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The U.S. Economic War under the Donald Trump Administration

Introduction

One of the most powerful political weapon the U.S. possess in its arsenal are economic sanctions. Washington used it many times in the past to coerce adversarial powers to fulfill its will or in other purposes. This is a primary tool used in the economic war by consecutive U.S. presidential administrations.

The aim of the paper is to present issue of using economic warfare to advance U.S. policy goals during Donald Trump's presidency. The author poses the following research questions: how the U.S. practiced economic wars during the Donald Trump presidency; how effective the U.S. economic wars has been in those years; to what extent Joe Biden administration continued Trump's economic war policies? My hypothesis I would like to verify or falsify is as follows: the economic war was the most favourite manner of compelling geopolitical adversaries of the U.S. to bow to Washington's will evidently preferred by Donald Trump administration over waging conventional wars.

An analysis and assessment of the U.S. economic wars during the presidency of Trump is preceded by a presentation of the issue of economic and financial sanctions. Then the very specific role and significance of the U.S. dollar in the global economic system was briefly presented. In the next chapter of the paper the author discussed consecutively the cases of U.S.–China trade war, U.S. economic sanctions against Iran and the U.S. economic war with the Russian Federation which was waged by the Donald Trump's successor in the White House. To achieve the goal and answer for the research questions, the elements of the decision-making method, the factor method and comparative analysis were used.

Economic and financial sanctions in general

States can either unilaterally or in coordination enforce sanctions. Sanctions can also be imposed by the United Nations Security Council. There is a plethora of miscellaneous sanctions. Some may be linked to specific government officials, individual people, oligarchs. Other are against particular institutions, organizations, state or private entities. Overall, international sanctions – that is sanctions imposed by many states – are enforced against states that violate international law and destabilize the regional or global peace, support terrorism, severely break human rights.

In general we can differentiate the following types of sanctions[1]:

- financial sanctions (eg. freezing of funds, prohibition of funds being made available);
- economic sanctions (eg. restrictions on the import or export of specific goods and services, limitations in trade);
- sanctions regarding movement of people (e.g. a ban on entry into certain territories);
- diplomatic sanctions (e.g. severance of diplomatic relations).

The sanctions which are imposed by the UNSC are divided into two groups:

- non-military sanctions. Economic and financial sanctions are included in this kind of sanctions. Non-military sanctions do not demand employment of military forces.
- military sanctions. They require use of armed forces.

[1] *International sanctions*, Ministry of Foreign Affairs Republic of Poland, www.gov.pl/web/diplomacy/international-sanctions [accessed: 28.06.2022].

The paradox is that sometimes, though very rarely, to successfully apply economic sanctions in the form of embargo one must use military force in operation of naval blockade. In general, United Nations member states are obliged to comply with the sanctions imposed by the UNSC. EU member states are additionally obliged to conform to the sanctions determined by not only the UNSC, but also the European Union.

On occasions, sanctions are implemented against the whole state. Sometimes, solely a threat of sanctions could elicit a shift in the state's behaviour. Government of countries endangered with sanctions can decide to change their activities in such a way to soothe and satisfy the state which call for imposition of sanctions. Economic sanctions, as a matter of fact, usually come down to cutting the access of the targeted economy to select market or markets or restrictions to export some specific goods or services to the country in the crosshairs.

The effectiveness of economic sanctions relies on the basic factors:

- the size of the particular market to which the targeted economy lose access. Some markets – to name just a few the most paramount, the United States, China, the European Union – are extraordinarily enormous. A loss of access to giant markets unavoidably inflicts egregious economic pain for the sanctioned state. In consequence of the sanctions export revenues drop, the trade and current account deficits deteriorate and – in the wake of it – the inflow of foreign currencies slides. The further outcome is the usually inescapable depreciation of the sanctioned state's currency against other currencies;
- global market share of the country for a good encompassed with a ban or restriction in exporting to the sanctioned state. If Poland imposed an emabrgo on exports to Saudi Arabia, it would not be a serious blow to Riyadh, because Poland is not a substantial arms producer, let alone exporter in the global market. However, if the U.S. were to impose such sanctions that would be an acute blow against Saudi Arabia. Poland can impose an embargo on exports of rare earth minerals/elements (REE) to, let's say, Japan, but it would mean nothing, because Poland does not export REE at all. But when China imposed such an embargo in 2010 against Japan, it had very severe negative effect on the Japanese high-tech industry, because China was a global monopolist in the export of this kind of mineral resources at the time;
- determination of the sanctioned state. Sometimes, authorities of the sanctioned state are so much determined not to bow to external pressure and to continue with the kind of activities which were the reason of sanctions' imposition (ex. military nuclear programme, support for terrorism,

human rights abuses), that in spite of grave economic and social pain the sanctions inflict, they do not change their policy at all. Especially dictatorial states tend to behave like that. It should come as no surprise, because dictators usually do not pay heed to their nations miseries;

- the durance of sanctions. Scientific studies show that in these particular cases in which economic sanctions proved successful they were imposed for 53 months averagely[2]. In other words, economic sanctions to be effective must be kept for long periods of time;
- the size of the economy of the targeted states. The large, almost autarkic economies like China and Russia having access to a wide spectrum of resources and technologies are much less reliant on imports from abroad than the small economies. Cuba and North Korea are incomparably more susceptible to economic sanctions because they do not possess many vital resources;
- paradoxically, empirical experiences prove that sanctions are more probable to work when utilized against allied states than adversaries, or when crucial security interests were not at stake, were not endangered[3]. When state targeted by sanctions is seriously involved in the fight for realization of its most salient interests related to, for instance, its long-term survival, no matter how hard economic pressure is exerted against this state, the authorities of targeted state would not concede nor change their calculations. Sometimes in the past to change behaviour of the stubborn adversary the foreign power or powers – apart from harmful economic sanctions – had to resort to spectacular demonstration of force. This is particularly true in the cases of the nations engulfed in nationalistic frenzy (as in the case of Russia in 2014–2015 and again in 2022). Nations in which strong nationalism prevails are indeed ready to endure immense economic pressure to withstand very painful economic sanctions, but they are not ready to accept a strategic, geopolitical defeat in the struggle for a key national interest, which may be widely perceived by people as a matter of national dignity, as a matter of national honour. Neither Wilhelmine Germany, nor the Imperial Japan, nor the Third Reich bowed exclusively because of economic pressure.

A very specific type of economic sanctions are financial sanctions. In a contemporary world unfettered access to the flows of capital and payments are of great importance for the economies. For instance, a great deal of banking

[2] D.J. Kim, *The Perils of Geoeconomics*, "The Washington Quarterly" Spring 2019, p. 159.

[3] *Ibidem*, p. 164.

transfers in the contemporary global economy is carried out through the agency of the Society for the World Interbank Financial Telecommunication (also known under acronym SWIFT) system. Admittedly, the SWIFT's headquarters are situated in Belgium, the United States *de facto* controls this extremely salient global banking payment system. If any state is deprived of the access to the SWIFT network, its economy becomes literally paralyzed. Omitting this system in international dealings is very costly and time-consuming. When at some point after the Russian annexation of the Crimean Peninsula U.S. government officials began to publicly reflect slinging the Russian Federation out of the SWIFT services, the Kremlin publically warned that it would treat such a move as the declaration of war. In other words from the Kremlin's standpoint blockading Russia from access to SWIFT network would be tantamount to war proclamation. Many Russian banks were thrown out of the SWIFT system after the infamous invasion on Ukraine in 2022.

In particular, the United States enjoy the world edge over other states in imposition of financial sanctions. It stems from the straightforward fact that the U.S. dollar is by far the most material global currency. The bulk of international currency transactions and payments are settled in the U.S. dollars. This currency – being the most important transactional and reserve currency in the world – plays a crucial role in the global economy, which give the U.S. Treasury Department a huge leverage over other states. Washington in fact controls global dollar transactions.

The long term and thorough examination of the effectiveness of economic sanctions gives mixed evaluation. The U.S. did not manage to compel North Korea, China, Cuba, Saddam Hussein's Iraq or Venezuela to change their policies in the desirable for Washington direction. The past experience prove that sanctions may be effective when their objectives are mild and modest. Rarely sanctions lead to collapse of the regimes. More often they provoke a slight shift in state's attitude. Another lesson policymakers learned over the decades, is that sanctions work best when they are multilateral. When many countries from different parts of the globe join the sanctions regime and scrupulously comply with them, the likelihood of attainment of the desired goal of sanctions imposition considerably grows.

Economic sanctions cannot be imposed without negative short or long-term side effects. For one, if whenever the United States impose sanctions taking advantage of the dominant significance of its currency in the global economy, it simultaneously prod its adversaries to resign from dollar, to autonomize from dollar and to find viable alternative means and methods of clearing. Therefore, overusing and misusing of financial sanctions undermines U.S. financial power in the long run. This consequential geoeconomic trend to clear transactions in gold, yuans, rubles or rials instead of U.S. dollars has been advancing in latest years. There are gossips that the BRICS+ grouping is preparing for creation of the new international currency which would become a comprehensive alternative to the U.S. dollar.

The specific role of the U.S. dollar in the global economy

The very privileged place of the U.S. dollar in the global economy at least since 1944 makes it an excellent tool in the hands of U.S. policymakers to deal acute financial blows in the economic war they wage with U.S. adversaries.

Generally, historians claim that over the long term no state can sustain its power unless it is not based on a sound and solid financial grounds. As war theorist Raimondo Montecuccoli once famously noticed, "For war you need three things: 1. Money. 2. Money. 3. Money"[4]. One of the main causes of the collapse of the Soviet Union – unquestionable military superpower – was a lack of sound and solid economic fundamentals. Moscow lost the Cold War primarily economically.

According to two distinguished American scholars, Robert Blackwill and Jennifer Harris, countries can translate their monetary power and monetary policy instruments into geopolitical power threefold:

- with the impact of their currencies on the world;
- with their ability to incur large debts at lower interest rates than other states. When the foreign demand for some currency is high, the country that emits it can borrow very cheaply on international markets. In this context also the structure of national debt is really relevant because states which debt is mostly held by domestic entities are less vulnerable to sudden, harmful outflows of capital. Usually, the states which citizens have an inclination to put aside a lot of their revenues, like Confucian culture East Asian countries, have a beneficial composition of national debt. Domestic debtees are less prone to financial panic. They do not get rid of their government's bonds so easy as foreign investors.
- with their ability to increase the interest rates at which other states borrow money[5]. States globally regarded as financially solvent, stable, and

4 This famous sentence sometimes is attributed to Napoleon Bonaparte or the late 15th century Italian condottiere Gian Giacomo Trivulzo. The author does not know who was the first to actually say those accurate words.

5 R.D. Blackwill, J.M. Harris, *War by Other Means: Geoeconomics and Statecraft*, Harvard University Press, Cambridge (MA)–London 2016, pp. 75–76.

credible like the U.S. can guarantee loans incurred by states with historically much worse reputation for repaying loans. For example, in recent years U.S. guaranteed loans borrowed by Ukrainian government that was close to going broke after political and economic turbulences of 2014–2015. Almost exclusively thanks to the Western financial assistance Ukraine evaded bankruptcy. The same thing actually repeated in 2022. Once again, only thanks to the significant Western financial aid Ukraine did not go broke. Another telling example concerns U.S.–Israeli relations. In 1990 Israeli government addressed the George H.W. Bush administration asking for $10 billion dollars in the form of loan guarantees. Israeli authorities wanted to earmark this sum for the special programme of resettlement of Soviet Jews who were allowed by the Kremlin to emigrate to Israel. Washington in exchange for these guarantees forced Israel to announce a Jewish settlement freeze in the disputed territory of the West Bank. Of course, states can also worsen credit standings and ratings of other states. The U.S. authorities have an unofficial influence on the most important rating agencies like the Standard & Poor's, Moody's and Fitch Ratings. Countries also can dump bonds of some specific state held by them as a sort of punishment, because increased supply leads to the rise in yield and the costs of borrowing.

A crucially important factor that vastly contributes to the global hegemony of the United States is the role U.S. dollar place in global markets. According to Blackwill and Harris thanks to the undoubtedly privileged position of the U.S. dollar in the world the U.S. have three distinct advantages over other states (I personally differentiate one additional as well):

U.S. dollar has been universally treated as a safe haven asset. That means that during crises, be it political, financial, or economic, investors around the world have a clear proclivity to buy U.S. dollars. In consequence in times of turmoil U.S. dollar rally relative to other currencies. We could witness it in 2022. After the eruption of Russian-Ukrainian war, the U.S. dollar began to swiftly appreciate relative to the prevailing majority of other currencies. To some extent this can be explained by raising interest rates by the Fed in faster tempo than in other leading economies. But, on the other hand, this can be also explained with the universally perceived status of the U.S. dollar as a safe haven asset[6]. In

[6] Of course, the unique status of the U.S. dollar is not given for all eternity. The author of the paper is deeply convinced that in the not so distant future the privileged position of the U.S. dollar will end very painfully for the U.S. economy and citizens. There are many reasons for such forecasts, including the rising U.S. national debt, huge trade and budget deficits, colossal Ponzi scheme in the U.S. financial system which is going to be

wake of it its purchasing power increases as well. That means that for the given amount of dollars the U.S. government can buy and import more components, resources, goods and services than before the crisis erupted. Jonathan Kirshner argues that because of this feature Washington simply cannot face geopolitical and financial crises at the same time[7]. Other nations always have to take into account a threat of such a misery. Though this remark was true in the past, it seems that in the not so distant future the U.S. dollar may cease to be treated as the secure currency and safe have asset especially if (or rather when, because it is very probable) the major banking crisis hits America or if foreign central banks' and sovereign wealth funds' deposits will be confiscated. The last eventuality is not quite so improbable if one heeds the announcements of the seizure of Russian central bank assets in the U.S. on the account opened in the Federal Reserve.

Due to the dollar's status as the most salient global reserve currency a constant, stable demand for dollar exists in the world. That means that U.S. can maintain huge trade and fiscal deficits for an extended period of time without spurring serious adverse effects for its economy. Despite mind-boggling deficits over the past two decades the U.S. government could still sell its Treasurys all over the world at a very low interest rate.

Banks conducting transactions worldwide need access to the U.S. financial system to clear omnipresent U.S. dollar transactions. Bank that cannot clear transactions in U.S. dollars cannot function properly and effectively in the global economy. The same is relevant to many other financial and business institutions, not only banks. That means that in spite of the fact that American law solely directly applies to banks carrying out operations in the U.S., foreign entities willingly or not comply to U.S. law for fear of losing access to the U.S. financial system, which is absolutely essential for them to operate on international scale. No financial institution wants appear on the blacklist of U.S. government. No financial institution wants to be treated as a pariah in the global economy. U.S. politicians unscrupulously take advantage of the pre-eminent position of the U.S. dollar[8]. Donald Trump tended to particularly frequently implement economic sanctions. Along with raising tariffs it was the most favorable U.S. geoeconomic policy of his administration.

Moreover, thanks to the dollar status as the main trade currency in the world the prices of resources, including these of great importance like fuels, are

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revealed soon, planned by politico-financial elites so-called global financial reset as well as intensifying global de-dollarization push by important states.

7 R.D. Blackwill, J.M. Harris, *War by Other Means...*, *op. cit.*, p. 290.

8 M. Bey, *The U.S. Supersizes Its Sanctions*, Stratfor, 6.12.2018, https://worldview.stratfor.com/article/us-supersizes-its-sanctions [accessed: 7.12.2018].

nominated in the U.S. dollars. Most international trade transactions and contracts are nominated in U.S. dollars as well. Therefore, U.S. firms and U.S. government do not take risk of sudden and unexpected shifts in currency exchange rates. Thus, U.S. government and U.S. companies have an edge over other governments and companies which must hedge against exchange rate risk. Tellingly, when Joe Biden heavily criticized, or even diplomatically abused the *de facto* leader of the Kingdom of Saudi Arabia, Crown Prince Mohammed bin Salman until Riyadh began seriously consider accepting payment for exported oil in yuans, which would be a first break with the dominant position of the U.S. currency in international oil trade. American diplomats hurriedly began to pay visits in Riyadh to tame the Crown Prince[9].

China, Russia, Iran, Turkey and other states realize very well how much power U.S. derives from pre-eminent position of its currency in the global financial system. Hence, these states are convinced that if they succeed in undercutting the dollars position the world finances and economy, they would equally weaken U.S. power in the globe. Calls to diversify central banks reserves out of dollar have arisen in recent years. Not only U.S. adversaries, but also even U.S. European allies like Germany and France dissatisfied with Trump's policy to punish European corporations for their deals with Iran, are growingly convinced to the burning necessity of the de-dollarization of the global economy. The freeze of Russian central bank assets gave more arguments to de-dollarization and de-Westernization in the global finances. Many governments share the view that the U.S. is notoriously abusing its unique position as the emitter of the chief global currency for its purely egotistic purposes. The more often the U.S. uses its currency as weapon, the more stronger incentives has the rest of the globe to avoid the dollar entirely in their transactions and holdings[10]. Consequently, the U.S. policymakers face interesting dilemma. Though weaponizing dollar in the short term may be a very effective means of putting pressure on adversaries,

9 See: S. Kalin, R. Knudson, *As Saudi Arabia Cools on the U.S., It Warms to China*, Wall Street Journal, 17.03.2022, www.wsj.com/podcasts/the-journal/as-saudi-arabia-cools-on-the-us-it-warms-to-china/46e7073c-88b3-4708-8440-e4f72c863e3f [accessed: 18.03.2022]; *Joe Biden's Middle East policy looks a lot like his predecessor's*, Economist, 16.06.2022, www.economist.com/middle-east-and-africa/2022/06/16/joe-bidens-middle-east-policy-looks-a-lot-like-his-predecessors [accessed: 17.06.2022]; S. Kalin, S. Said, W.P. Strobel, *CIA Chief Met Saudi Crown Prince Last Month in Push to Mend Ties*, Wall Street Journal, 3.03.2022, www.wsj.com/articles/cia-chief-met-saudi-crown-prince-last-month-in-push-to-mend-ties-11651588201?mod=hp_lead_pos7 [accessed: 5.03.2022].

10 J. Rickards, *Dollar Dominance Under Multiple, Converging Threats*, The Daily Reckoning, 16.04.2019, https://dailyreckoning.com/dollar-dominance-under-multiple-converging-threats [accessed: 19.04.2019].

in the long term the abuse of that power undermines the future global position and role of dollar. What is good and advantageous to the U.S. in the short term, may simultaneously be bad and disadvantageous to the U.S. in the long run.

Reportedly in 2008 Moscow proposed Beijing to jointly short Fannie Mae and Freddie Mac's stocks in a coordinated manner in order to deepen and sharpen U.S. financial troubles. Indeed, both states in 2008 sold stocks of the aforementioned U.S. government-sponsored enterprises worth approximately $220 billion[11]. After the first war in Ukraine had broken out in 2014, Moscow threatened Washington with sale of its U.S. Treasurys holdings. On top of that, Moscow pulled over $100 billion of financial assets from the Federal Reserve. Arguably, Russia relocated them and registered them under various name so to mask their real holder. Except for Russia, so far there is scant evidence that states did sell off foreign government bonds possessed by them with aim to undermine adversary's finances. China, for instance, cannot dump its vast amounts of U.S. Treasurys without simultaneously bringing about very serious financial losses for itself.

There are two approaches to this matter. Some experts maintain that it would be wiser to use this money, for example, to boost military expenditures. Other experts, claim that geopolitical motivations may in some cases prevail over financial and economic gains. Undercutting rival's economy may at some point be evaluated as the move worth acting even if it would entail financial losses for the executioner. In a germane move the IMF in November 2015 included the China's currency in the currency basket constituting Special Drawing Rights.

U.S. economic war with China

We may differentiate two principal elements of the U.S. economic war with China:

- Trade war initiated by the Trump administration, which admittedly dimmed but did not ended during his successor's tenure;
- The U.S. global campaign oriented toward undermining Huawei, Semiconductor Manufacturing International Corporation (SMIC) and other Chinese national champions from electronic and telecommunication industries.

The U.S.–China trade war was unquestionably initiated by the U.S. side. It started at the end of 2018 by the Trump administration. In his electoral campaign Donald Trump often stressed the urgent need to recalibrate U.S. trade in

[11] R.D. Blackwill, J.M. Harris, *War by Other Means…*, *op. cit.*, pp. 82, 295.

order to lessen huge U.S. trade imbalances[12]. This electoral promises in general appealed to U.S. labour class which felt harmed by vanishing jobs in the U.S. industrial sectors outsourced to China and Mexico.

The Trump administration made a decision to target China. Tellingly, whereas the Trump administration decided to end trade disputes with Mexico and Canada, it simultaneously set off trade war with the People's Republic of China (PRC) invoking Section 301 of the Trade Act. Undoubtedly, China could boast by far the largest trade surplus with the U.S. On top of that, China is regarded by most U.S. strategists, military men and politicians as the most powerful long-term competitor of the U.S. that potentially would be able to challenge the American geopolitical and geoeconomic hegemony in the globe. This view was shared by a good deal of close to Trump people, including gen. Michael Flynn.

In 2018, the U.S. boosted tariffs on approximately half of its imports from China. In result of this step the average U.S. tariff on imports from the Middle Kingdom *de facto* quadrupled from 3% to a little bit more than 12%. In retaliation for this action China's authorities took a decision to increase Chinese tariffs on goods accounting for roughly 70% of Chinese imports from the U.S. The average tariff on U.S. import rose from slightly below 10% to slightly over 18%[13]. These data prove that before the war average China's tariffs on imports from the U.S. were higher than vice versa, which reinforces Trump's arguments about unfair treatment of U.S. goods by Beijing. The retaliatory tariffs imposed by China were arranged in such a manner to especially acutely harm the U.S. agricultural business and American farmers, who were an electorate of Donald Trump[14]. In May 2018 Washington demanded from Beijing to reduce the bilateral trade deficit by $200 billion, to put a definite end to various subsidies for advanced technology, to stop pressing U.S. business to hand over advanced technologies to Chinese entities as well as to halt intellectual property theft of U.S. companies[15].

Ultimately, the U.S. imposed tariffs on three fourth of imports from the PRC within four consecutive rounds of duty hikes which finally resulted in raising tariffs on imports of goods coming from China from 3.1% to 21% at

[12] Donald Trump in the 1980s, long before he embarked on his political career, complained and grumbled about the growing U.S. trade deficit with the bilateral trade with Japan.

[13] *Ibidem*, p. 30.

[14] *Ibidem*, pp. 74–78.

[15] B. Davis, L. Wei, *Who Won the U.S.-China Trade War?*, The Wall Street Journal, 20.05.2022, www.wsj.com/articles/who-won-the-u-s-china-trade-war-11653059611?mod=Searchresults_pos13&page=1 [accessed: 24.06.2022].

the turn of 2019 and 2020. Huawei is a Chinese national champion – a large corporation Chinese people are indubitably proud of. It was founded in 1987 and since that time it has been successfully expanding in a fast rate. Before the U.S. started a global campaign against Huawei, this Chinese company was the globe's biggest supplier of telecom equipment and the no. 2 producer of mobile phones. In 2015 Huawei gained a position of the largest networking supplier worldwide – equipment sort of base stations, routers, modems and switches, etc. Only South Korean Samsung sold yearly more smartphones than Huawei. Until recently, the company concentrated in its expansion primarily on domestic and other emerging markets. However lately, the company stepped up efforts to win considerable share in the developed markets. Overall, the firm employs roughly 180,000 employees.

Washington perceives Huawei as a serious threat to national security because of its alleged profound bonds with China's intelligence agencies. Thus, Huawei was *de facto* locked out of U.S. market. U.S. security services claim that in most of gear and electronic equipment made by Huawei a special spying chips or software are installed. Washington also contends that the shareholder's structure of Huawei is quite nontransparent and no one really knows for sure, who in reality are the owners of the company.

Huawei could boast the largest R&D spendings of any China's tech firms. In 2017 it spent more money for R&D than American Intel Corp. On top of that, Huawei is relatively self-dependent. In contrast to other Chinese companies, it does import comparatively few chips from U.S. companies. Most of subassemblies and parts it needs it produces on its own[16].

In 2018 Huawei has doubtless become the prime target of U.S. struggle with Chinese tech companies. At the beginning of December 2018, Canada's Department of Justice arrested Meng Wanzhou, the chief financial officer of Huawei and also the daughter of its founder. The arrest was done at the request of the U.S. Department of Justice. Meng was endangered with potential extradition to the United States over suspicions that she intentionally broke U.S. sanctions on Iran. She could have been sentenced in the U.S. for long imprisonment. Beijing saw Meng's arrest as malicious Washington's action aimed at undermining Huawei[17]. Moreover, in 2018 Washington clearly stepped up pressure on

[16] D. Strumpf, M.J. Kim, Y. Wang, *How Huawei Took Over the World*, The Wall Street Journal, 25.12.2018, www.wsj.com/articles/how-huawei-took-over-the-world-11545735603 [accessed: 9.01.2019].

[17] *What the Arrest of Huawei's CFO Means for the U.S.-China Trade War*, Stratfor, 6.12.2018, https://worldview.stratfor.com/article/what-arrest-huawei-cfo-us-china-trade-war [accessed: 12.07.2018].

its allies all over the world to cease import of Huawei equipment because of national security reasons. Supposedly, Washington addressed also Warsaw asking Polish government to stop buying Huawei gear. Americans are particularly worried due to Huawei's advantage in designing modern 5G technology, which is broadly regarded as the future of telecommunication. This 5G technology, known also as the Internet of Things, would vastly ease massive surveillance of societies. Washington for certain employed the Huawei investigation as a leverage and bargaining chip in its negotiations with Beijing over trade issues.

In 2018, the U.S. banned the export of semiconductors to Huawei, including those made with the use of American technologies. Companies that break this ban, including foreign ones, have to take into account the risk of carrying serious penalties in the U.S., so even foreign companies comply with it, not wanting to get into U.S. government's black books. As a result, Huawei's sales fell by approximately 1/3 in 2021. The Americans successfully managed to curb Huawei's global expansion. The Chinese do not produce the most modern semiconductors with sizes smaller than 5 nm. The Taiwanese Taiwan Semiconductor Manufacturing Co. (TSMC) and South Korean Samsung Electronics dominate the production of these most avant-garde, most modern and miniature semiconductors. American Intel is a bit behind TSMC and Samsung Electronics in this industry.

In December 2020, Donald Trump also imposed sanctions on the great Chinese semiconductor manufacturer SMIC, preventing the company from acquiring specialized, ultra-modern equipment for the production of semiconductors and integrated circuits abroad. Later, the Biden administration managed to convince the government of Japan and the Netherlands to join the ban. This is particularly relevant in the case of the Netherlands, since the main global producer of such equipment is the Dutch company ASML (Advanced Semiconductor Materials Lithography). Unquestionably, this was a one of the most acute blow delivered to the Chinese economy.

In response, the Chinese government has considerably increased funding for scientific and technical research and development programs for semiconductors and their manufacturing equipment in China itself. So far, however, China's track record in this area has been rather meagre. China, for instance, is able to independently design and manufacture lithographic machines capable of producing semiconductors of 28 nm or less, and not smaller. For comparison, TSMC and Samsung Electronics now are working on designing and production of 3 nm chips. Generally, the smaller the semiconductor, the more modern it is. Overall, the Chinese are in trouble now and must quickly catch up with the West, Taiwan, South Korea and Japan in this vital technological and economic domain.

In general, it seems that Washington became increasingly more worried that in some important technological areas China has put the U.S. ahead (5G, hypersonic missiles, lithium-ion batteries, etc). Americans are not accustomed that some other nations gained a technological advantage over them in important sphere. This was a very unusual situation in the last five decades.

Overall, it appears that so far U.S. economic blows dealt to China by Trump administration turned out to be quite effective in inhibiting and hampering technological and business expansion of Chinese electronic and telecommunication industries. Interestingly, U.S. punches against Huawei, SMIC and Chinese electronic industry seem to be more effective than trade war. Export embargoes are more painful for China than imposing new customs duties. The Biden administration stopped escalating the trade war with China, but has not backed down from Trump's moves aimed at China's trade. Moreover, it even went one step further in countering the development of China's semiconductor industry by blocking the export of state-of-the-art lithography machines to the Middle Kingdom.

U.S. economic war with Iran

The Islamic Republic of Iran since its emergence has become an object of miscellaneous U.S. imposed sanctions. The consecutive U.S. administrations implemented various political and economic sanctions weakening Iranian economy. Over the decades Tehran *de facto* got used to living with sanctions undermining its economy and prosperity. The Obama administration decided to slightly change its policy toward Iran and agreed on the Joint Comprehensive Plan of Action (JCPOA) to the Israel's and Saudi Arabia's disappointment. Both these crucial regional allies of the U.S. staunchly criticized the JCPOA deal indicating that it was too mild for Iran and it would not stop its nuclear program as well as imperial aspirations in the long run. The Trump administration joined this criticism. In May 2018 Trump withheld from the JCPOA and reimposed strong economic sanctions[18]. Since then, as John Ghazvinian accurately noticed,

[18] The anti-Iranian turnabout of the Trump administration might be quite convincingly explained by the influence of Jared Kushner, who cooperated vastly behind the scenes with Israel, Saudi Arabia, the UAE and Qatar, in the White House and Congress often on the edge of violation of American law. This was quite persuasively described in a very gripping and informative book entitled: *Kushner Inc. Greed. Ambition. Corruption. The Extraordinary Story of Jared Kushner and Ivanka Trump* written by the "New York Times" journalist Vicky Ward. Although "The New York Times" decidedly should not be treated as an objective source while describing Trump administration moves, Vicky

"in the ensuing months, Washington pursued an even more strident policy of escalation, confrontation, and economic warfare against Iran than ever before"[19]. Soon the U.S. resigned from giving sanctions waivers to states willing to purchase oil from Iran. As the result of this action as well as other agonizing for Iran moves of the Trump administration the exports of oil – by far the most salient export good of this Middle Eastern country – nose-dived from around 2.5 million barrels per day to merely 200,000[20]. U.S. economic war against Iran resulted in over 90% drop in the sale of Iran's oil on global market. The Islamic Republic of Iran found itself in a sort of almost total economic isolation from the rest of the globe. The displeasure of Iranian citizens toward their authorities due to the collapsing economy, rising inflation and rampant pauperization noticeably rose. Nonetheless, so far Iran did not meaningfully changed its policies. Trump's successor in the White House discontinued this policy. Joe Biden administration initiated talks on reviving the JCPOA deal. After Russia's second invasion of Ukraine, Washington was deliberately less restrictive about the presence of Iranian oil on the world market, focusing primarily on the economic war with Russia. The Biden administration decided to counter the export of Russian hydrocarbons to the world market. To this end, the Biden administration was prepared to turn a blind eye to the growing export of Iranian oil, as long as it supplanted Russian oil and contributed to lowering oil prices globally.

The Iranian government resisted U.S. pressure accustoming its economy to function under serious sanctions. Some Chinese, Middle Eastern and even Western banks and other financial institutions has been helping Iran in avoiding sanctions and resisting mighty U.S. economic pressure. A complete cutting Iran off from the access to the global reserve currencies failed mainly because some influential financial institutions, including Hongkong and Shanghai Banking Corporation Holding PLC as well as Standard Chartered PLC, provided services to firms that handled forbidden trade on behalf of principal Iranian exporters[21]. It is debatable to what extent these corporations knowingly violate U.S. sanctions or simply the supervision of suspicious transactions does not function

Ward's publication is one of the best source showing how the Middle Eastern states manipulate U.S. politics.

19 J. Ghazvinian, *America and Iran: A History 1720 to the Present*, Alfred A. Knopf, New York 2021, p. 586.

20 *Ibidem*, p. 587.

21 I. Talley, *How Iran Tapped International Banks to Keep Its Economy Afloat*, The Wall Street Journal, 22.06.2022, www.wsj.com/articles/how-iran-tapped-international-banks-to-keep-its-economy-afloat-11655899201?mod=lead_feature_below_a_pos1 [accessed: 22.06.2022].

sufficiently well in these banks. Undoubtedly, Iran's secret services (especially the Iranian Revolutionary Guard Corps) set up, honed and tested an extraordinarily sophisticated system of masking and concealing financial and trade transactions to avoid sanctions. Thanks to this complex clandestine finance system Iranian government created Iran was – to some degree – able to circumvent different trade and financial restrictions, bans and impediments[22]. To a certain extent Iran succeeded in resisting very dire U.S. financial and economic pressure. Nevertheless, Iranian society suffered quite harshly and it is reflected in recurring anti-government riots, protests and demonstrations in this country.

Overall, it seems justified to conclude that ongoing U.S. economic war against Iran weakened this state – especially its economy and domestic stability – but did not lead to a fundamental shift in Iran's foreign and security policy.

U.S. economic war with Russia

After the Russian Federation once again brutally invaded Ukraine in the February of 2022 the West under the leadership of the United States enacted several rounds of very acute sanctions against Russia. Never before such a broad specter of such painful economic sanctions were imposed on such a large and influential (at least in resources, energy and weaponry trade) economy. French Minister of the Economy and Finance Bruno Le Mair admitted outright that the West is pursuing economic and financial war with Russia[23]. Such an economic war with such an important state is truly unprecedented[24]. The long-term ramifications of it cannot be determined at this point. The range of economic sanctions is so broad that thorough description all of them would be impossible in a relatively short paper. Thus, the author would like to focus on two most germane aspects of these sanction.

[22] A short but informative description how Iran does this is in the following article: I. Talley, *Clandestine Finance System Helped Iran Withstand Sanctions Crush, Documents Show*, The Wall Street Journal, 18.03.2022, www.wsj.com/articles/clandestine-finance-system-helped-iran-withstand-sanctions-crush-documents-show-11647609741?mod=hp_lead_pos3 [accessed: 19.03.2022].

[23] D. Basso, *Le Maire backtracks after talking of 'economic and financial war' against Russia*, Euractiv, 2.03.2022, www.euractiv.com/section/politics/short_news/le-maire-backtracks-after-talking-of-economic-and-financial-war-against-russia [accessed: 27.06.2022].

[24] For more on the West's economic war against Russia see: T. Varadarajan, *The West's Economic War Plan Against Russia*, The Wall Street Journal, 11.03.2022, www.wsj.com/articles/the-west-economic-war-plan-against-putin-sanction-ukraine-russia-banks-oil-gas-ruble-central-11647032502?mod=opinion_lead_pos5 [accessed: 13.03.2022].

First of all, the freezing of approximately half of Central Bank of Russia's assets is absolutely unprecedented. The freezing of these assets may incline China, India, Saudi Arabia and other central banks of large economies to resign from buying dollar, euro, yen and pound-denominated assets. The structure of foreign exchange reserves of some central banks might be radically shifted. Instead of holding national savings in vulnerable to financial sanctions U.S., European or Japanese government bonds, central banks of emerging markets may be more willing to locate them in much more secure tangible assets like gold bars, other precious metals or even mineral resources. If Russian central banks assets were frozen by the Fed, the ECB, Bank of England and Bank of Japan, so the same fate may await central banks of China, India, Saudi Arabia and all other states. If these states came to such a conclusion, that would mean the global financial system would be changed in depth in such a way that the Western currencies would lose their significance in future. It appears that such a scenario step by step is taking place.

As in case of China probably the most harmful economic sanction concern not the financial transactions but the embargo on exports of technologically advanced devices and components as well as technologies at all. It was forbidden to providing Russia with further components, subassemblies and parts used in the production of military equipment in Russia. It appears to be a very serious sanction, and it is often underestimated. It must be emphasized that Russia does not have a well-developed and modern electronics industry. Microchips, semiconductors, integrated circuits, but also motors and antennas used in the production of Russian weapons are imported from abroad, from Western countries, Japan, South Korea and Taiwan. Now the Russian Federation has been officially cut off from these supplies. Some of them can be imported from China, but in many cases these Chinese substitutes have lower quality, lower service life and usability than components previously imported from other countries.

Moreover, Chinese companies are not particularly eager to export to Russia for fear of the West's secondary sanctions. Those Chinese companies, which, however, export to Russia for an increased risk, expect an extra bonus, an additional payment[25]. Before that, Russian companies had for many years enjoyed fairly free access to Western technologies and components, even after the sanctions imposed on Russia after the annexation of Crimea. Very soon after February 24, 2022, Western countries reduced exports to Russia, including in the field of semiconductors, computers, laser technologies, telecommunications

[25] D. Strumpf, *Chinese Tech Giants Quietly Retreat From Doing Business With Russia*, The Wall Street Journal, 6.05.2022, www.wsj.com/articles/chinese-tech-giants-quietly-stop-doing-business-with-russia-11651845795?mod=hp_lead_pos4 [accessed: 6.05.2022].

equipment. According to one former U.S. diplomat, Ted Kontek, Chinese companies in most cases abide by the Western sanctions and reduced their exports to Russia. He called such a compliance 'surprising'[26]. The U.S. appears to have succeeded in partially undermining Sino-Russian solidarity. China is helping Russia to circumvent the sanctions to a much lesser extent than Moscow would have expected.

It appears that Russia has partly overcome this challenge by using intermediary states to import many electronic components from the West. These are mainly from Central Asia, the Caucasus and the Middle East. However, we should bear in mind that the costs of such imports from Russia increased, as the intermediaries usually demand their own commissions for re-exports and for exposing themselves to the West. Much depends on how scrupulously also Western states will comply with the sanctions. As for countries such as Germany, France or Italy, because cannot exclude that the aforementioned state might turn a blind eye to the violation of these embargoes by their companies, although we can observe a tendency for Russia's political relations to become more rancorous even with those states that were once exceptionally forgiving of Moscow. The United States and the United Kingdom will rather strictly adhere to these sanctions. These embargoes and sanctions are so serious that Russia's imports decreased by as much as 60% by April 2022. And it was not just a drop in the import of luxury goods, but really important components, parts and subassemblies that are not manufactured in Russia at all or are not produced in sufficient quantities, or, finally, the Russian substitutes are very expensive or of very poor quality. Noteworthily, these sanctions hit not only the armaments industry, but also the automotive and mining industries. It is also worth noting that the sanctions imposed on Russia apply to those goods or semi-finished products manufactured – regardless of the country of origin – with the use of American technologies.

Conclusion

The excessive use of financial and economic sanctions by the U.S. provokes targeted states to double their effort to de-dollarize. Over the long term, these states may make themselves much less dependent on dollars in their foreign trade and financial transactions. Therefore, one must wonder whether in the long run this U.S. policy will not harm the U.S. as much as the presently targeted states. The

[26] T. Kontek, *Rosja gra na przetrzymanie Europy*, "Dziennik Gazeta Prawna", 14.06.2022, no. 114 (5776), p. A15.

dominant position of the U.S. dollar in the global economy is not a thing given for eternity. Currently, many regional powers like China, Russia, Iran and Turkey go to great lengths to autonomize their economies from the U.S. As James Rickards remarked: "The U.S. is destroying the value of the dollar by abusing sanctions"[27].

James Rickards mentioned that he attended in 2009 in the first-ever financial war game arranged by the U.S. Department of Defense. During this interesting war game he presented a scenario in which China and Russia joined economic forces and after gathering sufficiently immense gold reserves launched a new digital currency backed by gold in order to undercut the privileged position of U.S. dollar. He asserts that such a scenario has become increasingly more likely in the light of recent exacerbating economic wars[28].

It appears to be wise to seriously consider James Rickard's prognosis about the evolution of the U.S.–China relations. He has been maintaining for many years that the U.S.–China relations would be evolving from currency wars through trade wars to conventional military war. He draws our attention to the fact that similar pattern emerged in the interwar period. First great powers resorted to waging currency wars, basically bringing down to practicing beggar-thy-neighbour policy of subsequent currency devaluations. Rickards dates this period of currency wars form 1921 to 1936. Then great powers began to wage trade wars from 1930 to 1934. Finally they slid into disastrous and destructive Second World War. James Rickards believes that the ongoing trajectory of U.S.–China relations appears to follow quite similar pattern[29]. If he is right, the war between China and the U.S. sooner or later erupt.

Definitely, the U.S. very widely resorts to economic and financial war as a principal retributive instrument in its geoeconomic and geopolitical policy. It might have seem that this was a personal preference of Donald Trump, however the Biden administration initiated so grave economic war with Russia that it eclipsed even economic wars waged by the predecessor. Biden's approach to China, so far is much less stringent[30]. Nonetheless, economic war has entered American foreign policy for good. In general, one might get an impression that the U.S. economic policy appears to become increasingly

27 J. Rickards, *The Last Straw*, The Daily Reckoning, 14.03.2022, https://dailyreckoning.com/the-last-straw [accessed: 16.03.2022].

28 *Ibidem*.

29 *Ibidem*.

30 It could potentially be explained with very suspicious relations and business deals of his son Hunter Biden with Chinese businessmen associated with China's intelligence services.

confrontational toward its geopolitical rivals. Policy makers in Washington know very well that the Western financial and banking systems are nothing more than colossal Ponzi scheme doomed to totally break apart in an incoming unprecedentedly huge financial crisis which will eclipse the Great Recession of 2008–2009. It seems that by waging economic wars with China and Russia the U.S. intends to preserve its pre-eminent position in the burgeoning new international economic system which will emerge on the ruins of soon to be destroyed present international financial system.

My research shows unequivocally that the tools of characteristic economic warfare were the most popular means of imposing its will on U.S. geopolitical rivals as practiced by the Donald Trump administration in foreign policy. The Biden administration appears to be continuing this policy to a large extent.

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The U.S. Economic War under the Donald Trump Administration

Though the use of economic war for realization of U.S. policy goals has a long history, it seems that the former U.S. president Donald Trump was definitely inclined to resort to this instrument of foreign policy more often and on bigger scale than his predecessors. The economic war appeared to be the favourite foreign policy tool of the Donald Trump. The Trump presidential administration clearly preferred economic over conventional war. The White House under the Trump was determined to withdraw its military involvement in the Middle East and other regions of the globe replacing it with severe economic pressure on its opponents and adversaries.

The tools of economic war – primarily economic sanctions – were employed by Washington in recent years against the Russian Federation, the People's Republic of China, the Islamic Republic of Iran, Turkey and Venezuela. Over the decades the U.S. intelligence community mastered the economic war tools to provoke bank runs, increased inflation, currency collapse, and shortages of crucial imported products or the combination of the above mentioned things for the purpose of destabilization of targeted economies and regimes.

Washington particularly often takes advantage of the dominant position of U.S. dollar in the global economy and its control of the global dollar financial transfers system as a powerful economic weapon. However, the frequent usage of this weapon makes the targeted states inclined to de-dollarize as far as possible and as quickly as possible, which would be unbeneficial to the U.S. eventually.
Key words: U.S., economic war, trade war, financial war, sanction, Donald Trump