Trump calls off tariffs after Mexico vows to tighten borders

REUTERS, Washington/Mexico City

The United States and Mexico struck a deal on Friday to avert a tariff war, with Mexico agreeing to rapidly expand a controversial asylum program and deploy security forces to stem the flow of illegal Central American migrants.

US President Donald Trump had threatened to impose 5 percent import tariffs on all Mexican goods starting on Monday if Mexico did not commit to do more to tighten its borders.

In a joint declaration after three days of talks in Washington, both countries said Mexico agreed to immediately expand along the entire border a program that sends migrants seeking asylum in the United States to Mexico while they await adjudication of their cases.

Trump said Mexico had agreed to take strong measures to "reduce, or eliminate" illegal immigration from Mexico.

However, the deal fell short of a key US demand that Mexico accept a "safe third country" designation that would have forced it to permanently take in most Central American asylum seekers.

"The Tariffs scheduled to be implemented by the US on Monday, against Mexico, are hereby indefinitely suspended," Trump said in a tweet on Friday evening.

Frustrated by a recent surge of migrants that has overwhelmed US resources on its southern border, Trump had used the threat of tariffs to pressure Mexico into making concessions.

He has made hard line efforts to reduce illegal immigration a cornerstone of his presidency and it is certain to be a key issue in his re-election bid next year.

But business groups and even some close Republican allies were unhappy with the prospect of tariffs on the top US trade partner, saying they would damage the economy.

Duties on Mexico would also have left the United States fighting trade wars with two of its three largest trading partners, and would further unnerve financial markets already on edge about a global economic slowdown.

Mexican Foreign Minister Marcelo Ebrard said in Washington his team had also resisted US requests to send deported Guatemalans to Mexico. He said he was satisfied with the deal.

"I think it's a fair balance because they had more drastic measures and proposals at the start and we reached some middle point," he said, emphasizing the importance to Mexico of having kept safe third country out of the deal.

He also highlighted US support in the agreement for a Mexican proposal to jointly address underlying causes of migration from Central America.

The asylum program to be expanded is commonly known as Remain in Mexico, and currently operates in the border cities of Tijuana, Mexicali and Ciudad Juarez.

Under the new deal, returned asylum seekers will spend long periods in Mexican cities such as Reynosa on the Texas border, where drug cartels frequently kidnap migrants.

The program was challenged in court earlier this year by the American Civil Liberties Union (ACLU) and other rights groups which say it puts asylum seekers in danger and violates US and international law.

While a federal judge ruled to halt the policy, a US appeals court overturned the decision, allowing the policy to continue as the legal challenge is ongoing. Through June 5, 10,393 mostly Central Americans have been sent back to Mexico since the program started in January.

Omar Jadwat, director of the ACLU's Immigrants' Rights Project, said the group would continue to press its legal challenge to the policy.

Under the deal, Mexico will also increase its efforts to stop illegal migrants from Central America traveling through Mexico to the United States. Those measures will include deploying the militarized National Guard security force to its southern border.

Ebrard said the National Guard deployment would start on Monday.

The two countries will continue discussions, to be completed in 90 days, on further steps, according to the declaration.

US border officers apprehended more than 132,000 people crossing from Mexico in May, the highest monthly level since 2006. Trump, who has called the surge in migrants an "invasion," had threatened to keep raising duties up to 25 percent unless Mexico addressed the problem.

Mexico had prepared a list of possible retaliatory tariffs targeting products from agricultural and industrial states regarded as Trump's electoral base, a tactic China has also used with an eye toward the Republican president's 2020 re-election bid.

AFP

US President Donald Trump greets supporters after stepping off from Marine One on the lawn of the White House on June 7.

Facebook to cut off Huawei to comply with US sanctions

AFP, San Francisco

Facebook said Friday it would cut off Huawei from its popular social networking apps to comply with US sanctions, further isolating the Chinese tech giant considered a national security threat by Washington.

The social media giant said it took the step after President Donald Trump's order barring Huawei from US technology exports over concerns that it works with Chinese intelligence.

"We are reviewing the Commerce Department's final rule and the more recently issued temporary general license and taking steps to ensure compliance," a Facebook spokesperson told AFP.

The California company said people with existing Huawei smartphones with Facebook apps will continue to be able to use and download app updates provided by Facebook.

The move by Facebook is the latest to isolate Huawei, which had become the world's second largest smartphone vendor despite security concerns voiced in Washington.

Google last month said it would cut ties to Huawei, making it harder to obtain major apps from the US giant.

The Google decision would leave Huawei without the Play Store, the marketplace for most Android apps, and other elements of the mobile operating system.

Facebook -- which is banned in China but has more than two billion users worldwide -- said its decision would affect its core social network as well as applications such as Instagram, Messenger and WhatsApp, which each have at least one billion users.

The US sanctions were imposed May 15, but the administration allowed a 90-day compliance period that gives users of Huawei devices time to install updates and avoid a major disruption of the mobile economy.

Huawei has indicated it would create its own operating system to replace the Google Android platform, but would need to develop its own app marketplace as well if it wants to retain users outside China.

To keep up in the smartphone market, Huawei would also need to find a new supply of chips and related hardware, without US suppliers such as Intel, Qualcomm and Broadcom.

BOJ's Kuroda warns of uncertainties on global recovery prospects

REUTERS, Fukuoka, Japan

Bank of Japan Governor Haruhiko Kuroda on Saturday maintained his view the global economy will recover in the latter half of this year, but warned that uncertainties remain as fallout from the Sino-US trade war deepens.

Kuroda said the global economy is "stabilising somewhat" from its weakness late last year, as central banks maintain supportive policies and China takes stimulus measures to prop up growth.

"There's no change to the view the global economy will pick up in the latter half of this year," Kuroda told reporters ahead of the Group of 20 finance leaders' meeting to be held in the southern Japanese city of Fukuoka.

"But uncertainties remain, particularly those regarding trade," he added.

Kuroda's view on global risks is important because the BOJ's forecast on the Japanese economy is based on the assumption global growth will rebound in the latter half of this year.

Global investors' hopes for a pick-up in the second half of the year have been thrown into doubt by last month's sudden escalation in the US-China trade war and a slew of weak data from major economies that threaten to further weigh on business and consumer confidence.

Widening fallout from the US-China trade war will test the resolve of G20 finance leaders to show a united front at their two-day gathering ending on Sunday.

RBI imposes 20m rupee fine on Kotak Mahindra Bank

REUTERS, New Delhi

The Reserve Bank of India (RBI) on Friday fined Kotak Mahindra Bank Ltd 20 million rupees ($288,525) for not furnishing details about the shareholdings of its majority stakeholders and its plans for complying with stake dilution norms.

The RBI said it decided to impose a penalty after reviewing the bank's reply to a notice seeking an explanation about why it had not complied with regulatory norms.

"RBI came to the conclusion that the bank had failed to comply with the directions issued by RBI and decided to impose monetary penalty on the bank," the Reserve Bank of India said in a statement. The bank is in the middle of a legal battle with the central bank, which last year ordered Uday Kotak, the billionaire head of Kotak Mahindra Bank, to lower his holdings in the private-sector lender.

Kotak, India's fifth largest bank by market capitalization, said in a late night filing to India's National Stock Exchange that it was examining the RBI's order.

Iran has no plans to leave Opec: minister

REUTERS, Geneva

Iran has no plans to leave the Organization of the Petroleum Exporting Countries, Oil Minister Bijan Zanganeh said in an interview published by the Iranian parliament news site ICANA on Saturday.

"Iran has no plans to leave Opec...and regrets that some members of Opec have turned this organization into a political forum for confronting two founding members of Opec, meaning Iran and Venezuela," Zanganeh told ICANA.

"And two regional countries are showing enmity towards us in this organization. We are not their enemy but they are showing enmity towards us...and (they) use oil as a weapon against us in the global market and world."

Zanganeh did not name the two countries.

Tensions between Iran and Saudi Arabia and the United Arab Emirates have spiked this year after the two said they would increase oil production to make up for Iranian crude cut from the market by US sanctions.

On Friday, US President Donald Trump's administration added Iran's largest petrochemical holding group to its sanctions list, accusing it of indirectly supporting Tehran's Revolutionary Guards. Washington said the move aimed to dry up revenues to the elite Iranian military force but analysts called it largely symbolic.

US leaves door open to China on trade talks at G20

AFP, Fukuoka, Japan

The United States is open to further negotiations with China on their ongoing trade battle but any potential deal will wait until the two leaders meet at the end of the month, Washington's top finance official said Saturday.

Speaking to reporters on the sidelines of a meeting of G20 finance ministers and central bank chiefs, Treasury Secretary Steven Mnuchin warned that Washington would press on with tariffs if a deal could not be reached.

"We were on the way to a historic deal. If they want to come back to the table and complete the deal on the terms that we were continuing to negotiate, that will be great. If not, as the president said, we'll move on with tariffs," said Mnuchin.

US President Donald Trump is expected to meet his Chinese counterpart Xi Jinping at the G20 summit in Osaka on June 28-29 and any potential breakthrough would likely only come then, he predicted.

"I would expect that the main progress will be at the G20 leaders' meeting between the two presidents," he said.

Mnuchin said that although he would be holding one-on-one talks with Chinese central bank chief Yi Gang during the G20 finance meeting in the western Japanese city of Fukuoka, this would "not be a negotiating meeting".

"We've been hard at work on what could be a historic agreement for both countries, something that could be economically very important for us and China and for the rest of the world," he said.

However, he insisted that the current trade relationship between the world's top two economies was "very unbalanced."

"Our markets are completely open to them. Their markets have not been open to us," he said.

He said Washington and Beijing had been "90 percent done" on clinching a trade deal before talks collapsed but stressed that the current position was "a result of them backtracking on significant commitments."

Trump said on June 6 that he would wait until after the G20 summit before deciding whether to impose new tariffs on Chinese goods that could be worth $325 billion.

"The critical meeting will be between the two presidents," said Mnuchin.

The treasury secretary said he did not believe that the current trade tensions were harming the global economy, one of the key topics being discussed by G20 officials in Fukuoka.

"So I don't think in any way that the slowdown you are seeing in parts of the world are the result of trade tensions at the moment," he said.

Nevertheless, if a deal were found, it would be a boon to the global economy as a whole, he predicted.

"People talk about the economic risk of trade wars... people should be even more focused on the benefits of having a great trade agreement and how that creates economic opportunities in both economies, especially for a growing middle-class in China," he said.

Weak US employment report raises red flag on economy

REUTERS, Washington

US job growth slowed sharply in May and wages rose less than expected, raising fears that a loss of momentum in economic activity could be spreading to the labor market, which could put pressure on the Federal Reserve to cut interest rates this year.

The broad cool-off in hiring reported by the Labor Department on Friday was before a recent escalation in trade tensions between the United States and two of its major trading partners, China and Mexico. Analysts have warned the trade fights could undermine the economy, which will celebrate 10 years of expansion next month, the longest on record.

Adding a sting to the closely watched employment report, far fewer jobs were created in March and April than previously reported, indicating that hiring had shifted into a lower gear. The labor market thus far has been largely resilient to the trade war with China.

"Today's report makes a cut more likely, and supports our view that the trade tensions will ultimately slow growth enough for the Fed to respond in September and December with cuts," said Joseph Song, an economist at Bank of America Merrill Lynch in New York.

Nonfarm payrolls increased by 75,000 jobs last month, the government said. It was the second time this year that job gains dropped below 100,000. Economists polled by Reuters had forecast payrolls rising by 185,000 jobs last month. Job growth in March and April was revised down by 75,000.

President Donald Trump in early May slapped additional tariffs of up to 25 percent on $200 billion of Chinese goods, which prompted retaliation by Beijing. Last week, Trump said he would impose a tariff on all goods from Mexico to force authorities in that country to stop immigrants from Central America from crossing the border into the United States.

Talks to prevent the duties from kicking in at 5 percent on June 10 continue. Fed Chairman Jerome Powell said on Tuesday the US central bank was closely monitoring the implications of the trade tensions on the economy and would "act as appropriate to sustain the expansion."

Trump, who has routinely tweeted about the strong labor market, made no comment about May's weak hiring, but defended duties on Chinese goods. White House economic adviser Kevin Hassett told Fox Business Network that bad weather in the Midwest was to blame and described the meager job gains as "a little bit of a blip down."

Economists, however, said there was nothing to suggest the weather was the culprit.

"The weakness in job growth was broadly experienced across industry groups and not obviously driven by distortions such as weather or strikes," said Michael Feroli, an economist at JPMorgan in New York.

US House of Representative Speaker Nancy Pelosi, a Democrat, said the employment report was "a disturbing sign that the administration's disastrous special interest agenda is hollowing out our economy."

Following the report financial markets priced in a rate cut as early as July and two more later this year. Economists, however, believe the Fed will probably wait for more signs of labor market weakness and clarity on the trade issues before easing monetary policy. Fed officials are due to meet on June 18-19.

"Fed officials are likely to remain cautious at the June meeting and keep all their options open," said Michael Hanson, head of global macro strategy at TD Securities in New York.

The dollar fell to a 2-1/2-month low against a basket of currencies, while US Treasury prices rose. Stocks on Wall Street were trading higher.

Last month's slowdown in job gains, however, probably understates the labor market's health as layoffs remain low.

Employment gains over the last three months have averaged 151,000, above the roughly 100,000 needed per month to keep up with growth in the working-age population. In the four months since the first hiccup in hiring appeared in February, however, monthly payrolls gains have averaged just 127,000, the slowest pace over a comparable stretch in nearly seven years.

Some of the weakness in hiring could be because of worker shortages, especially in the construction, transportation and manufacturing sectors. But the worker shortage argument is somewhat undercut by moderate wage growth.

Average hourly earnings grew just 3.1 percent year-over-year, the slowest annual increase since September. Just three months earlier, wages had been rising at their fastest rate in a decade but gains have moderated since.

The tepid employment report added to soft data on consumer spending, business investment, manufacturing and homes sales in suggesting the economy was losing momentum in the second quarter following a temporary boost from exports, inventory accumulation and defense spending. Growth is cooling as the massive stimulus from last year's tax cuts and spending increases fades.

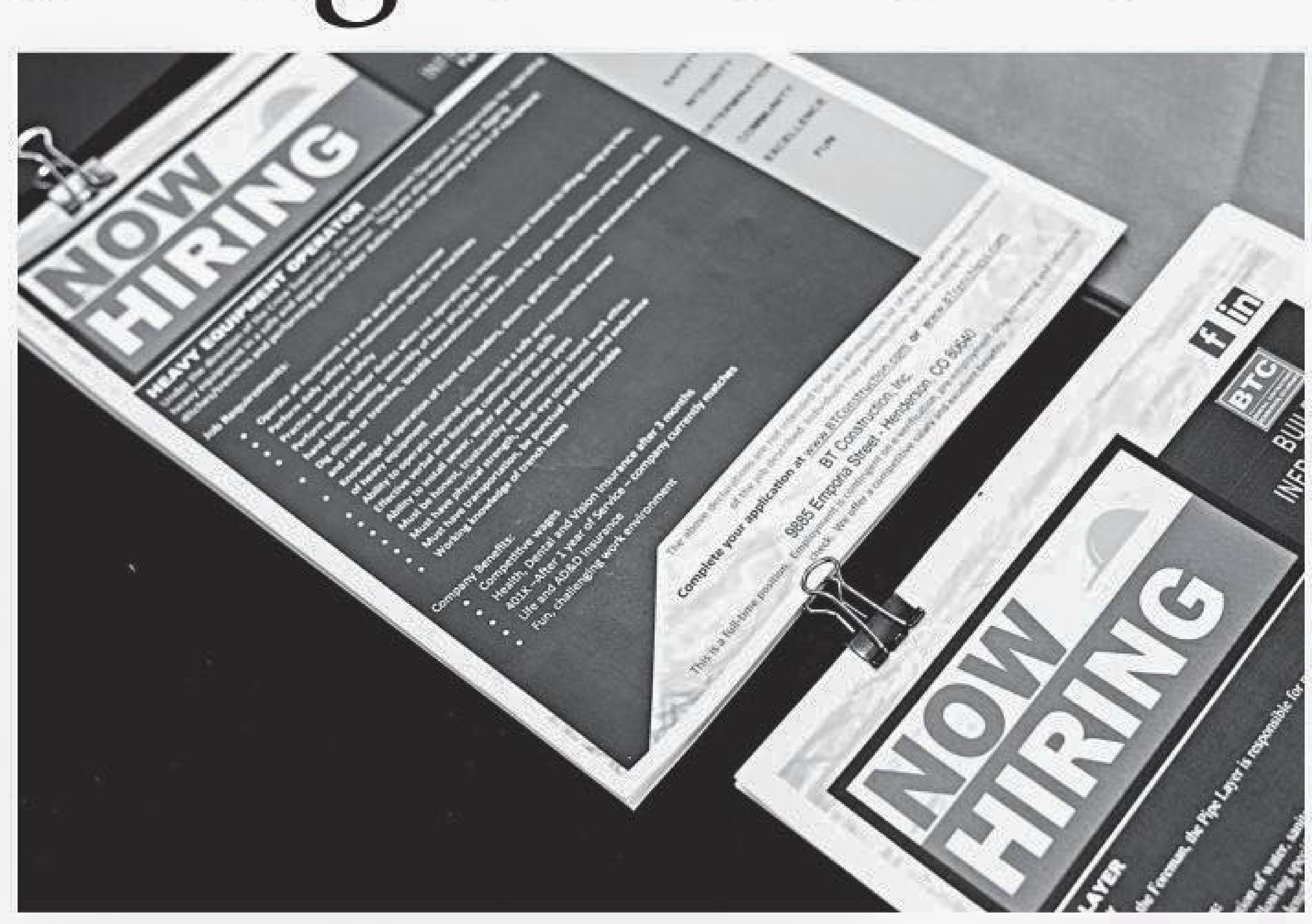
The Atlanta Fed is forecasting gross domestic product rising at a 1.4 percent annualized rate in the second quarter. The economy grew at a 3.1 percent pace in the first quarter.

The unemployment rate remained near a 50-year low of 3.6 percent in May. A broader measure of unemployment, which includes people who want to work but have given up searching and those working part-time because they cannot find full-time employment, dropped to 7.1 percent last month, the lowest since December 2000.

Hiring slowed across all sectors in May, with the share of industries showing job gains during the month the smallest since July 2016.

Manufacturing payrolls increased by 3,000 last month, after gaining 5,000 positions in April. The sector is struggling with an inventory overhang that has resulted in businesses placing fewer orders at factories.

Employers in the construction sector hired 4,000 workers in May after adding 30,000 jobs to payrolls in April. Professional and business services employment rose by 33,000. Transportation and warehousing payrolls fell as did retail employment.



REUTERS/FILE

Brochures are being displayed for jobseekers at the Construction Careers Now! hiring event in Denver, Colorado.