

Trump May Threaten a Trade War Over NAFTA, but His Options Are Limited

Edward Alden Thursday, Feb. 16, 2017

When then-President Bill Clinton signed the North American Free Trade Agreement in a White House ceremony in December 1993, he called it “a defining moment” for the United States and praised Mexico and Canada as “our partners in the future that we are trying to make together.” All three countries had made what then seemed like an irreversible decision to marry their economic futures. Yet today, less than a quarter-century later, those bonds are badly fraying.

The new U.S. president, Donald Trump, wants to renegotiate NAFTA, which he has called “the worst trade deal in history.” Mexican President Enrique Peña Nieto has seen his approval rating fall to a paltry 12 percent as Trump has pressured American companies to stop investing in Mexico. Canadian Prime Minister Justin Trudeau, who visited the White House this week, is trying to sidestep Mexico and curry favor with Trump by talking up the balanced trading relationship between his country and the United States. The “three amigos” of North America have each retreated to their own corners, eyeing each other suspiciously.

Their suspicions run deep because neither Mexico nor Canada knows quite what the new American president intends to do next. During the transition and into the early weeks of his presidency, Trump and his advisers issued all sorts of threats, from hefty across-the-board tariffs on Mexican imports to targeted border taxes aimed at American companies that build factories in Mexico and sell back into the United States. Those early flourishes, coupled with Trump’s repeated threats to force Mexico to pay for the new border wall he promised in his campaign, led Peña Nieto to cancel a planned visit to Washington last month.

Since then, there has been an awkward silence as Trump waits for his key trade appointments—Wilbur Ross as commerce secretary and Robert Lighthizer as U.S. trade representative—to be confirmed by Congress and begin hatching a plan for renegotiating NAFTA.

Mexico is in the weaker position. It sends some 80 percent of its total exports north, and Trump has sharply criticized the \$63 billion trade surplus that Mexico ran with the U.S. last year, mostly in manufactured goods like cars, television sets and appliances. Canada also relies on the U.S. for about 70 percent of its exports but runs only a small trade surplus with the U.S., mostly because of its large oil exports.

Trump made it clear this week that he sees trade with Canada and Mexico quite differently. At the White House, he told Trudeau that the trade agreement with Canada only needs “tweaking.” He said that “we have a very outstanding trade relationship with Canada” and that he would be proposing “certain things that are going to benefit both of our countries.” In contrast, he described trade with Mexico as “an extremely unfair transaction” and promised to “make it a fair deal for both parties.”

While Canada and Mexico need the American market, the reverse is also true.

Trump’s main trade goals with America’s two closest neighbors appear to be increasing investment in manufacturing in the U.S. and reducing the trade deficit with Mexico. But NAFTA offers few tools to achieve those aims. The U.S. could push for

stronger “rules of origin,” which require that a certain percentage of the content of any good be sourced in North America in order to receive duty-free treatment under NAFTA. With automobiles, for example, the regional content requirement is currently 62.5 percent; raising it to 80 or 90 percent would reduce the use of Japanese, Korean or Chinese components in North American-made vehicles.

But changes to the rules of origin—or other suggested amendments to strengthen labor and environmental standards south of the border—would do little to reduce the incentive that companies have to export products from Mexico, where wages remain far lower than in the U.S. or Canada. The recent decline in the Mexican peso, in part a response to Trump’s threats, has only increased that cost advantage.

That reality may force the Trump administration into more direct threats. Trump’s Twitter war against American companies has already forced several to reconsider their Mexican investments. Carrier, the Indiana-based maker of furnaces and air conditioners, [walked back a planned investment in Mexico](#) in the face of Trump’s threats to impose new tariffs. Ford canceled a \$1.6 billion assembly plant planned for the Mexican city of San Luis Potosi.

An even more confrontational and direct strategy—raising tariffs on some or all Mexican imports to change the cost equation—would likely do more to dry up investment in Mexico, but it comes with high risks. While Mexico is hugely dependent on the U.S. market, it is not without trade weapons of its own. In 2009, Mexico imposed \$2.4 billion in import sanctions on U.S. pork, chemicals and other products after the U.S. violated a NAFTA ruling by refusing to admit Mexican-based long-haul trucks. After long negotiations, Washington backed down. Last year, the U.S. changed its rules for country-of-origin labeling on meat products after losing a case in the World Trade Organization and facing a \$1 billion sanctions threat from Canada and Mexico.

The Trump administration could decide to ignore any adverse ruling under NAFTA or the WTO, but a free-for-all trade war with America’s neighbors would not be in its interests. While Canada and Mexico need the American market, the reverse is also true. Trudeau pointed out that Canada is the largest export market for 35 U.S. states. A Mexican senator has threatened to introduce legislation blocking imports of U.S. corn, worth some \$2.5 billion annually. That threat prompted Republican Sen. Charles Grassley, who chairs the powerful Senate Judiciary Committee, to declare on Twitter that the Trump administration “must enter Mexico negotiations w eyes WIDE OPEN,” [warning](#) that “consequences will hurt farmers first.”

The best strategy for both Mexico and Canada may be to drag the NAFTA renegotiation out as long as possible. Trump’s appetite for a lengthy renegotiation is likely to wane, and pressure will grow from Congress and the affected states to avoid a trade war. He seems more likely to settle for minor changes and declare victory, rather than run the risk of trade disputes that could damage the U.S. economy as he heads toward the 2020 campaign. The NAFTA marriage will be frayed, but it seems likely to survive.

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The EU deal with Libya on migration: a question of fairness and effectiveness

Mattia Toaldo

Whether the new EU migration agreement will work and whether it will respect migrants' rights is an open question with the answer likely to be no.

On the eve of the 3 February EU summit in Malta, the President of the EU Council Donald Tusk promised the closure of the Central Mediterranean migration route into Europe. The summit produced a memorandum of understanding between the Italian and internationally-recognised Libyan government that aims exactly at that. Whether it will work and whether it will respect migrants' rights, as stated in the Council's final communiqué, is an open question with the answer likely to be no.

This new agreement has been compared to the 2016 EU-Turkey deal, but if the agreement with Turkish President Recep Tayyip Erdogan raised some questions over the respect of the human rights of migrants, in Libya's case the violations of basic rights are almost certain and the doubts about implementation are more than legitimate.

This is not really an EU-Libya deal, rather the EU endorsement of a bilateral memorandum of understanding between Italy and the Presidency Council of Libya headed by Faiez Serraj. This is one of three Libyan rival governments together with the House of Representatives in Tobruk (which labeled the memorandum as illegitimate) and the unrecognized and Islamist-leaning National Salvation Government in Tripoli. Angela Merkel had raised concerns over the reliability of the EU's interlocutor, given that Serraj's government hardly controls even its own capital.

The memorandum contains three main elements: first, it restarts full implementation of the 2008 Friendship Treaty between Italy and Libya which already included a big chapter (and funding) on migration containment; second, it boosts support to the Libyan Navy and Coast Guard in order to rescue as many migrant boats as possible in Libyan territorial waters; third, it provides funds to improve healthcare in the detention centers where migrants are locked once they are rescued by the Libyan Coast Guard. The memorandum does not mention respect of international conventions (it only refers to International Customary Law), nor does it establish an independent monitoring mechanism.

Libyan law does not distinguish between migrants and asylum-seekers as Libya is not a party to the Geneva Convention. According to the laws approved under former Libyan leader Muammar Gaddafi, all individuals arriving without a permit are deemed illegal migrants and jailed.

It is commonly thought that the Central Mediterranean route, of which Libya is the main country of transit, is mostly a route for economic migrants, but this is not supported by facts: 39% of the migrants from this route who are examined by Italian asylum panels receive either refugee status or humanitarian protection, a lesser and more temporary form of protection. According to the UN Refugee Agency (UNHCR), 45% of those who pass through this route meet European standards for refugee status. Even for those who do not fall into these criteria, who are commonly referred

to as economic migrants, there are rights and obligations to be respected: a migrant cannot be unlawfully detained, he or she cannot be raped or tortured, and he or she is entitled to all basic human rights.

Violations of these rights are one of the most important “push factors” in migration to Europe through Libya. Africans who arrive in Libya are systematically harassed, unlawfully detained (inside or outside official detention centers), forced into slavery, raped and in many cases killed – the Islamic State built its fame in Libya by killing first Egyptian Coptic migrants and then Eritreans. The fear for their lives and their dignity is what pushes Africans to try to cross the Mediterranean as quickly as possible, while a large percentage of those who have arrived in the EU reported being forced onto the boats. Further compounding their desire to leave is the drop in economic opportunities in Libya, which just until three years ago hosted between 1.3 and 1.7 million economic migrants, a figure that is now estimated to average around 700,000. Data from the International Organization for Migration (IOM) demonstrates how the duration of stay of African migrants in Libya before their crossing to Europe has drastically shortened in a few years and is now in many cases just a matter of weeks.

Ultimately, violations of rights are not the price to be paid in order to reduce flows, rather the opposite: increased flows to Europe are the result of violations of rights and the lack of economic opportunities for migrants in Libya.

In revamping the 2008 deal signed by former Italian leader Silvio Berlusconi and Gaddafi and by boosting the capacity of the Libyans to rescue migrants and lock them into detention centers, the EU-supported Italy-Libya memorandum of understanding builds upon established European policies that aim to bring flows as close to zero as possible and are ready for massive pushbacks. It is not far fetched to think that the more the Libyan Coast Guard will be able to rescue migrants in Libyan territorial waters and lock them up in detention centers, the lower the number of those who will be rescued by EU boats and processed on EU territory where they can claim asylum. The deal does not formally establish a policy of pushbacks, this is what Italy did under Berlusconi when it was finally deemed illegal by EU courts. More cleverly, the new deal sanctioned in Malta outsources the pushbacks to the fledgling Libyan authorities, thus allowing President Tusk to promise the closure of the Central Mediterranean route, much like the EU did with the Eastern Mediterranean route almost one year ago.

The haste of this deal reflects the urge in European capitals to do something decisive on migration and do it quickly. For Rome, this is the result of the lack of solidarity from European partners in managing the 2016 flow of 180,000 migrants from Libya. In Paris, Berlin and elsewhere, there is stringent concern over the potential impact of a new refugee crisis on the upcoming elections. For Central European countries like Hungary, the closure of the last migration route into Europe is a vindication of Prime Minister Viktor Orban’s policy of pushbacks since the early days of the refugee crisis in 2015.

It is legitimate to wonder whether the deal with Libya will work. Despite all the possible EU support, the capacity of the Libyan Coast Guard is limited and a large percentage of migrants are expected to slip through the net. Detention centers in Libya also have limited capacity and this could lead to the release of hundreds to make space for new arrivals. Local communities will hardly be happy about it, as

some mayors have already said – and these mayors should be Europe’s main interlocutor in stabilization efforts. IOM and UNHCR already have very limited access to detention centers, therefore any claim by EU officials of “processing” and “extraction” of the migrants more in need could prove delusionary.

Alternative policies are possible if European leaders are ready to make more pragmatic but also politically riskier decisions. Improving the conditions of migrants in Libya can expand their period of stay in the country and therefore shorten the turnover and the flows to Europe. Some circular legal migration to Europe through more visas and work permits can deprive smugglers of their clients, in some cases of their best-paying clients. Stabilization in parts of Libya can increase its absorption capacity of economic migrants. Safe and legal channels for asylum seekers can be built, further reducing the numbers of those who use smugglers.

Of course, these are all policies that respond to the stated EU goal of destroying the business model of smugglers. If the goal is only to cut the number of those arriving in Europe through an indiscriminate pushback then the Italy-Libya deal is the way ahead, though it will hardly bring those numbers to zero. What will be left of European values is another issue, but it does not seem to be high on the agenda at the moment.

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Cyber attacks on Ukraine's power grid: to what end?

Two cyber attacks in Ukraine show what capable hackers attacking critical

infrastructure might be able to achieve.

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In 2015, a [massive cyber attack](#) in Ukraine left nearly a quarter-million people without power. The incident has since come to represent the clearest example so far of what capable hackers attacking critical infrastructure might be able to achieve. When there were anomalies in the Ukrainian power grid again this past December, the first suspicion was another cyber attack. A recent investigation appears to have [confirmed](#) the suspicion, raising questions about what this means for cybersecurity strategy.

While investigators believe that the same group is responsible for both incidents, there are some important differences between the 2015 and 2016 cases. Most significant was that the first incident lasted far longer; the more recent attack took place around midnight on 17 December and lasted only a little more than an hour. The attacks were also different in type. The 2016 attack was against a transmission facility, while the 2015 one reportedly affected a distribution facility. And the 2015 incident employed several different attack components in a coordinated effect to knock out power, disable the operators' access to key systems and take down telephone networks.

Theories abound as to what the attackers were up to. Though it's too early to come to any definitive conclusions, one hypothesis deserves a hearing and can point to some ideas of overarching significance in cyber operations: that one or both of the incidents represented a testing or demonstration of capabilities.

It appears to be the case that the intruders didn't want to cause massive damage. One of the investigators on the case, Marina Krotofil, said of the attackers: 'They could do many more things, but obviously they didn't have this as an intent. It was more like a demonstration of capabilities.' The operation - and to some degree even the 2015 attack - might have been a proof of concept, designed to verify that the attack code would work as intended or signal that such damage was possible.

There are at least three different audiences for such a test or demonstration. First, the intruders may have been verifying to themselves that they could cause physical harm if required. Developing tailored cyber capabilities, especially against industrial

control systems, [requires a significant amount](#) of reconnaissance, testing and refinement. It is [reported](#) that the United States or Israel, or both, built a replica of the Iranian nuclear facility in order to have an environment for fine tuning their attack code in the Stuxnet operation. If the Ukraine attackers didn't have mock targets, they may have felt a need to practice on the real target network.

Alternatively, the attackers may have felt a need to demonstrate capabilities to external overseers or decision-makers. It has been [reported](#) that, as a way of showing President George W. Bush what was possible with cyber attacks, intelligence community officials brought him pieces of a centrifuge destroyed by computer code. That piece almost certainly came from an American-owned centrifuge, not an Iranian one, but once again the attackers in Ukraine might not have had access to a test environment.

A third intended audience might be the Ukrainians themselves, or other observers. The art of brandishing capabilities - threatening use in order to achieve some end - is deeply uncertain in cyber operations. A limited attack may have revealed the extent to which the intruders had gained access and their capacity to do damage. To the right audience, it might be understood as an implicit threat.

Why does all of this matter for Western nations? If would-be attackers are capable of refining their techniques in an environment such as Ukraine, they could well be better prepared to attack other targets with similar designs. The investigator on the case explicitly raised this worry. 'Ukraine uses equipment and security protections of the same vendors as everybody else around the world', Krotofil said. 'If the attackers learn how to go around those tools and appliances in Ukrainian infrastructures, they can then directly go to the West.'

WHY WE MUST ACT NOW TO ADDRESS A NEW FAMINE IN SOMALIA

BY **ROB BAILEY** ON 2/14/17 AT 11:10 AM

The election last week of Somalia's new president, Mohamed Abdullahi Mohamed—known as Farmajo—came at the same time the country was in the news for being one of the seven affected by U.S. President Donald Trump's immigration ban.

President Mohamed immediately promised a "new beginning" for his country. He undoubtedly faces monumental political challenges in delivering this, but these may pale into insignificance against a looming famine which needs immediate action and international support if it is to be prevented.

There is nothing new about famine in Somalia. The last one in 2011, killed over a quarter of a million people and is the best-chronicled descent into mass starvation in history.



A woman and a boy walk past a flock of dead goats in a dry land close to Dhahar in Puntland, northeastern Somalia, December 15, 2016. A climate phenomenon known as the “Indian Ocean Dipole” is partly to blame for the drought.MOHAMED ABDIWAHAB/AFP/GETTY

Between the failure of the short rainy season in November 2010 and the declaration of famine in July 2011, the Famine Early-Warning Systems Network (FEWSNET) and the Food Security and Nutrition Analysis Unit (FSNAU) between them released more than 70 early warning bulletins and undertook a similar number of briefings with donor governments and humanitarian agencies in a desperate attempt to trigger a preventative response. But the warnings fell on deaf ears. Only when famine was declared was aid dispatched, and at this point it was too late.

Now the alarm has been raised again. Following a poor short rainy season at the end of 2016, FEWSNET has warned that famine could return if the long rainy season, due to begin in April, fail as they did in 2011. Current forecasts suggest they might.

But things could be different this time around. Few humanitarians have forgotten the failure of 2011, which was followed by a period of intense soul-searching and painstaking evaluation. The result was a wealth of analysis on the lessons to be learned, and a grim determination to learn them.

Meanwhile, the situation in Somalia has improved in important respects. In 2011, Somalia was a country without a state, fought over by the Islamist militia al-Shabab and African Union troops in a war that dramatically restricted the ability of humanitarian agencies to reach the worst affected populations. Today, the access of humanitarian agencies is better and Somalia has a federal government, though it is probably stretching things too far to claim it has a fully functioning state at its disposal.

Despite these improvements, action to prevent famine still faces immense challenges. The last famine was confined to areas under al-Shabab's control in the south of the country, but this time areas in the north are also at risk. This presents a major test not only for the new president but also for the authorities in the self-declared republic of Somaliland and the semi-autonomous region of Puntland. And whilst al-Shabab's reach in the south has receded, it remains embedded in many areas where conflict persists as it fights to hold or regain territory. Nor for that matter is armed conflict limited to al-Shabab. Most conflict occurs between rival clans and militias locked in struggles over scarce land and water. In this context, getting aid to the most vulnerable populations remains extremely difficult.

But with innovation, determination and resources it can be done. Time is, however, perilously short. If 2011 is a guide, mortality will start to climb rapidly in April if the long rains are poor or late. Reports indicate that people are already starving to death and populations have begun to move in search of food. This means that the scale-up must begin now.

Uncertainty about whether the long rains will fail need not be a concern because the extent of humanitarian need in Somalia is already so great, funds will find a use. Quick interventions to build resilience and shore up livelihoods, improve access to clean water and expand infant feeding programmes are no regret options: even if the long rains arrive on time and the spectre of famine fades, a lot of good will still have been done. In areas where markets are still functioning, providing people with cash

can help them afford food. Agencies must also start planning together for how they will ramp up the response again should the long rains fail.

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The big question is whether the money is coming. It is unknown how the United States—the source of nearly 30 per cent of Somalia's humanitarian aid in 2016—will view the situation. Fears that American aid might be captured by al-Shabab were behind much of the previous administration's slow response in 2011. It is unclear how President Trump's "America First" mantra will shape the response this time, though his administration's approach to tackling Islamist militancy and apparent frustration at the resilience of al-Shabab may give some clues.

Nor is it clear how other donor governments will respond to the famine warning. Europe is preoccupied with its own political and economic concerns, whilst at the international level multiple humanitarian disasters compete for limited donor attention. Amid all this noise, the risk is that governments wait for certainty about the prospect of famine and squander the chance to prevent one in the process. That would be a tragedy. In a world that seems wracked by crises, this is one we can prevent.

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