AGGIE GEOPOLITICS CLUB · WORLD BRIEF

Chokepoints, Debt & Modern Mercantilism

The U.S. Treasury, the Federal Open Market Committee (FOMC), the Houthis & Bab el-Mandeb, & U.S. policy in Colombia, Ecuador and Venezuela

Weekly engagement meeting · Information as of Thursday, September 17, 2026

By: Juan Castillo

Domestic → Transnational → International

BEFORE WE START

Disclaimer

The views and opinions expressed in this presentation are my own and do not reflect those of my employer, nor the university I attend.

ROADMAP

Today's path: from the domestic, transnational, and international levels

01

DOMESTIC

The U.S. Treasury & $40T debt

The 10-year yield hits 5%, highest since 2007. What it means for borrowing costs and fiscal space.

02

DOMESTIC

The Federal Reserve & FOMC

Inflation, unemployment and the Sept 16 quarter-point rate hike.

03

TRANSNATIONAL → INTERNATIONAL

Houthis, Bab el-Mandeb & Saudi oil

Iran's war, a seized island, a damaged pipeline, and the double-chokepoint problem.

04

INTERNATIONAL

Colombia, Ecuador & Venezuela

Strikes on "narco-terrorists," security deals, and a U.S. stake in an oil venture.

Main Concept: Modern Mercantilism. States are competing for routes, resources and capital, and each shock travels across levels of analysis.

Sources: Presentation structure, levels of analysis per World Politics (Frieden, Lake & Schultz).

FRAMEWORK 1

Levels of analysis

1 Domestic

Actors & institutions inside a state: Congress, Treasury, the Fed, courts, elections, interest groups.

THIS WEEK

- $40T debt and the 10-year at 5%
- FOMC raises rates on Sept 16
- Colombia's and Ecuador's domestic politics

2 Transnational

Non-state actors & networks that cross borders: armed groups, cartels, shippers, insurers, bond investors.

THIS WEEK

- Houthis (Ansar Allah) & Iraqi militias
- Tren de Aragua, Revolutionary Armed Forces of Colombia (FARC) dissidents, Los Tiguerones
- Tankers, war-risk insurers, global bond market

3 International

States interacting with one another and with the system: war, alliances, bargaining, spheres of influence.

THIS WEEK

- U.S.-Iran war & Saudi-Houthi escalation
- Strait of Hormuz and Bab el-Mandeb
- U.S. deals with Colombia, Ecuador, Venezuela

Shocks travel across levels: drones from a militia (transnational) → oil above $100 (international) → inflation, rate expectations & Treasury yields (domestic).

Sources: Frieden, Lake & Schultz, World Politics, Interests, Interactions, Institutions (course slides, Wk 1 and 2).

THE BIG IDEA

Modern Mercantilism

Bridgewater Associates' term for the post-globalization era

states take an active role orchestrating their economies to build national wealth and strength.

1. The state orchestrates the economy to increase national wealth & power
2. Trade balances signal strength, deficits are to be avoided
3. Industrial policy promotes self-reliance and defense
4. National corporate champions are protected

HOW IT SHOWS UP IN TODAY'S FOUR STORIES

01 and 02 Treasury & Fed

Mercantilism is expensive: war, tariffs and industrial policy add to deficits and inflation, and the bill arrives as higher yields.

03 Bab el-Mandeb

Chokepoints as weapons: Iran now has potential leverage over both main Gulf oil corridors (Hormuz and Bab el-Mandeb).

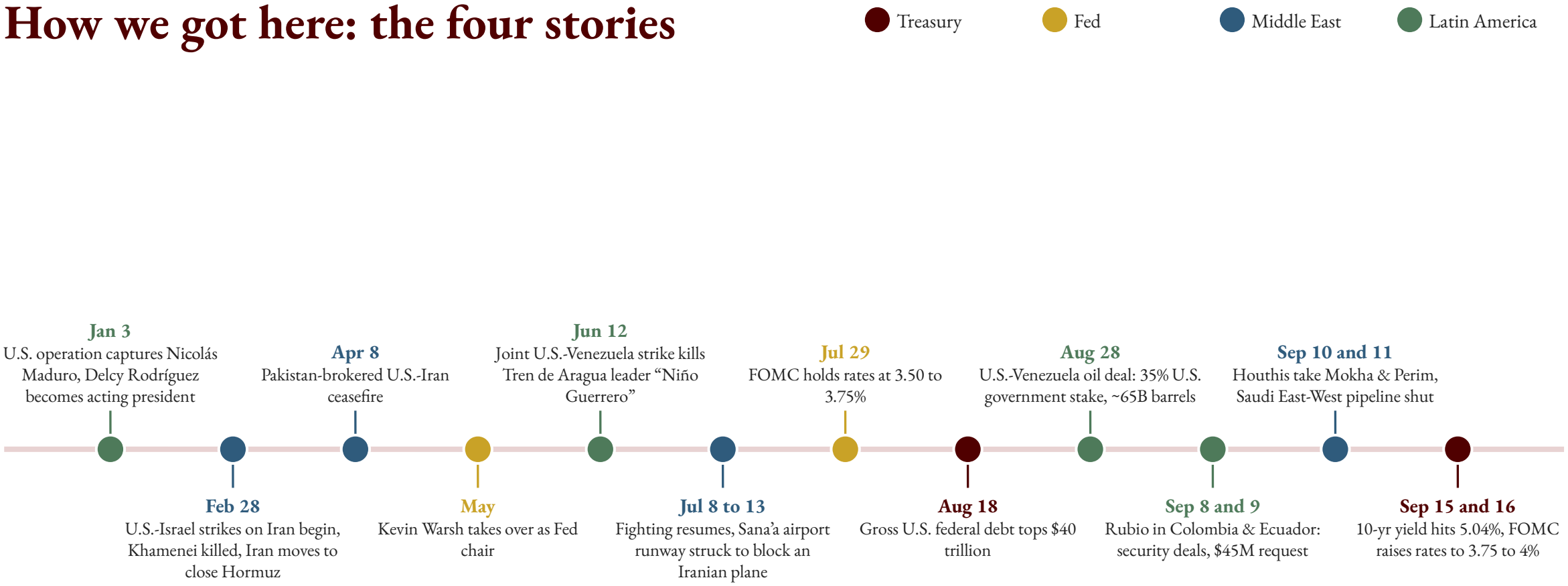
04 Latin America

Resource grab close to home: U.S. government stake in a venture over ~65B barrels of Venezuelan oil. Minerals memorandum of understanding (MOU) with Colombia.

Bridgewater's co-chief investment officer (CIO) Greg Jensen describes it as a "resource grab" and stresses the weaponization of strategic chokepoints.

Sources: Bridgewater Associates, "We Are All Mercantilists Now" (Dec 2024), Bridgewater Q1 2026 CIO call, Bridgewater × Global Citizen (2025 to 26).

How we got here: the four stories



Sources: CBS News (Jun 12), Reuters (Aug 29), AP & NBC (Sept 11), CNBC (Sept 15), CRS, House of Commons Library, Federal Reserve (Jul 29 & Sept 16 statements), U.S. Treasury Daily Treasury Statement (Aug 18).

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01

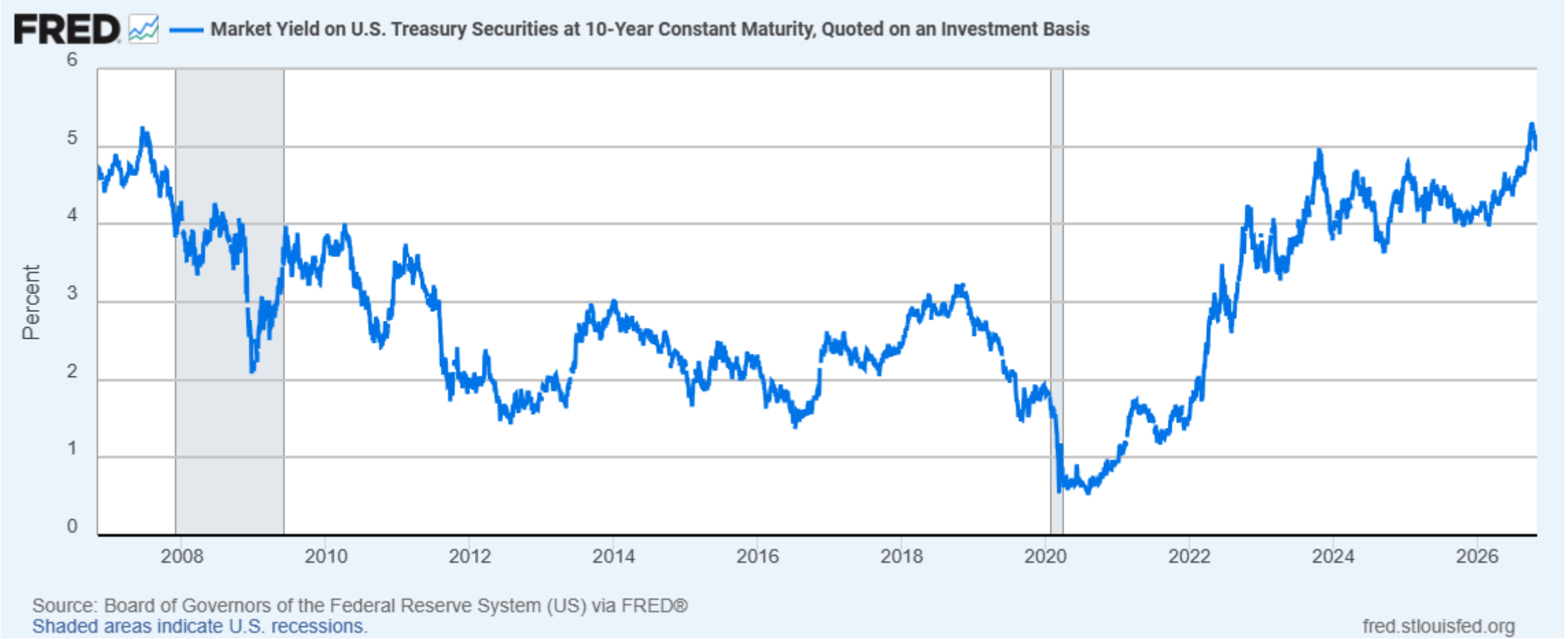
DOMESTIC LEVEL

The U.S. Treasury & the $40 Trillion Debt

Gross debt tops $40T while the 10-year Treasury yield breaks 5%, a level not seen since 2007.

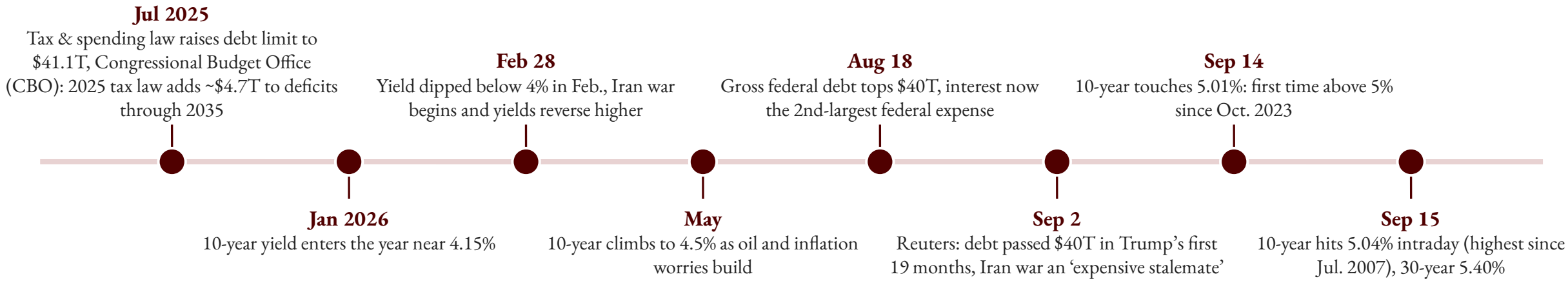
Domestic → **Transnational** → **International**

The 10-year Treasury yield is back above 5%



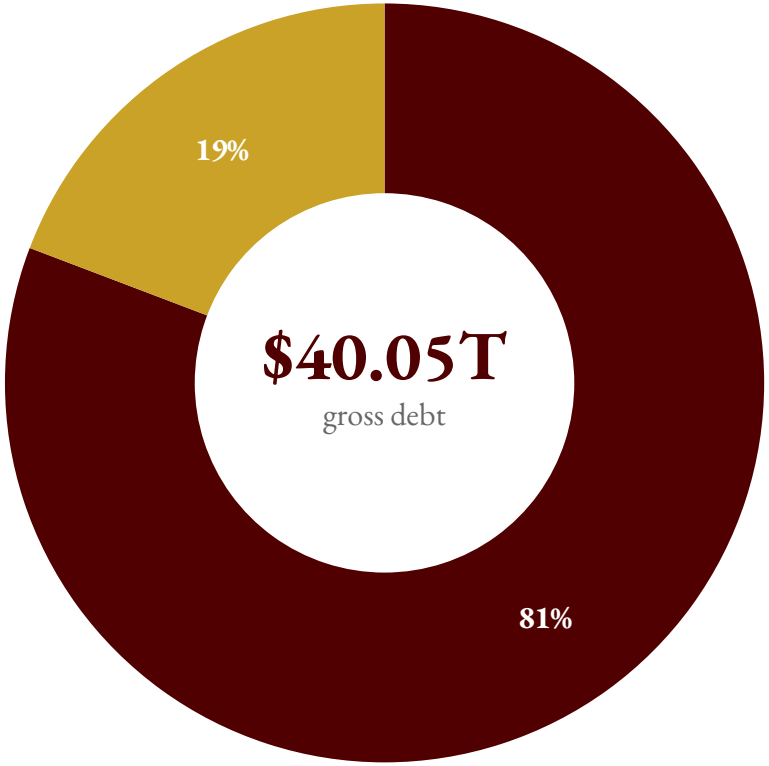
Sources: FRED (Federal Reserve Bank of St. Louis), Board of Governors of the Federal Reserve System (10-year Treasury constant maturity yield, DGS10).

The road to a 5% ten-year



Sources: CNN (Sept 14), CNBC & Bloomberg (Sept 15), Trading Economics (Sept 15), NPR (Aug 19), Reuters (Sept 2), CBO Budget & Economic Outlook (Feb 2026).

$40 trillion: what the number actually means



Total public debt outstanding, Sept. 14, 2026

$32.36T

Held by the public: trades in markets, the number that moves yields

$7.70T

Intragovernmental: owed to federal trust funds such as Social Security

$1.9T

CBO-projected fiscal year (FY) 2026 deficit, about 5.8% of gross domestic product (GDP)

~$1.0T

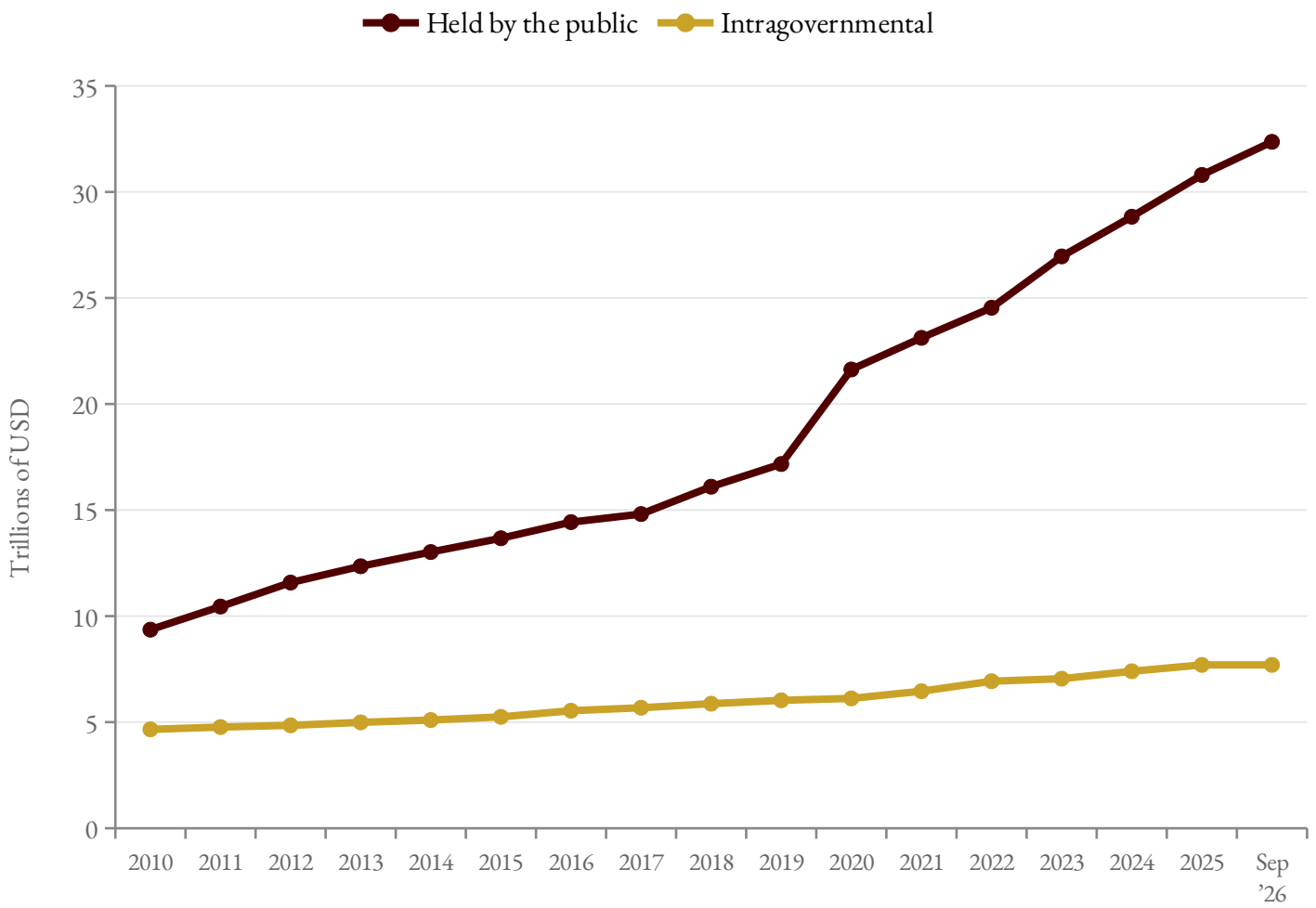
Net interest in 2026: now second only to Social Security

Two words people mix up

- **Deficit (a flow):** how much more the government spends than it collects in one year.
- **Debt (a stock):** the total of all past borrowing still outstanding. Each year's deficit adds to it.

Sources: U.S. Treasury Fiscal Data (Sept 14, 2026), CBO Budget & Economic Outlook 2026 to 2036 (Feb 2026), Axios, NPR (Aug 19).

Debt held by the public has more than tripled since 2010



HOW DEBT IS CREATED

Congress & the president enact tax and spending laws

↓

Agencies carry out those obligations

↓

Spending exceeds revenue: a financing gap

↓

Treasury auctions bills, notes & bonds

↓

Investors buy, and demand a yield

↓

Interest is paid, maturing debt is rolled over at new rates

Sources: U.S. Treasury Fiscal Data (Debt to the Penny), calendar year-end values, approximate, Sept. 14 for 2026. GAO.

The 10-year at 5%: what is pushing yields up?

5.04%

10-year yield, Sept. 15 intraday high: highest since July 2007

5.40%

30-year yield high: highest since June 2007

4.69%

2-year yield high: highest since July 2024

Drivers named in coverage

- **Energy shock:** oil back above $100 as the Iran war widens and Saudi Arabia's pipeline stays shut.
- **Rate expectations:** markets priced ~92% odds of the quarter-point hike the Fed delivered Sept 16 (Chicago Mercantile Exchange (CME) FedWatch, Sept 15).
- **Supply of bonds:** heavy Treasury issuance plus a surge of artificial intelligence (AI) company corporate debt.
- **Fiscal worries:** $40T debt and deficits near 6% of GDP outside a recession.

Why 5% matters to people

- **Benchmark:** the 10-year anchors mortgages, auto loans and corporate borrowing.
- **Housing:** 30-year mortgage rates were near 6.7% in August (Freddie Mac).
- **Refinancing:** maturing debt rolls into today's higher yields, so the interest bill keeps climbing.
- **Global:** Treasuries price the world's safe asset. Higher U.S. yields tighten conditions abroad.

Sources: CNBC & Bloomberg (Sept 15), Trading Economics, CNN (Sept 14), NPR/Freddie Mac (Aug 19), GAO, Reuters.

Implications: the interest bill

$1.0T → **$2.1T**

Net interest, 2026 (3.3% of GDP) → Net interest, 2036 (4.6% of GDP), CBO projection

101% → **120%**

Debt held by public / GDP, 2026 → by 2036 (CBO)

Fiscal space

Less room to pay for the Iran war, a recession response, or industrial policy without more borrowing.

Political trade-offs

Experts warn of a crunch forcing tax hikes or safety-net cuts. The debt limit ($41.1T) could bind next year.

The loop

Higher yields → higher interest → bigger deficits → more issuance → pressure on yields.

Not a default clock

The U.S. borrows in dollars with deep markets. The risk is cost and constraint, not overnight crisis.

Sources: CBO 2026 to 2036 outlook, NPR (Aug 19), Reuters (Sept 2), Moody's via Financial World, club research brief.

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02

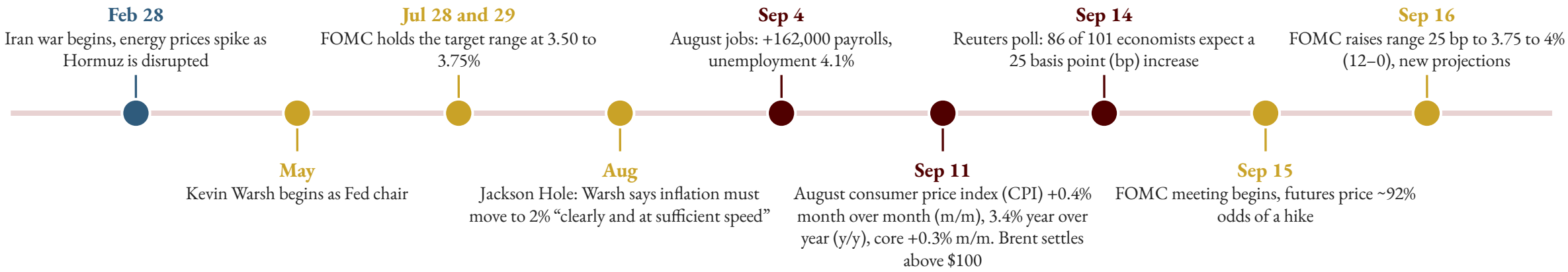
DOMESTIC LEVEL

The Federal Reserve & the FOMC

On Wednesday, Sept. 16, the FOMC voted 12–0 to raise the target range a quarter point to 3.75 to 4%, its first hike since July 2023.



Starting at an energy shock, to then the September rate hike



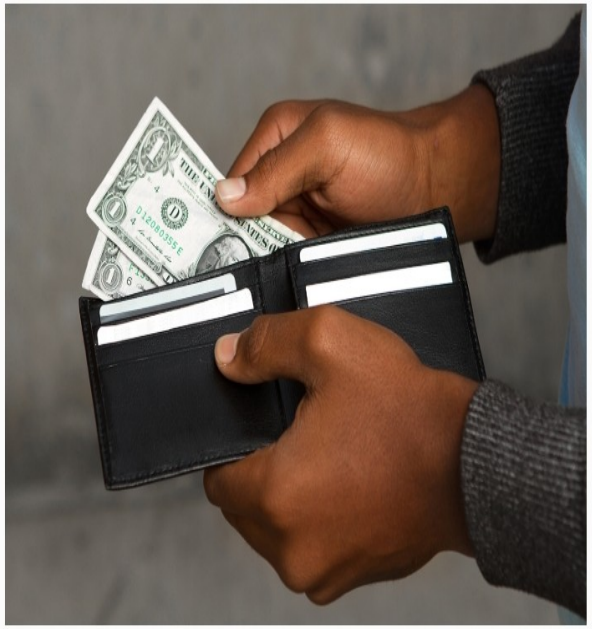
Sources: Federal Reserve (calendar, July and Sept 16 statements), BLS, Reuters (Sept 14), CNBC (Sept 4 & 11), FDD, House of Commons Library.

Core PCE inflation has held at 3.3% or higher since April

Personal Consumption Expenditures Price Index, Excluding Food and Energy

Change From Month One Year Ago	
July 2026	+3.3%
June 2026	+3.3%
May 2026	+3.5%
April 2026	+3.3%

The PCE Price Index Excluding Food and Energy, also known as the core PCE price index, is released as part of the monthly Personal Income and Outlays report. The core index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices. The core PCE price index is closely watched by the Federal Reserve as it conducts monetary policy.



3.75 to 4.00%
Fed funds target range (since Sept 16)

3.4%
CPI inflation, Aug. (y/y)

2.4%
Core CPI, Aug. (y/y)

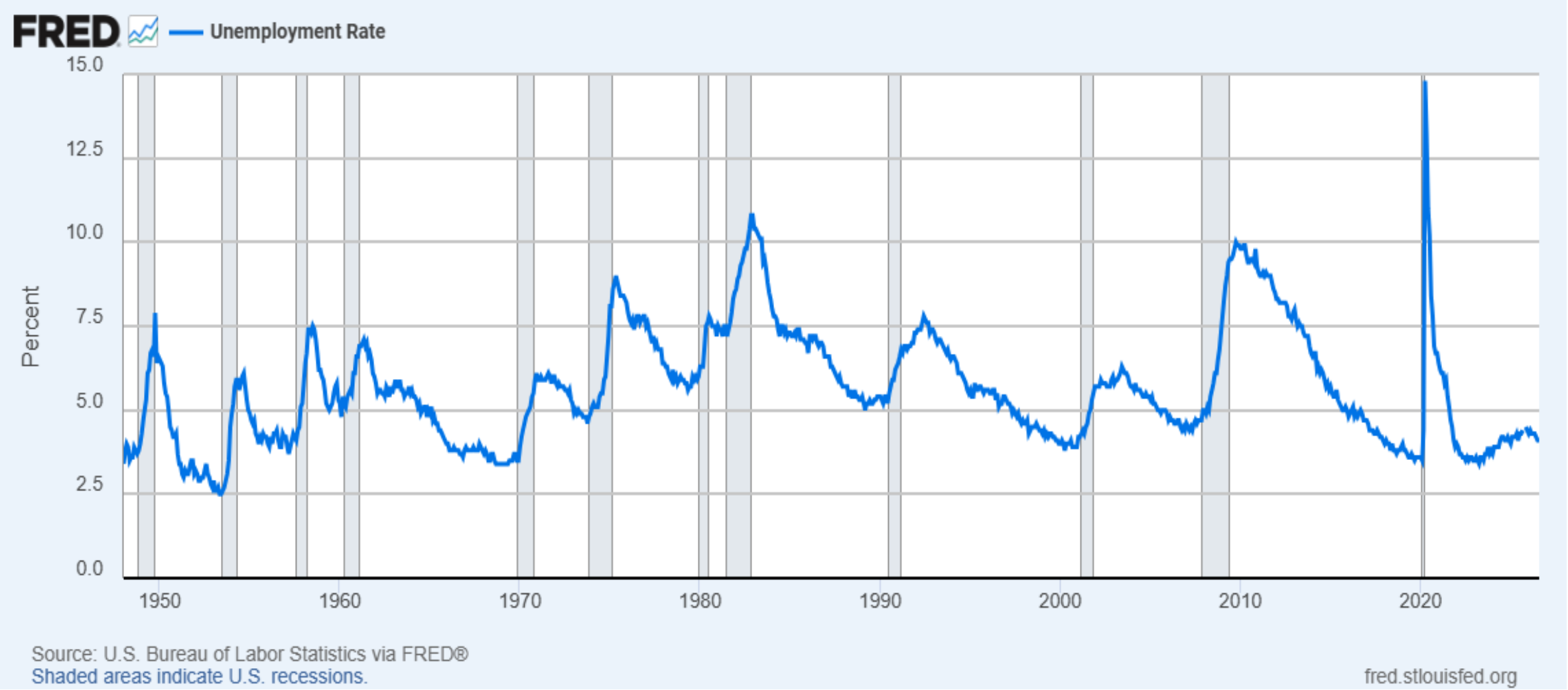
3.7%
Personal consumption expenditures (PCE) inflation, July (y/y): the Fed's preferred gauge

3.3%
Core PCE, July (y/y)

4.1%
Unemployment rate, Aug.

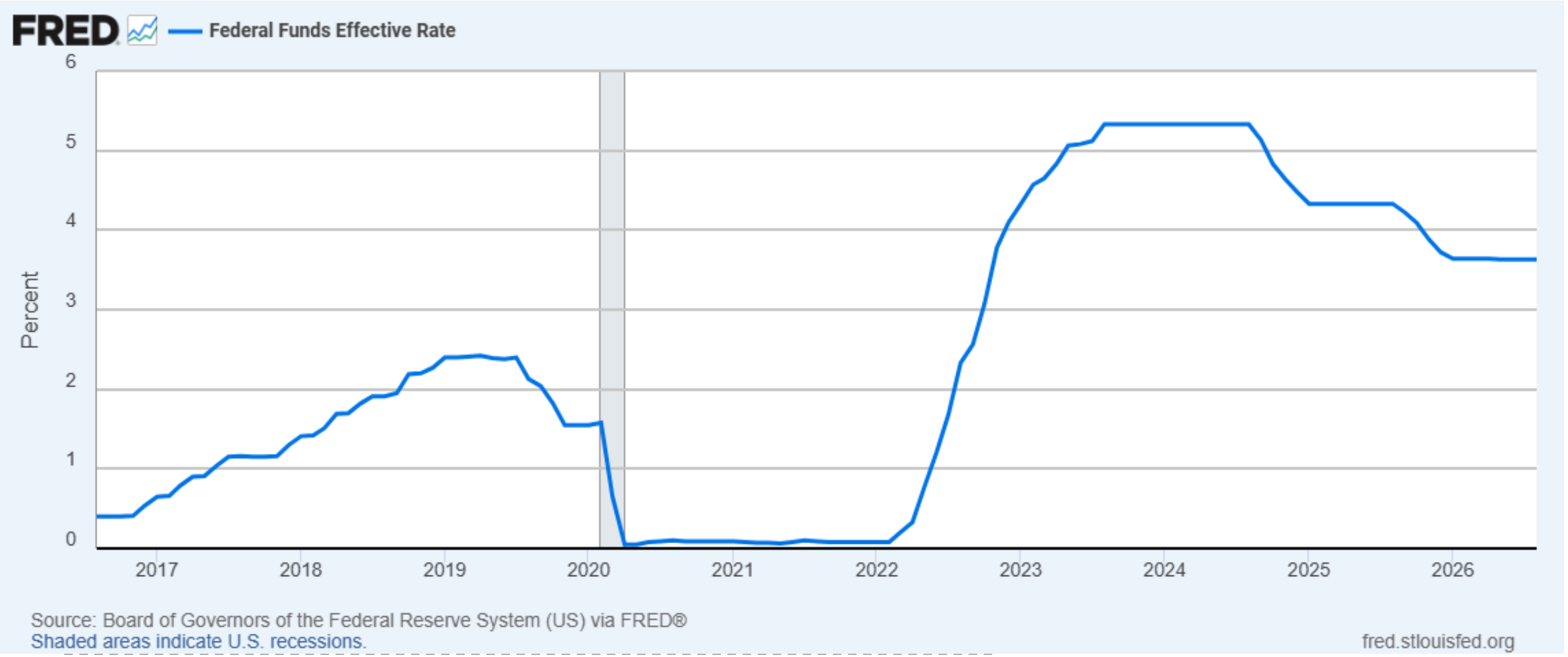
Sources: BEA (core PCE, Personal Income and Outlays), BLS (CPI, unemployment), Federal Reserve (target range), image via WSJ.

Unemployment is low by historical standards at 4.1%



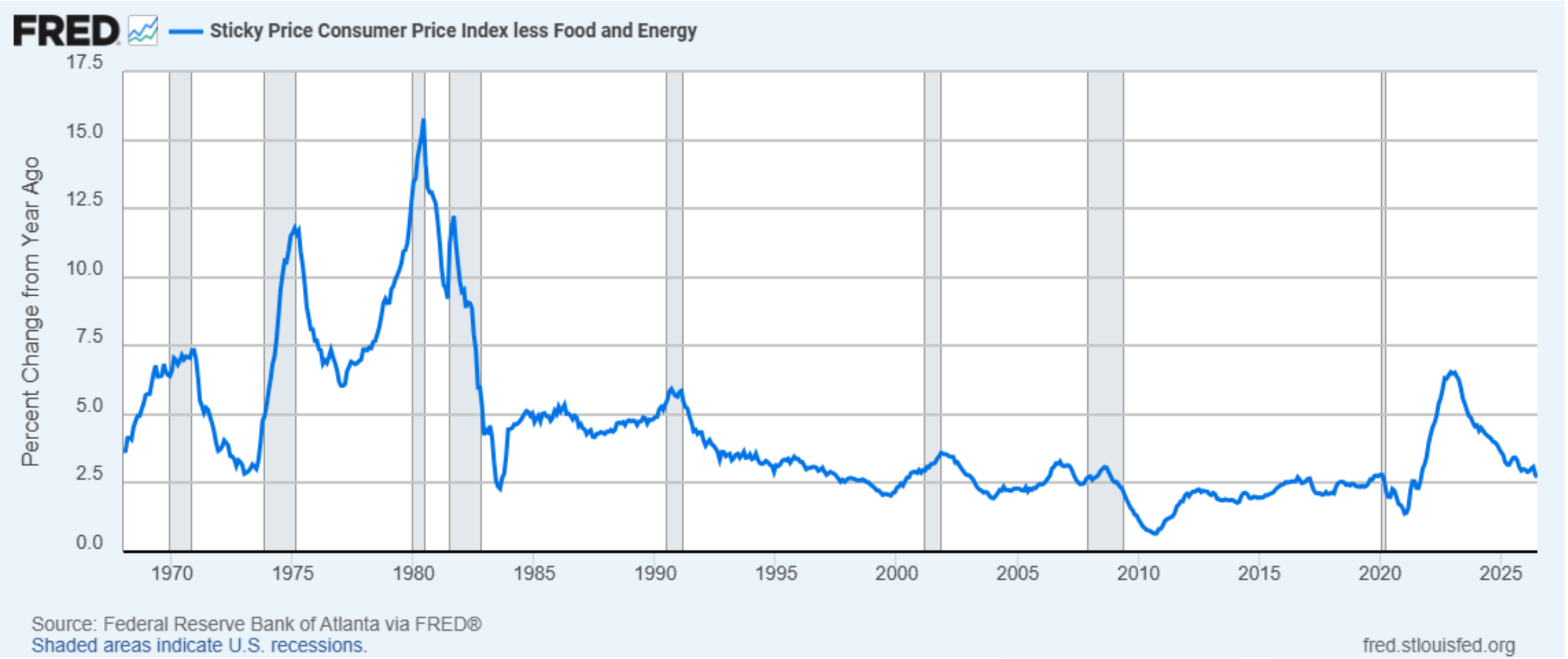
Sources: FRED (Federal Reserve Bank of St. Louis), U.S. Bureau of Labor Statistics (unemployment rate), chart via FRED.

The fed funds rate held steady from January to September



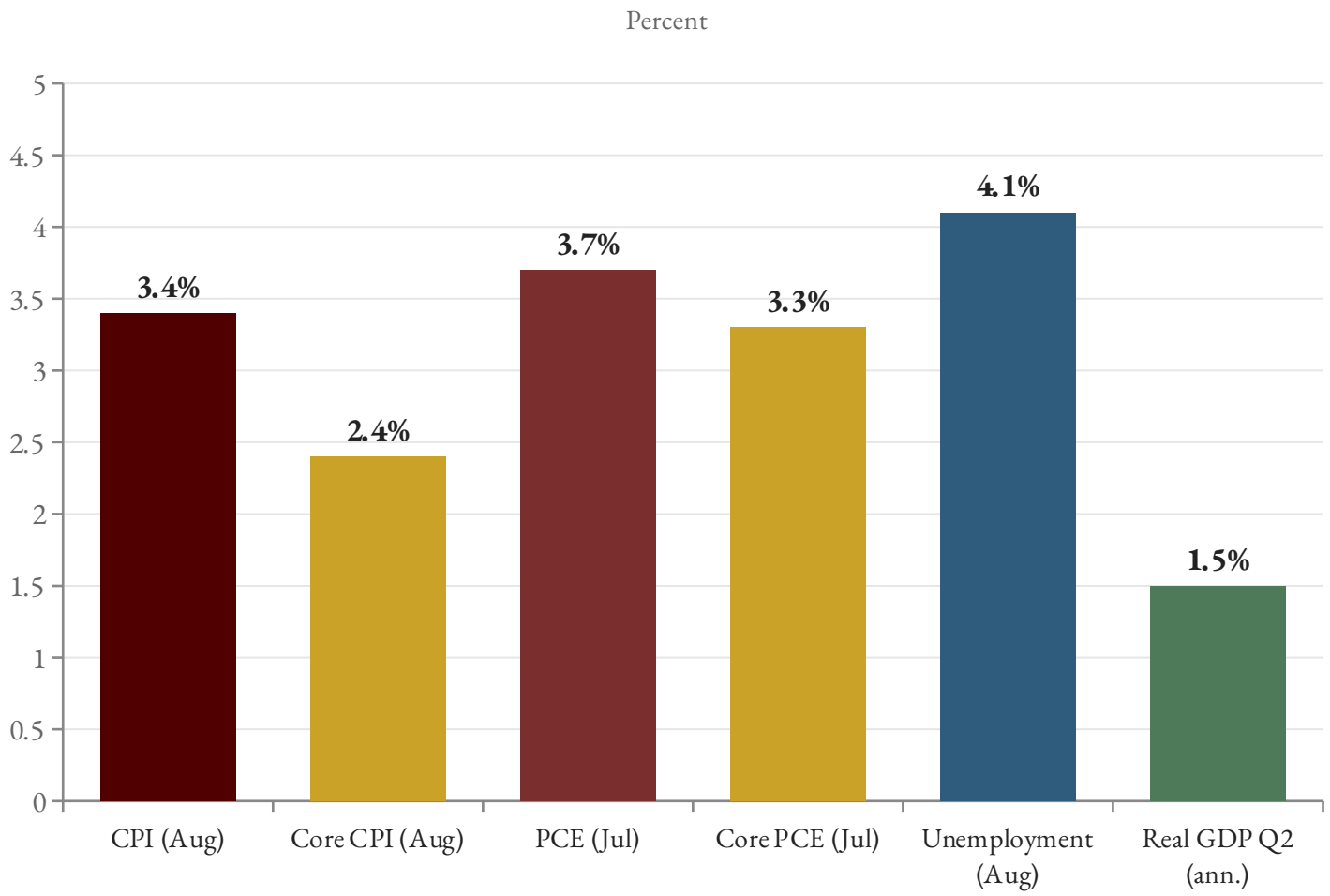
Sources: FRED (Federal Reserve Bank of St. Louis), Board of Governors of the Federal Reserve System (effective federal funds rate), chart via FRED.

Sticky-price inflation has cooled from its 2022 peak



Sources: FRED (Federal Reserve Bank of St. Louis), Federal Reserve Bank of Atlanta (sticky price CPI less food and energy), chart via FRED.

Mixed signals: steady jobs, sticky inflation



The mandate

Maximum employment and stable prices, defined as 2% inflation (PCE) over the longer run.

Labor side

Payrolls +162K and unemployment 4.1% in August: no sharp deterioration in the data.

Price side

PCE 3.7% and core PCE 3.3% remain above 2%. CPI and PCE differ in basket and weights.

Sources: BLS (CPI, Employment Situation), BEA (PCE, GDP), Federal Reserve (longer-run goals statement).

The FOMC raised rates a quarter point to 3.75 to 4%

FEDERAL RESERVE press release

For release at 2:00 p.m. EDT — September 16, 2026

The Federal Open Market Committee approved the following statement for release by a 12 – 0 vote:

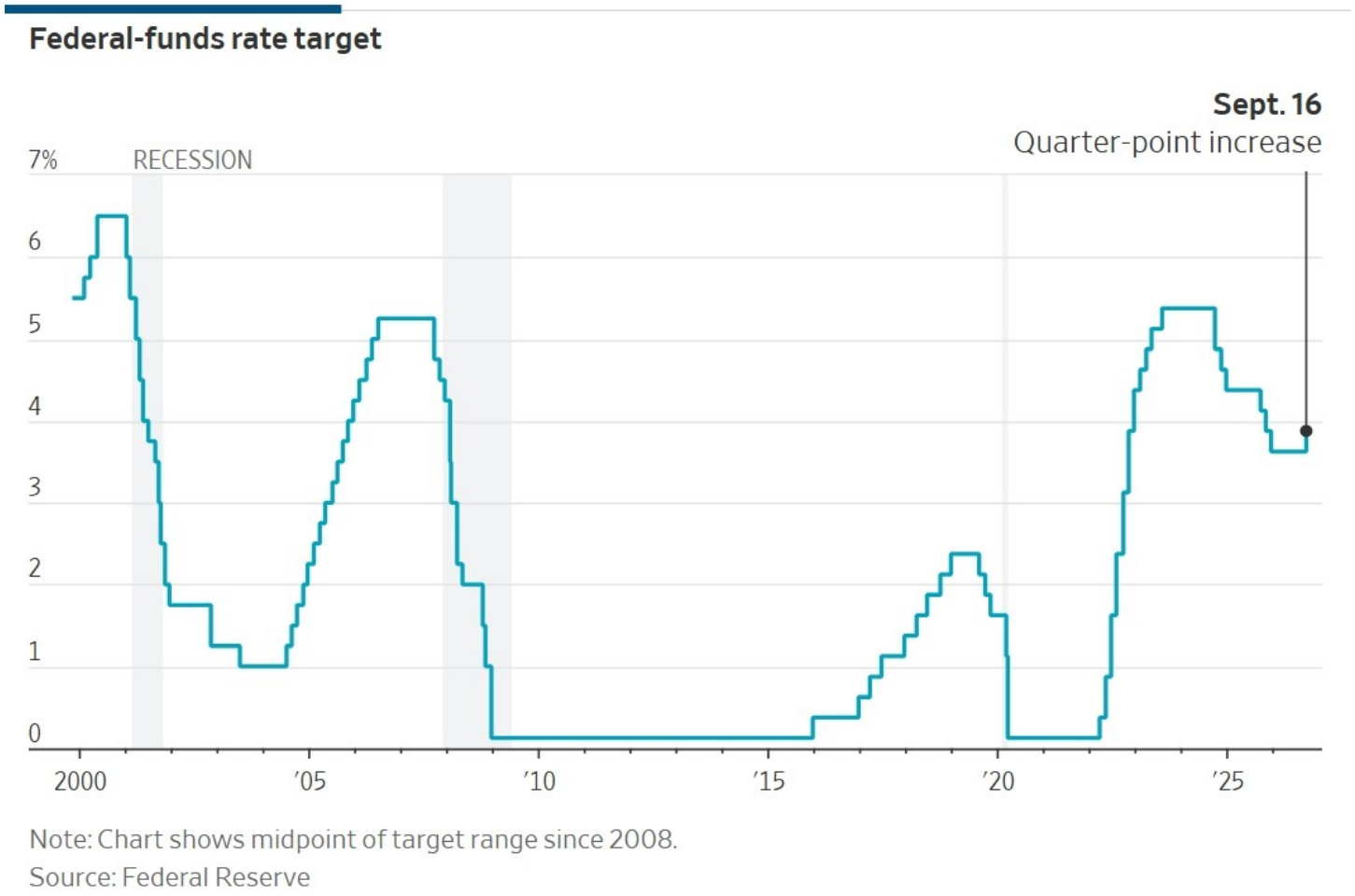
The Committee decided to raise the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent, in support of the Federal Reserve's dual mandate. The Committee is continuing its policy of maintaining ample reserves in the banking system.

Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.

Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal. The Committee will deliver price stability.

Source: Federal Reserve, FOMC statement press release (Sept 16, 2026), via WSJ.

The first rate increase since July 2023



Source: Federal Reserve (federal funds rate target, midpoint of target range since 2008), chart via WSJ.

Stocks swung after the decision, and the Dow lagged



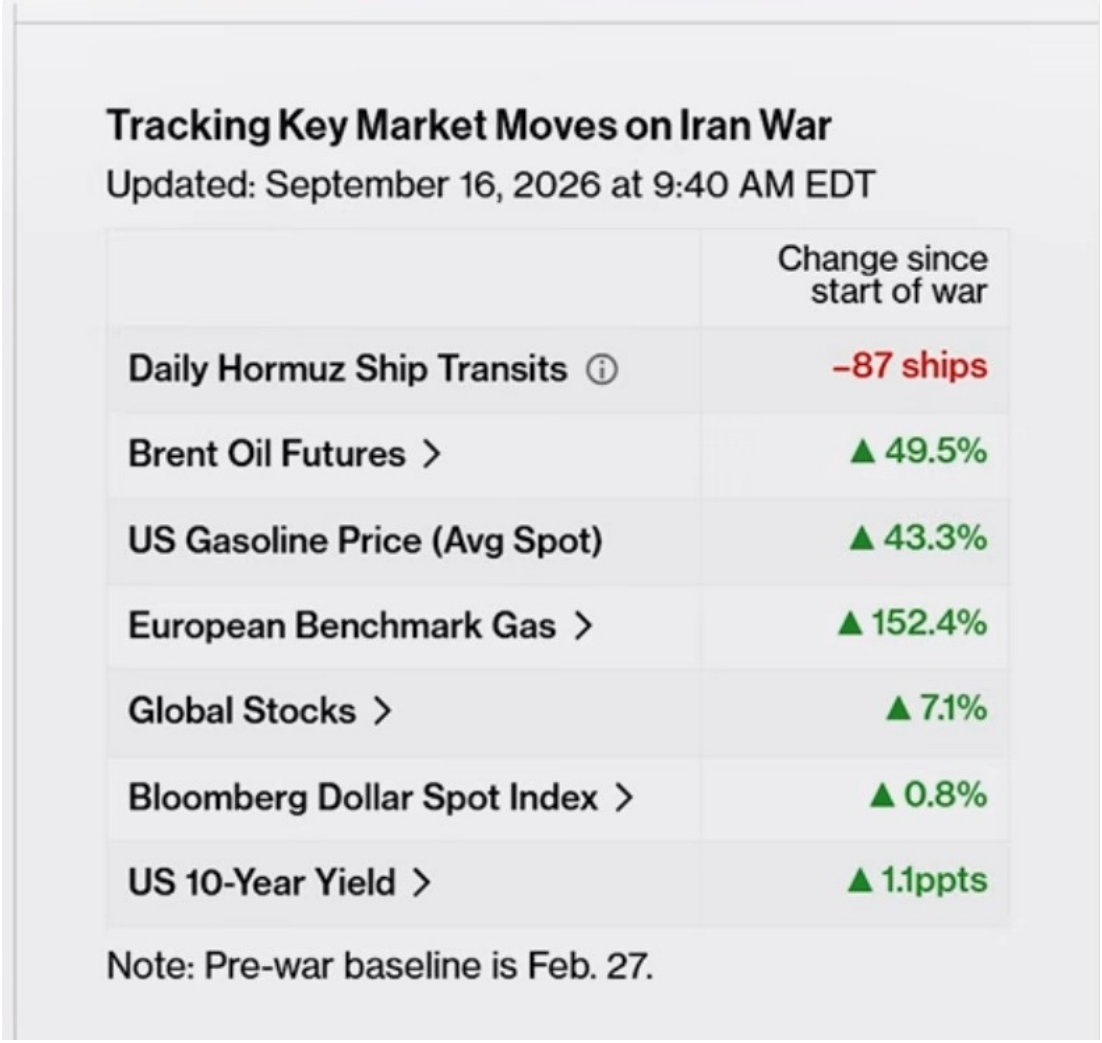
Source: FactSet (stock index performance, Sept 14 to 17, 2026).

Mortgage rates have climbed back toward 7%



Source: Freddie Mac (average 30-year fixed mortgage rate), chart via WSJ.

Since the Iran war began, Brent is up 50% and the 10-year 1.1 points



Tracking Key Market Moves on Iran War

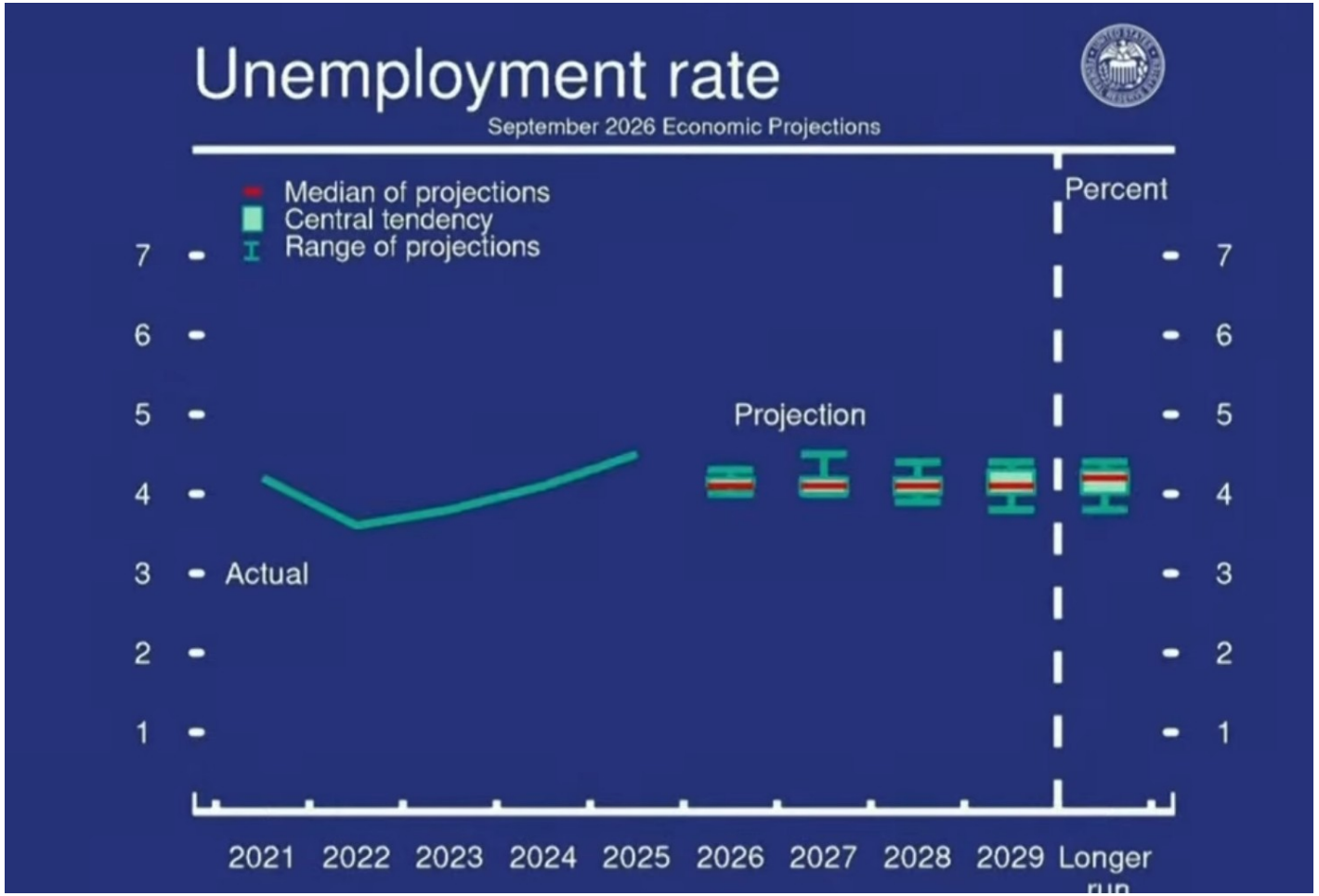
Updated: September 16, 2026 at 9:40 AM EDT

	Change since start of war
Daily Hormuz Ship Transits ⓘ	−87 ships
Brent Oil Futures >	▲ 49.5%
US Gasoline Price (Avg Spot)	▲ 43.3%
European Benchmark Gas >	▲ 152.4%
Global Stocks >	▲ 7.1%
Bloomberg Dollar Spot Index >	▲ 0.8%
US 10-Year Yield >	▲ 1.1ppts

Note: Pre-war baseline is Feb. 27.

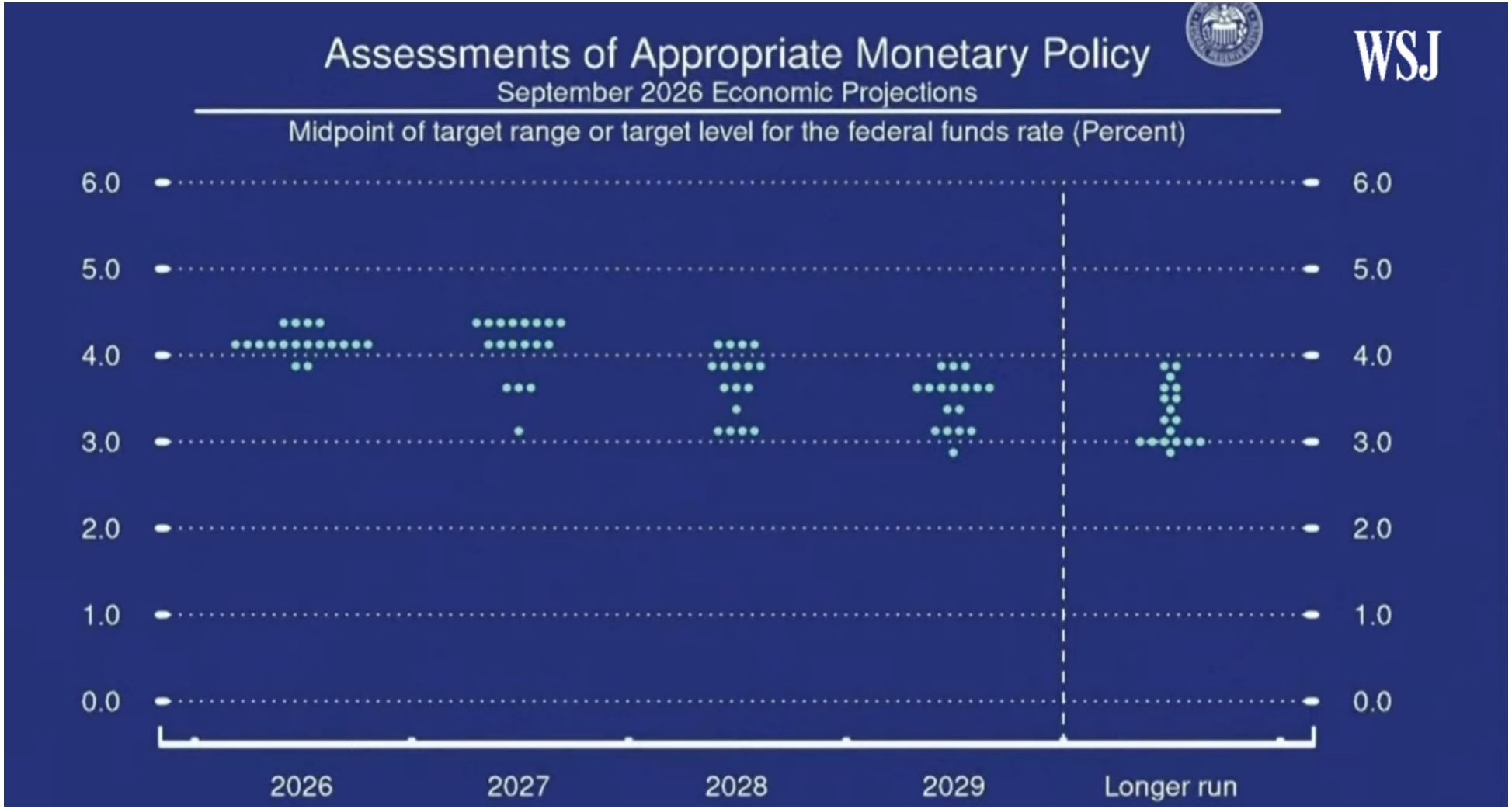
Source: Bloomberg, Tracking Key Market Moves on Iran War (Sept 16, 2026).

Officials project unemployment near 4% through 2029



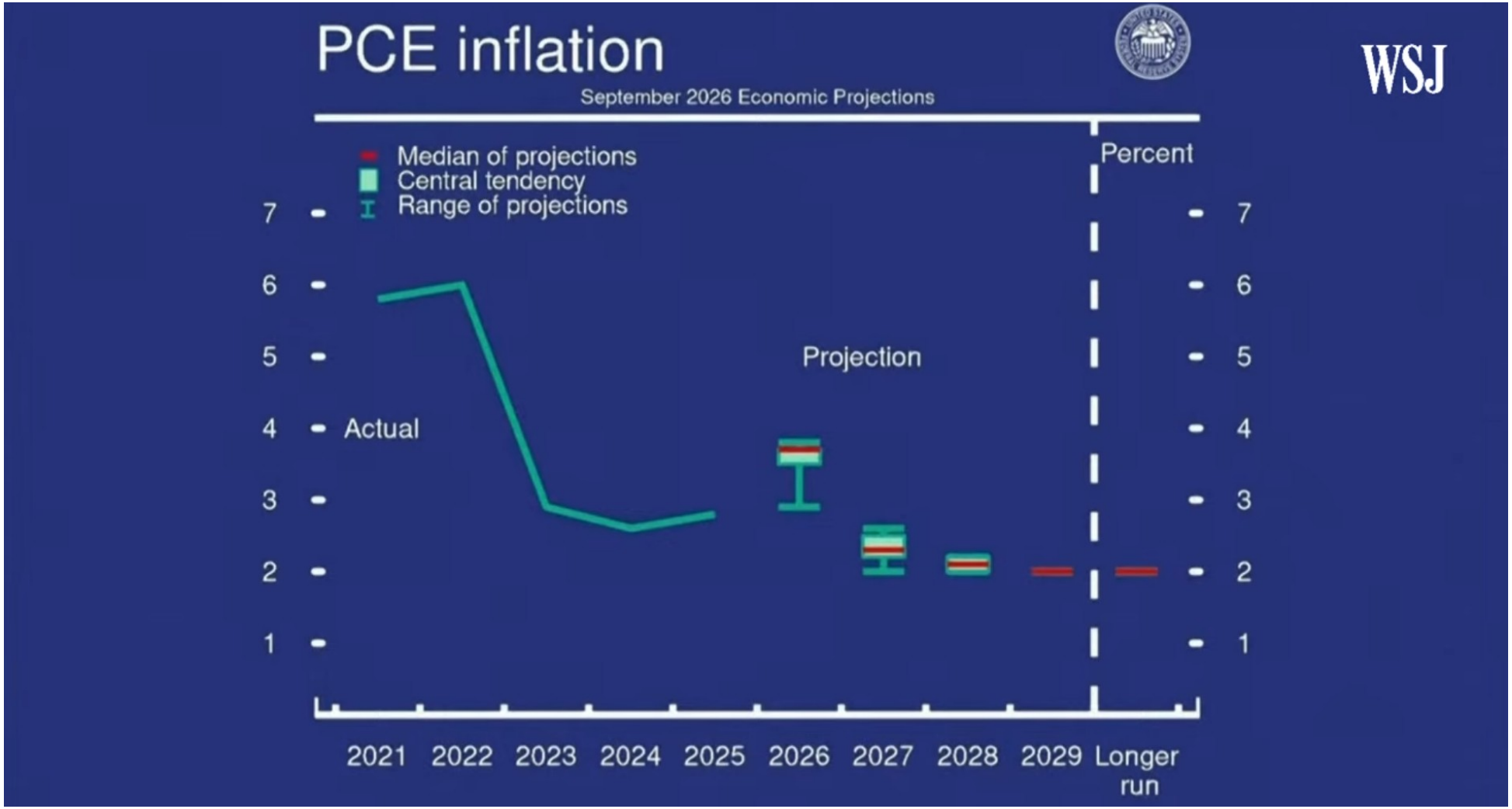
Source: Federal Reserve, Summary of Economic Projections (Sept 2026).

16 of 18 officials see at least one more hike in 2026



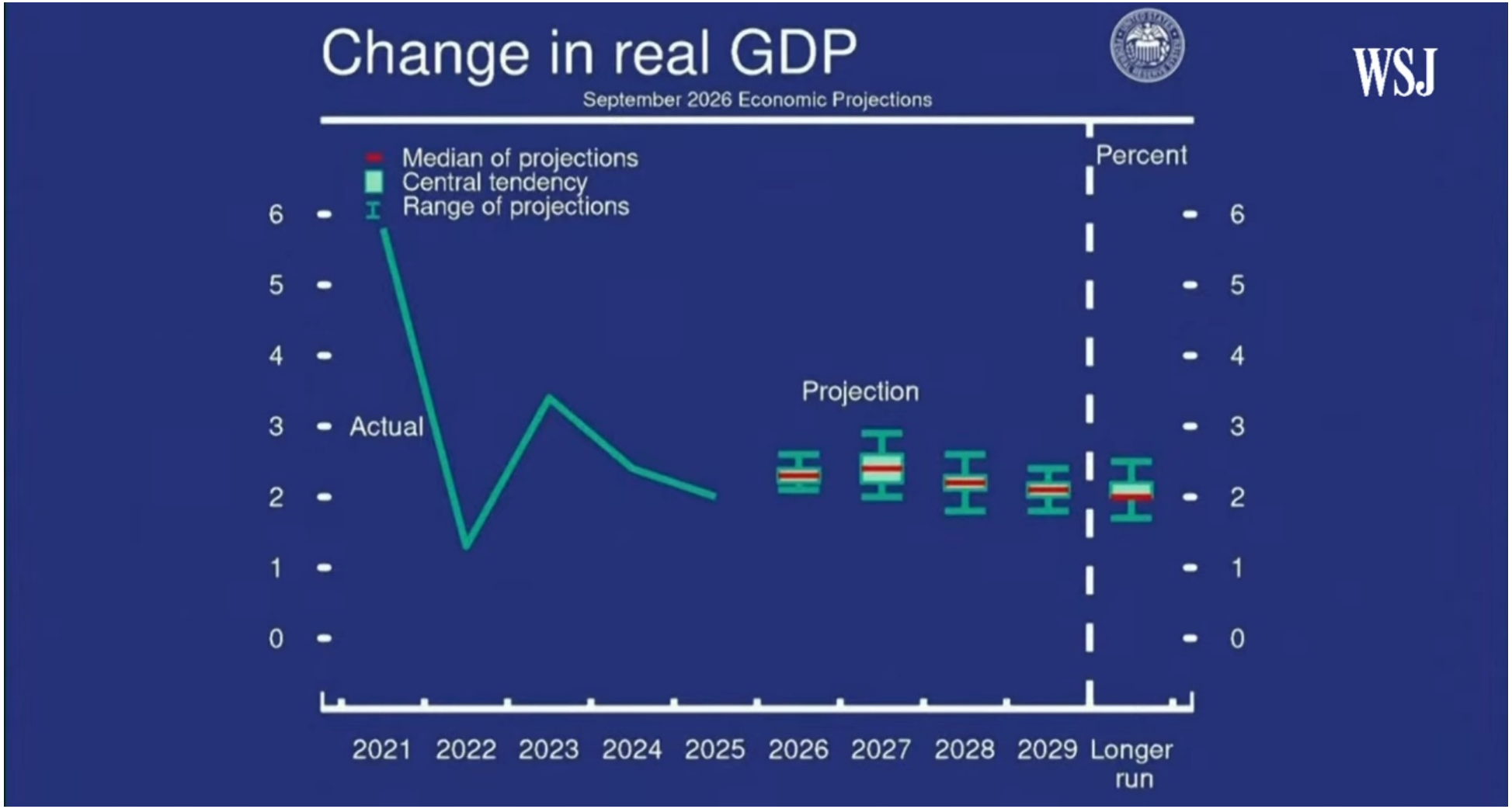
Source: Federal Reserve, Summary of Economic Projections (Sept 2026), chart via WSJ.

Officials expect PCE inflation to return to 2% by 2029



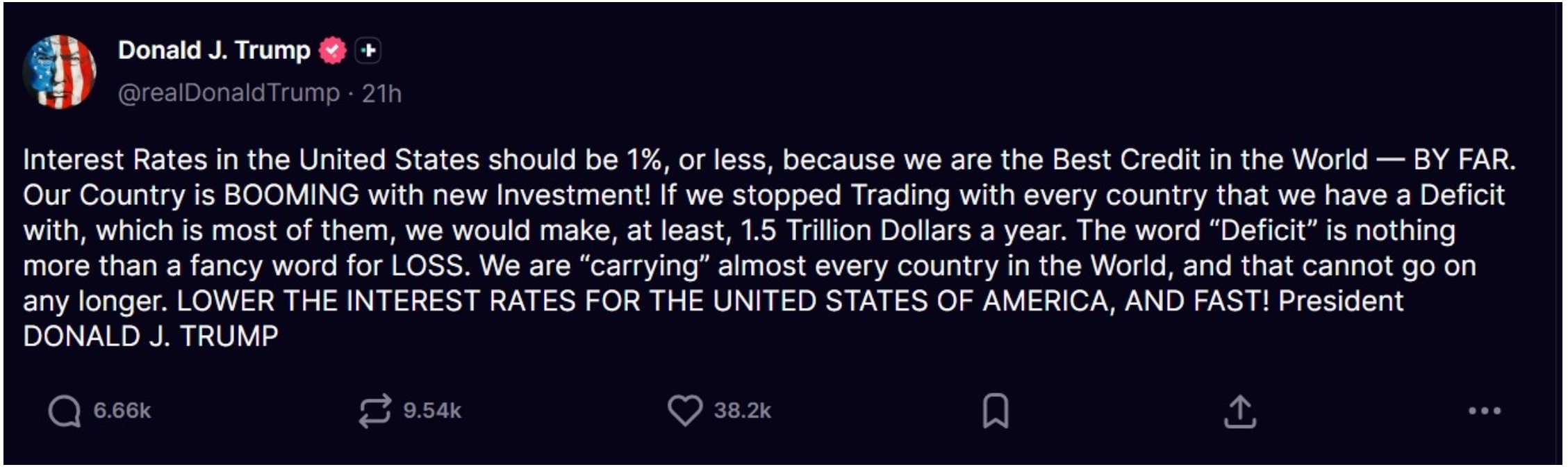
Source: Federal Reserve, Summary of Economic Projections (Sept 2026), chart via WSJ.

Officials project real GDP growth of about 2% a year



Source: Federal Reserve, Summary of Economic Projections (Sept 2026), chart via WSJ.

The President's opinion



Source: Donald J. Trump (@realDonaldTrump), Truth Social (Sept 16, 2026).

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03

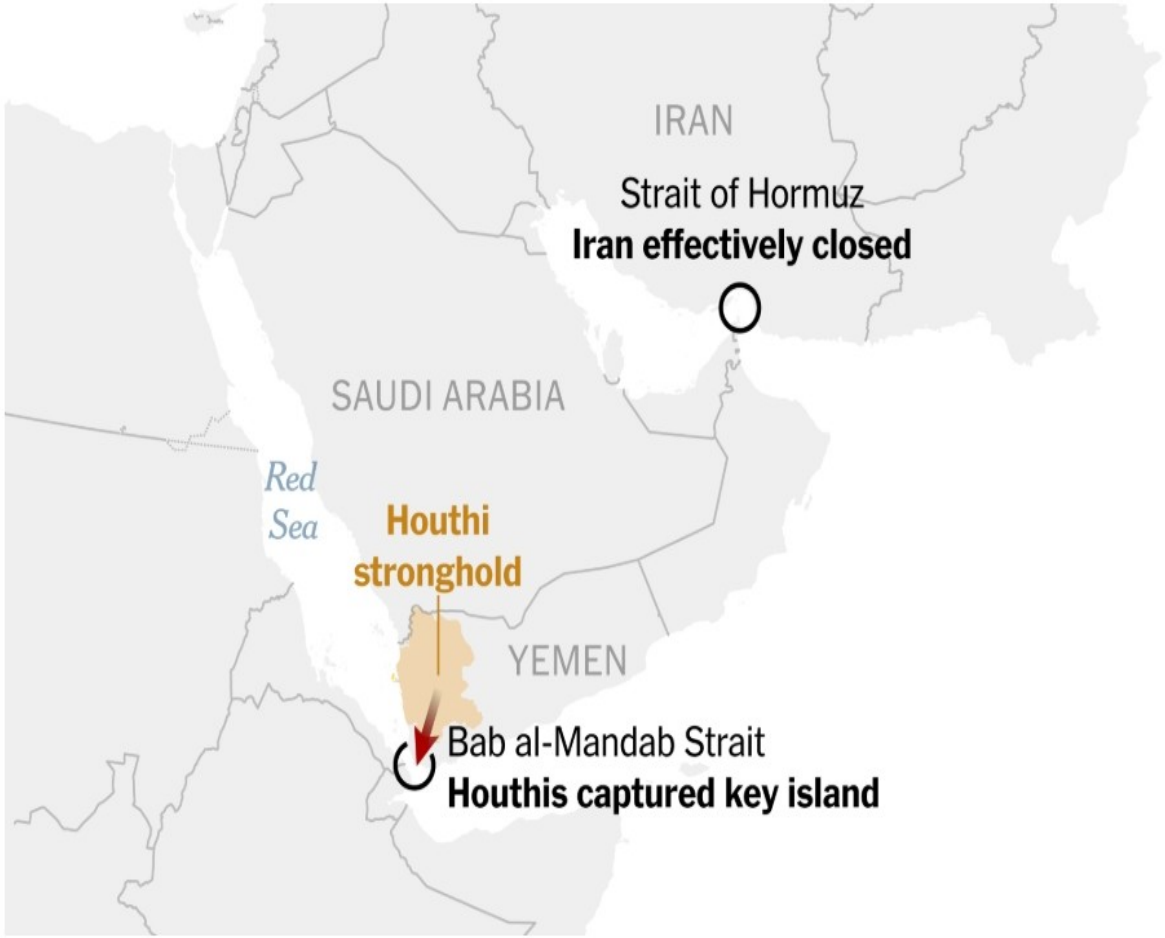
TRANSNATIONAL → INTERNATIONAL

The Houthis, Bab el-Mandeb & Saudi Arabia's Oil Lifeline

A non-state armed group now sits on a chokepoint in the middle of a war between states.



The ‘Gate of Tears’ and the Partisans of God



Bab el-Mandeb

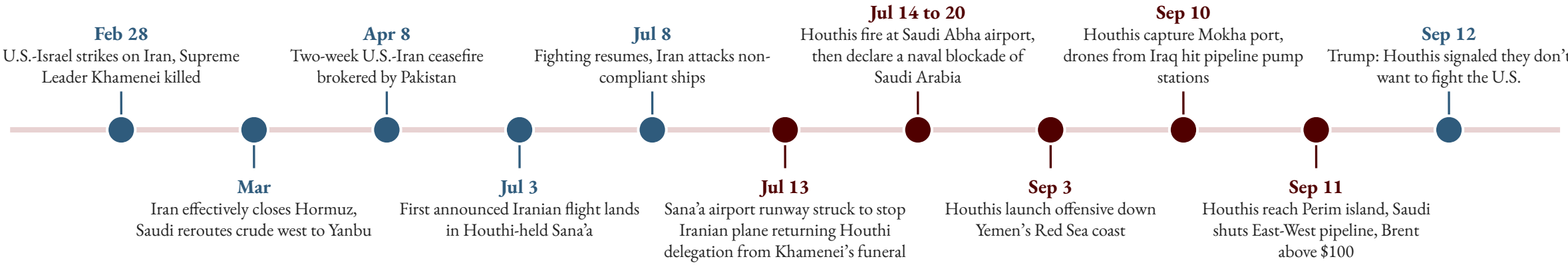
- Connects the Gulf of Aden & Indian Ocean to the Red Sea and Suez Canal
- About 32 km wide, Perim (Mayun) island splits the channel
- Closure would constrain ~7% of global petroleum supply and ~12% of global trade (Reuters)

The Houthis (Ansar Allah)

- Zaydi Shia movement from northern Yemen, seized Sana’a in 2014
- Govern much of northwestern Yemen, missiles, drones, small boats
- Iran-backed, but with their own interests: survival, territory, leverage over Saudi Arabia

Sources: The New York Times map (Sept 2026), Reuters (Sept 10 to 12), Encyclopaedia Britannica, CFR, CRS, AP.

Airport strike and a seized island



Sources: House of Commons Library, CRS, Al Jazeera & Times of Israel (Jul 13 and 14), NBC (Jul 20, Sept 11), Time, NPR, CNN, Fox News (Sept 12).

Houthis now hold Yemen's Red Sea coast down to Bab el-Mandeb

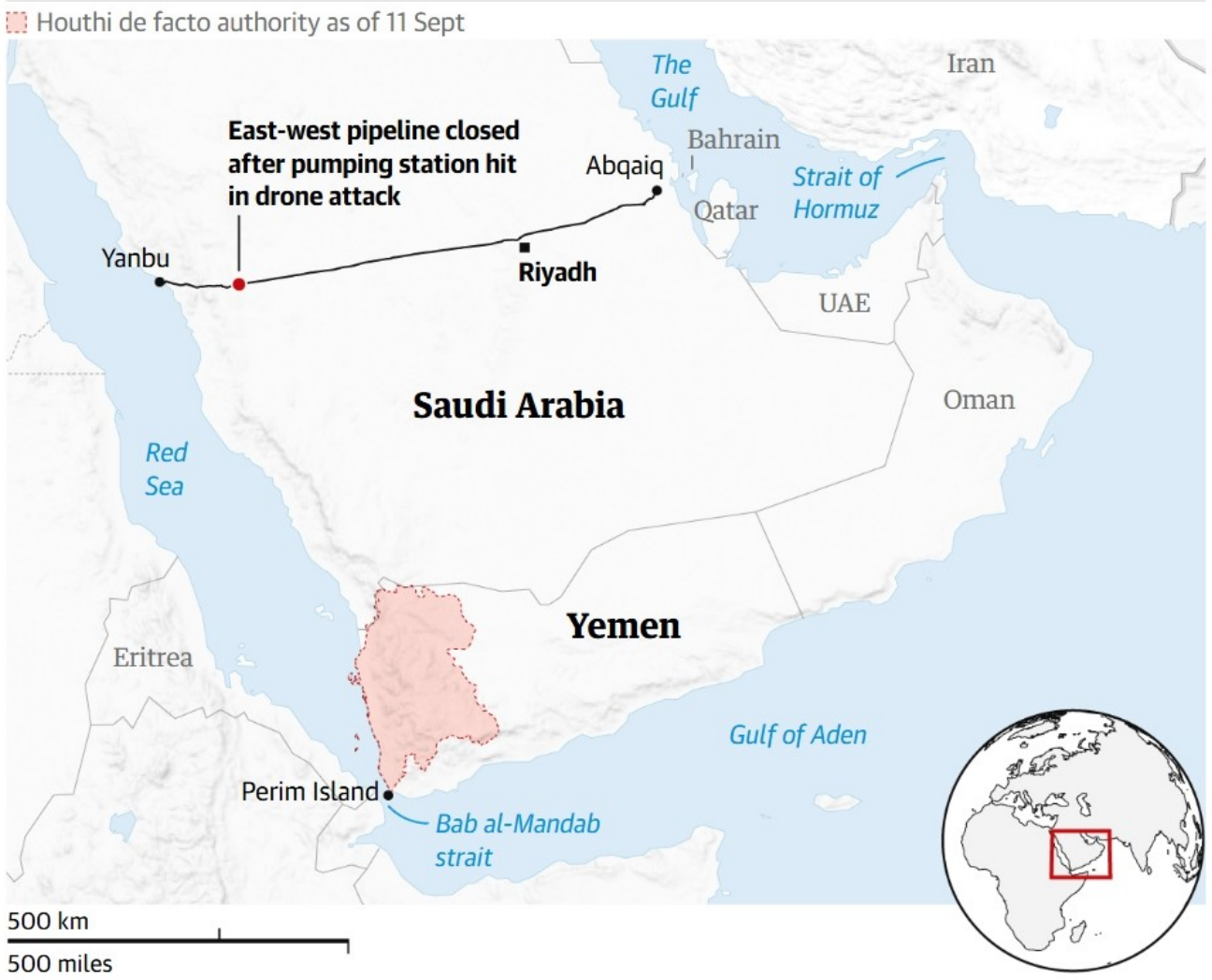






Sources: PBS NewsHour (regional map). Shaded areas show Houthi-controlled territory.

The double-chokepoint problem



Guardian graphic. Source: Sana'a Center for Strategic Studies, Global Energy Monitor

1

Hormuz is shut

Iran has effectively closed the strait since March. ~20% of world oil used to pass through it.

2

Saudi goes west

The 1,200 km East-West pipeline carried up to ~5 million barrels per day (mb/d) from Abqaiq to Yanbu on the Red Sea.

3

The pipeline is hit

Sept 10 drones (Saudi says launched from Iraq) hit pump stations. Line shut Sept 11 as a precaution.

4

Red Sea exit is squeezed

Tankers bound for Asia still pass Bab el-Mandeb, where the Houthis now hold Perim and bar Saudi ships.

Sources: The Guardian map (Sept 2026; Sana'a Center, Global Energy Monitor), Reuters, NBC, FDD, Wikipedia summary of Saudi statements, Time, NPR.

Saudi Arabia's 'lifeline' was attacked



What happened

Drones struck pump stations in the Riyadh and Medina regions on Sept 10, causing fires and injuries. Saudi Arabia shut the line the next day.

Who did it?

Riyadh says the drones came from Iraq. No group has claimed it. Saudi is holding off retaliation at Iraq's request while Baghdad investigates.

Why it matters

It was Saudi's main Hormuz bypass. An April hit was repaired in 3 days. No restart timeline yet.

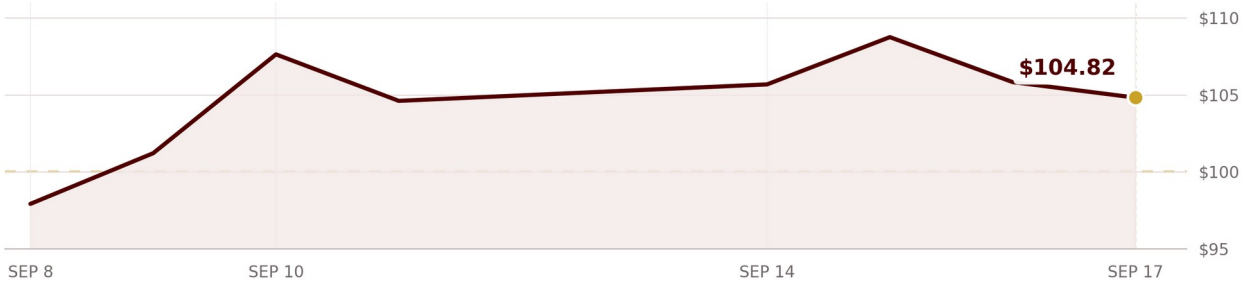
Sources: Vantor satellite imagery (via CNBC, Sept 14), Saudi Ministries of Energy & Foreign Affairs (via CNN, Al Jazeera), FDD (Sept 13), NYT.

Oil back above $100

$108.46

ICE Brent (Nov ’26), +2.63%, Sept 15 quote

ICE BRENT CRUDE · NOV ’26 FUTURES SETTLEMENTS TO SEP 17

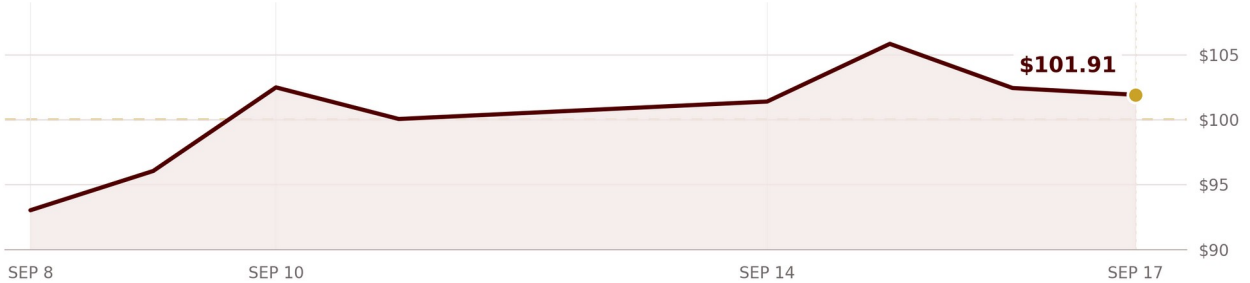


SOURCE: REUTERS DAILY SETTLEMENT REPORTS, SEP 8–17, 2026 | USD PER BARREL

$105.62

NYMEX WTI (Oct ’26), +4.17%, Sept 15 quote

NYMEX WTI CRUDE · OCT ’26 FUTURES SETTLEMENTS TO SEP 17

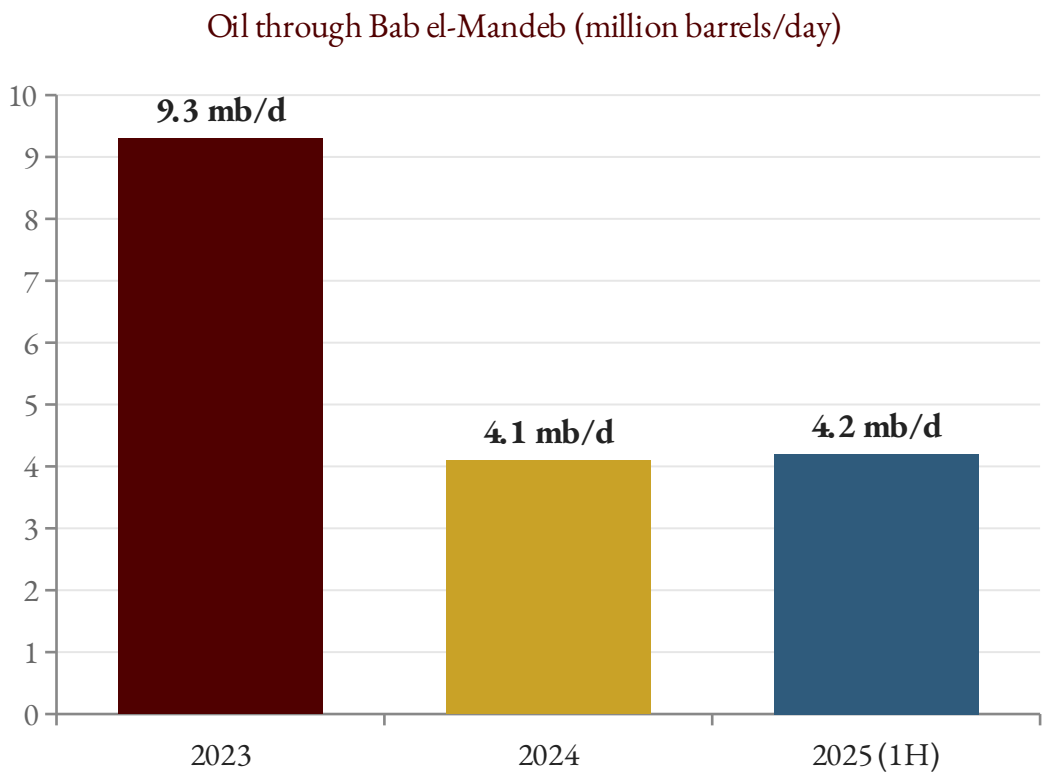


SOURCE: REUTERS DAILY SETTLEMENT REPORTS, SEP 8–17, 2026 | USD PER BARREL

Connection: Brent settled above $100 on Sept 9 for the first time since May, then rose further after the pipeline strike. Energy prices feed CPI (Section 02) and Treasury yields (Section 01).

Sources: CNBC quotes & charts captured Sept 15, 2026 (ICE Brent Nov ’26, NYMEX WTI Oct ’26), FDD (Sept 13), Reuters (Sept 14).

Further implications



Sept 9: 28 commodity ships transited vs. a 10-day average of 27. Open, but riskier.

Threat or attack Houthi targeting of Saudi-linked ships

↓

Insurance reprices War-risk premiums rose from ~0.3% to >1% of vessel value in July, up to 3% for Saudi-linked voyages

↓

Ships reroute Cape of Good Hope adds ~12 days Shanghai-Rotterdam, ~9% less effective container capacity (2024)

↓

Prices rise Freight, fuel & crude risk premiums

↓

Inflation & rates Central banks face a supply shock (Sections 01 and 02)

Sources: U.S. EIA World Oil Transit Chokepoints, UNCTAD (2024), Reuters (July & Sept 2026) via club research brief.

Interests, capabilities and constraints

Player	Interests	Tools / capabilities	Constraints
Houthis	Survival, control of Yemen, leverage over Saudi Arabia, regional status	Coastal territory (Mokha, Perim), missiles, drones, small boats	Retaliation risk, limited navy, Perim is exposed to U.S. firepower
Iran & IRGC	Regime survival, raise costs on U.S. & Gulf, bargaining chips	Hormuz control, partner network (Houthis, Iraqi militias)	War damage, U.S. blockade, partners have their own agendas
Saudi Arabia	Keep exports flowing, secure border & infrastructure	Air power, money, pipeline & Yanbu port, U.S. ties	Fixed infrastructure exposed, four-year truce collapsed
United States	Freedom of navigation, lower oil prices, protect partners, exit the war	Naval & air power (Camp Lemonnier, Djibouti), sanctions, coalitions	Finite ships & interceptors, cheap drones vs. costly missiles, low approval
Egypt	Suez Canal revenue, Red Sea stability	Canal administration, diplomacy	Can't police threats at the far end of the Red Sea
Iraq & militias	Baghdad: avoid war. Militias: pressure Gulf states & U.S.	Drones launched from Iraqi territory	PM's Sept 30 disarmament deadline, Saudi restraint is conditional
Shippers & insurers	Protect crews, ships and margins	Reroute, reprice war risk, suspend service	Contracts, fleet capacity, fuel costs

Sources: Club research brief, Reuters (Sept 12), FDD, Fox News, AP, UN Security Council meeting records.

Scenarios and the mercantilist lens

Scenario	What it looks like	Signposts
Managed coercion	Houthis target Saudi-linked ships, most other traffic keeps moving	Transits near average, insurance priced by ship ownership
De facto partial closure	Major carriers suspend passage without a formal blockade	Carrier notices, Cape traffic surge, freight spike
Wider energy squeeze	Hormuz + pipeline outage + Red Sea pressure at once	Yanbu loadings fall, pipeline stays shut, Brent spikes
U.S. strikes or a deal	Coalition strikes on Houthi positions, or a maritime arrangement	Force deployments, or verified pause and falling premiums

MODERN MERCANTILISM LENS

- **Chokepoints as weapons:** Iran now has potential leverage over both Gulf oil corridors.
- **Energy = security:** states scramble for supply they control, including in their own hemisphere.
- **For the U.S.:** commit forces, or let regional partners lead (Reuters).
- **At home:** higher oil → CPI → rate expectations → yields.

Sources: Club research brief scenario framework, Reuters analysis (Sept 12), NBC (Sept 11). Scenarios are conditional, not forecasts.

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04

INTERNATIONAL LEVEL

U.S. Foreign Policy in Latin America: Colombia, Ecuador & Venezuela

Strikes on “narco-terrorists,” security deals with aligned governments, and a U.S. stake in an oil venture.

Domestic → Transnational → **International**

Selective US influence in the Americas

Ecuador and Venezuela anchor two 2026 operations

Orientation map · corridor is schematic, not intelligence reporting



Boundaries: Natural Earth

1. **US influence in the region**
   Monroe Doctrine language, deny rivals (China, Russia, Iran) footholds

2. **Securitized counternarcotics**
   Cartels framed as terrorists: foreign terrorist organization (FTO) designations, lethal strikes, joint operations

3. **Resource & energy access**
   Venezuelan oil, critical-minerals deals

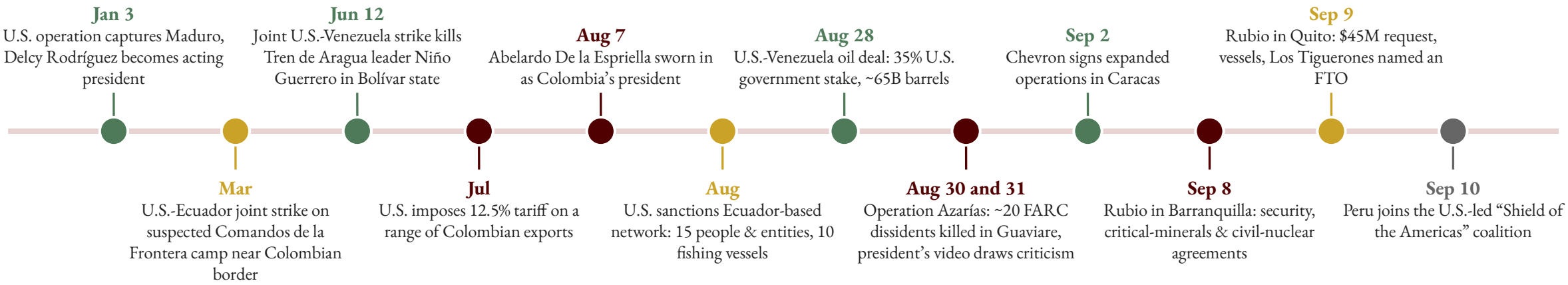
4. **Transactional economics**
   Tariffs, trade deals and aid tied to cooperation

5. **Reward aligned governments**
   Colombia, Ecuador, Peru: the stops on Rubio's September tour

"Narco-terrorist" is a legal/political label, not a verdict on every target.

Sources: Club Ecuador-Venezuela map (schematic), CRS, U.S. Foreign Policy in the Western Hemisphere (May 2026), Reuters, State Dept. FTO guidance.

Eight months that reshaped the Andes



Sources: CRS, CBS & CNN (Jun 12), Reuters (Aug 29), Al Jazeera & UPI (Sept 9), AP, Atlantic Council, France 24, PBS, Club Ecuador-Venezuela supplement.

Venezuela: from regime change to an oil partnership

Security: the strike on Niño Guerrero

- **Jan 3:** U.S. forces capture Maduro, Delcy Rodríguez governs as acting president
- **Jun 12:** joint strike in southeast Bolívar kills Tren de Aragua leader Héctor "Niño Guerrero" Guerrero Flores. Killed, not captured
- **A first:** reportedly the first U.S. missile strike to kill a gang leader in Latin America, with Venezuelan forces
- **Reach:** Tren de Aragua operates in Colombia, Ecuador, Peru, Bolivia and Chile (InSight Crime)
- **Watch:** succession fights, fragmentation, route shifts

OIL: MODERN MERCANTILISM IN PRACTICE

~65B
barrels of proven reserves under the Aug 28 deal

35%
U.S. government equity stake in North American Blue Energy Partners (NABEP)

1.5 mb/d
production target, 17 fields (Rodríguez)

- **Terms differ:** U.S. official cites a 100-year concession, Rodríguez describes a 25-year project
- **Sept 2:** Chevron signs expansion in Caracas, Rubio touts ~$100B in private investment
- **Critics:** many Venezuelans see a surrender of national oil, Senate Democrats object
- **Transparency:** Council on Foreign Relations (CFR), ~100M barrels (~$8B) flowed in the first four months with minimal oversight

Sources: CRS, CNN, CBS, NBC & Atlantic Council (June 13 to 18), CBS & WSJ via Reuters (Aug 29), The Hill, PBS/AP, CFR (June 3), Venezuelanalysis.

Colombia: from friction to ‘principal hemispheric partner’

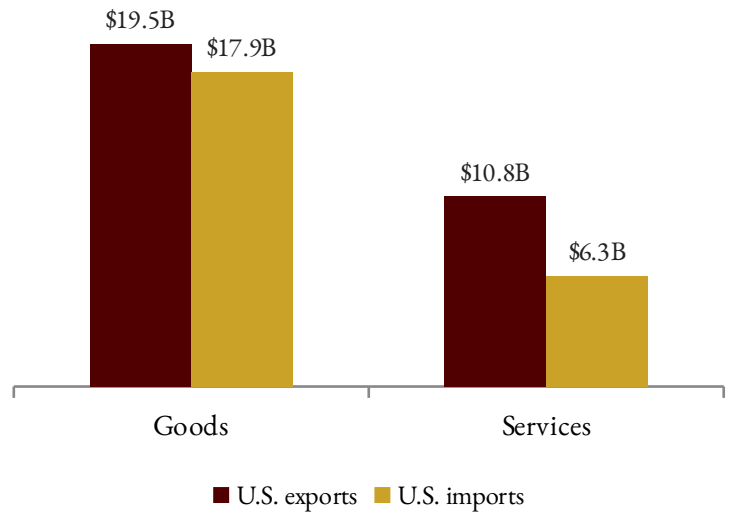
What’s happening

- **New president:** Abelardo De la Espriella (took office Aug 7), Trump-endorsed hardliner
- **“Plan Homeland”:** coca fumigation, lab destruction, targeting bosses, asks U.S. for drones, radar, anti-money-laundering help
- **Barranquilla Agreements (Sep 8):** security, trade, migration, MOUs on critical minerals & civil nuclear
- **Still unresolved:** relief from the 12.5% U.S. tariff after the Aug 10 M7.4 quake

Operation Azarías & the video

- **Aug 30, Guaviare: air strikes** on Estado Mayor Central (EMC) dissidents led by “Iván Mordisco”
- **President’s count:** 20 “narco-terrorists” killed, 5 captured, 2 minors rescued
- **The video:** he walks among body bags beside seized weapons, critics call it spectacle
- **Concern:** forensics source says 4 minors died in an earlier August strike

U.S.-Colombia trade, 2025 ($54.4B)



Domestic pushback

Opposition Sen. Iván Cepeda says binding deals on minerals, energy & security need Colombia’s Congress and Constitutional Court.

Sources: Reuters, France 24, UPI, Latin Times (Sept 8 and 9), AFP via France 24 (Sept 1), Orinoco Tribune (Sept 2), USTR (2025 trade data).

Ecuador: United States' 'most aggressive partner'

$45M

Additional security funding Rubio will ask Congress to approve

$10M

Initiative against illegal gold mining, gang recruitment & illicit finance

1 + 5

Coast Guard cutter + interceptor boats, on top of 7 delivered this year

FTO

Los Tiguerones designated an FTO (Sept 9)

Operations

- Boat strikes now run jointly with Ecuador, decided "strike-by-strike" (Rubio)
- March: joint strike on suspected Comandos de la Frontera camp, no casualties confirmed
- August: sanctions on a network of 15 people & entities and 10 fishing vessels

Why Ecuador

- Pacific ports became a major cocaine transit hub
- Violence surged after the pandemic
- President Daniel Noboa won in 2023 and again in 2025 on a crackdown platform

Concerns

- Rights advocates say the heavy-handed approach has created more chaos
- Lethal maritime strikes criticized as extrajudicial
- Open questions: target identification, jurisdiction, rescue, evidence

Sources: Reuters & Al Jazeera (Sept 9), Epoch Times (Sept 10), U.S. Treasury/State sanctions (Aug), Reuters (March joint strike) via club supplement.

The operational toolkit, and its trade-offs

Tool	Objective	Example in 2026	Main trade-off
Intelligence sharing	Find people, routes, camps, vessels, money	U.S.-Venezuela exchange before the Bolívar strike	Precision vs. reliability and misuse
Joint strike	Destroy a camp or capability	U.S.-Ecuador strike near the Colombian border (March)	Speed vs. sovereignty and civilian harm
Maritime strikes	Stop shipments	Joint U.S.-Ecuador boat strikes	Interdiction vs. identification, jurisdiction, rescue
Sanctions & FTO labels	Block assets, vessels, finance	Ecuador network (15 + 10 vessels), Los Tiguerones FTO	Non-lethal pressure vs. evasion and due process
Leadership strike	Remove a commander, signal reach	Niño Guerrero (June 12)	Disruption vs. succession, fragmentation, no trial
Domestic air campaigns	Retake territory from armed groups	Operation Azarías, Guaviare (Colombia)	Short-term gains vs. legitimacy and harm to minors

Key analytic warning: tactical success ≠ strategic success. Measure violence, trafficking, recruitment and institutions, not just kills and seizures.

Sources: Club research supplement, Ecuador and Venezuela Operations (Sept 15, 2026).

Latin America through Interests, Interactions & Institutions

Interests

- **U.S.:** cut drugs & migration, secure oil & minerals, deny China footholds
- **Colombia & Ecuador:** security capacity, aid, tariff relief
- **Venezuela:** regime survival, recognition, sanctions relief
- **Armed groups:** territory & illicit revenue

Interactions

- **Bargaining:** alignment ↔ aid, trade deals, tariff relief
- **Coercion:** tariffs, sanctions, strikes
- **Cooperation:** joint strikes, intel, Shield of the Americas
- **Adaptation:** networks fragment and shift routes

Institutions

- FTO designations & Office of Foreign Assets Control (OFAC) sanctions
- U.S. Congress: appropriations & war powers
- Colombia's Congress & Constitutional Court
- U.S. Trade Representative (USTR) tariffs, U.S.-Colombia trade agreement (2012)
- Sovereignty norms & international law

Watch: Congress on the $45M · tariff relief for Colombia · Tren de Aragua succession · Venezuelan output & revenue transparency · violence and coca data · any timeline for Venezuelan elections.

Sources: Club research brief & supplement, CRS, Reuters, Latin Times, PBS, Trump remarks on Venezuelan elections (via PBS).

SYNTHESIS

The four stories

Story	Scarce resource	Mercantilist move	Level	Who pays
01 U.S. Treasury	Capital & fiscal space	Financing war, tariffs & industrial policy as yields hit 5%	Domestic	Taxpayers, borrowers, future budgets
02 The FOMC	Price stability	Energy, tariff & war shocks land on the central bank	Domestic	Households, workers, borrowers
03 Bab el-Mandeb	Routes & energy	Chokepoints weaponized for bargaining leverage	Transnational / International	Saudi Arabia, Egypt, shippers, consumers, Yemenis
04 Latin America	Oil, minerals, alignment	U.S. stake in oil venture, minerals MOU, aid & tariffs tied to cooperation	International	Venezuelans, rural communities, sovereignty

Bottom line: geography, capital and resources are being treated as instruments of national power, and the costs travel across every level of analysis.

Sources: Bridgewater Associates (Modern Mercantilism), sources cited in Sections 01 to 04.

Sources & further reading

- Reuters: Houthi advance puts U.S. in a new bind (Sept 12), Why Bab el-Mandeb matters (Sept 10), Fed's table set for a hike under Warsh (Sept 14), Fed hike likely, economists say (Sept 14), Debt tops $40T (Sept 2), Rubio in Colombia (Sept 8) and Ecuador (Sept 9), Niño Guerrero strike (June 12)
- The New York Times: Saudi Arabia's oil 'lifeline' was attacked, Rubio meets Colombia's leader (Sept 8)
- The Guardian: Mokha seizure & pipeline map (Sana'a Center, Global Energy Monitor)
- AP/NPR (Sept 11), NBC (Jul 13, Sept 11), Time (Sept 11), Al Jazeera (Jul 13 and 14, Sept 9 to 12), CNN & CNBC (Sept 11 to 15), Bloomberg (Sept 15), FDD (Jul 15, Sept 13)
- Human Rights Watch (Sana'a airport strike context)
- U.S. Treasury Fiscal Data, CBO, Budget & Economic Outlook 2026 to 2036, GAO, Joint Economic Committee Debt Dashboard
- Federal Reserve (FOMC calendar, statements), BLS (CPI, jobs), BEA (PCE, GDP), FRED (CPIAUCSL, UNRATE, FEDFUNDS, DGS10)
- Federal Reserve, Summary of Economic Projections (Sept 2026, charts via WSJ), Atlanta Fed, Freddie Mac, FactSet
- Charts and market data: CNBC (oil), Bloomberg (Iran war market tracker), Truth Social (@realDonaldTrump)
- U.S. EIA, World Oil Transit Chokepoints, UNCTAD, Red Sea crisis analysis
- CRS, U.S. Foreign Policy in the Western Hemisphere (May 2026), CRS, Strait of Hormuz, House of Commons Library
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- Bridgewater Associates: "We Are All Mercantilists Now", Modern Mercantilism research hub
- Frieden, Lake & Schultz, World Politics: Interests, Interactions, Institutions