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WORLD

FORUMS AROUND THE WORLD EXPRESS THEIR SUPPORT TO MULTILATERALISM

While the United States and China are still under negotiations to subscribe to the terms of the so-called “Phase 1” of the agreement to put an end to the bilateral trade tensions, G20 foreign ministers debated last November on the weakening of trade multilateralism and the need of a WTO reform. In addition, in the middle of the month, the 11th BRICS summit took place. In the resulting Brasilia Declaration, the leaders of Brazil, China, Russia, India and South Africa, stressed their commitment to multilateralism and a fairer and more equitable multipolar global order.

In economic aspects, they stressed the importance of promoting developing countries’ greater participation in global value chains and of reassuring the commitment to modify the system of fees at the IMF to broaden the BRICS’ share in the body’s decision-making process, so that it becomes compatible with the current participation of these countries in the global economy. In trade aspects, they restated their position in favour of open, non-discriminatory trade based on rules. They also adhered to the WTO reform proposals highlighting the central role of their dispute settlement mechanism and the urgent need to solve the *impasse* in the appointment of Members for the Appellate Body, given that it would cease to have its 3-member quorum to be able to operate on 10 December. In this same line, a group of 117 members of the body also expressed their opinion during the November meeting of the WTO Dispute Settlement Body. In that respect, the U.S.

stated that, nevertheless, the concerns expressed in the past have not been solved.

Finally, the Brasilia declaration restates the need to implement the Paris Agreement on climate change and assist the developing countries by means of financial aid and technology transfer. Besides, it reminds of the relevance of revising the mechanism approved to offset the civil aviation emissions -known as Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)- given their impact on the developing countries.

THE U.S. RESTORES TARIFFS TO STEEL AND ALUMINIUM FOR ARGENTINA AND BRAZIL

The Trump administration announced on 2 December that it will restore the tariffs to steel and aluminium exports from Argentina and Brazil that he had announced would be eliminated last May, even though so far the official documents have not been made public. The alleged reason behind this is that the recent currency devaluations suffered by both Latin American countries have benefitted local companies at the expense of agricultural and industrial producers in the U.S.

Besides, president Trump took the opportunity to request the U.S Federal Reserve (FED) once again to lower its interest rates. It is worth remembering that it already reduced its reference interest rate on 30 October and for the third time in the year, to be placed below the 1.50%-1.75% range (see Global Report, November and August 2019).

In line with President Trump's decision, the European Steel Association (Eurofer) requested the Members of the European Commission to raise the restrictions to extra community steel since they fear Argentina and Brazil will deviate the exports they used to direct to the U.S. towards the European Union.

G20 COUNTRIES INCREASE THEIR PROTECTIONISM

According to the recent WTO report, a rise in the protectionist measures of the G20 countries was observed between May and October 2019. This semester, an average 4.8 of restrictive measures to trade were applied each month, accounting for 3.05% of the imports of the G20 countries. Both values are higher than those of the previous semester, in which 2.29 measures were taken a month on average, accounting for 2.47% of the imports.

EUROPE

THE NEW EC TAKES OFFICE

The new composition of the European Commission, with its President Úrsula von der Leyen and her 27 commissioners in charge, finally came into office on 1 December with a brief ceremony at the museum of the House of European History in Brussels. The community Executive thus starts functioning after one month of delay, when the candidates presented by France, Hungary and Romania failed to receive the approval by the European Parliament and after the juridical services of the Commission and the Council enabled to put an end to the interim government of Jean-Claude Juncker, as the United Kingdom did not send the pertinent commissioner as still being a member of the bloc. Boris Johnson's government has expressed that it will be made effective depending on the results of the 12 December elections, disregarding the repeated requests by the EC and the infringement proceeding started to that aim.

At the ceremony, Von der Leyen declared that her administration will be aimed at strengthening the EU and reappraising the Treaty of Lisbon, which just celebrated its 10th anniversary after its signing at the ceremony of change in administration. As a consequence, it summarized the main axes to her future administration, which are also expressed in the elections made by each of the EC commissioners (see Global Report, October, 2019).

THE UNITED KINGDOM GETS READY TO DEFINE BREXIT'S FATE

The United Kingdom's policy was subsumed in November during the campaign for the general elections of 12 December. Depending on the result, a certain definition on the UK's and Brexit's future is expected in relation to the political movements that take place in Scotland and both Irelands. So far, the Conservative Party, led by Boris Johnson, seems to have an advantage in the surveys.

The leader of the Labour Party, Jeremy Corbyn, has denounced in recent weeks that Boris Johnson would have secretly agreed upon including the pharmaceutical patents and other aspects directly related to the provision of the National Health Service (NHS) in any trade agreement with the U.S

after Brexit., namely, an agreement that could worsen the quality of the service and reduce the use of generic drugs. Whereas Corbyn expresses he has the secret documents of said plan, Johnson has strongly denied so, though not his intention to “relaunch” the NHS.

SOUTH AMERICA

SOCIAL AND TRADE SCENARIOS WORSEN IN LATIN AMERICA

In its Social Panorama of Latin America 2019 published in November, the Economic Commission for Latin America and the Caribbean (ECLAC) warned on the high levels of poverty and extreme poverty in the region. Said institution anticipates that, by the end of this year, these indicators will respectively amount to 30.8% and 11.5% for a region with a population of 620 million inhabitants. In other terms, this means that since 2014 to date, a total of 27 million people have been included in the categories of poverty and extreme poverty. In addition, ECLAC highlights that, in spite of a slight improvement in the Gini coefficient, in 2019 the region retained its position as the most unequal in the world.

On the other hand, according to the International Trade Outlook, ECLAC also warns that foreign trade in the region will be particularly jeopardized in 2019: while global exports would fall by 2% and imports 3%, these figures would double in the case of South America, while trade between the countries in the region would be reduced almost 10%.

BRAZIL AND CHINA OPEN THEIR FRUIT MARKETS

Within the framework of the 11th BRICS summit (see World), Brazil and China signed several economic instruments, among them, two sanitary protocols enabling the opening of the Chinese fruit market for Brazil can be highlighted. Both countries also signed an action plan to collaborate in agricultural matters regarding technology transfer, innovation, investment attraction and trade promotion.

With the signing of these protocols, it is expected that Brazil can export melons to China and import pears from that country – so far, China ships its fruit exports mainly to Europe. This piece of news is of great concern to Argentina since Brazil is the main importer of Argentine pears and China is the main global exporter of said fruit. Nevertheless, so far, Mercosur has a Common External Tariff of 10% for this product.

CHILE ADVANCES WITH ECONOMIC AND SOCIAL REFORMS

The economic and social crisis in Chile continues in a state of emergency: the Chilean Central Bank revised downwards its

outlook for growth for 2019 from 2.5% to 1.9% and estimated an increase in the unemployment rate from 7% to 10%, while it validated the depreciation of the Chilean peso. Within this context, the Chilean government would have advanced in the implementation of its economic and social reforms.

Out of the measures in the Social Agenda announced in October, the law to cancel the rise in fares for the metropolitan network, the creation of a mechanism to stabilize the electricity rates (which will make it possible to cancel the last increase) and the

broadening of the Agreement of the National Health Fund with pharmacies to reduce the price of medicines have all been fully implemented. Besides, the Chilean Congress has already passed the 2020 Budget Law that stipulates a 4.5% rise with respect to the previous year and which centres its attention in education, work and health. This budget includes subsidies to the public transport for the elderly, the increase in per capita health expenses and a rise in pensions. Likewise, the Deputies Chamber has already approved the labour reform reducing working days from 45 to 40 hours weekly.

NORTH AMERICA

NEGOTIATIONS AGAINST THE CLOCK TO OBTAIN USMCA RATIFICATION

The process of ratification of the United States-Mexico-Canada Agreement (USMCA) is still blocked a year after its signing. Although the Mexican Congress ratified the treaty in June, the U.S. Democratic congressmen continue expressing their reticence with respect to several aspects in the agreement. In turn, Canada announced that it will wait for that country to start its ratification process to send, or resend, its part to the Parliament in Ottawa (see Global Report, July 2019).

The American and Mexican negotiators are battling against the clock to be able to respond to the concerns of democrats and close the agreement this year. The changes would be introduced as an addendum, in which case they will have to be consulted by the Mexican Senate.

In order to clear doubts with respect to the implementation of the labour reforms, the Mexican government established a four-year plan that implies a US\$ 900 million disbursement and which seeks to improve the system of labour justice and accelerate dispute settlement between workers and employers. In addition, President Manuel López Obrador has guaranteed that the minimum wage payment will go up by at least 2% above each year's inflation.

Likewise, so as to facilitate the ratification by the U.S., Mexico would also be considering the elimination of 10 years of protection of biological medicines of the new trade agreement, which would clear any other obstacle to ratify the treaty. The request that was in fact rejected by the Mexican government was the request by the U.S to supervise the labour centres in Mexico so as to check whether they complied with the labour conditions established by the USMCA. Instead of inspectors, the Mexican

counteroffer is to set up panels of experts from the three countries, who will be in charge of revising the implementation of the labour law.

In spite of the hectic negotiations, Donald Trump's administration fears the blockade will remain until the start of the primary elections, which would make its ratification even more difficult. It is also worth remembering that the final stretch of negotiations coincides with the beginning of the process of destitution against the North American President.

THE U.S. ANALYSES MEASURES AGAINST FRANCE'S TAX ON DIGITAL SERVICES

The Office of the U.S. Trade Representative (USTR) published the report corresponding to the investigation on the Digital Services Tax that France implemented last July (see Global Report, August and September, 2019). On the basis of Section 301 of the Trade Act of 1974, the USTR concluded that said tax discriminates against the North American digital companies and becomes unusually costly for the businesses affected. The investigation also rules that the French tax is

not compatible with the fiscal principles in force due to its retroactivity, to the fact that it levies gross revenue instead of incomes and to the fact that their application is extra-territorial.

Whether or not to set up additional tariffs of up to 100% on certain French products (the list presented encompasses 63 tariff subheadings, among them: cheese, sparkling wine, cosmetics, bags and porcelain articles, with a trade value of US\$ 2.4) will be under discussion at a public consultation as suggested by the USTR. Commentaries regarding the possibility of imposing tariffs or restrictions to French services are also expected.

Ambassador Robert Lighthizer claimed that the U.S. will continue taking steps against all the digital tax regimes discriminating or imposing undue charges to the American companies. In fact, the USTR is analyzing to start similar investigations on the taxes on digital services of Austria, Italy and Turkey. In addition, it seeks to discourage the imposition of new charges in other countries that are considering this situation, such as Spain.

ASIA AND AFRICA

THE RCEP PROGRESSES WITHOUT INDIA

At the beginning of November, the Third Regional Comprehensive Economic Partnership (RCEP) Summit took place in Bangkok, Thailand, and a key step was taken there towards signing the free trade agreement between the participating powers. However, in the last moment, India

decided to remain aside of the negotiations. Piyush Goyal, minister of Trade and Industry of Thailand, informed that the decision is based on the need to protect the national industry, apparently threatened by the powerful Chinese economy with which it is already undergoing an important trade deficit. Thus, the decision would be definitive

if the terms in the agreement are not reviewed.

The Joint Declaration issued at the leaders' summit confirms that the "15 Member States of RCEP have concluded the negotiations over the 20 chapters of the text and practically all the market access issues". Besides, the document states, without mentioning the India decision, that the RCEP will contribute to growth in the region and serve as a supporting pillar to strengthen the multilateral trade system. The participating countries at this meeting expressed that they wish to perform the signing of the agreement in 2020, after the legal revision of the text.

The treaty, originated under China's initiative, involves the ten members of the Association of South East Asian Nations (ASEAN) and other Asia-Pacific partners - Australia, Japan, South Korea and New Zealand.

JAPAN APPROVES AGREEMENTS ON TRADE AND DIGITAL TRADE WITH THE U.S.

Japan's Bicameral Legislature (Diet) passed during extraordinary sessions on 19 November at the House of Representative and on 4 December at the House of Councillors, the agreements on trade and digital trade signed last September with the U.S. (See Global Report, October 2019).

If Trump's administration proceeds to ratify in December –which could be done through the *fast-track* by means of the Trade Promotion Authority (TPA)– the agreements could enter into force as of 1 January 2020. In addition, both parts have declared their intention to progress towards a global trade agreement next year, which also includes

aspects such as non-tariff barriers and trade restrictions in services and investment.

Approval of the agreements in the Japanese Diet was obtained amidst complaints by the opposition members of Parliament regarding the difficulty in accessing the documentation requested to assess the agreements and since these do not contemplate eliminating tariffs to the Japanese exports of automobiles and auto parts, their main export products, which were in fact anticipated by the old TPP.

RELIEVED TENSIONS BETWEEN SOUTH KOREA AND JAPAN

A day before the date of expiry, the president of South Korea, Moon Jae-in, confirmed that he will renew the General Security of Military Information Agreement (GSOMIA) through which it shares military intelligence data with Japan. South Korea delays the suspension of the GSOMIA only if both parts make an effort to solve the bilateral trade dispute.

Besides, as a result of the advances in the bilateral negotiations on the exports policies, South Korea also decided to temporarily stop the process of petition underway at the WTO against the restrictions imposed by Japan. Last July, the latter imposed stricter regulations on the exports to South Korea of three vital materials to manufacture memory chips and visualization panels, and in August it eliminated it from the list of nations that have preferences in matters of exports control (see Global Report, September and October 2019).

ARGENTINA STRENGTHENS TRADE RELATIONS WITH CHINA

Minister of Agriculture, Livestock and Fisheries Luis Miguel Etchevehere was on a trade mission in the People's Republic of China. There he met with representatives of the General Administration of Customs of China (GACC) so as to advance towards the authorization of new bovine refrigeration plants, as well as in the creation of new protocols for lemons and dried fruit, and in

the approval of facilities to commercialise egg products.

Likewise, Etchevehere visited *China International Import Expo* (CIIE) fair between 5 and 10 November together with representatives of the Institute for Beef Promotion (IPCVA, by its Spanish acronym), where the beef sector was represented by important Argentine companies. It is worth highlighting that China became the main export destination of Argentine beef since it achieved over 70% of shipments.



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