

HARBINGER STRATEGIES

Trade & Geopolitical Update

Week of June 8, 2026

EXECUTIVE SUMMARY

The U.S.-Iran ceasefire, and by proxy the Israel-Lebanon ceasefire, both faced their largest test over the weekend with escalating Israeli strikes on Beirut, Iranian and Houthi retaliation (with no intervention by the U.S.), and an Israeli attack inside Iran. While the escalation ladder nearly reached a tipping point, it was halted by both Israel and Iran following a phone call between President Trump and Prime Minister Benjamin Netanyahu. Underneath the military drama, the economic machinery hardened: U.S. petroleum stocks hit their lowest since 2004, the blockade was formally decoupled from any interim ceasefire, and the global AI-and-chip trade cracked after a strong jobs report priced in a Fed hike. The five threads that matter this week:

- **Iran: an escalation and then a pause, but not a deal.** A weekend exchange peaked and stopped after Trump told Netanyahu the “cycle needs to end” and the U.S. declined to intercept Iranian missiles; the \$24 billion frozen-assets standoff and an unsigned MOU remain.
- **The blockade is decoupled from the ceasefire.** Trump stated the Strait of Hormuz blockade stays “in full force” until a final deal — meaning the energy squeeze persists even if the shooting stops, with U.S. energy stocks now at a 2004 low.
- **Good jobs report with bad equity consequences.** A strong May jobs report priced in a year-end Fed hike, sending the Nasdaq down 4.2% Friday and triggering an 8.3% Kospi circuit-breaker Monday as the chip-concentrated AI trade unwound.
- **The trade regime hardens and trading allies soften (mostly).** The EU’s Turnberry deal survives the new forced-labor tariff, Canada pivots to a “Fortress North America” pitch, and Mexico’s auto and cartel fights fuse trade with security.
- **The Donroe Doctrine runs on every front at once.** Cuba sanctions hit the regime’s leadership and military, a 13-nation coalition defends Bolivia’s president, Venezuela’s exports surge under U.S. license, and Latin America’s rightward drift faces a knife-edge in Peru.

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KEY DATES AHEAD

Tuesday, June 9

- Economic Data: U.S. April trade figures; Germany April production; UK BRC retail monitor
- Meetings: Atlantic Council Global Energy Forum (Secretary Wright, National Energy Dominance Council Executive Director, et al); NB8 Baltic-Nordic meeting (Estonia)
- Politics: U.S. congressional primaries (ME, NV, ND, SC)
- Tariffs: CIT hearing on IEEPA refunds

Wednesday, June 10

- Economic Data: U.S. May CPI; Canada interest-rate decision; China May CPI
- Meetings: France B7 Summit (Paris); Nikkei “Future of Asia” (Tokyo)
- Tariffs: CAPE refunds progress report

Thursday, June 11

- Economic Data: U.S. May PPI; ECB interest-rate decision; OPEC monthly oil market report
- Tariffs: IEEPA settlement conference
- World Events: 2026 FIFA World Cup opens

Friday, June 12

- Deadlines: FISA Section 702 expires
- Economic Data: EU Q1 labor; France/Germany/India May CPI; UK April GDP; University of Michigan preliminary June consumer sentiment; SpaceX to begin Nasdaq trading

Sunday, June 14

- Politics: Switzerland referendum to cap immigration
- World Events: Trump 80th birthday + UFC on WH South Lawn

Look Ahead

- June 15-17: G7 summit (Évian-les-Bains, France)
- June 16: EU Parliament plenary vote on Turnberry ART
- June 16-17: FOMC meeting
- Week of June 22: Israel-Lebanon talks reconvene
- June 28-29: China Minister Wang Wentao to Brussels
- July 7-8: NATO summit (Ankara, Turkey)

GEOPOLITICAL UPDATE

The MOU’s immediate binding constraint came into focus—money. President Trump told NBC the talks are dragging because Iranian leaders “are going to have to do” things that injure their pride, but “they’ve got no choice, and it takes a little while.” Mohsen Rezaei, military adviser to Supreme Leader Ayatollah Mojtaba Khamenei, told CNN the talks are “at a deadlock” over the U.S. releasing \$24 billion in frozen Iranian assets (\$12 billion upon signing, \$12 billion that tracks metrics), calling it “a test of trust... our own money, not America’s money.” President Trump views the money as key leverage under “Operation Economic Fury” and a political liability to release up front.

Treasury is eyeing the funds for another purpose, according to Reuters: redirecting frozen Iranian assets to Gulf allies to fund rebuilding and to repair damage caused by

Iran. Treasury Secretary Scott Bessent has reportedly directed his team to assess the costs Iran has already inflicted. The reporting coincided with new Iranian strikes on Kuwait and Bahrain, which CENTCOM said it answered by downing four drones, intercepting six of seven missiles, and striking Iranian radar sites.

Over the weekend, President Trump made a striking comment to the Financial Times, saying PM Netanyahu “won’t have any choice” but to accept a U.S.-Iran agreement: “I call the shots. He doesn’t call the shots.” He went on to say he was “not happy” Israel had struck Hezbollah’s Dahiyeh stronghold in Beirut without U.S. coordination and that he would instruct Netanyahu not to retaliate against Iran (at odds with the Israeli military’s public statements).

The President’s instructions were met with defiance, however, as the Israeli Air Force struck military targets in western and central Iran, including a petrochemical plant near Mahshahr. This caused the Houthis to join in the Iranian attack on Israel, firing a missile hours after declaring a Red Sea ban on Israeli shipping. By Monday morning Trump posted that “both sides... are looking to do an immediate CEASEFIRE,” adding pointedly that “the Blockade will remain in place, and in full force and effect, until a ‘Final Deal’ is reached.”

The pause is now holding. President Trump reportedly told PM Netanyahu “the cycle needs to end” and that the U.S. “didn’t agree or support” the strikes. The results: Israel halted its attacks without acknowledging a ceasefire; Iran suspended operations while President Pezeshkian said Tehran had not abandoned negotiations; and Pakistan’s Prime Minister Sharif called the “final objective” in the talks “just about to be achieved.”

Economic Fury

As negotiations grind on, Treasury has continues to tighten its economic grip over the Iranian regime. OFAC designated a network of individuals, entities, and vessels for shipping hundreds of millions of dollars of Iranian LPG disguised as Omani product to South and East Asia, using UAE and China front companies (Butani Trading, Dundlod Trading, ADH Energy) and Iran’s shadow fleet. Secretary Bessent framed the strategy: “Iran’s economy is floundering and its military is decimated... Treasury will continue to sever Iran’s shadow fleet, shadow banking networks, and access to global trade.” Each revenue channel OFAC closes while the MOU sits unsigned raises Tehran’s cost of not signing.

Israel-Lebanon

Israel and Lebanon agreed to a U.S.-brokered ceasefire after a fourth round of trilateral talks at the State Department last week, contingent on Hezbollah halting fire and evacuating the South Litani Sector, with the Lebanese Armed Forces taking exclusive control of “pilot zones” to the exclusion of all non-state actors. The U.S.-brokered talks are set to reconvene the week of June 22.

A day later, Hezbollah rejected the joint U.S./Israel/Lebanon statement. Hezbollah Chief Naim Qasem called the deal “absurd,” saying the group would not accept linking its presence in Lebanon to ending the war. Trump claimed Hezbollah “didn’t reject me” and “called us,” an assertion that has not been corroborated by Hezbollah’s leadership. Because Lebanon is a stated Iranian precondition for the MOU, the Hezbollah component remains a hurdle towards achieving an agreement.

NATO

Following President Trump's decision to send an additional 5,000 troops to the country—a reversal from the Pentagon's previous stated plans—Poland formally asked the United States to establish a permanent military base. Defense Minister Kosiniak-Kamysz said U.S. engagement “is not diminishing — on the contrary, it may be even greater,” with Warsaw offering “attractive financial and organizational conditions” and Trump tying the increase to his rapport with Polish President Nawrocki.

At the same time, the Pentagon is moving forward with plans to cancel its transfer of Tomahawk missiles to Germany, citing concern Russia would read it as escalation. This move unwinds a Biden-era deal and leaves Berlin without critical military hardware. NATO's top commander, General Alexis Grynkewich, downplayed the move, telling allies that Europe “can step up now” amidst a U.S. “refocus” to other theaters. Germany is now committing €108 billion to European defense, but it's clear that U.S. presence and support on the continent is both conditional and bilaterally-concentrated where the politics align.

Further complications for Merz's government emerged on the news that AfD's foreign-policy spokesman and Bundestag deputy leader Markus Frohnmaier met with Gazprom CEO Alexey Miller in St. Petersburg. Frohnmaier also met with President Vladimir Putin's sovereign-wealth envoy Kirill Dmitriev to discuss reopening the Nord Stream pipelines and resuming Russian gas. Gazprom confirmed that the German side requested the meeting. The AfD leads national polls and is projected to finish first in two eastern state elections later this year, including Mecklenburg-Vorpommern, where Nord Stream terminates. AfD is also within reach of an absolute majority in Saxony-Anhalt. With European gas prices acutely elevated talks of a Eurozone recession, the “reopen Nord Stream” message of the AfD is a potent political message.

Finally, Germany's Die Welt published a leaked list of U.S. assets Washington wants to pull from the NATO force, including one of two carrier strike groups, all cruise-missile submarines, and cuts of P-8 maritime patrol aircraft from 26 to 15, aerial-refueling tankers from 79 to 63, and F-16/F-15E fighters from 153 to 99. The leaked cuts hit maritime power harder than land power, impacting the Atlantic and southern flank more than the eastern flank facing Russia. These burden-shifts by the U.S. military will likely dominate NATO's Ankara summit in early July.

Bottom line: A single weekend drove the ceasefire to its most dangerous point since the freeze began; the MOU remains unsigned, the \$24 billion frozen-assets fight is the immediate constraint (though nuclear enrichment looms over all), and Trump has publicly subordinated Israel to U.S. terms.

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ECONOMIC OUTLOOK

U.S. employers added 172,000 jobs in May, roughly double the 85k consensus, and slightly below April's revised 179,000. Revisions added a combined 93,000 to March and April and unemployment is holding at 4.3%. Jobs gains were broad-based: local government +55,000; restaurants +48,000; and health care +35,000. From March-May, job growth has averaged 188,000/mo, the best three-month stretch since early

2024 and well above the 9,700/mo of 2025. Navy Federal's Heather Long declared "the hiring recession is over." But wages rose just 0.3% on the month and 3.4% year-on-year, signaling that while payrolls are strong, real wages are soft and not keeping up with inflation.

Treasuries sold off on the report. Yields jumped about 11 basis points to 4.15% on Friday and swaps are now fully pricing a quarter-point Fed rate hike by year-end. The Nasdaq Composite took the brunt, falling 4.2% on the day, its steepest decline since April 2025. The S&P 500 fell 2.6%, snapping a nine-week winning streak.

President Trump expressed his open frustration on Truth Social: "With a great Jobs Report... stocks should go up, not down. Growth does not mean inflation!" The Fed's debate over which risk dominates, a softening labor market or rising prices, has now flipped from the start of the year. The Iran war has placed inflation fully back in the frame and the June FOMC meeting is the next test. NEC Director Kevin Hassett pushed the counter-narrative: "This is a supply-side job number, which means you can have growth and low inflation."

Friday's selloff went global on Monday as South Korea's Kospi fell 8.3%, triggering a circuit-breaker halt. Samsung dropped about 10% and SK Hynix 7.7% (the two are roughly 40% of the index). Tokyo's Nikkei closed down 3.9% and Taiwan's Taiex was down 3.5%. ASML, Europe's most valuable company, fell 1.7%. While the U.S. jobs report helped drive global repricing, a Broadcom AI-revenue guidance miss of \$1.2 billion carried the AI narrative. Markets most concentrated in a handful of chipmakers were most effected.

Inflation: Two institutional forecasts elevated the oil shock above tariffs as the leading risk to growth. UCLA's Anderson School now calls the oil shock the top risk to the U.S. economy, projecting GDP near 2.1% in 2026 with core CPI peaking at 4.5% by year-end. The OECD went further: a prolonged energy disruption into the second half of 2027 would cut global growth to 2.1% this year and 1.8% next, forcing major central banks, the Fed included, to raise rates. Both now model the war's price transmission as a multi-quarter event.

Meanwhile, Treasury Secretary Bessent told the Senate Finance Committee last week that elevated prices will prove transitory: "Except for inflation, which is, I believe, going to be a short-term blip, the economic data is very strong... we have temporary elevated prices that will come back down." Bessent highlighted food costs, in particular, saying "Americans are paying 2.5 percent for groceries since President Trump took office, which is half the annual amount under the Biden administration." The Secretary's use of the word "blip" is drawing immediate comparison's to the "transitory" framing used during the Biden Administration.

Tax Filing Season: Treasury's June 2 tax filing report quantifies the distributional shape of the OBBBA in its first full season of returns. 96% of filers who received a tax cut earned under \$200,000 (average refund of roughly \$1,250) and nearly 70% of filers who received a cut earned under \$100,000 (average refund of over \$815). The uptake by filers of the law's new deductions was broad: over 7.5 million filers claimed "No Tax on Tips" (averaging over \$7,000), over 29 million took "No Tax on Overtime," over 35 million seniors claimed the "Enhanced Deduction," roughly 1.4 million took advantage of "No Tax on Car Loan Interest," and over 127 million (90% of all filers) used the doubled standard deduction.

Consumer Debt: The Fed's Beige Book reported "increased credit card usage, fewer retail visits, and stronger demand for necessities," three data points that describe the current reality: households are absorbing higher prices by leaning on credit, cutting discretionary spending, and concentrating on essentials. U.S. consumer borrowing posted another large increase in April, the biggest back-to-back gain since the end of 2022, per the Fed's G.19 data, a second straight month of households piling on non-mortgage debt. The negative real wage turn and higher fuel costs are pinching the American consumer while the bump of elevated tax refunds begins to wear off.

Manufacturing Data: Data analysts and the Administration point to different metrics to evaluate the reshoring narrative. On one hand, private spending on manufacturing construction fell to \$15.2 billion in April, down about 16% since the start of the term. Factory employment is down 77,000 jobs. On the other hand, 84 companies have announced more than \$900 billion in investments since President Trump's inauguration, per FT calculations. The Administration uses rising core capital-goods orders as evidence that the onshore buildout is coming. BNSF CEO Katie Farmer split the difference between the two narratives, saying she has "certainly seen a revival" in steel but "in other industrial segments, we've really seen a plateau."

Logistics Data: The transport price gauge in the Logistics Managers' Index rose to 96, the fastest expansion of any metric in the report's ten-year history. Capacity contracts and overall logistics costs hit their highest levels since March of 2022. The report's bottom-line: it is harder to counter rising prices during a supply shock than a demand surge as the Fed's primary toll (higher rates) cannot add supply.

The European Union

A revised Eurostat estimate showed the Eurozone contracting 0.2% in Q1 but the entire downward revision traces to Ireland, where GDP was restated as a 12.1% quarterly collapse driven by multinational pharmaceutical accounting. The multinational sector fell 27.1% while Ireland's domestic economy grew 0.6%. Excluding Ireland, the Eurozone actually grew by around 0.2-0.3%. But the headline is worth considering as business activity across the EU contracted at the fastest pace since 2024, unemployment ticked up to 6.3%, and the OECD cut the euro-area 2026 forecast to 0.8%.

Eurozone fuel sales recorded their largest year-on-year decline since 2023 as the war pushes petrol prices higher and households and businesses are cutting back. It feeds directly into the ECB's decision on Thursday. An energy-driven inflation spike will be difficult for increased rates to thwart. At risk is accelerating demand contraction that is already showing up in the GDP data.

War-driven inflation and a high regulatory environment are the drivers. The ECB will seek to address the former but a debate is growing on the continent about how to handle the latter. Denmark's new government is making its decision known, announcing it will cut taxes against the Eurozone's prevailing orthodoxy, with its corporate rate dropped from 22% to 19% over three years, the top income bands eliminated, the food VAT halved, and VAT on fruits and vegetables entirely removed.

Mette Frederiksen secured a third term as Danish prime minister, assembling the new four-party coalition and tapping former PM Lars Løkke Rasmussen to lead Greenland negotiations with the U.S. Frederiksen becomes one of only three Danish PMs to win a third consecutive election, adding to the country's weight in EU councils. A left-led

coalition cutting corporate and top-bracket taxes while the rest of the bloc debates wealth taxes and consolidation is a supply-side bet that growth and capital attraction outrun the revenue foregone and a direct pressure on the consolidation consensus the ECB and larger members have defended for decades.

Bottom line: A strong jobs report repriced the Fed toward a hike and cracked the global AI-chip trade, even as consumers buckle, real wages turn negative, and the oil shock displaces tariffs as the top growth risk — a potential stagflation squeeze ahead of Fed Chair Kevin Warsh’s first FOMC.

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OIL SHOCK

Global Supply

U.S. government data showed total crude and petroleum-product stocks fell 10.6 million barrels to 1.57 billion, the lowest since 2004. Rapidan’s Bob McNally told the FT crude could reach \$200 a barrel this summer unless Hormuz reopens. The U.S. is acting as, in one analyst’s phrase, “the lender of last resort for global oil markets.” U.S. crude shipments jumped from 4.4 to 5.8 million barrels a day as exports surged to Asia and Europe. But the buffer is finite. The U.S. has released roughly 50 million barrels from the Strategic Petroleum Reserve (SPR) against an authorized 172 million, leaving the SPR at its lowest level since the early 1980s. As Kpler’s Matt Smith put it: “When US exports slow, the music stops.”

The single biggest reason the world is not in a far worse crisis is a steep fall in Chinese oil demand. Vitol said China slowed crude purchases by 4-5 million barrels a day; Morgan Stanley puts seaborne arrivals at 7.5 million b/d over the past 30 days, down from roughly 13 million a year earlier; S&P Global puts April imports at 9.4 million b/d and projects a further drop. Most analysts infer Beijing is drawing down the stockpiles it accumulated at low prices, though Chinese inventory data is opaque. The critical point is that Chinese imports have fallen far more than its actual, which is expected to decline only about 1.5 million b/d. The world has thus been cushioned by two simultaneous stockpile draws: American barrels exported and Chinese barrels consumed in place of imports. When either buffer exhausts, the \$200 scenario stops being a tail risk.

OPEC+ agreed to raise production targets for a fourth straight month to 188,000 barrels a day in July, continuing the unwind of cuts begun three years ago. In total, the group produced 52 million b/d in April. But the increase is largely symbolic as shipping restrictions in Hormuz limit how much added quota reaches market. Even if Hormuz reopens, only Saudi Arabia holds meaningful spare capacity and a return to normal shipping would spotlight members like Russia producing far below quota.

Meanwhile, ADNOC has sold at least 14 million barrels of UAE crude to Asian refiners through the first tenders of their kind since the war began, while launching a second tender closing June 11. The sales confirm that significant volumes are still exiting Hormuz in vessels. With AIS beacons off, ships are running “dark” to reduce targeting risk by Iran, while moving through Fujairah storage and ship-to-ship transfers. In other words, gulf crude is moving, but at a risk premium and in concealment.

Thus, Gulf producers are in active talks to build pipeline infrastructure routing crude around Hormuz entirely. Kuwait is in dialogue with Saudi Arabia and the UAE about

cross-border pipelines; ADNOC is considering a “west-east pipeline” that would let producers bypass the strait while the host country collects a tolling fee; and Kuwait is talking to Oman about storage on the far side. These are multi-year capital commitments that do not address the current shock but once completed, they have the potential to completely reshape Middle Eastern traffic.

Airlines

Abu Dhabi’s Etihad is set to surpass its pre-war capacity without price cuts, a reversal for a carrier operating at roughly 60% of pre-conflict levels as recently as mid-April, demonstrating a recovery in transit demand. The recovery is uneven, however, as jet fuel has roughly doubled since the war began and regional airspace restrictions still add 90 to 120 minutes to Asian routes. IATA warned that airlines face roughly \$100 billion in additional jet-fuel costs in 2026, cutting combined net profits in half from \$45 billion in 2025 to \$23 billion. Average net margin has dropped from 4.2% to 2.0%. Jet fuel has surged about 70% to an average \$152 a barrel. IATA expects Middle Eastern carriers to swing from a \$7.2 billion profit to a \$4.3 billion loss, with regional demand down 11.4%.

Bottom line: U.S. petroleum reserves hit their lowest since 2004 and a credible \$200/barrel call emerged, even as China’s demand collapse quietly caps the crisis. A market that has been cushioned by finite stockpile draws and logistical creativity is nearing a chokepoint if the Gulf is permanently compromised.

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SHIPPING

Demining Hormuz

The UK and France have finalized operational planning for a Hormuz mine-clearing mission and can now generate a “credible force,” per Bloomberg sources. Personnel could deploy within days of a U.S.-Iran deal, with assets from some 15 coalition members following, contingent on a signed agreement, a permissible environment, and free navigation. British and French operators are prepared to open a direct line to Tehran on operational matters.

The reason the lead falls to Europe rather than Washington is a genuine U.S. capability gap. The Navy decommissioned its four forward-deployed Avenger-class minehunters in Bahrain in 2025, shipping them out of the Gulf in January and replacing them with three littoral combat ships whose mine-countermeasures are not certified as operationally effective. Two of those three have since been redeployed toward the Pacific. The Navy did send two Japan-based Avengers (USS Chief and Pioneer) to the Gulf in April. This makes the MOU’s 30-day mine-removal clock a European deliverable, not an American one.

The UK-France coalition will bring its mine-clearing plan to President Trump at the G7 summit in Évian-les-Bains, seeking formal approval to deploy. Trump has alternated between saying he does not need allied help and demanding they step up, while Secretary Bessent used the G7 finance ministers’ meeting in Paris to press allies to sanction Iran harder. The summit is where the burden-sharing argument converges in person.

Houthis Reopen Red Sea Front

The Houthis declared a complete ban on Israeli maritime navigation in the Red Sea, threatening a key bypass route just as it regained traffic, and confirmed their first missile attack on Israel since April. The ban targets Israeli-linked vessels. The 2023-25 precedent shows the group capable of collapsing Red Sea traffic entirely. With Hormuz already near-closed, a Bab el-Mandeb disruption would pinch both of the region's primary maritime arteries simultaneously, leaving Gulf crude no clean seaborne route out in either direction.

Tanker Owner Profits

The tanker market has been one of the war's biggest financial winners, but owners are bracing for the crash a peace deal could bring. Hormuz disruption forced crude onto longer routes, driving Middle East VLCC rates to their highest since at least 2005 and handing operators record profits. Frontline, Nordic American Tankers, and DHT Holdings are each up roughly 60% year-to-date. Owners ploughed the windfall into new vessels, but a peace agreement might turn the investment on its head. Still, container shipping rates jumped last week and CTS data showed container volumes rebounded 4.3% year-on-year in April. The rate spike, layered on a fresh Red Sea threat, signals the cost of moving goods will remain high.

Bottom line: The maritime map now turns on which chokepoints stay open. Europe holds credible Hormuz demining capability and brings its plans to the upcoming G7. The Houthis have reopened their Red Sea front and tanker owners brace for the crash a peace deal could bring.

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TRADE UPDATE

The European Union

The week brought decisive clarity that the new 10% Section 301 forced-labor tariff does not derail the Turnberry agreement. Meeting USTR Ambassador Jamieson Greer on the OECD sidelines in Paris, Trade Commissioner Šefčovič confirmed the tariff stays "well within the Turnberry parameters... 15 percent all-inclusive with all the carveouts." Greer similarly told France 24, "a deal is a deal." The arithmetic affirms Turnberry: the 15% ceiling is binding and the forced-labor duty stacks underneath it, consuming headroom rather than breaching the cap. The International Trade Committee cleared the implementing legislation 31-6 with 3 abstentions, sending it to a June 16 plenary, with safeguards including a suspension trigger if Washington fails to bring steel and aluminum duties into line by end-2026.

In a further sign of EU softening, OECD Secretary-General Mathias Cormann warned governments not to go it alone in taxing large multinationals (i.e., U.S. tech giants) as countries eying digital services taxes would not be "ideal." A fragmented approach is "bad for business... bad for trade and investment... bad for growth." The EU's digital-tax temptation is the next live U.S.-EU flashpoint once Turnberry ratifies.

USMCA: Canada

Cut from the first formal USMCA round in Mexico City, Canada has pivoted from defiance to a sales pitch. Prime Minister Carney, once a prominent critic of the Trump trade agenda, told New York business leaders that "Canada Strong will help make America great again," pitching a "Fortress North America" on the very sectors

carrying U.S. tariffs. Ontario Premier Doug Ford followed Carney's lead by traveling to Washington this week to "launch Fortress North America."

Canada is signaling a willingness to accept tougher conditions, including matching or exceeding U.S. tariffs on Chinese EVs, to keep its access. Former chief negotiator Steve Verheul warned Canada "could be stuck for a considerable period" and "cannot force the US to come to the table," while the auto manufacturers' association urged Ottawa to "get to the table as soon as possible." Weeks after Greer likened Canada's posture to China's, Ottawa is adopting the Washington framing, accepting the 50% U.S.-content auto demand it says its cars already meet and backing a 16-year USMCA extension.

USMCA: Mexico

USTR is demanding more car parts, including electronics typically sourced from China, be made in North America for duty-free treatment, alongside raising regional content from 75% to over 80% and U.S.-specific content as high as 50%. The Administration has clearly staked out the 15-million-vehicle industry as "core," which it seeks to protect and revive. The target is China. Mexico, the largest U.S. trading partner since 2023, is increasingly treated as a "back door" for Chinese transshipment, which is why it has imposed its own China tariffs and an investment-screening mechanism.

Meanwhile, the U.S.-Mexico security track is threatening to overtake the trade track. President Trump has repeatedly pressed President Claudia Sheinbaum to act against the cartels and allow U.S. military operations inside Mexico. Former Mexican foreign minister Jorge Castañeda said that the dispute has created the "highest tension between Mexico and the U.S. since the 1970s." The flashpoint is the U.S. indictment of Morena party officials including Sinaloa Governor Rubén Rocha Moya, whose extradition the U.S. has requested. Sheinbaum has largely defied the request on sovereignty grounds while opening criminal investigations and freezing accounts. Thus far, one indicted official has surrendered to the U.S. and President Trump has signed a finding granting the CIA additional covert authority against cartels. While sovereignty is a key political consideration for Sheinbaum, corruption now tops Mexican polling and Rocha is unpopular, so resisting the U.S. too hard not only risks USMCA negotiations, but her own domestic political standing.

On the Hill, House Ways and Means Trade Subcommittee Chair Adrian Smith (R-NE) led 19 Republican colleagues in a letter to Ambassador Greer and Secretary Bessent urging accountability on Mexican tax enforcement. The members single out Mexico's tax authority (SAT) for "onerous and irregular enforcement practices... retroactive and unprecedented burdens on U.S. companies," arguing "Mexico should not be allowed to right its budget imbalances on the back of American companies." The letter adds yet one more U.S. complaint beyond autos and security.

South Asia

A U.S. delegation led by Assistant USTR Brendan Lynch held talks in New Delhi June 2-4, which India Commerce Minister Goyal called "excellent." Goyal is targeting a deal's "first tranche" by mid-July with a higher-level delegation expected in India near the end of June. India continues to contest USTR's Section 301 IP findings and seek "preferential access over competitors" in the final ART.

With USTR's Special 301 report on IP theft looming, pressure is mounting on Vietnam and Thailand to finalize reciprocal-trade agreements, as well. Vietnam's exposure is acute given its role as a China-plus-one hub and suspected transshipment route, raising both the value of a deal and the demands Washington will place on rules of origin.

Tariff Refunds

The IEEPA refund litigation escalated into an internal judicial confrontation. CIT Senior Judge Richard Eaton had ordered CBP Commissioner Rodney Scott to testify in person, which DOJ appealed, leading to the Federal Circuit issuing a stay. Eaton reversed himself at the end of last week, allowing CBP to send executive assistant commissioner Susan Thomas instead. Underneath the logistical fight is a substantive one: CBP had reversed its position on May 29, now claiming that it cannot refund "finally liquidated" entries without importer-specific court orders. DOJ reiterated the point to CIT on June 4, arguing that "such importers must sue" in order to receive refunds.

Importers have since answered with a class motion. In *V.O.S. Selections v. Trump*, plaintiffs asked the CIT to certify a class covering "all importers who paid unlawful IEEPA tariffs on entries currently ineligible for CAPE." Importers with standing are thus seeking a single proceeding to resolve the finally-liquidated question rather than tens of thousands of individual suits. The government has processed roughly \$85 billion of a \$166 billion pool, but the finally-liquidated universe is where the Court has voiced the most concern. If the class is certified, small importers who would never sue individually are swept in. But if DOJ prevails, that class is effectively cut off. Upcoming: June 9 hearing, June 10 progress report, and June 11 settlement conference.

Bottom line: The tariff regime is hardening into legally durable footing and reluctant accommodation by U.S. trading partners: the EU's Turnberry deal survives the forced-labor tariff, Canada pivots to "Fortress North America," Mexico's auto and cartel fights fuse, and the refund litigation turns on whether small importers ever get paid.

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DONROE DOCTRINE

Bolivia

The U.S. escalated its defense of Bolivian President Rodrigo Paz into a 13-nation collective declaration. Secretary of War Pete Hegseth first posted that the Department of War and the Americas Counter Cartel Coalition "reject all attempts to overthrow the legitimate government of President Rodrigo Paz," warning "the United States is watching." Days later, a joint statement by the United States, Argentina, Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guyana, Honduras, Panama, Paraguay, and Trinidad and Tobago ("Shield of the Americas") denounced "ongoing efforts to overthrow" Paz, framing the blockades as a cartel-financed destabilization campaign. The coalition, launched by Trump at Doral in March and headquartered at SOUTHCOM, is proof positive of the Donroe Doctrine's momentum: a multilateral bloc of U.S.-aligned governments.

Brazil

Brazil remains the Doctrine's hardest test. President Lula leads polling against Flávio Bolsonaro and posted Q1 GDP growth of 1.1%, beating a contracting Mexico. Bolsonaro's ask of the Administration to designate the Comando Vermelho and PCC criminal organizations as terrorists, has continued to ripple through Brazilian politics, with Lula parroting Mexico's sovereignty stance and naming the Bolsonaro family as "traitors." Despite the rightward shifts of Colombia and Peru, Brazil's economy and presidential elections will ultimately determine the reach of the Donroe Doctrine.

Cuba

The foreign corporate withdrawal from Cuba has become a full exodus ahead of the Gaesa secondary-sanctions deadline. Visa and Mastercard transactions by non-U.S. foreign visitors are being suspended, severing the last card-payment channel for international tourists. The hotel exits have multiplied as Spanish chain Meliá is withdrawing from 15 properties, Canada's Blue Diamond is pulling out, and Indonesia's Archipelago has closed its Aston hotels. Island arrivals fell to 1.8 million in 2025 (down 17.8%) and the country's grid continues to suffer nationwide blackouts. Trump announced that, as a result of U.S. pressure and communist mismanagement, Cuba had "sort of collapsed," but that he would "handle" it after Iran.

Secretary of State Marco Rubio has continued to ramp up the diplomatic pressure, announcing sanctions on five entities and five individuals, including President Miguel Díaz-Canel as well as Alejandro Castro Espín and his son Raúl Alejandro Castro Calis (Raúl Castro's son and grandson, respectively). The entities sanctioned were the Ministry of the Revolutionary Armed Forces (MINFAR), the Cuban Institute of Friendship with the Peoples (ICAP), Amistur Cuba, the Committees for the Defense of the Revolution (CDR), and Minera La Victoria. Since MINFAR controls Gaesa, the U.S. sanctions now cover most if not all of the Cuban military-commercial economy. Sanctioning a sitting head of state and the military ministry simultaneously signals the objective is the regime itself.

Following SOUTHCOM Commander General Francis Donovan's meeting with Cuban General Roberto Legrá Sotolongo at the Guantánamo perimeter, a noteworthy detail emerged. Legrá Sotolongo, Cuba's Chief of the General Staff and First Deputy Minister of MINFAR, was sanctioned under the Global Magnitsky Act in August 2021 for deploying military police against peaceful protesters. The logistical meeting aside, a building U.S. military posture in the Caribbean tells the real story.

Nicaragua

Secretary Rubio announced visa restrictions on over 100 Nicaraguan officials "who continue to carry out Murillo and Ortega's malign agenda," calling the co-presidency "an enemy of humanity" and citing "the dictatorship's singular role in the death of political opposition leader Brooklyn Rivera." Roughly 2,000 Nicaraguan officials have been sanctioned or restricted since 2018. Nicaragua now joins Cuba and Venezuela as the third authoritarian-left government under escalating U.S. pressure, rounding out a doctrine operating on every front in the hemisphere at once.

Peru

Peru's June 7 presidential runoff produced no clear winner, with certification not expected until mid-July. The Ipsos quick count leans narrowly to leftist Roberto Sánchez (50.3-49.7), while the official partial tally leans to conservative Keiko

Fujimori, in her fourth consecutive runoff. Sánchez has declined to concede and Fujimori says she will accept the official tally. A Fujimori win extends the hemispheric rightward shift, but a Sánchez win could influence ongoing elections in Colombia and the overall direction of Latin America. That the election is this close signals the Doctrine's electoral momentum is contested, not assured.

Venezuela

Venezuelan crude exports surged 61% year-on-year to 1.25 million barrels per day in May, the highest in seven years, led by shipments to the U.S. (about 558,000 b/d), India, and Europe. Since November, exports are up roughly 150%, an increase of about 750,000 b/d from a post-blockade low near 500,000 b/d. Venezuela's oil ministry is now targeting a 1.37 million b/d goal by year-end. The surge is happening due to U.S. intervention in both Venezuela and Iran. With Hormuz compromised and U.S. energy stocks at a 2004 low, Venezuelan barrels carry increasing strategic importance. Separately, PDVSA removed the "public interest" clause from its draft contracts, the biggest deterrent to foreign investment, extending January's hydrocarbons-law reform that introduced arbitration and capped royalties. The Doctrine's commercial logic and the oil shock's supply math have converged to pull Venezuelan production back toward pre-sanctions levels under U.S.-aligned governance, even as the political transition remains unresolved.

Bottom line: The most concentrated week of hemispheric action yet: Cuba sanctions reach the regime's president and military, a 13-nation coalition defends Bolivia's president, Venezuela's exports surge under U.S. license, and the rightward electoral drift faces a knife-edge in Peru.

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CHINA

EU Measures

The week's most strategically significant China development was in Paris, where Trade Commissioner Šefčovič met Chinese trade envoy Li Chenggang and signaled the bloc will take a page from the U.S. approach. Šefčovič said the EU will pursue deeper negotiations to resolve "what is becoming an unsustainable trade deficit with China" (a record €359.9 billion in 2025), seeking dialogue "on par with" the frequency of U.S.-China talks. Chinese Commerce Minister Wang Wentao has been invited to Brussels June 28-29 for follow-on meetings. For two years the EU positioned itself as the alternative to U.S. trade confrontation. Šefčovič is now citing the U.S. playbook as a model, conceding that confrontation produced leverage and cooperation did not. Thus, Beijing faces coordinated pressure from both Western blocs rather than the ability to play one against the other.

Perhaps underlying the EU change in posture is China's increasing aggressiveness in the Pacific. Bloomberg Economics shows the EU economy would suffer a \$2 trillion hit should China invade Taiwan and the U.S. respond over the first year alone. Germany's economy could contract by about 14%, an exposure twice the size of that of the U.S. or China.

U.S. Measures

While the Beijing summit reaffirmed the truce, the U.S. has continued walling off critical industries from the new commercial framework. Critical sectors fall outside the new Board of Trade and Board of Investment as the Administration shores up strategic supply chains. In biotech, firms await the re-release of OMB's Section 160H list, which would restrict federal contracts to companies tied to a Biotech Company of Concern list, with a five-year grace period. U.S. investors have reportedly received outreach from the House China Select Committee regarding Chinese-biotech ties. In semiconductors, Commerce has reportedly sent new "is-informed" letters restricting toolmakers from shipping equipment to Hua Hong, China's second-largest chipmaker. And today, the Pentagon announced additions to its list of known Chinese military companies (1260H list) to include Alibaba Group Holding Limited, Baidu, Inc., BOE Technology Group Co., Ltd., BYD Company Limited, CALB Group Co., Ltd. EVE Energy Co., Ltd. Hangzhou Yushu Technology Co., Ltd. (Unitree), JA Solar Technology Co., Ltd. NIO, Inc., Novogene Company Limited, RoboSense Technology Co., Ltd. Tianma Microelectronics Co., Ltd., TP-Link Technologies Co., Ltd., Trina Solar Co., Ltd., WuXi AppTec Co., Ltd., Zhongji Innolight Co., Ltd.

The Select Committee on China immediately called for any companies on the 1260H list that are publicly traded on U.S. exchanges to be delisted and their products removed from U.S supply chains. Export controls will remain the central friction heading into the next Trump-Xi summit, with Congress most likely to assert leverage through the FY27 National Defense Authorization Act (NDAA).

Meanwhile, a new State Department report sent to Congress on May 26, accuses China (as well as Iran and Russia) of fanning antisemitic narratives in both physical and cyber domains, according to Axios reporting. According to the report: "The deliberate targeting of Jewish institutions, memorial sites and religious symbols is intended to provoke fear and outrage, polarize societies and erode public trust." On China, the report specifically cites a post by China's consul general in Osaka, Japan, comparing Israel to Nazi Germany.

China Measures

China imposed its first-ever travel bans on New Zealand lawmakers after they visited Taiwan, escalating Beijing's campaign to isolate Taipei and deter foreign governments from engaging with it. This is a marginal-deterrence play aimed at raising the political cost of Taiwan contact but via a small economy in New Zealand. In other words, China chose the smallest fight to pick.

Finally, President Xi Jinping is currently visiting North Korea, the first trip by a Chinese leader to Pyongyang in seven years, as Beijing seeks to reassert influence over an ally drawing closer to Moscow. The visit fits the note's China-hedging narrative. Weeks after hosting Trump and managing the Russia relationship, Xi is shoring up the DPRK relationship against Russian encroachment, with the open question of whether he aims to position himself as a future mediator between Pyongyang and Washington should the President return his attention to Kim Jong Un.

Bottom line: The post-summit story is the hedging, not the deliverables: the EU adopts Washington's confrontational playbook on its China deficit, the U.S. walls off strategic technologies from the truce, and Xi travels to Pyongyang to shore up its alliances.

OUTLOOK / ANALYSIS

The war and the energy crisis have been formally decoupled. Trump stated plainly that the Strait of Hormuz blockade stays “in full force and effect” until a final deal, regardless of any interim ceasefire. With U.S. petroleum stocks at their lowest since 2004 and the duration of Chinese lowered demand unknown, Gulf state workarounds are gaining long-term traction. The global energy apparatus is now making investment and long-term capital decisions based on an assumption of a permanently compromised chokepoint. Even a signed MOU would not normalize flows before 2027 on ADNOC’s own timeline.

On the blockade itself, the most rigorous public case for the Administration’s posture comes from economist Robin Brooks, a fellow at the Brookings Institution, who argues the campaign is working and that abandoning it now would be the policy error. Iranian rial’s roughly 20% slide since mid-April is the clearest sign of financial panic taking hold. Iran’s growing erraticism is confirmation of the success of pressure rather than evidence of failure. But, Iran’s theocracy may tolerate economic devastation that a normal government would not.

In the Western Hemisphere, the Donroe Doctrine is running every front at once, defending aligned governments (Bolivia), pressuring adversaries (Cuba, Nicaragua), and weighing-in on political campaigns (Brazil, Colombia, Peru). A genuine rightward electoral drift is still to be determined. Chile elected the rightward Kast in December, while Ecuador, Bolivia, Costa Rica, and Argentina have moved right under conservative or centrist leaders (roughly nine Latin American governments now lean right). But the trend is contested, not complete. Colombia heads to a run-off, Peru’s election is on a knife’s edge, Honduras votes in November, and Brazil remains the biggest test. A “rightward” shift is trending, but not a full reality.

The through-line across every section is the Trump trade agenda. Now transitioning from an emergency authority to durable legal footing, it is finally being conceded with reluctant accommodation. The EU will ratify the Turnberry agreement while eating new Section 301s and potentially rolling back DSTs, Canada has newly adopted the Administration’s “Fortress North America” language it had resisted for the last year, and South Asia is rushing to finalize its own ARTs. This leaves three big pieces: a growing security fight with Mexico, political friction with Brazil, and the existential competition with China.

The Fed is now facing a potential stagflation squeeze with a strong labor market and supply-driven inflation event that undercuts real wages. As Warsh chairs his first FOMC, the bullish market and the struggling consumer will dominate debate inside the room. The week of June 15 will see the G7 meeting, EU Turnberry vote, and the FOMC all land inside 72 hours. Should a peace agreement be reached in the interim, any one of those events may face a recalculation.

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