From New Delhi by Susan Maitra

U.S. attacks India's trade practices

With six-shooters blazing, the U.S.A., viewed from here, is charging around town like Wyatt Earp.

'Irrational, unfair, and unjustified" are the words used by Indian Commerce Minister Dinesh Singh in response to the U.S. naming of India as one of the priority countries for unfair trade practices under the U.S. Omnibus Trade Act of 1988.

On May 26, U.S. Trade Representative Carla Hills informed the Indian government of the decision to name India along with Japan and Brazil as one of the three countries under trade bill clause "Super 301." At the same time, India was also named under section "Special 301" of the act, along with Brazil, South Korea, Mexico, China, Saudi Arabia, Taiwan, and Thailand.

Under "Super 301," the United States has empowered itself to mount an assault against India's vast system of barricades against imports, including even the Foreign Exchange Regulation Act (FERA) restrictions and the high tariff system. The "Special 301," on the other hand, calls for identifying those countries which do not adequately protect American inventions. Under both the "Super 301" and "Special 301" clauses, the U.S. government will have to carry out investigations and negotiations with the offenders, and retaliate if these offenders do not fall in line with U.S. wishes.

It is not yet clear how far the United States will push this unilateral action. There is speculation here that the Bush administration will bark, but decline to bite. The trouble started on April 30, when Carla Hills's office put out a list of violations of what the United States considers "fair trade practices." A four-member U.S. team held meetings with Indian officials May 2-4. Subsequently, an Indian delegation of private businessmen visited the United States to explain India's trade regime.

Apparently, these talks did not bear much fruit, at least not in terms of an Indian promise to mend its ways. (Such a promise from South Korea at the eleventh hour apparently kept its name off the priority hit list for now.)

According to observers, however, Hills's office is not going to go after India's entire trade regime, but will actively oppose only the trade-related investment measures ("trims," in GATT jargon). In this view, the United States is in all likelihood going to pick on Indian government policies such as the restriction on foreign investment beyond 30 or so officially designated industries—investment outside these sectors is prohibited unless production is predominantly for export; foreign investors generally cannot hold more than 40% equity; local financing is not available to foreign investors and financing must come from foreign exchange earnings generated by exports or from foreign sources, etc. Hills's office has also cited the Indian government monopoly on insurance as objectionable.

It is likely that India will defend its investment policies strongly, if Finance Minister S.B. Chavan's reaction to the U.S. move is any indication. Chavan pointed out that every sovereign nation had a right to formulate and follow the economic and trade policies it deemed appropriate for the country. "I fail to understand the provocation," he added.

Like Minister Chavan, there are many who believe that Hills's action is not to be taken at face value. It has not gone unnoticed here that the U.S. Trade Representative's Office, after initial warnings, let the European Community off the hook. Indians also point out that whereas Japan has a trade surplus of $55 billion with the United States, the EC's surplus is $12.8 billion, and Taiwan $4.1 billion, India's is a measly $671 million—less than 0.5% of the annual U.S. trade deficit.

Besides, the Indians will respond strongly because of what they consider direct interference into internal development policies. As the *Economic Times*, a leading news daily, editorialized, "The citing of public monopoly of life and general insurance will make it particularly difficult for the Indian authorities to be responsive. Nationalization raises political and emotional issues and the U.S. could not have been more tactless than to bring them up in the present context."

Some believe it is more than merely "tactless." It is widely recognized that the Brazil-India duo has been a major stumbling block for the United States in the GATT talks over the past two years. Carla Hills, answering a correspondent during a press conference in Washington, did little to justify why Brazil and India were named. She said that the major goal of the United States in naming the most populous countries of Ibero-America and South Asia was to set "a beneficial precedent."

That translates: If the Bush administration can bully these two nations into accepting a U.S. trade dictatorship, smaller nations will fall in without much fuss.