

INTERNATIONAL
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EU prepares trade duties for U.S. biofuels

By James Kanter

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BRUSSELS: The European Union is preparing to impose trade duties on biofuels imported from the United States to prevent American producers from putting European producers of biodiesel out of business, diplomats said Monday.

Biofuels are developing into a big business, with annual sales of about \$8 billion, or \$10 billion, in Europe, and with imports of biodiesel from the United States worth about \$1 billion.

The European Union and the United States generously subsidize their biodiesel industries. But European producers complain that producers in the United States benefit twice: from subsidies by the federal government to produce the biodiesel and again from subsidies granted by individual European governments when it is sold in Europe.

But Peter Power, the spokesman for the EU trade commissioner, Catherine Ashton, said the normal procedure in such trade disputes - where the European Commission proves that goods have been sold below cost and that EU industry has been harmed - was for the commission to impose provisional duties. He said that any definitive measures, lasting five years, would need approval by EU governments within four months.

EU trade officials began a formal investigation last year after European biofuel producers complained about unfair support for American producers. EU officials have said they suspect that the subsidies consist of federal excise and income tax credits along with a federal program of grants for increases in production, as well as various subsidies from state governments.

Europe makes large amounts of biodiesel from plant oils like canola and sunflowers. But the Continent, where diesel-powered cars and trucks are widespread, is also a net importer of diesel, including biodiesel made from crops like soybeans in the United States.

Highlighting the scope for trade disputes to escalate, Pascal Lamy, the director general of the World Trade Organization, called on world leaders on Monday to make joint efforts to show that the global trade environment is not deteriorating and that isolationist pressures are contained.

Power, the trade commissioner's spokesman, would not comment on whether duties would be imposed on the United States next month.

Raffaello Garofalo, the secretary general of the European Biodiesel Board, an industry group, said action was urgent because some European producers had already gone bankrupt. The decision to impose duties "proves that our complaint was well-grounded," he said.

The EU duties would total about 44 per 100 kilograms, or 220 pounds, of biodiesel, according to the EU diplomats. The diplomats requested anonymity because governments still needed to be formally consulted on the decision.

The dispute shows that despite talk about the need for global cooperation to fight climate change, countries may come into conflict as demand grows for important products and services.

The move against American producers, which is expected on March 13, comes at a highly sensitive time for global trade. Countries are maneuvering to protect their economies from being undercut by foreign imports to safeguard jobs and industries during the most severe economic downturn in several decades. "Governments should resist the temptation to raise trade barriers," Lamy said.