

Trump's U-turn on Chinese mega-firm ZTE damages U.S. power and credibility

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The Trump administration made two very different policy statements on sanctions Sunday. President Trump said in a tweet that an earlier decision to impose massive U.S. sanctions on the Chinese telecommunications behemoth ZTE, for selling equipment to Iran, might be open to renegotiation. Trump said he was working with China's premier to end a ban on export privileges to a "massive Chinese phone company, ZTE," because "too many jobs in China lost." At nearly the same time, Trump's national security adviser, John Bolton, told CNN's Jake Tapper that European firms could face U.S. sanctions if they dealt with Iran.

These two statements send very confusing signals to other countries. The Trump administration seems to be telling China that a firm that did business with Iran, and that the U.S. government says has lied repeatedly about its dealings, may be allowed to wriggle off the hook. However, the Trump administration is also suggesting that European firms could face massive fines (previous sanctions have cost European firms billions of dollars). The United States is uniquely able to impose its will on foreign firms, but by behaving so unpredictably, it risks not only the U.S. sanctions regime but also the primacy of the U.S.-based financial infrastructure.

The U.S. has extraordinary power over international markets

The United States has a lot of power to bully other countries into doing what it wants. Over the past two decades, it has also developed power to bully foreign firms into implementing its preferences. As we argue in [an academic paper](#) setting out a broader research agenda on "weaponized interdependence," the United States has figured out how to take advantage of globalization to push its interests abroad. Global networks in financial communication (such as the SWIFT financial messaging service) provide the United States and its European allies with the ability to monitor information flows to figure out what others are doing, and lock entire countries out of the international financial system. Much of the world's financial flows involve U.S. dollars, which provide the United States with another angle of attack, through the U.S. dollar "clearing system," on which large financial institutions depend.

Global economic networks are *asymmetric*, meaning that some "nodes" or points in the network are much more important than others. The United States can exert great influence over firms beyond its borders, because it has influence over nodes such as SWIFT, U.S. correspondent banks (which clear dollar transactions) and the U.S. financial system. It can threaten to exclude firms from these networks if they don't comply with U.S.

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