovereignty."² European countries have come to realize that they must make more decisions based on their own interests instead of being subservient to the United States. In August 2019, the EU's revised Blocking Act came into effect, which encouraged their companies to continue doing business with Iran and stipulated that the EU would compensate them for losses incurred during its legal transactions with Iran. The EU also prevented any action regarding sanctions taken by the US courts from taking effect in Europe. The act showed the EU's strong discontent with the US' resumption of sanctions against Iran.

Turkey, another ally of the US, is also irritated by excessive US sanctions. The United States imposed sanctions on Turkey for the Brunson Incident and its attack on northern Syria. Although the sanctions were later lifted, Turkey was still dissatisfied. At present, the US Treasury Department is investigating Turkey's state-owned bank Halkbank, accusing it of violating US sanctions against Iran. The bank may face huge fines. As previously mentioned, the United States also imposed sanctions against Turkey for purchasing the Russian S-400 air defense system. Turkish Foreign Minister Mevlut Cavusoglu said that Turkey will "retaliate to any US sanctions"

¹ "The Economic Gut Punch to Europe of Ending the Iran Deal, Charted," May 16, 2018, accessed April 10, 2020, <https://qz.com/1278587/end-of-the-iran-nuclear-deal-which-european-trading-partners-are-hurt-the-most/>.

² "Iran Sanctions, Trade are Tests of European Sovereignty: Macron's Office," May 15, 2018, accessed April 10, 2020, <https://www.reuters.com/article/us-iran-nuclear-usa-france/iran-sanctions-trade-are-tests-of-european-sovereignty-macrons-office-idUSKCN1IF2H9>.

imposed against them.¹ In the end, US sanctions may push Turkey further toward Russia. Similarly, Pakistan is an anti-terrorism ally of the United States that has also been hit with sanctions. In January 2018, the United States announced that it would stop its aid to Pakistan and would also withdrawal the IMF's support by June. At the same time, China provided two billion US dollars' worth of aid to Pakistan. Trump's excessive use of sanctions and his lack of a consistent global strategy have led to a blurred distinction between friends and foes.

Fourth, the tendency for financial independence around the world has increased. In the mid-1990s, in response to US sanctions, some countries had an intensive financial counterattack. The EU, Canada and Mexico all enacted their own versions of the Blocking Act. Recently, the Trump administration has used more sanctions to achieve its foreign policy goals, which has aroused international concern about the abuse of financial power. Now US allies and opponents are stepping up their efforts to evade its sanctions and are consciously establishing independent clearing channels. As time goes by, these counter measures may weaken the world's dependence on the US Dollar, thus weakening the economic strength of the United States.

Since the US resumed its sanctions against Iran, the EU has been exploring new pathways to continue trading with Iran. Under the leadership of European External Action Service (EEAS), EU member states have conducted several rounds of technical cooperation. In January 2019, France, Germany and the UK announced the registration of INSTEX in France. In March, Iran established the Special Trade and Finance Instrument (STFI) to interface with INSTEX. The headquarters of INSTEX is located in the building of the French Ministry for the Economy and Finance, and the supervisory board is composed of three officials from each of the three founding countries. At present, the mechanism is only responsible for the trade of drugs, medical devices and agricultural products, and it reduces the cross-border flow of currency through bookkeeping. The

¹ “Turkey: S-400 System ‘Vital’; Will Retaliate to Any US Sanctions,” December 15, 2019, accessed April 10, 2020, <https://www.aljazeera.com/news/2019/12/turkey-400-system-vital-retaliate-sanctions-191214125236127.html>.

United States cannot review its transactions, but it can find excuses to punish EU officials and banks that deal with these transactions. Recently, Belgium, Denmark, Finland, Norway, Netherlands and Sweden have all joined INSTEX. Although the operational capabilities of this mechanism are still facing great uncertainties, its political significance is greater than its economic benefits. It is an active attempt by the EU to enhance its autonomy and has torn a gap between them and the US-led international payment system SWIFT. If the mechanism continues to expand, it could weaken the effectiveness of US sanctions and its financial advantages.

Russia has also been looking for a similar style payment system. As early as 2014, it began to develop its own payment system coined the System for Transfer of Financial Messages (SPFS) to deal with the risk of Russian banks being cut off from the SWIFT payment system. Foreign traders connected to the SPFS can cooperate with sanctioned companies based in Russia. According to some statistics, about 400 users used the SPFS system in 2018, including the Russian Federal Treasury, Gazprom, Rosneft Oil and other enterprises.¹ Russia also plans to connect the SPFS with China's similar system, the Renminbi Cross-border Interbank Payment System (CIPS), and it is also encouraging India to establish its own independent institutions to strengthen connectivity with China and Russia. At present, Belgazprombank (BGPB) and Eurasian Bank in Kazakhstan have been connected to the SPFS. In addition to the members of the Eurasian Economic Union (EAEU), the main applicants are the central banks of Iran, Turkey and Venezuela. The Central Bank of Russia is currently developing a blockchain solution to support payment delivery.

Venezuela has also shown interest in blockchain Cryptocurrencies. In December 2017, Venezuelan President Nicolás Maduro announced the birth of the Petro, and he also plans to set up a blockchain observatory to manage the newly-established Cryptocurrency. In January 2018, Maduro issued the first 100 million Petro, each with a barrel of Venezuelan crude oil as collateral. The Petro is the first encrypted digital currency issued by a

¹ “Russia's SPFS Alternative Payment Network Enters International Markets,” October 3, 2019, accessed April 10, 2020, <https://www.russia-briefing.com/news/russias-spfs-alternative-payment-network-enters-international-markets.html/>.

sovereign country and secured by natural resources. It is a new approach toward Venezuelan international financing. Since the Venezuelan government controls the actual value of the Petro, the Cryptocurrency's sustainability is doubtful. And how it will manage to break through the US financial blockade remains a question. However, as the first country in the world to issue a legal digital currency, Venezuela's innovative actions and the trend behind them have attracted much international attention.

Conclusion

The Trump administration relies heavily on sanctions because Trump himself prefers economic measures over others, and because they are simple and easy to implement. However, this reliance on sanctions is in fact a kind of "lazy government." In other words, the Trump administration is unwilling to carry out the hard work necessary for influencing policy changes in the target countries. It also lacks proper geopolitical arrangements and consistent strategic policies and plans.

Sanctions combined with other political tools must be used cohesively in order to achieve foreign policy objectives, including diplomatic means and military deterrence. Sanctions alone rarely achieve the desired results. If the imposer does not have backup coordination measures for its sanctions, the target may have time to adapt to the impact, find other economic solutions, and gradually obtain the necessary materials from other channels. This would greatly weaken the power of the sanctions. In addition, the target can also make a compromising gesture to play for time and conceal its actual policy progress. "Sanctions alone will never solve your problem unless they are used in tandem with other tools," said Matthew Levitt, a fellow at the Washington Institute for Near East Policy. "I do worry about a time when overreliance on sanctions, absent the use of complementary diplomatic and other tools, could undermine the US position in the world economy."¹

The Trump administration's sanctions have not been coordinated with

¹ "Trump's Embrace of Sanctions Irks Allies and Prompts Efforts to Evade Measures," November 15, 2019, accessed April 10, 2020, <https://www.asianewsday.com/trumps-embrace-of-sanctions-irks-allies-and-prompts-efforts-to-evade-measures/>.

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its allies. Most of them are unilateral and make no distinction between friends and foes. This not only weakens the effectiveness of his sanctions, but also pushes other countries further away from the United States, including its allies. Unfortunately, Trump's sanctions have also exacerbated the humanitarian crisis in Venezuela and Syria.

Going forward, it will become increasingly difficult for US sanctions to achieve their goals. The US government has not maintained a leading position in emerging financial trends. Over the next 10 years, new financial technologies such as encrypted currencies and blockchain-based international clearing mechanisms may significantly reduce the impact of US economic sanctions. With the development of these emerging technologies, de-dollarization and de-centralization may very well become future trends. Trump's excessive use of sanctions is the last chance of the United States in the latest period of US dollar hegemony. If future US presidents rely excessively on economic sanctions, it will only aggravate the decline of the US dollar.

(edited by Li Xin)