checks or credit or debit cards.

The measures provoked rage and panic. As one economist put it, "Without doubt, the economic implosion will now accelerate." Hundreds of thousands of angry citizens lined up at banks on Dec. 3 and 4, opening accounts, and applying for debit cards. Over the same two-day period, retail sales plummeted by 50% compared to the same two days of the previous week, as people had no access to cash. In some cities in the interior, the decline was close to 70%, and some businesses didn't even open.

Of particular concern was the impact of these measures on the 38% of the workforce which has been driven into the informal economy by the economic depression. Many small and medium-sized businesses have survived so far, only by employing people off the books, and not paying payroll and other taxes. Should they now be forced to accept fixed costs, such as payroll taxes, they will cease to exist or will opt to fire their employees, rather than assume fixed costs they cannot pay. Demand and consumption will also drop, since there will be less cash circulating. Currently, one-third of all tax revenues come from taxes on consumption, such as the value-added tax (VAT) or the fuel tax. In November, overall tax revenues dropped for the sixth consecutive month, by 11.6%, including an incredible 30% decline in the VAT tax.

The alternative to complying with these regulations is to resort to the use of provincial bonds and other forms of pseudo-currency which provincial governments have created on their own to pay workers' wages and pensions, because of the scarcity of pesos and dollars. These bonds, such as Buenos Aires province's Patacon, are not subject to the emergency measures, and have already begun to proliferate. Buenos Aires Gov. Carlos Ruckauf has loudly proclaimed that he will permit "unlimited" use of the Patacon.

On Dec. 6, at the same time that he announced strict exchange controls, Cavallo relaxed some of the cash withdrawal regulations, allowing workers to access their wages, as much as $1,000 at a time, and permitting people travelling abroad to take as much as $10,000 out of the country at a time. But, as the daily *Clarín* pointed out the same day, the initial partial freeze on deposits imposed over the Dec. 1-2 weekend, allowed the government to secure the reserves it needed for its purposes; it then proceeded with the Dec. 5 measures to secure control over the flow of reserves into the country. Whether this seizure of funds succeeds in keeping the game going a week or two longer, remains to be seen.

Doha WTO Meet: A Few Gains, But More Worries For Developing Nations

by Ramtanu Maitra

Developing nations made a few gains at the World Trade Organization's (WTO) fourth ministerial meeting in Doha, India, on Nov. 9-14; but they were left with much to worry about in the future. Developing nations, led by India, retreated on the issues of the environment, investment and competition policy, trade facilitation, and transparency in government procurement. All these will be taken up in 2003, at the fifth ministerial meeting. The developing nations' demand for an early elimination of the quotas on imports of textiles and garments imposed by the United States, was rejected out of hand.

The biggest gains for the Third World were on Trade Related Aspects of Intellectual Property Rights (TRIPS) and public health.

Life-Saving Medicines

The WTO conceded to the developing nations' demand that their governments will be able to invoke the so-called "compulsory licensing" rules that allow them to ask non-patent-holding drug manufacturers to produce patented drugs. The agreement says that the governments can ask the multinational patent holder of a life-saving medicine to lower its price, failing which, the government can ask generic drug manufacturers to produce the drug. It will also enable countries to shop around for drugs in markets where prices are the lowest, under the parallel import clause. This concession will help such nations as India, Brazil, Thailand, and China, which have the ability to produce generics cheaply. Developing nations met the strongest opposition on the issue from Switzerland and the United States.

Another area of gain was in agriculture. The ministerial declaration says that the mandated negotiations would aim at "substantial improvements in market access; reduction of all forms of export subsidies; and substantial reductions in trade-distorting domestic support." When the export subsidies, of which the European Union (EU) is the major beneficiary, are phased out, the door will be open for developing countries to increase agricultural exports. The Indian Commerce Ministry claims that "this so far has been tough to achieve because of the high level of export subsidies given by the EU." According to its estimates, despite fulfilling subsidy reduction commitments, total support to the agricultural sector in member coun-

One concession won by developing nations, is that if a multinational patent holder of a life-saving medicine refuses to lower its price, the government can ask generic drug manufacturers to produce the drug. Here, research workers in Thailand train in a new medical test.

tries of the Organization for Economic Cooperation and Development (OECD) has increased from $308 billion in 1988 to $361 billion in 1999.

Developing nations, and India in particular, went to Doha strongly opposed to negotiations on the so-called "new issues" under the WTO. The reason given was that the new issues do not relate to trade. India's Commerce and Industry Minister Murasoli Maran—who was quickly identified by the OECD countries as the toughest nut to crack—has repeatedly stated that investment and competition policies are matters of a country's domestic policies, on which no multilateral negotiation is possible. On the other hand, WTO officials, backed by the OECD representatives, identified them as policies to prevent abuse of the free market. The OECD nations applied the same logic in pushing for future negotiations on two other contentious issues—transparency in government purchases, and trade facilitation.

Arm-Twisting By The Gang Of Four

The Indian resistance came under serious attack by the foursome of U.S. Trade Representative Robert Zoellick, EU Trade Commissioner Pascal Lamy, WTO Director General Mike Moore, and Qatari Finance and Trade Minister Youssef Hussein Kamal. All four focussed in on India—but India initially refused to budge, and the draft declaration was delayed.

According to *Business Standard* correspondent Sidharth, Indian Commerce and Industry Minister Maran was then called in at 11 p.m. on the final day for a meeting with the four. When Maran still refused to budge, Zoellick threatened that President George Bush would speak to Indian Prime Minister Atal Behari Vajpayee. The EU's Lamy told Maran that he had the mandate of the Europeans to push ahead on all the contentious issues. Maran, disgusted by the arm-twisting, retorted that he has the mandate of 1 billion people, which Europe could not match.

Negotiations stopped at 1 a.m. on Nov. 14. When Maran joined the 25-odd dissenting countries for another set of discussions with the foursome, the Indian delegation realized that India was alone in opposing proposals put forward in the draft. But, at 6:30 a.m., Maran returned to his hotel, still holding out.

At 7:00 a.m., half an hour after his return, Maran reportedly received a call from Qatari Trade Minister Kamal for a one-on-one meeting. Although the details of that meeting were not divulged, it led to India finally consenting.

The Indian delegation, however, believes that the issue of whether negotiations on the contentious issues will be held, will not be decided until the fifth ministerial meeting in 2003. However, analysts contend that the wording of the declaration suggests that negotiations are a *fait accompli*. It is the *modus operandi* that will be decided at the next meeting. The declaration says, "We agree that negotiations will take place after the fifth session of the ministerial conference on the basis of decisions to be taken, by explicit consensus, at that session on the modalities of negotiations."

In an interview, Maran explained why India relented. He said that if India had held out, other countries would have been affected on implementation issues; the declaration on TRIPs, for example, and other developing country waivers, could have gone. Our blocking would have been mistaken by the least developing countries, the ACP (Africa, Caribbean and Pacific Rim nations) group, and the Latin Americans—we cannot declare war on all these countries. Then it would be really isolationist. We averted it by bargaining. We were eyeball to eyeball and India did not blink."

While the Indian minister's points are valid, it is evident that, having been deserted in varying degrees by countries across Asia, Africa, and Ibero-America, India resorted to damage control. Some analysts point out that it is not clear whether India succeeded even on that. The environment issue, which one analyst characterized as "the sharp edge of the wedge," may turn out to be a monster for the developing nations, the same way that the TRIPS turned out to be. At the beginning, the TRIPS were interpreted as a tool to fight counterfeit products. Soon enough, the developing nations came to know how much more damage the TRIPs could do; e.g., by depriving them of life-saving medicines. It is likely that the environment standards will be used later by the OECD to impose restrictions against developing countries' exports.