

# **U.S.-Europe Deadlock Said Jeopardizes WTO**

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WASHINGTON (AP) -- A deadlock between the United States and Europe on subsidies to protect farmers from competition jeopardizes the credibility of the World Trade Organization, the author of a major U.N. development report said Monday.

Negotiators working to strike a deal before a December meeting in Hong Kong of the WTO's 148 countries are stalled on the depth of farm subsidy and tariff cuts, which are crucial for poor countries trying to crack the markets of richer countries.

"What's at stake here ... is the future credibility and the dignity of the rules-based system that the WTO represents," said Kevin Watkins, chief author of the 2005 Human Development Report. "Are the EU and U.S. really willing to sacrifice the legitimacy and the credibility of the WTO by virtue of their failure to cut a real deal on agriculture?"

The so-called Doha round of WTO talks is meant to help improve economies in poor countries by cutting trade barriers. Farm subsidies and tariffs are seen as especially damaging in developing countries, which contend the protections keep world prices artificially low and undermine their exports. Watkins said developing nations are closely watching WTO negotiations leading up to Hong Kong. A pledge to substantially cut farm tariffs, he said, would show that rich countries are serious about trying to meet U.N. goals to reduce poverty drastically.

"Agriculture is the area where Doha could really deliver something of substance on poverty reduction," he said.

Rob Portman, the top U.S. trade envoy, said Monday that negotiators cannot begin work to cut trade barriers in services and industry until something is settled in agriculture. He blamed the deadlock on the EU, whose recent offer to reduce agricultural tariffs is well below what the United States has proposed.

"We've got to get the tariffs down, and the European Union is frankly not willing to provide meaningful market access by reducing their tariffs and quotas," Portman said during a trip to China. "That means that the rest of the world is being asked to live with a formula that doesn't reduce tariffs or quotas adequately."

EU and U.S. farmers argue that unchecked trade liberalization could ruin sections of the agricultural economy.

A message left with European Union officials wasn't immediately returned.

Watkins, however, called farm protection "a perversely regressive use of public finance. It's inefficient, it's inequitable, it's damaging to developing countries, and to try to defend it on the grounds that it is somehow maintaining the prosperity of the public sector ... is profoundly mistaken."

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