



## ABCI Note

Fall 2024

Dear reader:

We are excited to share the Fall 2024 edition of the ABCI newsletter, marking a new chapter for our organization. With the conclusion of the 2022-2024 board cycle, we extend our sincere thanks to the outgoing members for their dedicated service. As we welcome the new 2024-2026 board members, they are already making an impact, hitting the ground running by preparing concise updates on key international trade developments from recent months.

In this edition, you will find insightful coverage on pressing trade issues such as Brazil's new trade protection measures, the Agreement for Climate Change, Trade, and Sustainability (ACCTS), the Harris-Trump trade debate, the US Modern Steel Act, highlights from the 2024 WTO Public Forum, and Brazil's new industrial policy. We are confident that these timely contributions from our new team will provide valuable perspectives for our readers.

Furthermore, we have posted on our [ABCI website](#) a special contribution of prof Vera Thorstensen about the G20 developments.

Each text, including prof Thorstensen's special contribution, can also be read on our ABCI blog, the [ABCI Substack](#).

As you delve into the content, your comments and feedback are welcome and integral to our continuous improvement. Enjoy the reading, and let your voice be heard!

- **The trade mechanism adopted by Brazil to increase tariffs for trade imbalance issues (Vera Kanas)**

Brazilian [Decree No. 11,895](#), of January 23, 2024, incorporates [Decision No. 27/15 of the Mercosur](#) Common Market Council, establishing the “Specific Actions in the Tariff Scope for Reasons of Trade Imbalances Derived from the International Economic Scenario.”

Decision 27/15 is based on the premise that the proper management of Mercosur's tariff policy must take into account the international economic scenario, and it authorizes the increase in import tax rates above the Common External Tariff (TEC) for imports originating outside the bloc by Mercosur State Parties.

Please note that the tariff increase cannot be higher than the tariff consolidated with the WTO (that is, the tariff that Argentina, Brazil, Paraguay, and Uruguay have undertaken not to exceed in trade with the other WTO members). This mechanism will remain in force until December 31, 2028, according to Decree No. 11,895/2024.

It should be noted that this tariff increase is temporary, valid for 12 months (extendable), and limited to 100 tariff positions.

Parties interested in requesting an increase in the import duty of a product due to trade imbalances arising from the international economic situation need to submit a formal request. The application is analyzed by the Undersecretariat of Commercial Strategy (STRAT) of the Executive Secretary of the Brazilian Foreign Trade Chamber (SE-CAMEX). The STRAT presents its opinions to the Tariff Change Committee (CAT). Finally, the CAMEX Executive Management Committee (Gecex) decides Brazil's position.

If the Gecex deliberates favorably, the application is forwarded to the Mercosur Trade Commission (CCM) for subsequent issuance of a Directive. If there are no objections, Gecex publishes a Resolution that internalizes the measure in the national legal system.

The applicant should provide details of the trade imbalance resulting from the international economic situation, preferably with evidence of increased imports and/or falling prices of imported products. It should also explain the urgency and relevance of the proposed change (an essential element considering the limited number of tariff items available and high demand for the instrument), the impacts on downstream chains, participation of the input in final goods (if applicable). It is also relevant to demonstrate the investments made and/or planned in Brazil and data on job creation and positive effects on the sector and the country.

Despite the novelty of this mechanism, by the end of September, CAMEX had already decided positively to increase tariffs for around 40 chemical products, two for paper products (and five applications denied), two for steel and metals products (under a quota), and one in the tire sector (and one application denied).

- **The Agreement on Climate Change, Trade and Sustainability (ACCTS) (Chiara Pappalardo)**

The [Agreement on Climate Change, Trade and Sustainability \(ACCTS\)](#) is an innovative commercial treaty negotiated between New Zealand, Costa Rica, Iceland and Switzerland to address the climate change, trade and sustainability development agendas. Norway participated in all fifteen rounds of negotiations and is [considering](#) whether to become a signatory to ACCTS.

Negotiations on ACCTS began in 2019 and formally [concluded](#) on July 2, 2024. As an open plurilateral agreement, ACCTS has the potential to grow in commercial benefit over time as new WTO members join. The aspiration of the negotiating parties is for it to be a pathfinder agreement that will drive momentum at the WTO on important trade and environment issues.

Under ACCTS, the parties have agreed to take action in four main areas: 1) liberalizing trade in environmental goods; 2) expanding international understanding of environmental services and environmentally related services; 3) setting guidelines to inform the design and implementation of voluntary eco-labeling programs; 4) having a framework to discipline and eliminate harmful fossil fuel subsidies.

- 1) [Environmental Goods](#).

The Agreement lists more than 300 environmental goods, going beyond the traditional approach focused on industrial goods and recognizing “land-based” or natural renewable goods. Tariffs on these goods will be eliminated on entry into force of the Agreement. These include, for example, solar panels, wind and hydraulic turbines, electric vehicles, wool fiber, recycled paper, electric static converters, and wood products, offering a more sustainable alternative to carbon-intensive construction materials. The Agreement also includes commitments on conservation and sustainable management of ecosystems relevant for the production of environmental goods.

2) Environmental Services.

The Agreement lists over 100 environmental and environmentally related services subsectors selected according to their substantial contribution to addressing pressing environmental purposes. Environmental services typically consist of the cleaning of exhaust gases, noise and vibration abatement, remediation and clean-up of soil and water, and nature and landscape protection, among others. The schedules of commitments will facilitate trade in environmental and environmentally related services through market access and certainty for service suppliers.

3) Fossil Fuel Subsidies.

The Agreement contributes a definition of fossil fuel subsidies to international efforts, alongside clear prohibitions and a limited set of exceptions to safeguard fundamental policy goals, including for energy security and disaster resilience, all subject to transparency, cooperation, and review.

4) Ecolabelling.

The Agreement includes principles-based guidelines for voluntary eco-labelling programs and related institutional mechanisms. The aim is to help consumers and businesses receive meaningful information to assist in choosing products based on their environmental credentials while avoiding the inadvertent creation of trade barriers. The guidelines may also assist firms in adding value to their environmentally friendly goods and services.

The ACCTS includes a dispute settlement mechanism and other institutional mechanisms to ensure meaningful implementation. The ACCTS also includes a review mechanism so that further trade policy actions can be included in the future and new technology developments can be considered.

As of this writing, a legal review of the text is underway, and no official version has yet been made available.

- **Trade Policy: Kamala Harris v Donald Trump (Luiza Nonato)**

As the 2024 U.S. general election approaches, international trade has emerged as a key issue. For a significant period, both Republicans and Democrats believed that imposing tariffs on imports created economic inefficiencies and that free trade was the best policy for growth. However, this perspective began to shift by the end of Obama’s administration (2012-2017) and intensified during Donald Trump’s term (2017-2021), when he imposed

aggressive tariffs on imported goods such as solar panels, steel, and aluminum and engaged in a trade war with China.

Republicans view tariffs as beneficial for achieving three primary goals: rebalancing trade and reducing the trade deficit, encouraging domestic manufacturing, and preventing other countries, particularly China, from exploiting U.S. market openness. In his current presidential campaign, Trump has promised more tariffs if re-elected, including a 60 to 100 percent tariff on imports from China, revocation of China's Most Favored Nation status, phasing out imports of essential goods, and up to a 20 percent tariff on all products from the rest of the world. If given a second term, Trump would likely continue his "America First" approach to international trade, characterized by unilateral actions and protectionism.

Although the Biden administration has retained most of the tariffs implemented during Trump's tenure — and some have bipartisan support, particularly those targeting China — candidate Kamala Harris has argued that raising tariffs on imported goods would increase prices and burden middle-class families, referring to them as a "Trump sales tax." Harris has also expressed concern about the impact of trade imbalances on U.S. industries and job losses. However, her approach to addressing these issues appears more aligned with strategic investments and trade agreements rather than increased tariffs. Harris has also emphasized her commitment to a more assertive climate policy. As a Senator, she opposed the US-Mexico-Canada Agreement (USMCA), arguing that it lacked sufficient environmental protections.

As the election draws closer, the contrasting trade policies of the two candidates underscore broader debates about the future of U.S. economic strategy and global leadership. The outcome of the 2024 election will determine the direction of U.S. trade policy and signal how the United States intends to navigate the complexities of an interconnected global economy amidst growing geopolitical tensions and evolving market dynamics.

- **The US Modern Steel Act (Aluisio Lima Campos)**

A growing number of initiatives may reflect a broader global movement towards sustainable steel production, driven by both environmental necessity and economic strategy. Countries are leveraging technology, government incentives, and international partnerships to not only reduce the environmental footprint of steel production but also to bolster their industrial capabilities and competitiveness in the global market.

Sweden has been at the forefront of this trend with its [HYBRIT project](#), which aims to produce the world's first fossil-free steel. This initiative involves using hydrogen instead of coal in the steel-making process, significantly reducing carbon emissions. India has implemented a [Production Linked Incentive \(PLI\) Scheme for Specialty Steel](#), which has contributed to remarkable growth in its steel sector. South Korea and Taiwan are seeing the need to adapt as significant suppliers of steel to regions like the EU. The European CBAM may have a significant negative impact on steel sales from these countries. As a first step, both are replacing traditional suppliers like Russia and Ukraine, recognizing a shift in global steel trade dynamics influenced by geopolitical changes, and industrial and

environmental policies. The United Kingdom is facing a [declining steel industry problem](#), in the context of which policies, subsidies, and bailouts are under discussion.

[The Modern Steel Act](#) follows the trend observed in the previous international examples. It is a bill introduced on August 9, 2024, at the U.S. House of Representatives, focusing on innovation, job creation, and environmental sustainability. While this is just the beginning of a long legislative process, it is worth checking what the U.S. steel industry and related unions seek.

Some of the major provisions include:

- Request for \$10 billion in funding for cost-share grants, low-interest loans, and other financial support to build new steel plants focused on producing near-zero-emissions iron and steel.
- Priority for developing steel production technologies that achieve near-zero emissions, aiming to reduce environmental impacts significantly. This includes leveraging new technologies like hydrogen direct reduction.
- New concept of an emissions-intensity tariff on foreign-produced iron and steel. This tariff would be based on the greenhouse gas emissions associated with producing these materials abroad.
- Support for partnerships between the government and private industry, encouraging investment in innovative steel production technologies. This includes tax incentives aimed at fostering technological advancements.
- Modernization of steel production. The Act seeks to enhance the U.S.'s industrial competitiveness globally, reducing reliance on steel imports and supporting industries like shipbuilding, railroads, and offshore wind, which require high-quality steel.

There is no mention of U.S. Section 232 current quotas and additional tariffs on steel imports, which implies that if the Act is approved, whichever trade restriction is thereby implemented will be supplementary to trade barriers already in force.

- **Brazilian Voices at the Forefront: Highlights from the 2024 WTO Public Forum (Carolina Maciel)**

The [2024 World Trade Organization \(WTO\) Public Forum](#), held September 10-13 in Geneva, centered around the theme "Re-Globalization: Better Trade for a Better World." With over 4,400 participants, the forum offered 138 sessions addressing three core topics: green policies for enhancing trade benefits, the role of services in fostering growth and well-being, and how digitalization is shaping more inclusive trade practices.

Brazilian experts, some of whom are members of ABCI, made notable contributions to at least five sessions. A critical discussion hosted by Brazil's WTO Mission emphasized the importance of integrating sustainability with trade in agriculture while minimizing the adverse effects of climate policies on developing nations. Another session, organized by the International Chamber of Commerce for Brazil alongside the Women Inside Trade

network, focused on building resilience in trade and supply chains, particularly in regions like Rio Grande do Sul, which has recently faced severe flooding and landslides.

Additionally, the Brazilian Confederation of Industry (CNI) and EMBRAER led a session on the advantages and challenges of digitizing trade processes and enhancing customs standards for greater inclusivity. Brazil's Foreign Trade Chamber of the Ministry of Development, Industry and Trade (CAMEX - MDIC) partnered with UNCTAD to discuss opportunities in the emerging plastics economy, aiming to inform policy debates and treaty negotiations. Furthermore, a session organized by the Ministry of Planning and Budget highlighted multilateral organizations' crucial role in fostering Latin American integration.

The Forum also saw the 2024 World Trade Report release, which underscores the necessity of complementing trade policies with domestic measures—such as education, labor, and competition policies—to promote inclusivity and economic growth. The event concluded with a dynamic panel featuring young entrepreneurs and activists, discussing actionable ways to reimagine trade for future generations in a re-globalized world.

- **The Brazilian New Industry Plan (Sergio Goldbaum)**

The Brazilian government launched the [“New Industry Brazil”](#) (NIB) in late January. The NIB is a R\$ 300 billion (approx. US\$ 60 billion) plan, committed until 2026, designed to boost industrial development up to 2033 and to find a new place for the Brazilian industry in the international supply chains.

It is a mission-oriented plan. The six missions and some of its goals are:

1. The Agro-industrial Chain Mission. It is based mainly on machinery financing and public procurement of agricultural products.
2. The Health Mission. Its goal is to increase the domestic production of medicines, vaccines, and medical equipment and devices. It will contribute to improving the national Unified Health System;
3. The Wellbeing of People in Cities mission. It involves investing in sustainable infrastructure, sanitation, housing, and mobility - mainly electromobility, the battery production chain, the metro rail industry, and digital and low-carbon civil construction.
4. The Digital Transformation mission. It involves the development of digital products and the national production of semiconductors, among other IT products and services;
5. Bioeconomy, decarbonization, and energy transition and security mission: to increase the share of biofuels in the transport energy matrix by 50%, from 21,4% to 30%.
6. Defense mission: to increase the local production of military technology. Priority actions include developing nuclear energy, communication and sensing systems, propulsion systems, and autonomous and remotely controlled vehicles.

The main instruments are financing lines managed by the Brazilian Development Bank (BNDES) and the Innovation Financing Agencies (Finep and Embrapii). Besides, the government will use Public Procurement to grant preference margins for national products and to impose a local content requirement in the public procurement process.

The “New Industry Brazil” plan seems to be designed to address the demands of some of the main political forces in Brazil, such as the agroindustrial sector, the health system, local politicians, and the defense sector. Compared to previous experiences of industrial policies in Brazil, the idea of a “mission-oriented” plan, inspired by the ideas of Marianne Mazzucato, an Italian-American economist assisting the government, tries to replace the selected national champions’ previous approach. It also has a distinguished environmental concern, absent in prior experiences. The emphasis on public procurement and purchases directly opposes Bolsonaro’s government efforts to make Brazil a member of the WTO Government Procurement Agreement.

- **Upcoming Events**

- Stay tuned for the XXth edition of the ABCI International Trade Symposium. Details will be coming soon.

- **Institutional sponsors**

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