



China

- CCP understood technological dominance – As pathway to global power status.
- Vast market, ambitious people, abundant talent pool, hard work.
- Gained membership in WTO.
- CCP supercharged efforts of Chinese firms: via subsidies, industrial espionage.
- Seek to dominate global markets; international trade;
- **Well on its way ..until now?**



China

- **Bitter confrontation - U.S. committed to preventing Chinese global dominance.**
- **China seek tariff relief. Feet being held to the fire by U.S.**
- **Economy rebounds. A boost to regional trade, economic activity.**
- **Pushback against Chinese violations of intellectual property; global market dominance.**
- **Resistance builds in U.S., Europe to China's aggressive buying of western technology, assets.**

China

- China's current-account surplus explodes in 2020
- Chinese exports rebound strongly.
- Weaker Commodity prices – made imports cheaper in 2020.
- U.S restricts China's access to U.S. made microchips!
- Confrontation with U.S.- more than trade: Unfair competition; government subsidies.
- China's technological advance – threatens West.
- Chinese inroads in Africa, Latin American; dominance in Asia- causes concern.
- Supply-chain vulnerability to China exposed by Covid-19.



EU-China

- EU-China announced investment treaty just before Biden takes office.
- Change rules for European businesses operating in China: More certainty, predictability.
- Could cause friction with incoming Biden admin; seek United Front of aggrieved nations to confront China.
- China hurriedly gave concessions to hasten EU deal prior to Biden taking office.
- Deal will remove barriers to EU companies; possibilities for investing in China; no need for JV's.
- Caps removed on foreign equity.
- Access to auto sector, private healthcare, cloud computing & ancillary services for air transport.



Canada

- **Free-Trade Agreement in 2020.** Talks on a free-trade deal with the UK ramp up.
- **2023-25:** Canada continues to diversify its trade ties. A free-trade agreement with the UK expected to take effect.
- **2021-22:** The tax-free threshold for federal personal income tax increased modestly for low and middle-income earners.
- **Government clamps down on corporate tax avoidance by digital giants.**
- **The federal carbon tax is increased further.**
- **2023-** Other possible changes include form of wealth tax or an increase in the federal goods and services tax.

Canada

- 2021-22 - Canadian gov't plan changes to taxation of multinational digital services & e-commerce;
- Seek level playing field with Canadian companies & raise much needed fiscal revenue.
- Gov't seek to close gap in rules benefiting overseas-based e-commerce companies using Canadian warehouses.
- U.S. believes such frameworks discriminate against U.S. tech giants.
- Risk of friction with U.S. over prospect of increased taxation of U.S. technology companies appears high.
- 2023-25: Chinese investment and takeover bids come under close scrutiny.
- Foreign ownership restrictions in broadcasting and telecommunications could be relaxed.

- *Canada contract for 7 different vaccine candidates including 3 leaders: Moderna, Pfizer/BioNTech & Oxford-AstraZeneca.*
- **A second wave of the virus worsens across much of Canada. Fears of further spike in January-February.**
- **Strict public health measures likely to remain in place well into 2021.**
- **Will weigh on growth in 2021; but recent extension of gov't financial assistance provides support to affected businesses & households.**
- **Partial lockdowns to contain spike cause jobs recovery to stall.**

Canada

Canada

- **Canada's business environment score rises 2021-24, lifting the country to 3rd place.**
- **Canada's best rated features: openness to trade & foreign investment.**
- **Taxes & labor shortages continue to act as constraints.**
- **Well regulated, financially sound & transparent banking system; highly rated.**
- **Canada's dairy, egg & poultry markets are now partially opened-up as a result of USMCA [revised NAFTA].**
- **Some frustration among business over new regulatory process for approving major projects.**



- Intellectual property rules are tightened. Competition laws continue to be enforced strongly.
- Tighter foreign investment rules remain in place during pandemic. Government continues to welcome foreign investment; sometimes rejects foreign takeovers owing to national security considerations.
- Following tense Trump-Trudeau relationship, Canada seek closer collaboration with Biden team on climate, science & protection of intellectual property.
- Canada's labor market has bounced back well from initial spring lockdown. By October 80% of 3 million jobs lost were recovered.

Canada

Canada

- Shutdown caused unemployment to soar to 13.7% in May 2020. Down at 8.9% in October.
- No repeat of spike in joblessness expected with 2nd wave; restrictions more targeted.
- Canada to increase places for new permanent residents to 401,000 in 2021.
- Up from previous target of 341,000 that was originally expected in 2020.
- Labor shortage continues to be a problem.



Mexico

- Lack of robust government fiscal support measures for consumers and businesses in 2020-21 cause *HUGE losses to income*.
- Current environment: business activity struggles to return to pre-crisis levels. Causes knock-on effects for private consumption - amid slow job growth.
- Inadequate response to pandemic – hurts jobs; commerce.
- AMLO'S popularity remains strong. Nationalist outlook serves him well with electorate. Shrewd politician, especially on foreign policy front.
- AMLO's focus: what's in Mexico's best LT interest.
- Gov't Support to date have been directed toward poorest in society.

Mexico

- U.S. continues to dominate trade flows despite steps to diversify.
- Enforcement of competition policy continues to face obstacles despite improved legislation.
- **Business confidence in government remain low, due to major project cancellations and concerns about state intervention.**
- **Opportunities in public-private partnerships. Halt in oil block auctions has slowed investment in energy sector.**
- **Stronger investment links with Asia & LATAM being encouraged; diversify sources of FDI.**
- **Limitations of fiscal reforms and continued low oil revenue – push federal government to consider further fiscal measures.**

Mexico

- **EXCHANGE RATES:** Following a precipitous slump in the peso's value in March 2020, amid oil price collapse and the pandemic-induced shock,
- **Expect peso to appreciate modestly over 2021-23.**
- **Following a tumultuous 2020, we continue to view the main risks to the economy in 2021 as domestic, rather than external.**
- **Notwithstanding lingering uncertainty around global trade--stemming from ability of countries to emerge from Covid-19 containment measures— Mexico's trade prospects more favorable.**
- **Country benefits from current Supply-chain disruptions & inevitable post-Covid reorientation of essential supply sources closer to users.**

Mexico

- **Peso subject to volatility of global financial markets. Dollar weakness, rising oil prices & global recovery in manufacturing will support peso strengthening.**
- **Expect excess liquidity in the global economy and Central Bank's comparatively high monetary policy rate to contribute to the peso's appeal.**
- **In trade-weighted terms, peso remain below its ten-year average, supporting export competitiveness [2021-23].**
- **Push to bring more manufacturing resources closer to North American market – positive for economic outlook; supports MT confidence.**



Global Outlook

- **Cross-border trade subdued. Slow economic recovery 2021-25.**
 - **China's rebound could be slowed by geopolitics. Nonetheless, regional recovery strengthens. China most formidable U.S. adversary.**
 - **China, U.S, Europe, LATAM - Central Banks act to stimulate economic activity.**
 - **2021-23 Post-Covid-19 -New era emerges.**
 - **Central banks play pivotal role: Expand balance sheets; create liquidity.**
 - **Competition for global markets intensify.**
 - **Supply-chains face restructuring – systemic weaknesses exposed by pandemic.**
 - **“Trade War” bit of side show. Real war: Who controls/dominate next generation technology; 5G, Electric vehicles; AI, Robotics; alternative energy.**