

# Nafta negotiators promise results at next talks



From left, Canadian Minister of Foreign Affairs Chrystia Freeland, Mexican Economy Minister Idelfonso Guajardo and US Trade Representative Robert Lighthizer give a press conference on the second round talks of the Nafta in Mexico City on Tuesday.

AFP, Mexico City

NEGOTIATORS overhauling the North American Free Trade Agreement said Tuesday they would have "results" by the end of the month, but left some of the stickiest issues hanging as they wrapped up their latest talks.

After five days of negotiations in Mexico City -- their second round -- the United States, Mexico and Canada still had no concrete details to report on their revamp of the 1994 trade deal.

But they promised progress by the end of the next round, scheduled for September 23 to 27 in Ottawa, Canada.

"We have instructed our chief negotiators to commit to defining the chapters that are closest to completion so we can start seeing the first results at the third round of talks," Mexican Economy Minister Ildefonso Guajardo told a press conference.

In the build-up to the second round, President Donald Trump, who demanded the renegotiation, renewed his attacks on Nafta, blaming the deal for US job losses

-- a regular theme during his campaign -- and saying the United States would "end up probably terminating" it.

US Trade Representative Robert Lighthizer was more conciliatory in Mexico City, reporting that "we have found mutual agreement on many important issues," and saying negotiators were working at "record pace."

But he echoed Trump's rhetoric on Mexico's impact on the US manufacturing sector.

"We also must address the needs of those harmed by the current Nafta, especially our manufacturing workers. We must have a trade agreement that benefits all Americans, and not just some at the expense of others," he said.

"I am hopeful we can arrive at an agreement that helps American workers, farmers and ranchers while also raising the living standards of workers in Mexico and Canada."

Canadian Foreign Minister Chrystia Freeland said negotiators were working toward a "win-win" deal.

"I am here to say that all three partners are absolutely committed

to getting this done," she said.

Some thorny issues were left unsettled, however, including the \$64 billion US trade deficit with Mexico -- much lamented by Trump -- and the "rules of origin."

The United States is pushing to change these rules, including those governing the hotly debated auto sector. It has floated the idea of requiring a certain percentage of cars' components to be built in the US in order to remain duty-free.

Guajardo told journalists no official US proposal had yet been tabled on either matter.

He reported progress on other points, such as eliminating technical barriers to trade -- without going into detail.

Negotiators said they had tackled more than two dozen chapters of the 1,700-page deal.

"The lack of details in the negotiations shows that the room of maneuver and the depth of the changes is likely to be limited," said the Eurasia Group consultancy.

"All three parties will work to reach an agreement and not alter Nafta fundamentally."

Instituted in 1994, Nafta elimi-

nated most tariffs across a region representing some 28 percent of the world economy.

To supporters, it has been instrumental in creating tightly integrated supply chains that ensured North America's competitiveness.

To opponents, it has gutted American industry and unleashed a race to the bottom in terms of wages. Low wages in Mexico were under a microscope during this round of talks.

The daily minimum wage, about \$4.50, is well below the hourly minimum wage in both the US and Canada.

Mexico, which became a major exporter under Nafta -- sending some 80 percent of its exports to the United States -- has some of the worst wages in Latin America.

Wages have been basically stagnant here for the past 23 years in inflation-adjusted terms, despite Nafta proponents' argument that free trade would cause them to rise.

Both the US and Canada are pressuring Mexico on the issue.

But Guajardo said Mexico would reject any attempt to "set salaries by decree."

# Australia economy strengthens after weak start to year

AFP, Sydney

AUSTRALIA'S economy has shrugged off a sluggish start to the year, boosted by government and consumer spending with the nation extending its record run of growth, official data showed Wednesday.

Economic growth for the second-quarter was 0.8 percent, after 0.3 percent in January-March, to take the annual rate of expansion to 1.8 percent, the Australian Bureau of Statistics said.

"Today's national accounts for the June quarter reveal solid and more balanced growth for our economy," Treasurer Scott Morrison told reporters in Canberra.

"(It confirms) the emerging national economic consensus of the better-days-ahead outlook that I referred to in this year's budget."

The stronger reading came after the economy marked a world-record 26 years without a recession, even as growth slowed at the beginning of the year with the impact of category four Cyclone Debbie on eastern Australia.

The Australian dollar slipped slightly below 80 US cents after the data release, with investors disappointed that the latest GDP reading was marginally softer than some analysts' estimates.

The figures showed that household spending rose by 0.7 percent and government expenditure by 1.2 percent, while exports of goods and services increased by 2.7 percent for the period.

The Australian economy has charted a rocky path as it transitions away from an unprecedented mining boom, with the Reserve Bank of Australia cutting interest

rates to a record-low of 1.50 percent.

The central bank on Tuesday kept rates on hold at 1.50 percent for the 13th-straight month, but signalled optimism about recent improvements in the economy.

They include a strengthening jobs market, business conditions and sales.

"Growth in the number of Australians with jobs has picked up over recent months and the unemployment rate has come down a bit," RBA governor Philip Lowe said at a dinner speech in Brisbane late Tuesday.

"The investment outlook has also brightened. Inflation has troughed and it is likely to increase gradually over the next couple of years. These are positive developments."

Economists said the economy may have passed its trough, although wages growth, which has been tepid, still needed to strengthen further to boost consumption levels.

"It's not saying the economy is booming but it seems to have reached bottom, I think, clearly," National Australia Bank chief markets economist Ivan Colhoun told AFP.

"We're getting some more favourable signs across a range of indicators... (the economy) will gradually pick up and certainly the labour market data is suggesting that at the moment."

The RBA has been cautious about lifting rates despite the improvements, with concerns that high levels of household debt and strong property prices could make Australians vulnerable to rising borrowing costs.

This has led some economists to tip a change in interest rates in 2018 at the earliest, and possibly even in 2019.



Pedestrians walk by the side of a building site of a government funded light railway system in the central business district of Sydney yesterday

AFP

# Nigeria, S Africa exit recession in Q2

AFP, Abuja

Nigeria and South Africa have both exited recession, notching up economic growth of 0.6 percent and 2.5 percent respectively in the second quarter, official data showed on Tuesday.

Nigeria's economy returned to growth after five consecutive quarters of contraction, driven by a strong performance in the oil, agricultural, manufacturing and trade sectors, according to the National Bureau of Statistics (NBS).

South Africa's recession was much more shortlived, at just two quarters, and the rebound was fuelled by expansion of more than 30 percent in the agricultural sector, according to Statistics South Africa.

Nigeria, which depends on oil for 70 percent of state revenues and 90 percent of export earnings, has been battered by lower crude prices since mid-2014.

These have slashed government revenues, weakened the currency and caused dollar shortages, frustrating business and households.

The nation's economic woes have been exacerbated by militant attacks on key oil infrastructure in the restive Niger delta, slashing output.

The crisis is heaping pressure on President Muhammadu Buhari, who took office in May 2015 on an anti-corruption platform.

His government is also grappling with separatist agitation in the country's southeast, farmer-herders clashes in the central, Boko Haram insurgency in the northeast and kidnappings and militancy in the south.

Analysts welcomed the positive outlook for Nigeria, but insisted there was need for caution.

"You can see that there have been improved performances in non-oil sectors in the second quarter," said Bismark Rewane of the Lagos-based Financial Derivatives Company.

"The prospects for more robust growth are bright. I hope the current economic diversification efforts which see attention being given to agriculture and mining will be sustained," he said.

The economy would also benefit if the ongoing truce with Niger delta militants was upheld, the expert argued.

"If there are no attacks on oil facilities and production is increased and Nigeria earns more money, then the economy will stabilise," Rewane said.

Nigeria's oil output has ramped up to an average of two million barrels per day from a low of 1.3 million in 2016 following government peace talks with the oil rebels.

For John Ashbourne of Africa Capital consultancy, however, the growth rate of 0.6 percent fell short of expectations.

"Growth across the economy was pretty soft, but the big surprise for me is the weakness of the oil sector," Ashbourne said.

# German industry group preparing for hard Brexit

REUTERS, Frankfurt

GERMANY'S biggest industry group has set up a task force including companies such as Airbus, Siemens and Deutsche Bank to prepare for a disruptive British departure from the European Union, according to people involved.

The Federation of German Industries (BDI) task force will identify by the end of December the risks to German industry from a "hard" Brexit after

monthly meetings of dozens of experts, the people said.

The preparations are the result of growing nervousness amid slow and acrimonious negotiations between Britain's Brexit minister David Davis and his opposite number at the European Commission, Michel Barnier.

In Germany, companies are now preparing for the worst, including the imposition of tolls and the risk of a loss of access to London financial markets, the people involved said.

"Many people in Britain have hoped that they would get a special deal from Germany. We've been saying for a year that this is not going to happen," said Markus Becker-Melching of the Association of German Banks, which is involved in the task force.

"We are working on the basis that there will be a hard Brexit," he said. "The wheels are now set in motion to prepare for this."

One person directly involved with the task force, who asked not to be named, added: "We have to plan now for there being

no agreement, for things not working."

The existence of the task force, which was established in June and is now accelerating its work in regular meetings in Berlin, will be officially announced in early October.

Its conclusions in December will be important in shaping the position of the new German government, which may be in place then following elections later this month.

The companies involved declined to elaborate on the

work of the task force.

More than six months into Brexit divorce talks that must conclude by April 2019, there is little sign of progress.

Earlier this week, Britain's David Davis warned a row over how much money Britain should pay the EU when it leaves would probably last the duration of the negotiations.

The EU has said this and other issues must first be resolved before talks on future trading relations can begin.

Frustration has meanwhile been building in Germany, Europe's industrial heartland and the EU's biggest economy.

Late last month BDI president Dieter Kempf criticised the British government for its conduct in negotiations.

"The British government continues to lack a clear course," he said. "Despite declarations of unity from British cabinet members, there is no coordinated government approach."

The BDI, with 36 member associations representing 100,000 businesses, is one of Germany's most influential lobby groups.

One of the problems at the top of its list, alongside possible tariffs, is the potential disruption to multitrillion-dollar derivative markets. These are based chiefly in London and are an essential means for German companies to hedge against risks such as rising oil prices.

"While a straight-forward company loan would not really be touched, the derivatives market poses a big potential problem," said the person directly involved with the task force.

"No one should work on the assumption that there will be rules in place in time to deal with this."



REUTERS

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