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US moves to curb cotton subsidies

US cotton subsidies which have fuelled a long-running trade dispute with other countries are to be scrapped, the Bush administration has revealed.



Brazil says US subsidies are hurting smaller cotton producers

The US government will ask Congress to pass legislation to repeal subsidy programmes after the World Trade Organization ruled they were illegal.

The move came on the same day that Brazil threatened to raise tariffs on US imports in retaliation.

Poorer countries say US subsidies distort prices and harm competition.

'Unfair subsidies'

The WTO ruled in March that US support for cotton farmers - which critics claim totalled \$2.7bn between 1999 and 2003 - was unfair and gave it until June 30 to take action.

Washington only partly met the deadline but now says it will end the subsidies at the centre of the dispute.

Ten year credit guarantees for exporters will be terminated while financial incentives for exporters and millers to buy higher-priced US cotton will be phased out through legislation.

The move will ease tensions after Brazil filed a fresh complaint with the WTO claiming the US had failed to comply fully with last year's ruling.

“ By implementing these proposed changes, we are being fully responsive to the WTO decision ”

Mike Johanns, US agriculture secretary

Mike Johanns, US agriculture secretary, said the changes would put the US in a stronger position in future global trade negotiations.

"By implementing these proposed changes, we are being fully responsive to the WTO decision," he said.

He added that the administration would work closely with Congress to try and secure the legislation later this year.

'Retaliation'

The US - the world's largest cotton exporter - has been accused of using subsidies to bolster its dominant position in the market.

Up to now, it has maintained that its support for farmers falls within approved WTO levels.

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Earlier on Tuesday, Brazil said it would seek permission from the WTO to increase duties on some US goods, should attempts at negotiating a solution to the issue fail.

"We are asking for retaliation," Paulo Mesquita, Brazil's deputy trade negotiator to the WTO, told Associated Press.

"We are following all the procedural steps to preserve our rights."

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