

COMMODITIES

Brazil challenges Thai sugar 'subsidies'

BRASILIA: Brazil will challenge Thailand at the World Trade Organization (WTO) over "subsidies" for sugar producers that it says have dragged down global prices, the Trade Ministry said.

Brazil said the Thai government had given support to cane growers and sugar mills that was inconsistent with international trade agreements, allowing the country to win market share at the expense of Brazilian producers.

"These subsidies have been the subject of several questionings at different committees in the WTO, but we saw no signs of changes," the Brazilian Trade Ministry said in a statement.

Although WTO cases take years before a ruling is reached, the move could shake up the global sugar market, given that Brazil and Thailand are the world's two largest exporters of the sweetener.

Last year, Brazilian sugar producers said they were gathering evidence to launch the case against Thailand and India for subsidies they say could cost them US\$1.2 billion a year in revenue.

Brazil said Thailand's favourable policies towards its sugar sector had the effect of raising the country's exports as a share of the global market from 12.1% to 15.8%



Farmers load sugar cane onto a truck in Chon Buri province. Brazil has accused Thailand of improper support for cane growers and sugar mills. PATIPAT JANTHONG

in the past four years.

Over the same period, Brazil's share fell to 44.7% from 50%, according to the ministry.

Thailand said yesterday that Brazil's claim was baseless.

"There is no government subsidy. Everything is consistent with trade

agreements," Worawan Chitaroon, deputy secretary-general of the Cane and Sugar Industry Policy Bureau under the Industry Ministry, told Reuters.

Monetary support received by Thai sugar producers came from the country's Cane and Sugar Fund, which raised the money itself, she said.

When the fund did not have enough money, it sought loans from the state-owned Bank for Agriculture and Agricultural Cooperatives, but the government did not have any role in this, Ms Worawan said.

Brazil's cane industry group Unica has been asking its government to take action against Thailand and India for some time.

It blames the policies of the two Asian countries for stimulating sugar production over a period when the commodity endured a long cycle of low prices that only now seems to be ending.

This is not the first time Brazil has challenged a country over sugar subsidies. Brazil won a landmark case against the EU in 2004 that triggered a complete overhaul of the bloc's policies for sugar production, which had long-lasting implications for the global market.

Brazil also won its case against US cotton subsidies before the WTO. REUTERS