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ABOUT THE POSTERS IN THIS ISSUE
Documenting the wartime viewpoints and diverse political sentiments of the twentieth century, the Hoover Institution
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continues to grow. Thirty-three thousand are available online. Posters from the United States, the United Kingdom,
Germany, Russia/Soviet Union, and France predominate, though posters from more than eighty countries are included.
Economic Instruments and National Security Goals
By John B. Taylor

In this essay I address the question of whether economic instruments such as tariffs, embargoes, quotas, capital controls, financial sanctions, or asset freezes can achieve national security goals—economic, political, or military—and thereby help avoid international conflict, or even preclude war. The connection between economics and national security is an ancient issue about which people have debated for a long time. Thucydides wrote about the Athenians sending out ships to collect money to finance battles, but the very act of collecting money under force could be counterproductive and lead to war. In the modern globalized economy, the range of both instruments and goals is much wider than simply collecting revenues.

In their recent book, *War by Other Means*, Jennifer M. Harris and Robert D. Blackwill argue that economic instruments—including tariffs and embargoes—are essential to achieving geopolitical goals. They criticize economists for not thinking hard enough about how such economic instruments can be used as tools—even as replacements for weapons of war.

But barriers to trade or restrictions on movements of capital are costly to the people in the countries that use them. Thus, they are not necessarily a good instrument to achieve other goals. Low or zero tariffs—free trade—improve people’s well-being by allowing comparative advantage and the expansion of markets. That is why unilateral reductions in tariffs—“unilateral disarmament” to adapt a term frequently used for military arms reduction—was recommended by the great economists Adam Smith and David Ricardo for Britain. Indeed, years later Milton Friedman recommended reducing trade barriers “unilaterally as Britain did in the nineteenth century.”

Nevertheless, historical experience has shown that unilateral approaches frequently do not work very well. Over time, countries have had more success reducing barriers to trade with bilateral or multilateral approaches. The reason, which helps us address the question addressed in this essay, is that one can extract something from other countries by using barriers to trade.

In fact, most trade barrier reductions, at least since World War II, have been achieved by the “reciprocal method,” in which tariffs and quotas are used as a negotiating tool. Trade negotiators from one country will say to their counterparts representing another country: “We will keep our trade barriers high, if you keep your trade barriers high; but we will reduce our tariffs, if you reduce your tariffs.”

This approach works because it addresses key political considerations, namely that exporters who benefit from lower trade barriers abroad will counteract politically those domestic producers who do not like lower trade barriers at home. Because they want lower tariffs in other countries, they will work to pressure trade negotiators to lower tariffs at home. That’s part of the deal. In fact, the multilateral approach has worked
very well over the years. It has brought barriers to trade way down through multilateral fora like the General Agreement on Tariffs and Trade and its successor the World Trade Organization (WTO), and is embodied in agreements like the North American Free Trade Agreement (NAFTA) and it successor the new United States, Mexico, and Canada (USMCA) agreement.

This approach is more difficult when one country has much higher tariffs than another country. For example, as Elon Musk recently pointed out, the tariff on a United States car exported to China is 25 percent, while the tariff on a Chinese car exported to the United States is only 2.5 percent. Nothing much will change if the United States goes from 2.5 percent to 0 percent and China reciprocates by going from 25 percent to 22.5 percent.

This asymmetry is one reason why the United States has recently imposed higher tariffs on other goods from China such as steel and aluminum. The United States stated that these new tariffs will come down or be repealed once China reduces its barriers to trade. It is like a negotiation. The danger is that the approach could lead to trade war in which China retaliates with higher tariffs, the United States does the same, and so on. Trade wars have often occurred in the past, including in the period between World War I and World War II. There is some recent evidence of this tit-for-tat between China and the United States, but the negotiations are not over.

The question is whether this approach can be expanded. One expansion would be to a broader set of goals. Could the goals of the actual or threatened tariffs in one country go beyond lower tariffs in other countries? Could the goals include other issues such as regulatory reform, intellectual property reform, changes in labor laws, or even military procurement issues?

These broader approaches have been tried over the years, though with mixed success. One problem is that the issues are less connected conceptually and they are supervised by different government agencies. For example, the Structural Impediments Initiative between the United States and Japan in the 1990s included reform of the so-called large-scale retail store law in Japan to allow large discount stores to open, which would help U.S. exports into Japan. The impact seemed to be positive—more large-scale stores opened—but with many different government agencies involved, both in the United States and Japan, it was harder to assess whether the reason was the trade agreement.

Another expansion is to a broader set of economic instruments. For example, a big change in recent years has been the use of financial sanctions, and this has brought large changes in the way economics interacts with national security.

Though few remember, the United States launched its first post-9/11 attack on terrorists from the financial front. On September 24, 2001, the George W. Bush administration announced a freeze of al-Qaeda assets. From the beginning, the war on terrorist financing was multilateral. An international coalition was created which prevented terrorists from escaping a freeze by moving funds from a bank in one country to a bank in another. One hundred seventy-two countries issued freezing orders, one hundred twenty countries passed new laws, and one thousand four hundred accounts of terrorists were frozen worldwide. A Council on Foreign Relations report found then that: “The general willingness of most foreign governments to cooperate with U.S.-led efforts to block the assets . . . has been welcome and unprecedented.”

Stopping the flow of financing has been one of the most important and successful economic instruments in the war against terrorism. The 9/11 Commission’s report gave many C’s, D’s, and F’s, but the very top grade was an A—for freezing and tracking money going to terrorist activities which was timely and effective in the case of al-Qaeda.

Financial sanctions have become an essential tool in the fight to combat nuclear proliferation. In the early 2000s, measures taken by the U.S. Treasury with respect to North Korean finances seemed to have an impact on the regime and helped slow nuclear proliferation. Similar actions were considered for Iran. For example, the U.N. Security Council passed a resolution telling countries to freeze the funds of anyone supporting Iran’s proliferation activities. The U.S. Treasury designated Bank Sepah of Iran, which had financed Iranian purchases of missile technology.
Historical experience shows that targeted financial actions make a difference in the effort to combat nuclear proliferation. A decade ago, the U.S. Treasury took action against a Macau bank that aided North Korea’s money laundering and counterfeiting. Judging from the strong complaints from North Korea, such actions had noticeable effects on the movement of funds for its nuclear program. Financial sanctions were also used against two Iranian banks—one that funneled funds to Hezbollah, and another that financed acquisition of missile technology.

An agreement to increase support for such activities would be important now. The financial war against terrorism can be waged more effectively if both our enemies and our allies know Americans are working together. The leadership in Congress and the Administration can bring both their constituencies together on this issue. If they want to show that they can cooperate, this is a good place to begin.

The broadest connection between economic instruments and national security was addressed by James Ellis, James Mattis, and Kori Schake in a chapter in the book *Blueprint for America*, edited by George P. Shultz. They write that “economics are integral to military power. In fact, they are dispositive: no country has ever long retained its military power when its economic foundation faltered.”

Here the idea is to support allies with good pro-growth international economic policy, which may be equivalent to saying we will keep our tariffs and other trade barriers low if you remain good allies. Stressing the need for alliances, Ellis, Mattis, and Schake argue that a strategy which America adopts “must, foremost, be ally-friendly,” suggesting a simple guide that “those countries that are not against us are for us.”

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China: Tariffs, Tweets, and a Telegram

By Gordon G. Chang

“Fluff.” That’s what Derek Scissors called the “very substantial phase one deal” President Trump announced on October 11, as Chinese trade negotiators, also in the Oval Office, looked on.

Why would the leader of the world’s largest economy agree to an insubstantial arrangement? Scissors, a scholar at the American Enterprise Institute, gave this explanation to the Washington Post: “because no one in the administration really wants to go through with the tariffs anyway.”

Additional U.S. tariffs on Chinese goods were scheduled to rise soon after the Oval Office meeting.

The aversion to tariffs—Scissors was not the only Washington analyst reporting that the Trump administration did not like them—raises the issue of whether these measures work. More to the point, have tariffs or even stiffer measures like sanctions or embargoes ever achieved concessions from hostile powers and therefore avoided war?

The answer is yes, but only when those measures have been part of well-crafted strategies implemented in disciplined fashion over long periods. The matter is pertinent because the Trump administration, through tariffs and sanctions, is trying to substantially change Beijing’s trade behavior, which has been, over the course of decades, both criminal and predatory.

The president imposed the tariffs in question under the authority of Section 301 of the Trade Act of 1974 as a remedy for the theft of American intellectual property. Chinese entities each year, by criminal and forceful means, take hundreds of billions of dollars of U.S. innovation. Moreover, the Chinese have consistently violated their obligations to America, those contained in both its World Trade Organization accession agreement and in bilateral deals with Washington.

Trump’s tariffs have dented China’s economic growth—especially growth in the country’s export sector—but there is, as American trade expert Alan Tonelson told Strategika, “little evidence that the tariffs have spurred any changes in China’s predatory trade or technology policies.”

The Section 301 tariffs first went into effect only in July 2018, and Trump has yet to raise these tariffs to levels that could significantly affect decision making in Beijing. In short, the Trump tariffs are not yet a true test of the effect of such coercive measures.

“Economic sanctions are not flyswatters, picked up occasionally,” Arthur Waldron of the University of Pennsylvania told Strategika. “They are effective only when imbedded in a larger, well-conceived, and systematic policy.”

America in the aftermath of the Second World War had such a policy. It was articulated in, most famously, Kennan’s Long Telegram of February 1946, and the result, Waldron notes, was “a policy of treating the USSR and Eastern Bloc comprehensively and consistently, which included strict economic controls.” This was, he remarked, “truly a strategy.”
Unfortunately, it was not a strategy that survived the Cold War. Historians, after the fall of the Soviet Union, denigrated the effect of containment, and policy makers adopted the opposite approach, “engagement,” with China. “That was bad history, which led to bad policy,” Waldron told me. “Hence the current situation.”

The current situation is none too good. Engagement has enriched and strengthened a ruling group that has become more hostile over time, moving in especially dangerous directions after Xi Jinping took over China at the end of 2012.

So will the opposite of engagement now work? It is, according to Tonelson, already doing so. “A second track of Trump China policies—unilateral measures clearly aimed at decoupling the two economies—has achieved impressive success,” he told me. Trump, Tonelson says, has crimped trade, investment, and technology flows, thus reducing Beijing’s access to the U.S. market and cutting off the supply of needed American components. Trump has also severed tech transfers to more than 30 Chinese companies by having the Commerce Department add them to its Entity List.

Trump’s tariffs have also pushed the two economies apart by convincing companies—Google, GoPro, Nintendo, Fitbit, and RH, among others—to move parts of their supply chains off Chinese soil. Many in the business community obviously fear the “trade war” is actually a broader struggle and will continue for years.

“Tariffs are working far better than anyone ever anticipated,” Trump tweeted August 4. Many at the time assumed he was referring to success in convincing the Chinese to improve their trade behavior, but it appears the 45th president had broader goals in mind.

Trump made clear his ultimate intentions with his four-part August 23 tweet ordering American companies “to immediately start looking for an alternative to China.” Most observers thought he was not serious and in any event had no power to force them out of China, but he in fact has the authority thanks to the Trading with the Enemy Act of 1917 and the International Emergency Economic Powers Act of 1977. Trump is returning to a successful containment model of economic relations.

That model could especially work now that China is fragile, with economic growth rates falling to historic lows, with evident political turmoil in Beijing, with worldwide criticism of its internal and external policies, and with a growing independence movement in Hong Kong.

Trump’s varied actions against a vulnerable Chinese state, therefore, can defang it and maybe avoid conflict by reducing its ability to confront the U.S. Whatever may happen, his restrictive policies, despite sometimes backtracking into fluff, are beginning to impoverish a dangerous competitor.

The United States has not had a robust, well-conceived, and systematic China policy for decades. Perhaps we are seeing the beginning of one now.

GORDON G. CHANG is the author of The Coming Collapse of China, Nuclear Showdown: North Korea Takes On the World, and the just-released Losing South Korea. Chang lived and worked in China and Hong Kong for almost two decades. He is a columnist at the Daily Beast and also writes regularly for The National Interest. Chang has given numerous briefings at the National Intelligence Council, the CIA, the State Department, U.S. Strategic Command, and the Pentagon. Chang frequently appears on CNN, Fox News Channel, Fox Business Network, Bloomberg, CNBC, MSNBC, and PBS. He is a regular co-host and guest on The John Batchelor Show. He has served two terms as trustee of Cornell University.
The Virtues, Vices, and Limits of Embargoes and Sanctions

By Robert G. Kaufman

Economic embargoes and targeted sanctions have a long but mixed legacy as tools of statecraft. The first major American attempt to employ sanctions dates back as far as the Embargo Act of 1807, which intended to punish Great Britain and France for interfering with American shipping during the Napoleonic phase of the wars of the French Revolution. Economic sanctions have become increasingly popular as a way of achieving a variety of goals—deterrence, coercion, the protection of human rights, raising the cost of aggression, bolstering allies, virtue-signaling, or choosing the least bad means for addressing an international threat when the alternatives of doing nothing or resorting to force appear worse. The United States now employs sanctions of varying comprehensiveness and severity against more than thirty countries and terrorist entities, including Russia, Syria, Iran, Cuba, and North Korea. The effectiveness of these measures depends on an interplay of variables—the definition of success, the comparative leverage of the parties, the breadth and depth of the coalition imposing them, the availability of alternative economic outlets for the target state, the implacability of the target state’s political will, and the risk-threshold of the target state’s leadership. What works is largely case-specific, defying easy generalization.

These caveats notwithstanding, the American experience yields several provisional lessons that ought to inform whether, when, and how the United States employs sanctions.

1. Sanctions can supplement but not serve as a substitute for a comprehensive strategy to defeat, deter, or incentivize an adversary to change its behavior. Without the credible threat of force as an alternative, sanctions will not only fail, but often incite their target to engage in more provocative behavior. The Embargo Act of 1807 offers a cautionary tale violating every condition conducive to success. The United States, still in its formative years—a weak power in the world of the strong—lacked the economic clout to persuade the British and the French to cease their predations on American shipping. On the contrary, the embargo inflicted far more economic distress on the United States than on Britain and France. American exports plummeted 75 percent and imports by 50 percent, spurring a secessionist movement in New England, which was hardest hit by the unintended effects of the embargo. Making matters worse, President Jefferson’s aversion to building a blue water navy deprived the United States simultaneously of any credible military deterrent or response to Britain and France flaunting American neutrality rights.

2. The effectiveness of sanctions not only depends on the economic and military leverage but also the will and capability to impose third-party sanctions on countries that could undermine their impact.
The combination of President Trump’s debilitating sanctions on Iran, and his largely successful threat to punish the usual third-party EU suspects otherwise unwilling to sanction Iran, have caused oil exports to plummet by 80 percent and compelled Iran to reduce military spending by 20 percent in 2018, reports Rebeccah L. Heinrichs in the National Review: “That’s bad news for the Shiite paramilitary forces operating under the auspices of Iran’s Revolutionary Guard (IRGC), which have fomented chaos in Iraq, Syria, Lebanon, and Yemen, to the Islamic Republic’s advantage.” However, as Walter Russell Mead warns in the Wall Street Journal, the “mix of military restraint and punishing sanctions that has worked well to date depends on the will and capability to fight should the Iranians take the President’s warnings not to transgress certain red lines as a bluff.”

3. Even effective sanctions can have the unintended consequence of precipitating aggression they intended to deter. By most accounts, President Roosevelt’s imposition of a comprehensive embargo on Japan in the summer of 1941—including aviation fuel—confronted a militarist Japanese regime imbued with the code of militant Bushido with the stark choice of fighting or abandoning its implacable ambitions to create a Greater East Asia Co-Prosperity Sphere. The combination of Japan’s evanescent military superiority, the anticipation of a German victory in Europe, the underestimation of American political will, and the effects of sanctions impelled Japan to undertake its fatal blunder of attacking Pearl Harbor—a tactically brilliant but strategically catastrophic enterprise.

4. Even effective embargos reach a point of diminishing returns. Although, for example, the UN embargo on Iraq after 1991 succeeded in weakening substantially Saddam’s ability to reconstitute his conventional military powers, sanctions alone had become counterproductive by 2003 because of their increasing porosity and disproportionate harm to innocent Iraqi civilians without commensurate benefit. Statesmen should appraise and reappraise whether the benefits of the embargo exceed the harm to Americans, to innocents, and to allies.

5. Sanctions work best by enlisting the broadest coalition of the willing to impose them consistent with the mission, without making them hostage to the lowest common denominator of an international consensus. With rare exceptions, the United States should therefore avoid the United Nations as a mechanism for any sanctions it deems necessary to address a serious threat because of the gridlock organic to the United Nations Security Council authorized to impose them. Making the UN the arbiter of legitimacy for how and when to use force or employ sanctions would make American foreign policy hostage to the vetoes of Russia, China, and France—a condition no sane American statesman could countenance.

6. Beware of artificially high measures of success or virtue-signaling without regard to consequences of sanctions. There are valid metrics for the success of sanctions well short of ending a crisis, bringing down

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**POLL: Have trade tariffs and economic embargoes ever achieved political concessions from hostile nations and thus precluded war?**

- Ratcheting up economic pressure on an enemy not only works, but has prevented countless wars.
- Economic warfare depends on the type of tariffs and embargoes and the determination of those applying them.
- Cutting off trade and commerce has never forced concessions from outlaw nations.
- Economic warfare has only heightened tensions and ensures that war ensues.
a regime, or taming the bellicosity of a target country. Sanctions will meet the test of strategic prudence if they raise the cost of aggression and/or reassure allies more than they hurt Americans or innocents. Reagan’s re-imposition of sanctions with bite on the Soviet regime in the early 1980’s succeeded—in combination with other measures, including a massive military buildup, a resurgent American economy, and a revival of unapologetic American exceptionalism—to intensify the cumulative pressure that induced the Soviet regime to take a chance on a reformer such as Gorbachev. Conversely, good intentions alone do not suffice to justify sanctions morally or strategically when the benefits are meager and the costs in moral or material terms are significant.

7. In deciding whether to impose sanctions, therefore, decision makers should assess rigorously the relationship between ends and means, and the anticipated versus unanticipated consequences of alternative courses of actions. Have we calculated prudently whether sanctions hurt our enemy more than they hurt us? Do we have the requisite political will, military capability, and strategic clarity to integrate sanctions deftly into a broader strategy including force and diplomacy? Do we have a compelling standard for determining success, and the flexibility to recalibrate sanctions we impose based on changing circumstances?

Ultimately, economic embargoes are no panacea—useful if judiciously employed, a menace if not.

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Discussion Questions

1. What are the strategic differences between embargoes, sanctions, boycotts, and tariffs?
2. What are some wars that followed from or were prevented by economic pressure?
3. Do tariffs and embargoes require military superiority to become effective?
4. Does war usually entail more human and material losses than embargoes and other non-violent political pressures?

IN THE NEXT ISSUE
Is the Mediterranean Still Geo-strategically Essential?
Military History in Contemporary Conflict

As the very name of Hoover Institution attests, military history lies at the very core of our dedication to the study of “War, Revolution, and Peace.” Indeed, the precise mission statement of the Hoover Institution includes the following promise: “The overall mission of this Institution is, from its records, to recall the voice of experience against the making of war, and by the study of these records and their publication, to recall man’s endeavors to make and preserve peace, and to sustain for America the safeguards of the American way of life.” From its origins as a library and archive, the Hoover Institution has evolved into one of the foremost research centers in the world for policy formation and pragmatic analysis. It is with this tradition in mind, that the “Working Group on the Role of Military History in Contemporary Conflict” has set its agenda—reaffirming the Hoover Institution’s dedication to historical research in light of contemporary challenges, and in particular, reinvigorating the national study of military history as an asset to foster and enhance our national security. By bringing together a diverse group of distinguished military historians, security analysts, and military veterans and practitioners, the working group seeks to examine the conflicts of the past as critical lessons for the present.

Working Group on the Role of Military History in Contemporary Conflict

The Working Group on the Role of Military History in Contemporary Conflict examines how knowledge of past military operations can influence contemporary public policy decisions concerning current conflicts. The careful study of military history offers a way of analyzing modern war and peace that is often underappreciated in this age of technological determinism. Yet the result leads to a more in-depth and dispassionate understanding of contemporary wars, one that explains how particular military successes and failures of the past can be often germane, sometimes misunderstood, or occasionally irrelevant in the context of the present.

Strategika

Strategika is a journal that analyzes ongoing issues of national security in light of conflicts of the past—the efforts of the Military History Working Group of historians, analysts, and military personnel focusing on military history and contemporary conflict. Our board of scholars shares no ideological consensus other than a general acknowledgment that human nature is largely unchanging. Consequently, the study of past wars can offer us tragic guidance about present conflicts—a preferable approach to the more popular therapeutic assumption that contemporary efforts to ensure the perfectibility of mankind eventually will lead to eternal peace. New technologies, methodologies, and protocols come and go; the larger tactical and strategic assumptions that guide them remain mostly the same—a fact discernable only through the study of history.