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EDITORIAL

The outlook for the year 2015 is uncertain regarding the perspectives for global growth and the resolution of the international crisis. Uncertainty regarding prospect commodity prices and the impact that a rise in interest rates can have on the US add to the continuing high risk of volatility and fluctuations in financial markets. A weak economic activity and a likely deflation are still causes for concern in some of the developed countries, while the main emerging economies face risks associated to low prices of raw materials and imbalances in the balance of payments.

Opposing trends can be seen in the developed world, though its behavior as a whole remains weak. There are signs of recovery in the United States and the United Kingdom, while countries in the euro-zone and Japan are still immersed in a scenario of stagnation and deflation. In Japan, monetary expansion policies and increased taxes (Abenomics) have not succeeded in consolidating a growth path. In the euro-zone, with a more relaxed monetary policy and a more neutral fiscal policy, the results do not seem to have been modified much. In turn, emerging countries –currently showing less dynamism than previous years– are exposed to the effects of a weak level of global economic activity and a reduction in commodity prices. Many of these economies have clear external imbalances, especially high and persistent current account deficits, which make them particularly vulnerable to the strengthening of financial conditions and the reversal of capital flows.

Reduced oil prices –at their lowest level since the beginning of 2009 and with more than a 50% reduction since June 2014– pose the question over their effect on development. This condition might promote global growth by increasing purchasing power and domestic demand in countries that are importers of this hydrocarbon. Their counterpart are those countries that depend on the exports of said fuel, which face a not much promising scenario that could lead to fiscal adjustments, GDP reduction, loss of reserves and currency devaluation.

Though international trade flows are still depressed, with a growth rate lower than 4% in recent years, the WTO does not lose prominence. It is likely that the Doha Round gets a new drive after the November 2014 decisions related to the Bali Package and the support obtained in several international fora (World Economic Forum and OECD, among others). By July this year, it is expected that this multilateral body defines a working program aimed at succeeding in bringing closure, in the near future, to the negotiation issues still pending.

This context offers the adequate framework for both emerging countries and least developed countries that want to incorporate the specific needs of economic development into the multilateral negotiation agenda. In this sense, the CEI has been working on the "Friends of Industrialization" initiative which seeks the introduction of reforms within the WTO regulatory framework, aimed at achieving greater flexibility so as to develop a national industrial policy.

Regarding Argentina in particular, its context is framed by a deterioration in the performance of its main trade partners, and the mishap suffered at the WTO Dispute Settlement Body, whose Appellate Body ratified the August 2014 negative rule through which our country shall comply with the multilateral regulation on certain import measures that were considered trade restrictive.

Taking into consideration the main features of the world economic order in force, which supports protectionism in industrial countries while promoting indiscriminate liberalization of emerging and developing markets, the first article in this fourth edition of the Argentine Journal of International Economics (RAEI) describes how these conditions prevent developing countries from effectively cancelling their debt commitments with their own resources, and how they condemn these countries to be trapped in a deficit-debt-default recurrent cycle.

The prevailing global order is also contrary to emerging countries' attempts to promote their industrial and technological development. The space available to apply industrial policies has been restricted due to the adoption of multilateral trade rules resulting from the creation of the GATT in the first place, and of the WTO in the second place. In fact, this space threatens to be even more reduced after undersigning trade and investment agreements between developed and developing countries, and the negotiations within the framework of the Doha Round.

In order to delve into this phenomenon, the second article in the Journal seeks to identify the public policy tools used by developing countries to achieve their industrialization, challenged by peers within the framework of the WTO, by means of presentations at the pertinent Councils and Committees or through the dispute settlement mechanism. As a consequence, it aims at providing elements that help reintroduce the issue of recovery of industrial policy instruments in the multilateral agenda.

With relation to protectionism and the double standard deeply rooted in advanced countries, two of the articles show how the European Union applies tools for the management of increasingly more sophisticated trade flows, camouflaged under the leitmotif of environmental protection. The first article describes the measures recently adopted by the EU regarding biofuels, which hinder both biodiesel imports and the production of other conventional biofuels. The second paper continues the topics addressed in the RAEI 3 regarding the measures based on market criteria to control greenhouse gas emissions from the international civil aviation, analyzing their likely impact on the Argentine air transportation.

The fourth article considers, from a theoretical perspective, how the famous Marshall-Lerner condition is altered when modifying some of its main assumptions. Out of this exercise, interesting conclusions derive regarding the interrelation between the dynamics of prices and the effects of a change in the exchange rate, in the case of a country that is non-gravitating in global trade.

Some of the difficulties faced by developed countries are addressed in the fifth article of the RAEI, which provides an alternative explanation to the origin of trade imbalances in countries in the euro-zone. The analysis emphasizes the role of variables of a structural nature, like the technological composition of exports and the evolution of the domestic demand of the main trade partners, while it disregards the differences in production costs.

As a consequence, through the analysis of the different impacts that are likely to be caused by major economic events at the global level, the CEI attempts to provide tools that contribute to the debate over our country's development process.

Centre for International Economy

Please note the RAEI is in Spanish only.