

U.S. appeals ruling against cotton subsidies

October 19, 2004

By Jeffrey Sparshott

THE WASHINGTON TIMES

The Bush administration yesterday formally appealed a World Trade Organization ruling that subsidies paid to U.S. cotton farmers violate global trade rules.

If the case goes against the United States, Congress would have to change the way it supports U.S. agriculture or face retaliation and the possibility of several new challenges to programs supporting farm income.

"We will be defending U.S. agricultural interests in every form we need to and have no intention of unilaterally disarming," said Neena Moorjani, spokeswoman for the U.S. Trade Representative's Office.

The WTO in September largely backed a charge by Brazil that U.S. payments to cotton farmers skew competition, lower global cotton prices and essentially rob Brazilian farmers of income.

A decision on the U.S. appeal would be final. The process normally takes about three months, although the complex and highly charged cotton case already has stretched deadlines.

The administration yesterday offered a point-by-point rebuttal of the WTO's initial decision, saying there were a series of errors and "erroneous findings" in the September ruling, which said export programs and direct payments to farmers violated global rules.

Brazil expected the appeal. The country maintains that U.S. cotton producers received \$12.47 billion in subsidies from August 1999 to July 2003, spurring overproduction and lowering world prices by almost 13 percent.

The South American nation, a rising agricultural powerhouse, also has won a WTO case against European Union sugar subsidies as part of an assault on rich countries' farm subsidies. The European Union is appealing.

The world's wealthiest countries combined paid \$257 billion in support to their farmers in 2003, the Organization for Economic Cooperation and Development said. The 25-nation European Union doled out the most at \$121.4 billion, followed by the United States at \$38.9 billion.

U.S. cotton subsidies reached \$3.31 billion in 2002, the last year included in Brazil's case, and then declined to \$2.89 billion in 2003 and an estimated \$1.66 billion for 2004, according to U.S. Farm Service Agency data.

The Bush administration promised to limit trade-distorting subsidies as part of a broader global agreement among the WTO's 148 members, but details still must be worked out.

"We prefer to focus our resources on negotiation, not litigation," Miss Moorjani said.

But for Brazil, progress has been too slow.

The fight over cotton, an important cash crop for several developing nations, has been especially sensitive, with countries making economic and moral cases against subsidies.

Four African nations — Burkina Faso, Chad, Mali and Benin — elevated U.S. cotton subsidies to a major issue at ongoing WTO talks, although they have not filed a WTO case.