

CEI Centre for
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WORLD

G20 SUMMIT: TRADE TENSIONS AND WTO REFORM

Gathered in Osaka, Japan, on 28 and 29 June, the G20 leaders agreed on a declaration which highlighted the harmful effects trade tensions have on global growth and stressed the benefits of free, fair, non-discriminatory, transparent and predictable trade. This declaration was issued days after the WTO had published a report stating that the G20 economies had applied import restrictions for US\$ 336 billion between mid-October 2018 and mid-May 2019.

At the country level, the meeting allowed Presidents Trump and Xi Jinping to resume the dialogue: regarding trade, the United States decided not to increase tariffs on the last list of products announced, while China will restart importing agricultural products from the North American country. Concerning the technological field, the United States reversed the prohibition on selling supplies or technology to Huawei in the event that companies do not have a licence authorizing the operation.

On another level, the leaders restated the need to move forward with the WTO reform. The EU participated in the G20 summit with the negotiating mandate that the reform be dealt with urgently. It should be taken into account in this respect that by the end of 2019 the Appellate Body (AB) of the agency will cease to be operational if the block of appointments of new judges to that body continues. In turn, the European bloc circulated a proposal for an interim solution based on an alternative arbitration route provided for in article 25 of the WTO Dispute

Settlement Understanding governing this matter, and that would be put into effect when the AB has fewer than the three members necessary for its operation.

TRADE DISPUTES IN THE WTO

The initiation and withdrawal of cases in the WTO accompanies the fluctuations of the trade tensions. On the one hand, in June, China suspended its claim against the EU for classifying it as a “non-market economy” for the calculation of anti-dumping duties (DS 516) –a parallel case to the one it presented for similar reasons against the U.S. (DS 515), but for which a Panel has not yet been established. Although the reasons were not disclosed, analysts consider that China opposed to making public the report’s arguments that would be unfavourable to its position. In addition, in what could be interpreted as a sign of relaxation, the United States also suspended the case it had submitted against China concerning intellectual property rights (DS 542), without explaining its reasons.

On the other hand, the United States removed India from the Generalized System of Preferences through which it was granted tariff benefits, and ended the exemption from the safeguard measures on the import of solar cells and washers, on the grounds that India had not provided the U.S. favoured access to its market. India responded with an increase in tariffs to 28 products originating in the United States.

Lastly, it should be noted that several countries questioned in the WTO the amount of aid that China is providing to its

agricultural sector (US\$ 9 billion for the 2018/19 cycle and US\$ 16 billion projected for 2019/20), as it is estimated that the

maximum limit consolidated in the WTO would be exceeded.

EUROPE

THE BREXIT AND THE ELECTION OF A NEW PRIME MINISTER

Theresa May's resignation to the leadership of the Conservative Party on 7 June began the succession process from which the new Prime Minister of the United Kingdom will emerge. The final election will be held on 22 July, with the summer recess beginning some days after that, so the Prime Minister elect will start to have an influence on the parliamentary agenda only in the first days of September.

The Conservative Party primaries held in June defined the two candidates who will participate in the final election: Boris Johnson, former Mayor of London, Eurosceptic and supporter of an EU exit with or without a deal by 31 October, and Jeremy Hunt, Foreign Secretary and defender of an agreed withdrawal. During the run-up to the election, Johnson warned that he could withhold payments of compensation for the Brexit to the EU or other budget commitments planned until 2020 (financial settlement), in order to use them as part of future trade negotiations. Some EU spokesmen stressed that, although the payment of the Brexit Bill cannot be legally demanded, this measure would create a scenario of even greater conflict between the parties. In turn, Hunt tightened his position during the campaign and announced his support for an agreed exit if and only if the EU grants new concessions before 30

September. Otherwise, Hunt would also dedicate the month of October to planning a no-deal departure.

THE EUROZONE PREPARES NEW BUDGETARY INSTRUMENT

The EU finance ministers agreed in June on the general guidelines of the budgetary instrument for convergence and competitiveness (BICC) within the euro area, and discussed changes in the European Stability Mechanism. Some days later, during the Euro Summit, the EU leaders welcomed the progress made, and encouraged the ministers to work on the pending aspects in order to reach a consensus before the publication of the multiannual financial framework (MFP) corresponding to the years 2021-2027.

Commissioned for the first time during the December 2018 Euro Summit, the BICC will seek to improve competitiveness and reduce economic divergences in the eurozone countries through the financing of structural reforms and investment projects. Even though it is expected that this will be financed, at least partly, with funds from the multiannual EU budget, its full financing mechanism and final volume remain to be determined. The European Commissioner for Economic and Financial Affairs, Pierre Moscovici, remarked that, despite these uncertainties, the June agreement is the best

that could have been obtained in the current circumstances of Europe.

SIGNING OF THE EU-VIETNAM AGREEMENT

The EU and Vietnam signed a Free Trade Agreement and an Investment Protection Agreement on 30 June, in Hanoi. The first will enter into force provisionally with the approval of the European Parliament, whereas the second must also be ratified at the national level by each community partner. With this new free trade agreement, the EU expands the list of countries (consisting of Canada, Japan, Mexico, Singapore and Mercosur) with which it has opened its borders in recent years. This agreement also contributes to strengthening ties with Southeast Asia and increasing

cooperation between ASEAN and EU countries.

EU-TURKEY RELATIONS TIGHTEN

Relations between the European bloc and Ankara have escalated to a higher threshold due to Turkey's oil and gas exploration activities in the eastern Mediterranean. The explored area is subject to a claim of sovereignty between the self-proclaimed Turkish Republic of Northern Cyprus, recognized by Turkey, and Cyprus, an EU member. This conflict led the European Commission to evaluate sanctions, which, if materialized, would postpone the modernization of the customs union between Ankara and Brussels, further paralyzing its formal accession to the bloc.

SOUTH AND CENTRAL AMERICA

FREE TRADE FOR MERCOSUR-EU

After 20 years, the Mercosur and EU countries completed negotiations for the signing of a free trade agreement. This implies the integration of two blocs encompassing 800 million consumers and trading 100 billion dollars in goods and services, generating almost a quarter of the global GDP.

For Argentina, the agreement offers a great possibility for the promotion of exports from regional economies, the improvement of competitiveness and the international insertion of its companies, while constituting an opportunity to attract investment. This last fact is particularly significant, if it is taken into account that the UE is responsible for more than 30% of the global investment.

With regard to market access, the agreement implies a total reduction of tariffs by the EU for 81.7% of the agricultural goods, and the granting of fixed quotas and preferences (non-total tariff reductions) for 17.7% of these (about 100 products are excluded). With respect to industrial goods, the EU liberalizes almost all trade (80% immediately), while Mercosur does so by 90% and with terms that reach up to 15 years. In all cases, mechanisms for the elimination of non-tariff barriers are foreseen and the creation of a system of bilateral consultations on sanitary and phytosanitary matters is included.

In relation to services, the agreement establishes, for example, that the providers of both blocs will be able to access the

counterpart markets under the same conditions as their domestic markets. Finally, the agreement also includes benefits for SMEs –such as the provision of technical assistance– and investment provisions, among other aspects.

LATIN AMERICA HALTS EXPANSIONARY TREND OF EXPORTS

In its report on the trade trends for Latin America and the Caribbean, the Inter-American Development Bank (IDB) reported that during the first quarter of the year, the region's exports recorded a 1.6% decline compared to the same 2018 period. The most affected sub-region was South America, with an average contraction of 5.4%, whereas Argentina's performance was relatively better (-2.3%). These results are mainly explained by a fall in prices and in volumes of export products. The goods with the greatest decline in price particularly include raw materials –and, among them, soybean, affected by trade disputes between China and the United States and by the African swine fever –.

ARGENTINA STRENGTHENS TIES WITH BRAZIL AND COLOMBIA

Within the framework of visits by Presidents Jair Bolsonaro and Iván Duque to their Argentine counterpart, Mauricio Macri, the countries pledged to intensify bilateral cooperation.

Among the issues addressed with Brazil, the willingness to intensify the bilateral trade in services –particularly air and knowledge-based services– stands out, as well as the

strengthening of ties in the areas of energy, science and technology, mining and defence. To this end, a memorandum of understanding was signed for the exchange of energy, produced from electricity and from natural gas, and another of cooperation for the exchange of bioenergy information. The latter seeks to harmonize policies and regulations related to biofuels, as well as enhance the cooperation in industries that enable efficient use promotion –as is the case of the automotive industry –.

On the other hand, Argentina and Colombia signed two memoranda of understanding on issues related to tourism and the need to establish a creative economy platform.

MIGRATION CRISIS: MEXICO AND EL SALVADOR LAUNCH DEVELOPMENT PLAN

In an effort to combat the immigration problem in northern Central America, the presidents of Mexico and El Salvador signed a development cooperation agreement. The first programme, launched under this agreement, contemplates an unconditional transfer of 30 million dollars from the Mexican government for the reforestation of Salvadoran lands, which is expected to generate 20,000 new jobs. This agreement is performed within the framework of the publication of ECLAC's study on this issue for the countries of El Salvador, Mexico, Guatemala and Honduras (so far, the latter two have not announced any measures in this regard), and provides an alternative response to the solutions adopted in this area in North America (see North America section).

NORTH AMERICA

U.S. AND MEXICO SIGN MIGRATION AGREEMENT

On 7 June, Mexico and the U.S. issued a joint declaration in which they affirm to have reached an agreement on the issue of illegal immigration. In this way, Donald Trump indefinitely suspended his May announcement of increased tariffs on all products imported from Mexico.

As part of the negotiations, Mexico pledged to strengthen surveillance at the main crossings of Central American migrants with the deployment of the National Guard on its southern border. In addition, those immigrants who finally manage to enter the United States to apply for asylum will be returned to Mexico until their situation is resolved.

MEXICO RATIFIES THE USMCA

On 19 June, the Mexican Senate ratified the country's new trade agreement with the United States and Canada (USMCA). For the deal to enter into force, the Congresses of the remaining countries must also ratify it.

In Canada, the Parliament began its summer recess without having passed the legislation to implement the agreement and would not meet again until after the federal elections in October. However, Canadian government sources said there is a possibility

extraordinary sessions will be convened to ratify the USMCA. In turn, according to the rules of the U.S. Trade Promotion Authority, the Trump administration will be unable to send to Congress the bill implementing the agreement before 9 July.

U.S. AND EU REDEFINE FEEDLOT QUOTA

The European Commission reached a preliminary agreement to allocate to the U.S. 35,000 tonnes of the existing hormone-free beef import quota. The agreement with the U.S. contemplates the granting of the quota in phases over a period of seven years, and implies that the remaining amount of the quota will be available to all the other exporters, including Argentina (which in the 2017/2018 cycle exported approximately 13% of the quota). The Commission will now present legal proposals for the European Council to authorize its signing and close the agreement in the coming months.

As a precedent, it should be noted that in 2009, the EU and the U.S. concluded a memorandum of understanding –reviewed in 2014– that provided a provisional solution to a long-standing dispute in the WTO regarding the use of certain growth-promoting hormones in beef. Under the agreement, the EU opened a quota of 45,000 tonnes of hormone-free bovine meat to qualified providers, which included the United States.

ASIA AND AFRICA

34TH ASEAN LEADERS' SUMMIT

The city of Bangkok, in Thailand, hosted the 34th Leaders' Summit of the Association of Southeast Asian Nations (ASEAN), an organization established in 1967 and formed by Brunei Darussalam, Cambodia, Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam. On this occasion, under the slogan "Advancing Partnership for Sustainability", the summit focused on issues of economic integration and development, connectivity, sustainability, tourism and digital markets.

In addition, the ASEAN countries reaffirmed their commitment to conclude the negotiations of the Regional Comprehensive Economic Partnership (RCEP) over the course of the current year, in order to revitalize international trade and strengthen the association. In this regard, the [final document](#) of the Bangkok meeting urges participating countries to redouble their efforts to reach this target, guided by the RCEP Work Plan adopted in Siem Reap (Cambodia) in March 2019. The RCEP will create an economic mega-bloc made up of the 10 ASEAN member countries plus China, India, Japan, South Korea, Australia and New Zealand.

NIGERIA JOINS THE AfCFTA

Nigeria [announced](#) that it will be incorporated into the African Continental Free Trade Agreement (AfCFTA) during the extraordinary summit of the African Union Heads of State to be held in Niger on 7 July. In effect since last May, the AfCFTA brings

together 52 countries of the continent. With the incorporation of this country, the agreement consolidates the participation of the largest economies on the continent, also including Egypt, Ethiopia, Kenya and South Africa.

AFRICAN SWINE FEVER ARRIVES IN VIETNAM

The African swine fever (ASF), whose first effects were recorded in China's farming production, already affects most of Vietnam's territory –one of the world's leading pork-consuming countries and the second in Asia, behind China–.

According to the Gain Report, produced by the United States Department of Agriculture (USDA), the ASF in Vietnam will have a significant impact on the production and trade of pork, and it is expected to cause a decrease in the import of animal feed from this country during the years 2020 and 2021. In this regard, it should be noted that, according to data from the General Department of Vietnam Customs, imports of these inputs mainly come from Argentina, Brazil, China and the United States.

FIRST SHIPMENT OF ARGENTINE CHILLED MEAT TO CHINA

Following the signing in January 2018 of the corresponding Sanitary Protocol, the first shipment of Argentine chilled beef arrived at Pudong International Airport in Shanghai, on 25 June 2019. This shipment consists of approximately 600 kg of rib eye processed by the SWIFT Argentina meat processing plant.

The opening of the Chinese market represents a great opportunity for Argentine companies to diversify their sales destinations and expand their offer.

ARGENTINA AND CHINA ENGAGE IN PUBLIC-PRIVATE DIALOGUE

At the beginning of June 2019, a public-private dialogue meeting was held in Beijing between representatives of China and Argentina with the aim of promoting and

developing trade and investment between the two countries. Likewise, they analysed advancing in a promotion and training agenda concerning services and electronic commerce –two sectors of Argentina with great growth potential in China–.

This meeting took place as a result of the cooperation agreements signed between the two countries during the G20 Leaders' Summit in December 2018 in Buenos Aires.



Ministry of Foreign Affairs and Worship
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