

US faces sanctions in cotton row

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The US faces annual trade sanctions of about \$295m (£181m) for failing to scrap illegal subsidies paid to its cotton growers.

However the punishment, imposed by the World Trade Organization (WTO), is far less than the \$4bn that Brazil, which brought the case, had wanted.

A WTO panel upheld last year's ruling that subsidies helped US cotton growers undercut foreign competitors.

Brazil said that its farmers and those in West Africa had suffered the most.

It made reference to the \$4bn figure in documents it filed with the WTO about three years ago.

Squeezed out

The US said it was "disappointed" with the overall outcome of the dispute, which saw the WTO rule that Brazil could take retaliatory sanctions against the US and "suspend concessions or other obligations".

But the US Trade Representative's office added that it was "pleased" that arbitrators had "awarded Brazil far below the amount of counter measures it asked for".

US cotton subsidies were one of the most contested issues in the Doha round of world trade talks.

Producers in developing countries, especially in Africa, say the US subsidies squeeze their own farmers out of the market.

About \$12.5bn was paid to American farmers by the US government between August 1999 and July 2003, Brazil had claimed.