Brazil to press Bush for cut in US ethanol tariff

Tom Hennigan in São Paulo

President Lula da Silva will demand that the United States lower tariffs on its environmentally friendly ethanol fuel when he meets President Bush in São Paulo today.

Brazils is the world’s biggest exporter of ethanol and is promoting it around the globe as a cleaner alternative to petrol. Last year the US imported about half of all Brazilian ethanol exports, but it is expected that an increase in local production will lead to a fall in Brazilian imports this year.

Mr da Silva criticised the American tariff before the visit. “They talk a lot about free trade, but they like to protect their own products. The high US duties on Brazil’s ethanol make no sense. If we are going to have free trade, it should give us the opportunity to buy and sell openly,” he said.

While Mr Bush has made ethanol a key component of his plan to cut America’s dependence on oil by 20 per cent by 2017, the US maintains a tariff of 54 cents a gallon on ethanol imports to protect its own ethanol industry. Brazilian ethanol is far cheaper to produce and more environmentally-efficient than US ethanol. Produced from sugar cane, it yields eight units of energy for every unit used in its production. US ethanol is maize based and yields little more than the amount of energy accounted for in its production.

Brazil has tried to attract American companies to invest in its ethanol industry. The US ethanol industry says that dropping the tariff, which is due for renewal in 2009, would make Brazilian ethanol far more attractive for US customers. It may also spur investment in Brazilian mills, which they say would amount to the US subsidising the development of Brazil’s ethanol industry.

The US ethanol industry is protected by a powerful lobby of farm-state senators and congressmen, centred on Iowa, whose caucuses are the first electoral test for US presidential candidates. Mr Bush said that he expected Brazil to raise the matter in today’s talks, but added that it was an issue for the US Congress.

The production of a new generation of cars that can run on either ethanol or petrol has resulted in a boom in demand for ethanol. Many countries are now mixing ethanol with petrol, reducing dependence on crude oil imports and helping to cut carbon emissions.

Mr Bush’s tour of Latin America, during which he will also visit Mexico, Guatemala, Colombia and Uruguay, is being seen as an effort to counter the impression that his Administration does not pay attention to other countries in the western hemisphere. It is also an attempt to counter the influence in the region of President Chvez of Venezuela.

An outspoken critic of the Bush Administration, Mr Chvez has used his country’s oil wealth to counter what he believes is US interference. Venezuela is the world’s fifth-largest exporter of oil and a significant supplier to the US. America does not impose any tariffs on Venezuelan crude.

When Mr Bush visits Uruguay after Brazil, Mr Chvez will be in neighbouring Argentina to lead an antiBush rally in Buenos Aires.

Mr Bush arrived in Brazil’s financial and industrial capital yesterday surrounded by a massive security operation designed to shield him from antiAmerican protesters, chaotic transport and frequent violence of South America’s largest city.

Fuel to the fire
– The United States is the world’s biggest producer of ethanol and Brazil is the biggest exporter
– Brazil and the US produce 70 per cent of the world’s ethanol
– Last year the US produced 5 billion gallons of ethanol and imported another 1.7 billion
– All Brazilian petrol contains between 20 and 25 per cent ethanol
– More than 70 per cent of all new Brazilian cars are designed to run on either ethanol or petrol