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GLOBAL REPORT

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WORLD

ECONOMIC RECOVERY SUSTAINED BY VACCINATION

The global economy might be heading towards a path of clear recovery. This year, it would grow 5.75%, and 4.5% next year, after a 3.5% fall during 2020. According to the OECD's *Economic Outlook*, the United States would grow 6.9% in 2021 and 3.6% in 2022; the countries in the euro zone 4.3% and 4.4%; China 8.5% and 5.8%; India 9.9% and 8.2%; and Brazil 3.7% and 2.5%. Argentina's GDP would rise 6.1% this year and 1.8% in 2022.

The key factor for recovery is the progress of the vaccination so as to restart the activities that demand greater personal contact, together with expansive fiscal measures in the countries that have more policy space. However, the improvement will be more gradual in the countries with a slower speed of vaccination, since they are more likely to experience new outbreaks of COVID-19 and implement lockdown measures.

These projections also depend on the destination of family savings –derived from the degree of confidence in the recovery of the economy– and on how the new inflationary pressures are managed.

For the OECD, the pre-pandemic trade volume would be recovered in 2022, since it is likely to grow 8.2% this year and 5.8% in 2022, in spite of the 8.5% reduction last year.

This recovery can already be seen: exports of goods for the G-20 countries grew by 8% in the first quarter of this year with respect to the same period last year, while imports increased 8.1% y-o-y, according to OECD estimates. This year's growth would still face bottlenecks at the ports due to sanitary restrictions, which will be lifted as vaccinations advance. In turn, exports of services during this first quarter grew 4.4% and imports 2.5%.

DEBATE OVER INTELLECTUAL PROPERTY RIGHTS AND AID TO DEVELOPMENT BROADENED

A debate that began with a temporary exception to the application of intellectual property rules on vaccines and medicines for the pandemic has broadened to aid for development.

An example of this is the call made by IMF, WTO, World Bank and WHO authorities to give support to developing countries to vaccinate more people and at a greater speed and to eliminate the obstacles that hinder broadening the trade in products related to the pandemic. The cost of these measures was estimated at US$ 50 billion. The declaration of G-20 leaders gathered at the World Health Summit was in the same line. Among other aspects, they highlighted the role of the multilateral trading system for the production and provision of medicines, vaccines and health technology; they committed themselves to helping middle- and low-income countries to develop capacities for the production and distribution of vaccines and health technologies; and to facilitate the voluntary transfer of know-how in mutually agreed terms.

In turn, South Africa, India and a group of developing countries presented a revision to the proposal of a temporary waiver from the WTO provisions on intellectual property rights related to the pandemic introduced in October 2020. This text is more limited to the prevention and treatment of COVID-19 and fits the duration to the evolution of the virus and its variants. Also within the framework of the WTO, Bolivia notified about its need to import vaccines using the flexibilities of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Meanwhile, in several countries the debate over a temporary waiver for intellectual property rights continues with supporting arguments from the academia, pressure from laboratories to avoid it and positions in favour of donating vaccines instead of giving in patents, among other aspects.

QUESTIONING OVER EU'S CARBON TAX ON THE BORDER INCREASES

As the times for approval by the EU of the tax on the carbon content of imports (see CEI Global Report, February 2021) advance, the questionings over its application are on the rise.

For the United States, it would be a last resort instrument since it gives rise to economic difficulties in trade. China, in turn, made a call to care for the multilateral trading system in the face of the new green trade barriers. These words go in the same line as a previous joint statement made by Brazil, China, India and South Africa, which expresses great concern for unilateral measures like the carbon adjustment on the border, that are discriminatory and go against the common but differentiated principles of equity and responsibility. In turn, at the United Nations web page, the least developed countries (LDCs) expressed they fear the measure might be harmful to them. In order to avoid that, part of what is received for the payment at the border would be given to them along with a special exemption.

EUROPE

THE EU DOES NOT RATIFY THE AGREEMENT ON INVESTMENTS WITH CHINA

The Vice-President of the European Commission, Valdis Dombrovskis, stated that the efforts made by his team to achieve ratification of the EU-China Comprehensive Agreement on Investment had been suspended. Later, by means of a resolution approved by 500 votes in favour, 30 against and 58 abstentions, the European Parliament expressed that there is no possibility to ratify the treaty under the current conditions.

These statements from the EU authorities take place after China imposed sanctions to different European personnel and entities, including five members of the European Parliament. In effect, these sanctions of the Chinese government originate in others imposed by the EU on 22 March to Chinese officials and institutions in relation to aspects of human rights of the Uyghur population, in the Xinjiang autonomous region.

It must be remembered that by the end of 2020, China and the EU had announced the conclusion of negotiations of the

Comprehensive Agreement on Investment (see CEI Global Report, January 2021).

THE UK ECONOMY UNDERGOES PANDEMIC AND BREXIT HARDSHIPS

The severe lockdown applied by Boris Johnson's government earlier this year and the effective exit from the European Union had as a result a negative first quarter in economic matters for the United Kingdom.

According to the Office of National Statistics of the UK, the British economy contracted 1.5% during the first quarter of 2021 if compared with the last quarter of 2020, and the reduction hits 6.1% if the year-on-year calculation is made. Besides, in the report it is stated that the level of economic activity still remains 8.7% below that existing in the last quarter previous to the COVID-19 pandemic, towards the end of 2019.

Regarding foreign trade, the most striking data is that trade with non-community countries surpassed the exchange of goods with EU countries (94.3 billion pounds and 82.8 billion pounds, respectively).

In order to compare with the pre-pandemic situation, the office of statistics took as a reference the first quarter of 2018 and the result was that during said period, the foreign trade with countries outside the EU fell 0.8%, while the reduction in the exchange of goods with community countries was 23.1%.

SPAIN PRESENTS A PLAN FOR THE INTERNATIONALISATION OF ITS ECONOMY

The President of the Spanish government, Pedro Sánchez, introduced on 26 May, the Action Plan for the Internationalisation of the Spanish Economy 2021-2022. Its objective is to offer support to the Spanish companies that operate abroad, especially small and medium-sized ones, and to promote new exporting companies, as well as the exploration of new markets.

The plan will be financed with 200 million euros from the EU and its priorities are aligned with the Plan of Recovery with which the Spanish government expects to surpass the economic damage caused by the COVID-19 pandemic. Particularly, Sánchez expressed that he expects to be able to count on the approval of the Plan of Recovery by the EU at the beginning of July, "if we achieve that, Spain will receive the advance payment of 9 billion euros with which we will continue promoting the fair economic recovery that we want to lead for the whole country", said the chief executive.

EU: ECONOMIC PREDICTIONS IMPROVE

According to a report published by the European Commission, the EU authorities expect the economy of the bloc to grow 4.2% this year and 4.4% in 2022. The improvement in relation to the estimations made last February (a 3.7% increase was expected for 2021 and 3.9% for 2022) is due to the possibility that the vaccination schemes in force advance and, as a consequence, most lockdown measures that affected the European economy in 2020 and the first months of this year come to an end.

Regarding inflation, the European authorities trust it will remain at moderate levels, although for the euro zone it is estimated to reach 1.4% in 2021 (highly above the 0.3% of 2020). Likewise, the general level of prices is expected to increase 1.3% in 2022. According to the report, the main causes of the inflation increase will be the rise in energy prices and the governments' fiscal policies, but it is made clear that these factors together with the likely impact of an accumulated demand could be adjusted with a further increase in the supply of goods and services.

SOUTH AND CENTRAL AMERICA

BODIES WARN ABOUT THE SERIOUS DIFFICULTIES FACING LATIN AMERICA

In March this year, the Economic Commission for Latin America and the Caribbean (ECLAC) warned about the new rise in poverty, inequality and unemployment in the region during 2020. In particular, it pointed out that together with a 7.7% fall in the economic activity and in spite of the aid given by most of the countries, the poverty and extreme poverty figures would represent 33.7% and 12.5% of the population, setting the region in the worst scenario of the last 12 and 20 years, respectively.

On top of this state of great economic and social vulnerability there is the warning given by the International Federation of Red Cross and Red Crescent Societies (IFRC) regarding the critical health situation of the region, in which the end of the pandemic might seem distant.

At the moment, Latin America and the Caribbean has the greatest incidence of cases per 100,000 inhabitants at global level and it is at the peak of deaths, which could not only make health systems collapse but also increase the risks of virus mutation and resistance to existing vaccines. For that reason, the institution believes that the vaccination campaigns must be reinforced, for which reason the temporary exemption of vaccine patents seems necessary as well as improvements in technology transfer, the capacity to manufacture and to deliver them.

THE EU LIFTS PROHIBITION ON IMPORTS OF ARGENTINE CITRUS FRUITS

Argentina resumed its exports of citrus fruits to the European Union after the end of the temporary prohibition to its imports in late April, which had been imposed by the European bloc in August last year. On said opportunity, several samples of the *Phyllosticta citricarpa* plague or "black spot" were detected, making it necessary for the National Service of Agri-food Health and Quality of Argentina (SENASA) to reinforce its system of control and certification during this year's cultivation and export season.

This news is of great interest to a sector whose exports to the EU (27) during 2019 accounted for little more than half of the total exported to the world, with an approximate volume of 162,000 tonnes and a value close to US$ 116 million.

BRAZIL FACES ITS WORST HYDROLOGICAL CRISIS

The National Meteorological System of Brazil issued a hydrological alert for the central region of the country due to the low rain levels recorded and which will continue until September. If these forecasts were confirmed, the power supply in the country, whose hydroelectric power plants generate 63% of the energy and which are at present functioning with minimum water levels, would be at risk. Besides, the agricultural production would also be affected in several crops, sugar and coffee among them, with Brazil being its main global producer.

In order to remedy the energy supply, the government attempts to start up its emergency thermal power stations, which would drive up energy service costs both for household consumers and for companies.

ECUADOR RATIFIES AGREEMENT WITH THE UNITED STATES

On 4 May, Ecuador's National Assembly ratified the Phase-One Agreement signed with the United States at the beginning of December 2020. Its four chapters deal with trade facilitation (reduction of customs transactions and procedures), the coordination of trade regulation and investments, corruption elimination within foreign trade and the establishment of an adequate and beneficial framework for micro, small and medium-sized enterprises' (MSMEs) trade and their inclusion in global value chains (with reduced and simplified customs procedures).

Said instrument, which was incorporated as an additional protocol to the 1990 Agreement on trade and investments between both countries, deepens the bilateral relations with a view to a broader agreement that incorporates all the market access disciplines. As a consequence, Ecuador seeks to be able to increase its exports to the United States, its main trading partner, as well as improve its competitiveness and create new jobs, especially within the sphere of the MSMEs, which make up 82% of the companies that export to that country (and 22% of the total outflows).

NORTH AMERICA

USMCA: THE FIRST COMPLAINTS ABOUT LABOUR RIGHTS ARISE

The Office of the United States Trade Representative (USTR) announced that its country requested Mexico to review an alleged denial of the rights of free association and collective bargaining to the workers of a General Motors plant located in Silao, Guanajuato state.

The petition responds to information received by the USTR and the Department of Labor on a recent vote among workers, organised by the existing union, to approve their collective agreement, and is framed within USMCA's Rapid Response Labor Mechanism. Specially designed to address a specific denial of the right of free association and collective bargaining by a private company in a particular workplace, this is the first time that this mechanism has been used.

If, once the review is complete, the United States and Mexico cannot reach an agreement to resolve the issue, the United States may request the establishment of a Rapid Response Labor Panel. If it determines that there has indeed been a violation of the workers' rights, the companies involved could face tariffs and other sanctions.

On the other hand, the AFL-CIO, US largest union federation, asked the United States government to file a second labour complaint against Mexico, since the workers at the Tridonex auto parts plant in Matamoros, state of Tamaulipas, had been denied independent union representation.

US REQUESTS DISPUTE SETTLEMENT PANEL AT THE USMCA

The United States Trade Representative, Katherine Tai, announced that that country had requested the establishment of a dispute settlement panel within the framework of the USMCA to review certain measures adopted by Canada that would restrict export opportunities of US dairy products.

In accordance with the provisions of the USMCA, Canada has the right to maintain 14 tariff-rate quotas on dairy products. The United States challenges the allocation of these quotas, in particular reserving a percentage of each quota exclusively for Canadian processors. This would limit US exporters' access to the quota quantities negotiated under the trade agreement.

The Minister of Small Business, Export Promotion and International Trade of Canada, Mary Ng, expressed in a statement her country's disappointment by the fact that the United States had requested a dispute settlement panel and added that Canadian policies fully comply with the commitments made under the USMCA.

The USTR had requested consultations with Canada on this issue in December 2020 (see CEI Global Report, January 2021), but the parties were unable to reach an agreement. Once the panel is established, it is expected to issue a report by the end of 2021.

THE US AND THE EU SEEK SOLUTION TO THE STEEL AND ALUMINIUM CONFLICT

Ambassador Katherine Tai, along with the US Secretary of Commerce, Gina M. Raimondo, and the Executive Vice President of the European Commission, Valdis Dombrovskis, agreed to chart a path that ends disputes at the WTO arising after the US application of tariffs on steel and aluminium imports from the EU.

Within this framework, the EU decided to temporarily suspend the increase in tariffs on certain products imported from the US, scheduled for 1 June of the current year.

It should be remembered that tariffs on steel and aluminium imports were imposed by the Trump administration in 2018 under Section 232 of the Trade Expansion Act of 1962. In response, the EU imposed retaliatory tariffs of 25% on certain US products. These tariffs would have doubled on 1 June.

On the other hand, both parties committed to talks to address the global excess capacity of steel and aluminium. This rapprochement of positions follows the recent four-month suspension of tariffs on large civil aircraft established in the disputes held at the WTO (see CEI Global Report, April 2021).

ONGOING DISPUTE OVER SOFTWOOD LUMBER BETWEEN THE US AND CANADA

The US Department of Commerce issued the preliminary results regarding the second administrative review on antidumping and countervailing duties on imports of certain softwood lumber products from Canada.

These preliminary decisions suggest the intention to more than double the duties on certain Canadian softwood lumber products by the end of 2021. According to Canada's Minister of Small Business, Export Promotion and International Trade, the measure is totally unjustified and will harm consumers, businesses and workers on both sides of the border. She also assured that her country will continue to seek a negotiated solution to this long-standing conflict.

In this regard, almost a hundred legislators of the House of Representatives urged the US Trade Representative, Katherine Tai, to reach an agreement with Canada on this issue, since the conflict has caused an unnecessary increase in costs for the construction industry and consumers in the United States.

ASIA

ECONOMIC RECOVERY IN CHINA CONTINUES

The Chinese economy continues showing signs that the post-COVID-19 economic crisis recovery is not stopping. According to the National Bureau of Statistics of China, industrial production grew 9.8% in April 2021 compared to April 2020. In turn, investment in fixed assets increased 19.9% year-on-year in the first four months of the year, and retail sales, a key indicator of China's domestic consumption, grew by 17.7% year-on-year in April.

This last data set off some alarms, since it was a slightly lower growth than expected. However, the set of indicators published by the Chinese government continues to show strong increases compared to last year in all the sectors of the economy, and in this sense it is important to note that year-on-year comparisons are no longer made against the worst months of the crisis caused by the COVID-19.

CHINA SUSPENDS "STRATEGIC ECONOMIC DIALOGUE" WITH AUSTRALIA

On 6 May, the National Development and Reform Commission (NDRC), China's main economic planning body, announced the indefinite suspension of all the activities within the framework of the "China-Australia Strategic Economic Dialogue", a decision which constitutes a new setback in the tense bilateral relations.

Launched in 2014, the "China-Australia Strategic Economic Dialogue" is a space that both countries used to strengthen economic ties by conducting strategic dialogues in key areas of the economy.

In 2018, the bilateral relations were strained when Australia became the first country to ban Chinese tech company Huawei from entering its 5G network. However, it was not until April 2020 that the relations worsened. Australia requested at that time an independent investigation into the origin of the COVID-19, prompting commercial retaliation from China, including the application of high tariffs and restrictions on Australian products, such as wine and coal.

Finally, in April this year, the Australian government cancelled two “One Belt and One Road” (OBOR) cooperation agreements between the state of Victoria and China (see CEI Global Report, May 2021).

KOREAN INVESTMENTS IN THE UNITED STATES ANNOUNCED

The Presidents of South Korea and the United States held a summit meeting within the framework of Moon Jae-in’s visit to the United States, in which they reaffirmed their military alliance and promised to enter into talks with North Korea for the denuclearisation of the Korean peninsula.

They also agreed to establish a comprehensive economic and technological partnership, in order to address the global problems of climate change, the COVID-19 pandemic, and the vulnerabilities in supply chains, especially in relation to vaccines, semiconductors, large-capacity batteries and strategic minerals.

The leaders pledged to work together to develop a future-oriented partnership, leading innovation in the areas of clean energy, such as next-generation batteries, hydrogen, and carbon capture and storage, and in emerging technologies, including artificial intelligence, 5G, next generation communications network (6G), open-RAN technology, quantum technology and biotechnology, according to the joint statement issued after the summit.

Moon was joined by a group of South Korean business leaders, including the CEOs of Samsung Electronics, LG Energy Solution and Sk Innovation, who announced investment plans totalling US$ 39.4 billion in the semiconductor and electric vehicle battery sectors in United States.

RCEP: JAPAN RATIFIES THE LARGEST FREE TRADE AGREEMENT IN THE WORLD

The Japanese Parliament approved the world’s largest free trade agreement, signed by 15 countries in Asia and the Pacific (the 10 members of ASEAN, plus Japan, China, South Korea, Australia and New Zealand), raising the possibility that the accord enters into force later this year.

The Regional Comprehensive Economic Partnership (RCEP) will create a free trade zone covering approximately 30% of the world’s GDP, trade and population. It will be Japan’s first trade deal involving both China and South Korea, two of its main trading partners. The pact will enter into force 60 days after it is ratified by six of the ASEAN members and three of the non-ASEAN countries. Singapore and China were the first countries to complete ratification procedures.

The agreement eliminates tariffs on 91% of goods and introduces common rules on investment and intellectual property to promote free trade. The Japanese government expects the trade deal to boost the country’s GDP by 2.7% and create 570,000 jobs.

It should be recalled that India was one of the founding members of the RCEP, but has been absent from the negotiations as of

November 2019 due to concerns that its trade deficit with China would grow after the agreement came into force (see CEI Global Report, December 2020).

AFRICA

THE EU WAS AFRICA'S MAIN TRADING PARTNER IN 2020

According to data published by Eurostat, the European Union statistics office, in 2020 Africa's largest trading partner was the EU with 28% of both exports and imports. According to the report, 70% of African imports from the EU were manufactured goods. In 2010, this share was 75%, but it decreased mainly due to the fall in purchases of machinery and vehicles.

Regarding Africa's exports to the EU, primary goods are the largest group. However, between 2010 and 2020, their share fell from 77% to 61%, especially due to the decrease in the participation of energy, which is partly explained by the fall in oil and gas prices. In the same period, the share of manufactured products increased from 22% to 37%. This was mainly due to the increase in the contribution of machinery and vehicles, and other manufactured products.

FRANCE STARTS TRANSFER OF RESERVES TO THE BCEAO

France initiated the transfer process of 5 billion euros to the accounts of the *Banque Centrale des États de l'Afrique de l'Ouest* (BCEAO), a decision that is part of the reform of the CFA franc, which will be replaced by the new regional currency Eco. The resources in question are the foreign exchange reserves of the Bank of France that cover imports from the countries of the West African Economic and Monetary Union (UEMOA, for its acronym in French).

During his visit to the Ivory Coast at the end of April, the French Minister of Economy and Finance assured that the CFA franc reform agreements, approved in December 2019, would be fully implemented. The foreign exchange reserves of the BCEAO, which are still on the books of the Bank of France, will be transferred so that the BCEAO can invest them in the institutions and financial instruments of its choice.

CAMEROON'S POULTRY FARMERS CALL FOR EASING TRADE RESTRICTIONS

Cameroon's poultry farmers and traders asked national and European authorities to relax the trade restrictions imposed amid the coronavirus pandemic and avian influenza, which caused the price of chicken to double. Dozens of chicken vendors in the Cameroon capital held rallies to protest the continued restrictions, which have led to the bankruptcy of many traders since last year.

The Cameroon Interprofessional Association of Poultry Farmers noted that the European countries and Cameroon reduced commercial flights to stop the spread of the coronavirus, and that the poultry shortage further worsened starting in November 2020, when the European Commission reported that several European countries had had outbreaks of highly pathogenic avian influenza. As a precautionary measure, Cameroon banned the importation of chicks and hatching eggs from Europe.

In turn, the Cameroon Ministry of Livestock indicated that he is engaging in negotiations to import eggs and chicks from Brazil, since that country can provide the quantities that Cameroon needs.

FAO AND BADEA SIGN MEMORANDUM OF UNDERSTANDING

The Food and Agriculture Organization of the United Nations (FAO) and the Arab Bank for Economic Development in Africa (BADEA) signed a memorandum of understanding at the beginning of May for the promotion of the development of agricultural infrastructure and the training of women and youth. The agreement also promotes the development of smart agriculture in Africa through private sector participation, access to market information, development of agricultural value chains, and increased production and productivity for small farmers.