

WTO Upholds Complaint Over Cotton Aid

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GENEVA - The World Trade Organization on Thursday upheld a ruling condemning government help for cotton producers in the United States, saying that many U.S. programs include illegal export subsidies or domestic payments that are higher than permitted by WTO rules.

The WTO appeals body rejected a U.S. attempt to overturn a September 2004 ruling by an independent panel of trade experts, which acted on a complaint from Brazil.

Richard Mills, spokesman for Acting U.S. Trade Representative Peter Allgeier, said the result was a disappointment.

"Negotiation, not litigation, is the most effective way to address distortions in global agriculture," Mills told The Associated Press.

The National Cotton Council of America, a U.S. industry body, also said it was disappointed with the ruling.

Brazilian government officials declined immediate comment and scheduled a news conference, but the president of a Brazilian growers association said the United States must now "abide by the ruling and reduce its subsidies.

"The American subsidies are distorting the market, and harm producers in emerging countries, including Brazil," said Ronaldo Espirandelli, president of the Sao Paulo state cotton producers association.

Brazil had alleged that the United States kept its place as the planet's second-largest cotton grower and largest exporter because the U.S. government paid \$12.5 billion in subsidies to American farmers between August 1999 and July 2003 alone.

The United States had insisted that its payments to farmers are within permitted levels, claiming many are not subsidies as defined by WTO and so should have been excluded from calculations of government aid.

But in a 301-page report, the WTO panel upheld the earlier ruling that some U.S. credit guarantee programs for cotton and other items are export subsidies because they are provided at rates that did not cover the long-term cost of running the program.

Washington lodged its appeal in October 2004 to WTO, whose 148 members set the rules for global commerce and are meant to fall into line with its decisions - or face potential

trade sanctions from the winner if they fail to do so. Thursday's appeals body ruling is final.

"We will study the report carefully and work closely with Congress and our farm community on our next steps," Mills said.

He also chastised Brazil.

"Those who live in glass houses shouldn't throw stones," he said. "Brazil itself is heavily involved in financially supporting its farmers."

Cotton has emerged as a key issue at WTO, pitting rich against poor, as the organization's members try to draft a wide-ranging treaty to liberalize global commerce. The treaty talks, launched in Doha, Qatar, in 2001, aim to slash subsidies, tariffs and other barriers to global commerce, and to use trade to help poor nations.

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

Under an accord last summer, WTO members set up a special committee to deal with cotton within the global body's broader agriculture negotiations. The committee is meant to look to a proposal from West Africa for the elimination of export and domestic subsidies by rich producers.

Poor nations say subsidies in rich nations cause artificially low international prices and hurt farmers in developing countries because rich country producers are able to "dump" their cheap cotton on the world market.

Campaigners have long urged the United States to change its rules.

"The debate is over," said Celine Charveriat, head of the fair trade campaign at development charity Oxfam. "The United States must now move quickly to reform its programs and stop dumping cheap cotton onto world markets that undermine the livelihoods of poor farmers in the developing world."

"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," Charveriat said.