

India has not gained substantially from the GATT agreement and there are elements that go against our interests. But in the absence of any alternative — save bilateral negotiations — it was the best that India could have hoped for, says Uttam Gupta

THE GATT treaty has been described in political circles here as tantamount to infringement on our sovereignty. There are other important and far-reaching dimensions of the new rules of international trade that also need to be addressed but the question of economic sovereignty is paramount.

When some talk of compromising economic sovereignty, the implicit reference is to the alleged surrender of our freedom on questions relating to farm subsidies, public distribution system and food security.

The commerce minister has said that "public procurement, stock holding and sale and subsidies to the rural and urban poor would be exempt from all commitments". In other words, the poor will continue to be protected. Already the government has decided to exclude the rich from PDS while aiming for a better targeting of PDS.

The agreement on reduction of farm subsidies is irrelevant to countries where the subsidies are less than 10 per cent of the value of agricultural production. In India, during 1991-92, the subsidy on food and fertilisers put together was only five per cent.

Even after adding other subsidies, such as on irrigation, credit

and seeds etc., our aggregate farm subsidies would be well below the 10 per cent level. Consequently, there is no threat from GATT on this score.

On the contrary, as a consequence of substantial reduction in subsidy support by developed countries to their farmers, it should be possible for us to penetrate their markets.

In the area of patenting of seeds and plant varieties, the key issues are whether the farmers' interest in use of protected plant varieties and the rights of plant breeders and researchers will be adequately safeguarded.

Charting India's course in the GATT world

The farmer's right to retain seeds for use in the next crop or procure them through the traditional exchange route has been safeguarded.

This is particularly welcome given the fact that 97 per cent of seed requirement in the country is met in this manner. The sale of seeds from the National Seeds Corporation is just about 0.6 million tonnes.

In view of this, even the proposed prohibition on commercial purchase of seeds by the farmers may not have very far reaching implications so long as in the contemplated amendment to the Patents Act we safeguard the farmer's right to procure and use seeds in the conventional manner.

On plant breeders' rights and rights of researchers, the legislation will have to be carefully drafted as the predominant focus of research activities in India is on cross breeding imported seeds/plant varieties with indigenous varieties.

Given the predominant position of MNCs in processing/improvisation of naturally occurring genes, the threat to continuation of our research activities is real.

On balance, it can be safely argued that the risk to the food security goal is not all that great. But, that is subject to the authenticity of the safeguards indicated by the government.

With regard to agricultural exports, the agreement has opened up tremendous possibilities. In the field of market access, the developed countries are expected to reduce import tariffs by 36 per cent over a period of six years.

Although, between themselves, the US and the EEC have agreed to cut tariff by 50 per cent, this does not dilute the competitive edge of the developing countries

in several key areas where they are distinctly better placed.

In the field of textiles, drugs and pharmaceuticals and financial services, however, there are some genuine concerns. Our real problem is that despite the reduction of the time-frame for dismantling the MFA, 49 per cent of the quotas will remain in place at the end of the 10-year period.

Further, the agreement does not provide for a faster elimination of quota restrictions under MFA in the initial stages. Worse, during this period, we have agreed to lower import duty from 85 per cent to 40 per cent on 17 textile items.

This highly inequitable arrangement will mean increased imports without a commensurate increase in exports.

In the field of drugs and pharmaceuticals, much will depend on the veracity of the claim that 80 per cent of the drugs manufactured and used in the country are outside the purview of the patents regime and, consequently, their prices will remain unaffected.

The risk of a steep increase in prices of the remaining 20 per

cent is indeed great. Although, according to the government this can be minimised by taking recourse to the provision of compulsory licensing or invoking domestic controls, there are conflicting reports that under the GATT agreement, even when the patent is not being worked, the route of compulsory licensing is no longer available.

With respect to financial services, reports from the commerce ministry seem to indicate that no access has been granted to foreign companies to enter core services sector of retail banking, life and general insurance and basic telecommunications.

Here again, the very act of incorporating financial services within the GATT rules, as also the one-upmanship of the USA in denying access to its lucrative markets — to which the GATT agreement seems to have no objection — has some dangerous signals for developing countries, including India.

We may not have gained substantially from the GATT deal. In fact, there are clear-cut losses in certain respects. But, the key question is, if we do not become a party to it, what is the alternative?

Clearly, if we do not want to remain isolated, the only option is to negotiate with the US, EEC and other countries bilaterally. We have ample evidence to show that this approach is dangerous. Already, in the proposed textile agreement with USA, we are not able to secure the desired growth in exports.

In the words of Mr Pranab Mukherjee, a multilateral trading system with provision of Most Favoured Nation (MFN) ruled-based trade and transparency is distinctly better.

In fact, in the event of unilateral trade action, we have the option of falling back on the multilateral dispute settlement system.

The GATT trade deals is a *fait accompli*, essentially leaving no choice with any country as far as the basic package is concerned. We have to plan ahead in a manner that would best serve our national interest in different areas of economic activity.