



GLOBAL REPORT

JUNE 2020



WORLD

*From forecasts to facts: the first statistics of global recession
Trade tensions: green and red lights between China and the United States
Azevêdo steps down as WTO Director-General*



EUROPE

*European bloc launches funding drive for COVID-19
The EC starts ambitious Plan of Economic Recovery
The United Kingdom closer to the U.S.*



SOUTH AND CENTRAL AMERICA

*Brazil seeks to join the WTO Government Procurement Agreement
Colombia formally enters the OECD; Costa Rica is invited to join
Advances in trade facilitation between Argentina and Chile
Prosur seeks to coordinate actions amid COVID-19
Argentina investigates alleged dumping of Chinese products*



NORTH AMERICA

*The U.S. withdraws from the WHO and keeps an eye on the WTO
Activity collapses in North America
The U.S. maintains sanctions against Argentine biodiesel*



ASIA AND AFRICA

*Moderate optimism at the 13th National People's Congress
ASEAN surpasses the U.S. and the EU as China's main trading partner
Trade tension between Australia and China on the rise
Questions regarding AfCFTA's future
Argentina exports wines to China optimizing the use of medical flights*

WORLD

FROM FORECASTS TO FACTS: THE FIRST STATISTICS OF GLOBAL RECESSION

Little by little, the economic statistics start to reflect the world recession caused by the COVID-19 pandemic. According to [OECD](#) latest data, there was confirmation of what had been predicted: during the first quarter of the year, the GDP of the main developed economies decreased significantly with respect to the same period of the previous year (for instance, -5.4% in France, -4.8% in Italy, -2.3% in Germany, and -1.6% in the United Kingdom). The [composite leading indicator](#), another proxy of the economic activity, also recorded decreases in all the OECD countries and other non-members in April: -7.9% in the United Kingdom, -5.9% in Germany, -4.4 in India, -9.2% in Russia and -5.4% in China. This is partly due to the widespread supply restriction reflected in the fact that 94% of the world's workforce lives in a country with some type of measure of interruption of economic activities, according to the [ILO](#).

Global trade also reflected this scenario of crisis; there was a 3% reduction in the first quarter of 2020 and a 27% drop is expected for the second one, according to [UNCTAD](#). In April, a 3% fall in the price of agricultural commodities was recorded, as compared to the same month in 2019, with the exception of wheat and rice due to the restrictions on exports, as reflected by [FAO](#).

TRADE TENSIONS: GREEN AND RED LIGHTS BETWEEN CHINA AND THE UNITED STATES

While there is progress in the accomplishment of phase one of the bilateral agreement, the dissent regarding the responsibility over the origin of the pandemic threatens to undermine trade relations between both powers. On the one hand, China continues authorising the access of agricultural products from the U.S., like blueberries, avocados, barley and forage, and extending the list of American facilities with permission to export to this country, a process that has been taking place in spite of the fact that "these are difficult times for both our countries", according to the [joint statement](#) of the U.S. Department of Agriculture (USDA) and of the U.S. Trade Representative (USTR).

In relation to the conflict regarding Huawei, in May, the United States extended the veto to the company for one more year. The decision will prevent the company, along with ZTE, from operating in said country and reaching an agreement with Google, which will make its devices unable to offer the services of that company. In parallel, the possibility of creating a group of ten countries –namely, the G7 members, Australia, South Korea and India– that can develop their own 5G technology and reduce their dependency on the Chinese technological group is already under analysis.

On the other hand, the dispute for the global leadership gives rise to [recurring frictions](#) between both countries, which are being driven up by the COVID-19 pandemic. In

May, the Trump administration made accusations about the origin of the virus and who would be responsible for the consequences of its spread, at the same time that it announced the country's withdrawal from the WHO (see North America section).

AZEVEDO STEPS DOWN AS WTO DIRECTOR-GENERAL

Roberto Azevêdo, WTO Director-General, presented his resignation citing personal reasons as of 31 August, after seven years in office and a year before his end of term. After the announcement, the General Council established a nomination window to succeed him spanning between 8 June and 8 July. The selection process contemplates exposing the proposals and questions made by the member states to appoint the new Director-General by consensus. The mandate will last 4 years, will be renewable for another period, and it is expected that the core of the selection process takes up the first quarter of 2021, so that the 12th WTO Ministerial

Conference (MC12) can be held under the mandate of the new Director. In case the substitute election has not been made by then, Azevêdo would be replaced by some of the present Deputy Directors-General (Yonov Frederick Agah from Nigeria; Karl Brauner from Germany, Alan Wolff from the U.S. or Yi Xiaozhun, from China). Consistent with the objective of renewing the representatives before the MC12, the Chair of the Committee on Agriculture of the WTO also presented his resignation to the position as of next July.

Azevêdo's resignation has given rise to objections regarding its adequacy amidst the present context of crisis due to COVID-19, which demands, even more urgently, to strengthen the body's functioning. In this sense, the election of the next Director-General will surely depend on the way in which China, the U.S. and the EU can agree on a profile of a candidate that represents a balance among the several attempts of WTO reform.

EUROPE

EUROPEAN BLOC LAUNCHES FUNDING DRIVE FOR COVID-19 CRISIS

In May, the UE raised 9.8 billion euros with the purpose of carrying out scientific research on COVID-19. Among the major contributors Japan, Germany and France stand out, apart from Austria, Belgium, Canada, Israel, Italy, Morocco, Mexico, New Zealand, Norway, Portugal, Saudi Arabia, South Africa, Spain and the United Arab Emirates. The U.S has not participated in the initiative. Also, on 27 June, a pledging summit open to governments, companies

and citizens will be organised. The new campaign is already being published as Global.

It is projected that approximately half of what is raised will be used for the development of a vaccine, since it is necessary to "produce it and deploy it to every single corner of the world [...] at affordable prices", as EC President Ursula von der Leyen expressed. In fact, according to what has been made public, the donors are not obliged to waive their intellectual property rights but they are expected to opt

for said choice to guarantee a universal access to medical solutions.

THE EC STARTS AMBITIOUS RECOVERY PLAN

On 28 May, the UE launched a Recovery Plan aimed at bolstering the current crisis on the basis of the green and digital transitions that characterise the new EC mandate.

The plan will drive the ambitious amount of 1.85 trillion euros and it will be articulated on the basis of two instruments: *Next Generation EU* –to channel 750 billion euros– and the 2021-2027 Revised Multiannual Financial Framework. The first instrument will be organised stemming from three pillars: individual aid to the member states for their recovery (endowing programmes like REACT-EU with greater resources), support to private investment in strategic sectors (with particular strengthening of the Invest-EU programme), and support to programmes “that have proven their value in the crisis”, such as RescEU or Horizon Europe and a new Health Programme.

It is worth emphasising that in the month of May discussions regarding the bases of a new Industrial Strategy and Pharmaceutical Roadmap for the bloc were also resumed. The latter has gained renewed interest in particular as a result of the pandemic crisis, since it is guaranteed that the EU must improve the conditions of access to and production of medical supplies, so as to reduce their dependence on imports from China and India. The economic instruments that would make it possible to implement

both strategies could be channelled, at least in part, by means of the Recovery Plan.

The likelihood that this plan is implemented without modifications is, nonetheless, scarce. In fact, this ambitious proposal by the EC derives from the different initiatives at stake presented by subgroups of countries of the bloc (see Global Report, May 2020). Thus, the governments of Austria, Denmark, the Netherlands, and Sweden have expressed their opposition to the plan announced by von der Leyen. With a strategy of increasing austerity, there is rejection of the aid schemes not subject to conditionalities of budget balance and the common debt emission schemes that would back up the *Next Generation EU* programme.

THE UNITED KINGDOM CLOSER TO THE UNITED STATES

In May, the United Kingdom and the U.S. started negotiations via videoconference for a free trade agreement. Agriculture is expected to be one of the most complicated issues to negotiate but it is also likely that the agreement can be implemented in an express manner by 2021, when the Brexit becomes effective. In spite of the negotiating rigidity that Boris Johnson would show, there are other signals of strong alignment with the American power: the United Kingdom is cooling its relationship with China, since it has backed Trump’s criticism to the WHO for its treatment of the coronavirus pandemic and analysed the possibility of removing the Huawei equipment from the 5G mobile networks by 2023.

SOUTH AND CENTRAL AMERICA

BRAZIL SEEKS TO JOIN THE WTO GOVERNMENT PROCUREMENT AGREEMENT

Brazil sent an application for accession to the WTO Government Procurement Agreement (GPA), of which it has had the observer status since October 2017. Among its many objectives, this plurilateral pact aims at opening government procurement markets for goods and services to international competition and increasing transparency in such purchases. It currently has 48 members and, if accepted, Brazil would become the first Latin American country to participate in the agreement.

For this to be materialised, Brazil has yet to submit its offer of commitments regarding: its public sector entities whose purchases of goods and services will be open to foreign bidders; what those goods and services will be; thresholds values above which foreign enterprises will be allowed to be recruited and what the exceptions to the coverage will be. From there, a negotiation will begin with the other GPA member countries.

COLOMBIA FORMALLY ENTERS THE OECD; COSTA RICA IS INVITED TO JOIN

Having complied with the protocol of accession, Colombia has formally become the 37th member state of the OECD and the second country of South and Central America to be part of the organization, following Chile. Colombia initiated this process in 2013, although it was only in May 2018 that it received the invitation of the other members, following the review of 23 Committees of that organization and the

implementation of numerous reforms to align its legislation and public policies.

The next country in the region that could become the 38th member is Costa Rica, which after passing the technical reviews of the Committees and implementing the relevant reforms, this month received the invitation to join. Like Colombia, it will now have to ratify at the national level the measures necessary to accede to the OECD Convention.

ADVANCES IN TRADE FACILITATION BETWEEN ARGENTINA AND CHILE

In May, the health services of Argentina and Chile agreed to issue the first Electronic Phytosanitary Certificates (ePhyto). This will remove the use of paper for health certificates that cover trade of more than 3 million tonnes of plant products and by-products, and will improve inspection and certification procedures between the two countries.

PROSUR SEEKS TO COORDINATE ACTIONS AMID COVID-19

The President of Chile convened PROSUR members to coordinate actions to address the COVID-19 crisis. He exchanged experiences and concerns with his counterparts from Colombia, Ecuador, Paraguay and Uruguay (guest country); Chancellors of Brazil, Bolivia (observer), Peru, and the High Representative of Guyana. This resulted in the countries declaring, among other things, that they will continue making joint efforts to obtain loans from multilateral

financial institutions and to promote development and access to future vaccines and medicines.

ARGENTINA INVESTIGATES ALLEGED DUMPING OF CHINESE PRODUCTS

The National Foreign Trade Commission of Argentina initiated an investigation process

for the alleged dumping practices existing in the exports of granular expanded polystyrene from the Republic of China and Chinese Taipei. This has likely led to an increase in Argentine imports, a trend that, if continuing, would constitute a significant threat to the domestic industry.

NORTH AMERICA

THE U.S. WITHDRAWS FROM THE WHO AND KEEPS AN EYE ON THE WTO

Last April, the Trump administration temporarily suspended U.S. contributions to the WHO, estimated at around 450 million dollars per year, approximately 15% of the institution budget. During the 73rd WHO Assembly held on 18 and 19 May, Donald Trump warned that such a suspension would be final if the organization did not commit to “substantive improvements” of its operations. Without specifying what these improvements would consist of, the U.S. President reiterated his criticism of the agency regarding the management of the coronavirus pandemic and its apparent subordination to China’s interests. During this same Assembly, Xi Jinping differentiated himself from these actions by offering 2 billion dollars to assist developing countries in the fight against the virus. In this point-counterpoint scenario, the United States finally announced its withdrawal from the WHO on 29 May. Some days later, the White House reported that two million doses of hydroxychloroquine and a thousand ventilators will be sent to Brazil to help them deal with COVID-19.

At the same time, critical voices emerged with regard to the functioning of the WTO, with some U.S. senators proposing the country’s withdrawal from the organization.

ACTIVITY COLLAPSES IN NORTH AMERICA

The U.S. real GDP decreased 5.0% y-o-y in the first quarter of 2020, according to the latest estimate published by the Bureau of Economic Analysis (BEA). The fall reflected the negative contributions from private consumption, investment and exports, which were partly offset by government spending, public investment, and declining imports.

In turn, a preliminary estimate released by Statistics Canada yields a fall in real GDP (y-o-y) of 2.6% for the first quarter of 2020. The most affected sectors were those related to tourism and travel, food and accommodation, and retail.

At the same time, according to INEGI, Mexico’s GDP decreased by 2.2% in the first quarter of the year compared to the same period in 2019 due to a contraction of 3.5% in secondary activities and of 1.2% in tertiary

activities, while the primary sector showed a 1.1% growth.

THE U.S. MAINTAINS SANCTIONS AGAINST ARGENTINE BIODIESEL

On 12 May, the U.S. Department of Commerce published two final decisions stipulating that there are insufficient changed circumstances to warrant any revisions of antidumping and countervailing duties governing imports of Argentine biodiesel. Thus, in a clear and unjustified change of position with respect to the Preliminary Decision of July 2019, which substantially reduced the countervailing duties (see CEI Global Report, October 2019), anti-subsidy tariffs of around 70% will continue to apply. The anti-dumping duties, ranging from 60% to 86%, will also remain in effect despite the fact that the U.S. Court of

International Trade (USCIT) has already issued a first decision favouring Argentine exporters.

It should be remembered that since early 2018, due to a request from the National Biodiesel Board (NBB), which brings together U.S. producers, Donald Trump's government imposed countervailing and anti-dumping measures on Argentine biodiesel, leading to a virtual market closure. Until then, Argentine exports of this product to the North American country amounted to about 1.1 billion dollars (25% of the value of our country's total sales to that destination).

Argentina regretted the contradiction of the U.S. Department of Commerce and reiterated that, unlike many developed countries, it does not provide any subsidies to the biodiesel industry.

ASIA AND AFRICA

MODERATE OPTIMISM AT THE 13TH NATIONAL PEOPLE'S CONGRESS

The 13th National People's Congress (NPC) was held in Beijing on 20-26 May. In the presentation of its government work report, and in marked contrast to what is done every year, China decided on this occasion not to set a specific economic growth objective for 2020. This is because the country is being severely affected by the context of uncertainty undergone by the global economy amid COVID-19. Despite the absence of this quantitative target, Xi Jinping's government did set a fiscal deficit target of not less than 3.6% and the implementation of a more flexible monetary

policy that allows the total financing of the economy to be "visibly higher" than last year.

It should be noted, however, that there is likely to be some optimism on the economic recovery derived from the trade and investment data for April. In fact, during this month there was a rebound in exports of 3.5% (in volume, year-on-year). Among other factors, these grew thanks to the sale of textiles (5.9%), which include face masks and other health protection garments. At the same time, April imports recorded an abrupt drop (-14.2%), mainly due to lower purchases of crude oil, natural gas and refined oil. The FDI flows for April also grew 8.6% y-o-y.

On the political level, the NPC approved the Draft Decision on the establishment and improvement of the legal system and the application of national security in the Hong Kong SAR. According to the Chinese authorities, this would not interfere with the “one country, two systems” principle established to resolve China’s reunification. In any case, the U.S. has already imposed punitive measures on this respect by announcing the end of the trade benefits granted to the SAR since 1997.

ASEAN SURPASSES THE U.S. AND THE EU AS CHINA’S MAIN TRADING PARTNER

Due to the disruptions in trade flows as a result of the COVID-19 pandemic, ASEAN outperformed the EU and the U.S. as China’s main trading partner in the first quarter of 2020. During this period, ASEAN-China trade grew 6% year-on-year (140 billion dollars), accounting for 15% of China’s total trade volume. Imports from Vietnam and Indonesia recorded a year-on-year growth of 24% and 13%, respectively.

TRADE TENSION BETWEEN AUSTRALIA AND CHINA ON THE RISE

China’s “threats of economic coercion” in response to Australia’s insistence on launching an international campaign to investigate the origins of COVID-19 (see CEI Global Report, May 2020) escalated even further over the 13 May decision by the Chinese government to apply 80.5% anti-dumping tariffs on Australian barley. China justified the measure pointing to the high subsidies received by this crop and the damage it causes to its local production –China imports 50% of the barley from Australia and the latter sends approximately 70% of its barley exports to China– .

This measure is added to another decision by the Chinese authorities regarding the prohibition of importing beef from four Australian meat-packing plants due to alleged lack of contractual compliance (inspection and labelling rules), which would affect 35% of Australian beef exports to that country. Due to these signals, Australian producers and exporters are paying attention to other sectors that could be reached by similar decisions. Such are the cases of the wool industry, whose exports have China as their main market (75%) and iron ore exports (62%). According to Australian estimates, Brazil would be favoured in the latter case.

QUESTIONS REGARDING AfCFTA’S FUTURE

The recently appointed Secretary-General for the African Continental Free Trade Area (AfCFTA), Wamkele Mene, said that the official implementation of the agreement scheduled for 1 July will be delayed as a consequence of the current pandemic.

ARGENTINA EXPORTS WINES TO CHINA OPTIMIZING THE USE OF MEDICAL FLIGHTS

In March, the Argentine Ministry of Foreign Affairs signed an agreement with the Argentine Wine Corporation (Coviar, for its acronym in Spanish) and Aerolíneas Argentinas to export wine industry products to China with preferential transportation rates. This strategic link will allow the use of medical flights to improve the presence of the country’s key export products in the Asian market. A similar agreement for the transport of blueberries is also underway.

This news is part of Aerolíneas Argentinas’ reconversion plan in a post-pandemic scenario: with fewer commercial flights and idle capacity, the flag carrier announced at

the beginning of the month the creation of a new cargo transportation division.



Ministry of Foreign Affairs
International Trade and Worship
Argentina

Fecha de cierre del número: 1 de junio de 2020

The opinion expressed in this publication does not necessarily reflect the views of the Ministry of Foreign Affairs, International Trade and Worship of Argentina.

Hyperlinks to other websites are merely informative and do not imply responsibility for or approval of their content on the part of the Centre for International Economy.