

EU likely to impose tariffs on U.S. biodiesel

By James Kanter

BRUSSELS: Seeking to protect their beleaguered biodiesel industry, European governments on Tuesday backed a plan to impose provisional tariffs on U.S. biodiesel producers like Cargill and Archer Daniels Midland, European Union diplomats said.

Both the European Union and the United States subsidize their biodiesel industries. But European producers have complained to trade regulators that their counterparts in the United States benefit twice: from subsidies by the U.S. government to produce biodiesel, and from subsidies granted by individual European governments when the fuel is sold on the Continent.

Moves by the European Union to impose tariffs come amid growing concerns that protectionism by governments during the current economic downturn could spiral out of control. But representatives of the European

biodiesel industry said the measures being undertaken by EU officials were both necessary and justified under World Trade Organization rules.

"Whatever the action of the United States will be — even in front of the WTO — our complaint and our case is well-grounded," said Raffaello Garofalo, the secretary general of the European Biodiesel Board, an industry group. "There is no logical explanation for why biodiesel sold in Europe could be cheaper than its raw materials."

The EU diplomats spoke on condition of anonymity because a final determination on the levels of duties remained with the European Commission, which is not expected to publish its decision until next week.

Under EU rules, the commission is entitled to impose provisional duties lasting six months. Any definitive measures, lasting five years, would need approval by European governments before the summer.

"We are not commenting on expected decisions and instead will wait for official action to be taken by the commission," said a U.S. trade official, who spoke on condition of anonymity because a formal decision had not yet been made.

To counter what it calls unfair subsidies to the U.S. industry, the commission is poised to impose tariffs of between €261 and €407, or \$228 to \$311, per ton of American biodiesel, the diplomats said. Dozens of U.S. companies would be affected, the diplomats said.

The level of tariffs would be tailored to individual companies to reflect the types and amounts of the fuel they produce, and the amount of subsidies and other support they receive from U.S. authorities, the diplomats said. Officials from the commission have visited United States as part of an investigation since beginning formal proceedings in the case last year, they said.

The move is sensitive because of

heightened tension over trade policy as governments scramble to protect companies and jobs from the effects of the financial crisis.

Last week, the European trade commissioner, Catherine Ashton, said the EU still had reservations about how a "Buy America" clause would be applied under a \$787 billion economic stimulus measure signed by President Barack Obama. The United States and the EU also have unresolved differences over biotechnology crops, chlorinated chicken, hormone-treated beef and rules governing aircraft emissions.

Biofuel is developing into a big business, with annual sales in Europe of about €8 billion. Imports of biodiesel from the United States total about €1 billion a year. Europe makes large amounts of biodiesel from plant oils like canola and sunflowers. But the Continent is also a net importer of diesel, including fuel made in the United States from crops including soybeans.