APRIL 2024

CEI GLOBAL REPORT

CEI Centre for International Economy

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In search of sustainable electromobility

The need to reduce greenhouse gas emissions has challenged the world economy to change its energy production, distribution and consumption patterns. The automotive industry is not alien to this reality (in 2020, transportation was responsible for 37% of global CO_2 emissions) and the increasingly widespread use of batteries for electric vehicles (EVs) is the industry's main response (see the CEI report "Automotive Sector Trends and Outlook" of May 2023) to the new scenario. However, despite the lower pollution of EVs, the use of certain components and processes present in their production are not consistent with the aforementioned objective.

From this perspective, the sector and policy makers are considering an approach based on the so-called circular economy in the search for systemic solutions to restructure the life cycle of auto parts and end products. The necessary condition to improve the sustainability of the sector is to be able to give prolonged existence to auto parts through durability designs, reuse and remanufacturing with priority in the recycling of materials, particularly in the case of batteries.

Within this framework, the three leading players in the process of technological innovation and supervision (the EU, China and the US) have adopted specific measures and articulated policies to establish new regulatory frameworks connected to environmental objectives in the sector, which will have an impact on third party producer and consumer markets.

The EU launched two strategic action lines called Digital Vehicle Passport and Digital Battery Passport. Both policies aim at modifying the life cycle of the automobile based on environmental criteria, extending the end-of-life of its critical components from a "circular economy" approach. A central element of these regulatory frameworks is the recycling of the battery system through the progressive use of recycled materials. Two concepts are present: design from sustainable innovation and improvements in production and manufacturing methods.

In the case of the United States –which in this process of energy transition related to the automotive sector is behind the EU and China– the Inflation Reduction Act (see CEI Global Report, September 2022) stands out. It gives special emphasis to the recycling of battery components, including tax benefits for their production and recycling. Contrary to the EU, US regulations are based on a market-driven approach, although the use of government procurement, such as the Resource Conservation and Recovery Act, is instrumental to the objective of the US administration for vehicles with recycled or remanufactured components.

China has become the latest relevant actor in this process. Through its public policies, it constitutes an attempt to articulate two variables for the sector: industrial ambition and technological leadership, apart from environmental sustainability. To this end, it has drawn up new regulations known as the framework for battery recycling, which seeks to strengthen the ecological needs in the innovative production process of electric vehicles. In order to achieve this, a core point of its actions focuses on the battery recycling process and the establishment of a traceability system and, as in the case of the EU, a digital passport is established in line with its parameters, to facilitate trade and meet the criterion of transparency in the traceability of production. For this reason, a productive regulatory framework of recycling requirements for end-of-life vehicles has been established, with the aim of improving the quality of used components and materials, which should have recycling as a common denominator. In addition, actions to reduce emissions in the production of steel in the national emissions trading system are being taken. These vectors of action are being accompanied by public financing to promote the energy transition.

World trade likely to grow in 2024, after a negative year

In the latest edition of the Global Trade Update –an UNCTAD's regular publication– estimates were made that show a recovery of world trade in 2024, after having suffered a 3% drop in 2023. According to the report, already in the fourth quarter of last year there was a change in the trend and the fall that had been observed came to an end, and some developing countries even experienced a growth in trade.

This situation did not prevent 2023 from ending with a negative sign, after a record high in 2022. The drop was mainly in trade in goods, which fell by 5%, and was not offset by the growth in trade in services (8%).

UNCTAD mentions that geopolitical tensions affected the usual trade flows: 1) in the case of Russia, which reduced its trade dependence on the EU and increased its dependence on China; 2) interdependence between China and the United States was reduced, a situation that had already been observed in previous years. As for intra-regional flows, there was a 6% increase in trade between African countries and a 5% drop among Latin American countries.

Regarding sectors, the report highlights pharmaceuticals, aircraft and motor vehicles (driven by electric vehicles) as those that grew in a context of generalised decline. As for services, which went up in general terms, tourism and travel-related services stood out, with a 40% increase in 2023.

With respect to the outlook for 2024, UNCTAD relies on the data available for the first quarter of the year to anticipate a continuation of the improvement seen in the last quarter of last year. It also uses as a basis the improved forecasts for inflation and economic growth at a global level, in addition to the growing demand for electric vehicles. However, it stresses that this situation may be modified by the increase in the aforementioned geopolitical tensions and adverse weather effects, which may lead to an increase in the cost of transporting goods and even to interruptions in supply chains due to disruptions in trade routes, such as those that occurred this year in the Red Sea and the Panama Canal (see CEI Global Report, February 2024).

IMF's positive outlook for world economy in the long run

At a conference held at King's College London, IMF Director Kristalina Georgieva took stock of the evolution of the world economy over the last century and anticipated some possible scenarios for its performance over the next 100 years.

Regarding the process underwent so far, Georgieva chose to take as a basis the predictions made by John Maynard Keynes in his work "The Economic Possibilities for Our Grandchildren", written in 1930 at the height of the world economic crisis. There, the English economist predicted that a century later, thanks to technological advances and the accumulation of capital, living standards would be eight times higher, something that is indeed close to what actually happened.

Although not all the predictions made by Keynes have come true (such as the improvement in the distribution of wealth), Georgieva resumes her optimism in an extremely negative context to introduce the forecasts for the next 100 years that were made by the organisation she heads.

IMF staff constructed two scenarios: the less ambitious one, which includes in the calculation the growth of the world economy prior to 1920, estimating that in 100 years world GDP would triple and that the living standards would be twice as high as today; and the more ambitious scenario –if growth patterns observed since 1920 were repeated–, where world GDP would be 13 times higher and living standards nine times higher.

For Georgieva, the final result will depend to a large extent on the world economy's ability to "allocate capital where it is most needed and where it will have the greatest positive impact". To this end, she pointed out what, in her opinion, the investment priorities should be: 1) mitigation, adaptation and climate transition, 2) artificial intelligence, and 3) health, education and social protection.

To round off the conference, the IMF director chose one of Keynes' quotes –though not the famous "in the long run, we are all dead", but another from 1942– in which the optimism shared by Georgieva can be perceived: "In the long run, almost anything is possible".

EUROPE

EU proposes to increase tariffs on Russian and Belarusian cereals and oilseeds

The European Commission proposed to increase import tariffs on grains and their derivatives from Russia and Belarus. These measures were aimed at: 1) avoiding a significant reorientation of Russian sales to the EU, which could be used to destabilise the EU market; 2) impeding exports from Russia to the EU of grains stolen from Ukraine; 3) preventing Russia from increasing its export revenues and thus having more foreign currency available to buy armaments and war equipment.

The products affected are cereals, oilseeds and derivatives, included in Chapters 10, 12, 14, 15 and 23 of the Combined Nomenclature. Depending on the product, the specific tariff for cereals will reach 95 euros per tonne and the *ad valorem* tariff for oilseeds could be up to 50%. Russian and Belarusian products will also no longer have access through tariff quotas and preferential tariffs. Although imports are not prohibited, they are strongly discouraged.

Thus, the Commission accepted the demand of Poland and the Baltic countries to curb the increase in imports from Russia and Belarus. The initial argument for not granting the trade restriction was that the increase in tariffs would affect third countries' food safety. But now the Commission avoids this consequence by not limiting transit through the EU or the use of EU ports and vessels. In turn, the Commission estimates that the reduction in imports from these two countries could be covered by increased domestic production and imports from the United States, Brazil, Argentina and Ukraine.

EU responds to farmers' protests and revises the CAP

The European Commission has submitted its proposal for a Regulation revising the environmental conditionalities for agricultural aid, in accordance with the plan announced in February (see CEI Global Report, March 2024). Although the Commission considers that this proposed revision of the Common Agricultural Policy (CAP) strikes a balance between support for a transition towards a more sustainable agriculture and farmers' expectations, it is clear that it is a modification proposed in the context of the latter's protests and attempts to satisfy some of their demands.

As a complement to the adjustments in environmental conditionalities, the Commission submitted to the Council and Parliament reflections on measures to improve the position of farmers in the food value chain, and which are to be implemented immediately.

Firstly, these measures consist of setting up an observatory of production costs, profit margins and commercial practices in the sector in order to increase transparency. Secondly, with an expected implementation during the remainder of the year, options for improving the common organization of the markets are presented, such as contracts between farmers and the food industry, the strengthening of producers' organizations and cooperation between them. Also included are new rules that seek to prevent the cross-border application of unfair trade practices such as deferred payments to farmers or the cancellation of purchases at short notice (20% of the food consumed in the EU comes from another EU country).

Thirdly, and scheduled for 2025, a revision and reform of the Directive on unfair trade practices in the food chain is proposed.

EU's energy dependence on Russia is reduced

The European Council adopted a recommendation encouraging continuing reduction of gas consumption to reduce energy dependence while moving towards achieving decarbonisation goals. This measure comes two years after the Versailles declaration in which European leaders decided to eliminate dependence on Russian fossil fuels.

In parallel, the Energy Council of EU and the US met and highlighted the actions of the Task Force on Energy Security, which helped move EU countries away from dependence on Russian fossil fuels. The Council reiterated its commitment to prevent Russian efforts to destabilise global energy markets and to evade sanctions over the invasion of Ukraine. It also reaffirmed actions that reduce Russia's revenues from fuel sales, such as the cap on the price of Russian oil. The Council is the transatlantic forum that coordinates energy strategy issues.

In this regard, a recent working paper published by the IMF on the energy crisis concludes that, by 2030, the various measures taken by European countries will cause Russian GDP to fall by 8%, while in European countries the decline would be less than 1%. This is due in particular to private consumption. The simulation model used estimates that in 2030, the energy dependence of European countries would disappear. In turn, Europe's GHG emissions would fall, but Russia's would increase.

SOUTH AND CENTRAL AMERICA

New market openings for Brazil

In March, the Brazilian Ministry of Agriculture and Livestock (MAPA, for its acronym in Portuguese) received information from various health authorities around the world regarding new developments in the access of Brazilian products to different markets.

South African authorities approved an international certificate for the imports of farmed fish and fish products from Brazil. Last year, South Africa imported more than USD 558 million in Brazilian agricultural products. Meat, timber, forestry products and the sugar and alcohol complex accounted for 60% of the total traded.

Likewise, the governments of the United Kingdom, Canada and El Salvador announced the relaxation of requirements to authorise the entry of gelatine and animal collagen of Brazilian origin. Last year alone, Brazil exported gelatine worth USD 375 million to some 70 countries. Likewise, the Central American country also announced the sanitary approval authorising Brazil to export eggs and poultry meat to that country. Brazilian agricultural exports to El Salvador totalled around USD 137 million in 2023. The main items were cereals and forestry products.

On the other hand, the year when Brazil is celebrating 50 years of diplomatic relations with China, another 38 Brazilian meat processing plants were authorised to sell meat to the Asian country, the largest number ever recorded in a single announcement in history. China is the main destination for

Brazilian beef, pork and chicken exports. In 2023, the Asian country imported 2.2 million tonnes of meat from Brazil (more than USD 8.2 billion).

Likewise, the Philippine authorities announced the equivalence of sanitary inspection systems, specifically for Brazilian exports of beef, pork and poultry meat. In addition, the agreement includes the possibility of enabling other production units that meet the established requirements. The agreement is valid for three years, starting on 28 February of this year. In 2023, Brazil exported approximately USD 700 million in meat to the Philippines, equivalent to 394,000 tonnes. Overall imports of Brazilian agricultural products from the Philippines totalled USD 907.9 million, equivalent to 836,000 tonnes of food.

Russia will be able to receive eggs and egg products from Brazil, following the sanitary approval announced by the Moscow government. Exports now depend on the qualification given to the facilities. Brazil's agricultural exports to Russia totalled more than USD 1.25 billion in 2023. Brazil contributed to the supply of around 50,000 tonnes of eggs to the international market last year, with exports of USD 186 million.

The Australian government announced the relaxation of the customs rules that limited the entry of Brazilian cachaça into the country. For sugarcane-based distilled beverages, such as cachaça, to enter the Australian market, they had to undergo a process of aging in wooden barrels for at least two years, a requirement that was not in line with the traditional production of unaged cachaça. In 2023, Brazil exported more than USD 20 million worth of cachaça to approximately 100 countries.

Along the same line, Saudi Arabia announced the opening of its market for exports of Brazilian seeds of various species. The Saudi market has great potential, with its growing demand for seed imports, driven by the development programme of greenhouse vegetable production. In 2023, the Brazilian agribusiness sold more than USD 250 million in seeds in the world market, equivalent to 47,000 tonnes. Saudi Arabia is the 11th destination for Brazilian agricultural products, with exports worth USD 2.9 billion last year.

Brazil boosts fertiliser production

In March, the EuroChem Mining Industrial Complex was inaugurated in Serra do Salitre, in the Brazilian state of Minas Gerais. This is the first mining unit of the company (Switzerland-based) outside the European continent and it is expected to supply 1 million tonnes of phosphate fertilisers per year to Brazilian agriculture. All of the Complex's production will be destined for the domestic market, which will serve to support Brazilian agricultural productivity and increase the sector's competitiveness.

The inaugurated plant will produce the equivalent of 15% of Brazil's phosphate fertiliser production. The extraction of phosphate, the main raw material and the production of granulated fertilisers are all integrated into that single complex. In addition, the industrial plant will produce 1 million tonnes per year of sulphuric acid and 240,000 tonnes of phosphoric acid, by-products used in the fertiliser production process itself.

NORTH AMERICA

China initiates dispute against US over electric vehicle subsidies

On 28 March China requested consultations under the WTO dispute settlement system with the United States on certain tax credits to promote the production of electric vehicles and renewable energy projects, provided for in the US Inflation Reduction Act.

China claims that these tax credits are contingent on the use of domestic products, in preference to imported ones, and discriminate against products of Chinese origin, thereby violating provisions of the General Agreement on Tariffs and Trade 1994, the Agreement on Trade-Related Investment Measures and the Agreement on Subsidies and Countervailing Measures.

The consultations give the parties an opportunity to discuss the issue and meet a satisfactory solution without litigating. After 60 days, if the consultations fail, the complainant can request a panel to resolve the dispute.

It should be recalled that the assembly and local content requirements underlying the law's incentives to support clean energy technologies, in particular the tax break for US-made electric vehicles (see CEI Global Report, September 2022) have generated adverse reactions from a large number of US trading partners, including Japan, the EU, South Korea, Indonesia and the Philippines. However, none of them have gone so far as to file formal complaints with the WTO, and Japan and the US even reached an agreement that qualifies Japan as a partner in a free trade agreement with the US for the purposes of the Inflation Reduction Act (see CEI Global Report, April 2023).

On the other hand, a new front of conflict in the relationship between China and the US could be unleashed, this time concerning the shipbuilding industry. This results from the fact that, on 12 March the United Steelworkers union and other organisations filed a petition for trade relief and state support for the US shipbuilding industry, within the framework of investigations under Section 301 of the Trade Act of 1974.

The petitioners accuse China of distorting world markets in the maritime, logistics and shipbuilding sectors through unreasonable and discriminatory acts, policies and practices. To address this problem, they call for a level playing field in the shipbuilding sector and for the stimulation of the demand for US commercial vessels, through a variety of sanctions and support, including the levying of port fees on Chinese-built ships docking in US ports and the creation of a Shipbuilding Revitalization Fund to assist the domestic industry and its workers.

The US government has 45 days to respond to the petition.

Canada and Mexico concerned about US meat product labelling regulations

The United States Department of Agriculture (USDA) announced in early March that starting in 2026 only products from animals born, raised, slaughtered and processed in the US will be able to use the voluntary "Product of USA" or "Made in the USA" labels. Under the current rules, meat packers can use these labels on any animal product processed in the US, regardless of its origin.

The new rule has raised alarms on the governments of Mexico and Canada, who fear that the measure could cause disruptions in the highly integrated North American meat and livestock supply chains. In turn, they say the rule could run counter to US trade commitments made in the WTO and in the US-Mexico-Canada Agreement (USMCA).

The Mexican Secretariat of Economy argued that the labelling rule was discriminatory against Mexican producers and could create barriers in binational production chains, damaging Mexican exports of live cattle and meat products. In turn, the Canadian government was also concerned about the potential negative effect of the measure on the meat sector's access to the US market and expressed it intended to raise the issue during the next trilateral meeting of agriculture ministers.

It is worth remembering that Mexico and Canada managed to successfully challenge a US measure on mandatory country of origin labelling of beef and pork through the WTO dispute settlement system (DS 384 and 386). At the time, the WTO authorised the two complainants to retaliate for more than USD 1 billion in tariffs on US products. In 2015, the US Congress repealed the labelling requirements and thus prevented the imposition of retaliation.

Biden vetoes Nippon Steel's purchase of US Steel

US President Joe Biden has announced that the government will not give its approval for the purchase of US Steel by Japanese assets.

The deal was announced late last year and was valued at USD 14.9 billion. The sale of US Steel was welcomed by the markets as it would give new life to a company overwhelmed by external competition, particularly from China. Nippon Steel was willing to pay twice what the highest bidder in the US, a Cleveland company, was offering. The purchase would have made it possible to set up one of the three largest steel companies in the world outside China.

The main objection to the deal came from the unions, which feared that the restructuring of the company would result in job losses. In addition, President Biden's justification included national security arguments. According to the President's message, America's most iconic steel company should remain under the control of US businessmen.

ASIA AND OCEANIA

India signs free trade agreement with EFTA

After 21 rounds of negotiations, India signed a Trade and Economic Partnership Agreement with the European Free Trade Association (EFTA), which comprises Iceland, Norway, Switzerland and Liechtenstein. The agreement consists of 14 chapters covering disciplines on market access for goods and services, rules of origin, trade facilitation, trade defence measures, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, intellectual property rights, and trade and sustainable development, among others.

In matters of goods, EFTA committed 92.2% of its tariff lines, accounting for 99.6% of Indian exports. India's commitment covers 82.7% of its tariff lines (95.3% of EFTA's exports) and includes sensitivities in sectors such as pharmaceuticals, medical devices and processed foods, and exclusions in products such as dairy, soybeans, coal and some agricultural goods.

In matters of services, it facilitates cross-border trade (Mode 1 of the WTO General Agreement on Trade in Services) and commercial presence (Mode 3) and improves conditions of entry and temporary stay of natural persons (Mode 4), including mutual recognition agreements for professional services. In this regard, the Indian government expects to benefit from sectors in which it has strengths, such as knowledge-based sectors (information technology; business; personal, cultural and recreational; and audio-visual).

In addition, the agreement is the first of its kind to include a binding commitment on investment promotion and employment generation. In particular, EFTA committed to promoting investments that will increase the stock of FDI in India by USD 100 billion over the next 15 years and generate one million direct jobs. Likewise, it facilitates technology collaboration and access to world-leading technologies in engineering, health sciences, renewable energy and innovation, and at the same time it offers India opportunities to expand its reach into the EU market.

Japan raises interest rates for the first time in 17 years

After 17 years of reductions in the benchmark short-term interest rate and eight years of negative rates, the Bank of Japan decided to raise the rate from -0.1% to 0%-0.1%. In addition, it withdrew other monetary stimuli, such as controls on 10-year government bond yields and purchases of exchange-traded funds and real estate investment trusts.

With this measure, Japan becomes the latest economy to abandon the negative interest rate policy, which was implemented in 2016 in an effort to kick-start the economy and fight deflation. Although the Japanese economy was in a technical recession at the end of 2023, associated, among other factors, with a weak yen and a reduction in consumption (see CEI Global Report, March 2024), factors such as a forecast increase in demand and a wage adjustment slightly above inflation would have given the authorities the confidence to be able to achieve the inflation target of around 2% "in a stable and sustainable manner", even with the rate hike.

China facilitates cross-border services market access

China's Ministry of Commerce (MOFCOM) announced the implementation, for the first time, of nationwide negative lists for the regulation of cross-border trade in services, including cross-border delivery, consumption abroad and movement of natural persons (GATS modes of supply 1, 2 and 4). These schedules –one of which is a pilot version, to be applied in free trade zones– detail the services that are prohibited or restricted, under certain mechanisms or licences, for export to China from foreign companies. For countries with preferential agreements, the terms of the agreement will prevail in cases where preferences have been granted on services included in the negative lists.

Although they include several preserved sectors (71 in the case of the national list and 68 in the pilot version for free trade zones), the lists expand access to various sectors, such as financial, professional and audio-visual, among others. Likewise, they bring greater clarity and predictability to the regulation of services sectors, thereby facilitating market participation of new firms.

AFRICA

Grain harvest at risk in Southern Africa due to climate effects

South Africa, Zambia and Zimbabwe have published reports indicating a likely decline in cereal harvests due to severe El Niño-induced drought, which could put the entire maize supply chain in Southern Africa at risk. Given that the three countries are among the largest maize producers in the region, a possible drop in the quantities harvested in these countries could drive an increased risk of food insecurity. Imports would be needed to cover the region's maize supply deficit.

The year started favourably, with excellent rains, but drought has intensified since late January with significant damage to crops. While the extent of the impact of the heat wave and drought on crops changes daily, the pattern so far is clear: the entire Southern African region has suffered and will see a significant reduction in the volume of quantities cultivated.

In South Africa, a recent survey among farmers made by Grain South Africa found that extreme heat and dry conditions had caused the grain and oilseed crop to deteriorate much faster than initially expected. The "South African Crop Estimates Committee" (a group of scientists, economists and statisticians from government, the private sector, the academia and independent research organisations) also fears a possible decline in summer grain and oilseed harvests. In its latest production estimate for the 2023/24 season, the Committee put the summer cereal and oilseed crop at 15.8 million tonnes (21% lower than in 2023).

This is mainly due to lower expected yields rather than a reduction in planted area, reflecting a negative impact of drier weather conditions and the heat wave. On a positive note for South Africa, the expected crop will still be sufficient to meet the country's domestic consumption, leaving some volume for exports, although significantly less than in previous seasons.

In late February, Zambia's President declared the country's severe drought a national disaster and emergency. Crop damage occurred in most summer crop producing regions due to the drought, which destroyed almost 1 million hectares of maize. Given that the total area planted to cash maize in the country is approximately 1.9 million hectares, this would mean that half of the production has been destroyed which could have significant negative consequences on food production.

In the case of Zimbabwe, approximately 2.7 million Zimbabweans are potentially at risk of starvation due to the impact of drought on their summer grain fields (the country plans to import 1.1 million metric tonnes of maize over the next year). Normally, when Zimbabwe needs such large maize imports, South Africa and Zambia are the main suppliers. With Zambia potentially out of the export market this year, the pressure is now on South Africa, creating opportunities for other suppliers.

Cocoa crisis threatens Ghana's trade surplus and currency stability

Ghana, the world's second largest cocoa producer, is experiencing a sector crisis with falling export revenues. This comes against the backdrop of an upward trend in New York cocoa futures markets. Irrespective of the situation in Ghana, the world market for chocolate and chocolate products is expected to grow at an average annual rate of 4% in the coming years.

The sector crisis in Ghana takes place within the framework of falling cocoa production in West Africa due to adverse weather conditions, disease outbreaks (swollen shoot virus) and fertiliser shortages. The environmental factor relates to the impact of the El Niño weather phenomenon, which has led to drier weather conditions in the region. As a result, Ghana has lost crops on almost 500,000 hectares of land in recent years. On the other hand, illegal mining has encroached on numerous farms in the country. Farmers sometimes lease their land to illegal miners, and mining activities degrade the quality of the land, making it unsuitable for cocoa cultivation.

In February 2024, the Ghana Cocoa Board (the country's sector regulator), secured a USD 200 million loan from the World Bank to rehabilitate plantations affected by the swollen shoot virus. The Board will take over disease-affected farms, remove and replace affected cocoa trees and take care of the new plantations to production before returning them to farmers.

The sharp contraction in cocoa export earnings impacted Ghana's trade surplus, which contracted 54% (USD 393 million during the first two months of the year). Coupled with a 26% increase in imports, the widening trade deficit is putting immense pressure on the currency (the Ghana cedi) which depreciated 8.3% against the US dollar this year. The Ghanaian cedi is among the worst performing African currencies, raising concerns about inflationary pressures, import costs and foreign investors' expectations.

African countries will be among the fastest-growing economies in the world

According to a report by the Economic Commission for Africa (ECA), some African countries are expected to be among the 10 fastest-growing economies in the world by 2024. The most notable growth drivers on the continent will be Niger, Senegal, Côte d'Ivoire, the Democratic Republic of Congo and Rwanda.

The report notes that Niger and Senegal are expected to experience significant economic growth due to increased hydrocarbon production and exports. In the cases of Côte d'Ivoire, the Democratic Republic of Congo and Rwanda, it will be driven by increased investment in infrastructure, continued development of tourism, strong performance of the mining industry and the benefits of economic diversification.

The report estimates that after the continent's 2.8% growth in 2023, it will reach 3.5% in 2024 and 4.1% in 2025, mainly supported by exports, private consumption and gross fixed investment. However, it considers that Africa's economic growth remains volatile and below potential and below the pace needed to achieve the Sustainable Development Goals (SDGs) and the Agenda 2063, requiring major fiscal and monetary policy changes, as well as greater efforts to address internal and external balances, inflation and debt.

Trade in Africa continues facing obstacles reflected in net capital outflows and weak export earnings, and intra-African trade remains relatively low. The continent's total exports are largely concentrated in extractive products, which has kept Africa trapped at low points along critical value chains.

Social development trends in Africa are worrying, such as the report argues. This is due to the fact that the rising poverty, inequality and unemployment exacerbate the continent's challenges in achieving the SDGs. The ECA points out that the ability of African countries to address poverty and inequality effectively is severely constrained by the low impact of economic growth on poverty reduction.

CEI GLOBAL REPORT

Closing date of this issue: 31 March 2024

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic