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TRADE

In days, Brazil to decide on sanctions against U.S.

The country will decide whether to seek sanctions for illegal subsidies to U.S. farmers. The sanctions will not be necessary if the United States complies with a WTO ruling.

BY WARREN GILES

Bloomberg News

Brazil will decide within days whether to pursue trade sanctions against American imports in retaliation for illegal cotton subsidies to U.S. farmers, Brazilian Agriculture Minister Roberto Rodrigues said.

The United States will probably comply with a March World Trade Organization ruling that found the aid breeches commitments signed in 1994, Rodrigues said in an interview. That would make Brazilian sanctions targeting commercial services, trademarks and patents worth as much as \$3 billion unnecessary. Still, he said, a mid-December WTO summit of trade ministers in Hong Kong would be pointless unless the issue is resolved.

"I hope the U.S. implements the decision," Rodrigues said Tuesday. "Otherwise, how can we go to Hong Kong to discuss the future of agriculture worldwide?"

If applied, the sanctions would be the first time any of the WTO's 148 governments retaliated by targeting commercial services and property rights rather than increasing tariffs on goods. Brazil says it can't afford to jeopardize efforts to contain inflation by raising import costs through the usual mechanism of higher customs duties.

Trade negotiations at the Geneva-based WTO are stalled over how to slash subsidies to farmers in rich nations and cut import tariffs on farm goods. The Dec. 13-18 summit needs to wrap up two-thirds of an accord if the WTO is to complete a broad trade agreement next year, WTO chief Pascal Lamy has said.

Brazil agreed to hold off on sanctions to give Congress time to approve a plan by the administration of George W. Bush to end cotton aid. The administration has proposed changes to a cotton program that since 2001 has handed \$1.58 billion to exporters such as Cargill. The plan must win U.S. lawmakers' backing.

Without the assistance, U.S. cotton production would have shrunk nearly 30 percent and world prices would have jumped more than 12 percent, according to research done two years ago on behalf of the Brazilian government.

Brazil has so far only outlined a list of 18 industries and intellectual property rights to be targeted. Along with patents and financial services, that list includes tourism and distribution services that Brazil is proposing to suspend under WTO agreements.

The move can be justified because it would be too expensive to home in on merchandise, Brazil has said.

Asked how long Brazil is prepared to wait for the U.S. to implement the WTO's findings, Rodrigues said: "Let's say Hong Kong is the limit."