

Sanctioning the World, the US Inadvertently ‘Locks and Launches’ Multipolarism

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The commemorative medal had already been cast and published. It depicts profiles of Trump and Jong Un, facing each other, at the 12th June historic meeting – at which Jong Un was supposed to disavow and discard his nuclear armament, irreversibly, and then to accept Trump’s gracious benediction. The meeting now is moot (and, since drafting, has been cancelled, blindsiding both Moon and Abe), leaving in its wake, a frustrated and angry Trump. And, as we prefigured earlier, instead of realising that Team Trump had not been listening adequately to what Jong Un was signalling, Trump now [blames Xi](#) for upsetting ‘the deal’ from being struck.

China’s Global Times [makes the point](#):

“The US unilaterally demands prompt peninsular denuclearization before it provides compensation to Pyongyang. China will not oppose such a deal between the US and North Korea. However, can Washington achieve it? Pyongyang has just given an answer ... It would be OK if Washington pressures Pyongyang to gain an edge in negotiations, but Washington should think twice about the possibility of pushing the Korean Peninsula back to fierce antagonism.

It is clear from China’s perspective that the US has overestimated its weight in forcing North Korea to accept its demands. The US has forgotten the awkward situation it was in last year when it could not stop North Korea’s nuclear and missile tests, and the difficulty of taking military action against North Korea.

The US has always believed it was duped by North Korea, which is, in fact, far from correct. The US was responsible for the aborted peninsula resolutions, multiple times.”

Irritated too, by harsh comments made by ‘trade hawks’ on the lack of tangible result in trade negotiations with China (Steve Bannon, for example, told [Bloomberg](#) that Trump “changed the dynamic regarding China – but in one weekend, Secretary Mnuchin has given it away”), Trump now seems to be set to pivot towards a tougher China trade stance, saying that the talks had not achieved much, and that a new framework might be needed.

The Singapore summit cancellation (blamed in part, on Xi), and the disappointment with trade talks, arrives on the heels of the Pentagon [revoking](#) China’s invitation to participate in RIMPAC, ‘the world’s largest naval exercise’, because of Beijing’s “aggressive actions in the South China Sea, which have recently included reports that it quietly installed ‘defensive’ missiles in the Spratly Islands – capable of striking US territory. Undeterred however by

Pentagon threats, China responded by warning that its new J-20, fifth generation, stealth fighter, will henceforth be flying patrols in Taiwan's airspace – a clear signal that Xi wants 'his island' back, and plans to get it.

In short, US friction with China is on an upwards trajectory, and may spike further, were Washington now to threaten the Korean peninsula with military action of some nature.

Friction is not confined to the US relationship with China however. Trump's conversion to full-court 'neo-Americanism' (see [here](#)), it seems, has put Washington at odds with the World at large: Trade wars (China, Russia, EU & Japan), sanctions (Russia, Iran, et al), currency wars ([Turkey](#), Iran Russia), etcetera, etcetera. This level and breadth of friction is not sustainable. The psychic tension must lead either to something somehow snapping (explosively) to break the tension, or to a marked U-turn in language and behaviour that relieves pressures more gently. At the moment we are still in the updraft. Trump has provoked literally everyone (even the usually compliant Europeans), as never before. And, consequently (and inadvertently), has accelerated markedly, the arrival of the incoming new global order – and, by heightening geo-political tension nearly everywhere, has accelerated further steps towards global de-dollarisation.

Again, even the Europeans are rueing that they chose *not* to configure the Eurozone, as distinct and separate to the dollar hegemony – when they had the chance. Now they pay the price of their impotence in their – now 'outlawed' – trade with Iran. Rather too late in the day, the EU proposes to abandon the petrodollar for Euros in respect to their purchases of Iranian oil; but in all probability, it will be to no avail. EU leaders stand shocked and angered by the ruthlessness by which the US intends to strangle all EU commerce with Iran.

What is interesting here, is how China views the nature of the friction with the US, and its root cause: It – via a [Global Times op-ed](#) – starts with a clear warning: "When the second round of trade talks finished last week, a number of [US] media reports were hailing the end of the trade war threat. Some even said that China had won the first round of the negotiations with the US: *This conclusion is totally wrong, and the idea that the trade friction has been resolved, is groundless. There hasn't been a trade war yet, just a series of warnings...*"(Emphasis added). The author then goes on to say that US trade deficits are not at the root of the friction between the two states: "The real culprit is the monopoly of the US dollar in the global market", and the enforced use of the dollar to settle payments. The US must "avoid over-supply of the dollar, and allow greater use of other currencies such as the yuan and the euro to promote more balanced currency supply ... [and] the US must amend its currency policy".

President Putin is saying the same: Addressing the Russian parliament, he [said](#) that "the whole world sees the dollar monopoly is unreliable: It is dangerous for many, not only for us". He added that sanctions, and trade actions via the WTO, are increasingly being improperly used by the US primordially, to secure competitive advantage, or to hold back competitors' economic development (a principal Chinese complaint).

In other words, they want the 'US-led global order' swamp drained, just as much as Trump desires to see the Washington swamp drained.

Trump seems happy however, to use 'swamp' tactics toward the external world in order to make America Great again (even as he decries the Establishment 'swamp' at home), but the

non-West is as thoroughly disenchanted by the 'global order swamp' tactics as is Trump's base: They want the dollar hegemony gone, their own sovereignties restored – and are regrouping politically to achieve it. Its parts, though distinct, seem to be coming together.

The mafia-like, Trump 'shakedown' of Chancellor Merkel (['give up Nord Stream II](#), or we'll shake you Germans down, in terms of Steel and Aluminum), firstly, is catalyzing the possibility of a major re-orientation of European policy.

The European resolve on Russia sanctions long has been shaky: German and Italian businesses have been hard hit financially, and it has been essentially Merkel who held the European 'line'. These European sanctions are solely Ukraine-related, and the Chancellor has been talking with Putin in Sochi about Ukraine. There, in Sochi, Putin offered two ideas: a UN peace-keeping force for Ukraine, and continued transit of Russian gas through the Ukraine corridor (a major European point) – if that were to prove commercially viable.

If these thoughts prove to be fecund, it would allow Merkel to front-run 'the inevitability of an Italian 'no' to renewal of Russia sanctions in September'. She could be 'leading again': taking forward an initiative of her own – balm to the European ego after the disappointing experience of JCPOA. Soothing the Ukraine irritant, in this way, would also allow a Germany – now, in this new US tariff era, even less open to taking a 'hit' on European delinquent debt, or to re-financing French infrastructure – to view Russia as a natural partner. It might also allow her to defuse somewhat the immigration 'bomb' by agreeing with Putin a mechanism by which some of the one million Syrian refugees in Germany, return home. Next week, Merkel goes to China, to see how to finesse US pressure on Europe to side with America – against China. We may find, contrarily, that Germany ends up closer to China, which has been investing heavily in Germany, rather than closer to the US (though Germany cannot easily avoid being pig-in-the middle in this trade fight).

Of course, the Anglo 'Establishment' will do almost anything to stop the political centre of gravity shifting from the shores of the Atlantic, eastwards. The head of the British Security Service (MI5) has already been [sent on a mission](#) by Washington to hype the Russian 'threat' to a gathering of thirty European states; and the US envoy in Kiev, Kurt Volker, declared American military support for retaking the breakaway self-proclaimed republics of Donetsk and Lugansk.

At the same time, for Japan, the Korean peninsula has been long viewed as a buffer between it and the mainland. Its division however, and the American presence in the south, had seemed the guarantor of the buffer. But then the South gave Moon a mandate for reunification – and Jong Un in response, dramatically began his charm offensive. The status quo of the 'buffer' that had been a given, evidently was no longer 'a given'. There might be an agreement and, even potentially, over time, increased Chinese influence there. Professor Victor Teo [noted](#) that "Trump's agreement to meet the North Korean leader Kim Jong-un, had sidestepped Abe and "cut him off at his knees".

Even as a possibility, this was a serious problem for Japan, who would lose its buffer with China – and depending on the extent of any putative US withdrawal from the region – lose its defence umbrella too. Equally unnerving, Politico [notes](#), was "Trump's apparent U-turn on the Trans-Pacific Partnership. In January 2017, three days into his presidency, Trump reneged on Barack Obama's China-containing, 12-nation trade deal." "It humiliated Abe, who 67 days earlier hustled to Trump Tower to head off Washington's TPP exit. Twelve months later, Trump added salt to those wounds by adopting a weak dollar policy and

slapping duties on steel and aluminum — 25 percent and 10 percent, respectively. He doled out exemptions to Canada, Mexico and others, but none for best friend Abe. Then came Trump's proposed \$150 billion worth of taxes on goods from China, Japan's main export market."

So, not surprisingly then, Abe has reached out to China, both to hedge against the US on tariff worries, and to insert Japan into the strategic discussions on Korea's future (the Chinese premier Li Keqiang made an official visit to Tokyo on 9 May to participate in trilateral talks with the Japanese and South Korean leaders).

The point here is that this trilateral re-set of relations followed high-level economic talks between China and Japan last month, and recalling China's clear warning about the dollar problem, and the need to widen the use of the Yuan and other currencies in trade, it is not hard to guess that Chinese-Japanese trade will gradually be de-dollarised, if these talks succeed.

In the same vein, Lawrence Sellin of The Daily Caller [reports](#) that:

"Chinese efforts towards Iran-Pakistan cooperation have also borne fruit. In recent months, there has been a flurry of agreements in trade, defense, weapons development, counter-terrorism, banking, train service, parliamentary cooperation and — most recently — art and literature.

Secret security-related discussions among the Chinese, Pakistanis and Iranians military officials have been ongoing for at least a year. A major stimulus for those discussions has been the planned construction of a Chinese naval base on Pakistan's Jiwani peninsula, immediately west of Gwadar near the Iranian border...

A China-Iran-Pakistan alliance would have sweeping ramifications for U.S. foreign policy. For starters, it would render our current efforts in Afghanistan untenable, most likely provoking an American exit under conditions dictated by the Chinese and Pakistanis. It would initiate the beginning of an anti-access, area denial strategy against the U.S. Fifth Fleet in the Persian Gulf and Arabian Sea region, similar to what the Chinese have attempted to implement against the U.S. Pacific Fleet in the South China Sea. Even the mere contemplation of such an alliance could give the Iranians considerable leverage in the face of American sanctions."

Iran has already joined the East Asian Economic free trade area – and on 9th June, will also be attending the Shanghai Co-operation Council 2018 summit, in China. (It seems that Iran is not exactly being ostracised post-JCPOA.)

What links these many parts to the jigsaw however, is the Chinese (and [Russian](#) and Iranian view) that the Yuan and the Euro need to be more readily available as currencies in which trade is conducted – and "that the US must amend its currency policy" (that is to end its oscillation between strong and weak dollar cycles, which has been so profitable for US financial institutions, but lethal to Emerging Markets). Virtually everyone agrees on this now.

For this to happen, China needs to widen and deepen the Yuan base, and to provide a liquid market in Chinese sovereign debt. The Shanghai oil futures market is already making its impact on deepening China's sovereign bond market (as traders park their Yuan proceeds in it, knowing that ultimately the Yuan may be redeemed for gold). US sanctions on Iran will

give this further impetus, as Iranian oil becomes sold in Shanghai. The Chinese-owned London Metal Exchange has lately announced that it will begin trading Yuan currency commodity options, too. Soon we will have Yuan-based commodity benchmarks. All in all, the use of the dollar in non-US trade, is being, step by step, progressively shrunk.

But the second Chinese requirement for resetting the trading world by the US ‘amending its currency policy’, serendipitously seems to be occurring as a result of autonomous domestic financial dynamics: Trump’s ‘weak dollar’ has been giving way to elevated dollar values (for a variety of reasons). It provides the perfect conditions for China gently to devalue the Yuan (which has been appreciating against the dollar over recent months), and for Europe to do the same, in a co-ordinated downward float against a spiking dollar. The lower exchange value of Yuan and Euro simply will partly, or wholly, reverse the impact of US sanctions on exports to the US. Might this currency co-ordination too be on the agenda for Merkel next week in China?

If these US policies are not sustainable, what then? The primal flaw to the neo-con maximum leverage doctrine is its lack of any easy ladder down which to climb that does not appear to be a national US humiliation. Usually, if pressure doesn’t work, it is assumed that it was because there was not enough of it – for example, Trump attributes the weaknesses to the JCPOA to Obama failing to let the Iranians stew in sanctions for long enough. Obama cut the pressures too early in Trump’s view – and hence got a ‘flawed agreement.’

A deeper point – and one made by the Chinese in respect to North Korea – is that others do not think in the way of President Trump. The radical utilitarianism evident when Trump says that Jong Un will be “safer, happier and richer” if he accepts Trump’s ultimatum reflects precisely the shallow materialism, on which the global political tide has turned. The so-called ‘populist’ call for a return to traditional national values precisely is a rejection of JS Mills type of utilitarian politics. It is, as it were, the wish to return to being human, in a rounder way.

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