

From New Delhi by Ramtanu Maitra and Susan Maitra

U.S. toughens policies toward India

Washington shows willingness to back up its shrill rhetoric with some arm-twisting, and more sanctions are coming.

President Bush's confrontational "new world order" foreign policy continues to steamroll all and sundry. Besides issuing threats of trade sanctions and "suspension of access to U.S. technology" against both Russia and India over the proposed sale of Russian cryogenic rocket engines to India (see *EIR*, May 8), on April 29 the White House suspended duty-free treatment under the generalized system of preferences (GSP) of pharmaceuticals and chemicals from India for alleged violation of U.S. intellectual property rights.

Subsequently, U.S. Trade Representative Carla Hills told correspondents that India will remain on a list of "priority countries" which will continue to be watched under Super 301 provisions of U.S. trade law. Taiwan and Thailand are the other two countries on the list.

Exactly a year ago, the Bush administration had placed India on its Super 301 hit list along with China and Taiwan for its failure to protect U.S. intellectual property rights. New Delhi, acting more on self-consoling delusion than on reality, was going around saying that the United States would not retaliate and that the threat was aimed at forcing India to soften its stand on the issue at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations.

Although the White House's action will help the Indian government to get a firmer grip on reality, the action itself will not hurt India much financially. Pharmaceuticals and chemicals, which include antibiotic,

chemotherapeutic, and anti-parasitic drugs, constitute a meager \$60 million of the total \$524 million in exports that India shipped to the United States under the GSP. Moreover, although the removal of duty-free status will mean an imposition of \$3 million worth of duty on the sanctioned products, it is most likely that such a duty will not price the Indian products out of the U.S. market.

Nonetheless, the reaction that the White House's action has generated here is more like the explosion of a fair-sized grenade. In the Indian Parliament, members of ruling and opposition parties alike dished out some harsh criticism of the U.S. administration. Left and left-leaning opposition members demonstrated in front of the U.S. Embassy, and President Bush was burned in effigy at least twice in New Delhi.

The criticism did not go down well with the Bush administration. Hills's assistant Nancy Adams, speaking before the newly established National Indian Chamber of Commerce in Washington on May 1, blamed the Indian press for blowing the action taken by President Bush out of proportion. Adams accused India of "thefts" of American patents. She said that the failure of talks both in New Delhi and Washington, and India's refusal to cooperate with the United States in the GATT negotiations, caused the U.S. action.

In New Delhi, Union Commerce Minister P. Chidambaram put up a brave front, telling parliamentarians that the government will not yield under U.S. pressure and "unjust and un-

warranted" actions.

There is little doubt that the Indians are willing to plead guilty to theft. Indian pharmaceuticals and drugs are covered by Indian patents which are process based, unlike the U.S. patents which are based on individual products. A recent study conducted by the Operations Research Group, a leading market research agency, on behalf of the Indian Drug Manufacturers Association, revealed that 46%—and not 5% as claimed as claimed by Hills—of the drugs marketed in the country abide by the U.S. trade laws.

Obviously, the technicalities raised by Washington are designed to cover up what is really the heart of the matter. Washington is acting out of vengeance against India for the inevitable failure of the Uruguay Round of trade negotiations.

Washington is aware of India's hobnobbing with the European Community to slow down the talks, which, incidentally, is also the *modus operandi* of the EC countries. But it is believed that the United States will not retaliate against the EC farm exports to the United States (worth about \$1 billion) by slapping on more tariffs.

However, India should expect more retaliatory actions from Washington soon. The Multifibre Arrangement is going to expire in December. If no multilateral agreement is signed before that, India, and some other developing countries, will have to deal with highly unfair bilateral agreements. This is going to hurt all of them severely.

The pronouncements from Washington are getting shriller by the day. Besides threatening India with penalties if it buys cryogenic rocket engines from Russia, word is out that Washington will withdraw its support from India's possible future bid for further loans from the International Monetary Fund.