

DSB Meeting – 23 October 2012

Item 3 – United States – Subsidies on Upland Cotton

Statement by Brazil

Mr. Chairman,

Brazil welcomes this opportunity to submit a brief update regarding this dispute.

As has been previously informed, in 2010 Brazil and the United States signed a *Memorandum of Understanding* and a *Framework Agreement*, by which the parties set out parameters for an agreed solution with respect to domestic support programs for upland cotton in the US, as well as a process of joint operation reviews regarding export credit guarantees under the US GSM-102 Program. In accordance with those parameters the US agreed to make payments as a temporary compensation to a Cotton Fund for technical assistance and capacity building related to the Brazilian cotton sector. In exchange, Brazil agreed to postpone the imposition of countermeasures against the United States, as previously authorized by the DSB. Both parties also agreed that this arrangement would not terminate until the enactment of a successor legislation to the US Food, Conservation, and Energy Act of 2008 (“the 2008 Farm Bill”), whose support programs for upland cotton were considered inconsistent with WTO obligations.

More recently, on 30 September 2012, the 2008 Farm Bill expired without the passing of a successor legislation. That notwithstanding, taking into account that the current US agricultural support programs were kept unchanged, Brazil has decided not to terminate the *Memorandum of Understanding* and the *Framework Agreement*. Therefore there shall be no imposition of countermeasures by Brazil at this moment.

Mr. Chairman,

Brazil is closely and attentively following the ongoing discussions of the new Farm Bill in the US Congress. We have noted, not without concern, that some of the proposals under discussions do not seem to be in line with the decisions adopted by the

DSB in the cotton dispute and may even increase the levels of distortion of the agricultural support program.

Brazil, however, remains engaged in the search of a mutually agreed solution to the cotton dispute and hopes that the US will fully comply with the DSB's recommendations and rulings in this dispute.

Thank you.