

Golden Age to Globanisation

(7000 years of Indian Economy)

DAYA KRISHNA

Foreword by D.B. Thengadi

Publisher

Swadeshi Jagaran Prakashan
Sector-8, Rama Krishna Puram,
New Delhi-22

Tel. : 6184595

e-mail : swadeshisampark@rediffmail.com

First Edition 2002

Price : Rs.435/-

© Daya Krishna

Printed at

Times Press

910 Jatwara Street

Darya Ganj, New Delhi

Phone : 3272237, 3285286

प्रजासुखे सुखं राज्ञः प्रजानां च हिते हितम् ।
नात्मप्रियं हितं राज्ञः प्रजानां तु प्रियं हितम् ॥

In the happiness of his subject lies the king's happiness; in their welfare his welfare. He shall not consider as good only that which pleases him but treat as beneficial to him whatever pleases his subjects.

Arthashastra {1.19.34}

Foreword

Shri Daya Krishana has rendered a signal service to the country by writing this National economic history of 7000 years.

For the purpose of this thesis, it is not necessary to go into the details of the definition of the term 'nation'. Just as an individual, a nation – an aggregate of individuals too has an individuality all its own. Like individuals, nations have also their distinctive traits and features. For the present purpose, it is sufficient to realise that national identity or national self-hood has two distinct characteristics – collective unity and collective singularity.

Economics is a subject in which every common man should be interested. But that does not seem to be the case today. Because, economic ideas and concepts have been elitised by the westerners. The ideas are taken out of the reach of common men and are converted into harmonic forms. This leads to cognitive dominance. If de-elitised, most of the economic concepts will become intelligible to masses .

This thesis of Daya Krisna is meant for common man. It is not merely for a few intellectuals. He has made maximum efforts to de-elitise economic concepts.

History is an account of events, especially of those that form the story of any human group. It is a continuous methodical record of important or public events, especially those connected with a particular country or period. Historian is a writer of history or one who is learned in history. We have seen so far histories of different nations as well as of the world. Prof. Stephen Hawking has written even "A brief History of Time". Though history can be described as pure and simple narration of the past events, it is not so easy to write history properly.

Communists all over the world were known to present (or distort) history so as to suit their ideological convenience. They did it with religious fervour. But our Anglicised Indians could not suspect that Britishers would write (and distort) history with a view to promote their imperialistic designs. Even their world-histories were only euro-centered. Narration of past events must be faithful. Even national self-glorification should be eschewed. It should generate neither undue inferiority complex nor undue self-complaisance.

Till recently, in case of the history of any nation, there used to be a great stress on only its political aspect, victories and defeats in battles and wars, ascensions and dethronements, revolts and revolutions, successes and failures of different forms of Government, etc. Political history-writing in our country used to be lop-sided. Being Delhi-centered, it ignored even great events and personalities from distant parts. For example, our Southern heroes like Poolithevan (1715-1768); Muthuramalinga Vijaya Raghunatha Sethupathy (1760-1809) ; Velu Nachchiyar (1750-1796); Marudhu Pandiyar (1748-1801); king Bhaskar Sethupathy (1868-1903); Pandithurai Thevar (1867-1911); and a Prominent lieutenant of Netaji Subhash Chandra Bose - P.V. Muthuramalingam Thevar (1908-1983). How many students of history are acquainted with their names and deeds?

How many standard books on history mention the names of Katta Bommu (Andhra), Velu Thampi and Pazhashi Raja (Kerala), or even Champakraman Pillai ?

(Pazhashi Raja had fought against General Welsley, who subsequently became Duke of Wellington after defeating Napoleon; Champakraman Pillai was the leader of Indian revolutionaries who tried to mobilise Germany and others in Europe in favour of Indian freedom, during the first world war.)

Though the stress on political aspect of history continued, it was subsequently realised that only political history of any nation

cannot present a comprehensive and integrated picture of the entire national scenario during any given period. Hence the need for economic history, social history, religious history, etc. No one aspect of national life can be dealt with in isolation. This is true about all aspects – political, religious, cultural, civilisational, and also economic.

History is like a lamp on the threshold - it illuminates both the sides. While it is true that no two situations can be exactly alike, it is also a fact that correct solutions to the present problems can be more efficiently worked out with the help of historical parallels. Great leaders of thought and action in the past had realised this fact. They could build up future because they had mastered the past. While history without futurology is fruitless, futurology without history is rootless.

For writing history of any aspect of national life, the approach of the author must be holistic. For example, in his learned article 'Wasteful Expenditure and Islam', syed Thanvir Ahmed says, "It is, therefore, evident that wasteful expenditure cannot be successfully curbed through Government policies alone. What is required is that people themselves should decide not to indulge in such wasteful expenditure. For this to happen, some other force is required and that force is the force of religion. Faith in Almighty and the fear of Him can act as the greatest deterrent."

Dr. Masood Hasan wrote, "The conventional economics has been taken for granted as a panacea to the numerous Socio-economic problems inspite of its repeated failures from time to time..... All this occurred due to this or that interpretation of the economic paradigm suiting to the changing environment and treating the economic problems in isolation, while they were to be tackled taking into account the entire social system. The economic policies merely stimulating material growth with value neutrality are bound to lead to the occurrence of several problems in the economy."

Similarly, can a mere political history of Europe during a period between 1914 and 1939 help us in tracing the real and the basic reasons for both the world wars? Certainly not. Because the reasons were basically economic.

Peter Drucker once observed that the science of management is as old as man himself. This is true about economics also. From the scholarly writings of Dr. M.G. Bokare, Dr., V. R. Panchamukhi, or Dr. S.K. Chakravarti it becomes evident that Indians were aware of the rudimentary laws of economics even during Rig Vedic period. Long before the westerners recognised economics as a distinct discipline, Kautilya wrote his 'Arthashastra' which gave a jolt to their pre-conceived notions about the economic history of Bharat. 'Artha' stands for material well being, as well as for the means of securing such well being, particularly wealth. Claude in his review of management thought recognised Kautilya's contribution as "most comprehensive work on organisation and management of human affairs."

While western economics accepts Darwin's Law of the survival of the fittest, Kautilya's stress is on the 'arrival of the best to lead the rest.' Indian economics has as its goal the highest welfare of all members of society, i.e. 'Sarvodaya' - and not merely 'the greatest good of the greatest number. Sarvodaya offers fullest scope to every individual for his fullest development according to his aptitude, so as to fully utilise all faculties of all individuals for the collective cause of the nation. It inspires every individual to progress always from "constraint to freedom, from credibility to faith, from status to contract, from bigotry to toleration, from blind fatalism to human dignity." It leads automatically to self perfection, professional excellence, character building, value based development of mind, overarching unity of humanities, science, fine arts and technology, and integral personality with full grown skills of head, heart and hands.

According to Bharatiya concept, 'Artha' should be based on 'Dharma'. Many will be surprised to know that in his Foreword (to a book written by Shri Shriman Narayana) from circuit House, Dehradun, on May, 25, 1964, Pt. Jawaharlal Nehru wrote:

"In India, it is important for us to profit by modern technical processes and increase our production both in agriculture and industry. But, in doing so, we must not forget that the essential objective to be aimed at is the quality of the individual and the concept of Dharma underlying it." Artha must be based on Dharma and culminate in 'Moksha'. This is the holistic Bharatiya approach. And to equip individual citizens to play this role effectively has been, traditionally, the responsibility of our national education policy. Education was expected to fulfil total developmental needs of the country and to facilitate simultaneously complete unfoldment of potential, talents, faculties and aptitudes of every individual.

On the contrary, the approach of western economists used to be fragmentary. They had not realised that in this globally interconnected world, physical, biological, psychological, social, political, economic, cultural or ecological phenomena are all interdependent. They treated economics as an independent, autonomous subject, isolated from the rest of the totality. They cannot integrate with their quantitative economic analysis the qualitative factors leading to the understanding of the ecological, social and psychological dimensions of economic activity. They did not take cognisance of the findings of the psychological research on people's behaviour as income earners, consumers and investors.

Fortunately, the process of rethinking is afoot in the west itself. Their scholars are becoming sceptic about the soundness and utility of their orthodox economics. Claude Alvares (from Goa) had asserted that western paradigm cannot be accepted as universal model of progress and development. Now, doubts are being expressed in the west whether western paradigm is helpful for the

west itself. There is a growing demand for evolutionary of indicators for personal and social happiness as well as for social pathology.

The need for social indicators had been first emphasised by such prominent social scientists as Bertram M. Gross of Wayne State University, Eleanor Scheldon and Wilbert Moore of the Russell Sage Foundation, Daniel Bell and Raymond Bauer of Harvard. This view was also endorsed by Daniel P. Moynihan, once a white house advisor; senators Walter Mondale of Minnesota and Fred Harris of Oklahoma, and several former cabinet officers of U.S.

Western economists were determined not to devise social indicators, because they may prove to be hurdles in the process of profit maximisation. But it is noteworthy that two officers of the world Bank undertook the task of quantifying the social cost of industrial pollution in India during the year 1992. The figure they arrived at was 9.7 billion dollars.

Pollution, of course, is one of the many factors. But the point is that, after appropriate efforts, its cost could be quantified. The plea that such indicators are not amendable to monetary measurement and, therefore, materialistic yardsticks amenable for monetary measurement should alone be accepted as standard and sufficient, is no longer acceptable to many western scholars. On the contrary, Professor Schegeto shoru of Tokyo University floated the concept of 'Net National Welfare' (NNW). Shegeto defined it as "Gross National Product minus costs of social pathologies." Lionel Jospin of France said, "Market economy? Yes; Market society ? No." What is more important is that many of the western scholars are now appreciating the merit of holistic, integrated thinking, and the demerit of the current compartmentalised thinking. For example, in his "Open secret of Economic Growth", David Marcord Wright observed: "The fundamental factors making for economic growth are non-economic and non-materialistic in character. It is the spirit itself that builds the body."

Some of the western scholars are now warning against the unrestrained advance of science and technology and demanding constitution of a 'Technological Ombudsman.'

All knowledge is essentially holistic. Its compartmentalisation is only for the convenience of understanding.

The holistic approach in economics includes not only the study of our own economic past; it also includes comparative study of foreign economics. Japan, defeated and crushed after the second world war, seemed to have no hope of regeneration. But it rose again, competing against the then most prosperous country, United States. How it could happen? What factors helped Japan in this process? Explaining just one of the many factors, Kenichi Miyashita and David Russell furnish us with the relevant information about how Japan scored a point over U.S. (Inside Japanese Conglomerate : 'Keiretsu').

"So many American companies were not studying Japanese business as thoroughly and systematically as the Japanese were studying them, and very few American executives seemed to have more than the vaguest idea how Japanese business worked. Although a handful of U.S. managers may read up on how to bow correctly before a visit to Tokyo, not one in a hundred is assigned to learn about the structure and influence of the Government bureaucracy, the role of the big 'city banks' and the trading houses, and the most basic 'geography' of Japanese business — the 'Keiretsu' Not knowing the fundamentals of how they do business is a sign of carelessness, and carelessness is one step away from failure."

While Japan's is an encouraging example, we are very much aware of depressing examples from various developing countries. To cite just one example. The currency turbulence caused by the actions of the foreign currency traders for maximising their profits, which gave a rude shock to national economies of South east and East Asian countries.

He had further studied in depth Freud's concepts of alienation and existentialism in psychology which helped Marxism, after the demise of Marx, in elevating his economic determinism to the status of the collective socio-economic problem.

Needless to add that he was at home with authors from Plato and Aristotle downwards, which are studied today by all serious students of political science, economics and sociology.

He had also studied Vedas, Upanishadas, Aranyakas, Puranas, Ramayana, Mahabharata, Kautilya, Shukra, Various Smritis and other ancient literature on economics. His intellectual penances enabled him to visualise internal humanism (Ekatma Manava Darshan), which is the modern, 'Yuganukul' manifestation of Sanatana Dharma.

The west has no such eternal, dependable point of reference. It has, therefore, to move often from crisis to crisis.

After the fall of communism, the votaries of capitalism hoped that capitalism will be strengthened. But they were disappointed. The marxist historian F.J Habsbaum (Hobsbaum) had termed 1945-89 the golden age of capitalism." And soon afterwards, Paul Samuelson, the Chief exponent of capitalism, said, 'No jury of expert economists can agree on a satisfactory solution for the modern disease of stagflation, many of their preferred cures may be as bad as the disease itself. That is why one can say that some young economist can win for himself or herself a Nobel Prize on the basis of an empirical or theoretical break through that will help the mixed economy cope better with the new scourge'.

A search for the Third way is already begun. Their bravado can no longer conceal their downward march.

The economy of United States, for example, started going downhill from 1960 onward. The Omnibus Act of 1988 could not help the situation.

Jagdish Bhagwati, one of the world's top trade economists, had warned U.S. in may, 1991, that Super 301 would boomerang

against U.S. itself because of the irrationality of using unilateral measures to expand market access. The only effective answer to super 301, he wrote, is a firm and total refusal to negotiate under the threat. "Only a united response by every body engaged in world trade will cut this cancer out of the system."

The process is just begun after so many years at Doha in November, 2001. People have understood the hollowness of the assurance that "a situation can never be visualised when the Indian industry and agriculture will be swamped by foreigners." On the contrary, long before the last September 11, episode, American economists, politicians, and the broad public sensed decline in the U.S. economy. They were worried over the U.S.'s loss of competitiveness, the threat of the Japanese take over, the astronomical fiscal deficit, shockingly low rates of saving, and rising levels of unemployment and poverty. The dollar's special status is being eroded by the growing importance of Japanese and European currency blocks. Cumulative government debt is rising. In the near future, foreigners are likely to lose confidence in the dollar – US treasury bonds, stocks, real estate, firms. Signs of a growing social crisis are clearly visible.

The attempt of U.S. to establish its economic Imperialism is not from the position of strength. Various attractive slogans are given. Social clause, labour standards, environmental standards, etc. In practice what they mean? Take example of labour standards.

The ultimate goal of G-7(8) countries is to rob the poor countries of their comparative advantage in labour costs. Any debate that touches on labour standards ultimately touches on labour costs. "There is no intention to stick to a well defined set of minimum standards for human rights. The attempt is to go beyond that and deal with wages and working conditions.

The most impressive slogan is 'Globalisation'. Who are raising this slogan? The very same people who conducted genocides in

different countries! What about those who could not be killed? Such original inhabitants of America say “when they came to our shores, they had the book in their hands, and we had our lands. Now we have their book in our hands and they have our lands.”

For such people to propagate globalisation is the height of audacity.

What is the strategy of their globalisation ? As Amartya Sen, a noble laureate in economics has said, the central question cannot be whether or not to make use of the market economy. It is not possible to have a prosperous economy without its extensive use. But that recognition does not end the discussion but only begins it. Market is one institution among many. Aside from the need for proper public policies within an economy (related to basic education and health care, employment generation, land reforms, credit facilities, legal protection, women’s empowerment and more), the distribution of the benefits of international interactions depends also on a variety of global arrangements (including trade agreements, patent laws, medical initiatives, educational exchanges, facilities for dissemination of technologies, ecological and environmental policies and so on.)

Before we try to form any opinion on the process of globalisation, which is being professed by IMF-World bank, it is critical to understand the important basics of economics. In an ideal economy there is no profit or loss. Whatever will be produced in an ideal economy will be sold at a price that covers all the applicable costs. In other words, in an ideal economy, there is a fair distribution of the benefits of improved productivity or development. Though it is not possible to have such an ideal economy, it is important to realise that we should strive towards the direction of ideal economy to ensure that the benefits of development spread to as many people as possible in the world, by minimizing the aberrations which are not conducive to such an approach in our economy.

Let us take the present system of international economy. While there can be no generalization, broadly, any product that the third world buys, pays for the unit labour cost at 12 times that of the unit labour cost prevailing in the third world. In effect, the West buys cheap and sells expensive when trading with the third world. The present system of international trade is tilted highly in favour of the developed countries and continues to encourage capital flight from the third world. As long as there is selective restrictions for movement of people and the goods, international economy continues to be tilted highly in favour of developed countries.

When such an adverse condition is already prevailing in the international trade, what exactly is the implication of the kind of globalisation professed by IMF-World Bank? No person is more competent than Mr. Joseph Stiglitz, former Chief Economist of World bank and who has been awarded Nobel Prize in 2001, for his contribution to economics, to comment on the policies professed for poor countries by the World bank. Stiglitz's observations can be summed up in the following paras. The World Bank hands over the Minister of every poor country seeking the assistance, the same four-step programme.

1. Privatisation. Rather than objecting to the sell-off of state industries, some politicians of the state – using the World Bank's demand to silence the critics - happily flogged their electricity and water companies. One could see their eyes widen at the possibility of commissions for sharing a few billion off the sale prices. US backed oligarchs stripped Russia's industrial assets, with the effect that national output was cut nearly to half. US treasury view was - this was great, as we wanted Yeltsin reelected. We don't care if it was a corrupt election.

- 2.Capital Market Liberalization after the Privatization. In theory, this allows investment capital to flow in and out. Unfortunately, as in Indonesia and Brazil, the money simply flows out. Stiglitz calls this the "hot money" cycle. Cash comes in for

speculation in real estate and currency, then flees at the first whiff of trouble. A nation's reserves can drain in days. And, when that happens, to seduce speculators into returning nation's own capital funds, the IMF demands that these nations raise interest rates to 30%, 50% and 80%. The result was predictable, said Stiglitz. Higher interest rates demolish property values, savage industrial production and drain national treasuries.

3. At this point, the IMF drags the gasping nation to step three: a market based pricing – a fancy term for raising prices of food, water and cooking gas. This leads, predictably, to step three-and-a-half: what Stiglitz calls the IMF riot. The IMF riot is painfully predictable. When a nation is down and out, the IMF squeezes the last drop of blood out of it. They turn up the heat until, finally, the whole cauldron (boiling vessel) blows up – as when the IMF eliminated food and fuel subsidies for the poor in Indonesia in 1998. Indonesia exploded into riots. The Bolivian riots over water prices last year. In last year's Interim Country Assistance strategy for Ecuador, the Bank several times suggests – with cold accuracy – that the plans could be expected to spark 'social unrest'. That is not surprising. The secret report notes that the plan to make the US dollar Ecuador's currency has pushed 51% of the population below the poverty line. The IMF riots (and by IMF riots I mean peaceful demonstrations dispersed by bullets, tanks and tear gas) causes new flights of capital and government bankruptcies. This economic arson has its bright side for foreigners, who can then pick off remaining assets at fire sale prices. A pattern emerges. There are lots of losers, but the clear winners seem to be the Western banks and US treasury.

4. Now we arrive at step four: Free trade. This is free trade by the rules of the World trade organization and the World bank, which Stiglitz likens to the Opium Wars. That too was about 'opening of markets', he said. As in the nineteenth century, Europeans and Americans today are kicking down barriers to sales

in Asia, Latin America and Africa, while barricading their own markets against the third world's agriculture. In the Opium Wars, the West used military blockades.

Today, the World bank can order a financial blockade, which is just as effective and just as deadly. Stiglitz has two concerns about the World bank-IMF plans. First, he says, because the plans are devised in secrecy and driven by an absolutist ideology, never open for discourse or discussion, they undermine democracy. Secondly, they don't work. Under the guiding hand of IMF structural assistance, Africa's income dropped by 23%. Did any country avoid this fate? Yes, said Stiglitz, Botswana. Their trick? They told the IMF to go packing. Siiglitz proposes radical land reforms and attack on the 50% crop rents charged by the propertied oligarchies worldwide. Why didn't the World Bank and IMF follow his advice? If you challenge (land ownership), that would be a change in the power of the elites. That is not high on their agenda.

In Stiglitz's own words, the IMF, in theory, supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. Officially, of course, the IMF does not impose anything. It 'negotiates' the conditions for receiving aid. But all the power in the negotiations is on one side - the IMF.

No doubt, developing countries including India, have their own problems. Long back, developing countries had become aware of their problems, such as debt service burden, worsening terms of trade, declining resources availability, increasing inaccessibility to the markets of developed countries, heavy dependence on developed countries for trade, technology and investment. There were a few scholars who could look at these issues from the perspective of a social scientist, who could combine with ease insights from economics with those from sociology, social and political history and philosophy. They advocated that effective

cooperation among developing countries is an appropriate strategy for increasing the pace of development in the third world. They said that southern countries themselves had substantial potentialities, which could be harnessed for the mutual benefit, not only in the areas of trade, but also in the areas of technology and investment. The need for increased South-South cooperation was felt by all. It was felt that it would be quite possible to benefit from trade conflicts within the developed countries through an effective South-South cooperation.

But the efforts in this direction were haphazard. The report of the South Commission said, "one of the chief shortcomings of South-South cooperation has been weak organization and lack of institutionwise technical support, both at the international level and within most countries." The report of the South Commission, which worked under Dr. Manmohan Singh, is illuminating.

In India, some experts had already forewarned that in absence of firm Swadeshi policy, there would be mis-direction of our economy. Swadeshi in industry must include capacity to innovate our own industrial prototypes and more genuine R & D, even if it means a little less rate of profit for the time being. Swadeshi also must mean a policy that helps creation and expansion of gainful work.

While dealing with multinationals, it must be remembered that usually there is a gap between what the foreign companies state in the agreements and their actual implementation. Multinationals should be required to disclose their formulas they are so secretive about. In case they refuse to do so, they should be asked to quit or dilute their equity to lesser percent. Equality before law should be ensured for both Indian and foreign companies.

All negotiations with foreign companies must be on equal footing, keeping in view the national self interest; they should be preceded by open tenders and public debate. All agreements should

be fully transparent, taking the people and the Parliament in full confidence.

The World Trade Organization

The World Trade Organization was established on 1-1-1995. On April 1, 1994, the Uruguay round, the eighth in series of trade negotiations under the auspicious of the General Agreement on Tariff and Trade, came to a close. 105 countries had participated in the discussions. Out of these, 94 were GATT members. After more than eight years of negotiations, the final round was concluded at Marakesh in Mexico on 15th April 1994. This agreement formally came into force on January 1, 1995, and became fully operational on January 1, 1997. Uruguay round included about 60 agreements and to become a member of WTO, a country had to accept all these agreements in their totality and without any exceptions or reservation. (It is not known whether representatives of India who officially committed India to WTO regime had studied these documents). The Government of India had not taken Parliament or people into confidence before joining WTO. But having joined it, they started vigorous propaganda in favour of that organisation, which they claimed represented the process of 'Globalisation'. The WTO also had promised, among other things, greater exchange stability, expansion of trade, sustainable economical growth, correction of external imbalance, adequate flow of concessional financial and real investment resources, flow of technology and expansion of market access. Anyway, it seems, the leaders of Government of India were convinced that 'Globalisation' was the destination of mankind.

And, what is more important, there was no alternative now to globalisation! To achieve this noble object all members agreed to eliminate the 'trade distortionary' policy interventions, the tariff and non-tariff measures, subsidies and incentives as per directive of the WTO. Subsidies were to be reduced drastically. The condition

of domestic content stipulation and the export-import link imposed on the foreign investment flows had been pronounced as 'GATT inconsistent'. When Americans introduced the term 'globalisation' many of our countrymen welcomed it. They could not make out the difference between American 'globalisation' and our 'Vasudhaiva Kutumbakam'. In fact, these are two entirely different concepts. Our concept envisages the whole world as one family, theirs aspires to make the whole world 'one market' for the benefit of United States.

(Even otherwise, the westerners have always mistaken uniformity for unity)

In keeping with the western thinking, our leaders encouraged the idea of disinvestment. Disinvestment, they thought, was the best remedial measure for industrial sickness. The state should function only as a facilitator of development by providing infrastructural facilities and other support mechanism, without in any way participating in the economic activities. They suffered from the euphoria of marketisation. They refused to take into consideration the experience of some developing countries which showed that the state had been playing a very crucial role in making the market behave in a manner suited to the national interests of their economies. They ignored the lessons of Japanese experiment. In Japan, government decides how many firms should be in a given industry and sets out to arrange the desired number. The leaders of our government allowed themselves to be dictated by the market i.e. the vested interests, who could easily win over the bureaucracy. They also did not understand the danger of excessive growth of bureaucratization.

No doubt, we are opposed to governmentalisation of industries. The government which wields political power should not be allowed to monopolise economic power also. The concentration of both, the political and the economic power in the same hands leads to the worst type of dictatorship. But it does not

mean that we should allow unrestrained marketisation. We have to strike a balance between governmentalisation and marketisation taking into account the experience of Britain where governmentalisation was first introduced by the anti-governmentalisation government and of Germany where the socialistic laws were first enacted (in selected cases) by a confirmed anti-socialist leader, Prince Bismark. Nation-builders have to think of political realities, not economic theories. Even Lenin had to introduce his New Economic Policy, which was inconsistent with Marx. Our seers and sages realised that, "just as an individual, a nation too has an individuality all its own. Individuals and nations in all parts of the globe have distinctive traits and features, each of them having its own place in the scheme of universe. The different human groups are marching forward, all towards the same goal, each in its own way and in keeping with its characteristic genius. The destruction of special characteristics, whether of an individual or of a group, will, therefore, not only destroy the natural beauty of harmony, but also its joy of self-expression. Evolution of human life also, which is multifaceted one, is retained thereby."

Hence their efforts for the evolution of one world family, enriched by the growth and contribution of different national cultures, and evolution of 'Manav Dharma' enriched by perfection of all the religions including materialism. The spiral type development of human consciousness as developed by Pt. Deendayal Upadhyay is beyond the comprehension of the westerners because they can not even imagine the nature of the cosmic truth that "All is one."

Being materialistic, they have developed their concept of 'globalisation' which would, they hope, culminate ultimately in Westernisation of the world. For this purpose, all economies of the world must be integrated with the American economy. The Americans present this to the developing countries as TINA i.e. "There is no alternative."

Their propaganda influenced the minds of Indian intellectuals who thought it inevitable to follow every lead given by Americans.

Our westernised educated people did not take into consideration the fact that our values of life are entirely different from those of the westerners. Their values of life, as stated by the *Commission on Global Governance* are based upon some preconceived notions about economic ideologies – i.e. free market, liberalisation, privatisation etc. as the values of optimum governance. They want these values to be universally applicable in all stages of development. Our values flow from Dharma. The confused thinking of our intellectuals is due to the tendency to accept everything western as standard.

There is a growing feeling now that WTO is not indispensable. Regional and sectoral arrangements, sectoral agreements on financial services, information technologies and telecommunication, and other such measures can render WTO dispensable.

There is also a feeling that the WTO agenda should not include subjects for which different UN organisations are already working.

Gullibility of Indian Representatives at the negotiation table in earlier stages must have given a pleasant surprise to the representatives of the developed countries.

Chitra Subramaniam's book "India is for Sale" gives a number of examples how these negotiations were carried with least seriousness. For a long time, India's GATT wing in Geneva was headless. For a long time, the enormous task of defending such critical issues like textiles, environment, investment and social clause was left to two individuals. The US delegation comprised a battery of international lawyers, specialists in patents, specialists in trade matters, especially in specific subjects such as biotechnology, environment etc. India never invited representatives of trade and industry to join the delegation. Neither the specialists. Ministers visiting Geneva during those days had no time to coordinate their

efforts on issues as critical as trade or investment. The degree of cynicism that marks some of our top bureaucrats can be gauged from the comments of one of the Indian Commerce Secretaries who took part in WTO negotiations. Commenting on TRIPs regime to a journalist in Geneva he observed, "This is not good for India. In fact the whole Uruguay Round package is loaded against us. But I would have retired by the time most of it comes into effect. So, I am not really concerned. Don't quote me on this."

The same book quotes comments of representatives of other countries. For example, one of them said, "Trade is the business of buying and selling. India negotiations have given that word new meaning.' A senior European negotiator at the WTO compared Indian attitude with Mother Teresa. It looks like Mother Teresa has drafted India's trade script. It says, 'give, give, give, till it hurts.

Mrs. Subramaniam quotes another interesting incident. When negotiations were going on about TRIPs, a particular bureaucrat was giving tough time to US negotiators. A phone call was made to Delhi and within minute of that call the Indian minister called the Indian negotiator and changed his brief. India changed its course midstream. Minister pleased United States at the cost of his own country. American negotiators joked in private in Geneva that 'the Indian government should be sent a million dollar cheque for calling this representative home.'

Article 1.1 of the final WTO Act defining 'subsidies' has pointed out, it cannot be considered a subsidy if actual levies paid by the industry on import of raw materials and their conversion to finished products are refunded. Article 3.1 lists prohibited subsidies and includes subsidies which are in excess of the amount exempted. Also disallowed are those which are in excess of duties levied on imported inputs for exported products. The view of EC that all subsidies that are offered in the form of DEPF, duty drawback, income tax concessions, are not allowed, is wrong. But, we have not put up a fight for this right.

The EU seeks to classify the incentives by the government to Indian exporters as subsidies and to levy anti-dumping duties on goods supplied by them. The EU also targeted industrial promotion scheme launched by the states and also state guarantees given to private loans for anti subsidy and anti-dumping duties. (They conducted anti-dumping probe on polyethylene terephthalate (PET) film imports while imposing provisional countervailing (anti-subsidy) duty on these Indian PET films.)

Wherever their goods are competitive, they find a way to shut their markets on Indian goods. India faced their probe regarding its exports of textiles, seafoods, blankets, cotton type bedlinen, unbleached cotton fabric, fasteners, polyethylene sachos, etc. EU's commercial policy constraints, quantitative restrictions, technical barriers, anti-dumping and anti-subsidy investigations, barriers from sanitary and phyto-sanitary measures to packaging requirements and quotas, all these are thwarting access of Indian products to the EU market.

GATT required India to lower import duties, remove constraints on consumer goods imports, reduce qualitative restrictions on imports of agricultural products. The system of protection through import restrictions and high tariffs is permissible for some countries but objectionable for others. As a result of the reduction in import duty there started competition between foreign imported goods and domestic non-ferrous metal products, tyre manufactures and paper products. The CII has been against the duty free import of capital goods sector. CII has estimated that the indigenous Capital goods industry had lost on conservative estimate orders worth Rs. 5000 crores already and the whole manufacturing base is in jeopardy. Local industry has to pay excise, sales tax, octroi, turnover tax, while imported goods are allowed completely duty free. Similar is the case of machine tool industry and manufacture of genetics, boilers etc.

Small-scale industries are the worst sufferers. Their units are being closed every day and millions of their employees thrown out of employment. Uptodate figures of both are not available with the government or the Laghu Udyog Bharati, for the simple reason that every day brings new danger to this sector.

There is a question of reservation of 836 products for small sector. If these products are freely imported, why large-scale manufacturers be not allowed to enter these reserved areas? In fact, instead of doing away with the reservation policy, we should bring all the reserved products of SSI under QR restrictions.

Our big and small industries come from trading community and they would lose no time to sell their manufacturing establishments to foreign investors and multinationals and convert themselves as dealers or traders of such foreign products. Already, there are takeovers, mergers and acquisitions of Indian companies by MNCs.

Our common people do not understand the strategy of aggressive foreign capital. It is the strategy of Joint ventures. We know the nature of joint ventures in our country. We are acquainted with arrogance of foreign partners in joint ventures. It is not correct to say that India cannot survive without heavy doses of foreign money from foreign partners. The case of Modi Xerox Ltd. And Xeros Corporation US, Hindustian Motors and General Motors, Honda and the Hero group, Mahindra and Mahindra Ford. This is only by way of illustration. The EU must be aware of the existence of Amcham in India. It has as its members about 300 purely American Companies in our country.

(Our case cannot be compared with that of China. China allowed foreign direct investment to reign it. But, the Chinese authorities strictly retained their control over the policies they followed. China has not allowed arrogance and assertiveness of multinationals in any area.)

In a number of other matters, India is discriminated against. For example:

1. While we are forced to reduce our tariffs and face non-tariff barriers, the developed countries maintain high peak tariffs for our exported products.
2. The extent and intensity of non-tariff barriers against our exports have increased significantly. Article 15 of anti-dumping Agreement requires that developed countries should explore constructive remedies before imposing anti-dumping duties against the exports of developing countries. This they have never even tried to follow. On the contrary, Article is used against India's exports of iron, textiles, and chemical products.
3. They want to force us to remove all quantitative restrictions and have the most liberal import policy. In that case, why any foreign country should invest in India and undertake manufacture here when they can export their products from their own country on a nominal tariff?
4. Under TRIMs Agreements, there is a clause called Performance Requirement. Now you cannot put a condition to foreign investor about indigenisation, export performance, dividend balancing, etc. Compliance with this requirement will mean that no benefits will come from foreign investment, such as transfer of technological skills, knowledge, utilisation of domestic resources, ancillary development, etc. You only open your markets for foreign companies without any obligation on them to do anything for the economic development of your country. Foreign investment of this type will only result in balance of payment crisis.
5. They are seeking to remove all barriers for foreign investment, both equity and portfolio. Hence, their introduction of this new issue of the legal right to invest.

The European Union wants the right to invest in any country or industry, in any manner. It would be against our sovereignty. As a sovereign country we have a right to decide whether to allow foreign investment or not. It must be in areas where we need it. And on our terms. If they do not agree, they need not come. They are coming for their own benefit. And after the prospects of profit making are over, they are going to follow the strategy of fleeing geeze, as they have done elsewhere. But if it does not benefit our country in any way why should we allow it? They cannot have a legal right to invest anywhere and in any manner. Should we offer the most favoured nation treatment to them? Should the foreign investor be accorded national treatment at the cost of national industries? In fact, foreign direct investment should be allowed only in those sectors which would significantly contribute to the growth of ancillary industries, income generation, employment creation, technological advance, information sharing and export earnings. The investing country should, as a moral obligation, give market access in their country to appropriate Indian goods.

For ensuring fair competition between the foreign and local goods and services, a special law will have to be enacted, which should, among other things, take cognizance of the problem of foreign and local trade marks, copy rights and patents. We will have to enact special laws on the model of US, EU, Japan and Australia. The law-makers must take into consideration fundamental structural changes in the world economy since the collapse of the International monetary system, followed by two price hikes in 1973 and 1979 and the emergence of debt crisis in the developing countries.

For the purpose of law making, the item which deserves utmost attention is Agriculture. It is obvious that the removal of quantitative restrictions on import of farm products may totally destroy Indian agriculture. The Parliamentary Standing Committee has observed in its report on agricultural policy that the inequitable

nature of WTO treaty was working to the detriment of farmers while the newly framed agricultural policy was silent on how this aspect could be dealt with. We can cite the constitutional provisions which declare agriculture to be State subject and converting all commitments of the Government of India under the WTO into 'best endeavour commitments' like what the USA does in matters concerning State subjects under the constitution of USA. This will have the effect of dropping the agreement on agriculture altogether so that, so far as India is concerned, it ceases to be a multilateral and binding one. But, till consensus on this position becomes possible, the Government of India should act under the Article XI.2 (i.e. of GATT 1949) and restrict the import of agriculture products in any form, from any farmer/producers in any country, where the farmer/producer owns agricultural land in excess of the ceiling limits on such land in India. If the Central government does not do this, the State governments can under the Constitution of India, ban the sale of imported items produced in land-holding abroad, which is in excess of the ceiling limits in the respective States.

A word about a possible misunderstanding. There is an erroneous impression in some quarters that all American citizens want to exploit the developing countries for their own benefit. This is far from the truth. Only the vested interests in US and other developed countries are guilty of this crime. And, these vested interests do not hesitate to exploit their own countrymen also. Organizations of workers and consumers in US are opposed to such policies of the government (Those who ridiculed Ivan Illich who condemned the American concept of 'development' four decades back, are now realising the soundness of his warning.)

Common American citizens have taken cognizance of the miserable plight of Mexico, some Latin American countries and the much trumpeted Asian Tigers. They are realising the hollowness of deceitful slogans like globalisation and liberalization.

The forum of the anti-G, 'The Other Economic Summit' comprises humanitarian intellectuals from developed as well as developing countries.

We may have our own drawbacks. But, if we consider their present condition, our representatives at WTO have no reason to carry inferiority complex. We want them to treat us on equal footing, but as a preparatory step for this, our representatives must have a conviction that we are actually on equal footing. Their (Westrners') bravado notwithstanding.

The WTO, IMF, WB or any external power centre should not be allowed to erode or destroy our sovereignty. 'Sovereign' is generally defined as "Supreme in power" or paramount.

Let us take example of United States. It has signed WTO agreement subject to many provisions. One important condition put by US is, since the US Congress is a sovereign body, all required legislative changes are subject to such legislation being passed by the Congress. Other countries were not allowed to give such conditional consent. US President has assured the Congress that when the decisions of the WTO Dispute Settlement Machinery go against the US, they will be reviewed by US Justices. If they find the decision unfair, the US has unilaterally reserved for itself right to walk out of the WTO. The rule makers are not going to tolerate being over-ruled. Many of the US laws, like Section 301 of US Trade Act clearly violates WTO agreement. But the US has found the ways of providing legitimacy to the controversial provisions of its Trade Act of 1974, viz. Section 301 to 310 which provide rights to US to take unilateral action against any country. In a landmark judgement in January 2000 by the Dispute Settlement Panel of WTO on dispute involving US and European Community, the Panel has given a decision in favour of US that these laws of US are WTO compliant. This is one of the landmark ruling, for it allows US unilateral action against countries that are seen by US administration to be undermining its trading interests,

conveniently bypassing the multilateral system. What makes the ruling of panel more significant is the fact that no less than sixteen (16) nations including India joined the dispute as third partner.

Our sovereignty is being progressively eroded. Who is responsible for it? WTO? or US? Or other developed countries? No, our own inferiority complex is responsible for this. Sovereignty of the country can be safe and secure only in the hands of rulers who dedicate themselves to the task of nation building. WTO curtails sovereignty of all its member countries, except United States. Consequently, it has to adopt double standards on various issues.

In the name of globalisation, capital is to be given unhindered mobility, crossing all national borders. But the same mobility will not be granted to labour. This is nothing but a restrictive practice like non tariff barriers to trade. Of course, it is obviously in the interest of USA.

India faced unfair tariff and non-tariff barriers in steel, textile, clothing and labour products. We must not accept further reduction in tariffs. On the other hand, we should demand substantial reduction of tariffs by developed countries on India's labour-intensive and low technology products.

Under TRIPS, we have to provide 20 years product-patent rights on all products, against 14 years under Indian Patent Act. This will apply to Pharmaceuticals, agro-chemicals and food products. Many western companies have started taking patents of our traditional knowledge and local products like haldi, neem, basmati etc. We have to fight to save and protect what is inherited by us.

Under the name of Patent Acts, which are to be on the model of US Patent Act, there is misappropriation of biological and genetic resources and traditional knowledge of the developing countries. Strange is the American process of justice. The Rice Tec, the Texas Company, trying to patent Basmati, traditionally, a

strictly Indian product, and the US Patent and Trade Marks Office obliging the Texas Company by granting it patent of Basmati. Mr. X making a gift deed of Mr. Y's property in favour of Mr. Z. The WTO provisions of patents is non-sensical. Presently, protection to geographical indication covers spirits and wines. But such protection is not extended to Indian products originating from specific regions that were nurtured by knowledge and tradition built by communities over decades and centuries. For example, Basmati, Darjeeling tea, Nilgiri tea, etc.

In many agreements, measures like sanitary and phyto-sanitary measures were used as non-tariff barriers to trade. The US has found out ways other than tariffs for protecting its industries by prohibiting imports from other countries.

There has been indiscriminate imposition of anti-dumping duties on India. But some laws of US, such as US Anti-dumping Act and US Copy Right Act are against WTO principles. Anti-dumping duty on the price of Japan's NEC computers, more than 150% anti-dumping duty on China's honey are some examples of US justice.

Indian textiles and clothing exporters are hit hard by the 'Preferential Trade Bill' passed by US Senate on November 4, 1999.

Very often, the term 'built-in agenda' is used. We are acquainted with their agenda. But for India, what it should mean is – agriculture, service sector, review of earlier WTO treaties, greater market access to India's agricultural products in European Union and US, methods of protecting textiles under the framework of safeguard measures, freer movement of labour abroad, GAls visa for service providers, correction in imbalance and defects in the existing WTO agreements, faster removal of US and EU quotas on textiles, more transparency in the imposition of anti-dumping duties, changes in the TRIPS and TRIMS agreements, elimination of the clause of performance requirement in the TRIMS agreement,

transfer of technology and information, and first and foremost, implementation of earlier commitments. Will it be palatable to the bosses of WTO?

Their built-in agenda will be distinctly different. For example, circumvention of the commitments on subsidy reduction in agriculture. They would insist on capital convertibility, which will mainly favour the Treasury Wall Street Complex of the US.

One of the existing ridiculous provision is that the question whether India is under a serious balance of payment situation and whether it can adopt some of the special policy measures to deal with the crisis, is to be determined not by the Government of India, but by the American dominated Committee or Councils of WTO.

Most of the WTO affairs are secret. NGOs and individuals have no access to many of its documents. The WTO must be more open and more transparent. Secret decisions in Green room will not be tolerated by developing countries for long.

It is difficult to say whether we have any firm National Economic Policy, - though it must be said that for the first time after the formation of the WTO our representatives at the WTO ministerial conferences at Seattle and Doha played a very commendable role.

For national reconstruction, it is necessary that policy-makers should refrain from what Marx termed as 'Journalistic thinking'. The need to acquire up-to-date information on all relevant subjects through mass media is indisputable. But, unfortunately, the type of Ramnath Goenka, Sadananda, Frank Moraes and Pothan Joseph is becoming rarer.

Our developmental thrust should be on self reliance, based on local resources, local labour, local capita, local management skills, local talents, local methods in tune with social and cultural realities and local entrepreneurship. Scarce natural resources should be sparingly but efficiently used.

The old practice of appointing foreign consultants when equally competent Indian consultants are available, should be discontinued.

Obviously, in order to stabilise and improve the state of an economy, it is imperative to redefine our relationship with WTO, World Bank, IMF and multinationals and resolve to become self reliant in the immediate future. International Economic Order is desirable, but it must be on the basis of equal footing. There should be no erosion of freedom and sovereignty of any nation, big or small. If the developed countries refuse to give treatment of equality to developing countries within WTO, the later should quit WTO and form second WTO (of the developing countries) to fight the onslaught of economic imperialism of the developed countries.

In economic field, as in all other fields, much depends upon the ideal we place before ourselves. Pt. Deen Dayal Upadhyay insisted that our goal should be national self-reliance, which of course, presumed give and take with other countries on equal footing. It seems, our present policy-makers consider this goal as impractical, and, therefore, unattainable. But our idealists do not endorse their view. In his *India 2020*, our world known scientist Dr. Abdul Kalam claims that “a developed India by 2020 or even earlier is not a dream. It need not even be a mere aspiration in the minds of many Indians. It is a mission we all can take up – and accomplish.”

“Ignited young minds, we feel, are a powerful resource. This resource is mightier than any resource on the earth, in the sky and under the sea. We must all work together to transform our ‘developing India’ into a ‘developed India’ and the revolution required for this effort must start in the minds.” National will, obviously, is the pre-requisite.

H.G.Wells says, “all empires, all states, all organisations of human society are in the ultimate, things of understanding and

will. There remained no will for the Roman empire in the world, and so it came to an end.”

Those who term their defeatism as ‘pragmatism’ cannot envisage the miraculous strength of idealism. Albert Schweitzer says, “ The power of ideals is incalculable. We see no power in a drop of water. But let it go into the crack of a rock and be turned into ice, and it splits the rock; turned into steam it drives the pistons of the most powerful engines. Something happens to it which makes active and effective the power that is latent in it. So it is with ideals.”

Shri Daya Krishna, by any standards, is a genius. He has brought to bear on this subject his vast and varied knowledge of all aspects of economic policy making, including planning.

Late Dr. Dhananjay Rao Gadgil would have been happy to go through this work.

Shri Daya Krishna has earned the gratitude of all patriots by this monumental work.

April 2002

D.B.THENGADI
129, South Avenue
New Delhi-110011