

# **Brazil, Cotton, and the WTO: What You Should Know**

**From: The Committee on Agriculture**

**Sent By:**

**Date: 3/22/2010**

Dear Colleague:

You may have recently seen a letter from some of our colleagues about the World Trade Organization (WTO) case filed by Brazil against certain U.S. farm and export programs. These colleagues made some claims in that letter that we just want to take a moment to set straight:

***MYTH 1: The US Government and Congress have refused to act on the case.***

- In 2005, the US Department of Agriculture unilaterally made changes to the export credit guarantee program, instituted a risk-based fee structure and essentially stopped using one element of the program, the intermediate credit program, GSM-103.
- In 2006, Congress unilaterally eliminated the Step 2 cotton program. (PL 109-171).

***MYTH 2: The 2008 Farm Bill made only minor changes.***

- In 2008, Congress made all recommended modifications to the export credit guarantee programs to bring them into compliance with the case's finding: making the program pay for itself, eliminating a fee cap, and repealing altogether both the GSM-103 and Supplier Credit Guarantee Programs. Additionally, Congress unilaterally reduced the countercyclical payment rate for cotton.
- At each step along the way, the House and Senate used as their guide the assessment of the case and instructions from the previous Administration on how Congress should modify the law to comply with the findings of the case.

***MYTH 3: Unilateral action on the part of the United States is the best answer.***

- The United States has tried this strategy for five years with nothing to show for it. Despite the changes listed above, the compliance panel and the arbitrators in the case determined that the United States had not done enough. Unfortunately, as in other WTO decisions, neither the arbitrators nor the other panels in the case specify what would be enough to be in "compliance". And there is nothing to suggest that even with further changes, Brazil would not continue to regard us as out of compliance and continue to impose retaliation.

Rather than take another unilateral action to change our programs without assurances from the Brazilian government that such changes would be sufficient to resolve the case, we strongly support seeking a resolution of this case that involves clear closure on both our part and that of the Brazilian government.

Unfortunately, some people have an axe to grind against US farmers and are using this case to further their broader agenda. WTO rulings are not as simple as they would have you believe, and it's unfortunate they have taken the side of Brazilian agribusiness interests and large Brazilian farmers (among the largest in the world) against American farmers.

If you have questions on this case, we encourage you to reach out to our staff or to read the extensive WTO case filings on the matter before you sign onto any efforts to dismantle U.S. programs that both provide a safety net for agricultural producers and increase U.S. agricultural exports.

Sincerely,

Collin C. Peterson  
Chairman, House Agriculture Committee  
Committee

Frank D. Lucas  
Ranking Member, House Agriculture