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WASHINGTON: US Trade Representative Robert Lighthizer (right) speaks with Canadian Foreign Affairs Minister Chrystia Freeland, as they leave a news conference, which included Mexico's Secretary of Economy Ildefonso Guajardo Villarreal yesterday at the start of NAFTA renegotiations in Washington. — AP

US TALKS TOUGH AS NAFTA TALKS KICK OFF

TRUMP'S 'AMERICA FIRST' AGENDA LOOMS LARGE

WASHINGTON: The United States yesterday laid down a tough line for modernizing the North American Free Trade Agreement, demanding major changes to the pact that would reduce US trade deficits with Mexico and Canada and increase US content. As the negotiations kicked off to modernize the North American Free Trade Agreement, the biggest uncertainty is whether a deal can pass President Donald Trump's "America First" test.

Speaking at the start of the talks in Washington, US President Donald Trump's top trade adviser, Robert Lighthizer, said NAFTA had "failed many, many Americans" and Trump was not interested in "a mere tweaking" of the 23-year-old pact.

"We feel that NAFTA has fundamentally failed many, many Americans and needs major improvement," Lighthizer, the US Trade Representative, said in an opening statement.

Lighthizer said repeated US demands for increased regional and US content in autos produced in the region, the largest source of a \$64-billion US goods trade deficit with Mexico last year. He also said the United States would insist on strong provisions governing labor and currency practices.

"We need to ensure that the huge trade deficits do not

continue and we have balance and reciprocity. This should be periodically reviewed," said Lighthizer. "The rules of origin, particularly on autos and auto parts, must require higher NAFTA content and substantial US content."

Canada's Foreign Minister and lead NAFTA negotiator, Chrystia Freeland, took a swipe at the US position on the need to shrink the US trade deficit. "Canada does not view trade surpluses or deficits as a primary measure of whether a trading relationship works," she said in her opening statement. "Nonetheless, it's worth noting that our trade with the US is balanced and mutually beneficial."

Mexican Economy Minister Ildefonso Guajardo said the aim of the talks should be to tear up NAFTA, but to forge a stronger deal. "The issue is not tearing apart what has worked, but rather, how we make our agreement better," he said. "For a deal to be successful, it has to work for all parties involved. Otherwise, it is not a deal."

Analysts said the biggest uncertainty is whether a deal can pass President Donald Trump's "America First" test. Trump has blamed NAFTA for shuttering US factories and sending US jobs to low-wage Mexico, a point that Lighthizer also emphasized in his opening remarks. The test will be whether negotiators can prove that a new NAFTA agreement can alter that course.

'Do no harm'

The call from the US business community in the run-up to the talks has been "do no harm" amid concerns that a new agreement will unravel a complex North American network of manufacturing suppliers built around NAFTA. Trump, who made trade a centerpiece of his presidential campaign as he promised to reinvigorate the manufacturing sector, pulled the United States out of the Trans Pacific Partnership trade pact shortly after taking office in January. But he has since backed off other trade threats, including declaring China a currency manipulator and tearing up NAFTA, which he regularly calls a disaster. US-Canada-Mexico trade has quadrupled since NAFTA took effect in 1994, surpassing \$1 trillion in 2015.

Derek Burney, a former Canadian ambassador to Washington who was involved in the first NAFTA negotiations, said that in the previous NAFTA talks there was a political commitment from all sides to reach a deal. That is not the case now, he said. "The question ... is, What will Trump accept as a success in these negotiations?" said Burney. "To me, that is the biggest wild card of all."

Robert Holleyman, a former deputy US trade representative during the Obama administration, said the "toughest nut to crack" in the talks will be whether changes meet

Trump's goal of reducing the trade deficit. "We know where he wants to make changes to NAFTA. Whether those changes lead up to something that actually reduces the trade deficit with Mexico is wholly unclear," Holleyman said.

NAFTA renegotiation will be a major test of Trump's ability to meet his campaign promises to restore US manufacturing jobs. Although he has inherited a strong economy that has added 1.29 million jobs this year, his promises of an ambitious legislative agenda have been derailed by the failure of a healthcare bill and the lack of a detailed plan for tax reform. Also weighing heavily over the talks is the upcoming 2018 Mexico presidential election. Mexico has urged all sides to complete the negotiations before the campaign ramps up in February to avoid it becoming a political punching bag.

One of the most contentious issues in the talks is likely to be over the "Chapter 19" mechanism requiring the use of bi-national panels to settle anti-dumping and anti-subsidy disputes, which the Trump administration wants to eliminate because the rulings often go against the United States.

Mexico has said its NAFTA goals are free access for goods and services, greater labor market integration and a strengthening of energy security. — Agencies

BRUISED BUT COPING, QATAR ECONOMY REMAINS STRONG

DOHA: Qatar's economy has been hit by the sanctions imposed by a Saudi-led Arab bloc but the emirate's economy is strong enough to survive, analysts say. Since June 5, Saudi Arabia and allies Bahrain, Egypt and the United Arab Emirates shut down air, maritime and land links with Qatar, and imposed economic sanctions, accusing Doha of supporting "terrorists" and of being too close to Iran. Qatar, denying the charges, accuses its Gulf neighbors of seeking to strangle its economy.

The heavily air-conditioned malls of Doha, a city in the throes of a \$200-plus billion construction boom as it aims to make a splash on the world stage by hosting football's 2022 World Cup, remain busy as ever, as do its roads. To counter the sanctions and trading curbs, ally Turkey and neighboring Iran have been pouring in food supplies by air and sea. "In the medium- to long-term, perhaps people who live here will feel" the effects, but for the time being, "we haven't felt any big difference," said Mohamed Ammar, who heads the Qatari Businessmen Association.

For Rashid bin Ali Al-Mansoori, CEO of the Qatar Stock Exchange, the worst is already over. The second most highly-capitalized bourse in the Middle East plunged seven percent on June 5 and lost almost 10 percent in the first three days. "We were surprised and the market also was surprised, so the market really reacted to the news like any other market of course," he said.

But "the Qatar economy is very strong, it's the strongest economy in the region... investor trust and confidence in the market is still there," said Mansoori.

The level, however, remains around six percent lower than during pre-crisis Qatar. And analysts are predicting a long drawn-out crisis which will affect investor confidence, with Bloomberg assessing at the end of July that Qatar's economy was showing "the strain". "Data released last week showed that foreign deposits at Qatar's banks fell the most in almost two years last month as customers withdrew funds, pressuring liquidity available locally for businesses and the government," it said.

Amy McAlister of consultancy firm Oxford Economics said central bank data showed reserves were running at their lowest level since May 2012, a slide of 30 percent compared with June 2016. "Uncertainty will have prompted banks and portfolio investment funds to withdraw money from Qatar, leading to a fall in reserves as the central bank tries to ease liquidity pressures," she said. "The central bank will have also depleted reserves to support the currency peg to the US dollar, which has seen pressure since the dispute began."

'Most resilient in Mideast'

Oxford Economics has revised its growth outlook for 2017 down to 1.4 percent, compared with 3.4 percent before the Gulf crisis, and re-

evaluated inflation at 1.8 percent, up from the anticipated 1.5 percent, because of higher import costs. Fitch, Moody's and Standard & Poor's have downgraded their credit ratings for Qatar. But analysts have faith in the capacity of Qatar, holder of the world's third-largest natural gas reserves after giants Russia and Iran, to withstand a long crisis.

"Qatar is the most resilient country in the Middle East by far," said Andreas Krieg, a strategic risk analyst and assistant professor at King's College London university. "They are very determined to see this through. Unlike the other countries, they have the most stable economy and the most stable financial situation. "The per capita reserves they have are the greatest in the world. Even if they have to liquidate some of their investments overseas, they could do but, at this point, this is not on the books," he said.

The tiny emirate with a population of 2.6 million, 80 percent of them foreigners, ranks as the world's richest on a per-capita basis, according to the International Monetary Fund. It holds a staggering \$330 billion in a sovereign wealth fund, with assets heavily invested abroad. "It is worth pointing out that these reserves do not include the foreign assets of the sovereign wealth fund, so the wider impact may not be as significant as the sharp drop initially suggests," said McAlister. For McAlister, despite uncertainty over the timeframe of the crisis, "Qatar will likely be able to withstand economic sanctions for many years." — AFP

CANADA APPROVES FIRST CRYPTOCURRENCY SALE

TORONTO: Canadian financial regulators have approved the public sale of a new digital currency in the country's first official endorsement of money created independently of the government or central banks, company officials said yesterday.

Produced with digital encryption techniques, cryptocurrencies like Montreal-based Impak Coin allow users to create their own money supply - with potentially significant impacts for how wealth and property rights are controlled. Impak Coin has already raised more than C\$1.5 million (\$1.18 million) for the new currency and plans to launch an Initial Coin Offering - or a public sale of the digital money - this month. By allowing people to create a new currency, the project aims to reduce the power of big banks in determining how property rights are managed and money is created, said Paul Allard, chief executive of Impak Finance, the social enterprise behind the project.

"It is up to communities to decide how to manage a currency, it is not only for the government to decide," Allard told the Thomson Reuters Foundation.

No need for govt

Throughout modern history governments have had control over how money is created and the power to enforce contracts and determine how goods and

services are transferred. Cryptocurrencies - through blockchain, the information storage and database system they use - have challenged that power, said Simon Trimborn, a professor at the Free University of Berlin who studies digital networks.

"The link between cryptocurrencies and individual property rights is the information storage and transaction system behind cryptocurrencies, the blockchain," Trimborn told the Thomson Reuters Foundation. "It is a database which can guarantee property rights while there is no need for relying on a company or government."

Contracts are made digitally between peers and transactions are often conducted without government oversight, reducing the state's power over the market.

The move by financial authorities to approve the sale of the digital money means "confidence and trust for investors," said Jean-Philippe Vergne, a professor at the Ivey Business School in Ontario, Canada, who studies cryptocurrencies. "We are observing a profound change in the nature of capitalism," Vergne told the Thomson Reuters Foundation. "For the first time we have a technology that allows us to remove intermediaries such as government or central banks." — Reuters