MARCH 2025

CEI GLOBAL REPORT

CEI Centre for International Economy

WORLD

IDB and JICA offer financing to Latin America and the Caribbean

Nissan, Honda and Mitsubishi merger cancelled

Baltic countries cut electricity connection with Russia

EUROPE

Indonesia wins WTO case against the EU over oil crop biodiesel

EU launches the "Clean Industrial Deal"

EU presents a roadmap for its agricultural sector

SOUTH AND CENTRAL AMERICA

Chile-EU: trade agreement enters into force

Trade Agreement between Ecuador and Canada

Ecuador imposes import tariffs on Mexico to offset its trade balance

NORTH AMERICA

US increases tariffs on trade partners and specific products

US plans response to import tariffs and other regulations deemed unfair

"America First" investment policy

ASIA AND OCEANIA

India and the United States launch new cooperation initiative

China presents its Action Plan for Stabilizing Foreign Investment

South Korea announces aid to its exporting companies

AFRICA

Ethiopia seeks to position itself as a global aviation hub by 2035

Slight signs of recovery in Suez Canal circulation

Algeria increases its capacity in digital economy

WORLD

IDB and JICA offer financing to Latin America and the Caribbean

The Inter-American Development Bank (IDB) and the Japan International Cooperation Agency (JICA) announced the creation of a fund for the development of Latin America and the Caribbean that will have an initial budget of USD 1 billion and will aim to attract private investment to co-finance sustainable growth projects in the region.

The initial investment makes it the largest fund of the Japanese agency for the private sector in Latin America and the Caribbean and, as agreed by both institutions, after three years its resources could be expanded to reach USD 1.5 billion.

The IDB and JICA have collaborated for more than 40 years in the region and in 2011 they formalised their alliance through a first financing agreement that would later become the Cooperation for Economic Recovery and Social Inclusion (CORE) framework, which by 2024 had USD 4 billion in funds destined for quality infrastructure, disaster risk reduction, universal health coverage, poverty reduction and climate mitigation.

Nissan, Honda and Mitsubishi merger cancelled

Nissan and Honda cancelled the agreement they had reached at the end of last year (see CEI Global Report, January 2025), and will continue to manage their businesses independently.

In December 2024, both companies had decided to merge and even announced a joint plan with Mitsubishi, which would give rise to a new company, that might start operating in 2026 and become the third largest car manufacturer in the world, after Toyota and Volkswagen.

According to a communiqué published jointly by the three companies, they will collaborate in the future within the framework of a strategic partnership focused on artificial intelligence and electric vehicles, but will not continue with their plans to merge.

Baltic countries cut electricity connection with Russia

Estonia, Latvia and Lithuania disconnected the transmission lines from the electricity grid linking these countries with Russia and connected to European grids via Poland, Finland and Sweden. After the invasion of Ukraine, the Baltic countries reduced their energy imports from Russia but remained connected to that country (and to Belarus) through the electricity grid built by the Soviet Union in the 1950s.

In this regard, Ursula von der Leyen, President of the European Commission, said in reference to EU policy: “With REPowerEU, we slashed our dependency on Russian fossil fuels. We stopped importing Russian coal. We cut Russian oil purchases down to 3%. We reduced gas imports by 75%. And today, the last electricity grids in Europe that were still linked to Russia are now fully integrated into Europe’s internal energy market.”

To achieve this new connection, more than 40 infrastructure projects were promoted, which in addition to the Baltic countries included the Scandinavian countries and Poland, requiring more than 1.2 billion euros of investment.

Indonesia wins WTO case against the EU over oil crop biodiesel

In the case it initiated against the European Union regarding measures restricting access to palm oil and palm oil-based biodiesel (DS 593), Indonesia achieved its goal of having the WTO Dispute Settlement Body Panel recommend that the EU "bring its measures into conformity with the obligations that correspond to it" since it considered that the bloc has undermined the advantages that the WTO agreements provide to Indonesia.

The Asian country filed its claim for several measures implemented by the EU and France in December 2019. In particular, with respect to the EU, two stand out: the one that has set the progressive elimination between 2024 and 2030 of the consumption of biofuels based on raw materials with a high risk of indirect land use change (ILUC), and the one that puts a limit of 7% on the share of fuels based on food and fodder crops in the energy consumption of rail and road transport. For its part, the French rule in question is the one that excludes palm oil biofuel from the possibility of receiving a reduction in the fuel tax that is granted if renewable energies are used.

After the analysis, which took six years, the Panel found that the EU had not determined that palm biodiesel has a high ILUC risk and found deficiencies in the design and application of risk criteria. It also concluded that this measure does not harm the biofuel of rapeseed oil and soybean oil. On the other hand, Indonesia could not demonstrate that international standards –ISO– should be used to set the maximum quota of 7%. It could neither prove that it is a protectionist measure under the guise of an environmental one. Regarding that of France, the Panel established that it does not comply with the national treatment principle because it grants the biofuel based on national rapeseed and soybean oil a different tax treatment than that of palm oil.

Regarding the implementation of what was resolved by the Panel, both Indonesia and the EU have expressed their willingness to find a mutually acceptable solution.

EU launches the "Clean Industrial Deal"

The European Union presented its "Clean Industrial Deal", a plan that seeks to improve the competitiveness of its industry, within the framework of environmental care. The bloc is committed to accelerating decarbonisation, reindustrialisation and innovation, while seeking to prevent the migration of companies concerned about high energy prices and excessive EU regulations.

The agreement targets, in particular, two sectors: energy-intensive industries –which face high costs– and clean technologies –considered key to competitiveness and growth. Its application is expected to be progressive and it shall begin with the automotive sector and the production of steel and metals.

The plan identifies six main objectives: 1) lower energy costs, so that it has an affordable price/to achieve affordable prices; 2) stimulate the demand for clean products through the use of sustainability and resilience considerations in public and private procurements, and the simplification of carbon intensity labelling; 3) finance the transition to a clean industry, strengthening funds for innovation and adopting a new framework for granting state aid; 4) improve the way of acquiring critical inputs and encourage the adoption of the circular economy that favours the efficient reuse of scarce materials; 5) act on a global scale through the formation of "Clean Trade and Investment Partnerships" and simplify and strengthen the Carbon Border Adjustment Mechanism (CBAM); and 6) ensure the training of a workforce capable of performing in clean industries.

EU presents a roadmap for its agricultural sector

The European Commission presented its "Vision of Agriculture and Food", a roadmap for the future of the sector in the EU. It proposes the transformation of agriculture into an attractive, competitive and resilient sector that improves the living conditions of producers. It also establishes a framework to simplify the regulations that make up agricultural policy, which was one of the criticisms of European farmers during the massive protests held in 2024 (see CEI Global Report, February 2024). This simplification is consistent with the rules recently issued for the manufacturing industry, outlined in the first article of the Europe section.

The objectives of the new roadmap expressed by the bloc's authorities are to ensure that young Europeans return to work in the sector, that they benefit from new business models and that they do not have to sell their produce below the cost of production.

SOUTH AND CENTRAL AMERICA

Chile-EU: trade agreement enters into force

As of 1 February 2025, trade relations between Chile and the European Union began to be governed by the Interim Trade Agreement (ITA), after its approval in the European Parliament and the Chilean Congress in 2024. This agreement replaces the trade chapter of the 2003 Association Agreement and will be provisionally in force until the new Advanced Framework Agreement (AMA) is ratified by the 27 EU Member States (see CEI Global Report, December 2023). With the ITA, the provisions on trade in goods and services, and on investment are expanded, while the policy and cooperation areas of the Association Agreement remain in force.

Among the main modifications, the ITA expands preferential access for Chilean products, increasing the percentage of tariff lines with benefits from 94.7% to 99.6%. This means that more than 1,800 Chilean products will be able to enter the European market with zero import tariff. In addition, the EU will recognise Chilean geographical indications, such as Pica lemon and Juan Fernández lobster, while Chile will do the same with 216 European denominations.

The agreement also introduces changes in certification of origin: it eliminates the need to present the EUR1 certificate and allows exporters and importers to certify the origin of the products. In terms of services, Chilean providers will receive treatment comparable to Europeans, which is expected to boost exports from the sector. In addition, the ITA reinforces environmental commitments, including the effective implementation of the Paris Agreement and regulations on fisheries, forests and climate change.

Finally, the ITA incorporates chapters such as Sustainable Food Systems, Small and Medium Enterprises, Gender and Commerce, Digital Commerce and Energy and Raw Materials. The latter seeks to facilitate investment and trade in renewable fuels, especially green hydrogen, destined for the EU. In commercial terms, the European Union has been a key partner for Chile, with an exchange that reached USD 19.6 billion in 2024.

Trade Agreement between Ecuador and Canada

The government of Ecuador announced the conclusion of negotiations for a trade agreement with Canada that addresses trade in goods and services, and investment.

For Ecuador, the commitment represents the opportunity to equalise the access conditions of Colombia, Peru and Chile, which already had agreements signed with Canada. From the entry into force of the instrument, the Andean country will be able to export virtually all the products of its exportable supply to the Canadian market without tariffs.

In turn, Canada will benefit from the elimination or reduction of import tariffs for more than 97% of tariff lines, with improvements in market access for fishery, forestry and industrial products (more than 89% of tariffs for the latter are eliminated).

In addition, the agreement covers areas such as investment, financial services, telecommunications and digital trade and includes chapters on the development and administration of regulatory measures, as well as on the temporary movement of business persons, to facilitate interaction between the business sectors of both countries. It also addresses the issue of intellectual property, with an annex on cooperation and technical assistance in this area.

Ecuador imposes import tariffs on Mexico to offset its trade balance

The government of Ecuador announced the imposition of a 27% tariff on products imported from Mexico. According to the Ecuadorian government, this measure seeks to move towards a Free Trade Agreement (FTA) under conditions that protect Ecuador from possible "abuses". The government's statement included data on the non-oil trade balance, which in 2024 recorded a USD 218 million deficit for Ecuador. Said country's government argued that it is open to trade integration, but that it will not accept unfavourable conditions.

The implementation of the tariff aims to protect local industry, according to the government, although analysts warn about its effects on bilateral trade. In 2024, Mexico exported USD 446 million worth of products to Ecuador, which represents less than 1% of its total exports. Among the products that Ecuador imports the most from Mexico are medicines, worth USD 66 million in 2024; light cars, with US$D 40 million; and household appliances, with USD 38 million.

NORTH AMERICA

US increases tariffs on trade partners and specific products

Since he began his second term in office, the US President has established or announced tariffs on imports from its main trading partners, as well as on certain specific products or sectors.

The first package of measures –communicated on 1 February and justified in the national emergency generated by the entry of fentanyl and illegal immigration to the United States– included the announcement of 25% tariffs on imports from Mexico and Canada and the application of an additional 10% tariff on products originating in China. Likewise, imports subject to the new tariffs will not benefit from the *de minimis* tariff exemption for purchases worth less than USD 800.

The tariffs on China came into force on 4 February, while those destined for the USMCA partners were postponed twice, after telephone conversations between Trump and the leaders of Mexico and Canada, the first in early February and the second on 7 March, when their application was postponed for another month.

China responded and imposed import tariffs of 15% on US coal and LNG and of 10% on US crude oil, farm machinery, cars and vans. In addition, it decided to establish export licensing requirements for critical minerals (tungsten, tellurium, bismuth, molybdenum and indium, among others); include certain US companies in the "Unreliable Entity List", which would imply restrictions on commercial activities and investment in China; and initiate an anti-monopoly investigation against Google. In turn, the Chinese government requested WTO consultations regarding the new tariff measures, claiming that they are inconsistent with US obligations under the provisions of the General Agreement on Tariffs and Trade (GATT) 1994.

On 28 February, Donald Trump notified that a new 10% tariff rate would be imposed on Chinese imports starting on 4 March, so the additional duties for that country would rise to 20%. China responded with new retaliations: starting on 10 March, the Asian country will apply a 15% tariff on imports of chicken, wheat, corn and cotton from the United States and a 10% tariff on US sorghum, soybeans, pork, beef, seafood, fruits, vegetables and dairy products.

Trump also announced the implementation of a 25% tariff on imports from the European Union, in particular, of automobiles, backed by the USD 300 billion trade deficit that the US maintains with the European bloc, but the measure has not yet been the subject of an official statement.

Regarding sector tariffs, the announcement of the elimination of the exclusions and quotas established from 2018 onwards to the import tariffs of steel and aluminium stands out. As of 12 March, steel products and their derivatives from Argentina, Australia, Brazil, Canada, Mexico, Japan, South Korea, the United Kingdom, the EU, and Ukraine –which benefited from exceptions– will be levied with a 25% *ad valorem* import tariff.

As for aluminium and its by-products, not only will the exclusions and quotas be eliminated (in this case for Argentina, Australia, Canada, Mexico, the United Kingdom and the EU), but the tariff will also be raised from 10% to 25%. Likewise, all aluminium products and their derivatives imported from Russia or in which molten aluminium has been used in that country will be subject to an additional 200% *ad valorem* tariff.

In addition, the White House requested the Department of Commerce to conduct investigations to determine whether imports of copper and wood pose a threat to the US national security. Trump may also be considering imposing 25% import tariffs on the automotive, semiconductor and pharmaceutical industries.

The US plans a response to import tariffs and other regulations deemed unfair

According to Donald Trump, the US is one of the most open economies in the world and has one of the lowest average import tariffs globally, but it has been treated unfairly by its trading partners. This lack of reciprocity may be one of the reasons for the country's high and persistent trade deficit. To address this issue, he announced the development of a "Fair and Reciprocal Plan" through which it will seek to counteract imbalances in trade in goods with a reciprocal equivalent tariff to that charged by each foreign trading partner.

The plan will not only focus on import tariffs where there are differences to the detriment of US products; it will also consider other aspects of bilateral trade relations, including: i) unfair, discriminatory, or extraterritorial taxes imposed by trading partners on US businesses, workers, and consumers (including value-added tax); ii) non-tariff barriers or measures; iii) policies related to currency manipulation; and iv) any other practice that imposes a limitation considered unfair to market access for the United States.

So far, no concrete measures have been imposed or details have been revealed about the implementation of this plan, but the heads of the relevant federal agencies were asked to present, within 180 days, proposals for concrete solutions to the problems faced by US trade with each bilateral partner.

On the other hand, in a memorandum, entitled "Defending American Companies and Innovators from Overseas Extortion and Unfair Fines and Penalties", President Trump details that he will consider response measures –including tariffs– to deal with fiscal or regulatory provisions of foreign governments that impose fines, sanctions, taxes or other types of charges considered discriminatory against US technology companies.

The underlying argument is that these measures violate US sovereignty, relocate jobs, limit the global competitiveness of US companies and increase their operating costs, and therefore it is necessary to take countermeasures to repair these imbalances.

Among the targeted measures, special consideration will be given to: i) taxes that discriminate against US companies (including digital services tax, DST); ii) regulations that may inhibit the growth or intended operation of US companies; iii) policies or practices that put US intellectual property at risk; and iv) any other measures that may undermine the global competitiveness of the US industry.

In addition to the taxes on digital services implemented by France, Austria, Italy, Spain, Turkey, the United Kingdom and Canada, legal schemes that limit cross-border data flows, or those that require US streaming services to finance local productions, among others, would also be targeted.

"America First" investment policy

President Trump signed a Presidential Memorandum seeking to promote foreign investment and protect the security interests of the United States. The document stresses that investment policy is essential for the country's national and economic security, and highlights that investment at "any cost", especially from foreign adversaries –including China, Cuba, Iran, North Korea, Russia and Venezuela–, threatens US strategic industries, critical infrastructure, technology, food supply and critical minerals.

Even though the plan is to preserve an open investment environment to help artificial intelligence and other advanced technologies be built, created and developed in the US, restrictions will be imposed on foreign investor access in areas deemed sensitive, which will be "eased in proportion to their verifiable distance and independence from the predatory investment and technology-acquisition practices of China and other foreign adversaries".

The memorandum also states that a fast-track process will be created to facilitate greater investment from specific allies and partners, with conditions that will prevent investors from partnering with foreign adversaries in relevant areas.

In turn, new rules will be established to stop US companies and investors from investing in industries that advance China's Military-Civil Fusion strategy, particularly in sensitive technologies (including semiconductors, artificial intelligence, quantum, biotechnology and aerospace).

ASIA AND OCEANIA

India and the United States launch new cooperation initiative

As part of an official visit by Indian Prime Minister Shri Narendra Modi to the United States, the heads of state of both nations presented several cooperation projects under the "COMPACT (Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology) for the 21st century" initiative.

In the area of defence, cooperation includes India's acquisition of US products, as well as co-production and technology exchange agreements. In terms of energy security, it includes the positioning of the United States as a leading supplier of hydrocarbons to India, an agreement on civil nuclear energy and US support for India's accession as a full member of the International Energy Agency.

In terms of technology and innovation, the TRUST initiative was launched, to promote critical and emerging technologies in defence, energy, artificial intelligence, quantum, biotechnology and space technology; and to build reliable and resilient supply chains in terms of semiconductors, critical minerals and pharmaceutical products (see CEI Global Report, July 2023).

Regarding trade and investment, the leaders decided to deepen the commercial relationship and established the “Mission 500” goal, to reach a total bilateral trade of USD 500 billion in 2030, which would mean more than tripling the trade of 2024, which amounted to almost USD 133 billion. To this end, they announced their objective of starting the first stage of a Bilateral Trade Agreement this year under which they will seek to open markets, reduce tariffs and non-tariff barriers, and deepen the integration of supply chains. They also pledged to increase bilateral trade in agricultural products, as well as Indian exports of labour-intensive manufactured goods to the United States and US exports of industrial goods to India. Finally, they agreed that they will boost investment opportunities in both countries in high value-added industries.

China presents its Action Plan for Stabilizing Foreign Investment

During 2024, net direct investment in China amounted to USD -168 billion, reflecting Chinese outward investment flows totalling USD 173 billion, and foreign investment in the Asian country that reached USD 4.5 billion, the lowest figure since 1992. While UNCTAD estimates that all developing economies suffered, on average, a fall in inward FDI flows of 2% (and of 7% in developing Asia), the reduction experienced by China was presumably much higher (-29%).

In this context, the Asian country presented its “2025 Action Plan for Stabilizing Foreign Investment”, which aims to attract and retain foreign investment, as well as to encourage the reinvestment of companies already based in the country. To this end, it will seek to expand market access, reduce financial constraints, allow foreign companies to obtain local financing for capital investment and regional expansion, ensure equal treatment, simplify regulations for conducting mergers and acquisitions, and facilitate foreign exchange management, staff mobility, and data flows. Finally, it will also pursue an increase in transparency and communication of local economic policies to generate greater confidence in investors and will not allow infringements on intellectual property rights.

The sectors that the aforementioned plan will focus on are high value-added manufacturing and service industries (biotechnology, biomedicine, telecommunications, education, finance, tourism and health, among others). Livestock and the production of feeding equipment and veterinary medicines are also considered key. At the regional level, investment growth will be supported in the central, western and north-eastern regions.

South Korea announces aid to its exporting companies

In the context of a meeting with officials and businessmen, the interim President and Minister of Economy and Finance of South Korea, Choi Sang-mok, announced different measures to help small and medium-sized exporting companies in that country. This includes a record disbursement aimed at reducing commercial insurance costs, mitigating the risks of currency volatility, and promoting trade. Likewise, the Korea Trade Insurance Corporation will offer preferential loans and the Export-Import Bank of Korea will finance interest rate reductions for exporters’ suppliers.

The measure seeks to remedy the damage caused to Korean export companies by the global escalation of tariff tensions. The government also hopes to diversify export markets with special interest in emerging markets, including the creation or strengthening of offices in some of those countries and a disbursement for policy financing through commercial insurance.

AFRICA

Ethiopia seeks to position itself as a global aviation hub by 2035

During February, the specialised press reported the progress made by the Ethiopian flag carrier regarding its Vision 2035 strategy, which includes, among its main objectives, the construction of a mega international airport with an estimated capacity of more than 100 million passengers per year and space for more than 250 aircraft.

The chosen setting is the city of Abusera, located 40 km southeast of Addis Ababa –Ethiopia's capital city–, and the first construction phase has been scheduled for the year 2029, with the prospect of completing the work by 2035.

With this decision, both the Ethiopian flag carrier and the airport authorities are seeking to respond to the growth in air traffic in the country and turn Addis Ababa, which is currently a regional hub through its international airport of Bole, into a global air hub, thus taking advantage of its significant role in connectivity within the African continent and with the Middle East.

In this context, the Argentine Republic and the Federal Democratic Republic of Ethiopia signed in January, in Buenos Aires, a Memorandum of Understanding (MoU) on air services. This instrument extends the commitments undertaken by the parties in the MoU signed in 2016, given that it provides for an unlimited frequency regime in which airlines are authorised to carry out domestic flights, both scheduled and non-scheduled. The MoU signed with Argentina also provides for the possibility for airlines to enter into codeshare agreements with airlines belonging to other countries.

Slight signs of recovery in Suez Canal circulation

The President of the Suez Canal Authority (SCA), Osama Rabie, announced on 23 February that during the current month, 47 ships had modified their corresponding itineraries to resume their old routes through the Suez Canal.

The Chairman attributed that increase in traffic to recent signs of stability in the Red Sea area. According to him, this trend is expected to deepen in the coming days, as long as stability in the area is maintained.

This announcement reverses the situation of deep concern expressed on more than one occasion by the Egyptian authorities, given the decrease in shipping traffic since the increase in conflict in the region and the consequences that this had for the entry of foreign currencies to Egypt (see CEI Global Report, February and October 2024).

However, the specialised press has been cautious about this recovery, noting that although the transit reported by the SCA has been recorded, it is not yet possible to refer to these numbers as a real rebound in activity, because the situation could still be unstable in the region.

Algeria increases its capacity in digital economy

Algeria Telecom –a public company and the main local telecommunications operator– announced in February, jointly with the Huawei company, the launch of the national 400G WDM project, a technology linked to the use of fibre optics.

According to the Chinese company communiqué, the project will improve the Algerian infrastructure in digital matters, which is expected to contribute to boosting the development of the country's digital economy and capabilities in processing big data and in the use of artificial intelligence.

According to local media, the project will allow for an exponential increase in the speed of connectivity throughout the country. This project is part of the 2024-2028 strategy of the Algerian company, which aims to diversify its services beyond traditional telecommunications ones and develop digital solutions related to the potential of the Internet of Things and artificial intelligence, in line with the 2025-2030 national digitisation strategy.

CEI GLOBAL REPORT

Closing date of this issue: 7 March 2025

Ministry of Foreign Affairs,
International Trade and Worship
Argentine Republic