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Brazil wants probe of U.S. farm aid

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GENEVA --

Brazil will ask the World Trade Organization for a formal investigation of U.S. farm subsidy programs, which it says includes payments for ethanol production, a senior Brazilian official said Wednesday.

The South American country, which has already won a series of WTO rulings over U.S. cotton subsidies, will make its request for an investigative panel soon, said Roberto Azevedo, the Brazilian Foreign Ministry's trade chief.

The dispute could become a major case for the global commerce body, which has largely steered clear of energy issues in its 12-year history. Brazil is a major ethanol producer.

It also could become a hot topic for U.S. presidential candidates as they gear up for primary contests, including voting in Iowa, the state that produces the most ethanol.

"Brazil will have to ask for a panel," Azevedo told The Associated Press.

The two countries held consultations last month after Brazil accused the United States of exceeding the \$19.1 billion that it is permitted under WTO rules to spend on the most controversial forms of farm subsidies in six of the past eight years. Brazil also accuses the U.S. of giving illegal export credit guarantees, largely echoing an earlier complaint by Canada.

While most of the measures it questioned Washington about concerned farm produce, Brazil included in its complaint what it called "energy subsidies," which included tax exemptions on diesel fuel and gasoline.

"Ethanol results from agricultural subsidies," Azevedo said. "You don't produce ethanol from rocks or underground. It's derived from agricultural commodities."

Joe Glauber, the chief U.S. farm trade negotiator, disagreed.

"We don't feel that's appropriate," he told The AP at the WTO's Geneva headquarters. "We view the payments as industrial subsidies and we've notified all of them."

Glauber declined to comment on what a WTO investigation would mean.

Azevedo said he was not sure when Brazil would formally ask the WTO to launch an investigation. The next meeting of the WTO's dispute settlement body is Sept. 25 and new items must be added to the agenda by Thursday.

Azevedo and Glauber met Wednesday at the WTO to discuss the dispute.

Brazil has been touting its sugarcane-based ethanol around the world as a cheap, eco-friendly alternative to fossil fuels amid soaring oil prices and global warming concerns. While its business is booming, Brazil says exports have been held back by high U.S. and European tariffs.

In Stockholm, Sweden, Brazilian President Luiz Inacio Lula da Silva said Wednesday that the 27-nation EU's tariffs on ethanol were unfair and sought support from Nordic countries to slash them, even though experts say such moves would meet fierce resistance from bigger European countries determined to protect their fledgling biofuels industries.

Brazil says it also is worried about U.S. subsidies to corn growers, who are devoting more than a quarter of their crop this year to ethanol, according to U.S. Agriculture Department estimates. The United States is the world's leading ethanol producer, while Brazil, the top sugar producer and exporter, is second.

Experts say that Latin America's largest nation could become the world's undisputed ethanol superpower because its sugarcane is more efficient for ethanol production than the corn used to make ethanol in the United States.

Gretchen Hamel, a spokeswoman for the Office of the U.S. Trade Representative in Washington, said two months ago that claims of wrongdoing were "unfounded when they were made by Canada, and they are just as unfounded when they are made by Brazil."

Brasilia first filed the complaint in July as the two countries blamed each other for the collapse of trade talks viewed as critical in the 151-member WTO's drive to conclude a new global commerce pact.

Brazil forced the U.S. to overhaul its subsidy programs for American cotton growers after winning a landmark WTO decision in 2004. American and Brazilian officials say that a confidential ruling in July by a WTO compliance panel found that U.S. cotton payments were still violating global trade rules.

The decision, which has yet to be released publicly, could prompt Brazil to seek retaliatory sanctions.

Critics of the subsidies say they unfairly deflate international prices, making it harder for poorer nations to develop their economies by selling their agriculture produce abroad.