APRIL 2025

CEI GLOBAL REPORT

CEI Centre for International Economy

WORLD

US establishes its "Reciprocal Tariff Policy"

First reactions to the new US tariff policy

EUROPE

EU limits agricultural trade with Ukraine

Mercosur-EU Agreement: new declarations by European authorities

EU's growing concern about foot-and-mouth disease expansion

SOUTH AND CENTRAL AMERICA

Opening of international markets for Argentina and Brazil

Brazil reduces tariffs on a set of foods

Uruguay and Canada enter into negotiations to modernise their investment agreement

NORTH AMERICA

US: new tariffs on automobiles and auto parts

US: additional tariff to Venezuelan oil importing countries

US: establishment of a strategic reserve of bitcoin

ASIA AND OCEANIA

China launches plan to encourage consumption

India and New Zealand negotiate free trade agreement

China, Japan and South Korea discuss trade issues

AFRICA

Portal for African trade facilitation is launched

Nigeria: incentive to local production of pharmaceuticals

Canada introduces its first global strategy with Africa

US establishes its "Reciprocal Tariff Policy"

On 2 April, and in line with the provisions of the "America First" trade policy and the memorandum on Reciprocal Trade and Tariffs (see CEI Global Report, February and March 2025), US President, Donald Trump, issued an executive order in which he imposed tariffs between 10% and 50% on its trading partners.

According to the document, the lack of reciprocity in bilateral trade relations, the disparity of tariffs and non-tariff barriers, and the economic policies of the United States' trading partners pose an unusual and extraordinary threat to the country's national security and economy. In turn, persistent and large deficits in US trade in goods have weakened the US manufacturing base and undermined critical supply chains. Therefore, a national emergency has been declared with respect to this menace.

Consequently, the "Reciprocal Tariff Policy" implies the imposition of a minimum additional *ad valorem* tariff of 10% on imports from all US trading partners as of 5 April 2025. For 57 jurisdictions, with which the United States has the highest trade deficits, it establishes an additional higher tariff that varies between 11% and 50%, as of 9 April.

The document contemplates some exceptions to reciprocal tariffs, among them, i) certain defence-related products; ii) steel and aluminium and their derivatives, reached by 25% tariffs (see CEI Global Report, March 2025); iii) automobiles and auto parts, subject to additional 25% tariffs (see North America section); and iv) other products, including copper, pharmaceuticals, semiconductors, wood items, certain critical minerals, and energy and energy products.

Canada and Mexico were exempted from this tariff, as the two measures related to migration and fentanyl trafficking remain in force (one for the northern border and the other for the southern one). As a consequence, products that access preferential treatment under the USMCA will continue to enter the US tariff-free, while those that do not comply with it will have to pay a 25% tariff (except for Canadian energy products and potash that are taxed at 10%). Should these two executive orders be rescinded, the products that comply with the USMCA will continue to receive preferential treatment, while those that do not would be subject to a 12% tariff.

Belarus, Cuba, North Korea and Russia will not be affected by this measure either, as they are classified as countries that do not have permanent normal trade relations with the US and continue to be subject to special tariff rates, higher than the general ones.

The memorandum states that reciprocal tariffs will apply until it is determined that the underlying conditions are met, resolved, or mitigated. Likewise, if any trading partner retaliates against the United States, it foresees that the scope of the tariffs could be increased or extended. On the other hand, if any country takes steps to remedy the lack of reciprocity and align sufficiently with the US on economic and national security issues, the scope of the tariffs imposed could be reduced or limited.

According to some estimates, the trade affected –discounting exceptions– accounts for approximately USD 1.78 trillion, more than half of US imports in 2024.

Several Asian countries (Sri-Lanka, Myanmar, Vietnam, Laos, Cambodia) and African countries (Madagascar, Mauritius, Lesotho) are among those that will be subject to the highest additional tariffs (between 40% and 50%). For EU members, the additional tariff will be 20% and for Switzerland, 31%. The executive order mandated China to have a tariff surcharge of 34%, while for India, South Korea and Japan it will range from 26% to 24%. However, according to calculations of Global Trade Alert, if exceptions are taken into account, the average additional effective tariffs will range from 3.8% to 40.9%.

First reactions to the new US tariff policy

The tariffs announced by the US government on 2 April covered all regions of the globe, so virtually all of the world's governments reacted in one way or another to the new trade landscape posed by the Trump administration.

The responses to the increase in US tariffs range from the application of equivalent measures to products from that country, to the search for a negotiation with the US authorities, and included announcements related to modifications in the internal regulations of the affected countries to avoid the payment of higher tariffs as well as domestic policies to compensate the companies affected by the new measures of the US government.

Among the main US trading partners, the first government to launch retaliatory measures against it was China, which announced the imposition of an additional 34% tariff on all products from the United States. Beijing also applied restrictions on its rare earth exports and limited the possibilities of a new set of US companies to access the Chinese market.

This response from the Asian country led to a new increase in tariffs by the US government, which raised the additional tariffs on products from that country to 84%, which, added to the existing 20% rate, brought the minimum bilateral tariff to 104%. Subsequently, the Chinese government announced that it would also raise tariffs on US products to 84% and, through a statement from the Ministry of Commerce, announced that "if the US insists on taking this path, China will fight to the end".

In turn, this announcement led the Trump administration to increase again the tariff for China to 145% (derived from the rise of 125% on top of the 20% that it had previously imposed) and at the close of this edition, China responded with a minimum tariff of 125% on products from the US.

Other countries also began to apply retaliatory measures, although none with China's speed and strength. Canada announced the imposition of a 25% tariff on US-produced cars that do not comply with the USMCA's rules of origin, in response to Trump's increases on Canadian vehicles.

The European Union, in turn, announced 25% tariffs on 1,700 products from the US, including soybeans, corn, copper, clothing and cosmetics, which would be implemented in a staggered manner throughout 2025, in response to the 25% tariffs on steel and aluminium applied from March by the Trump administration, but which were finally suspended. Besides, in response to the additional tariffs announced by Donald Trump on 2 April, the countries of the bloc were discussing at the close of this edition the way forward, without ruling out a bilateral negotiation with the US authorities.

Likewise, a large number of countries contacted Washington to reach an agreement and try to minimise the negative effects of an increase in the cost to enter the US market with their products. In that sense, many expressed their willingness to adapt internal regulations with the aim of reducing barriers indicated by the US government for the entry of their products.

The difference between Beijing's response and that of most countries negatively affected by the new US trade policy prompted the Trump administration to suspend for 90 days the additional taxes (above the global 10%) applied to all countries in the world except China. As a result, the minimum tariff that Chinese products must pay to enter the United States will be 145% and the one that the rest of the countries will face will only be an additional 10% to the one they had before 2 April.

EU limits agricultural trade with Ukraine

The European Commission approved the expiration, starting in June, of the "autonomous trade measures" that benefit Ukraine. These measures, granted after the Russian invasion, consist of the temporary suspension of import tariffs and tariff-rate quotas on agricultural products that represent an important part of Ukrainian exports.

The hardening of the European position includes safeguards on "sensitive" products for the EU, such as poultry, eggs, sugar, oats, corn and honey. In case of "market turmoil", safeguards may be applied that will limit trade and could cause Ukrainian exports to fall by around 330 million euros a year.

This change in position is a consequence of the entry of Ukrainian products into EU territory and its impact on prices, particularly in Eastern European countries. This was one of the reasons for the protests made by European farmers at the beginning of 2024 (see CEI Global Report, February 2024).

Mercosur-EU Agreement: new declarations by European authorities

Spanish and French authorities believe that the new trade policy of the United States (see World) can act as an incentive to ratify the free trade agreement (FTA) between Mercosur and the European Union.

On the one hand, Carlos Cuerpo, Minister of Economy, Trade and Business of Spain, said that "the current situation is being an incentive for all of us to understand that we have to go as quickly as possible in that ratification" and pointed out that opening new markets was a way to protect European industries.

In turn, the French Trade Minister, Laurent Saint-Martin, stated that the tariffs that the US is going to charge on European products will motivate the EU to seek trade agreements. Mercosur is one of the regions with which the bloc must open to the world, "but the agreement should be acceptable. As it stands, it still is not". A similar concern was expressed by the French Minister for Europe, Benjamin Haddad, for whom "in the current geopolitical context, all participants agree on how important it is to diversify trade partnerships. However, they cannot accept an unbalanced deal which does not protect their farmers".

EU's growing concern about foot-and-mouth disease expansion

After the onset and subsequent control of a case of foot-and-mouth disease (FMD) in Germany earlier in the year (see CEI Global Report, February 2025), more cases came up in other EU countries. In Hungary, it affected various dairy producers and in Slovakia several farms near Hungary and Austria. In both cases, the measures provided by the European Commission were applied. Preventive steps were also taken, such as the surveillance of border posts and the closure of the import of livestock from these two countries. In addition to government measures, farmers in the affected areas are reinforcing the biosecurity of their farms.

SOUTH AND CENTRAL AMERICA

Opening of international markets for Argentina and Brazil

Argentinean poultry meat will be allowed to enter the Chinese market again, which means the re-establishment of a key destination for the sector's exports, which in 2022 had reached USD 171 million. Sales had been suspended in February 2023 following the detection of an outbreak of highly pathogenic avian influenza (HPAI).

In addition, in March, health protocols were signed to enable the exports of nuts such as pecans, almonds, hazelnuts, and pistachios, as well as bovine gallstones, a product highly demanded for its use in traditional Chinese medicine. This opening benefits producer provinces such as Catamarca, Mendoza, and Río Negro.

In turn, the Nigerian health authorities approved the International Sanitary Certificate (CSI, for its name in Portuguese) proposed by Brazil for the exports of bovine semen. The Chinese government also authorised the first 21 Brazilian companies to export sesame, a product of which China is the world's largest importer, with 38.4% of the global consumption of this seed.

Likewise, the health authorities of Bosnia and Herzegovina approved the International Sanitary Certificate proposed by Brazil for the exports of bovine beef and Malaysia approved the CSI model for the exports of Brazilian poultry and bovine beef to that country.

Brazil reduces tariffs on a set of foods

During an extraordinary meeting in March, the Executive Management Committee (Gecex) of the Foreign Trade Chamber (Camex) –a body of the Ministry of Development, Industry, Trade and Services (MDIC, for its name in Portuguese)–, decided to include a set of foods in the list of exceptions to the Mercosur Common External Tariff and to reduce their import tariffs to zero. Foodstuff covered by the measure includes meats, sardines, roasted coffee, coffee beans, olive oil, sugar, palm oil, sunflower oil, corn, pasta and cookies.

The Gecex-approved measure went into effect on 14 March. The government's instruction seeks to implement initiatives that increase the supply of food and reduce prices in the Brazilian market. Its goal is to protect low-income families, who may allocate up to 40% of their income to food.

According to the evaluation of the committee, in a meeting chaired by the Executive Secretary of the MDIC, the tariff reduction will allow these products to be imported at lower costs, in such a way as to increase their availability in the domestic market, minimise the risk of shortages and guarantee decent subsistence conditions for the population. With a greater supply of these products in Brazil and without import taxes, the measure seeks to curb inflation, and thus meet the goal of the Broad Consumer Price Index (BCPI).

In addition, the committee considered that tariff easing will help mitigate imbalances in supply and demand caused by climate, geopolitical, trade exchange or production factors. This will strengthen food security and increase consumers' purchasing power.

Gecex approved this temporary tariff reduction as an emergency and selective measure, focused on critical basic basket products. The government also stated that this action will be complemented with other structural measures to ensure the sustainability of the national production chain.

Uruguay and Canada enter into negotiations to modernise their investment agreement

Uruguay and Canada have agreed to start negotiations to update the Foreign Investment Promotion and Protection Agreement (FIPA), in force since 1999. This modernisation seeks to adapt the deal to the transformations of the global economic environment and ensure a stable framework for bilateral investments.

The update process aims to include international standards in regulatory matters, and thus ensure greater transparency and predictability for investors. In addition, measures encouraging the participation of small and medium-sized enterprises and the provision of greater opportunities to vulnerable sectors within the economic sphere are expected to be incorporated.

Modernisation of the FIPA will also strengthen legal protection for investors and it is expected to consolidate a business-friendly environment, boost bilateral trade, and encourage responsible and sustainable investments in both countries. The proposed modifications to the commitment are in line with the model of such agreements that Canada updated in 2021 based on international standards.

NORTH AMERICA

US: new tariffs on automobiles and auto parts

On 26 March, US President Donald Trump signed a Proclamation which establishes an additional 25% tariff on the import of all passenger vehicles and light trucks that have not been manufactured in the United States. The tariff will also apply to certain key parts of automobiles (engines and their parts, transmissions, electrical components).

The tariff –which adds to any other duties, fees or charges applicable to such imported goods– went into effect on 3 April for automobiles and will do so no later than 3 May for auto parts.

The decision was made under Section 232 of the Trade Expansion Act of 1962, based on the determination that foreign imports undermine US national security by eroding the domestic industrial base. According to a fact sheet published by the White House, 50% of the vehicles used by Americans are imported, while among vehicles assembled in the US, the average domestic content is estimated to be between 40% and 50%.

Vehicles imported from Canada and Mexico could be fully or partially exempted from paying the new tariff, as the Proclamation stipulates that if a car qualifies for preferential treatment under the USMCA, the tariff will only apply to the non-US content of the automobile. Therefore, there could be differentiated tariffs when exporting vehicles to the United States from Mexico or Canada, depending on the greater or lesser US content of the vehicle.

It should be noted that, in addition to its USMCA partners, Japan, South Korea, Germany, the United Kingdom, Slovakia, Italy, Sweden and China are among the top ten car suppliers to the US.

On the other hand, auto parts that qualify for preferential treatment under the USMCA will remain tariff-free until the Secretary of Commerce, in consultation with the US Customs and Border Protection, establishes a process to apply tariffs to their non-US content.

In turn, the Proclamation leaves the door open to the inclusion of new auto parts within the scope of the tariff, at the request of national producers or industrial associations, whenever it is shown that imports of these items have increased in a way that threatens to affect national security.

US: additional tariff to Venezuelan oil importing countries

On 24 March, the United States government issued an executive order authorising the collection of an additional 25% tariff on goods from any country importing oil from Venezuela (including crude oil and refined oil products), either directly or through third parties.

The State Department will determine whether and when the tariff will be imposed on individual countries. Once applied, the tariff will remain in effect for one year after the country's last import of Venezuelan oil, unless the Secretary of Commerce terminates the measure sooner.

The provision came into force on 2 April and aims at reinforcing existing sanctions against the Venezuelan oil sector. The order cites national security concerns generated by threats posed by the Maduro regime, including support for the Tren de Aragua gang –recently denominated Foreign Terrorist Organization– and Venezuela's alleged involvement in destabilising activities in the Western Hemisphere.

According to a report from the US Department of Energy, the largest importer of oil from Venezuela in 2023 was China (with 68% of the total), followed by the United States (23%), Cuba (4%) and Spain (4%).

US: establishment of a strategic reserve of bitcoin

On 6 March, President Donald Trump signed an executive order establishing the "Strategic Bitcoin Reserve and the United States Digital Asset Stockpile".

The document notes that the government owns a significant amount of bitcoin (BTC) scattered across several federal agencies, with disjointed management and that a policy to maximise BTC's prominent position as a store of value has not been implemented. According to the published order, the goal of the measure is for these reserves to function as a secure account for the orderly and strategic management of US digital asset holdings.

The reserves will be capitalised with cryptocurrencies that are under the ownership of the Department of the Treasury, resulting from confiscations as part of procedures for the seizure of criminal or civil assets. In addition, each government agency shall transfer any BTC or digital assets in its possession to the Bitcoin Strategic Reserve and the Digital Asset Stockpile, respectively.

Although there is still no official figure for the amount of BTC in the hands of the US government, statistics from specialised sites (Buy Bitcoin Worldwide and Arkham Intelligence) put it at around 200,000 BTC, equivalent to approximately USD 17 billion.

The administration of the reserves will be under the authority of the Secretary of the Treasury. The BTC deposited in the Reserve will not be sold and will be held as a reserve asset of the United States. Likewise, specific plans will be developed in order to acquire additional Government BTC, provided that these are budget neutral and do not impose incremental costs on taxpayers.

Being a decentralised asset with a limited supply (21 million coins), bitcoin tends to be regarded by its proponents as an inflation-resistant store of value which operates outside the traditional global financial system. Thus, a strategic cryptocurrency reserve could contribute to financial stability, diversifying domestic reserves beyond traditional assets such as gold and foreign currencies. However, some investors are wary of bitcoin and other cryptocurrencies due to their volatility and decentralisation.

ASIA AND OCEANIA

China launches plan to encourage consumption

The Chinese government launched a comprehensive plan to promote domestic consumption. To achieve that goal, Chinese authorities have put in place a number of measures to drive increased consumer revenues, but covering many other aspects that are expected to result in greater domestic demand.

The rise in purchasing power will be combined with other aspects surrounding consumption decisions. For example, the government is committed to strictly implementing the paid annual leave system and the prohibition on illegally extending working hours.

It will also encourage financial institutions to increase their consumer personal loan portfolios and will ensure that financial expenses faced by Chinese consumers as well as the economic burden of families on education, health and eldercare expenses are reduced.

India and New Zealand negotiate free trade agreement

On the occasion of the visit of New Zealand Prime Minister Christopher Luxon to India, both countries announced that they will resume negotiations to reach a free trade agreement. The first round of negotiations will begin in April, a decade after it had been discontinued.

Luxon led a delegation that included ministers and businessmen, and participated in the tenth edition of the Raisina Dialogue, a forum on economics and politics held in New Delhi in which representatives of more than one hundred countries participated and which on this occasion had New Zealand as a guest of honour.

The decision of the Indian Prime Minister, Narendra Modi, to resume negotiations with New Zealand takes place days after the country relaunched the dialogue to reach a free trade agreement with the European Union and the United Kingdom, and after India signed a FTA with the European Free Trade Association (EFTA) countries last year, after more than 15 years of negotiations.

China, Japan and South Korea discuss trade issues

The ministers in charge of industry and trade of China, Japan and South Korea met in Seoul to discuss trade issues, and claimed to be in a position to speed up negotiations to reach a trilateral free trade agreement.

This is a momentous meeting, since as of 2012 no significant progress had been made in the negotiations of a possible FTA and for 5 years no such meeting had been held at the ministerial level.

At the meeting, the representatives of the three Asian countries also decided to collaborate in a future reform of the World Trade Organization (WTO) and encourage the accession of new members to the Regional Comprehensive Economic Partnership (RCEP) that brings together 14 countries in the region.

AFRICA

Portal for African trade facilitation is launched

With the collaboration of the European Union, the Southern African Development Community (SADC) announced the launch of an information trade facilitation portal for the EU-SADC Economic Partnership Agreement member states (Botswana, Eswatini, Lesotho, Namibia, Mozambique and South Africa).

The portal aims to provide information about and train the private sector of the aforementioned African nations on the European goods market access requirements (rules of origin, sanitary and phytosanitary measures, customs provisions, etc.).

The Economic Partnership Agreement between SADC and the EU, in force since 2018, grants mutual market access benefits, among which it allows entry to the European market duty-free or with very low tariffs for a series of products (minerals, sugar, wines, fruits, among others) coming from SADC countries.

Nigeria: incentive to local production of pharmaceuticals

Through a statement from the Nigerian Customs, the government of Nigeria announced the application of tax exemptions on the entry of raw materials for the local manufacturing of pharmaceutical products.

The measure provides for a two-year exemption in import duties and VAT (value-added tax) for active ingredients and other inputs required in the local production of medicines, rapid diagnostic kits, reagents and pharmaceuticals in general.

Among the objectives announced, the Nigerian government seeks not only to boost production and promote local investments, but also to reduce the costs derived from health care and improve the country’s health infrastructure.

Canada introduces its first global strategy with Africa

In order to diversify its markets and ensure access to critical materials, while contributing to the local development of the African continent, at the beginning of March, the Canadian government announced the launch of the first global Africa Strategy.

As a result of a joint work and in line with the objectives of the African Union, the strategy announced by Canada contemplates, together with humanitarian factors and policies linked to peacekeeping in the region, various economic objectives aimed at increasing the economic prosperity of the parties, through initiatives such as the promotion of infrastructure development on the African continent, the expansion of the private sector, the creation of employment and the strengthening of the African Continental Free Trade Area (AfCFTA).

According to data of the Canadian government, trade in goods between said country and the African continent increased by 30% in the last 5 years and reached the figure of USD 15 billion by 2024. In turn, Canada has a population of 1.3 million inhabitants from the African diaspora, which continues to grow.

CEI GLOBAL REPORT

Closing date of this issue: 11 May 2025

Ministry of Foreign Affairs,
International Trade and Worship
Argentine Republic