

Update on Brazil WTO Case

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WTO Dispute with Brazil

■ Brazil allegations

- U.S. not adhering to its WTO commitments
- Challenge covers all aspects of domestic cotton program (1996 and 2002 farm bills) and export credit guarantee program (for all commodities)

■ Status of the dispute

- Panel findings became public in Sept
- Full report available at <http://www.wto.org>
- U.S. submissions available at <http://www.ustr.gov>

Panel Findings – Peace Clause

- US support to cotton exceeded 1992 level
 - Peace Clause no defense
- PFC Payments, Direct Payments are not green box
 - Technical argument concerning fruit and vegetable planting restrictions – payment “related” to production

Panel Findings - Serious Prejudice

- Parts of US program caused significant price suppression
- Effect of price-contingent US subsidies
 - Marketing Loan, Step 2, Marketing Loss Assistance Payments, Counter Cyclical Payments
- Those not contingent on price – did not cause price suppression
 - PFC/Direct Payments, Crop Insurance

Panel Findings - Export Subsidies

■ Step 2

- Prohibited Export Subsidy - payment contingent on export
- Import Substitution Subsidy - payment contingent on use of domestic over imported goods

■ Export Credit Guarantee Program

- No export subsidy schedule for cotton, soybeans, several others
- Rice exceeded schedule

Appeal

- United States filed a comprehensive appeal covering all adverse rulings
- Appellate panel hearing on Dec. 13-15
- Final answer expected by March 3

Implementation

■ Panel said

- Prohibited subsidies should be removed within 6 months after Panel decision or by July 1, 2005, whichever is earlier
- “US is under an obligation to take appropriate steps to remove the adverse effects or ... withdraw the subsidy”

■ WTO has no enforcement power

- Each member expected to make appropriate changes in policy

What Does All of This Mean?

- Appeal is ongoing
- Marathon – Not a Sprint
- Other factors come into play
 - Ongoing WTO negotiations
 - Possible Budget Reconciliation
 - Farm Bill Debate



Producers Cooperatives

Ginners Cottonseed Merchants

Warehouses Manufacturers