

## The Use of Economic Tools as a Means of Geo-economic Statecraft by the Trump Presidencies

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The postwar international system and the global economic empire of the United States was built on the liberalization of trade relations. Upon this principle the European edifice was erected, under American guidance, later expanding after the fall of the Soviet Union to include countries of the former Eastern Bloc. The triumph of liberalism in the Manichean conflict of the Cold War gave rise to the conviction that the spread of economic interconnection and the removal of trade barriers would bring about the "End of History."

Indeed, it became standing policy for American administrations during this period to limit the use of restrictive economic tools only to cases where a pariah state needed to be brought into compliance with the aim of integrating or reintegrating it into the liberal international order<sup>1</sup>. Characteristic examples include the use of "economic weapons" against apartheid South Africa and Saddam Hussein's Iraq. Tariffs served as a means of repairing the liberal order, not dismantling it.

The arrival of Donald Trump on the American political scene and his rise to power produced wide-ranging changes in conventional political analysis, a fact that led to the partial overlooking of his philosophy on tariffs — a philosophy that represented a radical break with the conventional wisdom of the time.

This break manifested in two distinct but successive ways during his time in power. During his first term (2017–2021), Trump adopted a systemic and dogmatic use of sanctions, seeking to permanently dismantle multilateral structures and impose a strategy of economic decoupling rooted in the ideology of economic nationalism. By contrast, during his second term (2025–), the use of economic retaliation lost its dogmatic character and was transformed into an emergency tool for direct diplomatic coercion and the extraction of short-term concessions<sup>2</sup>.

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<sup>1</sup> (Baldwin, 1985)

<sup>2</sup> (Blackwill & Harris, 2016)

The philosophy behind the use of economic tools during Trump's first term rested on two ideological pillars: "weaponized interdependence"<sup>3</sup> and economic nationalism. As regards the first, the Trump administration diagnosed economic globalization not as a source of American imperial power, but as its greatest vulnerability. The global economy was not viewed as a homogeneous whole, but as composed of international networks of asymmetric development controlled by central chokepoints, such as the global financial system (SWIFT) and high-technology supply chains. The Trump administration decided to "weaponize" these chokepoints under American control, restricting the free flow of goods and capital in order to systematically exclude its adversaries, who had until then been exploiting the open American market to gain strategic advantages over the United States.

At the same time, economic nationalism was expressed through neo-mercantilist policies, whose chief ideological spokesperson was then-US Trade Representative Robert Lighthizer, seeking to give economic sanctions the character of permanent structural decoupling<sup>4</sup>. Treating global trade as a zero-sum game, in accordance with the precepts of traditional mercantilist theory, bilateral trade deficits, particularly those with China and Germany, were interpreted as losses of national power. As a result, the Trump administration deployed tariffs and economic blockades as offensive instruments of state intervention, aiming at the long-term reorganization of global production networks, the weakening of the industrial power of America's competitors, and the forced return of the productive base within American borders.

This ideological foundation was translated during Trump's first presidency into a series of legal, institutional, and policy initiatives. The most characteristic example is the adoption of the "Maximum Pressure" strategy against Iran in 2018, following the unilateral American withdrawal from the multilateral JCPOA (Joint Comprehensive Plan of Action). Trump imposed secondary sanctions, thereby preventing the international community from transacting with Iran, and compelled the SWIFT banking system, through the dominance of the dollar in global trade transactions, to disconnect Iranian banks<sup>5</sup>. He effectively converted what had until then been considered a global public good into a private instrument of American foreign policy. This process did not serve to coerce Iran into a mere renegotiation of a nuclear deal, but to fully disconnect the Iranian economy from the global financial network, using the transaction settlement system as a tool of leverage.

Already from the late Obama presidency, the traditional American policy approach toward China, with its roots in the Nixon era, had been overturned<sup>6</sup>. President Trump approached this rising power from the outset in terms of economic competition. Faithfully following the dictates of neo-mercantilism, he implemented decoupling in practice. In 2019, he placed the Chinese technology giants Huawei and ZTE on the Entity List of the US Department of Commerce's Bureau of Industry and Security (BIS). This move prohibited any American company from selling technology, components, or software to these firms without

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<sup>3</sup> (Farrell & Newman, 2019)

<sup>4</sup> (Lighthizer, 2023)

<sup>5</sup> (Zarate, 2013)

<sup>6</sup> (Tellis & Blackwill, 2020)

a special license. However, this decision was not limited to the American market. Through the Foreign Direct Product Rule (FDPR), the US prohibited even non-American companies from selling them microchips if any American software or machinery had been used, even minimally, in the production process. The US thus weaponized the globalized production chain of the microchip market in order to systematically and structurally arrest China's technological ascent, protecting America's relative power<sup>7</sup>.

The epitome of geoeconomic statecraft during Trump's first term is the case of the CAATSA (Countering America's Adversaries Through Sanctions Act), passed in July 2017. It testifies to the systemic shift in the posture of the American political system toward the mobilization of economic tools. This initiative by both chambers of the US legislature had, beyond its obvious external target, an internal aim as well. The political backdrop of CAATSA's passage was characterized by the intense suspicion in Washington toward the intentions of the newly elected Donald Trump regarding Russia, fueled by allegations of Russian interference in the 2016 presidential election. Congress, with nearly unprecedented bipartisan consensus, drafted and passed this law with the primary goal of removing from the President the exclusive power to lift sanctions. The law was passed with such an overwhelming majority that Congress could have overridden a potential presidential veto. Despite his declared opposition to it, President Trump was compelled to sign the law in August, demonstrating unmistakably that during his first term, he was "trapped" within the institutional framework of the state<sup>8</sup> — a fact that also shaped the general context determining his own approach to geoeconomics in the cases described above. Economic statecraft was exercised within a strict framework of institutional predictability, with medium- and long-term aims of producing structural changes in the global system in favor of the US — not solely as the result of one man's actions, but as a systemic product.

Donald Trump's return to the Oval Office following his victory in the 2024 presidential election marked the beginning of an unprecedented period of absolute Republican political hegemony. President Trump became only the second President in American history to serve two non-consecutive terms, while securing for the Republican Party a majority in both the Senate and the House of Representatives, winning the popular vote for the GOP for the first time since 2004.

This sweeping electoral victory and powerful popular mandate fundamentally overturned the domestic political environment, consequently affecting the conduct of American foreign policy as well. Freed at last from the fetters of constant oversight and interference from the legislature, President Trump moved to neutralize the internal checks. The structural geoeconomics exercised jointly by an "autonomous" Congress and the President during 2017–2021 gave way to a highly personalized version of it, where the focus shifted from the systemic level to that of transient, instrumental coercion.

The starting point of this process was the decoupling of economic tools from their traditional service of economic, and especially commercial, goals. The threat and imposition

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<sup>7</sup> (Allison, 2017)

<sup>8</sup> (Rosenberg & Nephew, 2020)

of these tools were no longer deployed for the protection of domestic production or the correction of trade deficits, in line with the neo-mercantilist precepts that had decisively shaped economic statecraft during the first term. Instead, access to the American domestic market was "weaponized" to coerce sovereign states on matters relating purely to US internal security, such as limiting migration flows and suppressing fentanyl trafficking networks, as well as to advance American grand strategy through hemispheric defense, as an outgrowth of the new Monroe Doctrine, as outlined in the National Security Strategy manual published in 2025.

Drawing power from his political dominance, President Trump bypassed time-consuming legislative procedures, opting to exercise economic statecraft through Executive Orders. The central tool in this approach was the IEEPA (International Emergency Economic Powers Act), which allows the President to declare states of emergency and impose economic sanctions or tariffs without Congressional approval<sup>9</sup>. This move naturally provoked internal institutional tensions, with federal courts attempting to set limits on the arbitrary use of presidential powers derived from this law. The administration, for its part, continuously sought new legal "loopholes" to preserve the right of surprise coercion.

The practical application of this ideological shift in geoeconomics and of the new executive superpowers was inaugurated with immediate tariff threats against the two closest trading partners of the United States. The fulcrum was the USMCA trade agreement. The replacement of NAFTA by the USMCA during the first term fully obeyed neo-mercantilist criteria of structural reorganization of trade terms, aiming among other things at fortifying domestic American industrial production. In late 2025, President Trump, leveraging the forthcoming treaty review process in 2026, as provided for by the relevant Sunset Clause, transformed the agreement into a hostage mechanism for the other two parties, weaponizing access to the American domestic market. Washington bypassed the dispute resolution mechanisms stipulated in the treaty and opted for the unilateral tariff threat of 25%, through activation of the IEEPA. The tactic of asymmetric vulnerability was based on the fact that 80% and 75% of Mexican and Canadian products, respectively, are exported to the US, and therefore the imposition of high tariffs would mean immediate economic asphyxiation for those countries. The USMCA thus forfeited the institutional predictability that had characterized it as a trade agreement and became a coercive instrument which, combined with the threat of other economic tools, served to extract immediate political concessions in favor of the US, such as the militarization of the border with Mexico to limit migration flows, and the suppression by the Mexican state of the drug cartels channeling vast quantities of fentanyl into the United States.

Canada, in turn, was compelled to align with Washington's demands. In this case, the target of American economic coercion was twofold: to arrest Chinese economic penetration in North America, and to abolish the Digital Services Tax (DST) on American technology giants, which had been a flagship policy of the Trudeau government. On the grounds that Ottawa was facilitating Chinese companies in evading American tariffs by using Canadian

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<sup>9</sup> (Rosenberg & Nephew, 2020)

territory through transshipment, Trump threatened 25% tariffs on Canada's automotive industry and energy exports — sectors heavily dependent on the American market. Ottawa yielded to the pressure and, in a state of absolute economic panic, made a series of unprecedented sovereign concessions: imposing punishing tariffs of 100% on Chinese electric vehicles and 25% on Chinese aluminum and steel, effectively destroying trade relations with Beijing; intensifying border controls at Washington's behest to stop the flow of chemical precursors fueling the fentanyl crisis; appointing a special border security official reporting directly to the White House; and indefinitely "freezing" the DST legislation to avoid disrupting the USMCA. It is a fact that full capitulation to American demands delivered the "killing blow" to the already weakened Trudeau minority government, leading to its early fall. The exercise of geoeconomics by President Trump brought the northern neighbor into complete alignment while simultaneously producing the political "elimination" of one of his ideological opponents — once again bearing witness to the personalized and retributive character of the second Trump term's foreign policy.

After settling affairs in North America, Washington turned its attention southward. America's direct geopolitical engagement in the Middle East over the past three decades, through the "War on Terror" and subsequently through democracy-promotion campaigns, combined with its indifference to developments in the Western Hemisphere, had allowed the formation of a situation deeply threatening to American interests in its own "soft underbelly." Chinese penetration of the region had reached the point where Beijing, through the company CK Hutchison, controlled the ports of San Cristóbal and Balboa — the Atlantic and Pacific entrances to the Panama Canal, respectively<sup>10</sup>. The management of the chokepoint closest to the United States by its strategic rival was recognized as a critical national security threat by the Trump administration, which immediately upon taking office in January 2025 adopted a strategy to reclaim control of the Canal<sup>11</sup>.

The means deployed were purely geoeconomic in nature, focused on Panama's monetary dependence on the United States. Washington threatened to cut the country off from the dollar clearing system — a move that would have effectively collapsed Panama's dollarized economy — and compelled the domestic government to invoke "national security" grounds and sovereign rights in order not to renew or to cancel the long-standing concession contracts for the Canal's ports. Subsequently, these infrastructure assets passed with expedited procedures to consortiums of American interests or under direct Washington supervision<sup>12</sup>. The legal disputes regarding the status of the ports are still ongoing, but Panama's political officials appear to have fully aligned with the Trump administration's directives.

The American hemispheric strategy has had an "open wound" since the Cold War years: the case of Cuba. The small Caribbean island, located just miles from the shores of Florida, "escaped" the US sphere of influence after the 1959 revolution, passing first into that of the USSR and subsequently into that of China and Russia. The security concerns this situation raises for the US are numerous. In the past, the US has combined geoeconomic

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<sup>10</sup> (Gallagher, 2016)

<sup>11</sup> (Fundación Andrés Bello, 2025)

<sup>12</sup> (World Politics Review, 2026)

pressure, through the imposition of an embargo, with the use of "kinetic", hard military force, as in the case of the Bay of Pigs invasion in April 1961. That operation not only proved entirely ineffective but effectively led to the greatest crisis of the Cold War, the Cuban Missile Crisis, approximately a year later. Since then, American strategy toward Cuba has placed greater weight on the use of geoeconomic tools to achieve its geopolitical objectives in the region. The application and maintenance of the trade embargo against the island have established a baseline of pressure.

Upon this baseline, additional measures have been added in recent months as part of Washington's effort to resolve the national security problem arising from Cuba's close relationship with US adversaries. Invoking Havana's cooperation with Russia, China, Iran, and the paramilitary terrorist organizations Hamas and Hezbollah, President Trump, drawing on powers derived from the IEEPA, signed Executive Order No. 14380<sup>13</sup>, declaring a national emergency with respect to Cuba. Explicit reference is made to Russian dual-use infrastructure on Cuban soil operating as espionage bases, to the deepening of cooperation with China in the intelligence and defense sectors, and to services provided to Hamas and Hezbollah to facilitate their activities. A system of primary and secondary tariffs is envisaged, with the aim of achieving an energy stranglehold on Cuba.

The case of Cuba — still unfolding — is the most characteristic example of the Trump administration's geoeconomic approach during its second term. It demonstrates the shift of power from legislative and structural institutionality to unilateral executive authority (presidential unilateralism), with an emphasis on short-term, coercive maneuvers rather than long-term systemic planning. Trump's pragmatism is evident in the instrumental character of the legal means on which he bases his policy and in the bypassing of traditional institutional checks — choices that allow him to act with unprecedented speed and flexibility, exercising effective coercion aimed at extracting concessions from adversaries rather than at systemically restructuring the balance of power. The submission of Mexico to Washington's line through the renegotiation of the USMCA, the recapturing of control over the Panama Canal, the control of Venezuelan oil, which, unlike the other moves, was achieved through the exercise of "kinetic power", made possible the blockade of Cuba, which was energy-dependent on Venezuela and Mexico, while the loss of control over the Canal means China cannot resupply the island. As a result, Cuba's energy blackout lasts approximately 22 hours per day, and since March 2026<sup>14</sup>, bilateral negotiations have begun between Washington and Havana, with the Americans seeking regime change on the island in the midst of their "maximum pressure" campaign. The course of these talks and the evolution of American geopolitical strategy toward Cuba remain to be seen, given that Washington appears to have set the end of 2026 as the timeline for achieving its objectives.

During Donald Trump's time in power in the United States, a historic transformation was carried out in the manner in which the superpower exercises its strength on the international stage. President Trump diagnosed globalization not as a guarantor of American prosperity and a source of power, but as the primary vulnerability of the United States.

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<sup>13</sup> (Addressing Threats to the United States by the Government of Cuba, 2026)

<sup>14</sup> (WLRN, 2026)

During his first term (2017–2021), through the use of economic tools, he pursued a permanent, long-term structural decoupling and the reorganization of global production networks in favor of the US, driven by the economic nationalism that formed the ideological backbone of his policy. Tariffs, sanctions, and economic statecraft in general obeyed neo-mercantilist criteria, aimed at correcting bilateral trade deficits, protecting domestic industry, and returning the productive base within American borders, and were exercised within a framework of relative institutional predictability and alignment between the executive and legislative branches. Trump was largely trapped by the institutional checks of the state, the most characteristic example being the CAATSA law, where Congress imposed its collective will by stripping the President of the power to unilaterally lift sanctions.

Trump's geoeconomic strategy, however, was not static. It underwent a striking mutation and radicalization from his first to his second term. Having secured absolute political hegemony from the 2024 elections, he freed himself from institutional constraints, bypassed the legislature, and adopted a highly personalized exercise of geoeconomics. Drawing on the powers of the IEEPA and relying on executive decrees, he continuously sought legal "loopholes" against the federal courts attempting to curtail his absolute powers. This shift was accompanied by the complete decoupling of economic tools from commercial objectives and their linking instead to matters pertaining purely to US internal security and the implementation of the grand strategy for hemispheric defense, within the framework of the new Monroe Doctrine.

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