

**CEI** Centre for  
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**GLOBAL REPORT**

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# WORLD

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## TRADE TENSIONS COMING TO AND END?

In February, delegations of the United States and China held meetings in Beijing and Washington to reach a definitive agreement by 1 March, when the 90-day truce agreed between both parties was due. The United States Trade Representative, Robert Lighthizer, and China's Vice Premier, Liu He, have informed the press that they expect to sign it in coming weeks and that, as a consequence, they have provisionally cancelled the implementation of any new tariff measure.

The negotiations encompassed a broad range of aspects, among which was the need to temper the American trade deficit, modify the Chinese intellectual property regime and pact on a mechanism not to have the yuan modified, so as to neutralize the tariff measures. In particular, *Reuters* and *Bloomberg* news agencies informed that actions are probably being taken on six memorandums of understanding regarding forced technology transfer and cyber theft, intellectual property rights, services, currencies, agriculture and non-tariff barriers to trade.

While negotiations are still underway, President Donald Trump insists on the fact that the additional tariffs imposed so far have been beneficial to the US economy. However, several studies published in recent weeks –particularly one from the Centre for Economic Policy Research (CEPR) and one from the University of California, Los Angeles, signed by the World Bank Chief Economist, Pinelopi Goldberg– gather increasing evidence that the American economy is the

main loser in this context of tariff measures and countermeasures. Likewise, the US Federal Reserve Board (FED) second half-year monetary policy report warned in February that tighter trade relations, together with a deceleration in global growth and a “no-deal” Brexit (*see Europe section*), presupposes concrete risks to the international and American financial stability.

## COUNTRIES DISCUSS CRITERIA TO OBTAIN THE DEVELOPING COUNTRY STATUS AT THE WTO

On 14 February, the World Trade Organization (WTO) distributed a communication from the United States to change the criterion used to determine the level of development of a member.

At the moment, the countries are designated as Developing Countries by the principle of self-declaration so as to access to special and differential treatment within the WTO standards (that is to say, a most-favoured-nation treatment exemption). The report proposes to exclude from the special and differential treatment the Organization for Economic Co-operation and Development (OECD) Member countries –even those that are in their accession process–, those of the Group of Twenty (G20), those considered high-income countries by the World Bank, and those that account for no less than 0.5% of global merchandise trade. In particular, the United States objects China, South Korea, Singapore, India, Brazil, South Africa, Malaysia, Vietnam and Thailand as developing countries. If this proposal were implemented, Argentina would possibly also lose the developing country status since it

already meets several of the criteria mentioned.

In response to this proposal of reform –which runs parallel to other related to modernization of the WTO, among which, those referred to the Dispute Settlement Body–, China, India, South Africa, Laos, Kenya, Venezuela, Cuba and Bolivia also circulated within the WTO a document in favour of maintaining the self-declaration system to be considered developing country.

The WTO General Council meeting of 28 February discussed both proposals, without adopting so far any decision in that respect.

#### **MARKET OPENING IN INDIA AND VIETNAM**

Within the framework the “Business and Investment Mission” to India and Vietnam, that took place between 18 and 21 February, President Mauricio Macri agreed on the opening of both markets to Argentine agro-industrial products. The Mission was also aimed at creating strategic associations to promote investment, technology transfer and the creation of new trade partnerships.

In the case of India, the exports of lemon, fresh eggs, egg products and fish meal and egg powder, and the imports of guar and millet seeds. The immediate opening for the exports of lemon and grapefruit was arranged with Vietnam, and negotiations are underway to incorporate oranges, tangerines and other fruits, as well as beef and other bovine products.

## **EUROPE**

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#### **BREXIT: AGREEMENT, REJECTION OR DELAY?**

British Prime Minister Theresa May announced a new vote of the withdrawal agreement to take place next 12 March, when the UK Parliament reveals its position regarding the negotiations held with the European Union (EU). This announcement is made within a context in which the British conservative leader Jacob Rees-Mogg shows the first signs of support to a legal formula that, though limited, makes it possible to solve one of the most sensitive subjects of the Brexit negotiations: to guarantee easy flow on the border between the Republic of Ireland (member of the EU) and Northern Ireland (part of the United Kingdom).

If the Agreement failed to be approved, Parliament shall meet on the following day to vote a motion of abrupt non-negotiated exit. In case this option was also rejected, a third vote is anticipated, scheduled to take place on 14 March. On this occasion, the English Parliament representatives shall give their opinions on a limited extension of the withdrawal deadline, which had been originally set for 29 March, so as to continue with negotiations.

#### **GERMANY AND FRANCE ISSUE INDUSTRIAL POLICY PLAN FOR EUROPE**

On 19 February, Germany and France Finance and Economy Ministers, Peter Altmaier and Bruno Le Maire, presented an industrial policy manifesto for Europe aimed

at strengthening the value chains and favouring competitiveness of their main companies against their counterparts in the United States and China.

The European industrial initiative for 2030 is based on three pillars: massive investments in areas of new technologies and innovation, updates on the competitiveness standards and the guidelines to authorize mergers, and fulfilment of the agreement on the framework for control of foreign investments in sensitive sectors. The measures contained in the second pillar come up as a result of the rejection, on the part of the European Commission, of the Alstom and Siemens merger, which are two of the major train manufacturing companies, since it constitutes an operation that would give rise to distortions of competition.

### **PROGRESS IN THE EFTA-MERCOSUR NEGOTIATION**

By mid-February, the delegations of the European Free Trade Association (EFTA) and of the Southern Common Market (Mercosur) concluded in Buenos Aires the seventh round of negotiations for the establishment of a free trade agreement between both blocs.

During said encounter, discussions revolved around trade in goods, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, trade defence

measures, trade in services, investment, intellectual property rights and public procurement. The next round of negotiations is set to take place on 6 May in Buenos Aires.

### **DEFINITE AGREEMENT BETWEEN THE EU AND ARGENTINA REGARDING BIODIESEL**

On 11 February, the European Commission (EC) authorized the re-entry of Argentine biofuels into the EU, after an investigation initiated in January 2018 had determined the existence of subsidies to Argentine producers exporting this fuel.

The study concluded with the imposition of definitive countervailing duties of between 25.0% and 33.4%. However, eight companies, among them Aceitera General Dehesa S.A., Bunge Argentina S.A., LDC Argentina S.A., Molinos Agro S.A., Oleaginosa Moreno Hermanos S.A.C.I.F.I.A., and Vicentin S.A.I.C. are exempt from such sanctions, because the EC accepted minimum import price undertakings and a volume quota offered by the aforementioned companies.

According to statements by the President of the Cámara Argentina de Biocombustibles (CARBIO), Luis Zubizarreta, this agreement prevents the application of sanctions to Argentine exports but not the payment of the 6.5% general tariff that the EU imposes on biodiesel.

## LATIN AMERICA

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### SUSPENSION OF ARGENTINE PEAR AND APPLE IMPORTS

Brazilian health authorities found live codling moth larvae in a shipment of Argentine pears and apples and suspended the joint Work Plan, which regulates and facilitates the exports of these fruits from Argentina to Brazil. The cargo, with about 147 tons of fruit, was coming from Alto Valle in Río Negro, a sector that, in turn, claims to be affected by the fall in prices, the increase in costs in inflation-adjusted dollars and unfavourable weather conditions.

Starting on 26 February, the suspension would continue until the National Service for Agrifood Health and Quality of Argentina (Senasa) carries out the relevant studies to determine the causes of the presence of the pest, send the required information to the technical authorities of Brazil and adopt the sanctions contemplated in said Plan. The latter may include warnings, fines, suspension, interruptions or expulsion from the Plan. Finally, in early March the authorities of both countries agreed to lift the holdup under the Argentine commitment to intensify production controls.

### FORD SCALES BACK IN SOUTH AMERICA

Ford will close its plant in São Bernardo do Campo, one of the three vehicle producing facilities in Brazil. With this, the US company will cease producing the Fiesta model and the F-4000 and F-350 Cargo trucks. The firm also announced its decision to stop selling trucks in South America, which will also prevent importing them from other origins,

although they will continue to offer after-sales and maintenance services.

The company has not defined when exactly during 2019 the closing will take place, and based their decision on the fact that the current business model is not sustainable. For this reason, they will centre their production on sport utility vehicles (SUVs) and pickups.

In line with this decision, the Focus will no longer be produced in Argentina as of May 2019, but there are plans to produce mid-sized pickups in alliance with Volkswagen.

### FTA REFORMS BETWEEN CHILE AND CANADA ENTER INTO EFFECT

As of February 2019, the two agreements signed by Chile and Canada to modify their Free Trade Agreement dating from 1997 entered into force. These are limited to sanitary and phytosanitary measures, technical barriers to trade, and public procurement on the one hand, and investments and gender issues, on the other.

The special provisions to facilitate trade in organic products, the term reduction for submitting bids for public procurement and improvements in the legal regime for reciprocal investment stand out among the new incorporations. This last aspect is especially relevant to Chile because Canada is its seventh largest foreign investor, especially focused on the mining sector.

# UNITED STATES

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## **WALL WITH MEXICO: NATIONAL EMERGENCY DECLARED**

On 15 February, President Donald Trump declared national emergency with the purpose of obtaining funds for the financing of the wall in the border with Mexico. The measure was taken after the two chambers of Congress approved a budget package, which prevents a new administration shutdown, but provides for only US\$ 1.3 billion for 55 miles of new border fences –a considerably smaller figure than the US\$ 5 billion originally demanded by Trump for this first section of the budget–. It should be noted that the disagreement in this regard triggered a 35-day partial government shutdown, the longest in the country's history.

Although the president did not veto the law – funds from the Treasury cannot be used without a congressional law–, the Executive decided to declare the national emergency in order to obtain the most resources possible to finance the wall, a budget that would even exceed what was originally requested for and would amount to approximately US\$ 8 billion, according to Chief of Staff Mick Mulvaney.

The decision is very controversial and it is not clear whether it will succeed. On the one hand, there have been several demands to try to stop the measure, among them the one by a coalition of 16 states, led by California and New York, and the one by the American Civil Liberties Union (ACLU). On the other hand, 58 experts in national security (most of them former top administration

officials) issued a joint declaration expressing there are no signs of a national emergency that would allow the president to build the wall in the South border with funds allocated to other purposes.

Besides, at the request of the Democratic Party, Congress would vote a resolution to block the emergency declaration. Approval of the initiative in the lower house is virtually assured and it is not ruled out that it will also pass the Senate. However, the White House has already suggested Trump to veto the resolution if approved.

## **TARIFFS: CONGRESS SEEKS TO COUNTER TRUMP'S POWER**

As President Donald Trump advocated for the passing of the *United States Reciprocal Trade Act* during his State of the Union address on 5 February, two bills are moving ahead in Congress aimed at limiting the presidential capacity to modify import tariffs for national security reasons.

The first is the *Bicameral Congressional Trade Authority Act of 2019*. According to the proposed text, Congress would have 60 days to grant an “approval resolution” to any tariff proposals pursuant to Section 232 (i.e., tariffs for national security purposes). If this resolution is not granted, the tariffs in question cannot be imposed. In addition, the law could be retroactively applied to all restrictions established through Section 232 in the last four years, if Congress does not pass an approval resolution within 75 days of the enactment.

Another similar project is the Trade Security Act of 2019, which would apply only to the future tariffs of Section 232. The proposal includes a resolution of disapproval after the fact. While the current legislation establishes that Congress can pass a resolution of disapproval only when the president alters the tariffs on imports of petroleum or petroleum products, the bill expands that language to cover all imports.

Moreover, the project would give the Pentagon –and no longer the Department of Commerce– authority to carry out all the investigations related to national security. Only then, could the president ask the Department of Commerce, in consultation with the Pentagon and the Office of the United States Trade Representative, for

recommendations on how to respond to any such threat.

### **AGAINST THE OPEC, THE UNITED STATES SEEKS TO REDUCE THE OIL PRICE**

After continuous rises since December, the *West Texas Intermediate* (WTI) oil barrel price fell nearly 3% in the last week of February, compared to the previous week, according to the *US Energy Information Administration*.

This responds to the US decision to stop the rise in prices planned by the members of the Organization of the Petroleum Exporting Countries (OPEC) and allied nations. To this end, on 22 February the United States reached a record production of 12 million barrels

## **CHINA**

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### **STRONG GROWTH OF CHINESE FOREIGN TRADE IN JANUARY**

According to the General Administration of Customs of China (GACC), in January 2019, trade flows grew at a faster pace than expected, indicating that the Chinese economy was not particularly affected by the evolution of tensions and external uncertainties.

Total trade in goods grew 8.7% during the first month of the year: exports recorded a year-on-year increase of 13.9% and imports of 2.9%. The increase in exports was partly driven by the celebration of the Lunar New Year at the beginning of February, instead of at the end of that same month as it happened in 2018, which prompted an advance in sales.

At the partner level, the trade expansion with the European Union (17.6%), the countries participating in OBOR (11.5%) and, to a lesser extent, the Association of Southeast Asian Nations (ASEAN) and Japan (7.8% and 6.5%, respectively) stand out. With respect to the United States, while exports increased 1.9%, imports fell 38.6%.

### **CHINA SEEKS TO REDUCE ITS DEPENDENCY ON SOYBEAN IMPORTS**

On 20 February, the Ministry of Agriculture and the State Council of China presented a document on agricultural policies. Among other objectives, the report recommends increasing the planting of soybeans in the country and diversifying its import sources. In



this regard, it is highlighted that the country will collaborate with the increase in the production of soybeans in the countries participating in the One Belt, One Road (OBOR) initiative. Although during 2018 the soybean trade was affected by the commercial tensions with the United States, China currently imports almost 90% of the soybean it consumes.

### **CHINA INAUGURATES THE SECOND SESSION OF THE 13TH NATIONAL PEOPLE'S CONGRESS**

On March 5, the second session of the 13th National People's Congress (NPC) began in Beijing, in which Prime Minister Li Keqiang referred to the macroeconomic objectives for 2019.

Li Keqiang announced a GDP growth target of between 6.0% and 6.5% and significant tax cuts (from 16% to 13% in the manufacturing industry, and from 10% to 9% in transportation, construction and other industries). Likewise, consumer inflation is expected to be at around 3% on an annual basis, and the urban unemployment rate at around 5.5%, while it is forecast that more than 10 million people living in rural areas will be taken out of poverty.

Also, he said that social insurance contributions of enterprises will be reduced and government requirements will be removed so as to create a favourable environment for investment and consumption.

### **US REJECTION OF 5G TECHNOLOGY PROMOTED BY HUAWEI**

Xu Zhijun, Deputy Chairman and CEO of the Huawei Technologies Co. accused the United States of launching a campaign against the 5G technology, whose chief promoter is the Chinese company. The statements come after US Secretary of State Mike Pompeo's tour to eastern Europe, where he warned countries about the growing presence of Huawei in the region. Despite pressure from the United States, last week, Germany announced that it plans to open its 5G market to the Chinese company.

Huawei, the world's first manufacturer of telecommunications equipment and the second of smartphones, is the subject of constant objections from the US government, which, for security reasons, banned the company from installing telecommunication equipment in important networks of the country.



Ministry of Foreign Affairs and Worship  
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