MAY 2024

CEI GLOBAL REPORT

CEI Centre for International Economy

The return of industrial policy

The global economy has suffered in recent years a series of shocks that have brought about bottlenecks and other issues in several international supply chains and have led many countries to initiate a debate about the disadvantage of relying on certain foreign suppliers for the provision of products critical to their economies. The consequences of the pandemic, the rise of geopolitical tensions (which in some cases have turned into war conflicts) and the climate crisis became threats to national security and encouraged governments to promote the use of protective measures for their production systems.

According to a piece of news published by the IMF, one of the consequences of this international context was the decision of national governments to retake and adopt new industrial policy measures. In this sense, the body decided to collect data and analyse behaviours to have more tools for the discussion on the usefulness of these types of policies.

The survey carried out by the IMF indicates that in 2023 more than 2,500 industrial policy interventions were carried out globally and that more than two-thirds of those measures may have caused trade distortions to the detriment of foreign interests. The countries that drove most of these policies were the United States, China and the European Union and their implementation was mainly justified by the green transition and the defence of economic and energy security. Regarding the products in which the actions were most concentrated, there stand out those that have both civilian and military use and the inputs used in high-tech production processes such as critical minerals and semiconductors.

IMF officials have voiced their reservations about certain aspects of the measures applied last year. In the first place, they argue that these did not necessarily respond to a correctly identified market failure, which implies that their execution carries the risk that the resources have not been allocated efficiently and that their fiscal cost is disproportionate. Likewise, the report points out the existence of a dynamics of retaliation that is negative for the global economy, and criticises the timeliness of the application of certain industrial policies, insofar as these often tend to have a strong correlation with the electoral interests of the rulers (they are announced before elections). Finally, the body points out that many times the measures applied respond to specific interests and that they favour consolidated companies, rather than being aimed at benefitting the entire economy.

Artificial intelligence: opportunities and challenges for companies

The debate on the changes that artificial intelligence (AI) will bring about to the global economy continues to occupy a prominent place on the agenda of governments, international organisations, companies and the media (see CEI Global Report, February 2024).

Since November 2022, when OpenAI launched ChatGPT, an obligatory process of adaptation to the new reality has begun for the private sector in general and for large companies in particular. Recently, FORBES magazine published the results of a survey in which the CEOs of large companies indicate that they are in the process of adapting to the challenges of AI for a wide variety of applications, such as customer service, cybersecurity, production processes and logistics, among others.

The vast majority of respondents agreed on three aspects in which AI would impact their businesses: 1) the progressive use of ChatGPT, 2) the modelling of production and internal management, 3) as a tool for a better market presence. Likewise, they highlighted their concern about the risks that an excessive dependence on AI-based technology would entail (see CEI Global Report, July 2023).

A report published by the OECD had already pointed out that the main direct impacts of AI for companies were value generation and cost reduction. Two vectors with the capacity to significantly influence international trade and business models in an equation with four variables: goods, services, consumers/users and data.

Increasingly, different business activities have adopted or will adopt AI systems in issues such as: logistics (optimisation of stocks and storage, efficiency in supply chains, traceability); customs (coding, classification, customs procedures); transport (layout of distribution routes, navigation software for optimisation of logistics routes); financial services (automation, personalisation, fraud detection); professional services; virtual assistants; marketing and advertising (content personalisation and market segmentation, market predictions); agriculture (real-time information, weather and sanitary forecasts, quality improvement and product segmentation); health (virtual diagnostic systems, epidemic prediction, drug development and medical kits); education and translation automation; and entertainment services (content segmentation and adaptation).

AI already impacts production systems in a transversal and broad manner, particularly in economies of scale, value chains, knowledge-intensive industries, and data processing with multiple uses.

Income gap between rich and poor countries increases

According to a report published by the World Bank (WB), since the beginning of this decade the poorest countries in the world have experienced lower growth than the more developed ones, which has caused the income gap between these two groups to deepen.

The study focused on the performance of the 75 countries that due to their economic situation are eligible to receive no-interest or very low interest rate grants and loans from the International Development Association (IDA) of the World Bank; 39 of them are from sub-Saharan Africa, 14 from East Asia and 8 from Latin America and the Caribbean. Together, they are home to a quarter of the world's population.

The WB points out that between 2020 and 2024 these countries suffered a historical decline: GDP per capita in half of them has grown less than in developed economies. One-third are even poorer today than before the COVID-19 pandemic. On average, they have an extreme poverty rate eight times higher than the rest of the countries and house more than 90% of the people who suffer from hunger or malnutrition worldwide.

The countries analysed by the WB have a large provision of natural resources, among which critical minerals necessary for the energy transition can be found. They also have a growing young population, unlike the rest of the world. However, according to the report, these advantages cannot be exploited without significant international financial support, even running the risk that, in the event of no sustained increase in investment, stagnation can continue and these countries can undergo another lost decade for the development of their economies.

EUROPE

The European economy faces a soft landing scenario

The macroeconomic situation of European countries would move towards a soft landing scenario, that is, a reduction in the inflation rate with a moderate cost in terms of growth. However, in the medium term it will be difficult to preserve the price stability while maintaining the pace of economic activity recovery.

According to the IMF's Regional Economic Outlook for Europe of April this year, the rapid disinflation that occurred on the continent was based on the correction of the negative supply shock and on a contractionary monetary policy. Thus, despite the attacks on ships using the Suez Canal and adjustments in energy markets, inflation would return to precrisis levels and the European economy would resume a growth path.

Based on IMF projections, the inflation rate in Europe would continue its downward trend: after peaking 15.2% in 2022 –following the 4.8% in 2021–, it dropped to 10.5% in 2023 and anticipates 8.4% for this year, 6% for 2025 and 4.3% in 2026. Economic growth (according to the variation of GDP measured in purchasing power parity) was 6% in 2021 and has gone down since the crisis: 2.7% in 2022, 1.4% in 2023. For this year it is expected to be 1.6%, 2% in 2025 and 1.9% in 2026.

There would be differences between the more advanced and the emerging economies. Inflation in the first type of economies was 5.6% last year and it would be 2.4% this year and 2.1% next year; in emerging economies (except Belarus, Russia, Türkiye and Ukraine) it was 11.3% in 2023, it would be 4.9% this year and 4.2% the following year. In terms of growth, for advanced countries the IMF projects 0.8% for 2024, and 1.6% for 2025 and 2026; while for emerging countries the growth rate this year would be 2.9%, 3.5% in 2025 and 3.4% in 2026.

European farmers' criticism of EU's measure on deforestation

The EU Regulation on products associated with deforestation is giving rise to criticism from European farmers. The regulation, which will begin to take effect at the end of the year, contains a ban on selling local and imported products in the EU and exporting agricultural products originating in the EU that come from land that has been deforested after 30 December 2020.

In spite of the fact that further to its environmental nature, the measure implies a protection of the agricultural market of the bloc by restricting imports, EU's producers consider that the regulation is also against their interests. For example, it requires them to have a complex information system to comply with the requirement of due diligence and traceability, which contradicts one of the central claims of recent protests by agricultural producers: the excessive administrative burden involved in complying with Community rules (see CEI Global Report, February and March 2024). Likewise, it limits the agricultural activity of producers who in recent years received incentives from their governments to reforest.

Both producers and the governments (20 countries led by Austria) requested an extension of the entry into force of the Regulation in order to carry out a revision of the regulation and give producers time to prepare. So far, the reply of the European Commission was not to accept any postponement.

EU: WTO ruling on Malaysian oil and palm biodiesel measures

The Dispute Settlement Body of the WTO considered that the measures adopted by the European Union on the imports of palm oil and palm biodiesel from Malaysia are consistent with multilateral trade rules, in a case initiated by the Asian country in January 2021 in which it considered itself prejudiced by the bloc's policies.

Malaysia questioned EU measures that promote renewable fuels, specifically, the requirement for member countries to have a certain proportion of total energy consumption coming from renewable sources and the requirements that such sources must meet in order to be considered as such. European regulations assess the environmental impact that occurs during raw material procurement, in the production process and in the country of destination.

In its Report, the Panel accepted claims from both parties. Among those favouring the EU, there are two significant opinions that can be used as precedent in future cases. The first considers the European rule necessary to protect people’s health and lives, depletable natural resources and public morale; and the second establishes that it is a legitimate objective to “limit the risk of greenhouse gas emissions related to the indirect land use change to crop-based fuels”.

Rulings in favour of Malaysia show that the EU breached some form issues. For example, it states that the EU has been discriminatory in determining which biofuels have a high risk of indirect land use change. Likewise, it determined that the bloc established verification procedures that create unnecessary obstacles to trade; which gives palm oil-based biofuel less favourable treatment than that afforded to similar products originating in the EU, such as soybean or rapeseed; and which gives biofuel from other countries a more advantageous treatment than that of Malaysian origin.

According to the European Commission, the WTO ruling allows the use of food and agricultural raw materials to be limited, to the extent that they have a negative impact on climate change, although it accepts the need to adjust the criteria to determine the inputs to be used. In turn, Malaysia states as positive the fact that the ruling highlights the discriminatory treatment given to palm and the Malaysian product.

According to experts of legal WTO cases, the Panel confirms a country’s ability to take measures to reduce greenhouse gas emissions, even if the emissions occur outside its borders. An important point is that the measure is compatible with Article XX of the GATT, that is, it enables discriminatory treatment. This can influence other measures taken or in the process of being taken, such as the border payment adjustment mechanism.

SOUTH AND CENTRAL AMERICA

Automotive sector: investments in Argentina and Brazil

In Argentina and Brazil, a number of important investment announcements were made in the automotive industry, mainly with the aim of advancing the decarbonisation of the sector. The Honda company announced plans to produce a new hybrid-flexible SUV model in Brazil by 2025, which adds to a cycle of investments that the company will make between 2024 and 2030, for a total of 4.2 billion Brazilian reals (USD 840 million), destined for hybrid vehicle production and supply chain development.

Likewise, the Stellantis group (owner of brands such as Fiat, Jeep, Peugeot, Citroën and Chrysler) announced investments in the region for USD 6 billion for the 2025-2030 period, which will support the launch of more than 40 products, as well as the development of new technologies that will make it possible to advance decarbonisation throughout the automotive supply chain.

In Argentina, the local subsidiary of Stellantis is expected to receive at least USD 400 million from this investment package during the 2024-2025 two-year period. Apart from the new car models, such as the Peugeot 2008, investments are also expected to take place in activities such as mining, sales of spare parts and clean energies.

These announcements align with a broader trend in the region, where the automotive industry is expected to invest a total of USD 20 billion through 2029. Companies such as Volkswagen, General Motors, Toyota, Hyundai and others are also making significant investments with the aim of producing hybrid, electric and hydrogen vehicles.

Argentina and Brazil: first exports and market openings

In April 2024, the National Service of Agri-Food Health and Quality (SENASA, for its acronym in Spanish) certified the first shipment from Argentina of boned beef to Israel, following the recent opening of that market. The company Marfrig, based in Villa Mercedes, San Luis, was in charge of making the shipment.

Likewise, SENASA certified the first export of seven tonnes of pacú fish to the United States from the province of Chaco. The operation was carried out by the San Carlos rice company, which has developed an innovative sustainable production model based on the rotation of activities, where the plots are first used for rice cultivation and then transformed into ponds for pacú breeding.

In turn, the Brazilian government received notifications from the Department of Veterinary Services and the Department of Islamic Development Malaysia, informing it of the qualification of four slaughterhouses for the exports of halal chicken meat, which increases to seven the number of slaughterhouses authorised to export to the Malaysian market. In 2023, Brazil exported more than 13,600 tonnes of halal chicken meat to Malaysia, generating revenues of around USD 20 million.

On the other hand, India's Ministry of Fisheries, Animal Husbandry and Dairying confirmed the opening of two new markets for Brazil: farmed fish and wild-caught fish. In 2023, India was the twelfth destination for Brazilian agricultural exports, with sales of USD 2.9 billion.

In addition, South Korea authorised the Brazilian exports of ten shrimp-based products, without the need to issue an International Health Certificate. This is the second market that South Korea opened in a month, following prior authorisation for the exports of by-products of animal origin intended for animal feed. In 2023, South Korea was the eighth destination for Brazilian agricultural products, with exports totalling USD 3.4 billion. Brazilian sales of these products to the South Korean market in the first three months of this year reached USD 646 million.

Finally, the Chinese government authorised seven Brazilian slaughterhouses to export foetal bovine serum to said market. This serum is essential for cell growth in the laboratory and contributes to advances in biomedical research, vaccine and drug production. China represents the main destination for Brazilian meat exports, with 37% of all exports in 2023, worth USD 8.3 billion.

New trade and cooperation agreements in the region

Colombia's Ministry of Trade, Industry and Tourism and the UAE's Ministry of State for Foreign Trade sealed a Comprehensive Economic Partnership Agreement after two years of negotiations. This agreement constitutes a significant milestone, as it is the first agreement signed by Colombia with an Arab country.

The agreement includes 19 chapters that address aspects such as access to markets, health and phytosanitary measures, rules of origin, trade defence, economic cooperation, digital commerce, the environment, sustainable development and responsible tourism. Once the instrument comes into force, 85% of Colombian products will enter the UAE market without tariffs, including a wide range of products such as coffee, fruit, meat, dairy products and textiles, among others. Some products will have a 5-year relief schedule, such as certain biscuits and medications, and others, schedules of up to 12 years, such as appliances and ceramic products. On the other hand, 63% of Emirati products will enter Colombia tariff-free once the agreement begins to be in effect, while the remaining 37% will have relief schedules of up to 12 years and will maintain the price range mechanism mainly for oils and sugar.

Trade between both countries reached USD 329 million in 2023, and this agreement is expected to boost bilateral trade.

In addition, the Ministry of Foreign Affairs and the Ministry of Industry, Energy and Mining of Uruguay, together with the United States Department of Commerce, signed a memorandum of understanding on cooperation in critical and emerging technologies. The instrument establishes the creation of a bilateral working group focused on areas such as semiconductors, artificial intelligence, data flows, clean energy, telecommunications, cybersecurity and biotechnology. Through this group, both countries will collaborate in the development and execution of an action plan on opportunities in cutting-edge technologies.

NORTH AMERICA

Biden calls for tripling tariffs on Chinese steel and aluminium

President Joe Biden requested the office of the United States Trade Representative (USTR) to study the possibility of tripling the import tariff on steel and aluminium from China, which is currently 7.5% on average.

Addressing metal unions in Pittsburgh, Pennsylvania, the President expressed that US workers continue to face unfair competition from Chinese imports of steel and aluminium products. Likewise, in a White House statement he argued that China's overcapacity and non-commercial investments in the steel and aluminium industries meant that high-quality American products have to compete with artificially low-priced alternatives produced with higher carbon emissions.

In addition, he said that his government is working with Mexico to ensure that Chinese companies cannot circumvent the tariffs they are subject to by sending steel there for subsequent exports to the United States, and promised to carry out anti-dumping investigations against other countries and importers that try to saturate markets.

As part of the collaboration commitments with the United States to monitor external purchases of steel and aluminium, the Mexican Ministry of Economy incorporated 72 tariff lines to the scheme of automatic import notices of steel products and added new regulations that require steel importers to report the origin of their products, including the place where they were melted and poured, to obtain the necessary documentation for customs clearance. Likewise, the Mexican government increased between 5% and 50% the tariffs on more than 500 products –including steel and aluminium manufactures– from countries with which Mexico does not have a trade agreement, such as the case of China.

Moreover, on her last visit to China, Treasury Secretary Janet Yellen expressed her concern over the fact that Chinese subsidies were creating an oversupply of clean energy products, such as solar panels and electric vehicles. The US official fears that this excess production will be sold on world markets at artificially low prices, and does not rule out the imposition of measures, including new tariffs, if this problem is not resolved.

New US approach to identifying trade barriers

On 29 March, the USTR published its report on foreign trade barriers (National Trade Estimate, NTE). The report, published annually since 1985, provides a review of foreign barriers to US exports of goods and services, investment, and e-commerce in key export markets for the United States.

According to statements from the current head of the USTR, Katherine Tai, this year actions were taken to return the report to its stated statutory purpose of "identifying significant barriers to trade and investment." Considering that each government has the sovereign right to govern in the public interest and to regulate for legitimate public policy reasons, those measures that could be considered valid exercises of sovereign political authority (e.g., requirements for the granting of import licenses for narcotics and explosives or restrictions on the import of endangered species) were not included in the 2024 report.

These changes prompted criticism from various business associations as well as Republican lawmakers, who argue that the definition change –which resulted in the exclusion of numerous measures, particularly related to e-commerce and local content requirements– could lead to further discrimination against US businesses. The fact that certain laws, proposals or regulations that were previously under observation become acceptable by the United States could affect not only trade with the countries that have imposed them, but with other markets that choose to adopt similar policies. Business groups contend that under the Trade Act of 1974, the USTR should not determine whether trade measures are legitimate or valid for the country that applies them, but how they affect US companies.

With regard to digital trade in particular, this measure adds to the sector's discontent over Biden administration's decision to withdraw its support for key digital trade proposals in the WTO's Joint Declaration Initiative on Electronic Commerce and the Indo-Pacific Economic Framework for Prosperity (IPEF) (see CEI Global Report, December 2023).

Canada and Ecuador officially launch negotiations to reach trade agreement

The first round of negotiations to reach a free trade agreement between Canada and Ecuador began on 29 April and will run until 8 May. Three more rounds are expected until October.

The agreement will have 28 chapters and will comprise areas such as national treatment and market access, trade defence, rules and procedures of origin, trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, good regulatory practices, cross-border services trade and national regulation, e-commerce, telecommunications, government procurement, competition policy, state-owned companies, labour and environmental aspects, inclusive trade, transparency and anti-corruption, indigenous peoples, medium and small businesses, gender and fair trade, among others.

Sectors identified as priorities by the Canadian government are agriculture, clean technologies, education, extractive industries, and infrastructure. However, it will continue to address the concerns of sensitive sectors, in particular the dairy, poultry and egg supply management system and seek to preserve the flexibility to adopt and maintain measures related to the cultural sector.

In turn, the Ecuadorian government stressed that the agreement will include the tariff reduction for 2,000 products from its exportable supply.

In 2022, total bilateral trade in goods between Canada and Ecuador reached a record figure of more than USD 1 billion. Canada is the largest foreign investor in Ecuador, with investments that exceeded USD 2 billion, led by those in the mining sector.

ASIA AND OCEANIA

China launches industry modernisation plan

With the aim of promoting economic growth and the modernisation of its industry, the Chinese government announced a plan of comprehensive action in matters of technological innovation, competitiveness and sustainability of its industry, which has four key axes. The first aims at accelerating the replacement of obsolete or inefficient equipment, both for medium or low technology industries (such as textiles, agriculture or electric bicycles) and for high technology industries (aviation, photovoltaics, electric batteries or biological fermentation). In many cases, it aims at promoting the industries that produce the machinery to be substituted. It also seeks to improve engineering capabilities around verification and inspection processes in industries such as petrochemicals, medicine, shipbuilding and electronics. For the year 2027, the goal is for investment in machinery and equipment to increase by 25%, compared to 2023.

The second axis consists of implementing digital transformation actions based on the application of smart manufacturing equipment in production operations, storage logistics and quality control, among others. Added to this is the construction of smart factories, where state-of-the-art information and communications technologies are integrated throughout the production process, which will make it necessary to deploy large-scale network infrastructure and the Internet of Things. In this regard, it is expected that by 2027, 90% of the industry will use digital design and research and development tools and that three quarters of these companies will use numerical control in key industrial processes.

The third axis consists of actions to promote environmentally friendly and energy-efficient equipment; in particular, in industries such as steel and construction. This also includes solid waste treatment, water savings and wastewater recycling. Finally, the fourth seeks to improve safety levels in sectors such as petrochemicals or explosives, including the elimination of risky jobs and their replacement by robots.

To put these changes into practice, funding will be offered for equipment renovation and technological transformation, and preferential tax treatment will be granted to green equipment and those that promote safety and digital transformation. It also includes the granting of loans for innovation and the creation of links between banks and companies with projects considered key for the aforementioned purposes. In addition, government offices dedicated to industry and information technologies in each region are expected to organise and execute the upgrade of companies' equipment locally.

Australia and China end dispute over wine trade

Following the communiqué of the Chinese Ministry of Commerce informing its decision to eliminate the anti-dumping measures imposed on Australian wines as of 29 March of this year, the delegations of both countries notified to the WTO Dispute Settlement Body of the end of their dispute in this regard. The dispute had begun in June 2021 following Australia's request for consultations regarding anti-dumping and countervailing measures that China had been applying since 2020 to wine bottled in containers of 2 litres or less, imported from the oceanic country. After the measure –which established the payment of anti-dumping tariffs of between 107% and 212% on Australian wines–, Australia went from being the main supplier of this type of wine to China and accounting for 35% of imports in 2019, to only supply 0.1% of that product in 2023.

Although the difference resulted in the establishment of a panel that was expected to give an opinion in November 2023, the parties requested in October of that year that said group suspended its work until 31 March 2024. According to the Australian authorities, the announcement is the result of the "calm and coherent" approach adopted by the government of Prime Minister Anthony Albanese, which had already had positive results when negotiating the elimination of the duties imposed by China on Australian barley (see CEI Global Report, January 2024).

United Arab Emirates, Iraq, Qatar and Türkiye sign cooperation agreement

In the context of the first visit of a Turkish president to Iraq in 13 years, both countries signed, together with Qatar and the United Arab Emirates, a memorandum of understanding for joint cooperation on the Iraqi project called "Development Road". The project, whose initial goal is to transform Iraq into a key transit hub between Asia and Europe, involves the construction of 1,200 kilometres of railways, a new highway connecting Al Faw in Iraq with northern Türkiye, and oil pipelines, gas pipelines, logistics centres and even industrial cities. The route is proposed as an alternative to the current route through the Suez Canal and the India-Middle East-Europe corridor (see CEI Global Report, March 2024), as it would reduce transport times and costs.

It is estimated that the Development Road will require a USD 17 billion investment and could generate annual revenues of USD 4 billion and at least 100,000 jobs. As for the deadlines, it would be expected to be completed in three stages (2028, 2033 and 2050). At the moment, the countries decided to advance in the formation of legal, technical, financial and management committees to discuss the financing and implementation of the project.

AFRICA

IMF highlights importance of critical minerals from sub-Saharan Africa

The transition to clean energy that the global economy is going through will necessarily imply an increase in demand for critical minerals. According to what is indicated by the International Energy Agency, between 2022 and 2050 the demand for nickel will double, the demand for cobalt will triple and the demand for lithium will multiply by ten. Sub-Saharan Africa holds approximately 30% of the world's reserves of critical minerals. For this reason, in a recent news report the IMF points out that, if properly managed, the current energy change process has the potential to transform the region.

The Democratic Republic of the Congo produces more than 70% of the cobalt extracted in the world and owns approximately half of today's reserves. South Africa, Gabon and Ghana together account for more than 60% of the world's manganese production. Zimbabwe, along with the Democratic Republic of Congo and Mali, have unexplored lithium deposits. Other countries with significant reserves of critical minerals are Guinea, Mozambique, South Africa and Zambia.

With a growing demand, revenues from the extraction of critical minerals will increase significantly in the coming decades. It is estimated that, in the case of four key minerals (copper, nickel, cobalt and lithium), profits would total USD 16 trillion over the next 25 years. Sub-Saharan Africa will earn more than 10% of this cumulative income, which could correspond to an increase in the region's GDP of 12% or more by 2050. Given the volatile nature of commodity prices and the unpredictability about the future direction of technological innovation, these estimates have a high degree of uncertainty, but the overall direction is encouraging for the countries in the region.

According to the IMF, the development of local processing industries could significantly increase value added, create more skilled jobs, and increase tax revenues, which would be critical for poverty reduction and sustainable development. By diversifying their economies and moving up the value chain, countries will be less exposed to changes in commodity prices and able to hedge against exchange rate volatility and pressures on foreign exchange reserves.

Officials from the international body stated that countries in the region need to collaborate on policies to create more favourable investment and business environments. According to the piece of news, simplifying bureaucratic procedures and harmonising mining regulations across borders would promote a stable and predictable investment environment. Efforts to minimise mining and processing environmental impacts would also help unlock new financing and investment opportunities in green finance.

Drought strongly affecting Zambia

In February of this year, Zambia banned the exports of grain and maize flour, after a prolonged drought that negatively affected the production of the crop in 84 of its 116 districts. This led the country to start talks with Uganda for a possible supply of more than 500,000 metric tonnes of corn to replenish its depleted reserves that exposed more than two million people to famine.

The "Zambia Vulnerability Assessment Report" (2023) warned about the food insecurity issues which would be caused by the lack of rain. Zambia, the second largest maize-producing country in southern Africa following South Africa, declared the drought a national disaster in February and introduced a state of emergency. This situation put pressure on South Africa to supply corn to its neighbours, even though its own prospects do not look promising.

Last year Zambia rejected a proposal to supply maize to Kenya, even though a memorandum of understanding had been signed that stipulated hiring Zambian farmers to grow maize exclusively for the Kenyan market. Kenya has historically sourced most of its imported maize from Tanzania; however, difficulties have arisen following the implementation of new export procedures by the Tanzanian authorities. As a result, Kenyan traders began to obtain a greater amount of maize from non-traditional origins such as Zambia and South Africa.

Besides the drought, Zambia's economy faces significant macroeconomic challenges that are reflected in low growth, high fiscal deficits, rising inflation and indebtedness, as well as a low level of international reserves.

Kenya poultry sector projects losses if US agreement is approved

Kenya's poultry sector estimates that it risks losing USD 1.3 billion annually if the proposal to import avian products from the United States within the framework of the negotiations underway to meet the "Strategic Trade and Investment Association" between both countries is met (see CEI Global Report, January 2023).

The Poultry Breeders Association of Kenya (PBAK) stated that the losses would stem from a projected 75% reduction in demand for local poultry products that would be replaced by US ones, while supporting industries in the value chain, including animal feed suppliers, breeders, processors, transport and veterinarian services, would also be affected.

The technological difference between poultry production in the United States and Kenya is significant and includes factors such as infrastructure, access to resources and government agricultural policies that tilt the scale in favour of the North American country.

In a memorandum submitted to Kenya's Chief Trade Secretary, PBAK stated that signing the deal will affect the livelihoods of nearly 400,000 homes.

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Closing date of this issue: 30 April 2024

Ministry of Foreign Affairs,
International Trade and Worship
Argentine Republic