

THEME 03

The rise of American sanctions

HEGEMONY

POLITICS

SANCTIONS

Economic sanctions are widely regarded as a relatively harmless means to settle an international conflict. However, intensifying sanctions by the U.S. risk accelerating its hegemonic decline. As Eurasia is uniting in key industries, recent U.S. attempts to isolate its adversaries through sanctions could be counterproductive.

Our observations

- Part of an intensifying campaign to weaponize its economic power, U.S. Congress is deliberating tougher sanctions against [Russia](#), which could include a ban on the purchase of Russian bonds and affect Russian state banks' ability to deal in U.S. dollars. The U.S. is also preparing more sanctions on [Turkey](#) (targeting Turkish organizations and individuals), restoring sanctions on [Iran](#) (pressuring major European companies by banning all transactions with Iran involving U.S. dollars), and has started a trade dispute with China.
- The prime targets of U.S. sanctions, [Venezuela, Iran, Russia and Turkey](#), are increasingly cooperating. To avoid asset freezes in Switzerland, Venezuela is now refining gold in Turkey. Both countries have also signed several deals to boost economic relations, including plans to open up a Turkish Airlines base in Venezuela. Turkey has even promised to build a mosque and cultural center in Caracas. Furthermore, Turkey was complicit in netting billions of dollars for Iran, while Ankara recently vowed to defy U.S. sanctions against Iran. Meanwhile, Venezuela, Iran, and Turkey are creating their own cryptocurrencies to diminish the need for dollar-denominated transactions. Russia has helped Iran and Venezuela to develop their cryptocurrencies in an attempt to build a more robust alternative system for financial transactions.
- [China, Russia, Iran and Turkey](#) all have the ambition to bypass the dollar for international transactions. As financial technology develops, it could become easier to switch between currencies, undermining the dollar's monopoly. However, the problem remains that these currencies (such as the ruble and lira) are highly volatile (in contrast to the dollar's stability). [Boosting the yuan's international status](#) is the most realistic scenario for these countries' ambitions.
- In *The Unquiet Frontier: Rising Rivals, Vulnerable Allies, and the Crisis of American Power*, Grygiel & Mitchell argue that China, Russia and Iran, through their "probing" tactics in their respective regions, have each triggered an unintended backlash. As a result of Russian aggression, some countries in Europe, particularly Poland and the Baltic states, have awakened: they are pursuing defense modernization and more visible and permanent NATO and American security presence on their territories. Similarly, Japan is modernizing its military in response to Chinese expansion and [Saudi Arabia](#) is reforming its state in response to rising Iranian ambitions.



Connecting the dots

The U.S. is intensifying the use of sanctions. In the short term, this could dampen the economic growth of its adversaries. However, in the long term, as the U.S. tries to retain hegemony, these sanctions could turn out to be counterproductive. After all, the U.S. strategy is, especially to the benefit of China, speeding up the process of integrating Eurasia.

The ultimate goal of the U.S. is to be leader of the Western hemisphere and to prevent a similar leader from emerging in Eurasia (the Eastern hemisphere). As the Atlantic age is ending, regional powers are emerging all over Eurasia. Since China is the natural leader of Eurasia, the U.S. will increasingly try to isolate China (for instance, through trade disputes). However, the U.S. is also imposing sanctions on other Eurasian powers (e.g. Russia, Turkey, Iran). These sanctions are driving Eurasian countries closer together, and namely, closer to China. After all, sanctions push countries to look for financial and economic partners elsewhere. Indeed, the supply chains of Eurasian countries are integrating: in energy, security and trade, Eurasia is uniting (as we [noted](#) before). Furthermore, the imposition of sanctions could boost China's plans to internationalize the yuan. After all, while cooperation between Venezuela, Iran, Russia and Turkey might be an alliance of convenience (of countries with deep domestic issues), all of them are seeking to find an alternative to dollar-denominated transactions. As the U.S. pressures these countries, they could look to the Chinese currency as an alternative to the dollar,

speeding up the integration of Eurasia even further. As such, the same dynamic could be unfolding that has characterized East Asia, Eastern Europe and the Middle East in recent years: in a backlash against Great Power projection, countries are rethinking their position in the world. Whereas countries such as Poland, Saudi Arabia and Japan have reoriented closer to the U.S., countries such as Russia, Turkey and Iran will increasingly not only clash with the U.S., but also move closer to China.

Although Eurasia is uniting in the face of American strategy, its future will be characterized by shifting alliances. While Russia, Turkey, Iran and China are now moving closer together, their interests will increasingly clash. As we have [noted](#) before, Turkey and Russia are rivals by nature, since they are both large and powerful countries, as well as neighbors, which puts them at odds over spheres of influence (e.g. Caucasus, Eastern Europe, Middle East). The same principle applies to Russia and China. As China expands its BRI strategy, it could increasingly clash with Russia over Mongolia and parts of Central Asia. The history of Iran and Turkey is also ambiguously marked by periods of hostility and stable relations. In this world of shifting alliances, emerging regional powers, and the U.S. trying to prevent an Eastern hemisphere hegemon from emerging, it is smaller Eurasian countries that will benefit. They will increasingly be able to "triangulate" between, for instance, the BRI and the [American alternative](#).

Implications

- Europe will increasingly be caught in the middle between the U.S. and Asia. Especially Northwestern Europe is highly connected to both the U.S. and other Eurasian countries. In fact, several European countries have [lobbied against](#) tougher sanctions on Russia and Iran. Fear of economic downturns could push Europe closer to Eurasian integration, and the [Bundesbank](#) has already included the yuan in its currency reserves.
- China's BRI could facilitate the rise of the international status of the yuan, which would significantly boost the uniting of Eurasia. Although countries such as Pakistan and Myanmar recently triggered a backlash against the BRI, countries along the Eurasian belt simply have [no other options](#) (barring significant progression of U.S., Indian or Japanese investment plans) for the infrastructure investment they desperately need.
- Changing dynamics across the world are too often only understood from [a Western perspective](#). While the new U.S. international strategy explicitly requires its allies (e.g. Japan, Poland, Saudi Arabia) to pressure its adversaries (e.g. China, Russia, Iran), well before America decided to do adopt this strategy, its allies were already rethinking their position in the world. Indeed, from Japanese militarization and [Polish leadership](#) to [Saudi Arabian reform](#), these countries have changed course in reaction to aggressive behavior by their neighbors.
- In the long term, a [New Great Game](#) will unfold in Central Asia. There, Russia's interests will clash with those of China. In the coming years, the U.S. strategy towards Central Asia will be an important measure of American willingness to influence the rise of Eurasia.