

GREAT DECISIONS

Fall 2017 Update

**Trade, jobs and politics • Saudi Arabia in transition
Latin America's political pendulum • Afghanistan and Pakistan • Nuclear security**

Trade, jobs and politics

The first of several scheduled rounds of talks to renegotiate the North American Free Trade Agreement (NAFTA) took place in August. Canada, Mexico and the United States are aiming to come to a final agreement by the end of the year. Seven total rounds of talks are expected, with the second and third scheduled for September. Critics argue that the timetable for renegotiation is unreasonably short. But the parties are working to finish talks before Mexico's national election campaign begins in 2018.

Central areas of contention include "rules of origin," especially as they impact the automobile industry, and trade deficits. There is general agreement on some issues; for instance, provisions addressing currency manipulation. And there is unanimous recognition of the need to modernize NAFTA to reflect the modern global economy (e.g., to take into account e-commerce).

The first round of talks saw hours-long sessions on rules of origin, or the requirement that a certain number of the parts in a given product come from North America. President Trump holds that reconfiguring rules of origin will create more U.S. manufacturing jobs. The president has not shied away from threats to withdraw from NAFTA if he is unhappy with renegotiation. His trade representative, Robert Lighthizer, has echoed these warnings.

The Trump administration is also ramping up trade pressure on China. Lighthizer has announced the launch of an investigation into potential Chinese violations of international trade law. It is focused on intellectual property theft and comes amid concerns over Beijing's "Made in China 2025" policy, which promotes Chinese global leadership in ten priority industries. The move also seems timed to pressure

China to respond to North Korea's nuclear and ballistic missile programs.

The investigation was initiated under Section 301 of the Trade Act of 1974. Section 301 allows the U.S. to unilaterally impose tariffs or restrictions in response to foreign trade practices. The international community largely sees this as an unfair instrument, and its invocation has caused fears that other countries might also act unilaterally, leading to a global trade war. Responding to the probe, Beijing accused the Trump administration of "sabotag[ing] the existing international trading system."

Top Senate Democrats, on the other hand, have expressed support for the investigation. Democrats recently released a new set of proposals, branded "A Better Deal," which echoes Trumpian trade rhetoric and seeks to win back the working class voters they lost in the 2016 election. Central goals include preventing unfair foreign competition and providing government support for domestic industries.

President Trump's "America First" approach left him unusually isolated for a U.S. president at a meeting of the Group of Twenty (G20) in Hamburg, Germany in July. In one notable rebuke, the European Union (EU) responded to an investigation that the White House launched in April. The investigation focuses on whether steel imports compromise U.S. national security. European Commission President Jean-Claude Juncker warned that the imposition of any resulting restrictions would lead to swift and decisive retaliation. A much-anticipated final report from the probe has been delayed.

*The UPDATES take into account events up to
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Recommended Readings

David Lawder and Lesley Wroughton, “In rare bipartisan display, Democrats back Trump on China trade probe,” Reuters (Aug. 2, 2017).

Nic Robertson and Angela Dewan, “G20: World leaders at odds with Trump on trade, climate,” CNN (Jul. 8, 2017).

“North American Free-Trade Agreement renegotiation begins,” The Economist (Aug. 17, 2017).

Saudi Arabia in transition

On June 21, Mohammed bin Salman replaced Mohammed bin Nayef as crown prince of Saudi Arabia. The shake-up follows a prolonged power struggle and places bin Salman (often referred to simply as MBS) first in line to succeed his father as king. He had previously held the title of deputy crown prince and was second in line to the throne. MBS reportedly held bin Nayef in a room in the royal palace, where he pressured the older man to cede his position. Before the night was over, bin Nayef capitulated.

Bin Salman is just 31 years old, portending a long rule should he become king. He has wielded an unusual amount of influence since his father, King Salman, took power in 2015. MBS served as defense minister, leading Saudi Arabia into a messy conflict in Yemen. He was put in charge of an important economic council. And he was given oversight of Saudi Aramco, the state oil monopoly, which he guided toward its first public offering. He is also seen as a social reformer, loosening some of the tight strictures that have frustrated the kingdom’s booming youth population.

The disruption in Saudi Arabia’s central power structure caused anxiety in Washington, which lost important contacts with the ouster of bin Nayef. Relations are further complicated by the ongoing Qatar-Gulf Crisis. That confrontation began in June, when a Saudi-led coalition that included the United Arab Emirates (UAE), Bahrain and Egypt abruptly cut off diplomatic relations with Qatar. The coalition imposed an embargo on the tiny but oil-rich nation, closing air, sea and land borders and expelling Qatari diplomats and citizens. They cited Qatar’s support for terrorism and claimed that it was in violation of 2013 and 2014 agreements with Gulf Cooperation Council (GCC) members, which barred support for hostile groups in the GCC states and in Egypt and Yemen. The coalition members have long been aggravated by Qatar’s

friendly relations with Iran (despite the embargo, Qatar restored full diplomatic relations with Iran in August), and its tendency to pursue independent foreign policy directions.

Qatar hosts a key U.S. base for counterterrorism operations. In July, Secretary of State Rex Tillerson undertook an ultimately futile round of shuttle diplomacy with the Saudi-led coalition in an effort to end the crisis. He also signed a memorandum of understanding with Qatar on terrorism financing. The coalition insists the memorandum is insufficient to lift the blockade. Meanwhile, President Trump tweeted statements blasting Qatar, and his friendly visit to Saudi Arabia in spring seems to have emboldened officials in Riyadh to hold steady in the confrontation.

Recommended Readings

Ben Hubbard, “Saudi King Rewrites Succession, Replacing Heir with Son, 31,” The New York Times (Jun. 21, 2017).

“Qatar crisis: What you need to know,” BBC, (Jul. 19, 2017).

“What did Donald Trump achieve in the Middle East?” The Economist (May 25, 2017).

Latin America’s political pendulum

Venezuela’s opposition-led legislature, the last check on President Nicolás Maduro’s power, was effectively nullified in late August. The legislature was the only branch of government not controlled by the president’s party. Still, it had frequently been obstructed by the Supreme Court, which divested it of its budgetary oversight powers and aborted every piece of major legislation. The Court even decided to take over lawmaking powers—a ruling which caused such international outcry that Maduro was forced to reverse it.

But on July 30, President Maduro held a nationwide vote to choose members of a new body, the Constituent Assembly, which would govern the country for up to two years while it rewrote the Constitution. The vote was widely contested. Citizens were forced to pick from a list of party members only, with no opposition politicians participating. There was no option to reject the Assembly, and, while election officials

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claimed 8 million votes were cast, independent estimates put the real total at less than half that. Within a month of the vote, the Assembly had given itself broad legislative powers, thus cementing Maduro's control.

The international response was swift. Colombia and Brazil immediately labeled Venezuela a dictatorship. The United States said it would not recognize the Assembly. The U.S. ambassador to the United Nations, Nikki Haley, called the vote a "sham election." The Treasury Department imposed sanctions on Maduro, adding him to a list of only four heads of state facing similar sanctions (alongside Syrian President Bashar al-Assad, North Korea's Kim Jong Un and Zimbabwe's president, Robert Mugabe) and also sanctioned other individuals with close ties to the government. The United States later imposed additional restrictions on the trading of Venezuelan bonds. This could lead the country to default on its debt before the end of the year.

In August, President Trump unexpectedly threatened military action against Maduro's government while speaking to reporters about the escalating tensions on the Korean Peninsula. Latin American leaders responded negatively to the statement: It touched a nerve in a region wary of U.S. imperialism, and was perceived to bolster Maduro's domestic position.

Their criticism shadowed Vice President Mike Pence as he toured Central and South America, making stops in Colombia, Argentina, Chile and Panama. It pulled focus from the official purpose of the visit: the economy and trade. While the vice president made reassurances in Chile that "'America first' does not mean America alone," the region continues to brace for a less engaged United States. Leaders have been strengthening regional and foreign (namely, European and Chinese) trade ties.

The future of Venezuela remains unclear. Maduro could leverage the Constituent Assembly in negotiations with the opposition. Or the violence that has plagued the deeply divided country could explode into all-out civil conflict.

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Ernesto Londoño, "In Latin America, Pence Aims to Soften 'American First' Message," *The New York Times* (Aug. 16, 2017).

Michael Shifter and Ben Raderstorf, "Venezuela After the Constituent Assembly," *Foreign Affairs* (Aug. 1, 2017).

Virginia López and Sibylla Brodzinsky, "US hits Nicolás Maduro with sanctions after Venezuela's 'sham' election," *The Guardian* (Jul. 31, 2017).

Prospects for Afghanistan and Pakistan

President Trump announced a much-anticipated strategy for the war in Afghanistan in a prime-time address in August. Despite what he described as his "original instinct...to pull out," the president enhanced military involvement in the country, making marginal adjustments to a strategy that has guided the U.S. approach there for years. "A hasty withdrawal would create a vacuum for terrorists, including ISIS and al-Qaeda," he reasoned, while emphasizing that the United States was "not nation building again. We are killing terrorists." Victory in Afghanistan is defined modestly. Goals include helping Afghan forces stabilize the security situation and gain momentum against the Taliban, and preventing ISIS from making advances in the country.

Though President Trump's speech largely eschewed detail, his strategy involves deploying an expected 4,000 additional U.S. troops to Afghanistan, on top of between 8,400 and 12,000 already stationed there. Shortly after the speech, American officials in Kabul said that the increase had already begun and would continue for the next several months. The president further announced an expansion of authority for the United States to target the Taliban and other terrorist groups. This is a significant change from Obama administration policy, which placed restrictions on offensive operations as Afghan troops took over. The new strategy is also deliberate in its rejection of artificial timetables for American withdrawal, another rebuff of Obama-era policy: When President Obama announced withdrawal dates, critics argued that it allowed enemies to simply wait America out.

Trump committed to launch a diplomatic and economic initiative in Afghanistan. The current State Department has not sent an ambassador to Kabul and

it did away with the office of the special representative for Afghanistan and Pakistan. Trump's speech in fact caused some anxiety in Islamabad. The president threatened to cut off aid to Pakistan if it didn't act against terrorist sanctuaries along its border. And he spoke of a strategic partnership with India, Pakistan's nuclear rival.

Pakistan experienced its own domestic upheaval in late July when the Supreme Court ousted the country's prime minister, Nawaz Sharif. The Court moved against him on grounds of dishonesty, in part because of offshore wealth held by his children that was revealed in the infamous Panama Papers last year. Sharif was previously removed from office in 1993 and again in 1999, both in ousters by the army. This time, the political will for his removal seems to come from the opposition PTI party, led by Imran Khan. For now, Sharif's PML-N party has installed Shahid Khaqan Abbasi as prime minister, with the assumption that Sharif's brother, Shehbaz, will win a seat in Parliament in an upcoming by-election and take over as prime minister. Nawaz Sharif is likely to continue to exert influence from behind the scenes. Still, the United States' concern over the shake-up is limited, as the military is largely understood to be the real power source in Pakistan.

Recommended Readings

Asad Hashim, "Pakistan in the crosshairs of Trump's Afghan Strategy," *Al Jazeera* (Aug. 24, 2017).

"Pakistan's prime minister is pushed out by the Supreme Court," *The Economist* (Jul. 29, 2017).

"Remarks by President Trump on the Strategy in Afghanistan and South Asia," *The White House Office of the Press Secretary* (Aug. 21, 2017).

Nuclear security

In July, North Korea tested two intercontinental ballistic missiles (ICBMs), demonstrating a range that analysts say could strike major cities in the continental United States. Intelligence officials now believe that Pyongyang has the miniaturization technology necessary to fit a nuclear warhead on an ICBM, according to leaked information originally published in the

Washington Post. Japan's interior ministry has also expressed this opinion. But South Korean intelligence officials and other analysts say it remains unlikely that the North is capable of firing a missile that can survive re-entry into Earth's atmosphere.

The United Nations Security Council in early August unanimously adopted the harshest sanctions yet on North Korea. They could reduce the North's export revenue by about one third. Later in the same month, the U.S. Treasury Department sanctioned Chinese and Russian entities that assist North Korea's nuclear and ballistic missile programs. The North's coal trade is a central target of both sets of sanctions.

Just days after the Security Council decision, President Trump, vacationing in New Jersey, made an off-the-cuff remark to journalists. He warned that he would rain "fire and fury" on the North unless it backed off of its menacing behavior. A short time later, North Korea threatened to launch four ballistic missiles into waters near the American territory of Guam. It ultimately walked back those threats.

Reacting to annual joint military exercises conducted by the United States and South Korea in August, the North launched three short-range missiles into the sea. Then, on the 29th, a North Korean missile flew over the Japanese island of Hokkaido, also landing in the sea. The North has only fired projectiles over Japanese territory in two other instances: once in 1998 and once in 2009. On both previous occasions, the North claimed that they were carrying satellites into orbit.

Amidst the heightened tensions, South Korean President Moon Jae-in issued a stark statement directed at the United States. He warned against any unilateral military action toward North Korea. During his presidential campaign, Moon evinced a willingness to "say no to the Americans" and to potentially open a dialogue with the North. After taking office in May, he suspended the deployment of the United States' Terminal High Altitude Area Defense system (Thaad), but reversed that decision following North Korea's ICBM launches.

Both South Korea and Japan are now looking to deploy more powerful weapons, raising the potential for a regional arms race. The growing debate in Japan is particularly notable, with Prime Minister Shinzo Abe pushing to revise the post-World War II Constitution—which renounces war—and allow the country to expand its military.

Even as the situation on the Korean Peninsula spiraled, President Trump reluctantly re-certified the Iran Nuclear Deal, the second certification since he took

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office. The president apparently argued vehemently with his top national security advisers, all of whom pressed for him to re-certify. He has suggested that he will not do so again. Responding to new U.S. sanctions against Tehran, President Hassan Rouhani warned that the country could resume its nuclear program in a matter of “hours.”

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James L. Schoff and David Song, “Five Things to Know About Japan’s Possible Acquisition of Strike Capability,” Carnegie Endowment for International Peace (Aug. 14, 2017).

Jana Winter, Robbie Gramer and Dan De Luce, “Trump Assigns White House Team to Target Iran Nuclear Deal, Sidelining State Department,” Foreign Policy Magazine (Jul. 21, 2017).

Motoko Rich, “In North Korea, ‘Surgical Strike’ Could Spin Into ‘Worst Kind of Fighting,’” The New York Times (Jul. 5, 2017).

