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CEI GLOBAL REPORT

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The importance of the "most-favoured-nation" principle in global trade

According to a report published by the World Trade Organization (WTO), 80% of global trade in goods is conducted according to the "most-favoured-nation" (MFN) principle, under which countries extend any trade advantage they grant a member to the rest of the WTO members.

Outside the MFN principle, there are goods traded according to the preferential conditions granted by the hundreds of bilateral and regional agreements currently in force and unilateral decisions (such as the Generalized System of Preferences) through which some countries offer lower tariffs on imports from certain origins. According to the WTO, in 2022 the set of these preferential conditions affected 17% of global trade in goods and the remaining 3% the trade reached by corrective trade measures and unilateral tariffs imposed on the basis of the current geopolitical tensions.

As for sectors, the document points out that in the five main product groups (which represent more than 70% of global imports): "Minerals and metals", "Electrical machinery and electronic equipment", "Chemical products", "Petroleum" and "Mechanical, office and computer machines and apparatuses", the share of trade in goods under the MFN principle is between 80% and 94%. However, these values fall when considering the agricultural sector, within which some categories such as "Fruits and vegetables" reach only 48%.

Ukraine stops transit of Russian gas to Europe through its territory

The Ukrainian government made the decision not to renew the contract it had signed with the company Gazprom in 2019 "in the interest of national security" and, since 1 January, 2025, the natural gas that Russia exported to Europe can no longer be sent through the network of gas pipelines that cross its territory.

Russian gas continued to flow into Europe despite the 2022 military invasion until 31 December 2024, at which time the aforementioned agreement ended, whereby Russia earned revenues for exports and Ukraine for allowing the gas to transit.

The measure further reduces European imports of natural gas from Russia (which still reaches Hungary through the TurkStream pipeline, crossing the Black Sea). This was welcomed by those within the European Union (EU) who argue the need to stop importing Russian hydrocarbons with the aim of cutting off the main source of income of the Moscow government to finance the war.

However, voices were also raised within the EU, such as that of the Slovak prime minister, who expressed that the need to look for new energy suppliers would be a problem for the European economy but would not affect Russia, a country that will find new buyers for its fuels.

Patents: EU files claim against China at WTO

The European Union presented in the WTO a complaint against China for the policy carried out by the latter country in relation to the patent licensing for standard essential patterns (such as those related to 5G technology). According to the EU, due to the fact that Chinese courts can determine, without holder's consent, the conditions (especially royalty rates) for granting globally binding licenses of such patents, European companies, especially those in the telecommunications sector, are forced to reduce their fees globally.

According to the EU, in this way Chinese manufacturers access European technology at a lower price and China also interferes with the jurisdiction of European courts in matters of European patents. With these arguments, the European Commission holds that these practices are incompatible with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

EUROPE

The EU roadmap to regain competitiveness

The European Commission presented the "Competitiveness Compass", an initiative that aims at reviewing the economic functioning of the bloc to improve its economic performance and regain the initiative in innovation, especially in the digital and artificial intelligence (AI) fields.

The EU thus converts the recommendations made in the report "The future of European competitiveness", coordinated by former Italian Prime Minister Mario Draghi (see CEI Global Report, October 2024), into a roadmap that allows it to compete with China and the United States. In the aforementioned document, it was concluded that in the last two decades the unsatisfactory economic performance of the bloc is related to the increase in the productivity gap with the main economic powers.

The package of measures encompassed by the initiative includes the implementation of sector action plans aimed at boosting AI, quantum technology, biotechnology, robotics and space technologies, and others of a horizontal nature that seek to reduce the regulatory and administrative burden for companies, eliminate barriers within the EU, improve the financing of competitiveness and the coordination of policies at national and bloc levels.

Other important aspects that the EU has among its priorities are the integration of decarbonisation policies with industrial, competition and trade policies, as well as the reduction of excessive dependencies on some trading partners. It is for this reason that it plans to diversify and strengthen its supply chains, based on a new series of Clean Trade and Investment Partnerships to ensure the supply of raw materials and sustainable fuels. Likewise, in relation to the domestic market, the Compass raises the need to review public procurement rules to prioritise European suppliers in certain sectors and technologies fundamental to the EU economy.

EU: recommendations to seven countries to reduce their fiscal deficit

The European Council made recommendations to seven EU countries to correct fiscal deficit levels and set the dates when they should do so. Members with excessive deficits are: Belgium, Slovakia, France, Italy, Malta, Poland and Romania.

According to the objectives expressed by each country in the fiscal plans they presented to the bloc, the Council established the magnitude of the necessary reductions year by year. For example, in the case of France, the recommendation states that it must end the excessive deficit by 2029 and that until then, the nominal growth rate of net expenditure must not surpass 0.8% in 2025, 1.2% in 2026, 1.2% in 2027, 1.2% in 2028 and 1.1% in 2029. In the case of Italy, the deadline is 2026, and the country should ensure that the nominal growth rate of net spending does not exceed 1.3% in 2025 and 1.6% in 2026.

These recommendations are given within the framework of respect for the budgetary discipline that members established in the EU Treaties: that their fiscal deficits should not surpass 3% of their GDP and that their debt should not be over 60% of their GDP. In the event that the bodies of the bloc detect an excessive deficit in a member, that country must be subjected to reinforced control in such a way that they can correct it within a certain period of time.

First foot-and-mouth disease outbreak in Germany in 37 years

On 10 January, the German health authorities reported the detection of an outbreak of foot-and-mouth disease (FMD) on a buffalo farm located in the state of Brandenburg. As a result, Germany lost the status of FMD-free country before the World Organisation for Animal Health (WOAH).

Restricted areas were quickly established from which the transport of animals and animal products is prohibited. In addition, cattle farms within the aforementioned areas are investigated to determine the cause and extent of the infection. No new infections had been detected by the end of January.

It is the first case of foot-and-mouth disease to be detected in Germany since 1988. In the EU, in turn, the last disease outbreak had taken place in 2011 in Bulgaria and previously in 2007 in the UK.

As a result of this, many countries have closed trade in animals and animal products from Germany. In Argentina, the National Service for Agri-Food Health and Quality (Senasa) ordered the suspension of imports of products capable of carrying the virus that causes the disease from Germany.

SOUTH AND CENTRAL AMERICA

Region progresses on signing strategic trade agreements

As part of a tour to Asia by the main authorities of the company, the Argentine oil enterprise YPF signed in India a Memorandum of Understanding (MOU) with three corporations from said country to explore a final export agreement of up to 10 million tonnes of Liquefied Natural Gas (LNG) per year.

The MOU signed with the Oil and Natural Gas Corporation (OIL), Gas Authority of India Limited (GAIL) and Oil and Natural Gas Corporation Videsh Limited (OVL) companies also contemplates cooperation in lithium and other critical minerals, as well as in the exploration and production of hydrocarbons in the Vaca Muerta formation.

In turn, the Ministry of Agriculture and Livestock (Mapa, for its acronym in Portuguese) of Brazil signed a regionalisation agreement with Singapore to guarantee the trade of pork meat and products in the event of an outbreak of African swine fever (ASF) in Brazil. This measure, already in place, will allow continued trade as long as the disease is contained in a specific area and health control measures are implemented according to the guidelines of the World Organization for Animal Health (WOAH).

The agreement will provide greater security and predictability to the pork trade between the two countries, benefitting the industries involved. Brazil, free of African swine fever since 1988 and with international recognition issued by the WOAH, sees access to the Singapore market –one of the most demanding in Asia– as an opportunity to expand its trade in the region. ASF is a highly contagious viral disease that affects domestic and wild pigs, without posing a risk to human health, but with the potential to cause large economic losses in the swine industry.

Opening markets: Argentina and Brazil expand trade borders

Argentina certified the first exports of 150 queen bees of the species *Apis mellifera buckfast* from the province of Entre Ríos to Uruguay. The National Service for Agri-Food Health and Quality verified that the apiary was licensed and free of diseases, and that it complied with the health requirements of the Ministry of Livestock, Agriculture, and Fisheries of Uruguay.

In the case of Brazil, the United States authorised the exports of hay (alfalfa and Timothy), yerba mate and dried clove flower, without the requirement of phytosanitary certification. Türkiye approved the exports of animal by-products not intended for food, and Costa Rica the Brazilian phytosanitary certification for the exports of common bean (*Phaseolus vulgaris*) to that country. Finally, the Vietnamese government announced that it will accept the International Sanitary Certificate for the exports of salted bovine skins from Brazil.

Certification of hydrocarbon reserves in Bolivia

In compliance with the regulations in force in Bolivia, the company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) presented the results of the certification of hydrocarbon reserves, corresponding to 2022 and 2023, carried out by the US consultants Ryder Scott Company L.P. and DeGolyer and MacNaughton Corp.

Ryder Scott certified hydrocarbon reserves as of 31 December 2022, and recorded by that date 4.04 TCF (trillion cubic feet) of proven natural gas reserves and 10.6 MMbbl (million barrels of oil equivalent) of proven oil reserves. DeGolyer and MacNaughton, meanwhile, certified that as of 31 December 2023, there were 4.48 TCF of proven natural gas reserves and 12.6 MMbbl of oil.

The current state of Bolivia's reserves has an impact on the regional hydrocarbon trade given that the country has traditionally been an important supplier of natural gas in the region. The last time Bolivia had submitted the certification of reserves was in 2018, at which time the proven gas reserves were 8.9 TCF.

NORTH AMERICA

Trump Administration's first provisions on trade policy

On 20 January 2025, on the first day of his second presidency, Donald Trump issued a memorandum entitled America First Trade Policy with instructions for those in charge of various federal agencies to analyse and evaluate certain aspects of US trade policy and draw up conclusions and recommendations by 1 April.

The memorandum can be divided into three key areas: the first proposes reversing trade considered unfair and unbalanced by the US government; the second addresses the economic and trade relationship with China and the last refers to possible threats to national security.

To tackle unfair and unbalanced trade, Trump instructs to investigate the causes of persistent and elevated trade deficits in goods and its implications for national security, and to recommend appropriate measures to remedy them, including the imposition of global supplementary tariffs. It also suggests studying the feasibility of implementing an "External Revenue Service" to raise foreign trade-related revenues.

In addition, reviews will be conducted on the unfair business practices of third countries and on the policies of major US trade partners with respect to the exchange rate between their currencies and the US dollar, and appropriate actions will be advised to remedy such practices and counteract currency manipulation. At the same time, it will be investigated whether any foreign country subjects US citizens or companies to discriminatory or extraterritorial taxes.

With respect to trade agreements, the document instructs to begin a consultation process on the US – Mexico - Canada Trade Agreement (T-MEC) in preparation for the July 2026 review, assess the impact of the agreement on the US economy, and make recommendations on its participation. It also requests review of the other trade agreements maintained by the US (including sector-specific ones), in order to identify those modifications that are necessary to achieve an overall level of reciprocal and mutually advantageous concessions with counterparts. In addition, countries with which the United States may negotiate new bilateral or sector agreements to gain access to export markets for US products and services should be identified. Finally, the memorandum suggests looking at the impact of all trade agreements –including the WTO Government Procurement Agreement– on the volume of federal procurement, in order to ensure they favour American workers and manufacturers.

On the other hand, it will seek to strengthen the mechanisms for the application of export controls and import regulations, in particular with regard to strategic technologies and counterfeit products; and review policies and regulations related to the application and enforcement of antidumping and countervailing duty laws. Likewise, the loss of revenue from tariffs and the risks of importing counterfeit products and illegal drugs arising from the implementation of the *de minimis* exemption (currently USD 800) must be assessed.

Regarding economic and trade relations with China, the so-called "Phase One" deal signed in 2020 will be reviewed (see CEI Global Report, February 2020), in order to adopt actions in case of non-compliance. In addition, the results of the regulatory review of the tariff measures taken under the investigation of Section 301 of the Trade Act 1974 on China's actions, policies and practices related to technology transfer, intellectual property and innovation, will be assessed to consider possible modifications to the tariffs, especially with regard to industrial supply chains and circumvention through third countries.

In turn, legislative proposals on permanent normal trade relations with China will be evaluated; the status of US intellectual property rights will be analysed, to ensure reciprocal and balanced treatment; and any other acts, policies or practices that may be unreasonable or discriminatory and that pose a burden or restriction on US trade will be investigated.

To address other national security issues, the US manufacturing and industrial base will be examined to determine whether certain imports pose risks to the country's security. Additional import duties on steel and aluminium, established under Section 232 of the Trade Expansion Act of 1962, will also be evaluated to ensure that they adequately protect US interests.

Likewise, the US export control system will be reviewed to identify and eliminate legal loopholes that allow the transfer of strategic goods, software, services and technology to strategic rivals, with the aim of maintaining and improving the US technological advantage.

Finally, the regulations (see CEI Global Report, July 2024) on US investments in national security technologies and products in countries of concern (China and the Hong Kong and Macau SARs) will be examined; and the distortive impacts of foreign government financial contributions on US federal procurement programmes will be assessed. The memorandum further requests recommendations on trade and national security measures to resolve the emergency created by illegal migration and trafficking of fentanyl.

In that sense, among the first trade actions derived from the aforementioned memorandum, the US government decided to impose higher tariffs on its three main trading partners as of 1 February. The measure includes the imposition of an additional 25% tariff on imports from Mexico and Canada (with the exception of Canadian fuels that will be taxed at 10%) and an additional 10% tariff on imports from China. On 3 February, however, after holding talks with the president of Mexico, Claudia Sheinbaum, and with the Prime Minister of Canada, Justin Trudeau, Trump decided to suspend the measures against those countries for a period of one month.

United States withdraws from OECD Global Tax Agreement

In another memorandum issued on 20 January, the new US president stated that the commitments made by the previous administration on the Global Tax Agreement of the Organization for Economic Cooperation and Development (OECD) have no force or effect within the United States unless Congress adopts the relevant provisions.

It also ordered that possible protective measures or other actions against any foreign tax rules (in force or projected) of an extraterritorial nature that disproportionately affect US companies be studied within a period of 60 days.

Trump argues that the Global Tax Deal allows extraterritorial jurisdiction over US revenues and limits the country's ability to enact tax policies that serve the interests of US businesses and workers.

The OECD has been developing an initiative for several years to prevent tax base erosion and profit shifting (BEPS) by large multinational corporations. Within the framework of Pillar One of this project –which addresses the problem of tax jurisdiction– large multinational companies would be obliged to pay tax in the countries where they carry out operations, not only in their corporate headquarters. In turn, Pillar Two –which examines the amount of taxes, considering the disparities in tax rates between different countries– proposes to set a minimum global corporate tax rate of 15%. So far, 145 countries have theoretically agreed to these pillars.

This provision could end the temporary truce (see CEI Global Report, March 2024) on digital services tax (DST). It is worth remembering that between 2019 and 2020 the Office of the US Trade Representative (USTR) conducted eleven investigations of Section 301 of the Trade Act of 1974 over foreign tax practices, which resulted in determinations against seven countries (Austria, France, Italy, Spain, Türkiye, the United Kingdom and India) to which additional tariffs of 25% on selected products would be imposed. However, the measures were put on hold until the OECD global minimum tax came into force.

Over the past two years, around twelve countries across all continents have enacted digital tax legislation, including Canada, which has already received a request for consultation over the USMCA from the Biden administration (see CEI Global Report, September 2024).

Mexico announces development and investment strategy

Mexican President Claudia Sheinbaum presented Plan Mexico, a development strategy made up of 13 goals, which seeks to stimulate the economy and attract investment –both domestic and foreign– for USD 277 billion, in addition to replacing Asian investments and increasing local production.

The following are among the goals of the Plan: a shift from being the 12th economy to the 10th in the world; a rise in the investment to GDP ratio of over 25%; that half of the supply and national consumption be made in Mexico (in the textile, footwear, furniture and toys sectors); a 15% increase in the national content in value chains of strategic sectors (automotive, aerospace, semiconductors, electronic, pharmaceutical and chemical, among others); that 50% of public purchases be of national production; a reduction from 2.6 to 1 year in the procedures for investment through a digital single window of investment; and positioning the country among the five most visited destinations in the world.

The Plan includes, among other initiatives, a Decree for the relocation of companies. Said companies' incentives will be in force until 2030 and the scheme contemplates the immediate deduction of new investment in fixed assets, applying higher percentages to investments in high-tech, research and development sectors and an additional deduction of 25% of incremental spending to train workers in connection with education and research institutions. The creation of industrial parks, private participation in electricity generation and mixed investment schemes for infrastructure projects are also planned.

ASIA AND OCEANIA

Discussion of reasons for China trade surplus record

In 2024, Chinese exports of goods grew 7.1% year-on-year and amounted to almost USD 3.6 trillion, which is the highest figure reached so far by said country. Growth in high-tech goods, such as electric vehicles, 3D printers, industrial robots, wind and solar equipment are worth noting among the exported goods. Meanwhile, the value of imports grew only 2.3% (mainly computer parts, semiconductor manufacturing equipment and electronic components) and totalled USD 2.6 trillion. This resulted in a USD 992.2 billion trade surplus, a record figure for that country and the highest globally in the last century if adjusted by inflation.

For the first time, those countries participating in the Belt and Road Initiative accounted for 50.3% of China's total foreign trade value (53.6% in the case of imports). Among its members, growth stands out in Vietnam (18%), Kazakhstan (16.2%) and Malaysia (15.6%). But trade also grew with its traditional markets, such as the US, its main destination, to which 4.9% more than the previous year was exported.

With total trade close to USD 6.2 trillion, the data strengthens China's position as the world's largest goods trader and generates significant debate internationally. While the Chinese authorities attribute the surplus to both the fall in commodity prices and the export restrictions implemented by several countries, others point to the existence of a weak domestic demand and overcapacity that leads to lower prices of Chinese products. Even so, following the low prices of Chinese manufactures and the concern about job losses, several governments have adopted or announced measures against China's exports, including the United States (North America section), the European Union, Mexico, Brazil, Türkiye, India and Indonesia. In many cases, these have also led to a similar response from China, increasing the scenario of geopolitical tensions.

New player in the AI market

On 20 January, China's DeepSeek launched its new AI model, R1, into the market. This consists of a free and open source application of chatbot (software app that simulates conversations) powered by generative AI. R1's main difference from existing models (such as OpenAI's ChatGPT, Google's Gemini or Baidu's Ernie) is that it uses fewer advanced technology chips, which would have allowed it to be produced at a much lower cost.

The development of DeepSeek would demonstrate the capacity to develop AI models with limited computing resources. As a result, a few days after its launching, it managed to attract investors to the detriment of the shares of other technology companies and generated uncertainty about the future of high-function chips and traditional infrastructure. Specifically, the Nasdaq stock market fell 3% on 27 January and within the companies, the most affected one was the US chip manufacturer Nvidia, which reached a record fall of 17% (USD 600 billion) in one day and turned from being the most valuable company in the world, to be ranked in the third position (after Apple and Microsoft).

AFRICA

Algeria boosts its international energy agenda

Through its official press agency, the Algerian government announced on 22 January the signing of an agreement between the National Agency for the Development of Hydrocarbons (Alnaft, for its acronym in French) and the US company Chevron (through its subsidiary in North Africa) for the preparation of a study on the potential of the offshore resources of hydrocarbons on the Algerian coasts. The information released to the press expresses that the agreement establishes a two-year period for carrying out a detailed resource evaluation study.

According to the authorities, this agreement is framed within the decision to strengthen national technical capabilities in the field of oil exploration at sea and attract quality investments in a strategic sector for Algeria and the region. This is the third study of this type promoted by the Algerian government in recent years (previous studies included the participation of the national company Sonatrach, in addition to the French Total and the Italian Eni).

On the other hand, during the month of January Algeria took part in the first meeting of energy ministers of the countries that make up the project $SoutH_2$ Corridor, an initiative that also brings together Germany, Austria, Italy and Tunisia in order to advance the exports of hydrogen from North Africa through a 3,300 km pipeline. Its availability would involve both the reuse of existing pipelines and the construction of new infrastructure to achieve the proposed goal within the next five years.

According to the official sites of the participating countries, the meeting –that took place on 21 January in Rome– ended with the undersigning of a declaration of intent in which the parties undertake to consolidate cooperation for the development of this strategic project that connects the North African hydrogen production area with the European importing countries.

Davos 2025: optimistic balance for Africa's future

The 2025 edition of the World Forum in Davos, which took place from 20 to 24 January and was attended by senior African authorities, including the presidents of South Africa, Botswana and the Democratic Republic of the Congo, represented a new occasion for the exchange between political authorities, the private sector and civil society on the future of Africa. The positive balance regarding the region's prospects, as in other international forums (see CEI Global Report June and July 2024), was based especially on the expected demographic growth for the coming years, the young age of its current population (60% under 25) and its entrepreneurial nature.

Africa's leadership capacity on the world stage was also highlighted, with special reference to the presidency of the G20 that South Africa will hold during this year. However, deep challenges were also identified during the meetings that could compromise the African agenda for the coming years. Among them are the digital divide (according to figures attributed to the International Telecommunications Union, only 38% of the population accesses the internet) and the difficulty in accessing financing, which slow down the innovative spirit of its population.

Notwithstanding this, the potential of the development of artificial intelligence in Africa was another issue addressed in the Davos discussions.

Artificial intelligence in Africa: WTO prognosis

In January the Director General of the World Trade Organization, Ngozi Okonjo-Iweala, participated in an academic ceremony organised in Abuja, Nigeria, by the African University of Science and Technology (AUST).

At said meeting, she referred to the fundamental role of artificial intelligence in the socio-economic development of the African continent, with special emphasis on the potential for Nigeria, Kenya, Ghana and South Africa. She also highlighted the importance to the entire African continent of not lagging behind the AI developments that are currently being observed globally.

However, taking into account the high level of energy demand involved in the use of AI, she linked this imperative to the need to have investments in Africa to overcome the challenges in terms of access to energy infrastructure in general and electricity in particular (related to the internet use, among other factors). Likewise, she highlighted the important role of the AUST in contributing to the required energy developments and also recalled the importance of African countries having the necessary legal scaffolding to frame advances in AI.

This intervention aligns with other manifestations related to the potential of AI in Africa, such as the announcement of the National Artificial Intelligence Strategy recently formulated by the government of Nigeria, which aims at applying AI to different areas of national public management.

Likewise, the possibility of applying AI to customs management is of particular interest in Africa, with a view to streamlining intraregional trade (see CEI Global Report, January 2025).

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