

# GATT debate in Indian Parliament puts government on defensive

by Susan B. Maitra and Ramtanu Maitra

The 11-hour debate in the wake of India's signing of the General Agreement on Tariffs and Trade (GATT) accord has rejuvenated the opposition and put the government of Prime Minister P. V. Narasimha Rao on the defensive. Despite repeated claims by Union Commerce Minister Pranab Mukherjee, as well as the prime minister's remarks, that India has done the best it could, there is a realization that under pressure the government made concessions which it should have shunned.

Flush with recent successes in the state assembly elections, the Rao government ran into immediate difficulties when a combined opposition staged a noisy demonstration inside the Parliament protesting against India's signing of the Dunkel Draft Text and charging that the government had gained nothing in the Uruguay Round of the GATT negotiations, which was successfully concluded Dec. 15 and is to be implemented by 1995. On Dec. 15 and 16, both houses of Parliament were rocked by protests over the government's decision to approve the Dunkel Draft report and sign the GATT accord. On both days, after raising slogans of "sellout," opposition members staged walkouts and forced the Parliament to adjourn for two successive days. Demanding a fresh debate, the opposition leader urged the prime minister to justify the Indian government's position. But Rao chose to keep away from the debate, and Union Commerce Minister Mukherjee was left to defend the Indian position alone, with some tepid support from the ruling Congress party parliamentarians.

## Government doublespeak

Besides the obvious tilt of the GATT Treaty toward the North, there are other valid reasons for the fury unleashed by the opposition leaders in the Parliament. To begin with, the Indian ambassador to GATT, Balkrishnan Zutshi, had gone on record stating in Geneva recently that there exists "a deep imbalance in the exchange of concessions in the areas of textiles and agriculture." Zutshi pointed out that the developing countries are making larger offers in catering to the interests of developed countries, when "it should work the other way around." He also said that in tariff-cutting offers made by the developed countries in textiles and farm produce, "we can't see as much liberalization as we would want to see." He added that there is a general mood of frustration, and that the developing countries are making large concessions to the interests of the developed countries.

Zutshi's statements triggered apprehensions which

should have been expressed by the opposition earlier. In November, GATT Director General Peter Sutherland was in New Delhi urging India to sign the Dunkel Draft on the dotted line. Sutherland brazenly told Indian officials that they could negotiate with the developed nations bilaterally later. From what Sutherland said, it was difficult to figure out whether the GATT director general represents the body that promotes multilateral trading, or is a spokesman for the Group of Seven (G-7) advanced countries, which are demanding that India concede multilaterally, with the "promise" that the G-7 will reciprocate bilaterally. Surprisingly, as with the discussion on the Dunkel Draft generally, which is now over a year old, Sutherland's strong-arming escaped the opposition's notice.

The issue has been under constant scrutiny and discussion for some time. The report submitted by the Parliamentary Standing Committee on Commerce on the impact of the Dunkel Draft on India made it clear that India's interests in agriculture and the services' sector, particularly banking and insurance, must be protected at all costs in the Uruguay Round of talks in Geneva. In the report tabled in the Rajya Sabha (the upper house of the Parliament) on Dec. 14, the committee expressed the view that the Dunkel proposals would discriminate against Indian agriculture, since subsidies have to be limited to an upper bound of 10% of the value of the output for developing countries. The report also warned that by including agriculture, the Dunkel Draft proposals could help the developed countries to capture the food markets in developing countries and also to control the gene sequences, microbial resources, and genetic engineering. The committee also expressed concern about the applicability of the provisions regarding minimum access (3% of the agricultural output) for imports to India.

As the parliamentary committee report woke the opposition from its deep slumber, the government went on mobilizing forces to knock the bottom out of the committee's report. Taking a stern position, the commerce minister told the Parliament, amidst chaos and sloganeering, that none of the apprehensions are valid. While at least some opposition leaders demanded India quit GATT, Mukherjee went on playing a pacifier's role without stating anything substantial. "If we are to opt out of the new agreement, the possibility of our major trading partners insisting upon a much earlier introduction of product patents on the threat of imposition of restrictions on the export of our goods into their markets, cannot

## Nobel economist hits GATT once again

French economist Maurice Allais again denounced the GATT accord in the Paris daily *Le Figaro* on Dec. 28. He specifically refuted the arguments of two GATT "economists," Richard Blackhurst and Alice Enders, in *Le Figaro* on Nov. 30. He called their arguments absolutely unfounded, and gave several examples of their incompetence and bad faith. One example of this, Allais said, is that no one at GATT wants to consider the effects of monetary fluctuations on trade.

Allais wrote: "The same men at the World Bank, the OECD, and GATT, who hold out the prospect of an increase in wealth of \$213 billion per year . . . by the year 2002, remain absolutely silent about the financial flows

amounting on the average to \$1.1 trillion *per day*, which is 40 times more than the amount of flow corresponding to trade payments. These financial flows *destabilize exchange markets totally* and make it impossible to apply trade agreements in any reasonable way. The fact that experts from leading international institutions practice such disinformation, consciously or unconsciously, is beyond comprehension."

Allais attacked the so-called profession of economists. The two GATT economists had written that "the large majority of their fellow economists agree with their conclusions." Allais responded: "Here, the GATT 'economists' confuse *scientific truth* and *majority truth*. How could it be reasonably maintained that scientific truth can be decided upon by a majority vote? For centuries, that majority was convinced the Earth was flat, at other times, that the Earth was at the center of the world. Today we know that this was a matter of 'collective deception.' "

be ruled out," Mukherjee said. But he assiduously avoided comment on what happens if India signs on a trade agreement which is patently biased and which may even infringe on India's sovereignty.

### Opposition on the offensive

While Mukherjee's weak defense and Prime Minister Rao's disinclination to join the debate did little to calm the critics' nerves, what fired up the opposition was a news report that the Parliamentary Standing Committee's report on the Dunkel Draft Text had already been thrown into the dustbin and that the government had given the green light to sign the GATT accord. Opposition leaders challenged the government's authority to ignore the Standing Committee report without any discussion in the Parliament.

Pushed to the corner, the government announced the signing of the GATT accord. Union Commerce Minister Mukherjee coupled the announcement with an upbeat report that India had thwarted an eleventh-hour effort by the developed nations to force open its textile market. "We took a position that the multi-fiber agreement was a derogation from GATT, and the integration of the textiles trade into GATT was not something that required any contribution from us. We sustained our position in spite of concerted demands on us," Mukherjee proclaimed.

However, it is a matter of conjecture how much India "retained its position" against the developed nations' onslaught even in negotiating the textile trade. What came out a day after Mukherjee's speech, raises some questions. It seems that hours before the new GATT accord was concluded in Geneva on Dec. 15, India undertook to cut import duties on 17 textile products from their current average level of 85%, to 40% over a 10-year period. This was a trade-off to

fend off the U.S. demand for an extension of the period for phasing out textile import quotas from 10 years to 15 years. These tariff concessions, agreed upon by India, may not be significant, but they are the first instance of India conceding to undertake tariff binding on consumer goods. During the trade negotiations, India had committed itself to fixing tariffs at 40% for capital goods, intermediates, and raw materials, but it had specifically excluded all consumer goods and agricultural products.

The opposition's effort to make GATT and the Dunkel Draft signing a major political issue at this point has not gone unnoticed at the highest level. Prime Minister Rao stated that India got the best out of the deal and that he will not allow any further discussion on the issue in the Parliament.

There are reasons for such defensive moves by the government. Despite repeated assurances by Union Commerce Minister Mukherjee to the effect that India's trade would go up by \$2-3 billion because of the new treaty, the OECD study "Trade Liberalization: Global Economic Implications," which projects that world trade by the year 2002 will go up by \$213 billion due to the new global liberalization, has already been exposed as a blatant fraud. The study, based on the RUNS model developed by the World Bank, among other axiomatics assumes "perfect competition" among all countries in the world. Even the economic adviser to the GATT director general and a virulent free-trader himself, Prof. Jagdish Bhagwati, had to state recently: "Nobody really knows. The \$200 billion figure you keep hearing relates to the extent of incremental trade, which we expect to get, according to some models. But I have been in this game long enough to know that it is almost astrology to forecast specific numbers." However, it is the specific number that has been touted by the commerce minister repeatedly to justify signing the Dunkel Draft.

## Key points of the treaty

The key points of the new GATT treaty include:

- Industrial countries will reduce tariffs on most manufactured goods by more than one-third to an average of 3%.
- There will be a reduction in the volume of subsidized agricultural exports.
- Trade in services such as banking and insurance, and export of skilled manpower, are brought under GATT.
- The multi-fiber agreement is to be phased out over a period of 10 years, because textiles will come under GATT.
- There will be a 20-year protection for patents, trademarks, and copyrights, but developing countries get a 10-year phase-in period.

Indian government spokesmen point out that to pull out of GATT is simply impossible, because it would force the country to deal with trading countries bilaterally—a proposition much dreaded by the developing countries' negotiators. It will also mean that India will not be given Most Favored Nation trade status, meaning that duties on Indian exports are not more than those of any other nation's, which may most certainly affect India's trade. On the issue of India's bargaining position during the negotiations, New Delhi has often pointed out that India's overall trade is less than 0.5% of world trade, and hence India has little bargaining leverage.

Neither of these points can be ignored, but it is also important to note what signing the treaty really means. The Indian Drug Manufacturers Association (IDMA) has voiced serious concerns over the government's acceptance of the Dunkel Draft proposals, and said that the biggest error that India made was to allow the trade-related intellectual property rights (TRIPS) to be part of the negotiations. The president of the IDMA accused the Indian government of succumbing to U.S. pressure, and pointed out that if TRIPS, as formulated by Dunkel, were accepted, the prices of drugs and medicines would go up several times, exports would go down, and imports would increase. It would also allow the multinationals to have a monopoly over the market and this would result in price and supply distortions. Threatening to move the issue to the courts, the IDMA president said that in a poor country like India, the enhanced price of drugs and medicines will create chaos.

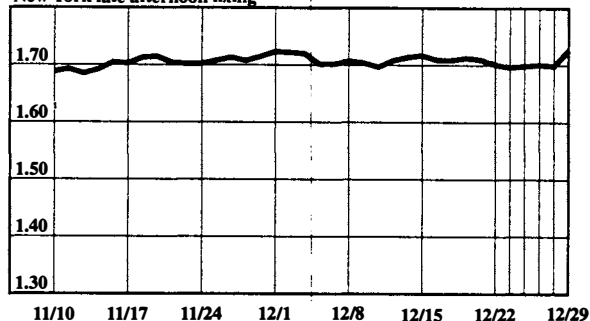
Besides textiles, food, and pharmaceuticals, concerns have been expressed about patenting life as part of TRIPS. Beginning with micro-organisms, it forces monopoly intellectual property rights regimes in the form of patents or breeders' rights in the areas of seeds and plant material. This gives license to the violation of farmers' rights to biodiversity and their collective IPRS. It also creates a regime for intellectual piracy under the pretext of IPR protection.

One important point to be noted by both the opposition and the Indian government, is that the article on biodiversity will be up for review in 1993, and it will be essential that farmers' rights and intellectual property rights are adequately discussed, and a mechanism to protect these interests worked out in advance.

## Currency Rates

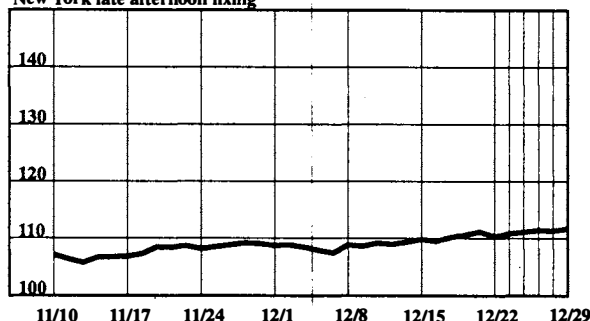
### The dollar in deutschemarks

New York late afternoon fixing



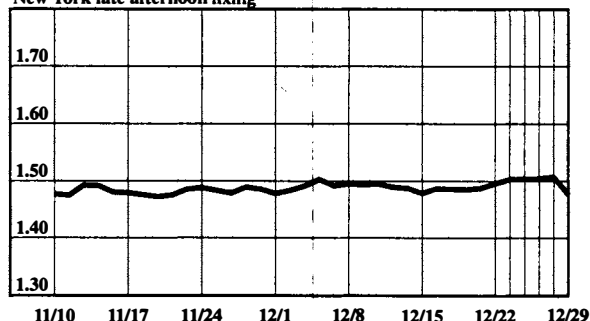
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

