

China downplays WTO subsidy deal reached last week with US

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GENEVA -- China downplayed an agreement it reached with the United States on trade-distorting tax subsidies, saying Tuesday that the deal the United States heralded as a breakthrough will actually mean few changes to Chinese trade practices.

In announcing the deal last week, the United States said it would resolve one in four cases against China brought by Washington to the World Trade Organization. But Sun Zhenyu, China's ambassador to the WTO, said most of the rules challenged by the U.S. and Mexico in the WTO subsidy dispute "have already expired or will expire as of January next year."

Beijing also said in a statement that officials "made it clear" in talks with their U.S. and Mexican counterparts that a value-added tax exemption for American and European firms buying Chinese manufacturing inputs "does not constitute prohibited subsidies."

Scrapping that tax rebate may, in theory, actually help some Chinese producers of finished goods compete against their U.S. and EU counterparts.

U.S. Trade Representative Susan Schwab claimed last week the economic boost for U.S. companies would be "very substantial" from the deal, because the Chinese tax breaks have been so pervasive. While she did not provide estimates on the value of the subsidies, she said a range of U.S. industries from steel to wood products to information technology would benefit.

The U.S. is still pursuing three other WTO cases against China: One for failing to crack down on rampant copyright piracy of U.S. products, one for hampering the sale of American movies, music and books, and a third for maintaining a tax system, illegal under the WTO, to block imports of foreign-made auto parts.