

This is Not “Mr. Rogers’ Neighborhood”

The Unintended Consequences of Trump’s Aggressive Use of Economic Sanctions

ASPEN, CO, UNITED STATES, August 16, 2018 /EINPresswire.com/ -- Last week I saw the “Mr. Rogers’ movie “Won’t You Be My Neighbor?” I’m definitely not a Mr. Rogers’ groupie. However, the irony of Mr. Rogers’ message of treating all people with kindness, courtesy and a belief in each person’s dignity juxtaposed with President Trump’s messages and actions of imposing severe economic sanctions on countries who have traditionally been our allies, is hard not to compare.

Certainly, no one can accuse our current president of a Mr. Rogers’ like attitude when it comes to his indiscriminate and aggressive use of economic sanctions. The use of economic sanctions is nothing new. President Woodrow Wilson stated after the end of World War I, “A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force.”

Unfortunately, President Wilson and many Democratic and Republican administrations who followed him were too optimistic in believing economic sanctions would bring a country to its knees. A case in point is Cuba. Heavy sanctions were imposed on the country after the 1958 fall of the Batista regime. Sixty years later, even after the death of Fidel Castro, those sanctions have had virtually no effect in changing the country’s policies or regime.

You might be wondering why sanctions are a powerful U.S weapon. Economic sanctions work because of the role of the dollar in global finance and trade and the dollar’s role as the world’s primary reserve currency. According to the Bank for International Settlements, in 2016, 88 percent of all global financial transactions were settled in dollars. In the first quarter of this year, global reserves held in dollars were \$6,499 trillion or 62.72% of all governmental reserves.

As long as the dollar remains the world’s main reserve currency the U.S. can use economic sanctions as a weapon. However, America’s aggressive use of economic sanctions is seen by allies as well as adversaries, as a bullying tactic. Those countries that were merely annoyed are now seething and resentful that the U.S. can use economic sanctions as a weapon based on the global role of the dollar.



China, Russia, and Brazil called for a global move away from the dollar in 2009 during the global financial crisis. China renewed this attack in 2013. Both of America's largest creditors, Japan and China have recently cooled on owning U.S. Government bonds. These rumblings of discontent have so far fallen on deaf ears in the Trump administration.

Crude oil is almost always priced in dollars. China is the largest importer of crude oil and has recently begun buying oil in its own currency, the renminbi. The Chinese move to purchase oil in renminbi should be seen as a first step to increase global demand for its currency, and a threat to the role of the dollar

While any real threat to the pre-eminent role of the U.S. dollar in international trade and finance will likely take years to materialize, the Trump sanctions are definitely causing American friends and foes to seek alternatives. Unfortunately, this is occurring as the U.S. is finding it necessary to increase its borrowings to finance a growing deficit and as the Federal Reserve has started to shrink the size of its quantitative-easing policy.

It is not a comforting fact that earlier this year, a little over one year into the Trump presidency, the Treasury Department had added over 700 government agencies, people and companies to its economic sanction list.

We need to remember that much of America's deficit and therefore what we consider to be our "American way of life" is financed by foreign countries holding their reserves in dollars. If the president's aggressive and what I would call the impulsive use of economic sanctions continues, the acceleration of the decline of the U.S. dollar as the world's primary reserve currency is inevitable.

There were always things you could consistently count on when watching "Mr. Rogers' Neighborhood." One was that speaking with care was important because all human beings have worth; being kind or nice was not a weakness; and Fred Rogers always made a distinction between imagination and reality. If only we had a president who could do the same.

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