July 2022

CEI GLOBAL REPORT

CEI Centre for International Economy

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The 12th WTO Ministerial Conference concludes with partial results

The 12th WTO Ministerial Conference, held between 12 and 17 June in Geneva, Switzerland, concluded with a set of documents regarding the response of the international body in the face of emergencies, electronic commerce and fisheries subsidies, among others. Although the Conference had to be extended by two days to allow more time for reaching consensus, the multilateral results obtained are the first in almost a decade.

The so-called "Geneva Package" includes the Partial Agreement on Fisheries Subsidies, which prohibits support for illegal, unreported and unregulated (IUU) fishing, as well as support for fishing on overexploited stocks. It also puts an end to subsidies for unregulated fishing on the high seas and includes a commitment to continue negotiations to reach a final agreement. In the absence of such a final agreement within four years, the partial agreement reached will be terminated.

A Declaration on the response to current and future pandemics was also agreed upon, highlighting the need to work on the lessons learned and the difficulties experienced during the COVID-19 , in order to quickly adopt effective solutions for future outbreaks of this sort or alike. The Declaration, which does not create new mandates or obligations beyond the lessons learned review exercise, is the kick-off for future work in the respective bodies.

Besides, a Ministerial Decision on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and COVID-19 vaccines was adopted, which includes clarifications on the use of compulsory licenses to produce the vaccines, aimed at facilitating the production and distribution at global level. The Decision, which is far from the original ambition of the proponents of the intellectual property rights waiver, includes a mandate to continue negotiating the extension to diagnostics and treatments in the next six months. It should be noted that the importance of COVID-19 treatments has increased considerably, and is expected to continue as the vaccinated population globally increases compared to 2021.

On the other hand, a Declaration related to food insecurity was agreed, urging members to minimise the distortions to agri-food trade caused by the emergency measures they take in the current context.

No agreement was reached on agricultural matters despite intensive negotiations and the fact that the mandates to do so are already a quarter of a century old.

With regard to e-commerce, the practice of not imposing custom duties on electronic transmissions was again extended until the next Ministerial Conference, with a commitment to revitalise the Work Programme on Electronic Commerce.

Finally, in the Outcome Document, it is decided to work on the reform of the WTO and on a fully operational dispute settlement system accessible to all members by 2024, which would end the stalemate concerning the Appellate Body.

The global economic activity shows no signs of recovery

Two exogenous shocks to the economic activity, like the war between Russia and Ukraine and the Chinese policy of zero risk to face COVID-19, have modified the outlook for the commodity markets, trade, the financial markets, and the economic performance in general.

According to the OECD Economic Outlook, the global economy would grow 3% this year, while the outlook for December 2021 had been of 4.5%. Likewise, the estimates for developed countries (2.9% vs. 3.9%) and developing countries (3.3% vs. 4.9%) were modified. Regarding commodities, since the beginning of January, the carbon price has grown 69%; that of wheat 60%; gas, 54% in the United States and 26% in Europe; petrol, 29% and maize, 23%. This has made the outlook for global inflation for 2022 stand at 7.6% year-on-year instead of the 4.2% estimated in December and, as a consequence, it has made the central banks raise the interest rates more than expected. In addition, the volatility of exchange rates went up and many depreciated against the US dollar.

On the other hand, international trade started the year on the rise, but with the outbreak of the war this trend has reversed, with a reduction in the international demand for products from China, Japan and the countries in the euro zone. Likewise, the need to avoid Russian and Ukrainian ports, railways and air space has increased the cost of freight for having to resort to longer routes and due to the increase in the insurance premium, and has been limiting the air transportation of goods. On the other hand, although the Chinese ports and airports are operational, the closing of economic activities in China as a way to face the new COVID-19 outbreak has affected the transportation towards the ports and has also reduced the maritime and air transportation of goods.

The OECD and FAO anticipate stable agricultural markets

The global demand for agricultural products would grow in the next ten years at a lower rate than in the last decade (1.1% vs. 2.0% year-on-year). An explanatory factor is the lower growth in the demand from China and other medium-income countries. In spite of that, China would account for 34% of the growth in the demand for beef and 34% of that of fisheries; India 47% of the growth in dairy products and 21% of that of sugar; and Sub-Saharan Africa would account for 35% of the rise in the demand for cereals and 21% of that of sugar, according to the OECD-FAO Agricultural Outlook 2022-2031.

This can also be accounted for by the reduction in the demand for biofuels, which would grow 0.6% year-on-year, compared to the 4% in the last decade. This is due to the lower incentive in developed countries on biofuels derived from agricultural products, for which reason, the increasing demand would be sustained by India for ethanol and by Indonesia for biodiesel.

In the next decade, the crops production would grow 18%, and 80% of this variation would be due to yield improvements. The production of beef would grow 15%, 45% of which corresponds to avian meat, 38% to pork, 12% to beef and 5% to ovine meat. The dairy production would grow 23%. In turn, agricultural trade would reduce its growth rate thanks to the lower variation in the demand for imports and to the fact that the negotiation processes to reduce the import tariffs and distortive subsides have become stagnant. Latin America would continue being the main net exporter, followed by North America, while East Asia would still be the main net importer of agricultural products, followed by the Middle East and the North of Africa.

Since there has been a similar evolution in global demand and supply, the prices are expected to remain stable or would have slight descents during the next ten years.

Slight increase in agricultural aid

Total aid to agriculture reached US$ 817 billion per year during the 2019-2021 period, 13% or US$ 97 billion more per year with respect to the 2018-2020 period, according to the Agricultural Policy Monitoring and Evaluation 2022 report of the OECD. The European countries in the OECD, the non-member European countries and 11 emerging economies are included. Out of that, the aid to producers amounted to US$ 611 billion a year, of which US$ 317 billion were granted as consumer transfers via higher prices, by minimum prices or imports tariffs –the most distortive measures of the relative prices– and US$ 293 billion consisted of budget transfers. The products that received more aid –mostly price-distortive aid– were sugar, maize, rice, canola, avian meat and bovine meat.

In five of the countries included in the study (Norway, Iceland, Switzerland, Japan and South Korea) the agricultural subsidies granted during the 2019-2021 period corresponded to more than 50% of the value added of the sector. In the case of Norway, they reached 87%.

New summit of the BRICS Group

Last 23 June, the XIV edition of the BRICS Group Summit was held. There, the political leaders of Brazil, China, India, South Africa and Russia debated amidst a scenario marked by the Russian invasion to Ukraine. The chiefs of state of Argentina, Egypt, Indonesia, Kazakhstan, Nigeria, United Arab Emirates, Saudi Arabia, Senegal and Thailand also joined on this opportunity.

In the final Declaration, the members of the Group agreed on the need to firmly advocate for the multilateral trading system, to promote an open global economy, oppose the unilateral sanctions, strengthen cooperation in fields like digital economy, technology innovation, industry and supply chains, food and energy security, and make active progress in expanding the group's members.

Within the framework of the mechanism of the New Development Bank (NDB) –financial institution created by the members– four new nations have been admitted: Bangladesh, Egypt, United Arab Emirates, and Uruguay. Likewise, the Group intended to broaden the membership in a gradual and balanced manner in terms of geographical representation and to improve the international influence of the bank. The NBD has had a key role in addressing the pandemic and the economic recovery of the member countries. Among other tools, the group has a Contingence Reserve Agreement, created in 2014, to be used by the BRICS members in the face of financial contingencies, which has an authorised initial capital of US$ 100 billion.

EUROPE

The European Central Bank raises the interest rates for the first time in 11 years

The Governing Council of the European Central Bank (ECB) unanimously agreed on raising the interest rate in July after 11 years. At first, the rise will be of 25 basis points, but in September a new one will be applied –probably higher– to give continuation to a "gradual but sustained path of new rises in the interest rates".

The authorities of the bank are determined to face the high levels of inflation recorded in the euro zone. In that respect, Christine Lagarde, its President, has expressed: "High inflation is a major challenge for all of us. The Governing Council will make sure that inflation returns to its 2% target over in the medium-term".

The new estimates of the ECB anticipate inflation at 6.8% for this year in the euro zone, and it is expected to go down to 3.5% in 2023. Also, they anticipate that GDP in the euro zone will go up 2.8% this year (0.9 p.p. less than the March estimate) and 2.1% in 2023 (0.7 p.p. less).

The EU and New Zealand agree on a FTA

On 30 June, after four years of negotiations, the EU and New Zealand concluded negotiations to sign a Free Trade Agreement.

From the point of view of the European countries, the main advantages posed by the agreement are the elimination of all the tariffs for the exports to New Zealand; the opening of the New Zealander market in key sectors like financial services, telecommunications, and marine transport; the guarantee of non-discriminatory treatment to investors from the EU; and the improvement in the access to public procurement in New Zealand for companies in the bloc.

On the other hand, New Zealand's primary goal is the possibility to diversify the destinations of its exports and thus reduce its dependence on the demand coming from China (with the same objective, last year it reached an agreement with the United Kingdom).

The EU will eliminate tariffs for 94% of the tariff schedule when the FTA comes into force (91% of the current exports from New Zealand to the EU), a percentage that will go up to 98.5% after a seven-year period (97% of the exports). Nevertheless, some key products for the economy of New Zealand like beef or dairy products failed to be included in the list of those that received duty-free treatment. In bovine meat, the EU will grant a tariff rate quota of 3,333 tonnes that will enter without tariffs and which will amount to 10,000 tonnes in a staggered manner, while the conditions of the quotas offered to the dairy products will be improved.

The negotiated text will be subject to a juridical revision and the European Commission shall submit it to the Council for its undersigning. Once adopted by the Council, the EU and New Zealand will be able to sign the agreement. After its signature, the text will be delivered to the European Parliament for its approval. Once approved by the Parliament and ratified by New Zealand, the agreement will enter into force.

Paved way for Croatia to adopt the euro

The European Commission published a report stating that Croatia can adopt the euro as of 1 January 2023, which will increase to 20 the number of European countries that use that currency.

The Commission assessed the progress made by Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania and Sweden in their process of accession to the euro zone, and considered that only Croatia meets the requirements demanded by the EU: price and exchange rate stability, sound and sustainable public finances and long-term interest rates that do not surpass in more than two percentage points the rates of the three member states with greater price stability.

The evaluation of the Commission is complemented by a report by the European Central Bank published simultaneously. In order to complete the process, the Council must only adopt the definite rulings, which is expected to take place in July, after the European Parliament and the ECB have made their recommendations.

Historic railway strike in the United Kingdom

The most important railway strike in the last decades took place in June. The activities were suspended for three days affecting most of the country's railway line and the underground system in London.

The workers are rejecting the 3% salary rise offered by Network Rail (NR), the state company that administers the railway. The firm stated that the offering will only be made effective if it is accompanied by the dismissal of 2,500 employees which will represent savings at around 2 billion pounds in the next two years for NR.

The representatives of the National Union of Rail, Maritime and Transport Workers (RMT) claim salary reconstitution at around 7% and justify said request on the fact that the salaries in the sector have been suffering a freeze for years and inflation in the country is in the highest levels of the last 30 years. In May –latest data available– the year-on-year inflation rate reached 7.9% and the Bank of England (BoE) anticipated that it could be over 11% by the end of the year.

The British media anticipate that the railway strike is the first of many and they can forecast further conflicts pushed by workers in education, public health, the postal service and the flag airline British Airways. In that respect, the Secretary General of the railway union RMT, Mick Lynch, stated that: "I think there are going to be many unions that are balloting across the country because people cannot take it any more", and he added that "we have got people doing full-time jobs who are having to take state benefits and use food banks. That is a national disgrace".

SOUTH AND CENTRAL AMERICA

Brazil and Uruguay sign protocols on free trade zones and yerba mate

By means of the Additional Protocols No. 83 and No. 84 to the complementary economic agreement No.2 (ACE 2), Brazil and Uruguay decided to modify conditions relative to the free trade zones and the sanitary regulations that rule the yerba mate commercialisation, respectively. In the first case, the countries decided on a total reduction in import tariffs, immediately and without any term limit, for all the goods that are included in the ACE No.18 (Mercosur Framework Agreement) and that have been elaborated in the free trade zones or special customs areas of these two countries. It is worth remembering that so far, said relief was limited in time and included only some products and free trade zones.

Regarding yerba mate, the protocol establishes that both countries should set more flexible limits of lead and cadmium content, which favours Brazilian yerba mate producers. Specifically, the agreement makes it possible that in case the maximums set in the scope of MERCOSUR are exceeded (that are applied to the product in the condition in which it is offered to the consumer), the controls will be made on the yerba mate infusion, which would admit higher initial values of those substances.

The economic proposals of the elected government in Colombia

The candidates of Pacto Histórico party, Gustavo Petro and Francia Márquez Mina, obtained the victory in the presidential elections of 19 June in Colombia and will take over their office on the coming 7 August. During the electoral campaign, a programme containing a series of relevant measures in matters of political economy was presented. One of them is the promotion of the energy transition from an extractive economy –which is highly dependent on carbon and petroleum– towards one that is respectful of nature and natural resources, whose energy matrix is more oriented to renewable energies. Some of the measures that the proposal contemplates are: the territorial ordering around the hydric resources and the improvement of the pertinent infrastructure, the protection of forests and woods and the promotion of agroecology, the elimination of tax benefits to the hydrocarbon sector, and the reduction and better management of waste.

On the other hand, the proposal establishes that it will seek to promote agricultural production and its inputs, so as to be able to reduce food and fertilisers imports. This strategy will be put into practice together with an agrarian reform that guarantees the right to the land for rural families and discourages the unproductive large pieces of land in fertile soils.

Finally, the other two important reforms anticipated are the tax and the social security reforms. The former will direct the greatest weight of the tax burden to the largest fortunes in the country. In particular, it will tax the unproductive capital such as dividends and transactions abroad and will ban the tenure of assets in fiscal havens for those who get incomes from the State. The latter, will seek the transition towards a mostly public system organised on three pillars: a basic solidary one (guaranteeing a contribution for elderly people that are not under a pension scheme), a contributive one (which will have to be contributed by workers) and complementary voluntary savings (for those who wish to complement their pension scheme).

Commitments of the heads of state at the ninth Summit of the Americas

The representatives of many American countries met at the IX Summit of the Americas that was held in the United States in early June. One of the commitments made at the meeting is the Regional Programme for Digital Transformation, which promotes research and development, inclusion, investment in infrastructure and safety in matters of digital technologies, in an integrated manner within the region and according to the international standards. At the same time, it promotes the use of information and communication technologies to benefit access to education and culture, financial inclusion, health accessibility and trade in goods and services; all these within the framework of a greater articulation with the private sector, the academic sector and the civil society.

Other two documents, "Accelerating the right transition towards clean, sustainable and renewable energy" and "Our sustainable and green future", make commitments in matters of energy transition, conservation of natural resources and ecosystems and the adequate management of waste. In particular, they commit themselves to promoting the rational and efficient use of energy for emission reduction, and cooperating and promoting technology transfer in matters of renewable energies, and promoting a sustainable and responsible management of mining and agriculture. In addition, they propose to work in the search for economic recovery from a perspective of preservation of resources, in rising the financing of climate action, improving the systems of early alert and response to climate events, and creating the conditions favourable to national and international investment in this matter.

NORTH AMERICA

The US sets anti-dumping duties on honey imports

The United States International Trade Commission (USITC) determined that the US industry is materially injured due to less-than-fair-value imports of raw honey from Argentina, Brazil, India and Vietnam. Originally, imports from Ukraine were also investigated, but the case was revoked due to the Russian invasion.

As a result, since 10 June, honey imports from the four countries mentioned above have been subject to anti-dumping duties to gain access to the US market. The punitive import tariffs established against Argentine honey vary between 9% and 50%, depending on the selling company. The US is the main export market for Argentine honey, with sales amounting to nearly US$ 100 million, on average, in the last five years.

US initiatives announced within the framework of the Summit of the Americas

In the context of the recent Summit of the Americas, US President Joseph Biden announced the creation of the Americas Partnership for Economic Prosperity, an agreement that, according to the US government, seeks to boost the recovery and growth of the continent's economy. Its main objectives will be to deepen economic cooperation, strengthen supply chains to make them more resilient to crises, foster innovation in both the public and private sectors and address the climate crisis.

Following the conclusion of the Summit, the United States held initial consultations with stakeholders on the various areas of interest. However, formal negotiations would only begin in two or three months' time.

The biggest criticism of the alliance –which reflects similar initiatives with other regions of the world, such as the recently announced for the Indo-Pacific region (IPEF)– lies in the lack of concrete commitments in the form of traditional trade agreements, that would result in greater market access for the parties involved. Moreover, it is feared that such initiatives lack sufficient ambition to counter China's growing influence in the region.

Also, in the context of the Summit, the United States announced a joint declaration on Good Regulatory Practices with Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Haiti, Panama, Paraguay and Uruguay.

The declaration identifies actions and practices that the acceding countries intend to adopt to instil confidence, responsibility and predictability in regulatory processes. These include facilitating access to regulatory information, conducting open and inclusive public consultations, engaging all stakeholders in the regulatory process, conducting reviews of existing regulations and using relevant international standards, guidelines and recommendations to avoid unnecessary barriers to trade.

Entry into force of the law to prevent Uyghur forced labour

On 21 June, the Uyghur Forced Labour Prevention Act (UFLPA) came into force in the United States, after its enactment on 23 December 2021. The Office of Customs and Border Protection (CBP) will start implementing the provisions of the UFLPA, which entail a ban on the imports into the United States of goods made total or partially with forced labour in the People's Republic of China, especially of the Xinjiang Uyghur Autonomous Region.

Xinjiang represents 80% China's cotton production, and 20% of cotton production worldwide. It also has a booming industrial, mining and agricultural sector: the region produces everything from peppers and nuts to electrical equipment and polysilicon, a key material for solar panel manufacturing.

According to a statement from the State Department, addressing forced labour and other human rights abuses in the People's Republic of China and around the world is a priority for the US administration. The measures include visa restrictions, an import ban through Withhold Release Orders (WRO), as well as the publication of informative trade notices about the Xinjiang region, in order to prevent trade that facilitates or benefits from human rights abuses, including forced labour. On the other hand, the UFLPA provides for financial sanctions under the 2016 Global Magnitsky Act, which authorises the United States government to sanction officials of foreign governments around the world who are regarded as violators of human rights, to freeze their assets and to prohibit them from entering the United States. In this regard, commercial and business groups noted that the ambiguous wording of the new legislation threatens most of the US$ 500 billion of China's annual exports to the United States.

US and Taiwan launch 21st century trade initiative

The Deputy United States Trade Representative, Sarah Bianchi, and the head of the Taiwan Trade Negotiations Bureau, John Deng, launched the "United States-Taiwan Initiative on 21st Century Trade", which aims to address exclusively trade issues between the two countries, deepen the economic and trade relationship, and promote innovation and inclusive economic growth. The announcement came just a week after Taiwan was left out of the Indo-Pacific Economic Framework.

Both sides agreed to develop a roadmap for reaching agreements with high-level commitments and significant economic results in the following areas: trade facilitation, regulatory practices, agriculture, anti-corruption, small and medium-sized enterprises, digital commerce, worker-centric trade, environment, state-owned enterprises, and non-commercial policies and practices. This would be done under the auspices of the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representation Office in the United States (TECRO).

ASIA AND OCEANIA

China's economy recovers but domestic consumption remains weak

In May, the Chinese economy began to gradually overcome the impact caused by the latest isolation measures taken against the pandemic. The main indicators showed a slight improvement; however, internal consumption remains fragile, according to the National Bureau of Statistics (NBS).

Industrial production rose 0.7% in May, after April's 2.9% fall. This pickup was marked by the relaxation of the restrictions imposed under the COVID-zero policy, and the strong momentum of the global demand. However, retail sales, an important indicator of consumption, fell 6.7% y-o-y, after an 11.1% reduction in April. Meanwhile, the January to May cumulative value of consumer goods retail sales showed a year-on-year reduction of 1.5%.

The NBS expects that in the coming months consumption will become a driver of China's economic growth, and anticipates that it will recover at a faster pace as people's lives return to normal, the epidemic prevention and control actions take effect, and the labour market remains stable. In April, the Chinese State Council announced a package of 33 fiscal, financial, investment and industrial policy measures to revive the economy, while accelerating infrastructure spending (see CEI Global Report, June 2022).

The UAE bans re-exports of Indian wheat for four months

The government of the United Arab Emirates (UAE) decreed the suspension of the re-export of Indian-origin wheat and wheat flour for a four-month period. The Emirati Ministry of Economy explained that this decision is taken amid international events affecting trade flows, and in recognition of the strong and strategic relationships between the UAE and India, especially after the entry into force of the Comprehensive Economic Partnership Agreement (CEPA) between the two countries, on 1 May, and the exception made by India with the UAE when it banned wheat exports.

India is the second largest wheat producer worldwide. In the last 2021-2022 fiscal year, it broke a record of exports of this grain, as it reached 7 million tonnes and, for this year, it had set a target of 10 million tonnes, before decreeing the ban on wheat exports (see CEI Global Report, June 2022).

"Partners in the blue Pacific" initiative

The United States, Australia, New Zealand, Japan, and the United Kingdom recently announced a new initiative called "Partners in the blue Pacific" (PBP) to enhance cooperation with small island nations in the region. The PBP is an informal mechanism to support the Pacific Islands and boost diplomatic and economic ties with them. Areas in which PBP aims to improve cooperation include the climate crisis, connectivity and transport, maritime safety and protection, health, and education.

The aim of the five countries behind the initiative is to direct more resources to the region to counteract China's advance. With similar intentions, in May, the United States launched the Indo-Pacific Economic Framework for Prosperity to promote trade in the region with Australia, Brunei, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, Fiji and Vietnam (see CEI Global Report, June 2022).

The geostrategic competition in this part of the world intensified recently, following China's initiation of an intensive diplomatic effort to achieve a comprehensive common cooperation agreement with 10 Pacific nations. China's Foreign Minister, Wang Yi, toured several nations in the area (Solomon Islands, Kiribati, Samoa, Fiji, Tonga, Vanuatu and Papua New Guinea) and held virtual meetings with representatives from the Cook Islands, Niue and the Federated States of Micronesia in order to gain support for the so-called "Common Development Vision" agreement.

China seeks to control domestic steel price

The Chinese government seeks to consolidate a new entity, led by the China Iron and Steel Association and the Ministry of Planning, which centralises the country's iron ore imports with the aim of increasing control over the domestic price of steel. The initiative, which involves large state mining and steel groups such as Baowu, China Minmetals Corp and Aluminium Corporation of China, aims to supply iron ore at lower prices, through larger bulk purchases. The project will also seek to boost domestic mineral production and increase overseas mining investments.

China is the world's largest iron ore consumer, with a total of one billion tonnes per year, and a steel industry that absorbs about 70% of global production. Most of the iron ore is imported from Australia. In this context, any move to gain control of its price is likely to be of concern to the authorities of that country, since iron ore is its main export product.

AFRICA

African Development Bank urges G7 to support food production plan

The President of the African Development Bank (AfDB) stated that the world must do more to address the growing global food insecurity caused by the war in Ukraine. It did so in the framework of a G7 meeting at which governments, multilateral development banks, international and regional agencies, and non-governmental organisations called for the release of millions of tonnes of food trapped in Ukraine due to the Russian invasion.

The German government organised a conference entitled "United for global food security", to coordinate responses to the food crisis caused by climate change and the COVID-19 pandemic, which was aggravated by the war in Ukraine. In this context, the President of the AfDB urged Germany and the rest of the G7 countries to support an emergency food production plan in Africa. The plan has a budget of US$ 1.5 billion and was developed jointly by the Bank and the African Union to help African countries avert an impending food crisis.

While the African Development Bank mobilised US$ 1.3 billion of the US$ 1.5 billion needed for the "African Emergency Food Production Plan", it requested that Germany and all G7 countries help provide the remaining balance.

Africa is heavily dependent on grain exports from Russia and Ukraine. Because of the war, the continent faces a shortage of at least 30 million metric tonnes of food, especially wheat and maize imported from both countries.

The African Emergency Food Production Facility will provide certified seeds to 20 million smallholder farmers. The plan will increase access to agricultural fertilisers and allow them to quickly produce 38 million tonnes of food worth US$ 12 billion.

The FAO highlights the importance of digital transformation of agriculture in Africa

The digital transformation of the agricultural sector could contribute to the fight against food insecurity in sub-Saharan Africa, according to a report recently published by the Food and Agriculture Organization of the United Nations (FAO).

Large populations in sub-Saharan Africa still experience great uncertainty about food availability: 82% of Malawians suffer from moderate or severe food insecurity, followed by about 7.7 million people in the Democratic Republic of the Congo and about 3.3 million people in Burkina Faso.

Sub-Saharan Africa has the largest area of uncultivated arable land in the world. It also has a young population and vast natural resources. It is therefore uniquely positioned to double or even triple its current agricultural productivity, according to the report. Such an increase in agricultural productivity would help lift out of poverty more than 400 million people in sub-Saharan Africa living on $1.9 or less a day. It would also improve the livelihoods of approximately 250 million smallholder farmers and pastoralists in the region.

According to the FAO, achieving these objectives requires a digital transformation of the region's agri-food sector to increase its competitiveness. The report warns that much of the continent is disconnected. Around a third of the population is still out of reach of mobile broadband signals, and only 22% have access to the Internet, and in order to change this outlook it proposes a series of concrete measures and key investments that governments should make for the development of the region.

African central banks explore digital currency creation

With the creation of e-Naira in October last year, Nigeria became the second country, after the Bahamas, to implement a Central Bank Digital Currency (CBDC). CBDCs are digital versions of cash that are safer and less volatile than cryptoassets because they are issued and regulated by central banks.

Several African central banks are currently exploring the possible launch of one of these financial instruments. South Africa and Ghana are implementing pilot projects, while other countries are in the research phase (Uganda, Kenya, Rwanda, Tanzania, Madagascar, Mauritius and Namibia).

The South African Reserve Bank is experimenting with a wholesale CBDC, which can only be used by financial institutions for interbank transfers, and is participating in a cross-border pilot programme with the central banks of Australia, Malaysia and Singapore. Likewise, the Bank of Ghana is testing a CBDC for retail use, the e-Cedi, which can be used by anyone with a digital wallet application or a contactless smart card that can be used offline.

According to an article published by the IMF, countries have different reasons for issuing CBDCs, but there are some potentially significant benefits for the region. The first is to promote financial inclusion: CBDCs could provide financial services to people who previously did not have bank accounts, especially if they are designed for offline use. In remote areas without internet access, digital transactions can be performed at a low cost or at no cost using phones with simple functions.

They can also facilitate cross-border transfers and payments. Sub-Saharan Africa is the most expensive region to send and receive money, with an average cost of nearly 8% of the transfer amount. CBDCs could make remittances easier, cheaper and faster by shortening payment chains and creating more competition between service providers. Faster clearance of cross-border payments would help boost trade within the region and with the rest of the world.

CEI GLOBAL REPORT

Closing date of this issue: 30 June 2022

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