

INTERNATIONAL TRADE AND BUSINESS

YEAR 12, No. 138

**Dear Friends and Colleagues,
I hope you are well.**

Below is information and links to recent documents related to **International Trade and Business** that may be of interest to you. These include:

- The G7 Summit, held in Puglia, Italy;
- Results of the European Parliament Elections;
- Documents on the 4 years of the USMCA and its 2026 review;
- The battle in international electric vehicle markets;
- The evolution of world Foreign Direct Investment during 2023.

I send you greetings, this time from Ottawa, Canada, and we will keep in touch.

PEPE

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WTO (DG): "Global trade is not having the best of times at the moment... We are seeing increasing protectionism, some undermining of the WTO rules, and some of this is leading to fragmentation".

GLOBAL ISSUES

*G7 Summit in Puglia, Italy

On June 13th, 14th and 15th, the annual G7 meeting was held in Puglia, Italy, with the **leaders of seven countries with broad influence on political and economic issues worldwide**, namely Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. Heads of government from other countries such as Argentina, Brazil, India and Turkey, and heads of intergovernmental organizations such as the World Bank, the International Monetary Fund, the United Nations and the OECD also participated. During the meeting, **multiple topics of interest to several or all participants were discussed and are reflected in the Apulia Joint Communiqué** (36 pp.). Among them:



- Support for Ukraine from Russia's invasion;
- Gaza conflict;
- **Freedom of navigation in the Red Sea;**
- Destabilizing actions by Iran;
- Support for African countries in their *Development Agenda 2063* and the African Continental Free Trade Area;
- **A Free and Open Indo-Pacific;**
- Artificial intelligence, science, technology and innovation; and
- Migration.

Throughout the Declaration, China is included on several occasions and it states "***We are not trying to harm China or thwart its economic development, indeed a growing China that plays by international rules and norms would be of global interest.***"

- The meeting provided the opportunity for the G7 countries to agree on public policies on issues of common interest in the international arena **and to politically approach two important members of the BRICS+, namely, Brazil and India.**
- **During the meeting, the "G7 Working Group on Transport Supply Chains" was launched to strengthen the resilience of transportation flows and networks in the G7 countries.**

*UNCTAD turns 60 years old

The United Nations Trade and Development Organization (formerly UNCTAD) celebrated its 60th anniversary in Geneva, Switzerland, with a Global Leaders Forum entitled "**Charting a new course for development in a changing world**". The Forum was held from June 12th to 14th with the participation of heads of government, ministers and



experts from different parts of the world. Information and a [summary of the event can be seen in a video \(10'\) here.](#)

=) **The messages presented by the participants clearly indicate the need to generate a new global development model to support developing countries.**

***BBC: 'Protectionism eroding global business' - World Trade Chief**

The BBC conducted an interview with the WTO DG on recent developments in the global business environment. In it, [the WTO DG stated](#) that world trade has presented problems stemming from multiple factors, from protectionist measures to trade in goods -she mentioned as examples the increase in tariffs on electric vehicles of Chinese origin by the United States and the European Union- to operational problems in the Red Sea and in the Panama Canal that significantly increase transportation costs. As a result, she said, *"We're seeing that trade between like-minded blocks is growing faster than trade across such blocks."*



=) Regarding the WTO DG's statement, it should be noted that regional integration processes, which are always made up of *like-minded* economies, are expected to reflect more dynamic trade statistics among themselves than with other economies. The reason is that **such processes establish measures that facilitate trade between the members of the bloc and that are not applicable to third parties.**

***IMF and World Bank Group Announce Joint Bretton Woods at 80 Initiative**

To commemorate the 80th anniversary of the Bretton Woods Conference, held July 1-24, 1944, the World Bank and the International Monetary Fund established a high-level advisory group [to examine the future of the world economy](#) and multilateralism over the next 20-30 years. The results may be used to learn *"... how the Bank and the Fund can best support stability and progress on a livable planet."*



=) **The difficulty of knowing the geopolitical future of the next 20-30 years** and the myriad of issues, interests and number of players involved in an increasingly dynamic and complex global economy complicate **the group's task.**

***PIIE: Past, present, future: A long-run view of globalization**

The Peterson Institute organized an event to present the book **One From the Many, The Global Economy Since 1850** (330 pp.), written by a researcher at the University of California, Davis. The book analyzes the **global economy as an entity in itself, studying mainly three variables, international trade, financial flows and migration.** These variables are examined for the periods 1850-1914, 1918-1939 and 1945 to date. The author's presentation can be [seen in the](#)



[video \(8'-32'\) here](#). The remainder of the hour-long video contains questions and answers from the author.

- See also another PIIE event entitled: [Is trade becoming regionalized?](#) with the participation of two international trade specialists.

*European Parliament Elections

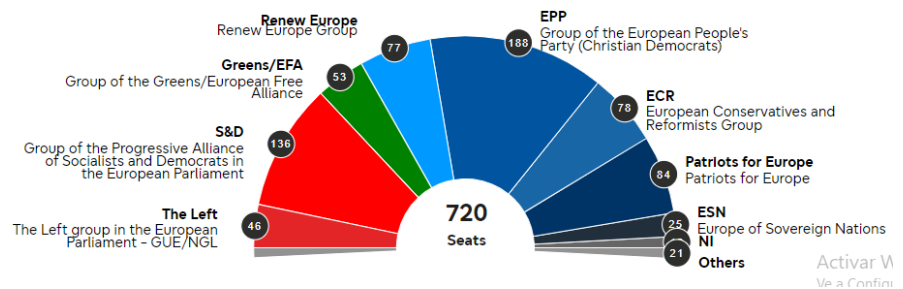
The (not yet final) results of the European

Parliament elections held from June 6th to 9th were released. With an average voter turnout of 51% in the 27 Member States, three moderate left-wing parties won 403 of the 720 seats (55%), so the current

President of the European Commission - previously supported by them - is expected to continue in office. **Radical right-wing parties won more seats than in the previous legislature, however, they are still far from being a dominant force.**

European Parliament 2024 - 2029

Provisional results



+ See also CEIGB's analysis of the results: [The European Parliament vote and its effects on national policies: France, Germany, Belgium and Austria, here.](#)

INTEGRATION IN NORTH AMERICA

*IMCO et al: Four Years of the USMCA

July 1st marked 4 years since the entry into force of the USMCA. On this occasion, several studies and results of the Agreement from its inception in 2020 to date were presented. One of them is the study *A cuatro años del T-MEC* or Four Years of the USMCA conducted by the Mexican Institute of Competitiveness (IMCO) in conjunction with the Wilson Center of the United States and the Canada Institute. Among other things, the study examines the USMCA in terms of its Dispute Settlement Mechanisms, providing a review of current disputes under the Agreement. It notes that under the **Chapter 32 State-to-State mechanism, seven cases have been filed to date, four of which have been resolved.** Of the remaining three cases, one has gone to a formal panel (on Genetically Modified Organisms) and the other two (on energy) are still in the consultation phase.



The report also provides an overview of **potential USMCA conflicts that could arise from the** outgoing Mexican President's **18 Constitutional Reforms** scheduled for September of this year.

Thus, for example, the Organic Simplification Reform that calls for the elimination of several autonomous bodies, according to the article, would be in violation of the Telecommunications (Ch. 18), Competition Policy (Ch. 21) and State-Owned Enterprises (Ch. 22) chapters. An interesting table summarizing these potential conflicts is reproduced below. [The complete study can be consulted here.](#)

T-MEC		#4AñosDeTMEC
Conflictos potenciales del Plan C con el T-MEC		
Algunas de las 18 iniciativas de reforma constitucional presentadas en febrero de 2024 pueden entrar en conflicto con las disposiciones incluidas en el Tratado entre México, Estados Unidos y Canadá.		
Iniciativa	Capítulo T-MEC	
1 Reforma en materia de simplificación orgánica	Trato nacional y acceso a mercados 3	
2 Reforma en materia de industrias energéticas del Estado	Medidas sanitarias y fitosanitarias 3	
3 Prohibición de maíz genéticamente modificado-transgénico	Inversión 2 4 5	
4 Preferencia de la disponibilidad del agua para consumo personal y uso doméstico	Telecomunicaciones 1	
5 Prohibición de las concesiones para actividades de minería a cielo abierto	Política de competencia 1	
	Empresas propiedad del estado y monopolios designados 1 2	

Fuente: elaborado por el IMCO y el Wilson Center con información del Tratado entre México, Estados Unidos y Canadá (T-MEC) y la Cámara de Diputados.

=) In the event that some of the above reforms are not adjusted to accommodate Mexico's obligations under the USMCA, -a trade agreement proposed by the current Federal Executive and approved by the current legislature in 2019-, **multiple trade disputes are expected to be filed by Canada and/or the United States against Mexico.**



***Wilson Center: USMCA at Four: Measuring Success, Addressing China and Working Towards the 2026 Review**



The Wilson Center released a report (20 pp.) analyzing 4 years of the USMCA and the opportunities and risks that lie ahead between now and the 2026 review. **The report demonstrates the solid growth of trade among the three USMCA countries**, noting that, in 2023, the total value of trade in North America was \$1.88 trillion dollars, or the equivalent of \$3.6 million per minute. Today Mexico and Canada are the United States' largest trading partners. The report can be read [here](#).

USMCA Boosts Mexico and Canada to Forefront of US Goods Trade in 2023

Country	Exports	Imports	Total Trade Value
Mexico 	\$322.74B	\$475.22B	\$797.96B
Canada 	\$354.36B	\$418.62B	\$772.97B
China 	\$147.78B	\$426.89B	\$574.66B
Germany 	\$76.70B	\$159.27B	\$235.97B
Japan 	\$75.68B	\$147.24B	\$222.92B
South Korea 	\$65.06B	\$116.15B	\$181.21B

=) The USMCA continues to facilitate intra-regional merchandise trade. The volumes and dynamism of trade are demonstrated by statistical records as can be seen in the table above.

***The Triangular Balance: Mexico, the United States and China**

The Wilson Center published an analysis of China's bilateral relations with Canada, the United States and Mexico, including variables beyond trade and investment. The article suggests that **China is a central issue for all three countries, so it should be considered in the review of the USMCA in 2026**. It also states that *"...even if the United States does find a way to balance the several angles of the China equation, it forcefully requires Mexico's support in complementing or even mirroring these actions."* The article (16 pp.) can be viewed [here](#).



=) Regardless of the outcome of the U.S. elections and the 2026 USMCA review, **China will remain a relevant and very complicated issue for the North American region.**

*COFECE and the USMCA

In connection with the Mexican Constitutional Reform initiative on Organic Simplification, two experts on the USMCA drafted an article arguing that **any attempt to eliminate, weaken or alter the structure of the Federal Economic Competition Commission (COFECE) would be in violation of the Agreement**.



It states that Chapter 21 of the USMCA provides that "*each party shall maintain a national competition authority or authorities responsible for the enforcement of its national competition laws*". Thus, according to the Agreement, any of the other partners could bring a claim against Mexico, which would create uncertainty, increase Mexico's country risk and could scare away investments. The experts' article can be read [here](#).

*Second biennial report on trade in automotive goods under the USMCA

On July 1st, the USTR released the Second biennial report on the operation of the USMCA with respect to trade in automotive goods. The report states that "...with just 2 years to go until the mandated 6-year review of USMCA, this report provides an important opportunity to utilize its findings, **make adjustments and fulfill the promise of USMCA...**". The report concludes that the Agreement has had a positive economic impact on the US and North American automotive industries, benefiting producers, suppliers and workers. However, the **report also notes that "additional flexibilities" may be necessary** due to the still nascent domestic manufacturing of electric vehicles and batteries. The **full report (42 pp.) is available here**.



*USTR: Oral Arguments in the GMO Dispute Settlement Panel vs. Mexico

On July 1st USTR presented [oral arguments](#) before the USMCA Dispute Settlement panel on a case that was initiated on **August 17, 2023** by the United States against Mexico. The case concerns **certain non-science-based Mexican measures relating to genetically modified products** that threaten to curb U.S. corn exports. The measures were published in the DOF on **February 13, 2023** in a decree banning the importation of genetically modified corn for tortilla production. USTR's brief with oral arguments, along with background on the dispute, can be found [here](#).



*Rapid Response Mechanism against Industrias Tecnos

On June 24th USTR invoked the USMCA's Rapid Response Mechanism for the 24th time, this time against Industrias Tecnos in Cuernavaca, Morelos. The United States notes that it has asked Mexico to review whether **workers at the small arms and ammunition plant are being denied freedom of association and collective bargaining**. The note on this case can be found [here](#). Mexico agreed to review the case. [See here](#).



*USTR: Public consultation on supply chain resilience

On June 5th, USTR concluded its public stakeholder consultation on trade policies that support supply chain resilience. This consultation, which began in March of this year, consisted of 4 public hearings, as well as over 300 written comments and reports from stakeholders. Although a report will be produced at a later date,



stakeholders are generally in favor of free trade and want the US to move forward with trade liberalization. For example,

- Many are calling for the United States to take advantage of the flexibility of existing trade agreements, such as CAFTA-DR, which has a mechanism that allows producers to access fiber, yarns and fabrics from third countries when domestic supply is tight.
- A U.S. retail association notes that "...a supply chain that relies predominantly or exclusively on U.S. production is no more resilient than one that relies exclusively on China...".

The USTR report can be read [here](#).

See also:

+**CRS: US-Mexico Relations**, with a brief (3 pp.) account of the main bilateral economic and political relations, as well as some suggestions to the U.S. Congress on them.

+**WTO: Assessing Canada's Trade Policy 2024**, in a report (197 pp.) with an overview of its evolution over the period 2019-2023.

+**CEIGB: Mexico's Foreign Policy Developments**, June 2024, with information on the main activities carried out by the Federal Government of Mexico with foreign actors.

INTERNATIONAL TRADE AND BUSINESS

*Battle intensifies in international electric vehicle markets

In recent weeks, the fight for the electric vehicle market in the European Union, Canada and the United States has increased to protect them from vehicles manufactured in China. **The three economies announced tariff measures on electric vehicles of Chinese origin** to counteract the subsidies granted by the state to their automotive companies.



- In the case of [the European Union](#), after an investigation lasting several months, the European Commission concluded that "**the value chain of battery electric vehicles from**

China benefits from **unfair subsidies**, which constitutes a **threat of economic injury to EU producers of such vehicles**." The duties to be applied range from 17.4% to 34.6%.

- **Chinese authorities reacted by** indicating that these measures could start a trade war with the European Union.
- **In the case of Canada**, a public consultation will be held in July to determine whether duties will be imposed to offset the subsidies granted to electric vehicle producers based in China.
 - **According to experts**, Canada's trade relations with China will become more complicated if additional duties are applied to electric vehicles from China.
- In May, **the United States announced** that it would quadruple tariffs on Chinese electric vehicles by increasing them from 25% to 100% in order to protect its manufacturing industry from the unfair practices of China. In this regard, the President of the United States said "**For years, the Chinese government has poured state money into Chinese companies it's not competition, it's cheating,**" he said.
 - The increase in tariffs by the United States is yet another step in the long-standing trade war between the two countries.
 - **More measures of this type could be announced in the coming months as part of the electoral campaigns taking place in the United States.**

+See also **CSIS** note: **Car Wars**, which discusses the importance of the automotive industry in different economies, as well as the **trade policy measures that the United States and the European Union** have taken against electric vehicles of Chinese origin.

***WTO: Trade Monitoring: Latest Trends**

The WTO published a document (8 pp.) presenting an account of the trade policy measures established for goods by WTO Members during the period from mid-October 2023 to mid-May 2024. It states that **more trade facilitation measures (169) than restrictive measures (99) were introduced**, thus reversing the trend observed from 2021 to early 2023.



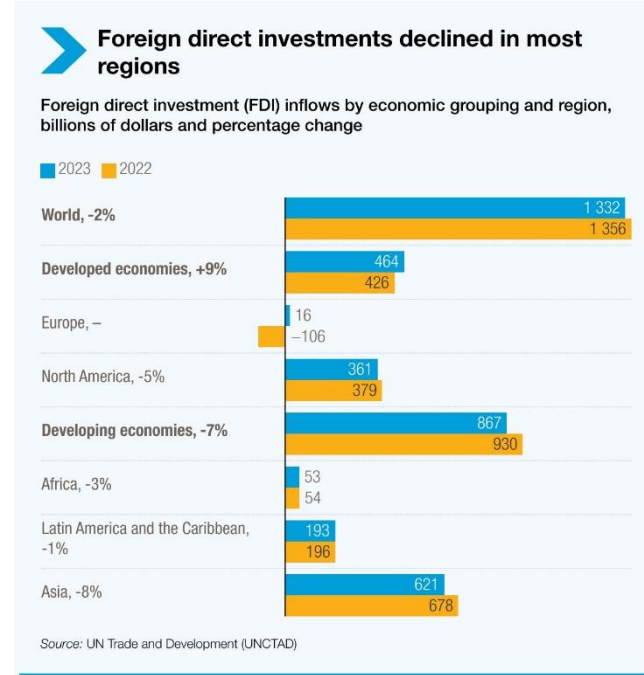
+See also: The new edition of **Integration & Trade Magazine N° 49** (285 pp.), published by IDB INTAL. The central theme of this issue of the magazine is **the challenges of the environmental agenda and international trade in Latin America and the Caribbean**.

INTERNATIONAL TRADE IN SERVICES AND FOREIGN DIRECT INVESTMENT

*UNCTAD: World Investment Report (WIR) 2024

The WIR 2024 (184 pp.) presents information on global foreign direct investment flows and trends, as well as national and international investment policies, among other things. The report asserts that FDI in 2023 decreased 2% and reached \$1.3 trillion, in an environment of lower economic dynamism and more geopolitical tensions. Other results highlighted are:

- *"The global environment for international investment remains challenging in 2024...."*
- *Weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are reshaping FDI patterns...*
- *Since 2019, the geographical distribution of manufacturing projects, especially in strategic sectors, has shifted towards locations closer to major MNE home markets in Europe and the United States. West Asia, North Africa and Central America are emerging as strategic locations for manufacturing MNEs..."*



The report states that financial flows to developing countries have been sluggish in recent years, despite efforts made by these countries to facilitate foreign investment.

=) Global competition to attract FDI has increased, however, **Mexico continues to have an excellent chance of standing out among developing countries.**

*OECD: Revitalising Services Trade for Global Growth: Evidence from ten years of monitoring services trade policies through the OECD STRI

Since 2014, the OECD Secretariat initiated a project to monitor public policy measures aimed at trying to regulate international trade in services of OECD members and other economies. To that end, the Services Trade Restrictions Index (STRI) was developed with information on 22 services sectors for 50 countries. After a decade of this work, the Secretariat published the document Revitalising Services Trade for Global Growth: Evidence from Ten Years of Monitoring Services Trade Policies through the OECD STRI (68 pp.), which summarizes the main trends found during these years.



- **Two trends that stand out in the report are: Barriers to trade in services remain high and unchanged significantly over the past decade; and the other is that most barriers are related to market access.**