

**Headlines**

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## **Brazil Triumphs Over U.S. in WTO Subsidies Dispute**

by **Emad Mekay**

WASHINGTON -- International development groups are calling on the United States to swiftly comply with a World Trade Organization (WTO) final ruling issued Thursday declaring the bulk of U.S. government subsidies to its cotton industry illegal.

The case aroused world interest, as it was the first formal challenge to the massive agricultural subsidies handed out by rich nations to their farmers, a practice that critics say destroys the competitiveness of agricultural exports from the developing world.

The ruling will put to the test the George W. Bush administration's commitment to abide by the rules of the global trade arbiter and its frequent urging that developing countries do the same, say many observers.

The WTO made an initial ruling last September on a petition by Brazil, supported by some West African cotton-producing nations, that challenged several types of U.S. agricultural support measures, including financial backing for cotton farmers.

Brazil alleged that subsidies paid to U.S. farmers growing cotton from 1999 to 2002, and others mandated through 2007 in the latest U.S. farm bill, violate WTO rules.

The WTO dispute panel had found that 3.2 billion dollars in annual cotton subsidies and 1.6 billion dollars in export credits paid by the U.S. in cotton and other commodities were illegal under WTO rules. Washington appealed that decision in October.

Thursday's decision upholding the first ruling is final, and the United States has until Jul. 1 to comply or face possible trade sanctions by Brazil.

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**Celine Charveriat,  
spokeswoman for  
Oxfam's Make Trade  
Fair campaign**

Washington reacted cautiously to the ruling.

"We will study the report carefully and work closely with Congress and our farm community on our next steps," said Richard Mills, spokesman for the U.S. Trade Representative's (USTR) office.

"Getting the results that our farmers want is best achieved through ambitious global agriculture reform, through ongoing multilateral trade negotiations which address market access, export competition and domestic support, including for cotton," he said.

Critics say that subsidies unfairly boost U.S. agricultural production, flooding the world market with cheaper goods and driving down prices.

Washington counters that the payments have only minimal effects and denies that all U.S. support payments, including export credit guarantees for some agricultural commodities, distort production and trade.

The international development group Oxfam said Thursday that eliminating cotton subsidies is necessary to fulfill WTO obligations and bring relief to the millions of struggling farmers in poor countries.

"The case against U.S. cotton dumping is overwhelming and now confirmed yet again by the WTO," said Celine Charveriat, spokeswoman for Oxfam's [Make Trade Fair campaign](#).

"The debate is over. The U.S. must now move quickly to reform its programs and stop dumping cheap cotton onto world markets that undermines the livelihoods of poor farmers in the developing world," she said.

The group says it is crucial that the United States signal its readiness to reform its farm subsidies within current WTO negotiations to successfully negotiate a new global trade agreement. In its Trade Policy Agenda submitted to Congress on Tuesday, the U.S. administration said that concluding multilateral trade negotiations will be a top priority for 2005.

"If the U.S. fails to implement this WTO decision, the prospects for a new global trade deal on agriculture will be severely damaged," said Charveriat. "If recent calls by the U.S. to conclude the negotiation round by the end of 2006 are to be taken seriously, cotton subsidies need to be reformed before the next WTO Ministerial in Hong Kong."

Earlier this year, another trade think tank, the Institute for Agriculture and Trade Policy (IATP), issued a report on U.S. dumping that found that in 2003, the latest year for which numbers are available, cotton was exported from the United States at 47 percent below its cost of production.

"The U.S. must become aware that small developing countries also have rights in the global trade system, otherwise they risk a new wave of resistance from African countries and farmers," said Soloba Mady Keita, president of the cotton producers association in

Kita, Western Mali in a statement.

The development groups estimate that U.S. dumping caused losses of almost 400 million dollars between 2001 and 2003 for poor African cotton-producing countries, where more than 10 million people depend directly on the crop.

According to Oxfam, a typical small-scale West African cotton producer makes less than 400 dollars a year on his crop. Two million cotton farmers in Mali were recently pressured to accept a further price drop of 25 percent, and many of them will now be unable to cover their production costs.

A majority of 78 percent of U.S. cotton subsidies benefit the largest 10 percent of cotton producers. Loopholes in the subsidy rules allow industrial-sized farms to collect payments in excess of one million dollars, while smaller farmers in the U.S. and abroad are driven out of farming by low commodity prices and high land costs, the groups say.

After the September ruling, many trade experts said it could open a Pandora's Box of WTO challenges against several other U.S. subsidies and to similar programs in Europe and elsewhere.

"This case raises deep questions about the entire U.S. subsidy system," Charveriat said. "U.S. subsidies have distorted global markets, failed to save small U.S. farmers, and promoted environmental damage. The U.S. should see this ruling as an opportunity for reform."

According to recent media reports, Brazilian soybean growers are considering pushing their government to bring another WTO challenge of U.S. subsidies to soybeans. IATP says that soybeans were exported from the United States at an average price of 10 percent below their cost of production in 2003.

As many as 43 developing countries depend on a single commodity for more than 20 percent of their total revenues from merchandise exports.

Most of these countries are in sub-Saharan Africa or Latin America and the Caribbean, and depend on exports of sugar, coffee, cotton and bananas. Most suffer from widespread poverty.

In February, the U.N. Food and Agriculture Organization said in its annual report on "The State of Agricultural Commodity Markets 2004" that problems facing farmers in poor nations are exacerbated by market distortions arising from "tariffs and subsidies in developed countries", among other factors.

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