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de la expansión económica

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Balance de gestión

Subsidios agrícolas en la Ronda Doha

Subsidios a los combustibles fósiles
en la agenda del G20

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Structure of Argentine Foreign Trade

First half of 2010

Mariángeles Polonsky

Abstract

In a context of uncertainty regarding the recovery of the global economy, Argentine exports grew by 16% in the first half of 2010, mainly boosted by export quantities of primary products and industrial manufactures. In line with investment growth, imports grew by 43% following increases in purchases of processed industrial supplies, parts and accessories of transport equipment, and passenger motor cars. The trade balance thus dropped by 32% in this period, but it was always above that recorded in the same period of 2008.

Between January and March 2010, Argentine service exports grew by 10.3% mainly boosted by travel, while Argentine service imports did so by 12.9%, driven by travel, freight and insurance services. This behaviour resulted in a trade deficit that exceeded that of Q1 2009 by 39%.

MERCOSUR: The consolidation of the bloc's economic expansion

Jorge Lucángeli
Mariana Sanguinetti
Ana L. Zamorano

Abstract

The administration of the Argentine Pro Tempore Presidency in the first half of 2010 must be regarded as positive. After many years of negotiation, the MERCOSUR Customs Code was finally approved, which implies a significant turning point in the realization of the customs union. The approval of this code was accompanied by the implementation of other instruments, such as the MERCOSUR Single Customs Document (DUAM) and the MERCOSUR Procedures Manual on Customs Valuation Control.

The progress achieved in eliminating double taxation of the common external tariff (CET)—an old debt MERCOSUR had to settle for the consolidation of the customs union—is also worth highlighting. Not only the implementation of this mechanism to avoid double tariffs, but also the way in which customs revenue was to be distributed among MERCOSUR Member States was agreed upon.

With respect to the MERCOSUR Structural Convergence Fund (FOCEM), nine projects totalling USD 794 million were approved, out of which USD 588 million will be financed by FOCEM. The investment amount is not the only outstanding feature; energy and road infrastructure projects, as well as social cohesion projects like the comprehensive intervention in the schools of the Province of Santa Fe are also worthy of note.

Other achievements during the first half of 2010 are related to MERCOSUR's foreign relations. On the one hand, in the Madrid Summit held on 17 May 2010 the heads of state and government leaders of MERCOSUR Member States and of EU Member States formally agreed to re-launch the negotiations in order to reach an association agreement between MERCOSUR and the European Union. On the other hand, in the city of San Juan, during the MERCOSUR Summit, a Free Trade Agreement between the Arab Republic of Egypt and MERCOSUR Member States was signed. This agreement is of paramount importance, since it is the first agreement the regional bloc signs with an Arab nation.

During the first five months of 2010, trade of MERCOSUR countries was characterized by an increase in both trade flows—though more pronounced in imports than in exports—as compared to the same period of the previous year. As a result of this, the regional trade balance experienced a contraction in trade surplus. As analysed in the section on the evolution of regional economies, import growth was driven by an increase in output. This report includes an analysis of trade in services in MERCOSUR countries for the year 2009. Despite the good performance trade in services had in MERCOSUR, the deficit in the

regional trade balance increased as a result of the crisis. In any case, trade in services has gained an important share in the regional trade.

The growth of MERCOSUR economies during Q1 2010 was outstanding. The data confirms the consolidation of the recovery which started around Q3 2009, following the deceleration those economies suffered as a result of the international financial crisis. Growth prospects for the countries of the region are very promising. According to ECLAC, MERCOSUR economy would expand above 7% in 2010, a slightly higher rate than that estimated for all Latin America and the Caribbean (5.2%).

Recovery and uncertainty

Sebastián Laffaye

Abstract

Although it has been more than two years since the beginning of the financial crisis, it is not yet possible to assert that we are now on the right track to overcome it. The recovery of aggregate demand started at the end of 2009; however, the main economic indicators in most OECD developed countries—in particular, the United States, the European Union and Japan—show contradictory signals.

IMF forecasts confirm the hypothesis that there is an ongoing recovery at different paces. In 2010 the world economy would grow around 4%, and whereas expansion would be of around 6% in developing countries, it would be of around 2% in developed ones. In the Eurozone economic growth will be weaker, below 2%. On the other hand, the high unemployment rate, persistently high fiscal deficits, and public debt coefficients—which in some cases are well over 100% of GDP—raise concerns both in the United States and in several European countries. Unless these issues are tackled, the incipient recovery could become seriously compromised.

The main G-20 members differ with respect to how they face the crisis. While the USA and developing countries coincide in the fact that it is too early to remove stimulus packages, European countries—for many of which public debt is burdensome—consider it necessary to go back to fiscal discipline in order to provide investors and capital markets with positive signals.

At present, developing countries are facing a more favourable scenario than industrialised countries. However, unless uncertainty is reduced and aggregate demand conditions improve in the latter, instability is likely to eventually affect the former in the medium run, both through the impact on international trade and the contraction of financing sources.

Reaching macroeconomic stability in the medium and long run implies both restructuring domestic economies and correcting the imbalances between surplus and deficit countries. On the one hand, in order to restructure domestic economies, changes in the structure of public expenditure and in the operation of the financial system are required. On the other hand, in order to correct imbalances, economies with external surplus need to increase their domestic demand for consumption and investment, whereas countries with current account deficits need to reduce their consumption and increase their savings.

The fourth G-20 Summit. Progress Assessment

Hugo Gobbi
Néstor Stancanelli

Abstract

The G-20, which has passed from being an exclusively financial forum to discuss world economic and social issues at the highest level, has significant challenges ahead. In the four summits of heads of state and government leaders held so far (Washington, London, Pittsburgh and Toronto), the most important issues defining the role of the group refer to i) its consolidation as the main area of macroeconomic coordination and as the forum for submitting proposals to overcome the crisis and achieve sustainable global economic growth, ii) the democratization of multilateral economic institutions through a greater share of emerging and developing economies in capital and management, iii) the reform of the international financial system so that it encourages both production and a structural reform and iv) the promotion of a better income distribution both within a particular country and among countries.

The G-20's initial response to the challenge posed by the crisis was marked by the implementation of important monetary and fiscal stimulus packages by the main OECD countries, the capitalization of multilateral and regional financial institutions, the issuance of Special Drawing Rights, the flexibilization of credit lines for low-income countries, the consideration of changes in IMF and World Bank management and capital, and the beginning of the reform of the international financial system. Although the advances were significant to prevent the 2008–2009 recession from turning into an economic depression, they constitute just a temporary package of measures. These measures must be followed by deeper changes if the G-20 sticks to its objectives of achieving strong, sustainable and balanced global economic growth.

Domestic subsidies in the Doha Round agricultural negotiations:

Restriction to support or consolidation of distortions?

Juan Andrés Nava

Abstract

According to the latest notifications to the WTO, the cuts proposed for major economies in the Overall Trade-Distorting Domestic Support (OTDS) would not substantially reduce the domestic support applied. Yet, the disciplines on OTDS that are under negotiation tend to provide all WTO Members with greater predictability as regards the maximum level of distorting support that farmers can receive in developed countries. In this sense, these disciplines will enable those countries' farmers to better perceive market signals so that they gradually become less dependent on subsidies for production.

However, the modifications concerning permitted or green box policies—included in paragraphs 6 and 11 of Annex II to the Agreement on Agriculture in the last draft Modalities—entail some flexibility, since income support is linked to yield, sown areas and livestock units which are determined by reference to base periods that could be updated. Therefore, these modifications can potentially offset the advantages resulting from the commitment assumed to restrict and reduce trade-distorting domestic support programmes.

In view of the foregoing, it is crucial to ensure that the new disciplines on OTDS which will be finally agreed upon cannot be eluded by transferring said programmes—which guarantee prices and/or income linked to production—to the green box.

The Doha Round constitutes an incomparable opportunity to substantially restrict domestic support policies that distort trade and production, but at the same time it constitutes an actual threat of continuing with the current system of border protection and production incentives, thus consolidating the influence developed countries' treasuries have on farmers' decisions.

No coming back to the pre-crisis world

Raúl Ochoa

Abstract

These days we are witnessing a change of era which will take us to a different world. The 2008–2009 crisis has not finished yet, and there is no coming back to the pre-crisis world. Deep structural changes become essential and they will have to take place if, at certain time, the intention is to stabilise what the crisis disguises, that is, the uncoupling of finances from the real economy, with all the consequences that we have experienced and those we are experiencing now.

In terms of financial crises, the 1990s were like a traffic light stuck on red. These crises affected almost all emerging countries—Mexico, South East Asia, Brazil—without significantly affecting the United States and European countries; however, there were three very striking incidents in developed countries: the speculative attack on the pound sterling, the Japan depression and the speculative crisis in Sweden.

It is crucial that finance return to its original sense—as real economy supporter and promoter—if we are to have a more balanced world, with its eyes set on the forthcoming challenges, which are here and now.

Fossil fuel subsidies in the agenda of the G-20

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Cecilia Pérez Llana¹

Abstract

The debate about fossil fuel subsidies was introduced in the agenda of the G-20 in the Leader's Summit held in Pittsburgh in September 2009, where this issue was linked to that of climate change, and the idea of rationalising and phasing out—over the medium run—inefficient fossil fuel subsidies which encourage wasteful consumption was put forward. In the Toronto Summit of June 2010 the different countries presented their plans to address this issue: 11 countries submitted strategies and timetables to rationalise and phase out inefficient fossil fuel subsidies, and 8 countries reported that they have no inefficient fossil fuel subsidies to reform in the context of the G-20 mandate.

It must be borne in mind that G-20 countries differ with regard to their contribution to greenhouse gas emissions derived from the use of fossil fuels and to the role these fuels have in their energy matrix. Support measures in developed countries consist in production subsidies and, in some cases, in favouring consumption through low tax rates, whereas in developing countries these measures are more aimed at consumption. And even though developed countries devote large sums of money to biofuel subsidies—which would partially counteract the economic and environmental effects produced by the reduction of fossil fuel subsidies—these have not been included in the agenda of the G-20.

The definition of subsidy is an unresolved issue, which is no minor question, since the G-20 debates on this subject do not constitute an academic exercise but may result in the adoption of measures which have consequences on the energy policies of its member countries. The most appropriate definition is that set forth in the WTO Agreement on Subsidies and Countervailing Measures, which was approved by more than 150 countries and which allows the maintenance of a coherent position among the different international negotiation fora.

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