The sovereignty trap

22/12

National sovereignty and national interest are two different things, especially with regard to the labour standards issue, argues **Narendar Pani**

6 1-8

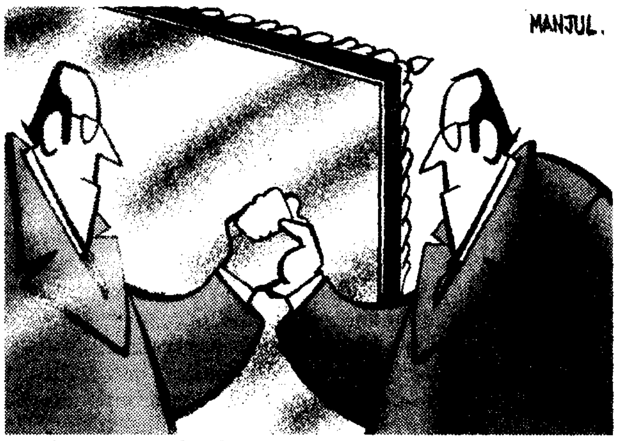
AFTER being told for years by academic economists that the efforts to link labour standards to trade are an attempt by the developed world to build protectionist barriers against imports from developing countries, there now appears to be a change in the script. One academic economist, Prof Arvind Panagariya, chose to point out in these columns (20/12/00) that labour standards are not implemented in the United States either. If there were to be uniform labour standards it would not only be the developing countries that would be affected, but also the developed ones. This should normally have led to a recognition that viewing the labour standards issue entirely in terms of the North-South divide is not just incomplete, but could also be misleading.

This is, however, not the conclusion that Prof Panagariya reaches. This latest bit of evidence does nothing to shake his faith in not allowing a link between labour standards and trade. And the reasons he offers for ignoring the evidence from the developed world are not entirely convincing.

First, Prof Panagariya argues that the American evidence does not make a difference to what could be debated in the WTO, because the concept of labour standards presented by the US completely ignores the areas where that country is weak. That the United States presents a concept of labour standards that is one-sided cannot be disputed. But surely the US can only be expected to present its case in the WTO in a way that suits it. It cannot be expected to take care of Indian interests. That is the job of India's representatives in the WTO. And these officials cannot do so because they are insisting, arguably on the advice of economists like Prof Panagariya, that there should be absolutely no discussion on labour standards in the WTO. If India abdicates its responsibility to present its view of labour standards, it cannot then complain that the dominant views in the WTO do not protect its interests.

The second argument that Prof Panagariya offers against efforts to link labour standards to trade is that it will not work. Countries are not going to like an international body interfering in their labour laws. If the WTO is sensitive to these objections, its methods of intervening will be so soft as to be ineffective. And if it were to use the full force of its instruments, the reaction from all countries would be so strong as to lead to all-out trade wars.

This argument, based on prickly national governments, sounds very good in theory. But in practice things have not been as black-and-white. The WTO has not been in a hurry to use its power to impose sanctions. And yet it has been able to persuade countries to alter domestic laws. The laws that have been changed include some very sensitive ones like those on intellectual property rights. Countries have come to understand that these changes are necessary to tap the potential provided by the global economy. It is then in their interests to change these laws.



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The process of arriving at this understanding has, of course, not always been easy in India. It is fashionable in this country to place national sovereignty above national interests. The entire liberalisation process was carried out largely independent of international negotiations, in order to protect national sovereignty. As a result there was no attempt to link the opening up of Indian markets with the opening up of markets of other countries. In fact, in several commodities India lowered its duties well below what it was bound to do under WTO norms.

Thus, Indian producers did not always get access to foreign markets on par with the access foreigners had to Indian markets. The debate on labour standards has also been affected by the desire to put national sovereignty above national interest. It is, presumably, no one's case that there should be no effort to improve labour standards within the country. All that Prof Panagariya and others are saying is that we should do so on our own without the pressure of a link with trade. The international aspects of the issue should be kept within the benign confines of the ILO.

But there is now an increasing body of evidence to indicate that this priority for national sovereignty in labour standards may not be in India's national interest. The most striking example is the rapid growth in imports from China. This challenge is unlikely to disappear, what with the price advantage these imports enjoy as well as the fact that the remaining quantitative restrictions are to be removed next March. And one of the factors behind the price advantage is the fact that Chinese manufacturers can ignore labour standards. If India continues to refuse to link labour standards with trade even after China joins the WTO, it would certainly be sacrificing the interests of domestic producers who adopt legal labour standards.

India would be at a disadvantage in the markets of the developed world too. Without uniform labour standards and an international body to monitor them, the labour standards argument could be used arbitrarily. Individual developed countries can effectively hurt the imports of specific Indian products. Even if they do not directly block imports, they could use the argument of inadequate labour standards to convince their consumers not to buy specific Indian products. And this arbitrary targeting need not be confined to products where the competitors are from the developed world. Targeting Indian products could also be used as a weapon to woo the Least Developed Countries who produce competing products. And the US and EU have been wooing these countries in order to get the numbers the developed world needs in the WTO.

Making the right judgements in this trade-off between national sovereignty and national interest is not easy. There will be times when national economic interests have to be sacrificed in order to protect national sovereignty and vice versa. And these judgements are not entirely independent of the environment in which they are made. The judgements made by those facing the harsh realities of Chinese imports, could be very different from those made under the influence of the yule-tide spirit within the environs of Western academia.

The Economic Times

22 DEC 2000

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Looking for the right balance

India should remember that the WTO is the only forum in which the South can correct anomalies by pressure at the negotiating table, writes **Subhodip Ghosh**

The World Trade Organization, or the WTO, in common parlance, has captured the imagination of an entire generation of academics, businessmen, not to mention politicians. Yet, recent developments have led to a question. Is the WTO at all desirable? The much-hyped Seattle ministerial meeting last year has turned out to be a damp squib and voices of dissent against the alteration of domestic legislation in conformity with WTO provisions are getting louder.

The matter has especially assumed importance recently because the time limit for the developing countries to alter their policies is about to be reached soon. For example, India, which has already "freed" some items from its import restriction list will have to abolish quantitative restrictions on all 715 remaining commodities by April 1, 2001.

This may not be good news for our producers, especially those in the sick, loss-making units in the smallscale industry sector. But this will certainly be a boon for the traders who will now have the opportunity to import a variety of items at an extremely low price from low cost producers in countries like China.

While this might invite anti-dumping duties from the Indian government on the Chinese producers, thought must be given to the fact that the Chinese are indeed producing their goods at a much lower cost than their Indian counterparts. After all, the domestic consumers, faced with a variety of low priced products are the net gainers. Moreover, elimination by competition is the best way to exit the market as this minimizes losses, unless of course the board for industrial and financial reconstruction would like to sustain the sick units which have no hope of becoming financially viable again.

The deputy director general of the WTO, Paul-Henri Ravier, has recently stated that the next ministerial conference of the organization will be held at the end of this year. The likely venue is Qatar. With the failure of the Seattle meet, the news of the next conference should generate quite a degree of anticipation in industrialists and negotiators.

Not only have the issues of agriculture, anti-dumping, textiles and clothing failed to evoke a consensus among the developed and the developing countries, new issues relating to labour standards and environment have added to the list of controversies. The strategies of the major players regarding these issues are yet to emerge. Hence much depends of how well negotiations are undertaken.

For example, although the agreement on agriculture strives to reduce distortions in the trade, the real picture is a conflicting one. The United States and the European Union were at loggerheads for a long time owing to the barrier imposed by the EU in the form of export subsidies.

While developing countries, handicapped by their fiscal constraints, cannot subsidize their farmers too much, the rich nations effectively hide a large chunk of their support to agriculture — around 60 per cent — by inventing the "green box" policies. This is allowed by the WTO under the category of domestic support, which cause minimal distortion to trade. The strategy of allocating quotas to supplying countries and imposing prohibitive tariffs on imports beyond them (known as tariff rate quota) is also a common practice in the North.

Such malpractice will continue unless tackled head on. The US and the EU will go on providing export subsidies unless stopped. Not only should they be asked to reduce subsidies at the aggregate level, an attempt must also be made to ensure that they do not concentrate their subsidies on a few select commodities.

Extreme measures won't help

To its credit, New Delhi has notified its intention to modify the tariff bindings of some crops for which India is already self-sufficient and thus disallow free imports. Yet, more needs to be done. For example, India should argue for the abolition of the TRQ system, which is seen as a means for providing market access. India may also negotiate for the right to impose countervailing duties equivalent to the export subsidies by exporting countries on specific commodities.

The other area of concern for the entire developing world relates to the agreement on textiles and clothing. The good news is that the multi-fibre agreement is all set to be abolished. The MFA was a thorn in the way of free trade in textiles because it allowed for export quotas. This meant that the West, with no comparative advantage in manufacturing textiles, could export textiles using their superior technology while restricting the market for the least developed countries' exports in the process.

The bad news is that the process is slow and India is likely to get into a direct confrontation with other developing nations that have gained from the quota system in the past. To their credit, our negotiators have argued that the integration process should be commercially meaningful and the anti-dumping action against quotas should be done away with since they are already under quota restrictions.

The point is that the 10 year phase out of quotas is yet to be over. As very little liberalization is expected to happen before 2002, there is no point in complaining about the Uruguay round package. The emphasis should be on the fact that liberalization should cover all major groups of textiles like yarn fabrics, made-up textile products and clothing and not just yarn and fabrics as has been done in the past by most nations.

The areas which generated the most heated arguments between the North and the South are undoubtedly the linking up of trade and environment and labour standards. There is no doubt that developed countries will try to permit exceptions to WTO norms on environmental grounds. Quite rightly, India has argued for the transfer of environmentally sound technology from the developed to the developing countries which will enable the developing world to adopt largescale environment friendly projects.

Environmental issues connected the sanitary and phytosanitary measures act as non-tariff barriers because this agreement sanctions standards better than international norms, provided these are based on scientific criteria — which is a vague expression. The positive point for the developing world is that there is a consensus among all developing countries in resisting protectionism through frivolous means.

Similarly, the issue of labour standards is best addressed through the International Labour Organization. One interesting fact is that India has signed far more ILO conventions than several developed countries. As far as the issue of child labour is concerned, each nation should tackle this through internal legislation because of the uniqueness of each country regarding the minimum age of employment. Further, only five per cent of child workers currently produce goods that are exported. Trade sanctions will only move these children into other, less pleasant employment.

The new round of negotiations gives the developing world its chance to become actively involved in the process. It can only be stressed that non-participation in negotiations and constant bickering for special and differential treatment has led to the present situation where the developed nations always get their way in international trade. The fact that countries like India can team up with certain developed nations will give them a headstart.

For example, India can join hands with Australia and New Zealand since these countries will provide enough ammunition against "unjust" tariffs and "green box" policies, which enable users to impose limitless subsidies, thus bypassing WTO norms.

Japan, whose subsidies are more than the net contribution of agriculture to its gross domestic product can be cited as an example. However, Australia and New Zealand being the beneficiaries of the TRQ system by virtue of consistent exports of agricultural commodities are in its favour while India is not. Herein lies the essence of negotiations.

The WTO is perhaps the only forum which gives the South the chance to correct the anomalies by applying pressure at the negotiating table. The emerging coalition between interest groups in the US — as that between the labour unions and the green brigade — shows that the system has lost its faith in multilateral trading, which is a key to all round growth. A team effort from all the developing nations is required to tackle these problems. In this light the next ministerial meeting assumes tremendous importance.

> **‘Not only have the issues of agriculture, anti-dumping, textiles and clothing failed to evoke a consensus among developed and developing countries, new issues regarding labour standards and environment have been added to the list of controversies’**

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UNFAIR AND UNFREE

This year's "Global Economic Prospects" report by the World Bank has come down heavily on protectionist measures adopted by developed countries and the resultant denial in market access to developing countries. The "quad" countries (United States, European Union, Japan, Canada) have been singled out. There are several strands to the criticism, articulated earlier in individual World Bank papers, now collated together. The first concerns tariffs on industrial or manufactured products. Tariffs on these have indeed come down, post-Uruguay Round, but average low tariffs in developed countries conceal high peak tariffs on individual items. Tariffs are generally higher on labour intensive products exported by developing countries than on capital intensive products exported by developed countries. Specific duties, as opposed to *ad valorem* ones, also translate into high tariffs. There is also the phenomenon of tariff escalation — low tariffs on raw materials, higher ones on intermediates and highest ones on finished products. This discourages value addition in developing countries.

A second strand is specific to textiles and garments. While quantitative restrictions on imports will progressively be phased out by January 2005, there is a lot of backloading, with garments not being liberalized before 2002. Even when these QRs are eased, tariffs will continue to be high on imports of textiles and garments. The third strand concerns agricultural products (meat, sugar, milk, dairy products, chocolates, tobacco, fruits and vegetables). In many ways, developed countries have circumvented the spirit, if not the law, of liberalization proposed in the Uruguay Round. Artificially high tariffs were set in the base period of 1986-88, so that reductions took place on a higher base, a phenomenon referred to as dirty tariffication. Export subsidy reduction commitments may have been adhered to at an aggregate level. But high export subsidies on exports of agricultural products have been maintained at an individual level. Tariff rate quotas (with low tariffs below a threshold level of imports and higher tariffs above the threshold) have been extensively and non-transparently used. The agriculture agreement permits exemptions on domestic reduction commitments through green and blue box policies. These have been misused. Fourth, food and sanitation requirements (or even technical barriers and labelling requirements) have been used as non-tariff barriers, since the Uruguay Round agreement allows standards that are higher than internationally recognized ones. Fifth, antidumping and anti-subsidy investigations have been used against developing countries, often as a disguise for protectionism.

This may not be a complete list of woes, but is indicative. It is therefore not surprising that many developing countries are lukewarm about the prospects of a Millennium Round, since they feel that the promised market access liberalization of the Uruguay Round hasn't happened. Without condoning the behaviour of developed countries, the question to ask is — what should developing countries do about this? Economists like Mr Jagdish Bhagwati have argued that developing countries need to be more aggressive in pushing for liberalization, since developed countries are increasingly becoming protectionist. If this is not done, developing countries will continue to be marginalized. But for this logic to be accepted, developing countries have to accept the logic of free trade, which continues to face resistance. Complaining about the World Trade Organization system being unfair does not get one very far. A country cannot afford to stay out and redressal available within the system is not being sufficiently used by developing countries.

The prevalent patent regime prevents low cost medicines from reaching the poor

xv8 28/8

Drugged by patents

BY VANDANA SHIVA

THE AIDS epidemic has made evident the fact that the cost of health care and drugs is becoming prohibitive in the entire world as a result of implementing US-style patent regimes. Currently, there are approximately 32.3 million cases of HIV/AIDS in developing countries. More than 2.5 million people die each year from the disease.

While a cocktail of drugs has reduced mortality by 75 per cent over a three-year period in the US, the treatment is costly. Annual treatment costs range between $ 10,000 and $ 15,000. Even if the UNAIDS initiative subsidised the price by 85 per cent, the cost would be approximately $ 2250 per year. And AIDS is only one among other killer diseases like malaria and tuberculosis in the third world.

In poor countries, drug prices are closely connected to exclusive marketing rights (EMRs) and product patents. Patents preventing generic drug production or cheap imports put drugs beyond the reach of the common people in such countries where GDP per capita ranges from $ 140 to $ 6,190. People with AIDS in these countries are thus condemned to premature death.

However, with generic drug production, drug prices of AIDS drugs in third world countries are, on the average, 82 per cent lower than prices in the US. The price of treatment also comes down. For example, Flucanazole, a drug used to treat AIDS, is not patented in Thailand. Pfizer was selling the drug for $ 6.20 while the Thai manufacturer priced the drug at 0.3,297 times cheaper than Pfizer.

Brazil is a country that has made the most progress in producing low cost AIDS medicines. Brazil provides AIDS therapy for $ 192 per month. Starting in 1994, the Brazilian government urged local companies to start making drugs to treat AIDS. The government invoked 'national emergency' provisions in its patent laws to start manufacturing low cost anti-retrovirals such as AZT.

Brazil makes eight of the 12 drugs used in the so-called AIDS cocktail. As a result, prices have gone down by more than 70 per sent. The availability of cheaper drugs has enabled the Brazilian government to provide anti-retrovirals to more than 80,000 citizens by the end of 1999, which has led to a more than 50 per cent drop in AIDS related mortality between 1996 and 1999. This has also allowed the government to save $ 472 million in hospitalisations.

However, instead of applauding Brazil for its success in fighting AIDS through generic drug production supported under its 1997 Patent Law and making this kind of law a model, the US has taken Brazil to the WTO dispute panel in order to force Brazil to undo its patent laws. If US patent monopolies are globalised through TRIPs as a result of being allowed to undo Brazil's patent laws, then millions of AIDS victims in the third world will be denied affordable treatment.

MEDICINE WITH FRONTIERS: Indinavir, one of the ingredients of the 'AIDS cocktail'

In 1977, the South African government also passed a law to provide access to affordable medicines by using the provisions of compulsory licensing and parallel imports. The aim was to reduce the cost of treating HIV/AIDS by 50 to 90 per cent. With over 4 million AIDS patients, the government action was a public health imperative. Yet, all pharmaceutical giants mobilised to challenge the South African law. They later backed down from a legal confrontation last month signalling a victory for the South African government.

Many countries like India have evolved sovereign patent systems which have excluded patents on medicine and food in order to prevent "profiteering from life and death". Only process patents on methods of production of pharmaceuticals have been allowed as product patents in sectors such as food and medicine create monopolies, thereby increasing prices in the vital areas of health and nutrition.

In India, the 1970 Patent Act was shaped by obligations as laid down in the Constitution. After the 1970 Act was enacted, the number of registered pharmaceutical producers (small, medium and large scale) increased from 5,000 to 24,000 with 250 large/medium and 8,000 small-scale units.

The production of pharmaceutical products also grew 48-fold from Rs 250 crore in 1971 to over Rs 12,068 crore in 1997-98. In a short period of less than 10 years, exports increased from Rs 228 crore in 1987-88 to Rs 4,090 crore in 1996-97. The multiplicity of producers has been possible because the 1970 Act did not allow product patents in medicine.

This competitive environment and exclusion of product patents in medicine has created self-reliance in medicines and kept the prices of medicine within reach of the common man. Prices of medicines in India are in fact much lower than in other countries.

Indian medicines are far cheaper than even those in industrialised countries and other developing countries like Pakistan and Indonesia. This is primarily because many developing countries like Pakistan have continued with the colonial 1911 Patent Act inherited from the British which has maintained total dependence on imports with no development in indigenous capacity for production.

The executive director of Pharma Bureau, an association representing multinationals, was quoted in *SCRIP* (August 9, 1996) as saying that multinationals will transfer their investments to the Pacific Rim, unless the industry is guaranteed fair and reasonable profit. Pakistan has also been forced to implement the provision of EMRs post the TRIPs agreement.

Earlier, the US had taken India to the WTO dispute panel to enforce patent monopolies in pharmaceuticals. Besides India and Brazil, the Dominican Republic, Argentina, Vietnam and Thailand have all been threatened by the US under its Special 301 laws. Challenging the might of the WTO, the US government and pharmaceutical giants, CIPL an Indian drug company, announced tat it would sell AIDS therapy for $ 350 year or less to Medicines Sa Froners, which will distribute it for free in Arica.

In 2000, Glaxo Wellcome threated to sue CIPLA when it tried to sell a neric version of a Glaxo anti-AIDS drug mbination in Ghana. The African R onal Patent Authority ruled against Glo, but CIPLA stopped selling the generi rugs.

Even industrialised nations h been severely impacted by changes patent laws. In 1994, after the North rican Free Trade Agreement (NAF came into force, pharmaceutical pla started to close down in Canada.

This pattern of closure of mestic industry and manufacturin apacity and dependence on imports a esult of implementation of US-style ent laws has been repeated in other co ries.

Patent rights are clear working against patient rights. The of AIDS drugs also exposes the myth t product patent regimes help in figh diseases. By preventing the makin low cost generic drugs, 24 patents drugs can become a cause for the spr of diseases rather than the cure of ases in the third world. And patent opolies prevent low cost medicines m reaching those who need them the t — the poor.

Since patent monopol ad to higher prices, measures for s uarding the public interest are ver essary. Such measures include com ory licences; licences of right; auto ic lapse; revocations; use and exp iation by the State; provisions agai ailure to work or insufficient worki nd limitations on the importation o patented articles and on failure atisfy national market demand. The easures are necessary becau in t absence private gain is at pub cos

his edited extract from Patents: Myt Re *by Vandana Shiva,* *pu d by Penguin India*

WEF CRITICISM / INDIA OVER-REGULATED, UNDER-GOVERNED: SMAJDA

'Political infighting affecting reforms'

HD-1

By Our Special Correspondent

NEW DELHI, NOV. 27. The World Economic Forum Managing Director, Mr. Claude Smajda, today laid the blame for the business community's "sullen mood" at the doors of bureaucrats and politicians who were going slow with reforms to guard their turf.

Charging the Government with failing to create a link between reforms, growth and job prosperity, Mr. Smajda said speed and flexibility in undertaking reforms were affected due to bureaucratic inertia. The WEF Managing Director said the passive bureaucratic response to reforms was due to infighting in the ruling coalition and the constant opposition by organisations such as the Rashtriya Swayamsevak Sangh.

"All these signals give an excuse to bureaucrats to go slow. Since he is insecure, this allows him to cling to his perks. Lack of speed and flexibility boils down to the insecurity issue," he reasoned.

While India had all the components to make it big on the international stage by carrying out radical reforms, Mr. Smajda felt politics was impeding the pace. "The Prime Minister and the Finance Minister are convinced proponents. But, by and large, political reforms have been accepted by few politicians. The economy is subservient to politics," he regretted during an hour-long extempore address.

Mr. Smajda also dwelt on the need for a strong state to push and sustain the reforms process. This understanding was being repeatedly aired by proponents of market economy over the last one year and Mr. Smajda also sought to put the issue in perspective. "Contrary to what has been said, reforms do not mean downgrading the Government. In fact, it requires a much stronger Government. India is a typical example of an over- regulated and under-governed country."

'Stop meddling in economy'

Calling upon the Government to "stop meddling" in economic activity and start taking care of social objectives, Mr. Smajda pointed out that "software, biotechnology or pharmaceuticals will not sustain India's growth and industry. With just 3.5 per cent of the GDP being spent on social development, a country has little chance of becoming a full player in the 21st century."

A look at the country's economic indicators does not indicate that the picture is as bad as the mood suggests. Part of the anxiety stems from uncertainty about the future and the fear of being unable to retain the present market share. The apprehension in the Indian business community was not unusual because traumatic pressures due to the advent of globalisation and e-economy were "no less" than in Europe, Japan and the U.S., but in a different context.

Here to deliver the annual address on the state of the Indian economy and the progress made towards opening the economy to market forces, Mr. Smajda referred to several positive developments such as the opening of the insurance and telecom sectors which should not be underestimated. But gross capital formation had declined, partly because of the high cost of capital.

Speaking at a later session, the Disinvestment Secretary, Mr. Pradeep Baijal, was not hopeful of the Government meeting the current year's disinvestment target. But since the process had started in earnest, the Government should do better in the next fiscal. "There is no correlation between performance level and target. There will be trouble if we go wrong in our anxiety to reach the target. It is the target and not the shortfall which is important," he observed.

THE HINDU

28 NOV 2000

Oppn, govt clash in Parliament over WTO

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Our Political Bureau
NEW DELHI 28 NOVEMBER

THE CONGRESS-led Opposition and the government clashed in Parliament on Tuesday over the question of who should take the blame for acquiescing to unfair terms under the WTO in agriculture, even as agriculture minister Nitish Kumar rebuffed charges that agricultural imports had gone up manifold during the stint of the NDA at the Centre.

The short duration discussion on the plight of farmers in the Upper House on Tuesday witnessed sharp trading of charges and counter-charges between the minister and leader of the Opposition Manmohan Singh as well as his party colleague Pranab Mukherjee. Subsequently the Congress MPs staged a walk-out on the contention that the government was inert regarding Dr Singh's charge against the FCI. They were later followed by the Left parties, RJD and AIADMK.

The FCI's top officials had recently remarked on the poor quality of foodgrains in Punjab "either unwittingly or deliberately," and had led to panic selling by farmers in that state to private agencies. The government, Congress leaders charged, had later procured the grain from the private agencies.

In his reply to the debate, an agitated Mr Kumar charged Dr Singh with playing "petty politics," and held that not only had agricultural imports themselves come down as compared to last year but in 1999-2000, imports in the sector as part of the overall quantum had also come down to 5.63 per cent.

The minister also countered Dr Singh's charge that a foreshortened deadline for removal of import QRs had resulted because the NDA regime had settled for a "compromise" and agreed to unfair terms under pressure.

The government had, he pointed out, been defeated in its demand for an exten- sion of the relaxation timeframe during the dispute filed by the US in the WTO.

Following this, the government had little option but to remove quantitative restrictions by April, 2001, instead of 2003, particularly in view of the improved BoP situation.

The Economic Time.

29 NOV 2000

No permanent enemies

A PICTURE showing Laloo Yadav, Sharad Yadav, Nitish Kumar and Rabri Devi engrossed in a discussion might make people rub their eyes in disbelief. It was not long ago that Nitish Kumar tried his utmost, with a bit of help from the Bihar Governor, to prevent an RJD Government from assuming power in the state and Sharad Yadav had gone on fast in the mistaken belief that his defeat in a parliamentary election had been engineered by Laloo Yadav. That such bitter enemies should now meet to talk things over indicates a remarkable turnaround in their attitudes. While an earlier initiative to bring all the Bihar leaders together was taken by Nitish Kumar to formulate an economic package for the state's revival, the latest conclave focused on how Jharkhand's creation will affect the rest of Bihar.

While the RJD's latest electoral performance has shown that its influence has reached a plateau, the BJP and Samata have also realised that their earlier hope of replacing the RJD Government is no longer a realistic one. Neither of the BJP-Samata's tactics of imposing President's rule and making Nitish Kumar the Chief Minister for a few days had worked. Since both the RJD and Samata have reached a dead-end so far as their political ambitions are concerned, their leaders might have wondered whether a relook at their old adversarial relations was desirable.

The need for such a realignment may have been necessitated by the uncertainties thrown up by the Jharkhand issue. No one knows how its formation will affect the fortunes of the various parties in Bihar. Their leaders have also been unnerved by the possibility of the people of Bihar holding their unprincipled shenanigans responsible for the state's partition. The organisational status of some of the parties, especially the JD(U), is also somewhat brittle. Factors such as these might have played a part in persuading these veterans of many battles to reassess their strategies. After all, they are all old friends.

Victorious basmati

AFTER THE victory over turmeric and *neem*, it is now *basmati*'s turn to revoke a US patent. For hundreds of years, *basmati* has been the special produce of a particular region in the sub-continent. But the Texas-based company RiceTec filed an application for a patent on a new rice which it wanted to call '*basmati*'. Under the WTO's Trade Related Aspects of Intellectual Rights (TRIPS) agreement, patents are granted only to new formulations or the discovery of new properties of a plant or vegetable. RiceTec wanted to call its new strain of rice '*basmati*' on the basis of its discovery of unique aromatic properties and long grains. Clearly, these properties were known for centuries in the original *basmati* rice produced in India and the term '*basmati*' is a clear 'geographic indication' as it refers to a particular variety of rice produced in a special region of the subcontinent.

Such geographic indication is covered by the TRIPS agreement in the case of Champagne, which connotes a bubbly white wine produced in a specific region of France and no one else in the world can call a similar wine Champagne. After India challenged RiceTec's claim in the US Patents and Trade Marks office, the latter forced RiceTec to withdraw the four claims to uniqueness which it had made in obtaining the patent for its new variety of rice. But several of its other claims (about 16) have not been challenged by India.

Pakistan, which is also a producer of *basmati* and could have challenged the claim to the patent, has not done so. Even though Texmati and Jasmati were not the real *basmati*, few could tell the difference as it was the name which mattered. Challenges to patents in other areas like *karela*, *jamun* and brinjal are also being talked about. Indeed, it is time that India took stock of its vast traditional knowledge base and initiated immediate action against biopiracy.

WTO and distortions in world agriculture

29/9

India should seek a hefty reduction in domestic support to agriculture by the developed countries, say **Ashok Gulati** *and* **Sudha Narayanan**

The government of India (GoI) has prepared a draft proposal to be submitted to the World Trade Organisation (WTO) for further negotiations on agriculture. GoI is discussing this proposal with various state governments, farmers' organisations, academic groups and NGOs. The government needs to be congratulated for this somewhat open policy, which is in stark contrast to what it practised during the Uruguay Round. GoI would deserve bigger credit if it puts out this draft proposal on the web and invites comments from experts.

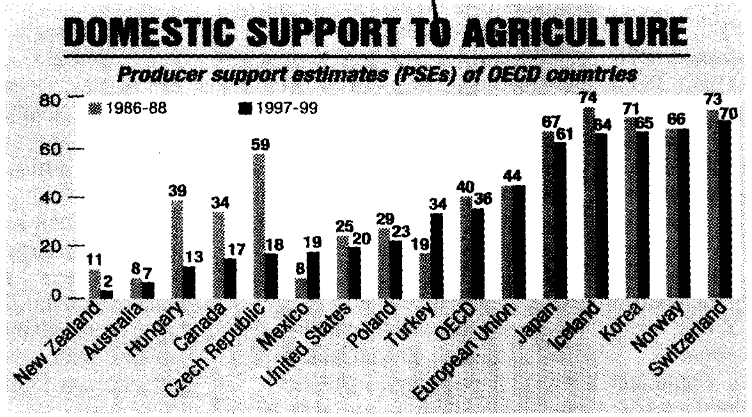
Abolition of export subsidies by developed countries ranks high in the government's negotiating proposal. But export subsidies are only the tip of the iceberg. The problem at the root, however, is high domestic support to agriculture, especially by the developed world. Export subsidies are only a "pressure relieving valve" to save their support system from blowing up. Therefore, the real negotiations are going to be on containing the domestic support to agriculture. And it is here that India needs to do its home work well.

First step in that direction would be to know the degree of support that other major countries are providing to their agriculture, and where India stands in that global setting. Second would be to find out how much, and by what means, of the support to agriculture in developed countries is simply being pushed under the carpet, i.e, not being brought to the negotiating table. This is critical if India has to succeed in negotiations.

Third and final step would be to have right alignments in negotiations to put pressure to cap and reduce these 'distortions'.

But before we spell out our research and thinking on this issue, let us submit that perhaps WTO is the only forum that provides this unique opportunity to developing countries to put pressure to correct the distortions in world agriculture. The more we do this, the better it would be for the country. Of course, this has to be done with due understanding of the issues, supported by research and rationality, rather than through hollow rhetoric. We say this because we see a lot of rhetoric by many reasoned politicians and even accomplished scientists on this issue. That does not serve the purpose at hand. Mere rhetoric not only damages their own reputation but also obfuscates issues, which goes against the interest of the country.

How much is the domestic support to agriculture in developed (OECD) countries? In the year 1999 alone, this support amounted to US$ 361 billion, constituting about 1.4 per cent of GDP. About 80 per cent of this support went out directly to producers, while the remaining was paid out as general services to agriculture as a whole for infrastructure, research, marketing and promotion etc. The producer support estimates (PSEs), provide a measure of this support as a percentage to gross farm receipts, and can be compared across countries.



For OECD countries as a group, the PSE declined from 40 per cent in 1986-88 to 36 per cent by 1997-99 (see Figure). The pattern of PSEs across OECD countries reveals four broad categories. The first group comprises of countries comprises of Norway, Switzerland, Iceland, along with East Asian group of Japan, South Korea and Taiwan. All these countries had PSEs above 60 per cent in 1997-99. Japan is a classic case where the support to agriculture is higher than the contribution of agriculture to total GDP. Next comes the European Union (EU) and Turkey. EU has somewhat higher support (PSE 44 per cent) to agriculture than the OECD (PSE 34 per cent) countries as a whole, and this has remained remarkably constant during 1986-88 and 1997-99. Yet another group comprises of United States, Czech Republic, Poland and Canada, which have their PSEs between 15 to 25 per cent, and many of them have succeeded in reducing their support to agriculture over time. The fourth group consists of members of the Cairns Group. These countries, particularly Australia and New Zealand, have very low protection levels and strongly advocate free trade. In contrast, India's support to agriculture has been negative as per India's Trade Policy Review by WTO in 1998. Although there are some estimation blunders in India's support figures, which we will take up some other time, the bottom line is that India's support to agriculture does not stand anywhere in a global setting. In fact, it has been implicitly taxing its agriculture for a long time, which has been corrected to some extent during the reform process.

Another interesting point to note is that the larger chunk (60 per cent) of support to agriculture does not show up on the negotiating table due to the ingenious way of inventing 'green box' in the aggregate measure of support. Direct payments by the governments to the farmers, which are not related to price or volume of production, so called 'de-coupled' income payments, are being put in the green box and are not subject to reduction commitments. This is really like sweeping the dirt under the carpet. India must resist that and demystify these boxes, the green box, the amber box and the blue box. More on these boxes, some other time.

But this clearly speaks of India's priority in the negotiations for agriculture: that India should strongly seek a hefty reduction in domestic support to agriculture by the developed countries. India could ask for first capping up this support, at product-specific level, eliminating all spikes, and then negotiate for major reduction in support. Again, the Cairns Group and US may support India's stand. India may also negotiate for the right to impose countervailing duties in agriculture equivalent to the export subsidy and/or domestic support by the exporting country on specific commodities. To build a strong case on these lines, India needs to invest a bit on research on these issues than in rhetoric.

(Ashok Gulati is NABARD Chair Professor and Sudha Narayanan a Research Associate at the Institute of Economic Growth, Delhi)

SINHA MONITORING GROWTH RATE

World Bank ready to step up lending

HD-1 14/11 9-969 ach

By Our Special Correspondent

NEW DELHI, NOV. 13. The visiting World Bank President, Mr. James D. Wolfensohn, today indicated that his organisation was willing to raise the level of commitments to India to around $ 3 billion by the end of 2001 and to $ 4 billion thereafter. Confirming this after a meeting with the Finance Minister, Mr. Yashwant Sinha, he chief said, "I have told the Minister that as far as the Bank is concerned, we are more than happy to look at an expansion of activities and I think each one of us is keen to make sure that we spend the money correctly. We are going to work together."

From the Indian side, two basic points were made to Mr. Wolfenshon — that there was a case for enhanced lending to India and that it would be better for the Bank to coordinate all assistance with the Centre than with the States exclusively.

Meanwhile, Mr. Sinha told presspersons that he was tracking the growth rate of the economy closely. This even as his ministry informed Mr. Wolfensohn that the economy was estimated to grow at six per cent plus this year.

Reiterating that there were problems and challenges, Mr. Sinha said the Government was looking at both short and medium-term solutions to reverse the slowdown in the economy. Some action had been initiated on the suggestions received from chambers of commerce and industry associations and more steps would follow.

The World Bank President, Mr. James Wolfensohn, with the Union Finance Minister, Mr. Yashwant Sinha, in New Delhi on Monday.
—Photo: Anu Pushkarna

The Minister said the cement industry was starting to look up, with housing activity picking up, but a greater boost was required to reach the 20 per cent growth this sector recorded last year. The Government was trying to expedite the highway projects as also construction of bridges in rural and urban areas which should pep up the cement industry.

Other infrastructure sectors were also being looked into with the Government trying for early financial closure of some of the private sector power projects.

The likely growth rate of the economy came in for comment from Mr. Wolfensohn, who said that while there was a slight cause for worry about the level of investment and drop in the growth rate, the projected six per cent growth was "still good" compared with other economies. The World Bank chief executive said he had seen a lot of development during his field visits in the last few days and that much progress had taken place in social areas in the past four years. Mr. Wolfensohn was last in India in 1996.

In the coming years, the World Bank would continue to emphasise on both social and physical infrastructure, he said. Education, health, poverty, water and infrastructure sectors such as highways and power in India would receive special focus.

Concern at lower aid: Page 13
Wolfensohn for IT solution: Page 15

THE HINDU

14 NOV 2000

WEDNESDAY, NOVEMBER 15, 2000

TACKLING THE SLOW-DOWN

HD-12

IT IS A coincidence that Mr. James Wolfensohn, President of the World Bank, has been on an extended visit to the country at a time when the economy — the industrial sector in particular — is in the midst of a slow-down and there are incipient signs of worry on the balance of payments (BoP) front. A mistaken optimism in India in the mid-1990s about how much foreign private capital would flow into the country followed by the U.S.-led economic sanctions resulted in a substantial drop in fresh commitments from the World Bank group. Now for the first time in some years the Government seems to be looking to borrowing from this multilateral institution as an option to bolster foreign exchange reserves, augment domestic resources for investment and revitalise the growth process.

15\12

Mr. Wolfensohn has observed that the currently projected GDP growth rate of 6 per cent during 2000-01 is not something to be frowned upon. True, annual growth rates of 6 to 7 per cent during much of the second half of the 1990s now make even a small deceleration in the Indian economy appear like a major failure. Yet, increasing indications of a falling off in industrial growth when combined with the deficiency of the 2000 monsoon make it likely that the slow-down in overall growth will be substantial and not insignificant. The BoP which has been buffetted by the impact of high oil prices will look healthier once the expensive $5.2 billion collected through the India Million Bonds show up in the foreign exchange statistics. But this is only temporary relief. Reserves of more than $35 billion may appear more than adequate, but if oil prices continue to rule at their current levels and foreign private capital remains a trickle even these reserves will not do. On the whole, the net inflows of capital have declined sharply during the current financial year. The scenario in external aid, which includes loans from the World Bank group, is particularly bleak with a net outflow of as much as $3.5 billion in April-August 2000, more than double that during the same period last year. However, the World Bank cannot be expected to fill any breach in the external sector since sanctions are formally still in place and any major lending programme cannot be rushed through. Besides, the Indian record is of a very slow pace of utilisation of loans that have been sanctioned by the World Bank group. Less than 20 per cent of sanctioned funds are disbursed every year mainly because of poor planning and delays in project execution.

9. 969

A boost to growth in the short term has to come from within the economy. The Union Finance Minister, Mr. Yashwant Sinha, has been talking of accelerated privatisation and deregulation as options to revive business confidence. This can be of little comfort to Indian industry which now appears petrified by the impending removal of the remaining controls on imports and is blaming inexpensive imports from China for much of its ills. In addition to taking steps — through creation of stronger anti-dumping mechanisms and a quicker imposition of safeguard measures — to remove the fear psychosis that has gripped Indian industry, there is one area that calls for immediate attention. This is the decline in capital formation in the public sector, which was pointed out in the recent mid-term appraisal of the Ninth Plan as an important reason for a slackening of growth. Larger public investment will go some way towards boosting demand and reviving industrial growth. World Bank loans which are increasingly focussed on the social sector cannot by themselves make a large contribution to higher public investment. Government capital expenditure has to be funded by domestic resources which can come only from a cleaning up of Central and State Government finances.

THE HINDU

15 NOV 2000

World Bank chief expresses concern over unutilised $8 bn loan

EEB & PTI
NEW DELHI, NOV 14

WORLD BANK President James D Wolfensohn today expressed concern over the large unutilised loans of $ 7.9 billion in 79 projects by India and asked the government to expedite measures to step up its utilisation.

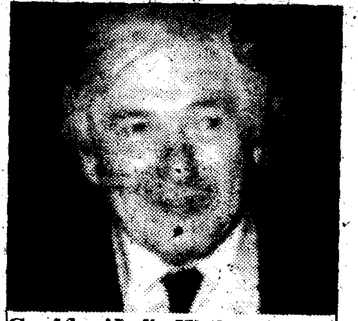
"I think both the World Bank and the Indian government would have to initiate measures for enhancing the utilisation," he told reporters while winding up his nine-day tour of the country during which he visited five states and went across several villages and rural areas.

Asked whether difficulties in finalising counterpart loans could be the main reason for the high levels of such idling loans, the World Bank president said it was not so. "Though counterpart fund is difficult, it has not been a great difficulty in India. In some countries it is, but I don't think it is so in India," he said.

The World Bank chief said the organisation could consider increasing lending from the current level of about $ 2 billion to 3 billion next year "if the implementation of the ongoing projects show improvement".

Wolfensohn also hailed Prime Minister Atal Bihari Vajpayee's National Highway Project saying roads were a prerequisite for strengthening the country's infrastructure structure.

World Bankt has recently shifted its focus to the social sector because that is the way to get to the grassroots and push for community and Panchayat level action. In other words, cut out government mediation. But also one that will not neglect the infrastructure either, especially education, health, roads, water and, yes, power, never mind the "$4 bn of unpaid debts" in the sector.


Good 'buy' India: Wolfensohn

It has recently shifted emphasis from growth to equity in distribution as the way to address poverty. The bank's softly-softly approach was written all over the press conference called by Wolfensohn at the end of his over week-long visit to India. Poor loan utilisation is a problem yes, and $7.9 bn out of $12.5 bn have not been spent.

But, he hastens to add, "None of this is crisis stuff. It's a normal review." Reason: a project can stretch to five or six years, and typically about 18-20 per cent of the principal for a project is annually spent. So there are bound to be vast amounts of unused money, the question is only whether the figure should more appropriately be "$6.9 bn or $5.9 bn".

Likewise, of the 79 bank projects currently underway in this country, 13 are troubled, but the bank is "not keen to just cancel the troubled ones". But he does say that it needs to "take stock" before adding to the number of projects.

On Andhra Pradesh chief minister Chandrababu Naidu's difficulties with the raising of the power tariffs comes a strong defence and endorsement, albeit with the preface that the difficulties are the chief minister's not the Bank's.

"This is a pro-poor policy, not an anti-poor one," Wolfensohn declares, because it would help with a targeted subsidy to the poor whereas a general subsidy goes to both the rich and the poor. "The chief minister of Andhra Pradesh is a very important reformer though he is certainly not the only one."

To the question how he feels about the Bank's criticism in India, the president swiftly returns: "I think some criticism of the Bank is justified...but, I think we're not given enough recognition for the stuff we do right."

The question provokes a reverie about why civil society - NGOs, sections of the public - are angry with the Bank. There have been repeated attempts at disrupting its meetings by angry mobs from Washington to, most recently, in Prague. "Civil society is not happy with institutions. What you're hearing today is a high level of noise because of the new forms of organisation."

And, further, "We have to learn new ways of dealing with civil society and, frankly, I think civil society has to learn new ways of dealing with us," for "we" can be a great help to civil society.

INDIAN EXPRESS
15 NOV 2000

India wins basmati patent battle

18/10

UNITED NEWS OF INDIA 57-10

NEW DELHI, Oct. 17. – India has again notched a crucial victory in its patent battle for basmati rice, forcing a US company to withdraw its 'Kasmati' trademark from the UK market. 2-8159

Following a cancellation action filed by the Indian government through the Agricultural and Processed food products Export Development Authority (Apeda), Ricetec Inc., that had patented four strains of basmati rice, was forced to withdraw its claim.

India maintained that 'basmati' has traditionally been associated with a specific region of the Indian sub-continent, the sub-Himalayan region. This name has been in use for long to describe the unique rice grown in this region.

Consequently, the name is the geographical indication for such rice.

THE STATESMAN

18 OCT 2000

Basu seeks panel on GATT

19/10

55-A 959

STATESMAN NEWS SERVICE

CALCUTTA, Oct. 18. — Mr Jyoti Basu has written to Mr Vajpayee urging him to set up a committee comprising agriculture ministers of all major food producing states to examine the ramifications of the Agreement on Agriculture under the General Agreement on Tariffs and Trade signed by the Centre in 1994.

The AOA is enforced by the WTO, which was set up after the GATT treaty. In his letter, the chief minister wondered how the Centre had signed the AOA "without first arriving at a consensus among the state governments". Agriculture is a state subject and a consensus should have been reached before the Centre signed an international agreement on agriculture, he said.

The AOA, the letter said, would distort the cropping pattern in the country. Indiscriminate export and import of agricultural products, allowed under the AOA, will endanger food security in the country.Mr Basu asked Mr Vajpayee to let him know whether the AOA has been taken up for review at the international level.

Export route re-opened

MALDA, Oct. 18. — Lorries carrying exports to Bangladesh started crossing the Indo-Bangladesh border at Mahadipur in English Bazar today after a 10-day wait. Nearly 150 lorries had been detained at the border post during this period.

The lorries had been held up at Mahadipur following problems arising from non-payment of import duty to the Bangladesh Customs by importers of that country. Local Custom authorities were hence denied clearance certificates from their counterparts across the border to allow the lorries to move into Bangladesh.— **SNS**

THE STATESMAN

19 OCT 2000

INDIAN EXPRESS

21 OCT 2000

24/10

RiceTec removes 4 claims on Basmati patent: Centre

PRESS TRUST OF INDIA
NEW DELHI, OCT 20

THE Centre today informed the Supreme Court that India's Basmati rice export interest stands fully protected with multinational RiceTec Inc withdrawing four claims on the patents of this rice grain.

Counsel for the Centre informed a three-judge Bench comprising Chief Justice A S Anand, Justice R C Lahoti and Justice Brijesh Kumar that the withdrawal of claims took place after Agricultural Produce Export Development Authority (APEDA) filed an appeal before United States Patents and Trademarks Office (USTPO). "With this India's export interest in the Basmati rice to US stands completely protected," he said during the hearing of a petition filed by the Research Foundation for Science, Technology and Ecology which criticised India for delaying challenge to the Basmati patent in America.

However, the counsel made it clear that India was not satisfied with the withdrawal of these four claims and would go ahead with its petition before the USPTO.

Criticising the Government for filing the petition after a delay of two years, the petitioner had alleged that "even if India succeeds at USPTO, it will not prevent RiceTec from continuing to call its rice strain a 'Basmati-like' or 'Basmati strain'."

Explaining the two year delay, Government had said it had formed a nodal group under Secretary of Department of Industrial Policy and Promotion to formulate a strategy to challenge the grant of patent to RiceTec.

Ministry of Commerce and Industry in its affidavit had said the primary claim of RiceTec in the patent related to the capacity to grow a particular strain of rice in US and Mexico using what was claimed to be their developed rice seed.

"This claim does not, in any manner, affect any Indian interest as such," the Government said and added "various other claims as to the characteristics of the rice which would be produced utilising RiceTec's rice seed have also been made which again do not affect Indian commercial interest".

'Chandraswamy knew of the plot to kill Rajiv'

PRESS TRUST OF INDIA
NEW DELHI, OCT 20

"THE big leader could be killed" and the 1991 polls postponed, a key witness before the Jain Commission has quoted controversial godman Chandraswamy as having told him before Rajiv Gandhi's assassination.

The witness, Ramesh Dalal, claimed Chandraswamy made this statement prior to Gandhi's killing by a human bomb at Sriperumbudur on May 21 that year.

In his forthcoming book on the assassination, its conspiracy and "cover-up", Dalal said he had gone to Chandraswamy to get election funds for a candidate who was contesting the Lok Sabha polls on a Samajwadi Janata Party (headed by then premier Chandra Shekhar) ticket from Yeotmal in Maharashtra.

The godman told him "there was no need to send the money for the election campaign as the election would be postponed."

"I asked him what was the reason for his saying so, to which he (Chandraswamy) did not reply. I told him that I had visited his ashram specially at the instance of the candidate and therefore, he should tell me when he was going to send the money.

"I continued to ask why the elections would be postponed. He (the godman) replied angrily "there might be several reasons. Even the big leader could be killed'," Dalal, who had deposed before the Commission on several occasions, said in his book.

H9-13

Time of waiting at the WTO

By C. Rammanohar Reddy 16/10

GENEVA, OCT. 15. Close to a year after the failure of the third ministerial meeting of the World Trade Organisation (WTO), the many differences that led to the 'Seattle debacle' remain unresolved though some of the more controversial issues are making a backdoor entry into global trading practices through bilateral and regional agreements.

While it was known all through the past year that nothing substantial would be achieved at the WTO until after the next U.S. President assumed office, the failure of the so-called "confidence-building measures" — launched by the WTO after the Seattle meeting — has disappointed the Governments of a number of developing countries. The WTO process was expected, for instance, to breathe new life into the impasse over "implementation problems", which was the demand by the developing countries to address a number of imbalances in the 1994 GATT Agreement before carrying out any further liberalisation of world trade.

The failure at Seattle to address this demand was one of the factors that lead to the collapse of last year's meeting and a resolution of the issue this year and in 2001 was to be a key component of the confidence-building measures. While WTO officials are insistent that some progress has been made in the area, developing country representatives say that in spite of months of discussions nothing of substance will be announced when a WTO body meets to discuss this issue later this week.

Consultations have been going on with both the developed and developing countries over the implementation problems in the pacts on patents, anti-dumping, subsidies, trade- related investment measures (TRIMs), removal of quotas on textiles and a number of other areas. But one senior trade official from the Third World said he was "bitterly disappointed" with the progress so far. "The developed countries have not committed themselves to anything concrete and at this point we still do not see anything other than vague and meaningless promises to address our concerns," the official added.

Similarly, while much is being made of initiatives to assist the trade effort by the Least Developed Countries (LDCs), the poorest countries, in this area too there is more comment and less concrete commitments. There is no talk any longer of 'zero tariff access' to exports from the LDCs, which just two years ago was being projected as a key element of the sensitisation of the multilateral trading system to the LDCs.

But while it is a period of waiting at the WTO, the developed countries are elsewhere continuing to aggressively pursue their trade and non-trade interests. The demand by the U.S. and the European Union that the WTO rules link market access to the developing countries' adherence to core labour standards — minimum wages, right to unionisation, a ban on child labour and other such provisions — was perhaps the biggest reason for the Seattle debacle. Core labour standards may not yet be part of the WTO, but the U.S. and the E.U. have both travelled in the direction of incorporating these rules in bilateral and regional agreements. A recent U.S. legislation links preferential tariffs to exports from African countries to their commitment to enforce labour standards. A similar agreement has been reached with a number of Caribbean countries. And the E.U. is in the process of negotiating trade agreements with some non-WTO members from East Europe which explicitly incorporate commitments on labour standards.

Trade officials fear that this is one way in which non-trade issues like labour standards are being "sneaked" into the WTO. In future negotiations, these clauses in bilateral and regional trade deals with some poor countries will be presented as a *fait accompli* to the entire developing world which will then have no option but to fall in line on this controversial issue.

Even as some of the old problems continue to hold, there has been progress at the WTO in some areas. The 1994 GATT Agreement had committed the WTO membership to launch in 2000 new negotiations to further liberalise world trade in agriculture and services. This process, which was unaffected by the collapse at Seattle, has already begun. Officials say that they are surprised by the speed with which a number of countries have already submitted detailed proposals on agriculture.

According to the WTO work programme, the proposals are to be submitted by the end of the year and formal negotiations will be launched in 2001. But everyone is aware that irrespective of the number and depth of the proposals that have been made on agriculture, meaningful talks will take place only if the E.U., Japan and South Korea (the three countries most hesitant to reduce agricultural subsidies) are given something in return. That something is a "comprehensive round" of talks that covers old and new areas, a round approaching the sweep of the Uruguay Round of negotiations which culminated in the controversial 1994 GATT Agreement.

THE HINDU

16 OCT 2000

More flexibility required from US, EU: WTO

13/10

PRESS TRUST OF INDIA

NEW DELHI, Oct. 12. — Major World Trade Organisation (WTO) players will have to show increased flexibility on trade in agriculture, anti-dumping and implementation of trade agreements to ensure success of the next ministerial meeting of member countries to be held in 2001, said the deputy director of the WTO, Mr Paul-Henri Ravier, here today.

"The next ministerial round can be successful only if major players like the USA and EU show more flexibility on these issues. Otherwise it is highly unlikely that every member country will find satisfaction to strike a deal," Mr Ravier said, at a seminar organised by the Confederation of Indian Industry (CII).

Mr Ravier added that the scope of discussions at the ministerial level will have to be wider to make them less contentious and ensure some trade-offs.

He said that member countries will have to decide whether to link the meeting with a new round of negotiations, given that some countries have opposed a new round before implementation of the Uruguay Round agreements.

The next ministerial meeting will take place by the end of 2001, the venue for which has not yet been fixed. Qatar is one of the countries that has applied for hosting the event.

"The tendency for world trade to become regionalised is also a matter of concern. WTO has to be vigilant about re-emergence of trade blocs which could be at the cost of multilateral trade agreements," he said.

Mr Ravier said that while WTO considered trade blocs to be good if they promoted multilateral trade agreements and were transparent, hostile trade blocs were a matter of concern.

An increase in the number of trade disputes had also created an unfavourable atmosphere for negotiations, Mr Ravier said, adding that it would be difficult to continue with global trade unless WTO members were able to work within commonly agreed rules.

The views of the increasing number of member countries in the WTO and the countries waiting to be admitted to the WTO had also to be considered before reaching any multilateral agreement as no serious negotiations were possible without taking into account their opinions, Mr Ravier pointed out.

"The views of only major players like the USA, EU, Japan and Canada are not enough. Dozens of developing countries like India, Mexico and Egypt are also important players," he said, adding that it was necessary to have more countries accede to the WTO.

THE STATESMAN

TRIPS under scrutiny at WTO

18/10

By C. Rammanohar Reddy

GENEVA, OCT. 17. The far-reaching agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS), controversial in India for its provisions on pharmaceutical patents and protection of plant varieties, is being intensely discussed and reviewed at the WTO as a number of countries seek to modify its many different clauses to suit their own interests.

The need for greater flexibility in the application of the TRIPS agreement so that the interests of users of patents are given just as much importance as the producers of innovation is just one of the subjects of a note circulated recently by India at the WTO's TRIPS Council, now reviewing the pact.

The Indian paper, while not asking for a renegotiation of the provisions which have generated so much resentment in the country, calls for a more careful "clarificatory interpretation" so that the objectives and principles as contained in Articles 7 and 8 of the TRIPS are better reflected when the entire agreement is implemented by the developing countries. That the concerns of public health and the need to transfer technology — both embodied in Articles 7 and 8 — have received scant attention while the WTO's dispute settlement body has been extremely concerned about enforcing the rights of the patent holders is another argument made in the Indian paper to draw attention to the imbalances in interpretation of the TRIPS deal.

Not everybody agrees with the Indian position and as an example of

permitted firms to use patented drugs as inputs to produce inexpensive generic medicines. Yet, the fact is that at the WTO and outside, in rich and poor countries the connection between patents and the price of medicines has come under close scrutiny pushing the demanders of tough and universal patents on to the defensive. "You cannot at the same time have a universal level of patent protection and a universal level of pharmaceutical prices throughout the world, one or the other has to give," said a TRIPS expert here who otherwise believes the WTO deal contains a reasonable balance of rights and obligations. The reference here is to the need for differential prices of medicines.

But, the other concern is that even after the developing countries implement the strict patent provisions of TRIPS, there is little likelihood of the drug conglomerates of the West conducting research into development of products such as an anti-malaria vaccine badly needed in the poor countries but of no interest to the multinationals because they cannot charge high prices in the Third World. To correct this imbalance, some proposals — like a tax credit for R&D into such medicines — have been made outside the WTO but at the TRIPS Council itself the concerns that have been expressed by the developing countries are more about rebalancing the provisions of the agreement.

"A rebalancing downwards to lighten certain provision of the TRIPS agreement is high-

ter protection to products with "geographical indications" — special names such as basmati rice and Darjeeling tea which indicate special qualities associated with where they were first or are largely produced.

The aim here is to prevent the "copy" of such products in rich countries. In a reversal of roles, it is the developing countries (along with some European countries such as Switzerland and the Czech Republic) which are asking for stricter protection of products with GIs while the European Union and the U.S. are opposed to any such tightening of the existing clauses on GIs in TRIPS.

At present it is only wines and spirits (Champagne and Scotch whisky for example) which are protected in the existing laws of the WTO. The U.S. has gone so far as to argue that there is no scope for fresh negotiation to extend the coverage of GIs.

However, whether it is patents for medicines or IPRs for GIs — or for that matter protection of traditional knowledge and farmers' rights on seeds — the TRIPS Council can only discuss papers and contest arguments. Any change in the WTO's laws can only come out of fresh negotiations and that will only be part of a larger round of talks for which there is no agreement as yet among the members of the Geneva-based organisation.

But what is apparent from the discussions that have been going on at the WTO is that when the next negotiations do begin then the

THE HINDU

18 OCT 2000

Economics from below

15/11 HS-10

WORLD BANK President James Wolfensohn has seen reason for optimism because he has promised more aid and loans to India despite the economic sanctions imposed by the G7 after the nuclear tests in Pokhran. The help from the Bank — which will be touching $ 3 billion in the current fiscal year — is timely and will be concerned with all aspects of the economy. The World Bank chief is aware that the GDP growth rate of the economy has been revised downwards for next year by all Government and independent research agencies to only six per cent. When the rate of growth goes down even by a minuscule amount it is the poor who are hit the hardest, as Mr Wolfensohn well knows. Poverty reduction is slower because fewer jobs are created and the 'trickle down' becomes inconspicuous and insignificant. It is at this juncture that the assistance from the World Bank can be used effectively in social sector development programmes as it will help in empowering people through a more effective delivery of education and health care.

The World Bank, which has changed tack in recent years and now focuses on poverty reduction and the empowerment of women, has obviously been impressed with India's progress in community participation in various social programmes. India is the only country with a good record of satisfactory loan and aid utilisation. Other countries in the South Asian region, on account of multiple bottlenecks and inadequacies in the institutional framework, have not been able to avail of the loans in a significant manner. India's absorptive capacity of loans is thus superior to that of its neighbours. And more money spent on basic education for the poor will go a long way towards spawning dreams among the young who may seek their fortunes in the new economy. Hence, universal primary education should become the cornerstone of every poverty alleviation strategy in the days to come.

Mr Wolfensohn has also shown concern about the slow-down in investment in industry which is at the root of the lacklustre industrial performance in recent months. It is alarming that the capital goods and intermediate goods sector have not been growing at all. This indicates that capacity creation is not taking place, which means that future growth prospects of the manufacturing sector, especially of exports, are rather ominous. Unless more investment through a revival of business confidence in a better economic environment is undertaken by the Government, a higher growth rate may not be possible despite the reduction in poverty.

THE HINDUSTAN TIMES

15 NOV 2000

Nader for scrapping H-1B visa to stop brain drain from India

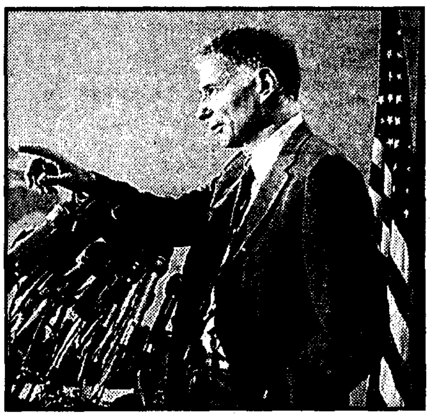
HT Correspondent
Washington, November 1

WHAT WILL be the first thing that Ralph Nader will do vis-a-vis India in case he is elected the next President of the USA? Says the passionate crusader of many public causes: "The first thing I will do is make sure that the US does not brain-drain India by revoking the H-1B visa."

However, since there is no imminent danger of Mr Nader making it to the White House, the thousands making a beeline at the counters of the US embassy in New Delhi and consular sections elsewhere need not despair.

What's Mr Nader's rationale for scrapping the H-1B visa? The US, according to him, is using this visa regime to bring in scientists and computer programmers at low salaries than what will have to be paid to their readily-available American counterparts. This visa regime must go, Mr Nader said adding with a tinge of regret: "Unfortunately, it's about to be signed."

Mr Nader, in an interface with the media at the Foreign Press Center here, would like to see India give up the development model thrust by the IMF, World Bank and the multinational corporations. "We need to develop models that come out of the villages and cities in India in their best sense."



Green Party candidate for the US presidency Ralph Nader at a Press conference last week in Washington DC. Photo: AFP

The US multinational model, he says, does not work in the Third World. What it does is to entrench oligarchies, oppose land reform, degrade the environment and build huge white elephant projects that provide contracts for American companies.

Mr Nader otherwise was "very, very optimistic" about a lot of things going on in India. He is enthused, for instance, by the decentralised use of solar digesters, the growth of village businesses and the enormous educational level of tens of millions of young people.

IMF to provide debt relief to poor countries

HT-13 2/11

Washington, November 1

WITH US funding assured, the International Monetary Fund (IMF) expects to meet its goal of providing 20 of the world's poorest countries with debt relief by December 31, a senior IMF official said.

But IMF spokesman Thomas Dawson said yesterday that a major effort would be required to be sure that third world countries that qualify have concrete plans to use the money they save on interest payments to construct schools, vaccinate children, prevent the spread o HIV/AIDS and build farm-to-market roads.

"It would be reasonable to expect that starting in November you would see a steady stream of (countries) coming up" before the IMF's 24-member board of executive directors, Dawson said. "We still are reasonably optimistic we will reach the 20 figure that has been cited."

"Recent congressional action and US ability to fully participate removes the concern as to whether we would have an effective, i.e. financed, programme going forward," Dawson said.

Congressional leaders agreed today on a plan to write off loans to the world's poorest countries. The agreement included the full $435 million sought by US President Bill Clinton as well as allowing the IMF to release $800 million from the sale of its gold reserves for additional debt forgiveness.

To date, 11 countries have been accepted in the "highly indebted poor country" initiative jointly run by the IMF and its sister institution, the world bank and will save a total of $19 bullion. (AP)

THE HINDUSTAN TIMES

2 NOV 2000

HD-12

FUND-BANK SUMMITRY

30/9

THE ANNUAL MEETINGS of the International Monetary Fund and the World Bank have rarely turned out to be momentous events in the past. But this year's summit of the world's Finance Ministers and Central Bankers at Prague had more exasperating moments than ever in the past owing largely to the apprehensions of a massive wave of protests of the type which made a mockery of the Ministerial Meeting of the World Trade Organisation (WTO) at Seattle last November. Whether the Fund-Bank annual meet ended a day earlier than scheduled on Thursday because of the surcharged atmosphere in Prague or owing to the agenda (largely a series of perorations by the Finance Ministers of the member-countries) being run through faster than anticipated earlier, is a mere academic issue. What is of larger practical relevance is whether the leadership of the Fund-Bank has shown a heightened awareness of the misalignment between expectations and performance, particularly with reference to the widening global inequality. That both Mr. Horst Kohler, Managing Director of the IMF, and Mr. James Wolfensohn, President of the World Bank, have reiterated their commitment to steer the two institutions towards more rapid growth and faster reduction of poverty in the world does not necessarily mean that the Prague summit has imparted a new sense of urgency to the mission of the Fund-Bank duo.

Besides the threat of a high-decibel protest stemming from a congeries of NGOs with disparate causes, the Prague summit was overwhelmed by a combination of adversities on the global economic front. The threat of a new oil shock with crude oil prices climbing sky-high at $ 37 per barrel, the continued hammering that Euro, the common currency of 11 members of the European Union, has suffered despite robust showing of the economies in question and the unfinished agenda relating to debt-forgiveness of the most-indebted countries in sub-saharan Africa and elsewhere were all expected to dominate the Fund-Bank annual meeting this year. How precisely the Prague summit wrestled with these issues will perhaps remain an archival secret for posterity.

The Finance Minister, Mr. Yashwant Sinha, may perhaps derive some legitimate comfort from the fact that his suggestions, regarding special enhancement of funding for oil-importing developing countries tormented by the very high cost of crude oil and the need for the IMF particularly to eschew the customary zeal for prescribing the same set of conditionalities pertaining to structural adjustment lending for all borrowing countries regardless of the stages of development, have been positively responded to. His other plea regarding international action for stabilisation of commodity prices — crucial for ensuring the development for poorer countries — would call for a lot of pragmatic collective thinking at a time when the worship of market forces has reached a new crescendo while the dynamics of speculation seem to be defying the regulatory capabilities of the best-equipped Governments.

A disappointing aspect of the Prague summit has been the virtual silence about the redesigning of the international financial architecture towards greater democratic participative decision-making processes both at the Bank and in the Fund. That apart the U.S. Congress-appointed Meltzer Commission's perspective, about the IMF withdrawing from structural lending and the World Bank empowering regional development banks such as the Asian Development Bank and itself focussing on grants to the poorest countries, for all its radical implications, seems to have been wholly smothered at Prague. Whether effusive verbal commitment to poverty reduction can be a viable substitute for re-engineering the two institutions in a rapidly changing global economic configuration will remain the brooding question.

India forces US firm to back off on Basmati

11-16
7579

The Times of India News Service

NEW DELHI: In a stout defence of its overseas Basmati rice markets, India has succeeded in forcing RiceTec Inc. to withdraw four claims of uniqueness it had made in obtaining a US patent for its Basmati rice.

The Texas-based company's patent for 'Basmati rice lines and grains' seriously threatened Indian exports since claims — Nos. 15, 16 and 17 — in the patent dealt with specifications regarding starch content and length of the rice grain so unique to the aromatic rice produced in the Himalayan foothills.

"With this victory, the danger to Basmati rice exports has been averted," said a senior officer of the Agricultural and Processed Food Products Export Development Authority (APEDA), which on behalf of the Indian government had challenged the RiceTec claims in the US patent office.

APEDA has filed a re-examination application for a review of the patent granted to RiceTec. It has challenged as many as 20 claims.

RiceTec continues to market rice in the US and Europe under trade names such as Texmati and Jasmati. But its Basmati patent poses the most serious threat to export of this variety of rice from India.

India annually exports over 600,000 tonnes of Basmati rice, valued at Rs 1,700 crore, to several countries. These exports have been stagnating in recent years.

"The action initiated by APEDA demonstrates the resolves to protect India's Basmati rice exports against any attempt at misappropriation," said general manager Pravin Gupta. "It signals to the world that India's prized geographical indications and intellectual property rights are not up for grabs," he said.

The claims now withdrawn by RiceTec could have adversely affected India's commercial interests and there was a potential danger that the patent claims would be used to interfere in the export of Indian Basmati rice. RiceTec had claimed that the rice grains produced by it had unique characteristics. APEDA's request for re-examination to the US patent office included evidence that Basmati rice produced in India since long before the date of the patent had the characteristics which were being claimed as "unique" by RiceTec.

Official sources here said the withdrawal of certain claims by RiceTec comes as a relief, but India must make all-out efforts to protect its products of specific geographical indications such as Basmati rice through the legal framework now available under the Geographical Indications Act. Registration and documentation of products under the newly enacted law would make them less vulnerable to be misappropriated by foreign commercial interests.

THE TIMES OF INDIA

20 SEP 2000

India to press for subsidy support to poor farmers at WTO

By Our Special Correspondent

NEW DELHI, SEPT. 14. India will strive for setting a Food Security Box, much as the Development Box for developing countries in the forthcoming round of Agreement on Agriculture under the World Trade Organisation (WTO). This was conveyed at a Conference of the State Agriculture Ministers, most of whom underscored the need for continuance of subsidies and support services to farmers in view of the special characteristics of Indian agriculture.

India's stand will be that subsidy to the poor for food security and to resource poor farmers should be exempt under calculation of the Aggregate Measure of Support (AMS) to the farm sector for withdrawal of subsidies. Also, research and extension, development of infrastructure, cold storages, etc,. should be kept out of the AMS. For this, India will strive to seek support of developing countries.

This and several other measures were discussed at the conference here today at a meeting convened by the Union Agriculture Ministry. On Wednesday, the Union Agriculture Minister, Mr. Nitish Kumar, sought the views of representatives of farmers and NGOs and political leaders.

However, at the same time, the Centre announced the setting up of a Task Force on Agriculture chaired by Mr. Sharad Joshi, of Shetkari Sangathan, a very vocal votary of the WTO.

Asked about the role of the Task Force, Mr. Nitish Kumar told mediapersons that it would look into how Indian farming could be prepared to face the challenges of the WTO.

Later, Mr. Nitish Kumar said most of the States insisted on the importance of ensuring food and income security to farmers in the context of increasing liberalisation in international trade.

Mr. Nitish Kumar said the AMS in India was well below the maximum level of 10 per cent of the value of farm output and therefore, India was under no obligation to reduce the domestic support extended to the agriculture sector. As for the commitment on export subsidy under the Agreement, there was no obligation as India was not providing export subsidies on farm items as other developed countries, mostly of the European Union.

Under market access commitment, the imports could be controlled only through tariffs and not through quantitative restrictions (QRs). India has removed QRs in a phased manner since April 1996. All the remaining QRs would be removed by March 31, 2001. India has considerable flexibility for imposing higher levels of tariff within the bound level on import of farm produce to deal with possible impact of removal of QRs.

The Minister said at today's conference that States suggested that the National Agricultural Insurance Scheme (NAIS) should cover all perennial crops, share the financial liability between Centre and States, limit the sum insured and implement the scheme at the Gram Panchayat level. Mr. Nitish Kumar said India would be ready well within time with its paper on the Agreement on Agriculture for the WTO and if need be, it could be discussed in Parliament.

India takes patent case to space

Bangalore, July 5

INDIA, WHICH has been opposing patents on neem, turmeric and basmati rice, has now taken the patent war literally to space.

The Department of Space (DoS) here has fought and successfully won a patent case against an American company. The company had filed for an Indian patent on the concept of using equatorial and polar orbiting satellites as relays for a satellite-based communication system.

"Had the patent been granted, India could never use this method of satellite communication in future without paying huge royalties," N Sampath, Executive Director of Antrix Corporation, DoS' commercial department, said.

The patent was simply for the "concept" of using satellites orbiting in different planes for communication which is nothing new, according to Sampath, who said "Antrix opposed this with substantial documentary evidence to counter the novelty claims by the US company".

While the US company has subsequently withdrawn its patent application, the problem is not over for Antrix, which is fighting two more patent in the area of space applications, Sampath said.

One patent that Antrix is opposing is again on a different system of satellite communication filed by the same US company, and the other one is for a system of communicating data from a satellite to several remote units filed by Donald L. Schilling, another US company. Sampath said his agency is opposing the novelty claims of these two patents and expressed confidence that the patents would be withdrawn. *(PTI)*

THE HINDUSTAN TIMES

6 JUL 2000

Reforms on right path, says IMF chief

By Our Special Correspondent

NEW DELHI, JUNE 6. The Managing Director of the International Monetary Fund (IMF), Mr Horst Kohler, admitted during his discussions with Indian authorities here today that the process of globalisation had so far benefited only developed countries. Therefore, his focus during the next six months would be on evolving a mechanism which ensured that the developing countries also benefited.

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Mr Kohler held separate discussions with the Finance Minister, Mr Yashwant Sinha, the Deputy Chairman of the Planning Commission, Mr K. C. Pant, and the External Affairs Minister, Mr Jaswant Singh. He wanted to know how the IMF could help India since the country was in no need of any assistance from the Fund.

The Finance Minister, Mr. Yashwant Sinha, with the Managing Director of the IMF, Mr. Horst Koehler, during a meeting at North Block in New Delhi on Tuesday. — Photo: Anu Pushkarna

The response from the Indian side was that the IMF could show case the country as a model of the Fund programme since it had successfully managed the balance of payments crisis of 1991 and had also weathered the currency crises which had hit a number of Southeast Asian countries and some in Latin America in the second half of the decade. Thus the IMF could play a "certification" role for India, after making independent assessment of the performance of the economy, so that Indian corporates accessed funds from the global commercial markets. Mr Kohler was informed that Indian industry was undergoing largescale restructuring and was in need of commercial financing from abroad.

The IMF could play a role in changing the perception of India in the international arena.

Mr Kohler said the Indian economy had thrown off its shackles after the 1991 crisis and assumed the high-growth path.

Now, the second generation reforms could provide a similar boost to the economy. The IMF chief also pointed out that one of the problems of globalisation and liberalisation was that any country which did not keep pace with the globalisation process could fall further behind. Consequently, there was need to speed up the reforms process, he said and also wanted a greater role for the private sector in economic development.

Mr Kohler was given an overview of the Indian economy by the Finance Minister and the Deputy Chairman of the Planning Commission during their separate meetings. It was brought to the notice of the IMF chief that the second round of economic reforms would basically be undertaken at the level of States but a political consensus was already in place which would facilitate the launch. Later, talking to presspersons, Mr Kohler appreciated the pace of economic development in India and said the IMF specially lauded the financial and social stability maintained in the country even in the midst of the international financial crises. He said the country was moving in the "right direction". He sought India's support, as an important member country, in helping evolve a vision of developing the IMF as a centre-piece of the international financial system.

India's Executive Director to the IMF, Dr Vijay Kelkar, accompanied Mr Kohler during his meetings.

THE HINDU

6 JUN 2000

IMF wants budget deficit reined in faster

7959

HT Correspondent
New Delhi, June 6

HT 7/6

THE International Monetary Fund today advised the Vajpayee Government to put the fiscal situation in order and rein in the budget deficit faster in order to consolidate the growth sustained over the last ten years.

IMF Managing Director Horst Kohler, during separate meetings with senior Cabinet Ministers Jaswant Singh, Yashwant Sinha, Planning Commission Deputy Chairman K.C. Pant and former Finance Minister Manmohan Singh, stressed that the current fiscal situation is "not sustainable" (and therefore) tackling it ought to be the government's top priority. He pointed out public debt too is "very high and the situation is difficult".

Mr Kohler, on his first visit here since taking over the IMF, said his prescription for a sustained 8 to 0 per cent GDP growth would be reduction in government expenditure and tackling the fiscal deficit.

As per IMF's own projections, the Indian economy is expected to grow by 6.5 per cent during current year (against a seven per cent projection by the government).

While endorsing the Centre's decision to continue public spending on infrastructure development, Mr Kohler listed fiscal consolidation, competition and more foreign direct investment as the three focal areas for achieving higher growth rates and poverty alleviation.

Briefing newsmen later in the day, Mr Kohler said: "I am totally convinced that this government is committed to reforms. Much has been achieved. But it is still not enough".

At the meeting with Yashwant Sinha, Mr Kohler underlined the need to reduce budgetary deficit not only at Centre but also in the States. He endorsed the Memoranda of Understanding (MoUs) route taken by Centre to frame guidelines for undertaking reforms in various states.

The IMF chief maintained that the "process of political consensus on economic reforms will have to continue, otherwise India would have to embark on a more difficult path". Asked to rate India on the economic front, he said: "I should not rate India. I can only say that it has immense potential and it is the country of the future".

HD-13

India urges G-15 to fight protectionism

16/6

CAIRO, JUNE 15. India today cautioned against the pitfalls of globalisation and asked the G-15 group of developing countries to forge a common stand to fight the "dangerous trend of protectionism through backdoor" in multilateral trade.

"If developing countries do not realise this danger to their own interests and repeat the mistakes of past, it will tantamount to committing collective 'harakiri'," the Indian Commerce and Industry Minister, Mr. Murasoli Maran told the meeting of G-15 Trade Ministers here. The Trade Ministers meeting is being held in preparation for the tenth summit of G-15 which will study how to meet the economic challenges facing member-countries and the negative effects of globalisation.

The summit beginning here on Monday assumes significance as it is being held a month before the G-8 Industrial Group Meet in Japan.

Asserting that the World Trade Organisation should be reformed, Mr. Maran said, "it is time for a major rethink. The WTO's remit needs to be restricted to trade and trade alone." "We believe that the most important item in the WTO agenda is the restoration of its credibility. This can happen only if the imbalances, inequities and anomalies of the past are addressed frontally," he said.

"Last time, faced with depression, fascism and the second world war, we had a rethink of how we manage global affairs," he said warning "this time, we should see the writing on the wall before it is too late."

Referring to the "dangerous trend" evolving in the appellate body of the WTO to give clever interpretations of the provisions, Mr. Maran said this undermined the intent of the membership by upholding unilateral trade measures in the name of environment.

"The time has come for the members to put an end to this dangerous trend of protectionism through the back door," he said, adding all this did not bode well for the multilateral trading system.

— PTI

THE HINDU

16 JUN 2000

G-15: India warns against fast-paced globalisation

Cairo, June 19 HT-19

INDIA TODAY warned that forcing the pace of globalisation without adequate social safety nets particularly for poor could have deleterious effect on the developing economies.

Highlighting the negative fallouts of the market driven economic development, Vice-President Krishan Kant told G-15 summit that rapid globalisation has aggravated inequalities and marginalisation of developing countries.

"It has exposed a basic disjunction between social goals and an unfettered market, particularly short-term capital mats," the Vice-President said.

Articulating the views as a representative of Asia, Kant said the "Asian crisis illustrated the impact of premature and unprepared integration into the world economy on poverty, employment and basic social services".

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The G-15 summit here is expected to discuss ways to draw private investment for small and medium industries, relieve debt and fight cheap imports undermining the domestic industries of developing countries.

Citing the recent currency crisis in East Asia and Latin America, he said there was an urgent need to strengthen the international financial and monetary system and review the issue of capital account convertibility and choice of exchange rate regimes.

Asserting that globalisation would remain hollow without poverty alleviation, Kant said safety nets for the poor must be devised to insulate them from "disturbances in the international finances and also remain unaffected by stabilisation and adjustment programmes that economies may have to undertake."

Pointing out that globalisation process and institutions like WTO were dominated by a few economically powerful countries, the Vice-President said multilateral trade regimes have demonstrated the need for flexibility in enforcing multilateral disciplines.

Economic reforms should give local communities and national governments the capacity to meet the needs of the people as much as the needs of the market, he said.

Though technological progress had resulted in high-paid jobs for the high-skilled, it has not had a trickle-down effect, the Vice-President said.

"Our poor, uneducated and semi-skilled need employment and incomes now and cannot wait for the trickle-down effect," he added.

Expressing concern over non-implementation of Uruguay Round promises, Kant said these issues needed to be resolved upfront and contracts fulfilled by industrialised nations.

(PTI)

THE HINDUSTAN TIMES

Agreement to boost cooperation in IT

India, Japan differ on investment pact

STATESMAN NEWS SERVICE

NEW DELHI, May 5. — While agreeing to keep out social issues such as labour standards from the ambit of the World Trade Organisation, India and Japan today differed on their approach a to multilateral investment agreement under the WTO.

Meeting the visiting Japanese Minister for International Trade and Industry, Mr Takashi Fukaya, the Union Commerce and Industry Minister, Mr Murasoli Maran, said investment depended primarily on adequate return and security and protection of the investment.

WTO NEGOTIATIONS

Mr Maran was of the view that a multilateral investment agreement was not necessary and bilateral investment protection and promotion agreements were sufficient to give the required protection to investors and ensure investment flows, an official release said.

The Japanese minister, however, favoured rules on investment and competition policy, saying these could contribute to world economic growth.

But the sides had similar views on the existing rules of review and negotiations under the WTO, saying the rules, specially those relating to anti-dumping, should be improved to make them meaningful, particularly for developing nations.

India's stand, that WTO members should not take recourse to social issues such as labour standards for protectionist purposes, was agreed to by Japan.

On agriculture, Japan emphasised on "multi-functionality". The Indian side stressed on sufficient flexibility and autonomy — under the WTO agreement on agriculture — for large agrarian economies such as India. This was essential for these nations to look after their concerns of food security and rural employment.

Confidence building measures should precede any attempt to resume the WTO ministerial conference, they said while reiterating their commitment to a rule-based multilateral trading system, the release added.

INFORMATION TECHNOLOGY: The two countries have also affirmed to strengthen trade, investment and industrial relations and ensure greater cooperation in the field of information technology.

At a meeting with the Union Information Technology Minister, Mr Pramod Mahajan, the visiting Japanese minister welcomed India's second generation economic reforms and shared the common understanding that economic reform is essential to economic development.

The two ministers agreed that cooperation in the field of IT could contribute significantly to the strengthening of bilateral economic relations.

India and Japan agreed to initiate a dialogue on IT, focussing particularly on e-commerce, e-governance and promotion and facilitation of business-to-business cooperation in the sector.

It was also agreed to formulate a 'Japan-India IT Business Exchange Programme towards the 21st Century' to promote and support infotech businesses.

INDIAN EXPRESS

6 MAY 2000

THE HINDU

8 MAY

HD-1

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Sinha for change in the 'mindset' of rich countries

By P. S. Suryanarayana

CHAING MAI (Thailand), MAY 7. The Finance Minister, Mr. Yashwant Sinha, today called for a "change" in the "mindset" of the developed bloc whose "sermons" to the developing countries on *their* economic affairs were becoming "shriller".

Addressing the ongoing 33rd annual meeting of the Asian Development Bank's Board of Governors, Mr. Sinha said it was "unacceptable" that these "sermons" were also punctuated by a parallel reduction in the resources being made available by the developed bloc to the have-nots through multilateral financial institutions and on a bilateral basis. He called for "some balance" in this sphere where "we are being told what is wrong with us."

Regretting the attitude of the "powerful trading bloc," the Minister, who is also India's Governor on the ADB Board, said 13 per cent of the total anti-dumping action had been slapped on New Delhi whose share of global trade was about one per cent. "Who are we threatening?" he wanted to know.

Mr. Sinha's tough talk was noticed by diplomatic observers as an aspect of India's overall equation with multilateral institutions in general and the ADB, in particular, in the context of the latter's options for easing some loan restrictions it had imposed on New Delhi following the Pokhran nuclear tests of 1998.

Mr. Sinha made a specific reference to "the turmoil going on *outside*" of multilateral conferences. This, he said, needed to be taken note of.

For the second successive day, several thousand protesters demonstrated outside the meeting venue.

In line with the recent trend of non-governmental agencies and ordinary citizens resorting to street protests over the perceived injustices of the present international economic order, the demonstrators, who laid "siege" to a part of the meeting venue without actually disturbing the proceedings, wanted a fair deal for the poor and the underprivileged. Security remained tight.

On the positive side, Mr. Sinha commended the ADB for its focus on poverty reduction as the overarching goal, but drew a distinction between "cyclical form of poverty" and "overhang poverty." The ADB's role was important to India as it sought to tackle the overhang aspect of poverty traceable from the past, he noted.

As for the bank's style of holding annual meetings, Mr. Sinha said it suited a workload of "polite talk" which would "not make progress" in addressing the challenges of poverty and other issues. There would have to be "closer, deeper, more meaningful interaction" among the participants, he said.

In a prepared text which he circulated even as he made these extempore but considered comments, Mr. Sinha said "global social stability is at least as important as global financial stability." There was, therefore, a need for a "global architecture for poverty alleviation" besides a new "international financial architecture."

Although the worst of the recent global financial crisis had blown over, a matter of continuing concern to the developing countries was "inadequate access to capital." The multilateral bodies should serve as "cost-effective financial intermediaries between the market and the borrowing member-countries."

More reports on Page 13

India warns against non-tariff barriers at ADB meeting

85

ASSOCIATED PRESS 85-10

CHAING MAI, May 7. — India today warned that the "scourge of poverty" would overtake mankind unless multilateral agencies such as the Asian Development Bank reduced cost of its fund for poverty alleviation programmes and developed nations stopped erecting new non-tariff barriers to trade.

Addressing the annual ADB meeting, Union Finance Minister, Mr Yashwant Sinha, said if multilateral financial institutions (MFIs) were serious about their crusade against poverty, they would have to play their role as cost effective financial intermediaries by bringing down their comparatively costly loans or enlarge their concessional window.

The ADB prescription of costly loans for programmes of direct poverty intervention neutralised the intended benefit, he said, adding "the paradox of this approach is exemplified in the case of India being denied access to the Concessional Asian Development Fund."

He said: "We in India have committed ourselves to banish the scourge of poverty from our land within a decade." Mr Sinha sought assistance from MFIs in financing this national effort by increasing the flow of official development assistance, particularly soft loans and improving the global trading environment.

He made a frontal attack on developed nations for erecting new non-tariff barriers which had an adverse effect on the poor in developing countries, adding "India faces almost 13 per cent anti-dumping duties despite having a one per cent share of world imports."

"Opening trade and resisting protectionism are the best means for meeting the challenges of poverty," Mr Sinha told the ADB annual meeting, adding that even though the world trading system was more open than ever before and traditional regulatory barriers were falling, new non-tariff barriers were being increasingly erected.

Currency cooperation: A landmark currency cooperation agreement between 13 East Asian nations to fight future economic crises was welcomed cautiously today by the US.

Washington shot down more ambitious proposals by Japan in 1997 to create an Asian Monetary Fund to bail out regional economies collapsing under the financial meltdowns that hit one nation after another.

The Americans at the time felt an Asian fund would rival the Washington-based International Monetary Fund's ability to deal with economic crises. But the IMF's admitted mishandling of the Asian crises, which made the recession deeper than it needed to be, kept the dream of an Asian-led plan alive in many Asian countries.

At the annual meeting of the ADB a top US official reacted positively to yesterday's deal between the East Asian nations to a swap plan to protect each other's currencies in times of crisis.

Mr Edwin M Truman, Treasury Department's Assistant Secretary for International Affairs, told a news conference that Washington supported the idea in general but was awaiting the details.

THE STATESMAN

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THE HINDU 9 MAY 2000

ADB moves to lift 'sanctions' against India

HO-B **By P. S. Suryanarayana** 9/5

CHIANG MAI (Thailand), MAY 8. The Asian Development Bank has begun to engage the Group of Seven industrialised countries in a bid to lift the "sanctions" imposed on India in the aftermath of its nuclear tests conducted in May, 1998. This was disclosed by the ADB president, Mr. Tadao Chino, after the conclusion of the bank's 33rd annual meeting of its Board of Governors in this northern Thailand town today.

To a question whether the ADB would take a second look at the loans held up on account of New Delhi's nuclear tests, especially so in the context of signs that the World Bank might soften its attitude in respect of its loans, Mr. Chino said: "We are now sounding (out) the positions of G-7 and our (own) Board (of Directors) for the possible normalisation of our operations in India."

The ADB-related "sanctions" in focus pertain to the objections from one or more G-7 countries with regard to the clearance and disbursement of project aid for such sectors in India as infrastructure. Credit for the so-called "basic human needs" has not been affected. The ADB *per se* does not penalise India for its nuclear tests but the "sanctions" resorted to by the G-7 states have produced a spinoff or secondary effect of the bank's loans being blocked in view of the Group's known position even without the aid proposal going to any member of the exclusive club for a possible veto.

Keeping this in mind, the ADB president said: "Under the Charter, the ADB's operations should be guided by economic considerations and not by political considerations. Our bank management and staff are continuing other usual preparations of processing projects for India" under the 'human needs' rubric.

However, according to Mr. Chino, "it has not been possible for us (at the ADB) to bring project (aid) proposals to the Board of Directors." Citing "the G-8 sanctions (by the industrialised countries and Russia)" as the factor that stopped the bank in its tracks over this issue, he explained that the perceived absence of signs of a positive response from key G-7 countries had actually served as a deterrent.

"We have been doing quite positively (on) basic human needs projects even under sanctions," he said and noted that this had set the stage for engaging the G-7 on project aid to India.

While Mr. Chino did not acknowledge that the new context was made possible by the receding international reverberations of the political fallout of New Delhi's nuclear tests, his remarks today were a sequel to his conversation here with India's Finance Minister, Mr. Yashwant Sinha, during the ADB conference.

India has been opposing the political distinction between project-aid and loans for basic human needs. In New Delhi's reckoning, all economic activities including projects in the power and other infrastructure areas are linked to basic human needs in any developing country.

Sub-regional linkages

Asked about the political correctness of the latest initiative by the Association of South East Asian Nations (ASEAN) and its East Asia dialogue partners such as China and Japan besides South Korea for a sub-regional financial arrangement or currency swap as a possible prelude to the creation of an Asian monetary fund, Mr. Chino said there was nothing amiss about it as a factor for regional financial stability.

Mr. Chino said: "There already exist several cooperative financial frameworks among monetary authorities in the Asian region such as the network of bilateral swap and repurchase agreement facilities among ASEAN countries. I understand the initiative of the ASEAN Plus Three at this time is to strengthen further and expand the existing framework to ensure financial stability in the East Asia region. I understand that the ASEAN Plus Three would further examine and discuss how to materialise the content of the initiative. So we are going to closely monitor the discussions among the Asian countries."

~~US~~ firm loses neem patent

571 9969

PRESS TRUST OF INDIA

BERLIN, May 11. — In a major victory for Indian neem growers, the European Patent Office has withdrawn their joint patent given to the US Department of Agriculture and chemical giant WR Grace for a process to extract oil from the neem tree.

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A four-member panel of the Munich-based EPO upheld objections by three parties opposing the patent granted in 1995 as amounting to "bio piracy".

The panel in its ruling yesterday also endorsed arguments of critics of the patent that the process for extracting the oil from the neem tree was actually in use in India long before the 1994 patent application.

INDIAN EXPRESS

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India wins patent war over neem

By Our Special Correspondent

NEW DELHI, MAY 11. India's victory in the neem patent war, in the form of the decision of the European Patent Office (EPO) to revoke the patent granted by it for a fungicide derived from the seeds of the neem tree, has been acclaimed by scientists, entrepreneurs and environmentalists alike.

There was a thunderous applause, when the Union Science and Technology Minister, Dr. Murli Manohar Joshi, disclosed it at a gathering of eminent scientists and entrepreneurs got up by his Ministry here this afternoon to mark the second national technology day.

Referring to reports from Munich where the landmark decision was taken by a four-member committee of the EPO, he said it was highly appropriate that the panel has held that the patent amounted to bio-piracy and has endorsed that the process for which the patent had been obtained was actually in use in India for time immemorial.

Speaking to reporters after the meeting, he said the decision was remarkable particularly for India as the law has now been settled on the issue of biopiracy and this should lead to better protection of the country's heritage of traditional knowledge.

Meanwhile, in a statement from Munich, Dr. Vandana Shiva, Director of the Research Foundation for Science, Technology and Ecology, which was one of the three parties that had opposed the patent, said the revocation of the patent had important implications for amendments in Indian patents laws, besides the other cases of biopiracy and for the TRIPs review.

"By upholding indigenous innovation by communities against false claims of innovation and novelty by corporations and colonial science, the victory at the EPO obliges the Government to take strong steps to ensure patents laws do not promote biopiracy".

Recalling the six years of persistent campaigning and legal challenges spearheaded by her Foundation against the patent granted jointly to the US Department of Agriculture and the chemical major, W.R.Grace, she expressed the hope that the victory would mark a turning point in the struggle against biopiracy.

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The bank also has a branch pansion plan and will add approximately 100 branches this year to its nationwide number of 1420 branches. Computerisation has been fully extended to 270, while another 350 are partially computerised.

The bank's global business posure crossed Rs 36,000 ore with total global deposits of Rs 24,000 crore and gross advances of Rs 12,000 crore, respectively. It has targetted a reduction of its NPA level to 8 per cent from 14 per cent at present. The credit deposit ratio stands at 46 per cent currently.

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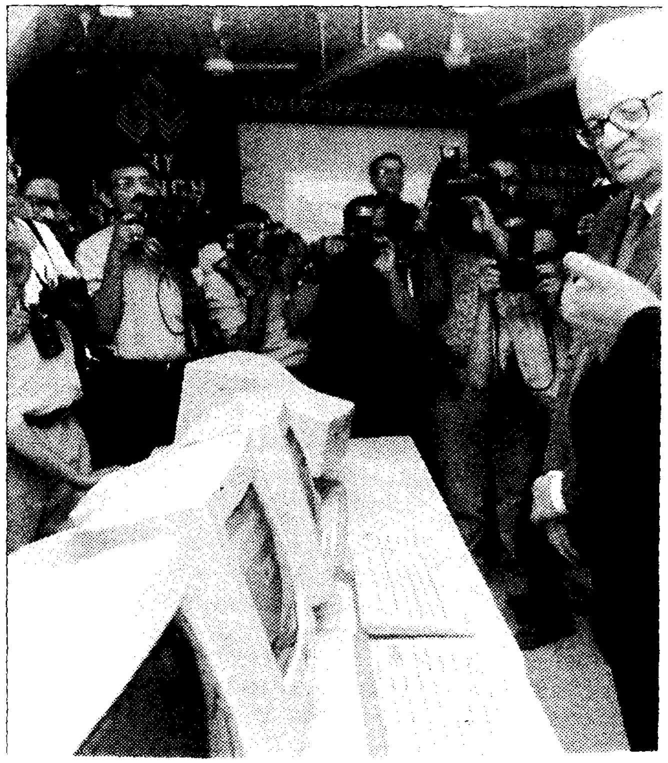


The Economic Times

19 MAY 200

19 MAY 200

Shape up or be swamped by WTO regime

The WTO regime need not be a threat to the Indian small scale industry provided they shape up, says **Biswajit Nag**

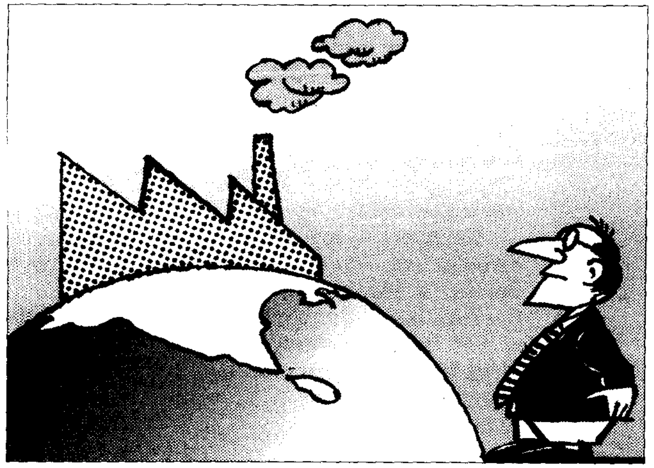
Today WTO is a reality. We need to understand its complex rules so that the WTO era becomes an opportunity rather than a threat for India. As a part of liberalisation policy, import duty as well as other restrictions are being removed very fast. Export oriented small industries should get some benefit as imported raw materials are now available at a cheaper rate. This might result into lower cost of production and help them to improve 'market access'. On the other hand, the effect of WTO on small industries that produce only for domestic sector is varied. Some of them, who use imported raw materials, may get some cost benefits but others will have to face the consequences of the lifting of quantitative restrictions (QRs). The removal of QRs implies the intensification of competition within the economy with easy access of imports.

As mentioned earlier, our exports from small-scale sector may not be badly hit as the country is opening up; rather it may get some cost advantages if cheap imported raw materials are used. But the question remains regarding 'market access' of India's exports. The existence of several non-tariff measures (NTM) prevalent in many countries work as one of the main hurdles to Indian products. Some of the NTMs are WTO consistent also. Agreement on technical barriers to trade (TBT), sanitary and phytosanitary measures (SPM) and environment related provisions will act as barrier to trade even in the post WTO regime. The objective of TBT and SPM is to check misuse of mandatory product standards by countries and to protect human and animal health due to fear of some disease form food and feeds.

In India, Bureau of Indian Standards follows international standards and attempts to improve the quality of goods constantly. But on the ground of TBT and SPM many of our exports have been either rejected or considered for further tests for standardisation. India's exports of electrical machinery, consumer goods, pharmaceuticals, etc., are facing TBT clause and exports of food products based on fruits, vegetables, milk, fish and meat are facing SPM clause. So it has become mandatory for Indian companies to upgrade the standard of manufacturing and to use more clean and healthy techniques to produce food and agro-products so to increase the volume of exports. Small-scale producers with limited resources and technology will find it difficult to upgrade their products as per international standard.

A significant number of SSIs are engaged in such industries which create pollution. Prominent among them are dye stuff, tanneries, iron foundries, metal plating, glass manufacturing, paper and pulp making, pesticides, etc. India should opt for clean technologies to consolidate its position vis-a-vis the trade and environment issue. Installation of combined effluent treatment plants (CETP), ensuring credit facilities to small producers for modernisation, labelling environment friendly product, etc., are the necessary steps to be taken to make Indian products more competitive in the international front.

One of the most important cushions to small producers is government procurement. According to the Government Procurement Agreement (GPA) of WTO, government of a member state has to consider Most Favoured Nation (MFN) and National Treatment clause on the purchase of the goods. India is not a party to the agreement till now. Hence, it could exercise its right to purchase from the domestic manufactures even at higher cost. In India, government is a big support to the small enterprises as far as the market is concerned. There are reservation policies and also price support mechanisms for purchase of products from the small-scale sector. But once government become a party to the agreement all the facilities available to small producers regarding the government purchase will be abolished. This will be a big blow to some sectors like paper and stationery goods.



Agreement on Subsidies and Countervailing Measures (SCM) prohibits a country to use 'export subsidies' which has a significant trade distorting effect but allows only 'permissible subsidies'. Permissible subsidies allowed to exporting countries can be actionable (amber subsidies) and non-actionable (green subsidy). Countervailing duties can be applicable against any actionable subsidy. In India, EPCG scheme, income tax benefits under section 80 HHC of the Income Tax Act, etc, are considered as actionable subsidies. Subsidies to SSIs could also be brought under permissible subsidy if it is made 'non-specific'. This clause of SCM agreement is required to be interpreted properly to promote export from the SSI sector. In case of agreement on safeguard also, provision is there to protect the domestic industry even in the post WTO era. This clause can be re-interpreted intelligently for the betterment of SSI sector.

It is an accepted fact that small scale sector so far flourished within the overall framework of protection, subsidisation and reservation. The insulation of the industry from the dynamics of competitive growth has resulted in poor technology and setting up of some unviable units. In order to meet global competition, Indian small industries have to overhaul their entire strategy. They must learn to stand on their feet. Technological upgradation, innovative marketing policy, product diversification, brand development, etc., should be the main thrust areas for small producers.

But there is still scope for subsidies and protection, which can be applied even in the post WTO era. Government and small industries should understand these WTO provisions clearly. Some issues have also to be negotiated at WTO. Government's policy instruments towards small sector should help them develop dynamism and self-sustenance.

Attempts to make India a sourcing point and sub-contracting base for products in which small industries specialise is indispensable. Information flow to the producers is also very slow. Government should take up an effort to improve the information flow regarding nature of market, product prices, etc., through internet. In the absence of proper initiatives and compatible measures in the post liberalised era, SSIs positive role in the economy shall remain a far cry.

EAGER SURRENDER

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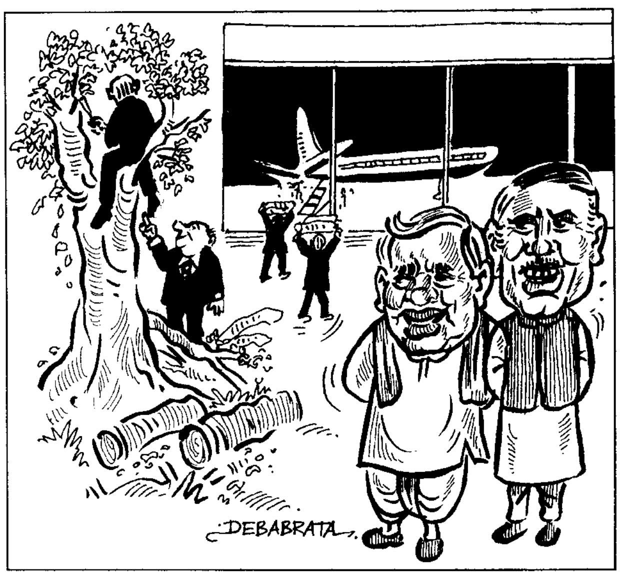
BJP Liberalisation Exceeds WTO Needs

By BHARAT JHUNJHUNWALA

THE BJP's economic advisor Jagdish Shettigar has acknowledged that many of the government's measures have been harmful for the country. But, he contends, since the Congress government had acceded to WTO, the present BJP government had no alternative. Surely then the government should undertake only such programmes which are required by WTO and explore ways of checkmating other harmful provisions. The fact, however, is that the government is doing much more than what is required by WTO. The BJP is implementing many disastrous policies behind the smokescreen of WTO.



In an article in *Swadeshi Patrika*, the journal of the Swadeshi Jagaran Manch, Shettigar has said that "liberalisation in respect of patents, insurance and quantitative restrictions was not a part of the BJP agenda but the government had to go through with them because of WTO compulsions". If that be the case, the least that could be expected was that the BJP would do the minimal damage with which it could get away. But the facts are different.

It is entirely erroneous to claim that insurance has been opened under WTO requirements.

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SERVICES SECTOR

The agreement on services in 1994 only provided that negotiations would take place subsequently. Those negotiations were held in 1995 and 1997 and are still continuing. In the 1997 negotiations India did offer to allow entry to foreign insurance companies on a reciprocal basis. But this was only an offer which is still to be negotiated. It becomes a part of WTO commitments only when the negotiating countries accept each other's offers and seal an agreement. The BJP government is free to change or even withdraw its offer because no agreement has been yet concluded.

It is also not necessary for every WTO member to make an offer. Many countries have made no offers to open their services sector. Therefore, as of date, there is no WTO compulsion for the government to pass the Insurance Regulatory Authority Act providing for 25 per cent direct, and much more indirect, foreign holding in insurance companies. This has been done voluntarily by the government, but behind the WTO smokescreen.

The situation regarding the removal of quantitative restrictions is somewhat different. It is correct that India lost its case before the dispute settlement body of WTO which ruled that the QRs on the grounds of balance of payments had to be removed. WTO had held that India's balance of payments were strong enough. But QRs could still be maintained under WTO on various other grounds such as injury to domestic producers; public morals; health of human, animal and plant life; and domestic agricultural products. WTO has not held that all such QRs are illegal. Indeed, India is maintaining some QRs on these grounds. We could have explored the possibility of reimposing some of the QRs on BOP-related items on these other considerations. It was not necessary for the government to remove all QRs at one go. The correct strategy would have been to impose many, if not all, QRs afresh under the above clauses and fight it out. Why not use the clause of public morals to protect some of our industries? Even if the case was weak, we had nothing to lose by resisting. By not resisting, the government has shown that it is keen to withdraw QRs.

According to patents expert BK Keayla, the Patents Amendment Act, 1999 passed by Parliament provides that the product patents applications for pharmaceuticals and agro-chemicals received from 1 January 1995 will not be examined before 31 December 2004.

But, the alternative available was for the applications to be examined forthwith from 1 January 2000 onwards as provided under the Trips agreement. Those which were found to be suitable could be granted product patents effective from 1 January 2005. But those which were not valid could be rejected forthwith. By doing so these "rejected" applicants would have been deprived of exclusive marketing rights from the date of filing.

PATENT FIASCO

By voluntarily postponing the examination of the applications till the end of 2004, the government has provided exclusive marketing rights to frivolous applicants. The examination of these applications will take a few more years which means that they will be enjoying exclusive marketing rights till the examination has determined their fate. We have lost this chance after passing the Patents Amendment Act, 1999. Now we can undo the damage by providing in the Patents (second amendment) Bill to undertake the examination forthwith.

The Patents Amendment Act, 1999 has deleted Section 39 of the old Act which required that any Indian filing a patents application abroad will inform the Indian government. There was no need to delete this clause under WTO agreements. It is reported that some senior officers of the CSIR have filed patent applications for certain qualities of neem abroad. It is not clear whether government permission has been obtained. Now, if the government challenges the neem patent it will face the embarrassing situation of having to fight against its own officials. Had Section 39 not been deleted then such a circumstance would not have arisen. India has developed capabilities of developing many sensitive technologies relating to armaments, space, nuclear science, etc. which need to be protected from the angle of India's security. This will not be easily possible now.

Shettigar says that "there is a provision that once import duties have been reduced they cannot be increased". This is not correct. Under WTO a country voluntarily gives commitments called "bindings" under which it promises not to increase the duty above a certain level. These bindings are offered by different countries and negotiated. If they are adopted after negotiation and sealed by way of agreement then the government cannot increase them above the bound level. There is no prohibition under WTO to increase applied level of duties up to the level of binding.

In a large number of commodities the bindings given by India are 40 per cent and above. For about one-third of commodities India has not yet given any bindings at all. This includes many consumer goods. Where then was the need to declare a maximum import duty of 35 per cent in the last budget? Clearly the government is voluntarily reducing import duties by hiding behind non-existent WTO commitments.

SMOKESCREEN

Similarly Shettigar says that the imposition of 4 per cent special additional duty in the previous budget has been challenged in WTO. Arun Goyal of the Academy of Business Studies, however, says that although some countries had threatened to complain against India they have not done so. The reason is that this 4 per cent special additional duty draws its justification from the 4 per cent central sales tax imposed on domestic products.

This is permissible under WTO. The same argument holds for state sales taxes. The government could impose SAD to the extent of state sales taxes as well. If this was challenged then it could be fought in WTO. The current strategy demonstrates a willingness to concede defeat before the game is played.

Shettigar should also know that there is no WTO agreement about inviting foreign investment. There was much opposition within industrial countries to the proposed multilateral agreement on investment which would have established such a rule. The agreement has since been dropped. Thus the government is opening itself to foreign investment entirely on its own accord.

The unmistakable conclusion is that the BJP government is undertaking much more liberalisation than is necessary under WTO. It cannot hide behind the smokescreen of WTO and sell the interests of the country.

Perhaps the government's thinking is that by undertaking more than WTO-compatible amendments we shall be able to exploit other countries in the same way as they have been exploiting us. But our approach should be neither to allow ourselves to be exploited no exploit others.

The author is former Professor of Economics, Indian Institute of Management, Bangalore.

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Sinha for appropriate reforms in IMF

By Sridhar Krishnaswami

WASHINGTON, APRIL 16. While it was heartening that the global economic and financial conditions had improved during last year, there were several disquieting factors that could adversely affect the global outlook, the Finance Minister, Mr. Yashwant Sinha, has said. In a statement to the International Monetary and Financial Committee of the International Monetary Fund, he listed at least two factors that may affect the global economic outlook. First, the sharp decline in global demand induced by a turnaround in equity markets that could have adverse consequences for sustained growth. Secondly, the unbalanced pattern of growth among the major developed nations — the U.S., Europe and Japan in particular — has resulted in current account imbalances and currency alignments that appear difficult to sustain.

But despite these concerns, Mr. Sinha said India had posted a growth of about six per cent in 1999-2000 and was likely to grow by over seven per cent this financial year. "It is noteworthy that strong growth in India was accompanied by remarkably subdued inflation and comfortable balance of payments. India's external reserves are presently at the highest level ever. At the same time India has reduced its short term debt sharply which now constitutes a very small proportion of the country's external liabilities."

At a time when there is a debate both within the international financial institutions and outside on both the challenges and in the kind of reforms required, Mr. Sinha said an appropriate reform of the IMF was needed to ensure its continued relevance and that this called for strengthening its role in three basic dimensions.

First, as an international credit cooperative serving a universal membership with impartial macro-economic policy advice; second, as an overseer of the international monetary and financial system through effective bilateral and multilateral surveillance; and third, as an institution that supported the structural reforms, high quality growth and poverty alleviation in the developing economies. Mr. Sinha maintained that while "house cleaning" and "renovation" of the Fund facilities are desirable it was easy to exaggerate the complications arising out of the proliferation of facilities. "...due consideration needs to be given to the diverse requirements of the Fund membership. In the name of housekeeping we must not lock the doors." With protesters vowing to shut down the Spring Session of the World Bank and the IMF, the formal meetings of the latter — both the Group of Ten and the International Monetary and Financial Committee — began this morning on time. Among the themes addressed by Mr. Sinha at the IMFC was the optimal number, design and composition of the Fund's facilities ought to be governed by at least three principles: period review with a view to assessing continued relevance; adding new facilities in the context of greater trade and financial integration; and any conditionality being consistent with the underlying purpose of the scheme.

Stressing the need to be on guard against the trend of over-regulation under the rubric of centralised supervision, Mr. Sinha noted "there is a distinct possibility that integrating the assessment of observance and standards and codes formally into the surveillance process could easily degenerate into categorising countries as performers and non-performers."

He welcomed the progress made on both the HIPC Initiative and on poverty reduction and growth strategies as also in welcoming the progress in obtaining bilateral contributions and in completing nearly all the off-market gold transactions.

THE HINDU

THE HINDU

17 APR 2000

NEW GATT REGIME

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India Must Exploit It To Prosper

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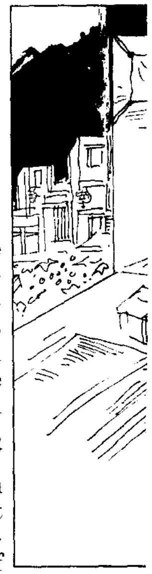
By BISWADEB CHATTERJEE

QUITE expectedly, the World Trade Organisation second ministerial conference at Seattle failed to reach a consensus in respect of Gatt stipulations to promote free international trade. The conference not only witnessed wide differences in opinions between developed and developing nations, but also a very significant rift in the developed world.

The four-day meet may be read as the US's failure to impose non-tariff barriers on developing nations in the form of labour and environmental standards to reduce their export potential, and even to convince Japan and European Union nations to repeal their growing farm subsidy so that their accrued advantage in the foodgrains trade is neutralised. When India was successfully voicing the protests of developing nations against the US's attempt to snatch their comparative advantage in cheap labour, Japan and the EU nations had been contending against its policy of dumping in respect of agricultural trade. The US was cornered in the meet amidst massive anti-WTO demonstrations outside demanding fair trade instead of free trade.



HUGE SUFFERER

Since its inception in 1948, Gatt was never seriously used to mitigate discriminatory trade restrictions through tariffs, the focus was on bilateral trade regimes, and non-trade issues like military compulsion, as a fall-out of the Cold War, to determine a country's trade. India had been a huge sufferer from such compulsion at the hands of the erstwhile USSR which maintained trade at a unilaterally determined rouble value to jeopardise its balance of payments.

But as the eighties began with a worldwide depression, the worst ever since the thirties, the developed world under US leadership renewed efforts to capture the Third World market through Gatt. Hence the Uruguay round of negotiations was initiated in 1986 and, after a series of meetings elsewhere, Gatt resolutions were given a final shape, in Marrakesh in 1994, to be implemented under WTO, paving way for multilateral trade. Although 108 member countries (now 135) were signatories, each issue in the resolutions caused global controversy. The most debatable issues included opening up the service sector, trade related investment measures, agricultural trade policy, trade related intellectual property rights and the effect of multinational corporation investment on the environment in developing countries.

New Gatt directives, which came into effect on 1 January 1995, were aimed at liberalising world trade to increase its volume to the maximum extent possible. But whatever improvement in world trade was expected, more than 80 per cent would be appropriated by the rich nations to help them tide over the on-going depression. Besides, although global production was expected to rise by Rs 12,000 crores a year, the major share of it would be under the control of the MNCs operating in Third World countries.

There are serious indirect effects of the new Gatt scheme. Opening up the service sector, along with Trims and Trips, is bound to encroach on a nation's sovereignty. Use of obsolete technologies by MNCs in poor countries are likely to pollute their environment in violation of international laws. Moreover, labour standards in a country must be an International Labour Organisation matter, and can not be export-linked and determined by the US in the name of WTO.

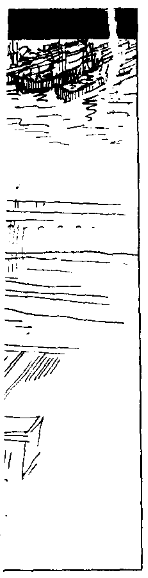
Of the potential $ 745 billion increase in world trade by 2005, the maximum contributor, itemwise, would be textiles followed by agricultural, forestry and fishery products; and processed food and beverages. So India, being an exporter of these products, stands to gain hugely in the future. Although the multi-fibre agreement could block India's advantage in cotton textile exports, negotiations are on to phase out this scheme by 2005, five years prior to the original dateline. It would raise India's share in world exports from the present 0.5 per cent to one per cent.

FLIP SIDE

But there is a flip side. Initially, India had seven-year process patents under the 1970 Patents Act. The new Act provides for a mix of process and product patents. Finally, it will have to accept product patents for 20 years under Trips. This would deprive India of its natural advantage in producing and supplying medicines at the cheapest world price. The country's present annual export of medicines worth Rs 2,600 crores is likely to be seriously affected as the new patent law, which covers almost 70 per cent of India's medicines, would bid up their prices to the detriment of common people's interest.

By 2005, India needs to acquire patents for seeds, natural genes and plants. Of the total annual requirement of six lakh tonnes of seeds by its farmers, only 38 per cent is provided by national and state seed corporations. The rest is collected privately which the new patent law would prohibit. It is obvious that the use of foreign-patented seeds would raise prices of agricultural products. Besides, the country has just opened up 26 per cent of its insurance sector to the foreign companies. This could reduce insurance investment in the country's infrastructural build-up. Social obligations are also likely to be ignored in the face of intense competition in this sector and as profits of foreign companies are almost certain to flow out. The banking sector of the country has been open to private and foreign companies for quite a long time.

Trims have so far drawn foreign direct investment to the tune of Rs 40,000 crores which is expected to help India achieve an appreciable growth rate although with a bleak employment prospect. But what is more worrying is the fact that foreign investment could increase environmental hazards. A large number of people were victims of the Bhopal gas tragedy in 1984 due to the callousness of an American firm. A potentially more dangerous development is the expansion of the granite industry with foreign investment in Andhra Pradesh and Tamil Nadu. The giant nylon industry in Goa could also endanger health.



HUMAN FACE

In the Rio summit of 1992. the G-77 nations' effort to link environment to foreign investment was aborted by the developed north block led by the US, UK and Japan. Furthermore, following Gatt resolutions, India will have to confine its public distribution system to those who are defined by the WTO as poor in terms of its own nutritional standards.

It is true that bilateral trade did not help India much — its balance of payments deficit reached Rs 10,635 crores in 1990-91. It is similarly true that its negligible share in world trade has marginalised its bargaining strength. So India must improve its relative position in world trade by effectively using the new Gatt scheme. Although India, with a per capita income of less than $1,000, does not fall under direct Gatt regulation for liberalisation of trade, it has been desperately trying to reduce its trade deficit through economic reform since 1992-93. This yielded temporary result as Indian exports grew by 20.3 per cent in 1995-96, as against 3.3 per cent in 1992-93. Its exports in dollar terms constituted eight per cent of the GDP and, as a result, its trade deficit declined to Rs 7,000 crores in 1995-96.

But as these trends are now being reversed, India needs to be cautious about trade liberalisation. A balanced approach in co-ordination with others, may help India retain the status of most favoured nation in trade on the one hand, and fulfil its social commitments, particularly to the under-privileged, on the other. Even though India is an important player in the global economy, it also has the largest number of poor people. Liberalisation in India, thus has to have a human face.

The author is Reader, Department of Economics, Hooghly Mohsin College.

THE STATESMAN
14 FEB 2000

INDIAN EXPRESS
21 FEB 2000

UNCTAD ignores India's worries on labour, trade

PRESS TRUST OF INDIA
BANGKOK, FEB 20

THE week-long United Nations meet on trade and development failed to address India's concern about linking trade with labour standards and environment even as New Delhi succeeded in getting developing countries viewpoint reflected on issues like agriculture and reform of international financial institutions.

Earlier, the Seattle ministerial meeting of the WTO had collapsed because of the confrontationist stand between developed and developing countries on such contentious issues and there were great expectations that the UNCTAD conference would attempt to resolve them to help in finalising the agenda for new round of trade negotiations. But these expectations were 'belied' as there seemed to be no "balance and flexibility" on the part of industrialised nations on these contentious issues which were detrimental to the developing countries, an Indian official summing up the outcome of the conference, which concluded here on Saturday, said.

However, there were several positive aspects of the conference as the plan of action adopted at the conclusion of the conference expressed growing "realisation and appreciation" of some of the other problems of trade and development, the official said. Though the UN meet is expected to act as a 'catalyst' for consensus-building for the finalising the agenda for new round of trade negotiations, European Union and United States seem unlikely to yield on these contentious issues.

The very fact that developing countries had more say at UNCTAD, United States sent only a low level delegation to Bangkok. Washington maintain that trade disputes should be resolved by wto which has the power to enforce agreements. UNCTAD is a non negotiation body.

BANGKOK MEET

It is precisely for this reason that chief executives of WTO, World Bank, International Monetary Fund (IMF) and International Labour Organisation (ILO) were 'generous' in paying 'lip service' to the pitfalls of globalisation and problems of development, some of the developing countries representatives at the conference said.

When it came to implementation of issues of importance to developing countires like anti-dumping measures and development assistance, these multilateral agencies 'shied' away, they said. The US has also expressed reluctance about dropping all quotas, despite saying trade should be the primary tool for enriching poor nations.

Though the plan of action substantially diluted the paragraph on agriculture to address the concerns of developing countries on food security, powerful members of European Union have not agreed to reduce farm subsidies so that third world could sell their farm products cheaply to these markets.

Asked about these distortions in the plan of action, UNCTAD Secretary-General Rubens Ricupero said he accepted that the agreement would not produce immediate benefits for the poorest countries and said, "Between what we propose and what countries are prepared to accept at this stage, there is a wide gap."

India, China sign pact on WTO

BEIJING, FEB. 22. India and China today signed an agreement here pledging New Delhi's support for Beijing's entry into the World Trade Organisation (WTO) and for boosting bilateral trade, official sources said. HP 1 23/2

Before the signing of the agreement, the Commerce and Industry Minister, Mr. Murasoli Maran, who led the Indian delegation, said that both the countries had concluded negotiations on major issues. "Our negotiations with China went on smoothly and were devoid of any bickering," Mr. Maran said in an obvious reference to the long-drawn out negotiations and politicising of the WTO agreement between Beijing and Washington. China must reach agreements with all WTO members before it can join the Geneva-based multilateral body that sets rules for global trade.

The agreement was signed between Mr. Maran and China's Foreign Trade Minister, Mr. Shi Guangsheng.

Mr. Shi said that China appreciated India's support on Beijing's entry into the WTO, adding that the agreement would provide further impetus to Sino-Indian trade ties. The two countries would be able to substantially increase bilateral trade from the present level of $2 billions a year.

Official sources said that China would look into the prospect of reviving the ailing Indian Iron and Steel Company (IISCO) at Burnpur. "The Chinese side has agreed to depute a technical team to inspect IISCO," an Indian official said. New Delhi and Beijing also signed an MoU for setting up a joint working group (JWG) for increased cooperation in the metallurgical sector, official sources said.

The Chinese side also agreed to depute a technical team by June this year to see India's iron ore and magnesium ore mines for increasing imports of these items.

India had put forward a list of about 180 export commodities, mainly agricultural products, on which it wanted to see lower tariffs, a commercial Counsellor at the Indian embassy said.

Under the deal, China would reduce average tariffs on Indian export commodities to 9-10 per cent from the current 20 per cent in the next three years, he said. The products included rice, fruits, vegetables, marine products and pharmaceuticals. — PTI, UNI, Reuters

The Chinese Minister of Foreign Trade and Economic Cooperation, Mr. Shi Guangsheng, right, and the Minister of Commerce and Industry, Mr. Murasoli Maran, after signing a bilateral agreement in Beijing on Tuesday.

THE HINDU
23 FEB 2000

The Economic Times
- 8 JAN 2000

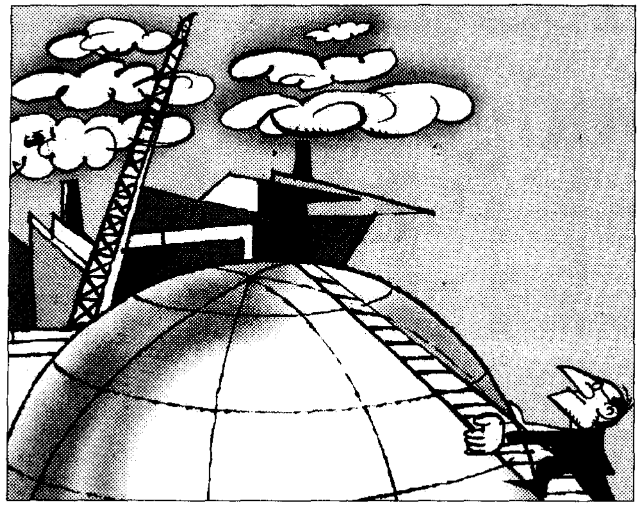
India and the post-Seattle agenda

India should follow an aggressive as well as opportunistic line vis-a-vis the US in the WTO negotiations, says **Nilanjan Banik**

At Seattle the developing nations may have succeeded in stalling the US move to bring in labour and environment related issues on the WTO agenda. But this was not purely because of the opposition of developing countries to their inclusion. Rather, these issues were kept off the WTO agenda at Seattle mainly on account of the fact that there was no consensus among the big four: Japan, EU, Canada and the US.

In WTO idea of consensus is very vague. Under WTO umbrella, agreements are of two types. The first is multilateral type (binding for all WTO signatories) and the second is plurilateral (not binding and members have options of signing). In the latter, the developed nations have a greater say. Here consensus means that if economies having a world trade share greater than 80 per cent agree, then rest of the members can do nothing but agree. However, this is not true of multilateral agreements where consensus means the decision of parties communicating in the Green House (the name deriving from the office of WTO's Director General painted green). In the Green House only 25 of the 135 WTO signatory members communicate. Out of them a major proportion represent the developed nations and a handful represent developing nations.

Although developing countries make up three-fourths of the WTO membership and theoretically votes can influence the outcome of any trade negotiation, they never did so. The reason is simple. Most of the developing economies are in one way or other dependent upon each of the four big economies in terms of imports, exports, aid, security, etc. Any obstruction of a consensus at WTO might threaten the overall well-being and security of dissenting developing nations. So they prefer to cave in when the big four agree and clamour when they disagree. Precisely this happened during the Seattle meet. The issues regarding labour and environment will now invariably go to the Green Room at Geneva and it is only a matter of time before these get imbibed in the WTO framework.



Fortunately for us, India will also be there in the Green Room. What would be our best possible options? We should be both 'aggressive' and 'opportunistic'. Aggressive in terms of opposing any US move regarding labour or environment, and opportunistic in terms of colluding with any other developed nations interested in blocking such a move. Collusion with developed partners are important as India being a small player (with 0.75 per cent of world trade share) cannot unilaterally oppose any such move.

Coming to labour, there are two issues. The first one deals with core labour standards and the second one is about child labour. Presently the US is more vocal about core labour standards. But once these are conceded, child labour is definitely going to be an issue. Regarding core labour standards, defining working standard (both time and pay-off) of adult workers, there is basically not much to fear. A large proportion of work force in developing nations are associated with primary production and hence outside purview of any standard. Moreover with current pace of liberalisation and globalisation wage rates are going to increase.

The problematic area is that of child labour. This is more of a moral issue and there are reasons to support this one. But only clamouring will not help. Everybody knows what happened in Bangladesh when EU boycott garments manufactured there. Thousands of children manufacturing them lost jobs and landed up in other worse-paid jobs. This directly contradicts GATT (1947) preamble which states, "trade and economic endeavour should be conducted with a view of raising standards of living, ensuring full employment and a large steadily growing volume of real income''. Ergo, outright bans on exports using child labour tend to harm rather protect them.

Those who want to link labour standards with trade rules have an 'ulterior' rather 'altruistic' motive. Labour organisations of the US fears globalisation of trade and environment will lure investment away from wealthy nations to countries where wages are low. To expect wage levels in developing countries to be the same as that in the developed world is to defy all notions of comparative advantage. By the same token, India along with other South-East Asian nations can demand the raising of capital costs (interest rates) of developed nations at par with their developing counterparts.

There are many other issues and India can adopt any of these to safeguard its position on labour and environment. For example, going to the US on H-B1 visas require paying social security taxes like Medicare, fire safety insurance, old age benefits, etc. To reap benefit from these taxes a minimum of 10 years continuous stay is required. But H-B1 visas are valid only for three years, depriving labourers of their benefits. Indians can insist on not paying any such tax.

The Americans are worried about the plight of our child labour. Strangely enough, the payroll of blue-collar workers in McDonald indicates many of them are in their teens. Astonishingly, India has signed more conventions on child labour at ILO, than many other developed countries. Out of 19 conventions on child labour, India has so far ratified 7 conventions, while Germany has ratified 3 and the US only 1.

Possibly the best way of check mating the US dumb is to ask them to bring anti-dumping issues on the agenda in return of incorporating issues on labour and environment. US being the largest imposer of anti-dumping duties, always wanted this particular issue off the shelf. Garnering support from other developed nations will not be a problem. For example, EU and Japan would love to support India on this particular issue, having faced largest number of anti-dumping investigation against their products in the US. We would love to incorporate issues like labour and environment in return of removing above anomalies. After all the whole essence of WTO is that of quid pro quo.

(The author research officer, Rajiv Gandhi Institute for Contemporary Studies, New Delhi)

Inputs from India critical: WTO chief

By Sushma Ramachandran

NEW DELHI, JAN. 12. India's "extremely strong views" opposing linkage of trade to the social clause will be conveyed to the developed countries such as the U.S. and the European Union, according to the Director General of the World Trade Organisation Mr.Mike Moore.

He said the inputs from India would be critical in view of its importance in the organisation. The Indian Ambassador was present at all the meetings prior to and during the Seattle meeting, he pointed out. Besides, he said, there was a core group of ministers that will be critical to success and the Indian Commerce Minister was one of them.

In his first visit to a member-country after the Seattle conference, he held a series of talks with the Commerce Minister, Mr.Murasoli Maran, on India's stance on the proposed new round of trade negotiations as well as a host of other critical issues such as non-trade barriers and anti-dumping measures. He also met the Union Finance Minister, Mr. Yashwant Sinha, in a three-day visit, marked by demonstrations held by both trade unions and the Swadeshi Jagran Manch.

In an interview, Mr Moore said the bureaucratic machinery was now moving prior to discussing the mandated agriculture and services negotiations this year. Both the agriculture and services grounds were to begin in parallel. "You can expect to see discussions about structure of negotiations in the next month or two," he said.

As for the new round of trade negotiations, he could not say when this would begin. "For me, it should have been yesterday, it should have been at Seattle. It depends on the member-governments."

Mr Moore said he would be conveying India's message to the U.S. and the European Community which he planned to visit soon. There had been no change in the position of the developed countries who needed a cooling-off period after Seattle. "And really I cannot negotiate through the media. But I can tell you honestly there is no lessening of the Indian position as expressed in Seattle on the social clause. It is deeply felt," he said.

PTI reports:

In a *volte face,* World Trade Organisation(WTO) today said the multilateral body never set up a working group on the contentious issue of linking trade to labour standards in Seattle.

The WTO director general, Mr. Mike Moore told PTI in an interview that the "working group on labour" was nothing more than a sub-group of another working group set up on issues like investment and competition policy raised at the first WTO ministerial conference in Singapore.

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13 JAN 2000

Yes to IPRs, but not under the WTO

IPRs can hardly be construed as trade barriers and as such constitute the non-trade agenda, argues **Arvind Panagariya**

In a provocative column last week, Swaminathan Aiyar (ET, January 19) took the view that the inclusion of intellectual property rights (IPRs) into the World Trade Organisation (WTO) was a good idea after all. He argued that IPRs have now become central to the evolution of world trade and as such belong into the Geneva-based institution. The veteran columnist has such good instincts that only rarely can one disagree with him. This is one of those occasions.

At the outset, let me state that the opposition to the inclusion of IPRs into the WTO does not imply opposition to IPRs. Though India opposed the Agreement on Trade-Related Intellectual Property Rights (TRIPs), which will eventually bring IPRs under the purview of the WTO, it has long had world-class legislation in copyrights. This legislation meets or exceeds the standards required by the TRIPs Agreement and even protects computer programmes on a par with artistic and literary works.

India has also had a patent regime though our standards in this area have been substantially weaker than those required by the TRIPs Agreement. In particular, it allows the patenting of only processes (and not products) in pharmaceuticals, chemicals and food. But this has been a deliberate choice to limit the monopoly power of the patent holder thereby making newly discovered medicines rapidly accessible to the poor. It is not an accident that a sizeable low-cost medicine industry has evolved around reverse engineering in India.

It is tempting to argue that in the absence of the TRIPs Agreement, nationally chosen IPR regimes will hamper trade in an age when products are increasingly technology intensive. Yet, there is little evidence to support this view. All the existing division of labour between 'brain intensive' and 'material intensive' goods that Swaminathan Aiyar describes in his column and ascribes to the TRIPs Agreement has, in fact, taken place under the nationally chosen IPRs. Even the recent, much-publicised innovation of a drug by the Indian pharmaceutical firm Ranbaxy, sold for $60 million to AG Bayer, has taken place under the nationally chosen IPRs. For the implementation of the TRIPs Agreement did not begin until January 1, 2000. And full implementation will not be achieved until January 1, 2005.

The reason why innovations and trade have progressed smoothly even before the implementation of the TRIPs Agreement is that developed countries, where much of the demand for newly innovated products is concentrated, have had IPR regimes at par with the TRIPs Agreement for some time. This protection has been sufficient to make innovations profitable even in countries where IPR protection is lax. Thus, there is nothing to prevent an Indian firm such as Ranbaxy from patenting the fruits of its innovation in developed countries. The popular argument that Indian firms do not innovate because India has a weak patents regime is patently false. What matters for the profitability of innovations is whether they enjoy sufficient protection in the markets where demand is concentrated. These are mainly developed country markets.

What the TRIPs Agreement accomplishes is to require all WTO members to adhere to the same IPR standards, which have been chosen to approximately equal those already achieved in developed countries. Therefore, the effective burden of adjustment falls virtually entirely on developing countries. Economists Michael Finger and Philip Schuler estimate that the cost of legislation required to implement the TRIPs Agreement alone will be a hefty $150 million per country. For many poor African countries, this is a substantial burden with no commensurate benefits.

But more importantly, under the TRIPs Agreement, all countries must provide both product and process protection to all innovations for 20 years. Under TRIPs, it will be illegal to reverse engineer the patented drugs, making India's low-cost medicine industry a thing of the past. To take just one dramatic example, if a cure for AIDS is found, millions of patients in the poor countries will be unable to afford it.

The principal objective of the WTO is to remove trade barriers. But IPRs can hardly be construed as trade barriers and as such constitute what many of us call the 'non-trade agenda'. Countries choose IPR standards with a view to balance the rights of innovators against benefits from innovations in the light of the prevailing social and ethical norms rather than to acquire any 'unfair' advantage in international trade. Like other domestic policies such as excise tax, labour and land laws and investment rules, IPRs do have an effect on international trade. But this hardly justifies equating lower IPRs to higher trade barriers.

There is yet another factor distinguishing trade barriers from IPRs and other non-trade issues including labour and environmental standards that are now creeping into the WTO agenda. The removal of trade barriers is an efficiency enhancing activity that benefits all parties including the one undertaking liberalisation. In contrast, non-trade agenda, as pursued so far, redistributes income from the developing to developed countries and may even lower the world efficiency. For instance, by extending the monopoly right of innovators, the TRIPs Agreement is likely to lower efficiency.

Worst of all, the TRIPs Agreement has become an effective instrument for Labour and environmental groups for promoting more non-trade agenda. They say the WTO must now do for workers and nature what it has already done for corporate interests. The following excerpt from an article in the *Washington Post* by Elaine Bernard on behalf of labour groups offers a dramatic illustration: "... the WTO says its purview does not include social issues (only trade). So it claims to be powerless to do anything about a repressive regime selling the products of sweatshops that use child labour. Yet let the same regime use the same children to produce 'pirated' CDs or fake designer T-shirts, and the WTO can spring into action with a series of powerful levers to protect corporate 'intellectual property rights'."

(The author is a Professor of Economics at the University of Maryland)

The Economic Times
26 JAN 2000

CONSENSUS SOUGHT ON TRADE ISSUES

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India for another Ministerial meet

DAVOS, JAN. 30. India today proposed convening another ministerial meeting to "consider" a new trade round and called for hammering out a "consensus" at the official level on ways to further liberalise world markets.

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The Union Finance Minister, Mr. Yashwant Sinha, during an informal gathering of ministers and chief executives at the ongoing meeting of the World Economic Forum, said "much more work" should be done by the Ambassadors of the World Trade Organisation in Geneva to help evolve a consensus.

Mr. Sinha's comments marked India's first reaction after the U.S. President, Mr. Bill Clinton, in his address said Washington was opposed to putting off a new trade round and that the interests of the developing countries should not be ignored.

Mr. Sinha said a flexible approach should be adopted while taking measures to launch a new trade round. Consensus eluded several issues including environment and labour standards and agricultural subsidies during the WTO ministerial meeting in Seattle last month causing a collapse of the planned launch of the new round of trade talks.

Sinha allays fears

Earlier in an informal meeting with top business executives, Mr. Sinha allayed their fears over hurdles in setting up of power plants, asserting that a "vigorous push" was being given to the power sector reforms in the country.

There appear to be "distortions" abroad on the steps being taken to remove bottlenecks in getting foreign funds, he said about the "impression" abroad that foreign companies needed "hundreds of clearances" as in the case of the Enron power plant in Maharashtra.

He told the executives that State Governments were in the process of unbridling the state electricity boards and streamlining the functioning of regulatory bodies.

India must convey a strong message to the international community that the days of red tape and extensive state-ownership were over and that economic liberalisation was being pursued with active vigour, the business executives said.

India had "tremendous advantages" and could "outstrip" China in getting foreign investments if it could "get its act together", Mr. Sinha was told.

Mr. Sinha's interaction with the businessmen at a private meeting of the "business interaction group of India" and at the working dinner was his first major engagement since his arrival here last afternoon. He could not participate in the main plenary session of the WEF theme "redefining the roles of business and government for the 21st century" as he had reached Davos a few minutes before the session began.

He informed the meeting,regarding the uncertainty in the telecom sector following some confusion on the regulatory front, "everything has been sorted out. There need not be any doubts."

The Finance Minister also sought to clear the impression that development in Information Technology was confined only to Andhra Pradesh and Karnataka. — PTI

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