Centre for International Economy

GLOBAL REPORT

DECEMBER 2021

WORLD

Uneven world economic recovery
WTO Ministerial Conference called off
Mixed results at climate change summit

EUROPE

EU wants to cease importing deforestation-related products
Disagreement between Germany and France regarding nuclear energy
Italy punishes American technology companies
Record inflation in euro zone

SOUTH AND CENTRAL AMERICA

Brazil reduces its import tariffs by 10%
Argentina ties digital certification system with the EU
Exports in the region grow 25%
Bolivia approves 2021-2025 economic development programme

NORTH AMERICA

US to investigate dumping and subsidies on tube imports
India and Turkey join agreement on digital service taxes
The US and Japan to address the world excess capacity of steel and aluminium
Canada starts free trade talks with ASEAN

ASIA AND OCEANIA

ASEAN and China establish a Comprehensive Strategic Association
Asian countries strengthen relationships with the US
India imposes restrictions on tea imports

AFRICA

The World Bank publishes a study on Sub-Saharan African industry
The fifth "SADC Industrialisation Week" was held
Favourable conditions for investment in Central Africa

WORLD

UNEVEN WORLD ECONOMIC RECOVERY

According to the recently published OECD Economic Outlook, the best moment of recovery for the global economy seems to have been left behind.

The generalised improvement of economic indicators that was brought about by the relaxation of the isolation measures around the world was replaced by a new stage of recovery characterised by dissimilar outcomes at regional level.

Whereas some countries continue recovering at a good pace, others are at risk of getting lagged (especially low-income ones) because they did not make it possible for the demand to couple the levels prior to the pandemic and they show insufficient levels of vaccination against COVID-19.

The presence of inflationary pressures also brings about concern since it appears as a global phenomenon in a context in which the levels of employment have not recovered yet. Likewise, the report points out that the rise in prices is recording the highest peaks in food and energy, being particularly detrimental to low-income households.

World GDP growth is projected at 4.5% for 2022 and 3.2% for 2023, and world inflation is estimated at 4.2% for 2022, after the 3.5% estimate for 2021. Global trade would grow 4.9% by 2022 and 4.5% by 2023. These projections can be improved by a greater rate of vaccination, and they would be reduced if the pandemic grows in virulence, forcing new closings.

WTO MINISTERIAL CONFERENCE CALLED OFF

On 26 November, four days before the beginning of the twelfth WTO Ministerial Conference, this body announced the suspension of the meeting due to the outbreak of the COVID-19 Omicron variant. So far, no further date has been programmed for the meeting, which was originally to be held in June 2020 in Kazakhstan.

Some days before, the WTO had published the "World Trade Report 2021", in which the global trade response to the crisis originated by the COVID pandemic is analysed. According to the WTO, the fact that the world trade system is increasingly interconnected gives rise to certain vulnerabilities in the face of the shocks, but at the same time, it allows countries to find new solutions to come up against the crises.

According to the organisation, the natural and man-made disasters are growing in frequency and intensity, and the interconnection between countries enables movement of the threats from country to country due to the economic, financial, digital and transport connections.

However, the report sustains that the current conditions of international trade provide more opportunities to change suppliers because of the lack of provision of certain supplies and ease the dissemination of technology, which could help find new cures for infectious diseases in the short term or strengthen the national health systems in the long run.

MIXED RESULTS AT CLIMATE CHANGE SUMMIT

At the 26th Session of the Conference of the Parties (COP 26) to the United Nations Framework Convention on Climate Change (UNFCCC), held in Glasgow between 31 October and 13 November, three Glasgow Climate Pacts were approved: one of the COP26 , another one of the 3rd Conference of the Parties to the Paris Agreement, and another one of the 16th Conference of the Parties to the Kyoto Protocol.

The results of the summit were dissimilar. On the one hand, advances in the reference to the reduction of carbon-based energy, the elimination of inefficient subsidies to fossil fuels, the call to developed countries to increase financing for mitigation and adaptation activities, and the updating of the national contributions determined by the countries that account for 49% of emissions were achieved. Decisions to make operational the carbon market and the transition of the Kyoto Protocol mechanisms were also adopted. Also, it was agreed to reverse the loss and degradation of forests and reduce methane emissions by 30% in the year 2030.

On the other hand, among the drawbacks it can be highlighted that the developed countries failed to meet the goal of financing for adaptation, as of 2022, for US$ 100 billion per year –an objective that is not expected to be met before 2023– and no agreement over the financing of losses and damages has been reached.

EUROPE

EU WANTS TO STOP IMPORTING DEFORESTATION-RELATED PRODUCTS

The European Commission presented a proposal to prohibit the access of agricultural products coming from deforested areas. The project aims at restricting the imports of soy, cocoa, coffee, palm oil, beef, wood and their by-products. The European importers of these products will have to demonstrate that these were not produced in areas that were deforested after 31 December 2020.

The list of primary products included in the regulation will be periodically revised and for those who do not meet the standards, the sanctions applied will be proportionate to the damage caused. The legislation also provides for the seizure of the imported products and the exclusion of the importing company from government procurement processes.

DISAGREEMENT BETWEEN GERMANY AND FRANCE REGARDING NUCLEAR ENERGY

The Glasgow Summit (COP26), which started on 31 October, offered the setting for Germany and France to expose their disagreement regarding the role that nuclear energy must have in the future EU energy pattern, within the framework of a strong rise in the price of energy.

Germany is preparing to close its nuclear power stations –a decision that had been taken slightly after the accident at Japanese Fukushima station in the year 2011– and at the world climate summit it promoted a declaration opposing the EU to incorporate nuclear energy among the sources that are considered beneficial in the fight against climate change. The initiative had the support of Denmark, Luxembourg, Portugal and Austria.

In turn, France announced that it is going to build new power stations to control the increasing price of energy, obtain energy independence, meet the greenhouse gas emission reduction goals and promote the national industry, for which reasons it intends that this technology be included within those considered "green" by the EU.

ITALY PUNISHES AMERICAN TECHNOLOGY COMPANIES

The Italian government imposed fines on large American technological companies since they prevent competition and make illegal use of users' data. These sanctions add to those applied by other European countries that have increased both control and punishment against the US technology giants (see CEI Global Report, August 2021).

The Italian anti-trust authority accused Amazon and Apple of establishing an agreement that prevents other product distributors from operating in the market. The agreement, dating back to 2018, grants exclusiveness to Amazon to sell Apple products on the *Amazon.it* platform, which violates the European regulation. For this reason, both companies together will have to pay a 200 million euro fine.

Likewise, the Italian government punished Google and Apple with 10 million euros each after they hid information to their users in relation to the gathering and use of their data for commercial purposes.

RECORD INFLATION IN EURO ZONE

Interannual inflation in the euro zone in November was 4.9%, the highest value in all the historic series, starting 1997. According to the information published by Eurostat, the main cause of this record value is the rise in energy prices, with a 27.4% increase.

The main upturns were recorded in the Baltic countries –Lithuania (9.3%), Estonia (8.4%), Latvia (7.4%)–, while the countries that showed the lowest price increases were Malta (2.3%), Portugal (2.7%), France (3.4%) and Finland (3.4%).

SOUTH AND CENTRAL AMERICA

BRAZIL REDUCES ITS IMPORT TARIFFS BY 10%

By means of Resolution No 269 of the Foreign Trade Chamber (Camex), the Brazilian government reduced its extra-Mercosur import tariffs by 10%, until 31 December 2022. The text of the legislation expresses that it aims at "facilitating the fight against the effects of the Covid-19 pandemic on the national economy", since it is supported by section 50 of the Montevideo Treaty of 1980, by which no member country is prevented from adopting measures intended for "protection of the life and health of people, animals and vegetables".

This measure will affect approximately 87% of the tariff positions. Exceptions to these are products of the automotive sector, dairy products, textiles and toys, and also those under the Mercosur exemption regimes.

ARGENTINA TIES DIGITAL CERTIFICATION SYSTEM WITH THE EU

The authorities of health and food safety from Argentina (Senasa) and from the European Union (DG-SANTE) have agreed on linking the agrifood safety and quality Argentine certification system (SIGCER) and the European bloc's control system (TRACES NT). At the beginning, the agreement will cover fresh poultry meat, but there are intentions to progress towards all products and by-products of animal origin.

Thanks to this joint initiative, Argentina becomes one of the few countries in the region that will be able to issue a health certificate with electronic signature in its exports to the EU. This certification, which will be automatically available for the European authorities, will make it possible to speed up operations and thus avoid likely costs derived from goods retained at the ports waiting to remedy errors in the certifications. Likewise, Argentine exporters will have immediate access to the necessary information, and as such will avoid possible barriers, such as language ones.

EXPORTS IN THE REGION GROW 25%

According to the report "International Trade Outlook for Latin America and the Caribbean 2021", recently published by ECLAC, the value of the exports of goods in Latin America and the Caribbean will rise by 25% in 2021. This evolution would be pushed by a 17% increase in export prices and an 8% expansion in volume.

The subregions with best dynamics are South America (34%), thanks to the increase in the price of raw materials, and the Caribbean (31%), due to the exports of petrol, gas and bauxite; while Mexican foreign sales (mainly manufactures) would grow only 17%. This report highlights that the purchases of goods from Asian countries (mainly China) and the intraregional exports have increased.

The recovery does not encompass the sale of services, which was the sector that most suffered in 2020 and which continued declining in 2021. In fact, during the first semester of the year it recorded a year-on-year contraction of 9.9%.

Apart from the fact that the recovery of the region renders similarities with global trade, the report states that the exogenous factors (the rise in the prices of raw materials) were decisive in the increased value of sales from Latin America and there are no reasons to guarantee that they will go on increasing.

Similarly, there is another factor that does not offer any optimistic overview. This is that the regional dependence of tourism is higher than the world average, for which reason it appears difficult to forecast a greater economic recovery until the uncertainty regarding the evolution of this activity sector is not resolved.

BOLIVIA APPROVES 2021-2025 ECONOMIC DEVELOPMENT PROGRAMME

The Bolivian Senate approved a programme for economic and social development, for the 2021-2025 period. The initiative contemplates ten strategic axes and is in line with the twelve pillars of the Agenda Patriótica 2025 (2025 Patriotic Agenda) introduced in 2013 by former President Evo Morales. Among the general objectives of the programme are the following: to reach an average GDP growth of 5.1%, reduce poverty from 39% (year 2020) to 19%, and extreme poverty from 13.7% (year 2020) to 5.3%, and improve income distribution. So far, the outlook for growth for Bolivia by the IMF is 5.0% for 2021 and 4.0% for 2022.

One of the axes of the plan is the promotion of industrialisation and import substitution, with which it seeks to reduce the dependency on the foreign sector and generate greater added value in the Bolivian territory. To that aim, the government attempts to increase the volumes of production of consumer goods, intermediate goods and services that are substitutes of imported ones, as well as promote the development of new industries in the strategic sectors (hydrocarbons, mining and energy). Particularly, the need to diversify and increase productivity in agribusiness matters is emphasised in order to guarantee food safety.

The programme anticipates a public investment of US$ 33.2 billion (around 13% of GDP), 53% of which will be devoted to the productive sector. Of the projects to be carried out, the plan highlights zinc refining; food processing and industrialisation; the development of Ichilo-Mamoré and Paraguay Waterways; the activities at Mutún Steel Plant and of the basic chemistry and pharmaceutical complexes; and the production of renewable diesel.

Regarding the latter, the Ministry of Hydrocarbon and Energies aims at implementing the FAME biodiesel and HVO renewable diesel ventures, which use as their input both used soya and vegetable oils or those which are not apt for human consumption. Thus, it would be possible to progress in the substitution of imports of fuels without hindering food safety.

NORTH AMERICA

THE US TO INVESTIGATE DUMPING AND SUBSIDIES ON IMPORTS OF TUBES

By the end of October the US Department of Commerce initiated an investigation regarding alleged dumping in the imports of oil country tubular goods (OCTG) from Mexico, Argentina and Russia, and another investigation related to countervailing duties for supposedly subsidised imports of OCTGs from Russia and South Korea.

In the middle of November, the United States International Trade Commission (USITC) determined that there are reasonable signs of damage to the US industry, for which reason the US Department of Commerce must continue with the investigations. The preliminary determinations on countervailing duties will have to be submitted at the end of this year, while in the case of the antidumping investigation, the term is extended until mid-March 2022.

INDIA AND TURKEY JOIN THE AGREEMENT ON DIGITAL SERVICE TAXES

The United States Department of the Treasury reached a transition agreement with the governments of India and Turkey in relation to the digital service taxes established by said countries.

Similarly to what was agreed on in October with Austria, France, Italy, Spain and the United Kingdom (see CEI Global Report, November 2021), India and Turkey commit themselves to removing their digital service taxes after a transition period determined for each case or once the Pillar One of the Inclusive Framework of the OECD/G20 comes into effect, whichever happens first. If the amounts paid by the American technological multinationals exceeded what they would have had to pay under Pillar One, a fiscal credit for the difference between both amounts will be established.

On the other hand, the United States will put an end to the additional duties on imports originating in India and Turkey, adopted after the investigations of Section 301 of the Trade Act of 1974 and that are currently suspended (see CEI Global Report, July 2021).

US AND JAPAN TO ADDRESS GLOBAL EXCESS CAPACITY OF STEEL AND ALUMINIUM

The US Trade Representative, Katherine Tai, and the Secretary of Commerce of said country, Gina Raimondo, have announced the start of talks with the Japanese government to address the excess global capacity of steel and aluminium and adopt efficient measures to guarantee feasibility in the long term of these industries, within the framework of the visits made by the officials to different Asian countries (see Asia and Oceania section).

The US and Japan will try to solve the bilateral concerns in this sphere, particularly the additional tariffs imposed in 2018 by the Trump administration regarding the imports of steel and aluminium products coming from the Asian country, by virtue of Section 232 of the Trade Expansion Act of 1962.

The announcement is made two weeks after the agreement reached between the United States and the European Union to solve the trade dispute arisen by the tariffs under Section 232 (see CEI Global Report, November 2021).

CANADA STARTS FREE TRADE TALKS WITH ASEAN

The Minister of International Trade, Export Promotion, Small Business and Economic Development of Canada, Mary Ng, announced the start of formal talks with the Association of Southeast Asian Nations (ASEAN) to proceed with the negotiations towards a free trade agreement, after meeting representatives from the 10 countries in the bloc.

Ng described the opening of the conversations as an important landmark towards deepening the economic relations of Canada with the Indian-Pacific region and in the drive towards economic growth while the world is facing the bottlenecks in the supply chains that have affected global trade during the COVID-19 pandemic.

Canada already has preferential access to the markets of four of the countries of the ASEAN –Brunei, Malaysia, Singapore and Vietnam– through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

ASIA AND OCEANIA

ASEAN AND CHINA ESTABLISH COMPREHENSIVE STRATEGIC ASSOCIATION

On 21 November, on the occasion of the 30th Anniversary of the Dialogue between the Association of Southeast Asian Nations and China, the Chinese President Xi Jinping announced the establishment of a Comprehensive Strategic Association between both countries. Among other initiatives, the Chinese authority announced the willingness to grant to the ASEAN an additional US$ 1.5 billion in the next three years to support the economic recovery after the impact of the COVID-19 pandemic.

Also, it called on the region to take the most benefit from the Regional Comprehensive Economic Partnership (RCEP) so as to increase the levels of investment, trade openness, innovation and green growth models.

China will import more high quality products from the ASEAN countries and will try that the Chinese imports of agricultural products of the regional group reach US$ 150 billion in the next five years. In addition, it proposed to have conversations on digital governance to deepen the innovating application of digital technologies.

ASIAN COUNTRIES STRENGTHEN RELATIONSHIPS WITH THE US

Within the framework of a tour to several Asian countries, the Secretary of Commerce, Gina Raimondo and the US Trade Representative, Katherine Tai, held a series of meetings with their counterparts from Japan, Korea, India, Singapore and Malaysia.

The visits took place after the announcement made by President Biden, within the framework of the 16th East Asia-ASEAN Summit, where he stated that the United States will explore with allied countries the development of a new economic strategy for the Indian-Pacific. This will define the shared objectives of the United States and the countries in the region with respect to topics like trade facilitation, the standards for digital economy and technology, the strengthening of the supply chains, climate change and infrastructure. The new economic strategy for the Indian-Pacific would be introduced in 2022.

In Seoul, the trade delegates established a new channel for dialogue with the Korean authorities regarding semiconductors. Its inaugural celebration will take place in December. Besides, both countries have agreed on deepening cooperation to allow common ways to address and respond to trade-related challenges in the areas of supply chains, emerging technologies, the digital ecosystem and trade facilitation.

In Tokyo, along with Japanese authorities, the Japan-United States Commercial and Industrial Partnership (JUCIP) was launched. The JUCIP seeks to strengthen competitiveness and safety of both economies. In addition, a new Partnership on Trade was announced, intended to promote cooperation in labour, digital trade and environmental matters, and discuss trade issues and disloyal practices related to third countries.

In New Delhi, the first meeting of Trade Policy Forum was held, within which framework it was decided to improve access to the American market for a series of agricultural products. Likewise, the United States agreed on considering India's objective to restore the trade benefits under the Generalised System of Preferences (GSP).

The American civil officials also visited Singapore and Malaysia. In Kuala Lumpur, they decided to work together with the local government to improve semiconductor supplies.

INDIA IMPOSES RESTRICTIONS ON TEA IMPORTS

India's Tea Board (TBIA) issued new rules to stop tea shipments from Kenya with the aim of protecting its farm producers. This measure responds to the complaints by Indian producers for disloyal competition of those importers that mix tea from Kenya and Nepal (low priced) with local products and then sell it as tea from India.

The regulator of Indian tea issued communications to importers requesting information regarding the quantities and quality of the imports from Kenya to control the shipments, and threatened to cancel the licences to those who taint Indian tea's international image.

This measure is a heavy blow for Kenyan tea producers at a moment when the Kenyan government seeks to diversify the exports markets in the middle of an excess in production.

India is among the greatest tea producers in the world, along with China. Nevertheless, Kenya offers tough competition to Indian tea exporters since they sell the product at a much lower price. In agreement with the Directorate of Tea in Kenya, this country exported 2.8 million kilos of green leaves between January and June this year, as opposed to the 1.5 million kilos in the same period last year.

AFRICA

THE WORLD BANK PUBLISHES A STUDY ON THE INDUSTRY IN SUB-SAHARAN AFRICA

The World Bank (WB) published a study in which the perspectives of industrialisation in Sub-Saharan Africa are re-assessed by means of the integration of global value chains (GVCs), and the role of public polices in improving those perspectives is examined. According to the WB, Sub-Saharan Africa did not experience any premature de-industrialisation but rather a growth of the manufacturing sector at a slower pace than the rest of the economy.

According to the document, the capacity to strengthen the integration of global value chains will require an appropriate combination of policies aimed at profiting from the current comparative advantages, while capacities to improve the added value and compete in highly skilled tasks are being developed. This will imply fostering productivity growth while maintaining a competitive market setting, developing programmes of the industry's specific abilities and investing in sectors like infrastructure and finances.

THE FIFTH ANNUAL SADC INDUSTRIALISATION WEEK WAS HELD

The President of Malawi, Lazarus McCarthy Chakwera, gave a severe warning to the Member States of the Southern African Development Community (SADC) when he pointed out that if the industrialisation process in the region fails to take place, Southern Africa will run the risk of becoming a dumping ground of products from other nations and might not harvest the benefits of the African Continental Free Trade Area

(AfCFTA). President Chakwera made this statement at the opening session of the fifth "SADC Industrialisation Week", which was held in Mozambique.

On the other hand, the President of Mozambique demanded greater collaboration between the state and non-state actors, especially from the private sector, in order to advocate for the drive to industrialisation in the SADC region. In this sense, he challenged the Member States to be creative in the proposal of solid economic policies that promote industrialisation.

FAVOURABLE CONDITIONS FOR INVESTMENT IN CENTRAL AFRICA

According to a report by the American risk assessment agency, Moody's, the Chinese investments and the fixed parity between the CFA franc and the euro are key elements to attract private investors for infrastructure projects in the region of the Economic and Monetary Community of Central Africa (CEMAC, for its acronym in French).

According to the report, the parity of the currency of the countries belonging to the CFA franc zone to the euro allows them to reduce the external vulnerabilities and sustain inflation below 3% annually, alleviating investors' concerns.

At the same time, the document stresses that China is an important investor in infrastructure projects in Central Africa. According to official figures, in 2020, the country represented 22% of the infrastructure investments in the region. That percentage is approximately equal to the volume contributed by the African Development Bank (AfDB).

Ministry of Foreign Affairs
International Trade and Worship
Argentina

Closing date of this issue: 30 November, 2021