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Fitch: Ongoing NAFTA Uncertainty Lifts Trade Risks for US States

Fitch Ratings-New York-11 July 2018: Protracted uncertainty around the North American Free Trade Agreement (NAFTA) renegotiations could elevate risks for some US states with the most to lose from a NAFTA termination, Fitch Ratings says. These states export heavily to Canada and Mexico, most have small populations, and export industries account for a sizable portion of their gross state products (GSPs).

Fitch's base case continues to be a favorable conclusion to the NAFTA talks that does not materially disrupt trade in the bloc. Talks are likely to resume, although full ratification of a revised agreement is unlikely before 2019. In the interim, risks of a termination or substantial rewriting of the NAFTA agreement that would affect trade and investment remain.

If NAFTA is terminated and World Trade Organization rules take their place, US states with greater trade exposure to Mexico will be more at risk of higher or new tariffs on exports. Some of the highest tariff rates could be imposed on farm, livestock, energy and automotive products.

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