

US foreign policy

Donald Trump takes deployment of sanctions to new level

White House aims to achieve powerful impact while avoiding military entanglements



An Iranian woman walks by a mural on the wall of the former US embassy in the Iranian capital Tehran. The Iranian currency has fallen 60 per cent this year © AFP

Sam Fleming and Demetri Sevastopulo in Washington and Roger Blitz in London AUGUST 11, 2018

The White House is unsettling markets and US allies as it makes increasing use of powerful sanctions, underscoring President Donald Trump's willingness to act alone on foreign policy even at the expense of heightening global instability.

Russian and [Turkish markets](#) were hit hard last week as US sanctions exacerbated concerns about the fragility of emerging markets.

“The Turkish Lira [is sliding] rapidly downward against our very strong Dollar!” Mr Trump tweeted on Friday, as he announced a tariff increase on Turkish steel and aluminium to add to sanctions against Ankara’s interior and justice ministers. “Our relations with Turkey are not good at this time!”

As soon as the president sent out his message the lira accelerated its fall. The dispute between Washington and Ankara over the [detention of a US pastor](#) has contributed to the 28 per cent slump in the Turkish lira against the dollar this month. The Russian rouble has fallen 6 per cent since the US announced [sweeping sanctions](#) on Wednesday over the near-fatal poisoning in the UK of a former Russian spy.

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Iran has also come under mounting financial pressure after the US reimposed sanctions following its withdrawal from the nuclear deal with Tehran, despite objections of close allies that had also signed the pact. The Iranian currency has fallen 60 per cent this year, forcing the country's central bank to relax foreign exchange restrictions.

“The US has to rehabilitate its addiction to sanctions & bullying or entire world will unite — beyond verbal condemnations — to force it to,” Javad Zarif, Iran’s foreign minister said on Twitter on Saturday, describing Washington’s sanctions against its Nato ally Turkey as “shameful”.

The US has been increasingly using sanctions since the 1990s, particularly after George W Bush ramped up activity after the September 11 2001 attacks. But Mr Trump has taken the measures to a new level, as he seeks to take muscular executive actions that avoid the cost of military entanglements and yet have an impact.

The world looks at US policy . . . and there's an unpredictability to it that makes for a high degree of nervousness

Jack Lew, Obama-era Treasury secretary

The Treasury last year added 944 people and entities to its sanctions list — the highest number since 2001, according to Gibson, Dunn & Crutcher. Adam Smith, a partner at the law firm and a former senior sanctions official at the US Treasury, said it was on track to add a further 1,000 names this year.

“It is almost a perfect storm,” said John Smith, a former head of the Treasury’s Office of Foreign Assets Control now at Morrison & Foerster, another law firm.

“You have global crises that the US wants to confront, you have a Congress that is sceptical of the administration, particularly with respect to Russia . . . and you have an administration that is far more willing to confront not only foes, but also friends.”

Mr Trump’s decision to sanction the Turkish cabinet ministers over Ankara’s refusal to release a US pastor who is under house arrest was an unprecedented move against a Nato ally, although the politically charged dispute over a Nato member’s detention of a US citizen is itself exceptional.

Daniel Tannebaum, a former Ofac official now at PwC, said it was an example of Mr

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a president who likes to have quick results and you have sanctions . . . even the mere threat of them, can dramatically impact a target's economy," he added.

The danger is that the aggressive approach — and sometimes lack of co-ordination with allies — exacerbates turbulence in financial markets that becomes difficult to contain.

Richard Nephew, a sanctions expert at Columbia University, cited the imposition in April of sanctions on the business empire of Russia's Oleg Deripaska as an example of the US having a "shoot first ask question later mentality". The backlash in markets and foreign capitals prompted the US to seek ways of lessening the repercussions.

Mr Nephew said the sanctions against Iran may suffer because US allies did not support them, meaning there could be a profusion of loopholes and evasions by companies.

Jack Lew, Treasury secretary in the Obama administration, said multilateral participation had helped the administration pressure Iran to come to the table.

But now, "the world looks at US policy . . . and there's an unpredictability to it that makes for a high degree of nervousness," Mr Lew said in an interview.

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Peter Harrell of the Center for a New American Security added that the Trump administration was "clearly less concerned about making sure sanctions are broadly multilateral than the prior administration".

The main exception, he said, was on North Korea, where Mr Trump worked through the UN Security Council as he steadily built up his maximum pressure campaign. Many experts — including some former Obama officials — concede that the strategy against Pyongyang succeeded in bringing Kim Jong Un to the negotiating table.

Daniel Fried, a former state department co-ordinator on sanctions who is now at the Atlantic Council, said there were longer-term risks stemming from the administration's heavy use of sanctions. They created, for instance, incentives for countries to use currencies other than the US dollar in an effort to circumvent the measures' impact.

"We risk over-using sanctions, and over-using sanctions in turn weakens the policy tool," he added.

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