

From New Delhi by Susan Maitra

India is kept on Super 301 'hit list'

No one here can figure out what America has to gain from this round of gunboat diplomacy.

In the only official response so far to the U.S. move April 27, dropping Brazil and Japan from the Super 301 indictment and giving India a new ultimatum to enter negotiations by June 16 or else, Indian Commerce Minister Arun Nehru told the Parliament May 3 that India opposes the U.S. approach because it goes against multilaterally agreed commitments and processes, none of which cover investment or services.

The office of the U.S. Special Trade Representative indicted India one year ago for its foreign investment policies, and for the fact that the country's \$3 billion domestic insurance market is closed to foreigners. The USTR complained that the Indian government requires investment to be in one of the "core sectors" essential for the country's growth, and that it cohere with national development plans. The limitation on foreign equity holdings, the requirement for an export commitment, and the requirement for phased indigenization of manufacturing were singled out for U.S. censure.

At the time, the Indian government made clear that there would be no negotiations under threat—a stance from which it will not budge. The country's domestic economic policies are a matter of sovereign national interest and not subject to revision according to the whim of a foreign power, officials have explained repeatedly.

In a speech April 6 to the Indo-U.S. Joint Business Council (JBC) in Washington, D.C., previewing the latest ultimatum, USTR Carla Hills said India was "out of step" with what

the Bush administration takes to be a wave of free-market revivalism around the globe. Quoting Indian independence leader Mahatma Gandhi that "in an ideal state there would be no state, no political representatives," Hills told the government of India to "get out of the business of regulating commercial activity."

Hills's performance was headlined here as "Ms Carla Quotes the Mahatma, Waves the Crowbar Again." Indian reporters recorded the remarks of Indian businessmen leaving the meeting room when it was over. A rough translation of the more colorful Hindi original is: "What was that?!"

Mr. Nehru was more diplomatic in his written reply to a member of Parliament's query. The American approach showed a lack of appreciation of the socio-economic imperatives that guide policymaking in India, he said; it also reflected the philosophy of trade law in the U.S. that tends to use a country's access to its market to change that country's domestic policies. In plain English, it's blackmail.

India has absolutely no economic leverage on the United States. Its share of the U.S. trade deficit is a mere 0.8%, up from 0.4% last year when the indictment was made. But India could be made uncomfortable by U.S. retaliation, since its exports to the U.S. make up more than 20% of total exports.

Though few here expect the U.S. to push the matter that far, they are dismayed by the American moves. "We are amazed," said Hari Singh Singhanian, co-chairman of the JBC and a leading industrialist, "that the

U.S., which is so sensitive to liberal political and economic concepts, should seek to enforce a patterned relationship without regard to societal requirements and developmental goals of a democratic nation, which India indisputably is."

Indian officials and businessmen are surprised at the extent to which the American action ignores "realities"—from the basic facts of India's economy and economic policymaking, to the fact that the country has been consciously engaged in abolishing controls and "opening up" the economy for the past four years.

The commitment to this process, including a streamlining of foreign investment procedures, was reiterated on May 2 by Indian Prime Minister V.P. Singh in his inaugural address to the Asian Development Bank's annual meeting here. But Indian officials insist, as V.P. Singh also stated, that the policies toward foreign investment will be "selective."

American officials prate about the "economic boom" India is forsaking in refusing to throw open the doors to foreign investors. But as one acerbic commentary here noted, since when was the Japanese or German economic miracle based on foreign investment?

Not the least of the absurdities is that Super 301's unilateral threats and bullying are expressly outlawed by the General Agreement on Tariffs and Trade (GATT) regime the Bush administration is otherwise busy upholding.

It is perhaps no coincidence that India has led the developing nations in opposing the U.S. push in the ongoing Uruguay Round of negotiations to bring services into the GATT regime, on the grounds that such a move at this time would undermine already tenuous growth strategies in the developing nations.