

Posted on Fri, Mar. 04, 2005

WORLD TRADE

Cotton subsidies shunned by WTO

A decision by the World Trade Organization condemning U.S. cotton subsidies was upheld, disappointing U.S. farmers.

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Associated Press

GENEVA - The World Trade Organization upheld a ruling on Tuesday 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.

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 by WTO standards.

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 do not cover the long-term cost of running the program.

The Institute for Agriculture and Trade Policy said the ruling will do little to stop the practice of dumping agriculture exports at below the cost of production, but it would increase pressure on the United States to reform its national farm programs.

A February report from the institute found cotton was exported at nearly 50 percent below the cost of cotton production in 2003.

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.

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.

Herald business writer Jane Bussey contributed to this report.