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# GLOBAL REPORT

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FEBRUARY 2022



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# WORLD

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## RISKY COMBINATION: LESS GROWTH AND INCREASING INFLATION

The global economy would go up 4.4% in 2022, lower than the 5.9% rise estimated for 2021, according to the IMF's World Economic Outlook update. In turn, the advanced economies would grow 3.9% and the emerging ones 4.8%.

The main destinations of Argentine exports would also grow less than last year: the United States would grow 4% (5.6% in 2021); the countries in the euro zone 3.9% (5.2%); China 4.8% (8.1%); and Brazil 0.3% (4.7%).

This moderation in the growth rates is due to the restrictions in mobility that are imposed again and the persisting limitations to the final and intermediate goods supply, resulting from the restrictions to transport, the scarcity of containers and the policy of low inventories. In line with the smaller growth, the global trade would also increase less than last year: 6% as opposed to the 9.3% estimated for 2021.

On the other hand, inflation would remain at high values: 3.9% in the advanced economies (3.1% in 2021) and 5.9% in the emerging ones (5.7% in 2021), due to the difficulties in supply already mentioned and the rise in the price of fuels. This would lead to more restrictive monetary policies, which could affect credit for developing countries, limit the space for expansive fiscal policies and reduce growth. Consequently, the outlook

for 2023 shows even lower values than for this year: the world would grow 3.8%, the advanced economies, 2.6% and the developing economies 4.7%.

## UNEVEN RECOVERY OF FDI

The upturn of the economic activity in 2021 was accompanied by the recovery of foreign direct investment (FDI). According to estimates of the United Nations Conference on Trade and Development (UNCTAD), FDI rose 77% last year and thus, it surpassed its level previous to the beginning of the pandemic.

However, this recovery was highly uneven. While inflows of FDI in developed countries tripled, they rose 30% in developing economies, and in the less advanced economies, they only increased 19%. The countries in Latin America and the Caribbean remained within the global average, with a 75% growth. FDI in the United States increased 114%, in the European Union 8% and 20% in China.

According to UNCTAD data, infrastructure investments predominated (thanks to the good conditions of financing and the national stimulus packages). The announcements of new investment projects (greenfield projects), however, stagnated, and those destined to global value chains experienced a downfall.

According to UNCTAD, FDI perspectives for 2022 are positive, although it is considered quite unlikely that last year's values are repeated. Like this year, the projects in infrastructure sectors will be those promoting growth.

## EUROPE

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### THE EU DENOUNCES CHINA AT THE WTO

The European Union launched a case against China at the World Trade Organization (WTO) over the sanctions that the Asian country imposed on imports from Lithuania. The restrictions to Lithuanian products were established time after the government of the Baltic country had decided to open a representation office in Taiwan.

The retaliation measures taken by Beijing government were not limited to the products from Lithuania, but they also included the companies using components manufactured in said country in their production process, which also affects other countries in the European Union.

The European Commission published a press official notice in which it justifies the beginning of a procedure in the WTO against China regarding "the refusal to ship Lithuanian goods through its customs, the refusal of import requests from Lithuania and the pressure already exerted over EU companies that operate from other member States of the Union so that they withdraw the Lithuanian components from their supply

chains at the time of exporting products to China".

In this regard, Zhao Lijian, spokesman for the Chinese Ministry of Foreign Affairs, expressed that the conflict with the Baltic country "is due to the fact that the Lithuanian side has violated trust and its commitments and has harmed Chinese interests" and that "they constitute a bilateral issue between China and Lithuania, instead of being a problem between China and the EU."

### THE HIGHEST INFLATION IN THE LAST 25 YEARS

The European Union ended 2021 with the highest inflation in the last 25 years. As the Statistical Office of the European Union (Eurostat) informed, inflation increased 5.3% year-on-year in December, greatly due to the rise in the price of energy. The countries with the most important rises in prices were Poland (8%), Lithuania (10.7%) and Estonia (12%), while the lowest rates were observed in Malta (2.6%), Portugal (2.8%) and Finland (3.2%).

## FRANCE FINES GOOGLE AND FACEBOOK

The largest American technology companies continue to be targeted by the European authorities (see CEI Global Report, [August 2021](#)). In this case, the French National Commission on Informatics and Liberty (CNIL, for its acronym in French) imposed [sanctions](#) on Google and Facebook for US\$ 240 million. The French government accuses the American platforms to break the Data Protection Act through the use of cookies, tools used by companies to know users' online browsing habits.

The reason for imposing the fine is that it is easier for users to accept the cookies (through a single click) than to reject them. The CNIL gave a three-month notice period to companies to activate a mechanism that allows French users to easily reject the cookies, or else they will have to pay a US\$ 114 billion fine per day.

## SOUTH AND CENTRAL AMERICA

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### ARGENTINA TAKES OVER PRO-TEMPORE PRESIDENCY OF CELAC

Within the framework of the [XXII Meeting of Foreign Ministers](#) of the Community of Latin American and Caribbean States (CELAC for its acronym in Spanish), Argentina was elected to hold its pro- tempore presidency during 2022.

Under the general assumption of the importance of an open and collaborative dialogue, Argentina proposed 15 axes of action for discussion within this space. In economic matters, the proposal is centred in the post COVID-19 recovery and the importance of food safety as a mechanism to fight hunger and poverty. In that sense, the leaders that participated in the meeting expressed their concern about the

sustainability of the countries' debts and the likely effects of the early withdrawal of the public policies generated for the recovery.

The other aspects proposed by Argentina include: strategies in sanitary matters and of risk management in times of disasters; space, environmental, infrastructure and digital transformation cooperation; advances in science, technology, education and culture; institutional strengthening, CELAC's operability and anticorruption practices; extra-regional dialogue; and gender aspects.

Likewise, Argentina and Mexico (outgoing presidency) signed two [agreements](#) with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) to promote the operation of CELAC's Fund for Climate Adaptation and Comprehensive

Response to Natural Disasters. Here, the global climate crisis takes dimension as well as its severe impact on the region in general and the Caribbean in particular, and the generation of a comprehensive development and risk management vision is fostered. In this sense, said fund, which will be run by ECLAC and financed by CELAC member countries and extra-regional donors, will make it possible to implement projects of mitigation of climate change and contribute to strengthen the response to natural disasters.

#### **IMF REDUCES GROWTH PROJECTION FOR THE REGION**

The International Monetary Fund (IMF) estimated that the economic growth in 2021 for Latin America and the Caribbean was 6.8%, above the average of the emerging and developing economies (6.5%). At the same time, its projections over the economic growth for 2022 were adjusted downwards, mainly due to the advance in the omicron variant of COVID-19, supply constraints and inflationary pressures. According to the IMF, instead of experiencing a 3% growth, the region will grow 2.4%, well behind the 4.8% of growth expected for the total of the emerging and developing countries (see World).

For Argentina, the estimated growth of real GDP during 2021 was 10% and in 2022 it would be 3%.

#### **CHILE INTRODUCES UNIVERSAL GUARANTEED PENSION**

The Chilean government enacted a law that replaced the previous old age benefits scheme with a new Universal Guaranteed Pension scheme. Said pension, that can reach up to 185 billion Chilean pesos (approximately US\$ 225), will be granted to those older than 65 who do not belong to the first decile of highest incomes and comply with some requisites of residency in Chile, regardless of whether they are still working or not. At the same time, the Law contemplates an increase in the amounts and in the access coverage of the disability pensions for which reason, almost 2.5 million citizens will be benefitted on the whole.

It is worth remembering that Chile, which has a capitalisation pension scheme, has authorised three anticipated voluntary withdrawals of retirement funds since mid-2020 in order to ease the effects of the economic crises generated by COVID-19.

## **NORTH AMERICA**

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#### **TRADE WAR: THE US NOT LIKELY TO LIFT TARIFFS ON CHINESE PRODUCTS YET**

President Joseph Biden maintained, at a press conference on the occasion of the first anniversary of his inauguration, that it is

necessary for China to fulfil the commitments of the Phase One Agreement signed two years ago in order to lift at least some of the tariffs that his predecessor, Donald Trump, had imposed on Chinese products worth hundreds of billion dollars.

According to the Secretary of Agriculture of the United States, Tom Vilsack, China did not meet the purchase objectives established in the treaty, in which the Asian country agreed to acquire US\$ 200 billion American goods and services more than in 2017, in the course of two years. As the official expressed, China must still increase its imports of American products in US\$ 13 billion. At the same time, he added that there are seven key areas in which the commitments assumed have not been met yet, among which are: commitments on dried distillers grains and addressing trade barriers on American agricultural biotech products.

In the same sense, the Peterson Institute for International Economics (PIIE), calculated that –until November 2021– the Chinese purchases alone had reached around 60% of the objective set by Phase One Agreement.

On the other hand, there has been progress in the case that China had initiated in 2012 against the US at the WTO Dispute Settlement Body concerning the imposition of countervailing duty measures on products imported from China (DS 437). The DSB found that the US was not able to show that the Chinese government had granted subsidies to certain exported products. Since the US did not modify the measures, China requested authorisation to apply retaliations

for the annulment or undermining of its rights. On 26 January this year, the group constituted as arbitrator determined that China can annul concessions to the US for an amount not surpassing US\$ 645 million per year as long as the US does not change its behaviour.

## **US AND UK SEEK TO RESOLVE THE DISPUTE OVER STEEL AND ALUMINIUM**

The United States communicated the start of negotiations with the United Kingdom to solve the tariff dispute over steel and aluminium and to address the issue of their global excess capacity, in a similar manner to what was announced some months ago with Japan and the EU (see CEI Global Report, November and December 2021).

The US Trade Representative, Katherine Tai, the Secretary of Commerce, Gina Raimondo and the Secretary for International Trade of the United Kingdom, Anne-Marie Trevelyan, agreed on starting bilateral negotiations to put an end to the conflict originated by the application on the part of the US of tariffs on imports coming from the United Kingdom and the retaliation tariffs imposed by the latter country. Likewise, the parties have agreed on tackling the global excess capacity of steel and aluminium, driven mainly by China, impacting on the American and British industries.

It is worth remembering that the Trump administration imposed tariffs on the imports of steel and aluminium in 2018 under Section 232 of the 1962 Trade Expansion Act. In response, the United Kingdom (at that time

as part of the EU) set retaliation tariffs at 25% on certain American products.

### **USMCA: REPORT OVER DAIRY PRODUCTS PANEL**

The United States Trade Representative, Katherine Tai, welcomed the victorious result of the first proceeding of the dispute settlement panel performed under the United States-Mexico-Canada Agreement (USMCA). The panel expressed that Canada is breaching its commitments under the trade agreement by reserving most of the in-quota quantity in its dairy tariff-rate quotas (TRQs) for the exclusive use of Canadian processors. (see CEI Global Report, June 2021).

For its part, the government of Canada took notice of the panel's conclusion and highlighted that the panel expressly recognised the legitimacy of Canada's supply management system and the government's power to manage its TRQ allocation policies within the USMCA framework.

The panel's final report to the Parties was issued on 20 December 2021. According to the trade agreement, Canada has 45 days after the date of this report to meet the conclusions of the board.

### **CONFLICTS AT USMCA REGARDING AUTOMOTIVE SECTOR CONTINUE**

On 6 January, Mexico requested the establishment of a USMCA dispute

settlement panel to resolve the difference in interpretation with the United States regarding the rules of origin of the automotive industry. Subsequently, Canada also joined the request.

The request was made after it was no longer possible to find a solution to the controversy in the stage of formal consultations (see CEI Global Report, September 2021). The governments of Mexico and Canada sustain that the United States' interpretation and application of the provisions in Chapter 4 (Rules of Origin) and of the Uniform Regulations of the USMCA are incorrect, and that they impose on the automotive producers requisites that are incompatible with the agreement so as to assess the Regional Value Content (RVC) rule of passenger vehicles, light-duty trucks and parts thereof.

Once the request is presented, the appointment of the panel members will take place. Later, this panel will have to issue a procedural calendar to the parties. It is expected that the decision of the court is known during 2022.

Added to the disputes in the automotive sector is the conflict generated between the three members of the USMCA due to the US intention to grant tax credits to electric vehicles (see CEI Global Report, January 2022).

## **ASIA AND OCEANIA**

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## **CHINA'S GDP OUTDOES GOVERNMENT'S OUTLOOK**

In 2021, China's gross domestic product (GDP) grew 8.1%, according to the Asian country's National Bureau of Statistics (NBS). The figure is in line with IMF forecasts for October, and exceeds the Chinese government's target of growth above 6%. According to the NBS, the Chinese economy grew 4% year-on-year in the fourth quarter of 2021, which is a figure higher than the expected but which sets a downswing compared to the 4.9% growth in the previous quarter.

The NBS stated that in 2021, the Chinese economy maintained a sustained growth and that the main economic variables had reached the expected goals. Retail sales, a key indicator of recovery of the national demand, increased 12.5% in 2021. However, in December they were well below the expected (1.7%) within the framework of the new coronavirus outbreaks that gave rise to strict blockages impacting consumption. In turn, industrial production rose 4.3% year-on-year in December and 2021 ended with 9.6% of annual growth.

## **THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP ENTERS INTO FORCE**

The Regional Comprehensive Economic Partnership (RCEP), the largest Free Trade Agreement in the world signed by 15 countries of the Asia-Pacific region, took effect on 1 January 2022. Negotiations for

this Agreement started in 2012 within the framework of the Association of Southeast Asian Nations (ASEAN) with other countries with which the bloc already had free trade agreements.

Currently, the agreement is effective in Australia, Brunei, Cambodia, China, Japan, Laos, New Zealand, Thailand, Singapore, Vietnam and South Korea; but it has not been ratified yet by Myanmar, the Philippines, Indonesia and Malaysia. India withdrew itself from the agreement in 2019 to protect its market from a likely invasion of cheaper foreign products.

The RCEP addresses trade in goods and services, the digital economy, intellectual property and trade disputes, among other issues, but it does not contemplate regulations regarding labour rights and environmental impact. It is estimated that the combined GDP of the signing countries equals 30% of global GDP, accounts for nearly 25% of global trade and 30% of the world population, in a region with the greatest economic growth in the world.

## **EVERGRANDE GROUP ANNOUNCES A DEBT RESTRUCTURING PLAN**

Evergrande Group, China's top real estate developer, has said it will submit a preliminary debt restructuring proposal within the next six months. The announcement is made within a context of strict financial restrictions for developers on the part of the Chinese government, which

has been taking steps to stabilise the real estate sector.

Evergrande is the most indebted property developer in the world, with more than US\$ 300 billion total liabilities, which include almost US\$ 20 billion in international bonds, all considered in default after a series of delayed payments since late 2021. The provincial government of Guangdong, which heads the company's reconstruction actions, might have concluded the necessary processes to know Evergrande's situation and issued a draft copy of a plan of the State Council of the People's Republic of China. It is expected that the details for this plan, that would contemplate the sale of the company's assets to investors close to the government, will be announced in coming months. Evergrande's liabilities have affected other companies in the country, contributed to the fall in the real estate sector, and decelerated construction, an activity that

maintains millions of job positions and accounts for an important part of the Chinese economy. In 2021, investments in the sector grew 4.4%, the lowest since 2016.

### **CHINA'S COAL PRODUCTION ON THE RISE**

In 2021, China's total coal production reported a 4.7% year-on-year increase, exceeding 4 billion tonnes, amid the country's efforts to secure energy supply. In the last month of the year, 380 million tonnes of raw coal were produced, which represents a year-on-year increase of 7.2%. The growth rate was 2.6 percentage points higher than the previous month, according to official data by the National Bureau of Statistics (NBS). Additionally, throughout the year, China imported 320 million tonnes of carbon, 6.6% more than in 2020, as the NBS stated.

## **AFRICA**

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### **THE WORLD BANK GRANTS LOAN TO SOUTH AFRICA**

The board of the World Bank (WB) approved a US\$ 750 million loan requested by the South African government to mitigate the effects of the COVID-19 on the most vulnerable population of the country and support its economic recovery.

According to the WB, it is a low-interest loan that complements the IMF and African Development Bank lines of credit, and which

will help the South African government to have new funds available to battle the crisis derived from the pandemic.

### **SADC PROTOCOL ON TRADE IN SERVICES COMES INTO FORCE**

The Protocol of the Southern Africa Development Community (SADC) on Trade in Services came into force on 13 January 2022, after the deposit of the instruments of ratification of two thirds of the Member States.

The SADC Protocol offers the framework for a preferential trade agreement that covers all the commercial and tradable services in any service sector; and it aims at promoting greater interregional trade by means of the gradual elimination of regulations, a process that is known as progressive liberalisation.

The States Parties extend to all members the best conditions for trade issued to another State. In addition, they guarantee the same market access conditions for certain services and service providers, which will not be more restrictive or discriminatory than those they receive by their own utility companies.

The first round of sectoral negotiations concluded in 2019 and included communications, finances, tourism, transport, construction and energy services. The SADC Trade Ministers approved a second round of negotiations in 2021, which included the regional trade in the remaining sectors, that is to say: business services; distribution; educational services, health and social services; environmental services; and recreational, cultural and sport services.

It is worth highlighting that the Protocol anticipates the denial of benefits to the trade companies of States that are not part, for which reason the service providers of SADC member States that have not ratified or adhered to the Protocol yet still remain without access to its benefits.



**Ministry of Foreign Affairs  
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