

US slams China, India for putting Doha round into 'gravest jeopardy'

The Associated Press
July 28, 2008

GENEVA -- The United States slammed China and India on Monday, saying they were threatening seven years of work on a new global commerce pact and using some of the strongest language yet at a crucial set of talks at the World Trade Organization.

David Shark, a U.S. trade official, told the WTO's 153 members that the United States has "swallowed hard and accepted" a compromise proposal to open up trade in manufactured goods and agriculture.

But he criticized India for rejecting the package laid out by WTO chief Pascal Lamy, and China for backing out of terms it committed to last week.

"Their actions have thrown the entire Doha round into the gravest jeopardy of its nearly seven-year life," Shark said, according to a copy of his statement obtained by The Associated Press.

Rich and poor countries have clashed repeatedly since the round was launched in Qatar's capital in 2001. The trade body is hoping for agreement this week on a deal that would lower tariffs and subsidies on agriculture and manufactured goods, setting the stage for an overall trade accord by the end of the year. Signs of a breakthrough last Friday were followed by more entrenchment over the weekend.

India said the standoff was the result of unreasonable demands from the U.S. and other rich nations.

"If blocking means not accepting whatever the developed countries say, so be it," Kamal Nath, India's trade minister, told reporters. "It's not only India. We have 100 countries saying the same thing. It's the large economies that are isolated."

Shark said the two emerging powers are insisting on allowances to raise farm tariffs above even their current levels. That violates the spirit of the trade round, the U.S. and other agricultural exporters argue, because it is supposed to help poorer countries develop their economies by boosting their exports of farm produce.

But China and India are not alone. Faced with rising food prices, a number of developing nations have sought wide loopholes against opening up their farm markets — either by blocking certain strategic products such as rice or grains or through rules that would allow them to spike tariffs if faced with a sudden flood of imports.

Shark accused China of trying to carve out cotton, sugar, rice and other commodities from any tariff cuts under a WTO deal. He said Beijing and Delhi were working to protect their own interests by controlling a large group of even poorer nations.

"Ironically, these policies would have their most serious detrimental effects on precisely those poorer developing countries that already have such limited agricultural export capabilities," he said.

Cuba, Haiti, Indonesia, Philippines and Venezuela and are among over 30 WTO countries allied with India and China in WTO agriculture negotiations. The group also includes richer countries like South Korea, and often works closely with other WTO coalitions of developing nations from Africa, the Caribbean and Latin America.

Developing countries have sought steeper cuts in rich-world farm subsidies, which they blame for distorting global commodities prices and hindering Third World development. The U.S. and the European Union have demanded new market opportunities for their industrial goods and service providers in exchange. Washington also wants better conditions for farm exports.

After nearly a week of fruitless talks, a compromise proposal on Friday by Lamy finally cajoled major countries into making tough decisions.

It called for cutting limits on European farm subsidies by 80 percent and on U.S. payments by 70 percent. That, however, would not entail a reduction in overall spending for the U.S., which paid out only US\$9 billion last year in trade-distorting support to American farmers but would still be allowed to increase that to about US\$14.5 billion.

In goods trade, there were concessions for both rich and poor countries. Lamy's offer gave developing countries a choice for industrial tariff caps from 20 to 25 percent. The steeper the cuts developing countries chose, the more loopholes they receive to protect strategic industries such as automobiles.

While Brazil and China bit by tentatively accepting the compromise, India held firm. But diplomats from developing countries grumbled all weekend that Beijing's support was wavering.

Shark said unless China and India "immediately reverse course to become problem solvers rather than obstacles to the round, all of us will leave Geneva empty-handed."