



Bridges Weekly Trade News Digest

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LEAD STORIES

White House Push to Streamline Federal Government Sparks Trade Questions

US President Barack Obama is seeking congressional authority to reorganise the federal government, starting with various commerce and trade-related agencies, including the Office of the US Trade Representative. The 13 January announcement has observers questioning what such a move could mean for US trade policy, and whether this merger would even receive congressional approval during what is expected to be a contentious election year.

In describing the plan on Friday, Obama underscored that reforms were necessary for the government to keep up with the needs of a “21st century economy” by reducing inefficiencies and redundancies in the current set-up.

The Executive Branch formerly had authority to “fast-track” government reorganisation, in which the President could merge agencies and submit the changes to an up-or-down vote by Congress; this authority ended in 1984.

The agencies that would first be targeted by such reform would include the US Department of Commerce’s core business and trade functions, the Small Business Administration, the Office of the US Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the US Trade and Development Agency

Under the Obama plan, all six agencies would be housed under the same roof. The White House argues that the merger could save US\$3 billion and result in reductions of 1,000 to 2,000 jobs, mostly through attrition.

Without further details, it would be difficult to tell what form such a merger might take, WorldTradeLaw.Net President Simon Lester commented.

“My guess is that they’re not looking to make a major change in the way US trade governance works,” he continued, adding that such changes could still be possible.

In the past year, the Obama administration has pushed trade higher up on the White House agenda, spending the summer and autumn months pushing for the ratification of the long-awaited South Korea, Colombia, and Panama free trade agreements – which became law in October after years of political wrangling – and promoting the proposed Trans-Pacific Partnership agreement.

The agency merger is also key to the goal of increasing US exports and therefore creating jobs, the White House says. The Obama administration has set a goal of doubling US exports in five years – from US\$1.57 trillion in 2009 to US\$3.14 trillion by 2015.

With the US presidential election set for November of this year, many observers have questioned whether Obama’s announcement is more of an election year gambit – given that reducing the size of the federal government has long been a key issue for the opposition Republican Party – or a real effort to streamline the government.

“My sense is that it’s more about domestic politics,” Lester said.

Congressional committees, industry groups weigh in

The announcement was quick to draw responses from lawmakers and industry groups, many of which questioned what such a merger might mean for US trade policy.

Senate Finance Committee Chairman Max Baucus, a Democrat from the US state of Montana, and House Ways and Means Committee Chairman Dave Camp, a Republican from the US state of Michigan, issued a joint statement on Friday expressing qualms over the proposal.

“While we welcome the ability to reduce duplication and streamline government services, we are concerned about the impact that the President’s proposal could have on the ability of the United States to aggressively open new markets to American-made goods and services and create US jobs,” they said.

Industry groups also expressed scepticism over whether such a proposal would even make it through Congress, with the National Foreign Trade Council stressing that the US legislative branch has “historically been reluctant to combine USTR with other functions, preferring to have our chief trade negotiator concentrate on negotiating rather than be burdened with broader programmatic responsibilities.”

Election year difficulties

Gary Hufbauer, senior fellow at the Washington-based Peterson Institute for International Economics, also found that such a proposal might struggle to make it through Congress in an election year, given that the various agencies that Obama wishes to reorganise currently report to different committees on the Senate and House side.

For example, the US Department of Commerce reports to the Commerce committees of the two legislative chambers, while the Senate Finance and House Ways and Means Committees jointly have oversight over the Office of the USTR.

“The problem is that, if you combine them into one unit, who in Congress gets oversight on that?” Hufbauer asked.

The potential conflicts in Congress over which committees would have jurisdiction over this new proposed trade agency could make it difficult for this reorganisation to happen before the 2012 presidential election.

“The real test is, if [Obama]’s re-elected, whether he pushes for it in 2013,” he added.

Washington-based trade lawyer Scott Lincicome also underscored the potential challenges Obama might face in getting Congress to sign off on the proposal.

“To reorganise these agencies, because of their different mandates, because of their different structures, would require a pretty significant lift by Congress and a lot of co-operation between administration and Congress – and do we really expect that in an election year?” Lincicome noted.

“Even in the best of years, it would be difficult,” he continued.

After the authority expired in the mid-1980s, other US presidents also asked for such reorganisation authority – requests that did not make it far. “It’s not a radically new suggestion – it’s been put out there before,” WorldTradeLaw.Net’s Lester commented.

Trade negotiation, litigation – who has authority?

Some trade observers have also raised questions as to what the merge might mean for the USTR’s role as a trade litigator and negotiator, should the Department of Commerce and the USTR indeed be placed under the same roof.

Noting the potential tensions that could come from having the Commerce Department and USTR in the same house, Lincicome stressed that “the big question in my mind is who is really the more dominant force in the new agency. Is it going to be the Department of Commerce, or is it going to be the USTR?”

The Office of the US Trade Representative (USTR) is the US’ lead trade negotiator, and handles the US’ trade litigation at the WTO. Trade litigation within the US, however, is handled by the US Department of Commerce, whose focus has traditionally centred more on export promotion.

Former USTR Susan Schwab, who held the post from 2006 to 2009, told Bloomberg that “you want from the Commerce Department a full-throated unapologetic advocate for the US industry. You don’t want an agency that has to pull its punches.”

However, one trade lawyer speaking to Bridges predicted that the proposed merger would not cause changes in either the US’ trade negotiation

or international trade litigation, noting that “the vast majority of countries do both from a single ministry.”

Meanwhile, House Ways and Means Committee Ranking Member Sander Levin, a Democrat from the US state of Michigan, has argued that having the USTR as a small, specialised agency has its advantages.

Levin, responding to the announcement, underscored that “Congress established the Office of the US Trade Representative, within the Executive Office of the President, because our trade objectives were not adequately negotiated, implemented or emphasised when trade negotiators and enforcers were part of a broader agency.”

According to the White House, the USTR would not lose its Cabinet-level rank under such reorganisation.

Even with these assurances, however, many question what role the head of the new entity might have – whether he himself would take on the role of the US’ lead trade negotiator, or whether there would be a separate US trade negotiator that would be subordinate to him.

“It doesn’t seem to me to make any sense unless [the new agency chief] is chiefly a trade negotiator,” Hufbauer cautioned.

“If the top trade negotiator is subordinate to him, then you get the top trade negotiator going and having to say, in some language or another, that he wouldn’t be able to make a decision himself and would have to report back [to Washington].”

ICTSD reporting; “Obama’s Reorganization Raises Concerns About Trade Effectiveness,” BLOOMBERG, 14 January 2012; “Obama wants export agency, closing of Commerce Department,” REUTERS, 13 January 2012; “Commerce revamp could weaken trade policy,” WASHINGTON POST, 14 January 2012.

OTHER NEWS

Obama Blocks Proposed Canada-US Oil Pipeline

US President Barack Obama has rejected a plan for the building of a multi-billion dollar pipeline that would have carried crude oil from Canada to the US state of Texas. The 18 January announcement came after weeks of debate over the economic and environmental implications of the proposed Canada-US oil sands pipeline, with an array of interested groups weighing in on the pros and cons of the massive infrastructure project.

In Canada, where environmental groups have long been at odds with the petroleum industry and Ottawa over the development of the country's oil sands, debate had reached a feverish pitch, with politicians accusing "radical" environmental groups of attempting to block Canada's trade and slow the economy. South of the border the pipeline issue has been a political hot potato, with groups of politicians in Washington fiercely at odds over the issue.

The pipeline – which aimed to provide a direct line of crude oil and bitumen from the Athabasca Oil Sands in Canada's western province of Alberta to a range of refineries in the US – has been a lightning rod for controversy since the idea was floated in 2005.

Environmental groups say the massive carbon footprint related to extracting and refining Canadian sand oil, plus the potential for a catastrophic breach of the pipeline in an environmentally sensitive area, made the project environmentally irresponsible. However, supporters say the pipeline offered safe and reliable access to oil with significant economic benefits for both countries.

According to official data, the US\$7 billion project would transport 700,000 barrels of oil a day.

Controversy

Although the pipeline received Canadian approval in March 2010, its future became uncertain three months later when 50 members of the US Congress spoke out against it. In their letter to Secretary of State Hillary Clinton, they warned that "building this pipeline has the potential to undermine America's clean energy future and international leadership in climate change."

In early July 2010, House Energy and Commerce Committee chairman Henry Waxman urged the State Department to block the Keystone XL project.

"This pipeline is a multi-billion dollar investment to expand our reliance on the dirtiest source of transportation of fuel currently available," Waxman said.

The US Environmental Protection Agency further claimed that the draft environmental impact study for the pipeline was inadequate and should be revised, indicating that the State Department's original report was "unduly narrow" as it overlooked oil spill response plans, safety issues, and greenhouse gas concerns.

Pressured by environmental groups, a substantial section of Congress, and other detractors to the bill, US President Barack Obama delayed granting permission to begin construction of the project in November 2011, highlighting concerns over the potential environmental impact on fragile areas.

Obama had originally faced a 21 February deadline set by Congress to either allow TransCanada's pipeline plans or to block it. His announcement on Wednesday 18 January rejecting the pipeline blamed Republicans for imposing an "arbitrary" deadline on his review of the plan.

"This announcement is not a judgment on the merits of the pipeline, but the arbitrary nature of a deadline that prevented the State Department from gathering the information necessary to approve the project and protect the American people," Obama said, adding that he was disappointed that congressional Republicans had forced the decision.

Canadian industry rebuffs environmental opposition

TransCanada Corporation, which was behind the project, had insisted that it was not deterred by the environmental opposition to the Keystone XL plans. In June 2010, a TransCanada representative claimed that the development of oil sands will expand regardless of whether the crude oil is exported to the United States or, alternatively, to Asian markets.

Joe Oliver, Canada's Minister of Natural Resources, made headlines last week when he censured opponents to the country's proposed pipeline projects at the start of federal hearings that will debate the construction of the Northern Gateway pipeline – a separate pipeline project that would deliver crude petroleum and bitumen from Alberta to the west coast of Canada for shipment to Asia.

“Environmental and other ‘radical groups’ are trying to block trade and undermine Canada's economy,” he said. “Their goal is to stop any major project no matter what the cost to Canadian families in lost jobs and economic growth.”

Canada's Conservative government, which enjoys strong support in petroleum-producing parts of Canada, has come under fire for its stance on environmental issues. Ottawa became the target of international criticism last month when it unilaterally withdrew the country from its obligations under the Kyoto Protocol.

Supporters of the Keystone XL project had said that successful construction of the pipeline would mean a reduction in the reliance on the Middle East for petroleum and the creation of 20,000 temporary construction and manufacturing jobs, with hundreds of thousands of indirect jobs to follow in the coming decades. However, environmental groups claim that these numbers are greatly exaggerated.

Nevertheless, supporters of the pipeline, which include many Republicans and US labour unions, had repeatedly criticised Obama's earlier postponement of the project. Senator John Hoeven of North Dakota criticised the delay recently, saying it is “unfortunate because it is

private sector projects like Keystone XL that will get our nation working again.”

Sand oil problematic for pipelines?

Environmental groups, including the Washington-based Natural Resources Defense Council (NRDC) say that diluted bitumen, a substance within Canada's crude oil sands, is more corrosive than lighter grades of oil, fuelling concerns about potential pipeline breaches.

However, a study done last year for the provincial government of Alberta found that diluted bitumen was no more corrosive to pipelines than conventional oil, but noted that there was no definitive and extensive research on the subject. A US safety regulator will examine this exact issue in a new study to be completed in July 2013.

The US State Department had agreed that that the now-rejected Keystone project called for closer investigation of the Canadian oil and stability of the pipelines. President Obama recently signed a new pipeline safety law earlier this month containing a provision for a study on diluted bitumen that may provide some clarity on the issue.

ICTSD reporting: “Canada to Withdraw from Kyoto Protocol,” BBC NEWS US & CANADA, 13 December 2011; “Obama Cites Jobs Returning U.S. as Republican Pushes Pipeline,” BLOOMBERG BUSINESSWEEK, 16 January 2012; “US Chamber: Obama Should Give Green Light to Keystone Oil Pipeline Now,” THE HILL, 12 January 2012; “Jobs Take Center Stage in Keystone Fight,” THE HILL, 15 January 2012; “New Study to Probe Corrosiveness of Canada Oil,” PLANET ARK, 18 January 2012; “Expanding Oil Exports Top Priority: Canadian Minister,” REUTERS, 2 December 2011; “Keystone Pipeline Project: What's All the Fuss About?,” REUTERS, 22 December 2011; “White House: Keystone Pipeline Review Needs Time,” REUTERS, 12 January 2012.

Anti-Piracy Legislation Stirs Up Controversy in Washington

Two bills in the US Congress intended to curtail piracy on the internet came under heavy fire this week, with Wikipedia suspending its services for 24 hours and the White House making clear that it would not support the legislation as it stands, forcing lawmakers to reconsider the extent of the bills' provisions.

The Stop Online Piracy Act (SOPA) – also known as the E-PARASITE Act (Enforcing and Protecting American Rights Against Sites Intent on Theft and Exploitation Act) – targets “rogue” websites that are “dedicated to infringing activities.”

Its counterpart, the Protect IP Act, or PIPA, is currently making its way through the Senate. (See Bridges Weekly 9 November 2011)

SOPA and PIPA would allow copyright owners to obtain court orders to shut down sites accused of hosting pirated content, with a special emphasis on websites registered outside the US.

The bills could also force US-based search engines, advertising networks and payment services – such as Google AdSense and PayPal – not to do business with sites accused of illegal activity.

Obama administration questions central elements of anti-piracy bills

The anti-piracy bills have also elicited a strong response from the White House, which cited serious qualms with central elements of the legislation.

In a statement posted on Saturday 14 January on We The People – a US government platform that addresses public petitions with over 25,000 signatures – the Obama administration announced that “we will not support legislation that reduces freedom of expression, increases cybersecurity risk, or undermines the dynamic, innovative global Internet.”

The authors of the statement – a group of White House advisers on intellectual property, technology and cybersecurity – also warned that “we must avoid creating new cybersecurity risks or disrupting the underlying architecture of the Internet.”

However, the statement also made clear that – despite opposing SOPA and the Protect IP Act in their current forms – the Obama administration would indeed be pushing for some sort of anti-piracy legislation this year, as “existing tools are not strong enough to root out the worst online pirates beyond our borders.”

“Moving forward, we will continue to work with Congress on a bipartisan basis on legislation that provides new tools needed in the global fight against piracy and counterfeiting, while vigorously defending an open Internet based on the values of free expression, privacy, security and innovation,” the advisers added.

The White House statement was written by Victoria Espinel, Intellectual Property Enforcement Coordinator at the Office of Management and Budget; Aneesh Chopra, US Chief Technology Officer and Assistant to the President, and Associate Director for Technology at the Office of Science and Technology Policy; and Howard Schmidt, Special Assistant to the President and Cybersecurity Coordinator for National Security Staff.

Wikipedia, other sides go dark in protest

The big win for SOPA and PIPA detractors – with some even speculating that the statement could imply a potential presidential veto on the bill in its current form – has not stopped the tech industry from taking matters into their own hands.

On Monday, user-based information giant Wikipedia announced its decision to black out its English services for 24 hours in protest against the bills. The decision was made by a group of 1800 Wikipedia community members – known as Wikipedians – who called it the “largest level of participation in a community discussion ever seen on Wikipedia” and marked the first time that the site had ever staged a public protest.

Several other major sites, such as Reddit and Boing Boing, were also set to go dark at 0500 GMT on Wednesday 18 January.

In a statement, Wikipedia Executive Director Sue Gardner called SOPA and PIPA “indicators of a much broader problem.”

“All around the world, we’re seeing the development of legislation intended to fight online piracy, and regulate the Internet in other ways, that hurt online freedoms... We want the Internet to remain free and open, everywhere, for everyone,” she added.

Supporters push back

However, the bills still have many strong supporters in the content industry, including the Motion Picture Association of America (MPAA) and the Screen Actors Guild, which argue that online piracy costs them billions of dollars in yearly revenue.

“While we agree with the White House that protection against online piracy is vital, that protection must be meaningful to protect the people who have been and will continue to be victimised if legislation is not enacted,” the MPAA said.

Another supporter of the bill is News Corporation Chief Executive Rupert Murdoch, who tweeted “So Obama has thrown in his lot with Silicon Valley paymasters who threaten all software creators with piracy, plain thievery,” in response to the White House statement.

SOPA sponsor and House Representative Lamar Smith, a Republican from the US state of Texas, has responded to the criticism by promising to cut certain provisions that would force service providers to block access to foreign websites with infringing content.

In the meantime, the White House said it will host a conference call and online event with signers of the petition opposing the bill to get more input as SOPA moves to the House floor. A vote on PIPA is scheduled in the Senate on 24 January; discussions on SOPA are expected to continue in February.

ICTSD reporting. “U.S. online piracy bill headed for major makeover,” REUTERS, 16 January 2012; “Wikipedia joins web blackout in SOPA Act protest,” BBC NEWS, 17 January 2012.

Washington-Brussels Tension Grows Over Aviation Emissions Levy

The controversy over the inclusion of aviation in the EU Emissions Trading System (ETS) continues to build, with the EU telling US Secretary of State Hillary Clinton last week that the 27-member bloc does not intend to abandon its plan until a global solution to the carbon problem is found. Meanwhile, with the scheme having entered into force on 1 January, many major airlines are racing to take advantage of emissions permit prices, which have hit record lows.

The measure, which had been challenged by three major US airlines and a US airline industry group, was ruled compatible with international law by the EU’s highest court on 21 December 2011 (see Bridges Weekly, 12 January 2012).

Under the scheme, all flights landing and taking-off from airports in the 27-nation bloc, along with the three neighbouring countries of Iceland, Liechtenstein, and Norway, must submit permits to cover the emissions of these flights.

EU pushes back against US complaints

The US has long been one of the scheme’s most vocal opponents, joining 25 other countries last November in adopting a working paper at the International Civil Aviation Organization (ICAO) calling on the EU to exempt non-EU airlines from the scheme (see Bridges Weekly, 9 November 2011).

Along the same lines, US Secretary of State Hillary Clinton sent a letter last month telling the EU that the US would be ready to take appropriate action if Brussels moved forward with the plan.

According to reports from Bloomberg, the EU has since responded with a letter on 16 January

insisting that Brussels has no intention of backing down. The bloc's transport and climate commissioners told Clinton that the inclusion of aviation into the emissions trading scheme is "an important contribution to, and a catalyst, to global action rather than an obstacle."

The letter added that Brussels is ready to discuss with Washington the exemption of US-outbound flights to the EU from the scheme, should the US implement "equivalent measures" for reducing carbon emissions.

The 27-member EU bloc will also review and amend the EU measure once all countries reach an agreement to limit carbon emissions. The 191-member ICAO is attempting to clinch a deal on a global carbon market for aviation by the end of this year, according to ICAO chief Raymond Benjamin; if finalised, the ICAO would seek the deal's ratification by September 2013.

Airlines hedge their bets

Though many airline industry groups in non-EU countries, including the US and China, are continuing to push back against the EU scheme, several airlines have already started to raise ticket prices now that the measure has entered into force.

US-based Delta Air Lines and United Continental, German-based Deutsche Lufthansa, and Ireland-based budget airline Ryanair have been among the first to do so, imposing fare hikes to account for the cost of the EU measure.

However, some analysts note that airlines, using a set surcharge introduced to cover the new costs, could indeed profit from the EU scheme in this first year, as under the plan up to two-thirds of airlines' carbon allowance is free.

The 2012 EU aviation emissions cap sits at 215 million tonnes, of which 183 million tonnes will be allocated free of charge to the airlines by late February. The remainder will need to be bought at auction.

Lufthansa and Air France-KLM, among others, have reportedly pre-empted this with plans to buy EU allowances at bargain prices; the price of these allowances has dropped by nearly half since late

2010, hitting a record low of €6.30 per tonne in mid-December 2011.

Throughout 2011, the EU carbon market struggled from anaemic demand stemming from the economic crisis in Europe. Signs of growth remain, however, with Slovakia's Commodity Exchange announcing its intention to launch trade in EU aviation allowances (EUAAAs) before the end of February 2012.

Following the electricity sector, Thomson Reuters Point Carbon expects aviation to account for the second largest demand for carbon permits by 2020.

Airlines' attempts to switch to biofuels face difficulties

In an attempt to curb carbon emissions, the airline industry has also been exploring the use of various biofuels. However, with only limited quantities of these biofuels available, some airlines have struggled to make the switch.

On Thursday 12 January, German airline Deutsche Lufthansa ended the six month trial use of a biofuel mix on European and trans-Atlantic flights, due to the lack of a reliable supply of sustainable raw materials, according to Reuters.

The trial between Hamburg and Frankfurt, which culminated in a trans-Atlantic flight between Frankfurt to Washington, saw a 50:50 mix of regular fuel and biofuel blend in one engine of an Airbus A321.

Rival European carriers Virgin Atlantic and British Airways are both in the development stages of looking at other non-plant-based fuels, as the environmental benefits of some biofuels has been called into question when weighed against concerns over food security and commodity prices.

Last year, the European Commission signed a pact with European airlines and biofuel producers with the goal of producing 2 million tonnes of biofuels for aviation by the end of this decade.

ICTSD reporting; "EU Tells Clinton It Won't Abandon Carbon Emissions Limits for Airlines,"

BLOOMBERG, 17 January 2012; “Lufthansa ends biofuel trial with US flight,” REUTERS, 9 January 2012; “Some airlines embrace CO2 trade, buy permits,” REUTERS, 12 January 2012; “Passenger fare hike may earn airlines a CO2 windfall,” 10 January 2012; “Ryanair to cover carbon scheme at 0.25 euro per seat,” REUTERS, 9 January 2012.

Brazilian Ethanol Industry to Receive Billions in Loans

The Brazilian Development Bank announced last week a programme to finance low cost loans for farmers of sugarcane and producers of ethanol. The tropical country is seeking to boost biofuel production in the wake of ethanol tariffs and subsidies expiring in the US, another leading producer.

The Prorenova programme of the Development Bank – better known by its initials, BNDES – is [intended](#) to boost total ethanol production in Brazil by making loans available across the ethanol production chain. The R\$4 billion (US\$2.2 billion) in financing would be executed indirectly through intermediaries, with a low overhead added by the bank.

The BNDES expects to increase total ethanol production by 2 to 4 billion litres in 2013/14, a gain of at least 10 percent.

Few details were available about Prorenova at press time, but a BNDES official explained that the financing facility would be available to both refiners and farmers, adding that only firms operating in Brazil would qualify. Although the programme is scheduled to expire at the end of 2012, its 72-month loan terms leave open questions on whether or not it will be renewed.

A Brazilian official told Bridges that any support provided for ethanol would be in “accordance with WTO rules.” However, a Geneva-based official of a trading partner worried that support for ethanol adds to questions about the country’s “total rate of subsidisation,” especially those administered through generous credit policies.

The timing of the BNDES announcement – coming shortly after the expiration of the US ethanol tariff and blending tax credit – is purely a “coincidence,” said Eduardo Leão de Sousa, Executive Director at UNICA, an industry association. He explained that the industry began lobbying for access to cheaper credit more than a year ago, before the current President Dilma Rousseff took office, and was even included in documents submitted to her presidential campaign.

The industry provides more than a million jobs and nearly US\$50 billion in economic activity, according to de Sousa. The industry has gained yet more clout and prominence since the government began seeing it as energy and not agribusiness.

Production key to regaining exporter status

Traditionally the largest and most efficient producer of ethanol, Brazil was until recently a major exporter. However, high sugar prices, a lack of sufficient reinvestment in old sugarcane fields, and the failure to bring new land into cultivation have led total ethanol production in Brazil to stall, stemming a long pattern of growth.

Data from UNICA indicates that total output of the biofuel in [2011](#) – at close to 20 billion litres – was at levels similar to those in 2008. Meanwhile, surging incomes in the country have added millions of ethanol-hungry cars to the roads in the interim, increasing demand.

Brazil may not be the most competitive producer of ethanol right now, according to de Sousa. He blamed a 20 percent decline in productivity of existing fields, currency appreciation, rising labour costs, and higher fixed costs due to the mechanisation of farms. Production costs have increased by roughly 40 percent, he added.

As a result of demand outpacing supply, last year the country began to rely on imported biofuel. In spite of this, experts such as Amani Elobeid at Iowa State University, speaking to Bridges, believe that the country will likely “maintain its dominant position in the world market” in the long term.

Expiration of US ethanol credit could make room for Brazil exports

Increasing total output of ethanol is important for Brazil if it is to regain its role as the leading exporter of the biofuel. Programmes such as Prorenova, which make credit available for investment in the industry – rather than consolidation of smaller firms, as was the case in the most recent round of capital inflows – may be crucial for the country to produce more ethanol than it consumes.

Industry advocates, such as de Sousa, believe that a more favourable tax policy, improved research and development, and easier credit for infrastructure will help producers increase output in pace with demand, especially that generated by blending mandates in Brazil, the EU, and the US.

There may still be room for further consolidation in the industry: the 10 largest firms make up approximately 40 percent of the market, he explained.

A biofuels expert, speaking to Bridges on condition of anonymity due to the political sensitivity of the subject, said that tariffs in Australia, India, and the EU – the largest importer – have limited the entry of the good to their markets.

He added that although US output has ramped up, the recently expired blending credit of 45 cents per gallon had allowed companies to add a small amount of gasoline to ethanol and still receive up to 90 percent of the subsidy on every gallon exported (see Bridges Weekly, [11 January 2012](#)). This made US ethanol cheaper on international markets.

Now that this tax credit is no longer in place, observers expect US exports of the good to fall, potentially leaving room for their Brazilian counterparts to make a comeback in the long term.

ICTSD reporting.

IN BRIEF

Argentina Increases Controls on Imports

Beginning on 1 February, Argentine companies will have to file online affidavits and wait for government approval before they can import. Last week's announcement of the policy – part of Buenos Aires' efforts to stem the shrinking of its trade surplus – has drawn a cautious response from Argentina's trading partners, particularly Brazil, along with many Argentine importers themselves.

The policy was announced by AFIP, the Argentine tax agency. Under the new policy, importers would need to file sworn statements to the agency and then wait for AFIP to either approve or reject their request.

Domestic Trade Secretary Guillermo Moreno has promised that permission – or denial – of these requests will be provided to importers within 15 working days, according to Argentine newspaper Clarín.

The move is the latest in an attempt by Buenos Aires to combat a falling trade surplus – with Argentina's overall trade balance dropping by 13 percent to US\$10 billion during the first 11 months of 2011 – and thus protect their international reserves.

Other import-related measures recently imposed by the Argentine government include a requirement for certain sectors to match imports with exports of equal value, along with expanding the number of products subject to non-automatic import licensing.

Argentine imports grew by 33 percent during the first 11 months of last year, in comparison with the same period in 2010, according to preliminary official data cited by the Financial Times.

New requirement could pose problems for Argentine producers, some fear

Former head of the Argentine Industrial Union Héctor Mendez stressed in a radio interview the

potential risks of such a measure, given that Argentina's domestic industry relies strongly on imports for producing other goods.

"This is a country in which cars, just to give an example, are manufactured with 70 percent of their materials being imported. There is still much to be done in order to achieve a true national industry," he said.

The Argentine automobile industry presents 20,000 license requests each month, out of the 50,000 per month average total.

Last week, automobile producer Fiat was forced to temporarily halt production at its plant in Córdoba due to a lack of imported parts. Production was resumed on Thursday 12 January.

The AFIP has informally made clear that it plans to hold meetings with representatives from different industrial sectors to find out which foreign inputs are irreplaceable for production, Clarín reports.

Argentine industry groups ask for consultations, details

Various industry groups, including the Cámara Argentina de Comercio (CAC, or Argentine Chamber of Commerce, in English) and the exporters' association Cera, have asked that the measure's entry into force be suspended in order to allow for consultations, according to Clarín.

"Given the magnitude and reach of this measure, it is important to examine the different situations that could arise in practice, in order to clear up existing doubts and avoid the eventual negative consequences that could affect those that conduct international trade," the CAC said in a communiqué.

"The regulation in itself is somewhat imprecise and incomplete," Diego Pérez Santisteban, president of the Argentina Chamber of Importers (Cámara de Importadores), told Argentine newspaper Diario BAE.

"Neither the nature of the affidavit, nor which institutions will participate, or what information

will need to be provided, has been made very clear," he added.

Cautious response from Mercosur partners

The announced measure quickly drew the notice of Argentina's partners in the Mercosur customs union, particularly of its northern neighbour Brazil.

While the Brazilian government stopped short of criticising the measure, the trade ministry did note in a statement that it had "received notice of the measure with concern and established contact with the Argentine government to better evaluate the possible impact on Brazilian exporters."

The new policy is set to come up in the regular talks between trade officials of the two countries.

Meanwhile, Brazil's Confederação Nacional de Indústria (National Confederation of Industry, in English) spoke out harshly against the move, calling the decision "another setback for trade in Mercosur."

The new measure "will bring losses to Brazil," the industry group continued, adding that the policy could reduce Brazilian exports and pose a threat to Brazilian companies with subsidiaries in Argentina that work with Brazilian suppliers.

Tensions between the two trading partners over imports ran high over the last year, after cars, food, and appliances spent months stocked up along the Argentine-Brazilian border.

Last year's clash between the two Mercosur partners originated with Argentina's cancellation of automatic licensing for imports in February 2011 (see Bridges Weekly, 20 July 2011).

While trade officials from Buenos Aires and Brasília settled the matter after a meeting in June, agreeing to issue non-automatic import licenses for the detained products within the WTO standard of 60 days – and promising a 10-day review period for Argentine auto imports – reports later emerged that there was still a backup at the border.

ICTSD reporting; “Moreno tendra tres semanas para autorizar cada importación,” CLARÍN, 14 January 2012; “Piden que se suspenda el nuevo régimen de importaciones,” CLARÍN, 13 January 2012; “El Gobierno amplía el control sobre las importaciones para proteger el Mercado interno,” DIARIO BAE, 13 January 2012; “Argentina tightens import controls,” FINANCIAL TIMES, 11 January 2012; “Mujica y Rousseff preocupados por proteccionismo argentino,” FORTUNAWEB, 12 January 2012; “Fuerte oposición al control de todas las importaciones,” LA NACIÓN, 12 January 2012; “Se generalizan los problemas para pagar importaciones,” LA NACION, 13 January 2012; “Argentine industry ‘under risk with new ‘super-license’ imports’ system,” MERCOPRESS, 12 January 2012; “Argentina Tightens Noose On Imports To Protect Trade Surplus, Reserves,” WALL STREET JOURNAL, 11 January 2012; “Brazil Takes Wary View On New Argentina Trade Measure,” WALL STREET JOURNAL, 13 January 2012.

EVENTS & RESOURCES

Events

Coming soon

20 January, Geneva, Switzerland. UNCTAD/ILO POLICY DEBATE - TRADE AND EMPLOYMENT FROM MYTHS TO FACTS. Around the world, promises of new and better jobs run parallel with concerns of job losses, working conditions, and faltering wages. This event aims to provide assessments of international trade and its impact on employment, in an attempt to address the disconnect between the prominence of trade and employment linkages and the lack of factual analysis on the subject. The International Labour Organization (ILO) and the United Nations Conference on Trade and Development (UNCTAD) will host a policy debate on this topic that will focus on the lessons that can be drawn from this evidence-based linkage between trade and employment, following the presentation of the ILO book “Trade and Employment: From Myths to Facts.” A panel of high-level trade representatives from Geneva and other international organisations will be present.

For more information on this policy debate, please visit the event’s [website](#).

23 January, online. CONSEQUENCES OF DURBAN: OUTLOOK FOR THE CARBON MARKETS IN 2012 AND BEYOND. Sponsored by The Communities of Practices of Energy and Waste Management of the Carbon Finance Platform “Finanzas Carbono”, this webinar will include an analysis by Hernán Carlino, a climate change specialist and negotiator from Argentina, which will focus on the consequences of the COP17 climate conference and its impacts on carbon markets in 2012 and beyond. Carlino attended the COP17 Durban Conference and participated in recent discussions regarding its results. To access this event, please visit the webinar’s [portal](#). Please note that the language of this presentation is Spanish; it will be held at 3 PM Buenos Aires time (GMT/UTC-3).

24 January, New York, US. GLOBAL CIVIL SOCIETY WORKSHOP ON THE RIO+20 “ZERO DRAFT” AND RIGHTS FOR SUSTAINABILITY. Hosted by IBON International, this event aims to discuss the Rio +20 “Zero Draft”, which includes the United Nations Conference on Sustainable Development (UNCSD) Secretariat’s compilation of all inputs from member states and other stakeholders. The “Zero Draft” is a subsection of Rio+20’s Outcome Document. The workshop aims to bring together civil society representatives to engage in the Rio+20 process, to analyse the role of human rights, equity and justice reflected in the draft, as well as the positions of key countries in the UNCSD process. It will also provide the opportunity for participants to strategise how to influence the member states in the direction of a rights-based approach to sustainability and to promote rights for sustainability among the major stakeholders and groups. For more information about this workshop, please visit IBON International’s [website](#) for the event.

25 January, London, UK. PREPARING FOR THE FUTURE? RETHINKING SUPPORT FOR ADAPTIVE CAPACITY TO CLIMATE CHANGE REPORT LAUNCH. Hosted by the Overseas Development Institute (ODI) and the Africa Climate Change Resilience Alliance, this public event will launch a new report entitled

“Rethinking support for the adaptive capacity to climate change: the role of development interventions.” This report explores the role that development interventions are playing in helping people face the challenge of climate change. It is based on studies in Mozambique, Uganda, and Ethiopia conducted by the Africa Climate Change Resilience Alliance (ACCRA); the report argues that opportunities for development interventions to support people through future change are being lost because of the rare inclusion of support for adaptive capacity in the interventions. The programme includes presentations by keynote speakers, a panel discussion, and more. For more information about the report launch, please visit the event’s [website](#).

WTO Events

An updated list of forthcoming WTO meetings is posted [here](#). Please bear in mind that dates and times of WTO meetings are often changed, and that the WTO does not always announce the important informal meetings of the different bodies. Unless otherwise indicated, all WTO meetings are held at the WTO, Centre William Rappard, rue de Lausanne 154, 1211 Geneva, Switzerland, and are open to WTO Members and accredited observers only.

20 January: Sub-Committee on Least Developed Countries

20 January: Dispute Settlement Body

25 + 27 January: Trade Policy Review Body – Kingdom of Saudi Arabia

Other Upcoming Events

25-29 January, Davos-Klosters, Switzerland. WORLD ECONOMIC FORUM ANNUAL MEETING 2012. This annual forum will convene under the theme “The Great Transformation: Shaping New Models” and will address the rebalancing and deleveraging that is reshaping the present global economy. In the short term, this transformation is seen in the context of how developed countries will deleverage their finances without falling into a recession and how emerging countries will tackle inflation and future economic obstacles. In the long term, organisers note, both

will play out as the world population passes 7 billion while being interconnected through information technology on an historic scale, leading to transformational changes in social values, resource needs, and technological innovations. With this context in mind, this event aims to bring together leaders for the purpose of defining what the future should look like, aligning stakeholders around that vision, and inspiring their institutions to realise that vision. For more information on this annual global forum, please visit the WEF [website](#).

5-7 February, Gwalior, MP, India. THIRD INTERNATIONAL CONFERENCE ON CLIMATE CHANGE AND SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES. Organised by the Institute of Allied Sciences Computer Applications and ITM University, this international conference is part of the Technology Innovation Management for Sustainable Development (TIMS-12) Conference series. The objective of the conference is to examine the causes of climate change (natural and anthropogenic); the impact of climate change on humans and ecosystems; the mitigation of climate change through technological, social, ethical, and political responses; and strategies for global adaptation to climate change. It will attract policymakers, researchers, academics, and students from around the world to discuss global environmental challenges and exchange views on how to mitigate specific environmental problems. Event organisers expect the outcome of this meeting to enhance the academic contribution to international climate finance policy and co-operation. As a reminder, the last date to register or submit an abstract is 20 January. To access the programme or to read more about the TIMS-12 Conference, please visit the event’s [website](#).

10 February, Geneva, Switzerland. CONFERENCE ON INTELLECTUAL PROPERTY IN THE PHARMACEUTICAL INDUSTRY. Held at the University of Geneva, this international conference aims to inform the public and those attending on the recent developments regarding intellectual property in the pharmaceutical industry. It will also discuss the present and future challenges of intellectual property law from an international, European, and Swiss perspective. This event welcomes anyone

interested in the present and future challenges of intellectual property law. As a special note, participants from non-profit organisations can benefit from a reduced registration fee (contact Nicole Crausaz: Nicole.crausaz@unige.ch). For more details, please visit the event's [website](#).

20 February-23 March, Tokyo, Japan. BUILDING RESILIENCE TO CLIMATE CHANGE POSTGRADUATE PROGRAMME. Announced by the United Nations University's Institute for Sustainability and Peace, this five week graduate programme features postgraduate level courses on climate change and how to mitigate it. Course examples include "Sciences, Impacts and Vulnerability" and "Approaches to Adaptation." Week-long hands-on training in "Remote sensing and Geographic Information Systems (GIS)" will also be provided. The courses are open to students who are currently enrolled in a postgraduate programme, faculty members, researchers, and practitioners who have completed a master's degree and are working in the relevant field. The application for fellowships is 20 January for students from abroad and 31 January for applicants within Japan. For more information about the programme, please see the UNU's Institute for Sustainability and Peace's [website](#) regarding the courses.

28 February, Copenhagen, Denmark. CONFERENCE ON TRADE, DEVELOPMENT AND AGRICULTURE. Jointly hosted by Concorde Denmark and the Danish Agriculture and Food Council, this conference seeks to provide information and create a strong and inclusive dialogue regarding complex topics related to trade, development, and agriculture. Topics for discussion will include gains from trade for developing countries, the EU Commission's revision of its Trade and Development Strategy, and negotiations on the reform of EU's Common Agricultural Policy (CAP). This conference also aims to identify and discuss the positive and negative synergies between trade, development, and agriculture from the perspective of farmers in the EU and in developing countries. For more details about the conference, please visit the Danish Agriculture and Food Council's [website](#).

21-26 April, Doha, Qatar. THIRTEENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD XIII) AND CIVIL SOCIETY FORUM. This Conference, which begins on 21 April, will convene under the theme "Development-centred globalization: Towards inclusive and sustainable growth and development." The Conference's aim is to enhance the understanding of specific trade and development issues, especially after the fallout of the economic crisis. In parallel with the Conference, UNCTAD has also partnered with the United Nations Non-Government Liaison Service and the Qatari National Human Rights Committee to organise a Civil Society Forum, where delegates from NGOs, the private sector, and civil society will explore different ways to strengthen partnerships with UNCTAD to boost the effectiveness of trade and development efforts. The Civil Society Forum will begin its work on 17 April. As an important reminder to those civil organisations that do not have observer status with UNCTAD and wish to participate in the Conference and the Civil Society Forum, the deadline for applications for the accreditation to the UNCTAD XIII is 31 January. For more information on the UNCTAD XIII Conference and the Civil Society Forum, please visit the UNCTAD XIII [website](#).

Resources

CLIMATE CHANGE MITIGATION AND AGRICULTURE. Edited by Eva Wollenberg, Maja-Liisa Tapio-Bistrom, Maryanne Grieg-Gran, and Alison Nihart (December 2011). The agricultural sector today contributes roughly ten to twelve percent of emissions and has a large technical and economic potential for reducing greenhouse gases. Rather than focusing on the science behind emissions, this book focuses on the design and practical implementation of mitigation activities through changing farming systems. In short, it reviews the state of agricultural climate change mitigation globally, with a focus on identifying the feasibility, opportunities, and challenges for achieving mitigation among smallholder farmers. With this

book, the authors ultimately seek to accelerate efforts towards mitigating land-based climate change. The volume presents a synthesis of current knowledge and research on this emerging subject. To read more about Climate Change Mitigation and Agriculture, please click [here](#).

COP-17 DE-BRIEFING: ENHANCEMENTS, DECISIONS, AND THE DURBAN PACKAGE. Presented by Climatico: Independent Analysis of Climate Policy (January 2012). This report contains a summary and debriefing of the recent COP-17/CMP-7 Conference in Durban, South Africa. Within this report, the authors summarise some of the key subjects under discussion in the COP and CMP meetings such as adaptation, mitigation, capacity building, technology, finance, REDD+, and the flexibility mechanisms: the Clean Development Mechanism (CDM), joint implementation (JI), and emissions trading. Within these sections, the authors also make note of the background of these areas leading into the Conference, mention some of the issues under specific debate, and discuss their subsequent outcomes. Furthermore, included is a compilation of negotiating positions, emission reduction proposals or commitments, and financial pledges. Notable conclusions made at the Conference or missing from the Durban Package are also included, as well as reflections on the road ahead in 2012. For a full-text copy of Climatico's report, please click [here](#).

DOES CHINA SEEK A GLOBAL ROLE FOR ITS CURRENCY? Interview by the Peterson Institute for International Economics (January 2012). In this interview, Peterson Institute representative Steve Weisman speaks with Morris Goldstein, senior fellow at the Peterson Institute, about the China-Japan currency pact signed in December 2011 and why Beijing faces obstacles in its bid to elevate the global role of the yuan, also known as the renminbi. With the pact, Japan and China pledged to use their own currencies when trading with one another rather than the US dollar, along with making other commitments. Weisman and Goldstein discuss whether or not the China-Japan pact is a step in the decline of the US dollar as a global currency, which they deem as a premature statement; instead, Goldstein predicts that it will take decades for the renminbi to successfully overtake the US dollar as the global

currency. For more information and access to the interview, please click [here](#).

ECOSYSTEM-BASED ADAPTATION IN A CHANGING CLIMATE: FROM PRACTICE TO POLICY? LESSONS LEARNT FROM ISLANDS. Presented by the International Union for the Conservation of Nature and the European Commission (December 2011). This resource contains a summary of a side event hosted by the International Union for the Conservation of Nature and the European Commission that occurred at the recent United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) 17 in Durban, South Africa. During this event, islands were discussed as places of high biodiversity; some specific economies are highly dependent on islands' ecosystems and associated natural resources. Yet, islands are highly vulnerable to climate change impacts and least able to address them effectively. Thus, this event outlined the complexity of developing effective ecosystem-based adaptation responses to islands' climate change problems. The summary of the event includes key messages on implementing climate change adaptation programmes in island regions, the lessons learned from implementing these programmes and policies, and principles and guidelines for mainstreaming ecosystem-based adaptation in policymaking and project development. For a list of participating organisations and presentations or more information, please click [here](#).

HARNESSING TRADE FOR SUSTAINABLE DEVELOPMENT AND A GREEN ECONOMY. By the World Trade Organization (December 2011). This brochure seeks to provide a set of messages related to sustainable development and international trade that may be discussed at the United Nations Conference on Sustainable Development (UNCSD). This conference is commonly referred to as Rio +20 and will take place in Brazil in June 2012. This brochure examines the workings of the WTO and how the multilateral trading system supports countries' efforts to utilise sustainable development and create a green economy. It also discusses how WTO rules and monitoring mechanisms help ensure green economy measures are not disguised protectionism and maximising

the benefits that developing countries receive by participating in international trade. Lastly, the brochure investigates the contribution to sustainable development that can be made through a successful completion of the Doha Round of trade talks. The brochure is available [here](#).

MAJOR ENVIRONMENTAL DISASTERS: YEAR 2011. Published by ThinktoSustain.com (December 2011). The headline story from the latest ThinktoSustain.com newsletter, this article summarises and examines the environmental catastrophes and tragic events that were unleashed on the planet this past year. While most of these events have not been directly linked to climate change, nor are considered “human-induced”, the possibility of a linkage has yet to be ruled out. This feature attempts to keep tabs on environmental incidences of similar extremes from across the globe that have occurred since the beginning of last year. Topics included in the article are: heavy flooding in China, earthquakes in New Zealand, the tsunami in Japan, the tornado in Joplin, US, and more. To view the article in its entirety, please visit ThinktoSustain.com’s resource [page](#).

NEW TENSIONS WITH CHINA ON TRADE. Interview by the Peterson Institute for International Economics (December 2011). In this interview, Peterson Institute representative Steve Weisman talks with Jeffrey J. Schott, senior fellow at the Peterson Institute working on international trade policy and economic sanctions. The interview is focused on China and its new trade policies with the United States, which Schott argues are politically-infused messages of displeasure. The interview includes topics such as the act of imposing tariffs, anti-dumping and its justification, violation of WTO obligations, and the political and economic costs of China’s responses to the United States’ commercial trade actions. To listen to this interview, please visit the Peterson Institute’s [website](#).