

The Time Has Come to Reform Illegal Subsidies

From: The Honorable Ron Kind

Sent By:

Date: 3/17/2010

March 17, 2010

Dear Colleague:

Last week, the Brazilian government published a list of 102 American goods that will be subject to stiff import tariffs starting on April 7. These tariffs are being imposed in retaliation for U.S. subsidies to cotton and other agricultural commodities that have been ruled illegal by the World Trade Organization (WTO). Congress had the opportunity to completely reform or repeal these programs during the reauthorization of the farm bill in 2007-2008, but it chose not to. Now, a wide swath of American businesses and workers will pay the price because we refused to write a law that complies with our international obligations.

Last Monday's announcement stems from a trade dispute first brought by Brazil to the WTO in 2002. Brazil challenged several components of our cotton programs, as well as export subsidies that apply more broadly. In 2005, the WTO Appellate Body confirmed that these programs violate our multilateral subsidy agreements, setting the clock for the United States to comply.

Congress took a half step toward that goal by eliminating the Step 2 Cotton program as part of the Deficit Reduction Act, but left in place the remaining problematic programs. The farm bill included minor measures intended to allow for further compliance of the export credit guarantee program, yet we still are not living up to our agreements.

Because of Congress' inability to tackle the issues in the face of intense lobbying from the cotton industry and other commodity groups, a wide array of American businesses will face high penalties at a time when they can least afford it. As our economy struggles to climb out of a deep and painful recession, this is exactly the wrong time to be placing added barriers to exports and economic growth. This situation was entirely preventable if Congress had taken its responsibility to the international trading system more seriously and delivered a stronger response to the WTO's ruling, which harms American businesses and workers.

We are currently drafting legislation to reform or eliminate the relevant programs and plan to introduce it shortly. This will offer little comfort to the businesses and workers who will begin to be impacted in less than a month, so we hope you will join us in pushing for swift action implementing these changes. We cannot expect our trading partners to play by the rules if we are not willing to do the same.

Sincerely,

Ron Kind

Jeff Flake