

# CLIPPING INTERNACIONAL

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## I. OMC

### **China rare earths safe from WTO ruling on export curbs**

Reuters

A World Trade Organisation ruling against China's restrictions on raw material exports could force changes to some of its rare earth policies but is unlikely to yield the boost in exports of the metals that consumers want to see.

A WTO panel on Monday said [China](#) violated global trading rules by restricting exports of raw materials like bauxite, coke, magnesium, manganese and zinc, which inflated prices and gave domestic Chinese firms an unfair competitive advantage.

Rare earth metals were not part of Monday's ruling, but users of the crucial group of 17 elements used in the renewables and high-tech sectors hope that China will also scrap export limits on these commodities, leading to higher volume and lower prices.

They are likely to be disappointed.

"It is still too early to say what the impact will be but I can't see it having a big impact on prices -- the main issue will still be supply and demand," said Vivian Pang, an analyst with the Asian Metal consultancy in Beijing.

The reason, say analysts, is that even if China removes export quotas, it is unlikely to lift its production limits, which are meant to limit environmental damage from rare earths mining and keep prices -- and profits -- high.

China, which produces about 95 percent of global rare earth supplies, capped production at 93,800 tonnes in 2011, up only 5 percent compared with the year before despite soaring demand. It began a nationwide inspection at the end of August to stop rare earth miners from breaking the cap.

While the ruling could be a setback for China in its efforts to clean up and cash in on its rare earth reserves, its overall strategy need not change, said Tu Xinquan, associate director of the China Institute of WTO Studies.

"There are other ways it can meet its objectives," he said, referring to the output limits.

#### CHALLENGES ON RARE EARTH EXPORTS

A number of U.S. lawmakers urged the United States to use the WTO decision to launch a new case to force China to lift its rare earth export restrictions.

Some producers said they were optimistic the action would change Chinese policy.

"The decision of the appellate body is a huge victory for the United States," said Michael Silver, chief executive of American Elements, a U.S.-based rare earth processor.

"It confirms the existence of the two-tiered price structure that has caused so much concern."

EU Trade Commissioner Karel De Gucht said the decision would force China to drop export restrictions for the materials mentioned in the case and for rare earths.

The United States, European Union and [Mexico](#) had all launched WTO legal cases in 2009, challenging China's right to restrict raw material exports and force prices to rise.

China's control over supplies means that it is in a strong position to disregard WTO rulings, but industry figures say it is unlikely to do so.

"The question is whether China will actually stop or at least reduce export taxes," said Silver. "I expect they will, so they remain WTO members in good standing."

China's Ministry of Commerce said on Monday it "deeply regrets" the ruling but would comply.

#### NO ENVIRONMENTAL GROUNDS

WTO provisions allow a country to limit trade on health and environmental grounds, but it said on Monday that China had been "unable to demonstrate" that its restrictions helped conserve resources, cut pollution or improve public health.

Beijing has said that unregulated rare earth exploitation had caused untold damage in big producing regions like Inner Mongolia. It has also said it should not have to bear so much of the global output burden, especially as domestic demand grows.

China is likely to continue to play up the environmental impact of extracting rare earths, but the issue is whether it can convince the WTO that its policies are applied equally to foreign and domestic firms.

That helps explain China's attention to the domestic output cap, which is not subject to global trade rules.

China successfully used a similar strategy in 2004 when imposing quotas on coking coal exports. Despite the threat of WTO action, exports have dwindled from 10 million tonnes a decade ago to 3.6 million tonnes last year, and it is now a huge net importer.

In the last few years, China has banned dozens of unlicensed rare earth miners and raised entry thresholds. It has also imposed strict export limits and cracked down on smuggling.

It issued export quotas amounting to 30,184 tonnes in 2011, and said the figure for 2012 would remain unchanged in order to "guarantee international demand". Exporters used just 56 percent of their allocations last year.

China has rejected claims that domestic firms have gained an unfair advantage, saying nationwide output caps -- which are compliant with WTO rules -- have also raised domestic prices and forced local users to scale back operations.

The question for the WTO is whether or not Chinese firms gain an unfair advantage from their government's policies, but even if China is forced to make changes, there is nothing foreign buyers can do to stop Chinese producers from selling to domestic consumers at a cheaper price, said Tu.

"I don't know if domestic firms get cheaper supplies but if it is just enterprises setting prices, rather than the government, there is nothing anyone can say about it."

## **Russian Govt May Help Industries Hurt by WTO Entry**

Ria Novosti (Rússia)

The Russian government may provide support for industries which may face losses after the country's accession to the World Trade Organization (WTO), First Deputy Prime Minister Igor Shuvalov said on Tuesday.

"The Agriculture and Economic Development ministries are examining the industries which may suffer a negative impact due to the ratification of a protocol for Russia's accession to the WTO. It is necessary to ratify the protocol by the end of this July," Shuvalov told reporters in Russia's Far East city of Petropavlovsk-Kamchatsky.

He said that some enterprises and even industries might become less competitive.

"For example, sugar beets. What will happen with sugar production in Russia if we [are able to get] sugar cane? Or agricultural machinery building. How much damage will agricultural machinery makers be incurred after the board's opening?" Shuvalov added.

The minister also said the support would be provided only if problems in economic activity of enterprises or industries would arise as a consequence of Russia's joining the WTO.

Shuvalov said that the ministries would make a report about all problems in the industries linked with country's WTO accession by this March and the government would work out bills to solve them by May 2012.

Russia joined the world trade hub in December 2011 after 18 years of talks.

## II. NEGOCIAÇÕES REGIONAIS E BILATERAIS

### **AFL-CIO Worried By Direction Of TPP Talks, Withholds Judgment For Now**

Insidde US Trade (EUA)

While some progress is being made to secure robust labor rights protections in the context of the Trans-Pacific Partnership (TPP) trade negotiations, the direction of the talks is somewhat worrying and raises questions of whether they are the best use of government resources, a top AFL-CIO official argued last week.

"We don't have a position yet, but we have a lot of concerns about the direction of the negotiations so far, and we think it is important to air the concerns now because we really would like this to be a good agreement" that the AFL-CIO could support, said Thea Lee, deputy chief of staff at the labor federation.

Lee, speaking at a Jan. 26 event organized by the Global Business Dialogue, declined to provide any specifics, citing the fact that her direct knowledge of the negotiating texts is confidential.

Overall, she said that the labor community has had "intense" and in-depth engagement with U.S. negotiators on the development of a labor text – something she said the AFL-CIO appreciates. But she added that "it is not clear" if the talks are heading in a direction that would enable the labor federation to support the final outcome.

"There is definitely progress being made, but it is hard to judge whether it is sufficient or not until we see what comes out of the process and how all the chapters fit together," she explained.

The U.S. labor proposal, tabled late last year, goes beyond the labor provisions included in the so-called "May 10" template, which was then incorporated into U.S. bilateral trade deals with Peru, Panama, Colombia and South Korea. Republicans and some business



groups object to going beyond that template in terms of worker rights, which they say was already difficult for them to accept ([Inside U.S. Trade, Jan. 13](#)).

In her remarks, Lee took on these criticisms, arguing that U.S. negotiators must continually strengthen and improve the May 10 template in order to make further progress in the struggle for strong labor rights. "I know the business community has been frustrated" and believes that May 10 standard "should have been the end of the discussion about labor rights and the global economy," Lee said.

But she stressed that the AFL-CIO does not believe that is the approach the United States should take because the May 10 template did not definitively fix the ongoing problem of global labor rights.

This is not an issue, she stressed, where negotiators can "wake up one morning and say, 'we fixed that problem of abuse of labor rights in the global economy.'" The U.S. proposal contains some new elements, but largely adheres to the May 10 template and does not include all of the AFL-CIO demands ([Inside U.S. Trade, Jan. 6](#)).

Lee also highlighted that Vietnam, another TPP partner, has a "very long way to go" until it would be in a position to adequately uphold worker rights, and questioned how TPP partners would handle this in the talks.

For instance, she pointed out that having Vietnam adhere to the core International Labor Organization principle of freedom of association would entail a "huge structural change" and likely could not be done in a "short period of time." Currently, Vietnamese workers are not allowed to organized unions outside of the official state-run union, she said.

"So that is a huge issue, and so we want to make sure that there is some attention being paid to that in the process," Lee stressed. She added that governments that are not democratically elected, such as the government in Vietnam, tend to be "suspicious" of independent labor movements, and hinted that this could complicate TPP efforts on labor.

According to Lee, it might make sense to stipulate in a final deal that the commercial benefits for Vietnam will be phased in over a period of time as it takes steps to bolster



worker rights. "We'd rather see some sort of benchmarks phasing in the benefits of TPP as Vietnam comes into compliance with the requirements," she said.

More broadly, however, Lee questioned whether the administration should be expending such time and effort on crafting a TPP deal. "How much of the energy and the staff of USTR is going to go to negotiating this massive agreement that has already taken a couple of years and is likely to take more time?" she asked.

"If you think about all the pressing issues that we have with respect to unfair trade practices by certain countries or even rejuvenating and getting the Doha round on a different track ... would any of those be better uses of our time and resources? I would argue that maybe they would," she said.

In a related intervention, Gary Horlick, a prominent trade lawyer who also participated in the event, argued that the administration has enough overall resources to effectively pursue new enforcement efforts, as outlined by President Obama in his State of the Union address last week, and also engage in intense TPP negotiations at the same time.

Lee argued that the administration did not perform enough of an in-depth analysis of the costs and benefits of a potential TPP agreement before launching into the negotiations, and said that the AFL-CIO remains "skeptical" that these new trade talks are the "right answer" for U.S. workers still suffering from the recession.

"It's another trade agreement and you toss out a sort of random group of countries into a mix and then you barrel ahead with it," Lee said, when characterizing the U.S. approach on TPP. She said the United States would be better served by first more deeply examining what its effects would be on trade flows, outsourcing, and other issues.

She also questioned the common position held by many observers that a TPP deal would act as a kind of "bulwark" against China in the Asia-Pacific region, pointing out that proponents of the North American Free Trade Agreement (NAFTA) similarly said it would create a newly competitive trade bloc. That did not really happen, Lee argued.

## **European Automakers Find That Japan Is A Hard Market To Crack, Too**

### Inside US Trade (EUA)

In the fight over whether to allow Japan into the ongoing Trans-Pacific Partnership (TPP) trade talks, a key defense by the Japanese automotive industry against complaints by the "Detroit Three" about Japan's closed auto market has been to cite the success of European automakers that have made bigger inroads there.

But the argument that U.S. companies are not trying hard enough when compared with their European counterparts, as put forward by groups like the Japanese Automobile Manufacturers Association (JAMA), is called into question as the European auto industry also complains about trade barriers in Japan.

These complaints are coming to the forefront as the European Union explores a free trade agreement with Japan, a prospect toward which the European Automobile Manufacturers' Association (ACEA) has expressed strong reservations.

According to ACEA, non-tariff measures in Japan are limiting its members' efforts to gain market share, despite the country's zero tariff on imported autos. The group complains about a range of regulatory barriers and the larger structural challenges in the Japanese market.

"With its declining population and unique regulatory environment, Japan offers unattractive long-term prospects for European car exporters," ACEA said in a late October release. "As the market contracts, the unit cost of regulatory compliance increases and the commercial incentive for European exporters to adjust their products for Japan diminishes."

It also said that the EU should not enter into formal negotiations if an impact assessment shows that an FTA "will confer a disproportionate benefit on Japan to the detriment of EU business."

Defenders of the Japanese auto industry, as they argue that U.S. carmakers simply do not make the kind of cars Japanese consumers want to buy and have failed to devote the

necessary resources to the market, tend to cite how much larger a presence European cars have in Japan's market.

It's true that they are more profitable in the luxury segment – grabbing about 18 percent of that market in Japan. But that segment only accounts for about 3 percent of the overall market. European automakers estimate they hold just 3 to 4 percent of the Japanese car market across all segments; a dominant 95 percent is held by domestic producers.

JAMA, in comments submitted earlier this month to the Office of the U.S. Trade Representative, accurately notes that European automakers make dozens of the small types of cars that Japanese automakers want, in stark contrast to the Detroit Three. Only one car made by a U.S. automaker fits into that small auto segment – which accounts for 86 percent of the passenger car market, according to JAMA.

It seems plain, however, that making more of those types of models has not led to much more market share for the Europeans – suggesting that the Detroit Three are at least to some degree correct in their complaint that the Japanese market is mostly closed. One U.S. auto source also noted that South Korean automakers Hyundai and Kia have all but given up on the Japanese market, despite the similarities in consumer preference between those two countries.

Advocates of Japan joining the TPP, however, draw a distinction between the nature of the complaints made by the Europeans and the Detroit Three, as well as their respective situations.

For example, in cautioning the European Commission as it explores free trade prospects with Japan, ACEA last fall made a list of six specific demands.

Among them were acceptance by Japan of cars manufactured and type-approved in the EU without further testing or modification; the scrapping of a consumer tax incentive for super-small "kei" cars that are almost exclusively made by Japanese automakers; and a revision of the zoning regime for maintenance workshops.

Meanwhile, the American Automotive Policy Council (AAPC), in its comments to USTR, offers no such list of specific demands that Japan should address. Instead, it focuses much of its attack on Japan's historical manipulation of the yen – a point that some experts say is less relevant now (*Inside U.S. Trade*, Jan. 20).

Some of the AAPC's other criticisms overlap with those cited by ACEA, such as the burden imposed by the Japanese regulatory structure, the “kei” car tax policy and lack of harmonization. The group also complains about Japanese auto rules and regulations being “developed behind closed doors.”

But the AAPC sets no conditions for Japan's entry into TPP – it simply does not want it in. The ACEA, while cautious, signals it may be amenable to a free trade deal with Japan if its specific demands are addressed.

European producers also face a much different situation at home than their U.S. counterparts. The EU car market is protected by a tariff wall of 10 percent, significantly higher than the 2.5 percent in the United States, one European auto industry source noted. This means, the source said, that European carmakers stand to see a much larger surge in imports from Japan through free trade – and therefore have a strong reason to be cautious.

Even with the low tariff in the United States, Japanese automakers manufacture more than half the cars they sell in the American market in the United States, sources interviewed for this article noted.

Some sources also argued that the 25 percent tariff facing light truck imports is virtually meaningless for Japan's companies because they almost exclusively make such vehicles here. The AFL-CIO union federation, however, has claimed that elimination of this tariff would reduce the existing economic incentive for Japanese producers to locate production in the United States, and thereby employ U.S. workers.

People on both sides of the debate on Japan's entrance into TPP also acknowledge that there are cultural and structural reasons why it is hard for foreign automakers to gain market share in the country.



For example, instead of having large multi-brand dealerships, in Japan car sellers have personal relationships with clients. They make home visits and tend to sell their customers similar models every few years or so, generally of the same brand. The fact that Japan has an aging population and that the car market is fairly saturated also means that even among domestic automakers, there is not much dynamic movement in market share.

These are issues that are difficult to address through trade negotiations, sources acknowledge. Where they differ is on whether that means Japan and the United States should have a dialogue on deepening trade now – or wait until some time when these factors change.

### **Obama Says U.S. May Explore Georgia Trade Pact as Country Seeks NATO Entry**

Bloomberg

President Barack Obama said the U.S. supports Georgia's aspirations to join NATO and is willing to explore the "possibility" of a free-trade agreement.

Following a meeting with Georgian President Mikheil Saakashvili at the White House, Obama said the U.S. is ready to help Georgia's free-market development and promised to continue a dialogue on "how we can continue to strengthen trade relations between our two countries, including the possibility of a free-trade agreement."

Obama, in his public comments, didn't make any commitment to sell arms to Georgia as the country has requested.

Obama said he expects "fair and free elections" in Georgia's parliamentary elections later this year and presidential contest in 2013. Saakashvili pledged a more "diversified and pluralistic political scene" and said Georgia will not revert to corruption or less democratic principles.

Georgia's government is striving to recapture the 10 percent or more economic growth it achieved before losing a five-day war with Russia in 2008.

Its economy grew 8.7 percent in 2011, according to preliminary data cited by Georgia's statistics office. Standard & Poor's raised its credit rating one level last month to BB-, three short of investment grade, citing "improving public finances." Fitch followed suit Dec. 15.

#### Increasing Trade

The two nations signed a framework agreement in 2007 aimed at building commercial and investment relations. The U.S. sent \$506 million in exports to Georgia last year through November, an 84 percent increase from the same period in 2010, led by cars and meat products, according to data compiled by the Commerce Department. The U.S. imported \$175 million from Georgia, with iron alloys and fertilizer topping the list.

Saakashvili said outside the White House that there was no timetable for working on a free-trade agreement.

He also said a working group from the two nations would be addressing his administration's request for the U.S. to sell or provide heavy weapons to Georgia.

Obama today made a commitment to Georgia's right to self-defense, which represents an "elevation" of the U.S.-Georgia relationship, Saakashvili said.

#### Relations With U.S.

Saakashvili's visit comes as Georgia, which has 935 troops serving in 50-nation coalition fighting the war in Afghanistan, is seeking membership in NATO. The Georgian president said he was "incredibly grateful" for U.S. support for the bid.

Lawrence Sheets, South Caucasus project director for the International Crisis Group in Tbilisi, said Saakashvili's visit would have been politically difficult for the U.S. a year ago while Washington and Moscow were working on a so-called "reset" in their relations. Russian-American ties have since worsened.

Saakashvili and Russian President Dmitry Medvedev have yet to restore diplomatic relations between their two nations. Saakashvili is calling for Russia to remove "illegal

embassies" from two occupied regions, while Medvedev has declined to meet or speak with Saakashvili.

Resolving a disagreement with Georgia was one of the final obstacles to Russia gaining acceptance into the World Trade Organization last year. Obama agreed to allow Russia to join the WTO after the nation accepted a compromise on international monitoring at the borders.

#### NATO Bid

Sheets said there is "genuine U.S. gratitude" for Georgia's commitment in Afghanistan. Still, he said, the U.S. should signal that relations could suffer if Georgia's elections process later this year appears to be tainted.

Even with U.S. support, Georgia faces hurdles in getting approved for membership in the North Atlantic Treaty Organization, said Damon Wilson, a former NATO adviser and senior director for European affairs at the White House National Security Council.

It probably won't be settled when the alliance holds its summit in May in Chicago, he said.

"There is an effort to keep enlargement off the table," Wilson, executive vice president of the Atlantic Council, told reporters in Washington today.

NATO Secretary General Anders Fogh Rasmussen said during a November visit to the Georgian capital Tbilisi that, while Georgia had come "a lot closer" to joining the alliance, "further reforms will be" needed.

Georgia is among a group of countries that U.S. Defense Secretary Leon Panetta wants to link more closely to NATO because of their consistent contributions to alliance missions such as the war in Afghanistan or the Libya operation last year, Wilson said. The other countries include Australia, Qatar, the United Arab Emirates, Sweden and Finland.



## **Colombian Labor Minister To Meet Kirk, Solis This Week In Washington**

### Inside US Trade (EUA)

Colombian Labor Minister Rafael Pardo is slated to meet in Washington this week with Obama administration officials and the chairmen of the two congressional trade committees in order to discuss the Colombian government's labor policies and its implementation of a labor action plan that was crucial to advancing the U.S.-Colombia free trade agreement last year, according to a Colombian official.

Pardo will meet with U.S. Trade Representative Ron Kirk on Jan. 31 to report on the status of the action plan, the official said. The action plan, to which both sides agreed last April, helped clear the way for the U.S. Congress to approve the FTA last October.

The labor minister will meet the following day with Labor Secretary Hilda Solis to discuss a broad range of issues, including the Colombian government's policies on labor rights and employment, according to the official.

Pardo's trip comes after Department of Labor (DOL) Deputy Undersecretary Sandra Polaski met with him in Bogota last month and formally invited him to meet with Solis, according to the Colombian official. The visit was first announced in mid-December by Colombian Vice Minister of Foreign Trade Gabriel Duque ([Inside U.S. Trade, Dec. 23](#)).

It also follows a visit last week by a delegation of Colombian labor rights activists headed by opposition senator Alexander Lopez. In meetings with administration officials and congressional Democrats, the delegation argued that Colombia has not fully complied with the action plan, and urged them to delay implementation of the FTA until Colombia complies in full, Lopez said in a Jan. 27 phone interview with *Inside U.S. Trade*.

The Colombian government disagrees with Lopez's assessment of the situation, the official said. He added that Colombia last year completed all of the major legislative and administrative steps it was required to take under the action plan. All that remains now is to follow through with various quarterly reports and meetings mandated under the plan, the official said.



**During his week-long trip, Pardo will also meet with Maria Otero, the State Department's undersecretary** for civilian security, democracy, and human rights, who recently returned from a trip to Colombia, the official said.

On Capitol Hill, Pardo is scheduled to hold meetings with Senate Finance Committee Chairman Max Baucus (D-MT) and House Ways and Means Committee Chairman Dave Camp (R-MI), according to the official, presumably to discuss implementation of the labor action plan.

In addition, Pardo will meet with House members who are part of the Congressional Monitoring Group on Labor Rights in Colombia, which includes Minority Leader Nancy Pelosi (D-CA), the official said.

During his visit, Pardo will also meet with non-governmental organizations, including the Washington Office on Latin America (WOLA). He is also slated to speak on Feb. 3 at the Inter-American Dialogue think tank.

Pardo, a prominent Colombian politician and former presidential candidate in 2010, was appointed in October to run the new labor ministry, which was spun off from the Ministry of Social Protection. He will be accompanied on his trip by Vice Minister of Labor Relations David Luna, the Colombian official said.

Pardo's trip will be followed next week by a visit of Colombian Vice President Angelino Garzon, who is a major architect of the Colombian government's human rights policies, according to the official.

That visit will mark roughly one year since Garzon initially traveled to Washington to advocate for congressional passage of the FTA, and will be part of his campaign to head the International Labor Organization, the official said.

**Lopez, the opposition senator, stressed in the interview that the implementation of the FTA** is the last point at which the United States can exercise leverage over Colombia to fulfill its action plan commitments.



"We are asking that the FTA implementation be delayed until Colombia complies in full with the action plan, because if the action plan is not complied with and the FTA goes into effect, then it will be difficult for Colombia to meet those commitments," Lopez said.

His delegation last week met with Sen Sherrod Brown (D-OH) as well as members and staff of the Congressional Monitoring Group on Labor Rights and other congressional offices concerned with human rights in Colombia. It also met on Jan. 27 with officials from USTR, DOL and the State Department, according to WOLA, which helped coordinate the trip.

The delegation invited the lawmakers and administration officials to travel to Colombia to observe the labor rights situation on the ground, Lopez said. Several lawmakers said they planned to travel to Colombia "periodically" to meet with workers and assess implementation of the action plan, according to Lopez.

He cited four areas in which Colombia has not fully complied with the plan, the first being the continued violence against labor activists and impunity in such crimes. He pointed out that 58 union leaders have been killed since Colombian President Juan Manuel Santos took office in 2010, and argued that both the government and the justice system still lack the will to bring the perpetrators of these crimes to justice.

According to Lopez, a second area where Colombia has fallen short on implementing the action plan is failing to crack down on the full range of subcontracting schemes used to undermine worker rights by avoiding a direct employment relationship.

Under the action plan, Colombia issued regulations implementing a law that penalizes the abuse of so-called worker cooperatives, which is one type of subcontracting model. But Lopez argued that the law fails to address all types of subcontracting models, and that 3 million workers in Colombia continue without a direct employment relationship with their employer.

Thirdly, Lopez argued that workers' right to free association is still not adequately protected in Colombia because workers who try to unionize often face retaliation, including being fired from their jobs.

Finally, he noted that one of Colombia's action plan commitments was to cooperate with the International Labor Organization (ILO) on the implementation of the plan, but that Colombia remains out of step with ILO conventions and recommendations.

He pointed specifically to ILO and Colombian court rulings that a Cali-based public utility known as EMCALI reinstate 51 workers fired in 2004 for their union activity. The workers, including a union leader who traveled to Washington with Lopez, have not been allowed to return to their posts.

Lopez said he opposes the bid by Colombian Vice President Garzon to head the ILO, arguing that Colombia does not have the "moral authority" to head the organization since it is still home to widespread labor rights violations. He said he planned lead a delegation to Europe in February to lobby against Garzon's bid ahead of a vote in the ILO, which is slated for May.

### **India, Israel to hold another round of talks on Free Trade Agreement**

The Economic Times (India)

India and Israel will hold another round of negotiations by the end of March on signing the Free Trade Agreement (FTA) to achieve a bilateral trade figure of USD 10-15 billion per year.

The two countries had decided on the FTA during the recent visit of External Affairs Minister S M Krishna to Tel Aviv.

"There is another round of negotiations towards the end of March and I hope both sides will do their best and by the end of this year we will sign the (FTA) agreement," Israeli Ambassador to India Alon Ushpiz said.

Speaking on the occasion of 20 years of diplomatic relations between the two countries, Ushpiz said the agreement will lay the foundation for the two countries to achieve the mark of USD 10-15 billion dollar trade per year.

"Once this is signed, we are going to climb from \$ 5 billion year to \$ 10-15 billion dollar a year. It was the target which was agreed upon during the visit of External Affairs Minister Krishna," he said.

He also said that his country would soon open a Consulate in Bangalore to focus on activities such as homeland security and high tech agriculture.

Krishna visited Tel Aviv early this month, the first such trip to that region by an Indian Foreign Minister in over a decade.

On the achievements made during the two decade-old relations between the two countries, Ushpiz said, "What we have done in last 20 years is mind-boggling. We have started not from scratch but not from very high levels when it comes to trade."

"In 20 years we have come from \$ 180 million to more than \$ 5 billion. 2011 was the first year when we surpassed the line of \$ 5 billion," Ushpiz said.

### **Canada-EU trade deal a hopeful sign**

National Post (Canadá)

Negotiations on the wide-ranging free-trade agreement between Canada and the 27-member European Union are expected to conclude in the next few months. This is positive news, since Canada's trade policy agenda has effectively been stalled for a generation.

Ongoing efforts to reduce red tape at the U.S. border have made little progress, even if there are now signs of movement. Despite billions of dollars having been poured into the Pacific gateway, efforts to move the trading agenda forward with Asia have been incremental at best. The once-hyped Free Trade Area of the Americas fell apart as quickly as it emerged. Talks at the World Trade Organization have drifted into irrelevance.

Even efforts to remove costly and outdated barriers to trade between provinces have languished. A seemingly straightforward adjustment to allow Canadian wine to flow freely between provinces has taken years.

With the negotiation of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU, a single market of some 500 million wealthy consumers, Canada will regain its lost status as a true free-trading nation. Credit our governments, at both the federal and provincial levels, for showing the foresight to make this become a reality.

### **Uruguay industry accuses Argentina of systematically blocking exports**

MercoPress

**The Uruguayan industrial sector warned that certain members of the Mercosur "are failing to fulfil their obligations" and targeted Argentina directly by pointing out that the new trade regulations set by the local Government "are hurting production" in the neighbouring country.**

The head of the Foreign Trade Committee in the Uruguayan Chamber of Industry, Rafael Sanguinetti, accused Argentina of "systematically blocking" all Uruguayan exports, something that "is in flagrant violation of their contractual obligations".

"We want results no matter what. Maybe our Government could take a tougher stance on the matter. We dismantled our production structure because of the Mercosur, thinking in the region first in order to be able to export to the rest of the world later. But now we are depending on a lot of Argentine products entering our country when we are unable to send ours to them" he complained.

Sanguinetti added that their perception is that the Mercosur "not only is stuck, like President José Mujica said, but it also lacks structure. The regional bloc is not fulfilling its contractual obligations". "All this has complicated things even more and it's almost ridiculous if you think that Uruguay only represents a 2.04% of the total of Argentine exports," he stated.

"Many sectors in the Uruguayan industry are suffering because of Argentina's new regulations, specially the food and textile sectors," he concluded.

However Sanguinetti and President Mujica's statements seem to clash with recent comments from Foreign Minister Luis Almagro who said that the trade balance between Uruguay and Argentina is "definitely positive", even admitting some manufacturing sectors face difficulties because of the current Argentine obstructions to imports.

Almagro said that after analyzing the trade difficulties affecting Uruguayan exports and other restrictive measures, bilateral trade with Argentina, 'in spite of all' by the end of 2011 had experienced "an important 17% increase in exports".

"The trade balance is definitely positive, especially if we take into account that current numbers and volumes of exports to Argentina are the highest we've had in the last twenty years"

However Almagro said that more than complain about identifying threats and risks "we must admit optimum results in our bilateral trade with Argentina".

Goods exports to Argentina in 2011 totalled 588 million dollars, up 17% over 2010.

## **El Mercosur es una "anarquía", dice dirigente industrial uruguayo**

Univisión (EUA)

El Mercosur es "una absoluta anarquía", afirmó este lunes un importante dirigente industrial uruguayo al denunciar las trabas a las importaciones impuestas por Argentina y luego de que el presidente de Uruguay, José Mujica, dijera que el bloque regional está "estancado".

"El Mercosur está peor que estancado, ya que está en una absoluta anarquía y en un retroceso: no se respetan los compromisos asumidos", dijo el presidente de la comisión de Comercio Exterior de la Cámara de Industrias de Uruguay, Rafael Sanguinetti, a la radio 10 de Buenos Aires.

Sanguinetti cuestionó la política de sustitución de importaciones impulsada por el gobierno de Cristina Kirchner.

"No entendemos por qué Argentina debe protegerse de Uruguay: es una mala política, que le hace mal al Mercosur y a la imagen del bloque, ya que estas cosas trascienden. Ni Brasil ni Uruguay están conformes con Argentina", declaró.

Los industriales uruguayos sufren "un bloqueo sistemático por parte de Argentina de todas nuestras exportaciones, en una flagrante contravención de todos los compromisos asumidos", dijo Sanguinetti en otra entrevista con radio El Mundo, en la que sostuvo además que los sectores más afectados son el alimenticio y el textil.

Según el empresario, es "un absurdo" porque "Uruguay representa el 2,06% de las importaciones argentinas".

Mujica dijo en una entrevista el domingo que el Mercosur -conformado por Brasil, Argentina, Uruguay, Paraguay y Venezuela en proceso de adhesión- es un bloque "estancado", que perdió su atractivo internacional y que "no tiene la fluidez de una relación natural".

### **For Brazil Argentina is a "good problem", no longer a "permanent problem"**

MercoPress

**Argentina is "a good problem" for Brazil, said President Dilma Rousseff's Foreign policy advisor Marco Aurelio Garcia ahead of another trade dispute when Argentina begins applying a new imports' scheme that has been equally criticized by local and Brazilian manufacturers.**

"If we are going to frame reality in a problems' dialectic, let me tell you that Argentina is a problem, but a good problem for Brazil" said Garcia in an interview with the Buenos Aires daily Pagina 12.

"We have problems derived from economic misbalances" admitted the Brazilian official, "but we must learn how to correct them plus get accustomed to their existence and difficult solution".

President Rousseff's main advisor comments also helped to brush aside (if possible) statements from Industry and Foreign Trade minister Fernando Pimentel who described Argentina as a "permanent problem" in trade affairs, ahead of the February first new imports' scheme, which many fear are geared to slow down the influx of imports.

"No statement from the Brazilian government or from minister Pimentel means an attempt to downplay the significance of our relation which is absolutely fundamental for both economies", said Garcia.

"Let's make this quite clear: Argentina is a great trade partner for Brazil and Brazil is a great trade partner for Argentina, both win, it's a win-win relation", he underlined.

Only last week the president of Sao Paulo's powerful Federation of Industries, (Fiesp) Paulo Skaf publicly stated that the bilateral relation with Argentina had "worn out" because of the "lack of confidence" and Argentine protectionism.

Skaf again reiterated Fiesp's "aid offer" to help Argentina conserve its trade surplus at 2011 level (11 plus billion US dollars) adding it understands Buenos Aires 'concern' with the imports issue.

Fiesp has anticipated it would request an appointment with Argentine president Cristina Fernandez to make an amicable proposal to end tensions and repeated conflicts. Argentina's protectionist policy has also harvested reactions from the private sector and governments of Mercosur junior partners, Paraguay and Uruguay.

Argentina is fully involved in a policy to substitute imports in the auto industry, auto parts manufacturing, home appliances as well as other goods which it usually buys from Brazil. However industrial activity in Brazil in spite of an overall good year, ended with a "significant fall" in demand at the end of 2011, according to the Brazilian National Industry Confederation.

The Argentine government has tried to avoid controversies with Brazil, although it has expressed repeatedly that the official policy is to promote local manufacturing, cutting on imports helping Argentine jobs and keeping a healthy trade surplus.

### **Otro ladrillo más en el muro del Mercosur**

La Nación (Argentina)

#### **A la propuesta brasileña de aumentar el arancel externo común para proteger la industria se agregó la resolución 3252 de la AFIP, restrictiva del comercio.**

De los dos principales Estados del Mercosur, Brasil ha sido tradicionalmente un persistente país proteccionista. La Argentina, por el contrario, ha tenido una errática trayectoria yendo de uno a otro extremo. Así en la década de los noventa fue un país con una gran apertura comercial y con paridad monetaria. Actualmente es el país más proteccionista del mundo. Las múltiples medidas adoptadas al respecto son conocidas por todos los operadores.

En la reunión de presidentes del Mercosur realizada en Montevideo en diciembre pasado, la titular del Ejecutivo brasileño, Dilma Rousseff, planteó un aumento del arancel externo común (AEC) en algunos rubros sensibles para la producción de los países miembros. Si bien esta propuesta no ha sido puesta en práctica, todo indica que puede serlo a breve plazo.

En los comienzos del corriente año (el 2 de este mes) la presidenta brasileña confirmó la tendencia, ya que en sus primeras palabras a la prensa utilizó más que ninguno el verbo "proteger": "Con planificación y políticas acertadas estamos logrando proteger a nuestra economía, a nuestros sectores productivos y, sobre todo, al empleo".

No mucho tiempo atrás, en ocasión de profundizarse la crisis internacional, el ex presidente Lula había sostenido que "el proteccionismo es como una droga, que ofrece alivio inmediato pero después deja a su víctima en una prolongada depresión".

Teniendo en cuenta la política comercial brasileña adoptada desde hace décadas, es más posible de creer en la afirmación de la actual presidenta que en la de su predecesor, que probablemente fue emitida para un público crédulo o distraído, pero que no respondía en modo alguno al tradicional y reconocido proteccionismo imperante en Brasil.

Deben tomarse muy en serio las declaraciones de la señora Rousseff, dado que son una nueva confirmación de la línea económica tradicional de los gobiernos de ese país y que ahora emprende en forma resuelta un declarado proteccionismo comercial.

Recordemos que la economía brasileña es generalmente reconocida como la sexta del mundo actual, aunque está perdiendo ritmo dada la situación crítica de los países europeos cuyas consecuencias se están expandiendo por todo el mundo.

Mientras tanto, la Argentina también ha adoptado esa línea proteccionista desde hace unos años, aunque su instrumentación y política son algo diferentes, y especialmente con la adopción de medidas cada vez más sorprendidas y menos fundamentadas en el Derecho, en particular el del Mercosur.

El reciente dictado de la resolución de la AFIP 3252 -una nueva norma restrictiva de las importaciones por más que el titular de la AFIP haya afirmado paradójicamente que es para "agilizar" el comercio- no es ni más ni menos que un nuevo ladrillo aplicado con una constancia, digna de mejores causas, en la construcción del muro proteccionista.

### **Brazil leader arrives in Cuba to talk trade, ties**

Reuters

#### **Brazilian President Dilma Rousseff arrived in Havana on Monday for a two-day visit focused on trade, but nagged by Cuba's ever-present human rights issues.**

She was scheduled to tour the port of Mariel near Havana, where Brazil is helping finance an \$800 million renovation by Brazilian engineering giant Odebrecht; witness the signing of new trade agreements with the Communist island; and meet with President Raul Castro and possibly his older brother Fidel Castro.



Rousseff was greeted at Havana's Jose Marti International Airport by Foreign Minister Bruno Rodriguez, then driven away without addressing reporters.

Economic and political ties between the two countries were deepened under Rousseff's predecessor, Luiz Inacio Lula da Silva, but she has focused more on business issues since taking office last year and was expected to do the same with Cuba.

The Caribbean island has sought, among other things, agricultural aid from Brazil, and Odebrecht said on Monday it would sign an agreement to work with Cuba's troubled sugar industry to increase production at a sugar mill in Cienfuegos province.

A Brazilian sugar industry executive told Reuters the company also would produce ethanol from sugarcane at the plant.

The company is turning Mariel, best known as the site of a 1980 Cuban exodus to the United States, into Cuba's main commercial port and a hub for its nascent offshore oil industry.

In her youth, Rousseff was a leftist guerrilla fighter inspired by Fidel Castro's 1959 communist revolution.

In 1970, she was arrested, tortured and imprisoned for three years.

The recent death of hunger-striking Cuban dissident Wilman Villar has created pressure on Rousseff to raise human rights issues with Cuban leaders, but Brazilian media reports said she was unlikely to do so publicly.

Brazilian sources have said the government favors a democratic opening in Cuba, but that it will not push hard.

The Cuban government has said Villar was a common criminal, not a dissident, and did not conduct a hunger strike as his fellow opponents claimed.



At a Monday news conference on Villar, former political prisoner Jose Daniel Ferrer said Rousseff may sympathize with Cuba's dissidents, but he also did not expect her to discuss it publicly.

"There are other interests, other matters of greater interest for the Brazilian leader," he said.

The Brazilian government roiled the waters ahead of the visit last week when it granted dissident blogger Yoani Sanchez a visa to visit the country in February for the airing of a documentary in which she appears.

The Cuban government views Sanchez as one of its top enemies and, like all dissidents, a mercenary in the pay of its long-time ideological enemy, the United States. It has repeatedly blocked her from traveling abroad, where she has a large international following.

She said on Twitter she has requested permission to go to Brazil.

Sanchez and the dissident group Ladies in White have sought visits with Rousseff, but that also appeared to be unlikely.

Last week, Sanchez wrote on Twitter that she had seen a photograph of "young Dilma, sitting on a bench blindfolded as men accused her. I feel that way now."

Rousseff was to travel to Haiti on Wednesday, where Brazilian troops lead the U.N. peacekeeping force and Brazil has helped finance a Cuban medical mission at work since a powerful earthquake struck that Caribbean country two years ago.

### III. OUTROS

#### **Brazil December Industrial Output Rises Most Since May 2011**

Bloomberg BusinessWeek

Brazil's industrial production in December rose at the fastest pace in seven months, as a weaker currency and falling interest rates help domestic manufacturers in Latin America's biggest economy.

Output increased 0.9 percent in December, up from a revised 0.2 percent rise in November. Analysts expected a December increase of 1 percent, according to the median forecast of 39 economists surveyed by Bloomberg. The December number was the biggest jump since May 2011, when output rose 1.2 percent. Production in December declined 1.2 percent from a year ago, the national statistics agency said in Rio de Janeiro today.

President Dilma Rousseff and central bank President Alexandre Tombini are using stimulus measures including interest rate cuts, tax reductions and looser bank lending requirements to boost growth to offset the effects of Europe's debt crisis. Traders are betting the central bank will cut the benchmark interest rate by as much as 100 basis points, or one percentage point, to 9.5 percent by May, according to Bloomberg estimates based on interest rate futures.

The 11 percent drop in the real against the dollar since the end of July has provided some relief for manufacturers hit by slowing demand. The currency gained 0.7 percent to 1.7367 per dollar at 9.14 a.m. Brasilia time.

#### Interest-Rate Futures

The yield on the interest rate futures contract maturing in January 2013, the most traded in Sao Paulo today, rose two basis point, or 0.02 percentage point, to 9.53 percent.

Output of capital goods, a barometer of investment, rose 3.7 percent in December from the previous month.

The Brazilian economy contracted in the third quarter for the first time in more than two years, while business confidence in the fourth quarter fell to its lowest level since the start of 2009.

Economists maintained their estimate for 2012 growth at 3.27 percent in a Jan. 27 central bank survey, down from a forecast of 3.3 percent four weeks earlier.

The government has cut taxes on personal loans, home appliances, food staples, home building and foreign purchases of stocks and corporate bonds tied to infrastructure projects, to try to bolster demand.

Annual inflation slowed for a fourth straight month in mid- January, to 6.44 percent. Brazil targets inflation of 4.5 percent, plus or minus two percentage points.

### **Vale Wins Injunction in Brazil Tax Dispute**

The Wall Street Journal (EUA)

Brazil—Mining giant Vale SA said Monday that it has won a court injunction in a dispute with the Brazilian government over taxes on overseas profits, and that the Finance Ministry's tax council will have to examine the issue again.

Last week, the government demanded \$5.6 billion in taxes on profits made by Vale's foreign subsidiaries, plus penalties and interest, after what Vale described as "unfavorable rulings" at the administrative level.

In a statement Monday, Vale said there was no time frame for resolving the dispute.

Vale, in which Brazil's government owns a significant stake, has numerous disputes with tax authority, with as much as 35 billion Brazilian reais (\$20 billion) at stake, although the company has only set aside \$746 million to cover any eventual losses. Vale questions the government's demands, and believes that it shouldn't have to make any payments.



Brazil's judicial system is notoriously slow, and no resolution is expected for many years, but analysts have said that the worries are nonetheless weighing on the company's share price.

Vale's preferred shares traded in Sao Paulo ended at 41.63 reals on Monday, before the news of the court win was released. The company's American depositary shares rose five cents to \$24.77 in New York Stock Exchange composite trading.

Earlier Monday, Moody's Investors Services said last Wednesday's unfavorable tax ruling was "credit negative" as it may lead to higher net leverage, but that it wouldn't affect the company's credit rating immediately.

Vale has sufficient liquidity to accommodate potential tax settlements and has the ability to free up cash by reducing capital expenditure or dividends, Moody's said in a report.