



## ABCI Note

### Winter 2024

Dear reader:

ABCI Institute is happy to share the Winter 2024 edition of ABCI newsletter.

The present newsletter provides the reader with a quick glimpse of the most important recent trade facts and information about events recently carried out. This edition brings the contributions of Carla Junqueira, partner at Carla Junqueira & Associadas, and Rabih Nasser, partner at Nasser Advogados.

Enjoy the reading; comments are welcome!

#### Upcoming Events:

- ABCI's Winter/Spring 2024 Webinar. **Stay tuned for more information.**
- 20th Anniversary of ABCI's International Trade Symposium. **Stay tuned for more information.**

#### Short notes:

- **Brazil's record trade surplus in 2023**

Brazil hit a historical record in trade numbers in 2023, reaching USD 98.8 billion in trade surplus and outperforming the government projection of USD 93 billion for the year. This is the largest number ever recorded since the beginning of the data series in 1989. The main drive for the result was the export of commodities, corresponding to 69% of total exports, despite the drop in commodity prices. The number represents an increase of more than 60% in the trade balance in comparison with 2022 when the trade surplus reached USD 61.5 billion.

The total trade flow (the sum of imports and exports) in 2023 reached USD 580.5 billion, the second largest in the data series (4.3% lower than USD 606.7 in 2022). The second largest trade surplus was registered in 2022, at USD 61.8 billion, led by the increase in export prices. It is worth noting that the drop in import prices (-9.6%) was larger than the drop in export prices (-6.4%) for 2023, resulting in an increase of 3.6% in terms of exchange in comparison with 2022. Overall, the drop in commodity prices exceeded the drop in non-commodity prices.

China was once again the largest importer from Brazil (USD 104.3 billion), followed by the U.S. (USD 36.9 billion) and Argentina (USD 16.7 billion). The main exporting products were soybean (16%), oil (13%), and iron ore (9%). According to [FGV/IBRE](#) analysis, Brazilian exports of grains in general and soybean in particular (29.4%) benefited from the drought in Argentina, while the Ukraine-Russia war and crop issues in the U.S. helped boost corn exports (11.8%), which

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accounted for the second largest exports in the agricultural sector. Iron ore exports were fostered by Chinese investments in infrastructure. The surplus generated from agricultural and extractive sectors was not replicated by the manufacturing industry, with a USD 37.7 billion deficit. The decrease in the manufacturing industry deficit in comparison with 2022 (USD 57.2 billion), however, contributed to the overall trade surplus. A strong motor for the drop in the manufacturing industry deficit was the decrease in the imports of intermediate and capital goods, given the weak performance of the manufacturing industry in Brazil.

For 2024 the government expects a drop of 4.5% in the trade surplus, estimated at USD 94 billion. One reason might be the end of drought in Argentina and the normalization of crop conditions in the U.S., causing a decrease in soybean and corn exports. Nevertheless, expectations for the Brazilian agricultural sector remain highly positive for 2024. The FGV report "[Conjuntura Econômica](#)" projects a trade surplus for this year at USD 75 billion.

- **Argentina's trade policy under Milei (Carla Junqueira)**

President Javier Milei was elected with the highest percentage of votes in Argentine history. His government campaign was entirely disruptive, promising changes that hadn't occurred in the last 100 years in the country.

With an ultra-liberal agenda, Milei and his team, once elected, implemented exactly what they had promised during the campaign. They initiated highly unpopular but deemed necessary austerity measures, such as cutting social welfare programs and amending rental laws.

Javier Milei often keeps the public informed about the country's reserves, which remain negative. Despite structuring a government plan, he secured a new loan from the IMF. However, he disappointed by not repealing export taxes; instead, he imposed export taxes on industrial goods, contrary to his liberal rhetoric, though aligning with the government's financial needs.

The "BUS LAW," encompassing virtually all sectors of the economy, is being debated in Congress and has faced opposition from opposition lawmakers. The law is poised to pass but with the exclusion of its main chapter, specifically the fiscal reform.

Concerning popular protests, there's little to worry about, as they have not been significant, given the diminished political capital of unions compared to the golden era of Kirchnerism.

As announced by the government itself, the country is undergoing the so-called "estagflation" process – a combination of recession and inflation. Inflation surpassed 250% in 2023 with no improvement in sight. According to Javier Milei, Argentina will go through its worst inflation in history before transforming into the Latin American Switzerland. Let's see.

- **Brazilian assessment of trade-related environmental policies in the European Union and in the United States**

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The Undersecretary of Trade Policy at the Brazilian Ministry of Development, Industry, and Trade (MDIC), Heloisa Pereira, participated in the ABCI's XIX Annual Symposium in October 2023 (available [here](#)). During the event, she presented Brazil's assessment of trade-related environmental policies adopted in the EU and the US, namely the Carbon Border Adjustment Mechanism (CBAM) and the Deforestation Act in the EU, as well as the Inflation Reduction Act in the US. Given the relevance of her presentation, we summarize the main points here.

Concerning the **Carbon Border Adjustment Mechanism (CBAM)**, the first issue is the imposition of EU regulations and criteria on other countries. In this sense, it goes against the *Common but Differentiated Responsibilities Principle* that has been adopted since the Paris Agreement in 2015. Second, CBAM disregards differences among countries. Brazil has most of its energy mix based on renewable sources, so the EU criteria does not account for Brazil's cleaner energy production. Third, the EU CBAM stipulates significantly different phasing periods for EU domestic producers and foreign producers. Europe initiated its phasing-out system in 2003, while the transitional period established in the CBAM regulation for foreign countries is less than 2.5 years.

Regarding the **Deforestation Act**, a major concern is that small producers, as indirect links in the supply chain, may struggle to comply with all the requirements, even if they do not operate in areas tied to deforestation. They lack the capacity or training to trace the product back to the original plot of land or install a system for online monitoring of deforestation on their land. Second, the regulation is overly restrictive and may drive smallholders into illegality, potentially increasing illegal deforestation instead of reducing it. Third, the deforestation-free regulation focuses specifically on deforestation from agricultural production and does not address deforestation caused by activities such as mining. Fourth, the legislation does not tackle the issue of subsidies for biomass and agricultural production, which may encourage unsustainable, inefficient, and non-innovative practices. Finally, the regulation disregards best practices in sustainable systems, such as those adopted in Brazil.

Concerning the **Inflation Reduction Act**, while the impact on Brazilian exports may not be direct, the domestic industry is leveraging it as a bargaining chip. They are requesting equivalent or compensating measures in Brazil, threatening to relocate their manufacturing facilities to the U.S. if their demands are not met.

- **The Protests of Farmers in Germany and Beyond**

What started in the Netherlands in 2019 is now spreading around the world and gaining force. In May of that year a judicial decision led the Dutch Government to commission an advisory report to propose new measures to fight nitrogen pollution. This report,<sup>1</sup> delivered on October 5, 2022, recommended drastic measures, including buying out or shutting down livestock farms.

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<sup>1</sup> Informal Google translation of full text at: <https://gain.fas.usda.gov/Download.aspx?p=1850&q=a876e723-2e23-4da9-92eb-7a2c1b595b0a>



According to a Guardian report, “the [farmers’] response was furious – and offers a warning to other countries about protecting the environment without losing public trust.”<sup>2</sup>

In January 2024, German farmers descended on Berlin by the thousands and blocked roads across the country, staging a massive protest against the end of diesel subsidies for in-farm vehicles and rising agricultural production costs. France followed suit, soon after, blocking access roads to Paris and marching to the capital. According to Reuters, “French farmers in France, the EU's biggest agricultural producer, say they are not being paid enough and are choked by excessive regulation on environmental protection.”<sup>3</sup>

Recent reports inform on farmers protesting in Scotland against government green policies.<sup>4</sup> In India, after the 2020-2021 farmers’ protest, that left 600 dead and lasted for 333 days,<sup>5</sup> the agricultural sector today continues grappling with the shift towards eco-friendly agriculture, raising concerns about costs and potential drawbacks. In Romania, protests have to do with cheap agricultural imports from the Ukraine, but it is a show of farmers’ dissatisfaction, nonetheless.

In the United States, the top agriculture officials of 12 states, representing more than a third of U.S. production of crops and animals,<sup>6</sup> delivered a letter,<sup>7</sup> dated January 29, 2024, to the heads of six U.S. top banks questioning their policies, which link environmental goals to farm loans. The letter accuses Bank of America, Citigroup, Goldman Sachs, J.P. Morgan, Morgan Stanley and Wells Fargo, as members of the Net-Zero Banking Alliance (NZBA), of colluding to impose the ESG agenda on farmers and the entire food supply chain. Not surprisingly, these banks, according to the letter, have given the UN Environment Program (UNEP) authority to review and monitor their climate targets for consistency with UN criteria. If this pace of green pressure on agriculture continues, it may not be long before we see stronger reactions from farmers in the U.S.

In addition to dissatisfaction for economic reasons, the press coverage points to other aspects worrying protesters from all countries. They frequently express a sense of being unfairly targeted and misunderstood by the public and policymakers. In that sense, farmers are not getting any help from globalists, quite the contrary. The incursion of UNEP goals into bank loans, just mentioned, is in line with other multilateral organizations’ positions. The head of the World Health Organization, for example, stated on December 21, 2023, that “our food systems are

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<sup>2</sup> Guardian report at: <https://www.theguardian.com/environment/2023/nov/16/nitrogen-wars-the-dutch-farmers-revolt-that-turned-a-nation-upside-down#:~:text=In%202019%2C%20a%20looming%20crisis,environment%20without%20losing%20public%20trust>

<sup>3</sup> Reuters report at: <https://www.reuters.com/world/europe/why-are-french-farmers-protesting-2024-01-29/>

<sup>4</sup> <https://www.scottishdailyexpress.co.uk/news/scottish-news/scottish-farmers-join-europe-wide-31964905>

<sup>5</sup> <https://timesofindia.indiatimes.com/city/amritsar/farmers-protest-333-days-600-deaths-later-still-strong/articleshow/87269191.cms>

<sup>6</sup> USDA data at:

[https://data.ers.usda.gov/reports.aspx?ID=17839#P5aa83e10799740a3bdabc615fdf9c65e\\_2\\_185iTOR0x5](https://data.ers.usda.gov/reports.aspx?ID=17839#P5aa83e10799740a3bdabc615fdf9c65e_2_185iTOR0x5)

<sup>7</sup> See letter at: <https://twitter.com/WillHild/status/1751989808111464601>

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harming the health of people and planet. Food systems contribute to over 30% of greenhouse gas emissions, and account for almost one-third of the global burden of disease."<sup>8</sup> The World Economic Forum's New Frontier for Nutrition<sup>9</sup> controversially highlights that "by 2050 we will need 60% more food to feed a population of 9.3 billion" at the same time that it condemns farmers as the cause of all problems by saying that "a third of global greenhouse gas emissions come from the global food system" and that "agriculture is responsible for 80% of deforestation and extensive biodiversity loss." These may be true words, but ones that by themselves, without the views of farmers, only feed a negative perception of agriculture all over.

Although it remains to be seen where all this rush to implement green policies goes, an extreme case, in Sri Lanka, may be worth a look at. As mentioned in the U.S. top state agricultural authorities' letter to big banks, UNEP-goals-inspired ban on imports of fertilizers in 2021 led to disastrous effects in Sri Lanka.<sup>10</sup> Agricultural production fell by 50%, millions were left food-insecured and in need of humanitarian assistance, and food inflation hit 95%, all of which led to the country's economic collapse in 2022.<sup>11</sup> This dire situation culminated in an uprising in which an estimated 300,000 protesters took over the President's home and offices and set fire to the Prime Minister's home.<sup>12</sup>

No one expects that this Sri Lanka experience will be replicated in more advanced economies, but it dramatically illustrates the consequences of rushing to implement green policies, demonizing agriculture, and ignoring the views of farmers.

- **Review of International Trade Law (RDCI) new edition (Rabih Nasser)**

The 6th Edition of the Review of International Trade Law (RDCI) will be launched in February 2024, now published by the Brazilian Institute of Competition, Consumption, and International Trade Studies (IBRAC) in partnership with Editora Singular. RDCI emerged in 2019 as a space dedicated to discussion and reflection on international trade topics and related areas. Since then, 5 editions have been launched, all accompanied by high-quality debates promoted at FGV DIREITO SP. Contributions are accepted in Portuguese, English, and Spanish. The general theme of the 6th edition is 'Changes in the international order and prospects for industrial and commercial policies,' with contributions being divided into four axes: (i) trade and environment; (ii) reorganization of value chains; (iii) the return of industrial policies; and (iv) industrial and

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<sup>8</sup> See full speech at: <https://youtu.be/kHXJ5O5ED1c>

<sup>9</sup> <https://initiatives.weforum.org/new-frontiers-of-nutrition/home>

<sup>10</sup> <https://www.reuters.com/markets/commodities/fertiliser-ban-decimates-sri-lankan-crops-government-popularity-ebbs-2022-03-03/> and <https://reliefweb.int/report/sri-lanka/sri-lanka-food-security-crisis-humanitarian-needs-and-priorities-2022-june-sept-2022-ensita>

<sup>11</sup> <https://reliefweb.int/report/sri-lanka/sri-lanka-food-security-crisis-humanitarian-needs-and-priorities-2022-june-sept-2022-ensita>

<sup>12</sup> <https://www.vox.com/future-perfect/2022/7/15/23218969/sri-lanka-organic-fertilizer-pesticide-agriculture-farming>



commercial policy measures in Brazil. This edition has 12 expert articles, written by various professionals and academics in the legal and economic fields. The launch is expected in February, and the meeting to discuss the contributions will be scheduled soon.

#### **Past Events:**

- **ABCI XIX Symposium on International Trade**, held in December 2023, discussed the relationship between international trade and artificial intelligence and the relationship between the environment, climate change, and international trade. The recordings are available here: [International Trade and Artificial Intelligence: Opportunities, Challenges and Regulation](#) and [International Trade, Environment, and Climate Change: Can Trade Help?](#)

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Thank you!

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