

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

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# WORLD

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## THE NEW WTO DIRECTOR-GENERAL TAKES OFFICE

Dr Ngozi Okonjo-Iweala, from Nigeria, was appointed WTO Director-General with a renewable mandate that finalises in August 2025. Her appointment had been on hold by the US refusal to adhere to the consensus reached at the end of October 2020 and its support to Yoo Myung-hee instead, candidate of the Republic of Korea. Thus, after Yoo stepped down on 5 February, President Joseph Biden decided to offer his “strong support” to the candidacy of Okonjo-Iweala and “reach the necessary substantial and procedural reform of the WTO”.

Dr Okonjo-Iweala worked as an economist specialised in development at the World Bank for 25 years, reaching the position of Operations Managing Director. She was also Minister of Finance of her country for two terms. At her inaugural speech, she expressed the need to avoid continuing losing confidence in the WTO’s capacity to yield results. It was suggested that for the 12<sup>th</sup> Ministerial Conference, to be held in December in Geneva, agreement be sought regarding some of the key aspects, such as subsidies to fisheries, the production and distribution of vaccines and medicines to fight against COVID-19, the reform of the Dispute Settlement System and the restoration of the Organization’s Appellate Body. Besides, she suggested focusing on some agricultural issues related to access to markets and domestic aid, among others.

## TRADE WAR: TIME TO REVISE THE STRATEGY

The Biden Administration sustains the Trump Administration’s criticism to China’s commercial and industrial policy, considering that it has a negative effect on employment generation in the US, its technological progress and other national interests. However, Biden has expressed his intention to make a complete revision of the strategy towards the Asian country and approach it more systematically, instead of employing isolated measures. In the “2021 Trade policy agenda and 2020 Annual report”, recently published by the United States Trade Representative (USTR), it is also stated that actions with “allies and friends” will also be coordinated so that China ends its disloyal commercial practices.

## DEBATE OVER WAIVER ON INTELLECTUAL PROPERTY PROVISIONS CONTINUES

The temporary waiver from compliance of the WTO provisions on intellectual property rights related to the timely and secure access to vaccines and medicines to tackle COVID-19 is still under debate at the body. Eight developing countries and two groups of developing countries have already joined the original proposal of South Africa and India distributed in October 2020 (see CEI Global Report, February 2021).

## GLOBAL TRADE REBOUNDS

Trade rebounded in the third quarter of 2020 and, according to preliminary figures, the same might have taken place during the last four months of the year. In spite of this, in

2020 trade in goods might have fallen 6%, trade in services 16.5% and the set 9%, according to the [Global trade update](#) of UNCTAD. In addition, for the first quarter of 2021, a 1.5% reduction in goods and a 7% reduction in services is expected, figures that are subject to the high uncertainty derived from the evolution of the pandemic and the stimuli of some economies.

## EUROPE

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### NEW EUROPEAN STATEMENTS AGAINST THE AGREEMENT WITH MERCOSUR

In response to the statements in favour of concluding the agreement with Mercosur by the Portuguese authorities that took over the EU temporary presidency in January (see CEI Global Report, [February 2021](#)), several actors of the European bloc expressed their total opposition.

In this sense, the French Foreign Trade Secretary, Franck Riester, after a conversation with Augusto Santos Silva, Minister of Foreign Affairs of Portugal, expressed that France is reluctant to change its position over the agreement as long as the “application of the Paris Agreement and the respect to the European standards on agricultural products” are not guaranteed (see CEI Global report, [October 2020](#)). In the same argumentative line, a group of associations of European food producers launched a [campaign](#) to express its rejection to the agreement with the Mercosur.

At a press conference, Valdis Dombrovskis, EU Executive Vice President and Trade Commissioner, referred to the difficulties facing the agreement: “We are working with the authorities of the Mercosur countries,

It is worth remembering that according to the IMF’s January projections, trade in goods and services would go up 8.1% this year. At country level, East Asian countries have won a share in global trade, while the United States, the EU and Japan, among others, have lost it.

mainly with the Brazilian authorities, to discuss what additional commitments these countries can make in the fight against climate change and to stop deforestation of the Amazon, so that we can afterwards work towards a successful implementation of the agreement”.

It is worth highlighting that in February, the representatives of both blocs [held](#) a videoconference meeting to analyse what steps to take for the signing of the accord. They agreed on the need to progress in the resolution of the pending issues, during the first semester of 2021, so as to be able to finalise the signing of the agreement.

### THE EUROPEAN UNION PRESENTS A NEW TRADE STRATEGY

The European Commission introduced its trade strategy for the coming years. Among the main challenges mentioned, there is the need for a reform of the WTO, matching the trade policy with the environmental and digital transformation that the bloc intends to carry out, as well as the defence of the members’ interests against the trade practices of other countries that do not comply with the international standards.

The new strategy raises the need to improve relationships with the US and pay special attention to the neighbouring countries (Balkan states and Eastern European countries) and the African continent. At the same time, it remarks the importance of China and its growing economic power (see Asia). In this sense, references to the relation with the Asian country have a defensive connotation rather than a cooperative one, as is the case with the rest of the countries mentioned.

In addition, the Commission considers the reform of the WTO a priority. In this respect, it must be observed that, days before the publication of its strategy, the EU also submitted a new Trade Enforcement Regulation. This update of the regulations can be interpreted as a clear proof of the decision to defend the trade interests in a more aggressive manner.

#### **EC STUDY ANTICIPATES POSITIVE IMPACT OF TRADE AGREEMENTS**

The European Commission has published a study that examines the cumulative effects of 12 trade agreements of the bloc in the agricultural sector until 2030. This study updates a previous report from 2016 and concludes that the European bloc will be able to benefit from the trade agenda. More specifically, the study emphasises that, based on the agreements analysed, a balanced increase in agri-food exports and imports would be reached, with a slightly higher rise of the former. With respect to the sensitive sectors, the importance of implementing tariff rate quotas (for example, for the imports of bovine meat) is highlighted. Thus, the report offers a powerful argument in

favour of the EU Common Agricultural Policy (CAP) being strong and well-endowed with resources in the future.

Of the agreements contemplated in the research, some of them have already come into force (Canada, Japan and Vietnam), others have had their negotiations finished and/or are awaiting a ratification (Mexico and Mercosur) and others are either in the negotiation phase or part of the bloc's trade agenda (Chile, Australia, New Zealand, Indonesia, Malaysia, the Philippines and Thailand). It is assumed that the agreements not included make up the reference scenario analysed and that the Brexit effects are taken into account. The study does not reflect the repercussion of the European Green Deal, of the Trade and Cooperation Agreement between the EU and the United Kingdom or of that of the COVID-19 pandemic.

#### **MANAGEMENT OF THE PANDEMIC IN THE UK WOULD COMPENSATE BREXIT EFFECTS**

While the Trade and Cooperation Agreement between the EU and the United Kingdom gets started, Boris Johnson's Administration has had to admit the negative effects of the Brexit, so far denied: the exit from the EU has given rise to non-tariff barriers to trade, thus increasing export costs to the European markets and possibly accounting for a 2% rise in the general price index. Besides, according to the European Commission, the Brexit effects on GDP will be more strongly felt in the UK (-2.25%) than in the EU (-0.5%) in 2022. However, according to different projections, economic growth is expected to be higher in the UK than in the EU due to a better administration of the pandemic.

# SOUTH AND CENTRAL AMERICA

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## LATIN AMERICA AND THE CARIBBEAN LAUNCH COALITION ON CIRCULAR ECONOMY

At the 22<sup>nd</sup> Meeting of the Forum of Ministers of the Environment, the 33 countries in Latin America and the Caribbean officially launched the Coalition on Circular Economy. This initiative, which seeks to reduce environmental contamination and preserve biodiversity, will be headed by a committee of four governmental representatives that will be renewed every two years. Initially, and up to 2022 inclusive, it will be led by Colombia, Costa Rica, Peru and the Dominican Republic. In addition, the coalition, which is supported by the United Nations Environment Programme (UNEP), will allow participation of the private sector, the civil society, cooperation agencies and development banks.

At the opening speech, it was mentioned that, including other objectives, the initiative is expected to facilitate access to the financing of innovation projects, both of a public and private kind; besides, it will seek to continue raising public awareness and visibility and increasing technical capability stemming from the investment in scientific research, among others. During the first year, the administration will be focused on the conversion of six sectors: plastics, food and agriculture, industrial symbiosis, electronics, cities and construction and tourism.

## BOLIVIA PAYS BACK IMF LOAN

After a disbursement of over US\$ 350 million, the Central Bank of Bolivia cancelled the loan that the International Monetary Fund (IMF) had given to Jeanine Áñez's government nine months before. Said credit, obtained to care for the balance of payment needs and to afford health expenses derived from the pandemic, was considered "irregular and onerous" by the new authorities –up until February 2021, Bolivia has already had to pay US\$ 24.3 million due to foreign exchange variation, interests and commissions. The new authorities announced that, apart from cancelling it, administrative, civil and criminal actions will be started against those public officials responsible for the process of negotiation and undersigning.

## BRAZIL WITHDRAWS ITS COMPLAINT AGAINST CANADA AT THE WTO

After four years, Brazil concluded the dispute initiated before the WTO against Canada on its subsidies to the firm Bombardier. In particular, it accused the North American country of granting several types of financial contributions (worth over US\$ 3 billion) for the development of its C-Series airplanes. These measures, some of them incompatible with the Agreement on Subsidies and Countervailing Measures of the WTO, would have distorted the commercial aviation market and generated unfavourable effects to the rest of the airplane manufacturing companies, among which, the Brazilian Embraer can be found.

After the sale of the C-Series programme to the European company Airbus, Brazil disregarded the relevance of the dispute and decided to concentrate its efforts in the

multilateral negotiation of more effective disciplines for the governmental support to commercial aviation.

## NORTH AMERICA

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### CANADA AND THE US SEEK TO RENEW THEIR BILATERAL ASSOCIATION

Canada's Prime Minister, Justin Trudeau, and US President, Joe Biden, came to terms on the agreement of an ambitious road map to revive and expand the bilateral relations.

Among the topics addressed, the heads of state agreed on joint actions to facilitate access to the COVID-19 vaccine. In addition, in order to guarantee the economic recovery, both leaders discussed the importance of avoiding measures that can restrict trade and weaken supply chain security between both countries. At the same time, they stressed the importance of supporting the SMEs that were most affected by the crisis and of job creation for the middle class, especially for women and young people. They also expressed their commitment to fight jointly against climate change, to protect nature and biodiversity, and to collaborate in matters of clean energy and critical minerals (rare earths, among others).

On the other hand, the House of Commons of Canada approved the creation of a 12-member special committee in charge of reviewing all the aspects of the economic relation between the two countries. The committee will study the economic priorities of both governments, as well as aspects relative to natural resources –including the dispute over the exports of soft wood and

the recent blockade to the conclusion of the pipe line Keystone XL–, and the American standards of public procurement. Likewise, it will examine the efforts made by these governments to ensure stable and predictable doses of the vaccine against the COVID-19.

### THE US WILL NOT IMPOSE SAFEGUARDS TO BLUEBERRY IMPORTS

The US International Trade Commission (USITC) determined that the imports of blueberries are not affecting American producers. As a consequence, it put an end to the investigation started in October 2020 (see CEI Global Report, November 2020).

More specifically, last year the USITC started an investigation at request of the Office of the United States Trade Representative (USTR) to assess whether the fresh, chilled or frozen blueberries imported from the US represent a serious damage or threat to the national industry. The commissioners voted unanimously in the negative. As a consequence, the US President will not be recommended to impose any corrective trade measure.

The ruling was celebrated by the governments of the main exporting countries of said fruit to the US, among which are Argentina, Canada, Chile, Mexico and Peru.

## AIRBUS CASE: THE US MAINTAINS TARIFFS ON EUROPEAN PRODUCTS

In February, the US government decided to maintain inalterable the list of products affected by tariffs in retaliation for the subsidies that the European Union had granted to Airbus. On the other hand, the UE has appealed to the Biden Administration for an approach, proposing a mutual tariff freezing of six months while the two parties are discussing a possible solution.

In its last scheduled inspection of the measure, the Office of the USTR indicated that both the agency and the affected American industry considered that it was unnecessary to review the actions imposed at the end of December. This implies that the additional tariffs of between 10% and 25% to a series of European imports will remain in effect. These range from civil aviation products to emblematic agricultural products, such as French wines and cheese and Spanish olives and olive oil.

It is worth remembering that the WTO authorised the US to impose tariffs on imports from the EU in October 2019 at a value of up to US\$ 7.5 billion in retaliation for

the aids granted to Airbus. Similarly, the EU was allowed to retaliate against the United States for the subsidies given to Boeing.

## MEXICO AND ARGENTINA ADVANCE IN OPENING OF THE BEEF MARKET

At the closing or the three-day visit of Argentina's President to Mexico, both governments announced the opening of the Mexican market to Argentine meat, which had been closed due to the foot-and-mouth disease. Thus, Mexico will grant access to the Argentine meat products in the same terms in which those of Uruguayan origin currently access. The representatives of the National Service of Health, Food-Safety and Quality of Mexico (Senasica) and the National Service of Agri-Food Health and Quality of Argentina (Senasa) will elaborate the steps to be followed to apply the sanitary protocols and to qualify the meat processing facilities.

Both leaders also agreed on strengthening the technical cooperation in agriculture so as to reinforce food safety in the region and progress in aspects of post harvesting management systems in crops production and storage.

## ASIA

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### NEW ZEALAND AND CHINA UPDATE FREE TRADE AGREEMENT

China and New Zealand signed the Protocol on the Update of the Free Trade Agreement in force since 2008 between both countries. While the entry into force of the Regional Comprehensive Economic Association (RCEP) of which both countries are part is still

pending, this bilateral agreement represents a further step in the process of regional integration.

Among its main features, the updated FTA includes greater market access in goods and services and incorporates commitments in matters of digital trade, competition policy and environmental standards, among others.



Regarding investment, New Zealand will reduce the selection threshold for China's investments and commits itself to applying the same treatment that it uses with other members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Although the protocol must still be ratified internally by the competent authorities of each country, it is expected that these procedures start in the short term.

### **THE CHINESE LOCOMOTIVE KEEPS GOING**

According to the Ministry of Commerce of China (MOFCOM), consumers' spending remarkably increased during the holidays of the Chinese New Year started on 12 February. The combined retailer sales of food and beverages increased 28.7% year-on-year and the sales of food and beverages increased 135% compared to the 2020 celebration.

Besides, according to the General Administration of Customs, China retains its global leadership in foreign trade in goods. This marked a historical maximum of 12.8% during the first ten months of 2020, a figure that surpassed that recorded in 2015 at 11.9%. Chinese total imports and exports increased 17.2% during the period of the 13<sup>th</sup> five-year plan (2016-2020). China emerged from the global economic and trade challenges of 2020 as the only major world economy recording a rise in its foreign trade in goods.

### **RECORD RISE IN PRODUCTION OF RARE EARTHS IN CHINA**

The Ministries of Industry and Information Technology (MIIT) and of Natural Resources of China announced in a joint declaration the rare earth output quotas corresponding to the first semester of 2021. These settled at 84.0000 tonnes, a quota that is 27% higher than that of the previous year. Said rise would result from the strong demand expected in the 2021 and 2022 period for the production of electric vehicles. It is worth remembering that rare earths are a group of 17 minerals used in the manufacturing of high-tech products (electric vehicles, electronic devices, etc.), in which China's control accounts for 80% of global production.

### **CHINA-EU ECONOMIC TIES STRENGTHEN**

China displaced the US as the EU's main trade partner, with a trade volume (exports and imports) of 586 billion euros in 2020. Besides, the imports of the community bloc originating in China increased 5.6%, at the same time that its exports did so in less than a half (2.2%). This result would be partly due to the increase of commercial ties related to the attempt to contain the pandemic and enable exchanges of health supplies and the development of vaccines and medical treatments. It is worth emphasising that the dynamics of bilateral trade benefitted from the China-Europe freight train service. In 2020, the number of said services rose by 50% if compared to 2019, with a record of 12406 journeys. In January 2021 they also recorded a further year-on-year increase of 66%.

On the other hand, the Global Investment Agreement signed between both parties in December 2020 (see CEI Global Report, [January 2021](#)) has received the first criticism at the European Parliament. Within the framework of the meeting of the International Trade Commission of 24 February, different members of the Parliament accused the European negotiators of not considering the working conditions in China at the time of closing the final text of the agreement. Likewise, criticism was heard regarding the respect to human rights in the Asian country, especially as a result of recent events in Hong Kong. In fact, Guy Verhofstadt, former Belgian Prime Minister and current Member of the European Parliament, expressed that the European Parliament “will never ratify the Global Investment Agreement with China if there are no commitments and proofs that human rights of Hongkongers, Uighurs and Tibetans improve”. This is especially important as the agreement needs approval of the European Council and Parliament in order to enter into

force. In turn, the European Commission expressed being in favour of the agreement. Maria Martin-Prat, chief European negotiator (of this agreement), showed that the bloc “needs the economic growth existing in a country like China”.

## CHINA LAUNCHES NEW FREIGHT TRAIN ROUTE TO EUROPE

On 21 February, within the framework of the OBOR initiative, China inaugurated a new freight train route covering China-Europe, which connects the city of Chengdu, capital of the province of Sichuan, with Saint Petersburg, in Russia. The train to Saint Petersburg is estimated to arrive in 13 days, at a faster speed than that demanded by maritime transport. During the celebration of the Chinese New Year, the international railway port of Chengdu recorded a 33.3 % increase in the number of China-Europe freight trains, compared to the same period in 2020, according to the port administration committee.

## AFRICA

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### THE AfCFTA SETS RULES ON EXTRA-REGIONAL TRADE

In accordance with what was stated by Mene Wamkele, Secretary-General of the African Continental Free Trade Agreement (AfCFTA), the African countries that negotiate free trade agreements with countries from other continents will have to grant the same preferences or improved conditions to the AfCFTA member states. As an example, Mene pointed out the case of Kenya, which is currently negotiating an agreement with the US and which will have to grant the other

countries in the continent the same preferences issued to the North American country.

In addition, Mene stated that the trade bloc is working with the African Export-Import Bank (Afreximbank) to establish a payment and settlement platform to eliminate the need of trade convertibility. The public official expressed that the platform is currently being tested in six African countries and will be implemented in all the continent at the end of 2021. It is worth emphasizing that there are 42 different currencies in the

African continent, which is a limitation to intra-African trade because of the need to use currencies of international reach.

### **FAO ESTIMATES MILLIONAIRE LOSSES OF FOOD DURING POST-HARVEST**

The Food and Agriculture Organization of the United Nations (FAO-UN) expressed that Africa wastes at least US\$ 4 billion of their total food production due to the post-harvest losses: at least 30% of the food produced is either lost or wasted throughout the supply chain each year.

Kenya's Agricultural and Livestock Research Organisation (KALRO) estimates that each year, mango producers in the country suffer between 40% and 45% of post-harvest losses due to the lack of markets.

### **SOUTH AFRICA FOCUSES ON ASIAN MARKETS**

The South African Minister for International Relations and Cooperation expressed in February that the government in said country had set Asian markets as their priority, as part of the efforts to give back to the country the economic growth prevailing before the COVID-19 pandemic. The Minister stated that new opportunities have been identified and that they will seek to broaden those that already represent benefits for their country. In 2020, South Africa adhered to the Treaty of Amity and Cooperation in Southeast Asia (TAC). It will also aim at deepening relationships with the Association of Southeast Asian Nations (ASEAN) so as to improve relations on trade, investment and tourism. In the last year, South Africa guaranteed important business ventures of beef exports to the Malaysian market, access

to the fruit market in Thailand and negotiations for dessert grapes in Vietnam and South Korea, peanuts in India and Japan and pears in China and India.



Ministry of Foreign Affairs  
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