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 virulant 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.