

Brazil and the United States agree to continue a dialogue aimed at finding a permanent solution to their WTO Cotton Dispute

The U.S. Section of the Brazil-U.S. Business Council, through a broad coalition of industries it formed in late 2009 – the Brazil Trade Action Coalition (BRAZTAC) – and through steps taken before then, has been communicating to the Brazilian and U.S. governments the importance of reaching a permanent solution to their WTO cotton dispute. The council applauds the efforts by the Brazilian and U.S. governments to reach a negotiated solution to the case. The private sector recognizes and lauds the extraordinary efforts made over the past months by the respective trade negotiators, foreign ministries, ministries of agriculture, cabinet members and heads of state themselves, the congresses, and other parties to achieving the significant framework agreement reached on June 17, 2010.

Both countries have announced they had agreed to the terms of a framework agreement that will prevent the imposition of WTO authorized countermeasures (often referred to as “retaliatory” measures) by the Brazilian government against U.S. trade, including intellectual property. Those measures would have amounted to more than \$800 million this year alone and would have included more than \$560 million in countermeasures against U.S. goods, starting today (June 21, 2010), as well as countermeasures on intellectual property rights that could have been applied in the near future.

The framework agreement referred to above will allow both governments to continue a dialogue aimed at limiting U.S. trade-distorting cotton subsidies as well as gradually changing the current U.S. GSM-102 program. Intermediary benchmarks have been established for the accomplishment of those objectives and both countries will finalize the discussion of the dispute after the U.S. Farm Bill is revised by the U.S. Congress in 2012.

We understand that much work remains to be done to ensure that a definitive solution to the cotton dispute is reached. The risk of harm to U.S. trade remains. Brazil and the U.S. have reserved the right to terminate the framework agreement if they deem it appropriate to do so, which would bring back the risk of application of countermeasures by Brazil against U.S. trade. Brazilian retaliation as a result of U.S. non compliance with the WTO ruling could significantly damage bilateral relations and cost U.S. workers, farmers, and businesses opportunities far beyond those enjoyed by those who sell the products on Brazil’s potential retaliation lists.

The council will continue to work via BRAZTAC and its members to ensure that both governments understand the urgency of continuing their work to definitively put this issue to bed and from there to continue realizing the potential of the U.S.-Brazil commercial relationship. Private sector engagement at this point is more important than ever. Please [contact us](#) if you would like to learn more information on how to participate in our efforts.