Source: WTO Rules Against Sugar Subsidies

By THE ASSOCIATED PRESS

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BRASILIA, Brazil (AP) -- The World Trade Organization found European Union subsidies for sugar producers violate global trade rules, upholding a complaint filed by Brazil, Australia and Thailand, a top Brazilian official said.

A preliminary ruling by the Geneva-based trade body found that the EU has violated limits on export subsidies, which developing countries say undercut their producers' prices, said Brazilian foreign minister Celso Amorim.

Amorim declined to offer details of the ruling, but told reporters in the capital of Brasilia that the decision was a victory for Brazil's sugar producers, who have complained for years that they could significantly boost exports if the subsidies were eliminated.

``This has been an important step in the elimination of distortions in agricultural markets," Amorim said.

Under WTO rules, the preliminary ruling remains confidential until finalized in a formal decision next month. In practice, WTO panel decisions rarely differ from their preliminary rulings.

Brazilian agriculture minister Roberto Rodrigues said the country will now start plotting strategy with producers on how to increase production that has already shot up dramatically since the mid-1990s.

Earlier, a Geneva-based source, who spoke on condition of anonymity, said the WTO had found against the EU on both of Brazil's central complaints.

Brazil, the world's largest sugar producer and exporter, argued that EU export support allowed for an agreed 1.3 million metric ton quota of EU sugar effectively acted as an illegal export subsidy for another 3 million metric tons of sugar outside the quota.

Brazil also said that Brussels' export subsidies on 1.6 million metric tons of sugar from mostly poor former European colonies in Africa, the Caribbean and the Pacific should be counted within -- not in addition to -- the EU limit.

Development charity Oxfam welcomed the WTO ruling.

``This ruling is a triumph for developing countries and a death knell for unfair EU sugar export subsidies, which undermine poor farmers' livelihoods and deny them the chance to trade their way out of poverty," said Oxfam spokesperson Jo Leadbeater.

The sugar decision followed another big trade victory for Brazil in June, when it won a WTO case claiming that U.S. cotton subsidies cause artificially low international prices, hurting Brazilian farmers.
Top Brazilian trade official Clodaldo Hugueney said the sugar decision was "more emphatic" than the cotton decision, but declined to provide details.

But former European colonies that supply sugar to the EU worry that the decision could effectively decimate their production if Brazil boosts sugar production and prices fall.

Brazilian sugar production rose from 13.8 million metric tons in 1995 to 23.6 million metric tons in 2002, representing nearly 17 percent of worldwide output, according to the Sao Paulo Sugar and Ethanol Association. Exports from South America's largest country more than doubled to 13.4 million metric tons during the same period.

Brazilian producers expect the EU will appeal in a process that could last several years, but are betting Brazil will eventually prevail, said Eduardo Carvalho, the association's president.

With a positive outcome for Brazil, the country's sugar industry could initially boost exports by between 2 million and 3 million metric tons annually, generating about $500 million in export revenue, he said.

Leadbeater said the EU helps poor countries to maintain their domestic sugar industries because the ruling does not "stop the EU from continuing to import developing country sugar."

"The onus is on the EU to act now to reform that regime in a way that benefits the poorest countries," she said.

Hugueney said Europe can buy as much sugar as it wants from former colonies, but must reduce first reduce the continent's production. "This is in the hands of the EU," he said.

Gilles Bolle, a French farmer who grows sugar beet at Cambronne-les-Clermont, 40 miles north of Paris, predicted the former colonies that benefit from the preferential tariffs could be the first to suffer.

"If they don't have the guarantee of European prices they're in trouble," he said.

Carvalho said the prospect of Brazil getting a bigger share of the international sugar market to the detriment of poor countries "is not our problem."

"They need to learn how to become competitive," he said. "We cannot be the ones to pay the price for their inability to compete."

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Associated Press Writers Laurence Frost from Paris, Naomi Koppel from Geneva and Alan Clendenning in Sao Paulo, Brazil, contributed to this report.