

TRADE:

U.S. Appeals WTO Ruling on Cotton Subsidies

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WASHINGTON, Oct 18 (IPS) - The United States said Monday it is appealing a World Trade Organisation (WTO) ruling that declared the bulk of U.S. government subsidies to its cotton industry illegal.

The move calls into question the Bush administration's commitment to abide by the rules of the global trade arbitrator and its frequent urgings to developing countries to do the same, say many observers.

The WTO ruled in September in a dispute brought by Brazil, backed by other developing nations, which 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 panel found that 3.2 billion dollars worth of U.S. annual cotton subsidies and 1.6 billion dollars in export credits for cotton and other commodities contravene WTO rules.

The case aroused world interest, as it was seen as the first dispute involving the massive agricultural subsidies paid by rich nations to their producers, which critics say overwhelm farm exports from the Third World.

Since the WTO ministerial conference in Cancun in 2003, cotton has been a major item on the WTO negotiation agenda.

In West Africa alone, 10 million people depend on cotton for their livelihoods. The U.S. share of world cotton exports is expected to reach 42 percent this year -- its highest since 1960 and an increase from 24 percent of the global market in 1996.

Critics claim that subsidies spur U.S. agricultural production, flooding the world market with 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.

"We strongly disagree with some aspects of the panel report, which we will be

appealing," said U.S. Trade Representative Robert Zoellick in an earlier news release.

"The facts do not show that U.S. farm programmes have distorted trade and caused low cotton prices. Moreover, some aspects of the panel report belong in negotiation and not litigation, namely in the Doha Development Agenda negotiations (as the current round of WTO negotiations is called)."

He added that the appeal process is lengthy, so there will be no immediate impact from the WTO ruling, especially to U.S. farm programmes.

U.S. Agriculture Secretary Ann M Veneman told reporters that U.S. programmes are in full compliance with the WTO rules.

"U.S. farm programmes were designed to be fully compliant with our WTO obligations," she said. "We will strongly defend the U.S. position and work to ensure a level playing field for U.S. producers."

But the international development group Oxfam said in a report released Monday that U.S. subsidies encourage overproduction and promote the dumping of excess cotton overseas, undermining the livelihoods of poor farmers in the developing world. Dumping is the practice of exporting at below the cost of production.

The report 'Finding The Moral Fibre: Why Reform is Urgently Needed for a Fair Cotton Trade' urges Washington to reform its farm schemes and stop dumping.

"The appeal casts serious doubts about whether the U.S. has any real intention to reform its unfair cotton industry," said Celine Charveriat of Oxfam in a statement.

Fair trade activists say the appeal shows that Washington is not committed to the world trade system it tries to impose on other nations.

"The case against U.S. cotton dumping is plain and overwhelming and confirmed by the WTO. The U.S. was part of a world-wide commitment in July to make "ambitious" reforms of cotton subsidies -- and this appeal flies in the face of this commitment," Charveriat said.

Oxfam says the United States needs to follow the rules since it uses them in its own challenges. Washington has always publicly maintained that multilateral commitments to reduce tariffs and subsidies will increase the role of market forces globally and is the "only way to address core (trade) issues."

"The U.S. uses the dispute settlement mechanism more than any other WTO member. Not only does the U.S. have a moral obligation to stop dumping cotton, but it is also in its own interest to follow the WTO's findings," Charveriat said.

Oxfam estimates that U.S. dumping created losses of almost 400 million dollars for poor

cotton-producing African countries between 2001 and 2003.

The United States produced 18.3 million cotton bales last year and exported 13.8 million, making it the world's largest cotton exporter, according to the National Cotton Council.

The Oxfam report counters the notion that cotton subsidies help small U.S. family farms, by pointing out that the largest 10 percent of cotton farms in the nation receive a staggering 78 percent of all cotton subsidies.

It also says that while this case deals with cotton subsidies, the same principles could apply if developing countries were to bring similar challenges concerning other highly subsidised crops, such as soybeans, wheat or rice.

Several non-governmental organisations (NGOs) called on the United States to abide by the WTO ruling and negotiate new rules that would stop dumping.

Oxfam said that September's ruling, despite the U.S. appeal, has legally established that developed countries have failed to abide by subsidy rules that they crafted, a long-standing claim of developing countries.

Earlier this year, another trade think tank, the Institute for Agriculture and Trade Policy (IATP), issued a report on U.S. dumping, 'United States Dumping on World Agricultural Markets'. It found that in 2002, the latest year for which numbers are available, cotton was exported from the United States at 61 percent below its cost of production.

The export price for U.S. cotton is 37 cents per pound, down from 93 cents per pound in 1995, says IATP, rates that poor nations find unacceptable.

"You must tell the Americans that we are all in one world; they are our brothers, we need each other," said Nicodeme Biwando, a cotton farmer in Burkina Faso quoted in the Oxfam report.

"Their way of doing things is not good, because it keeps us from moving forward. May they find a solution so that all of us together, them and us, can make progress."

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