

A Dangerous Agreement to Sign*

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On October 24-25, there were widespread peasant protests all over the country against the Regional Comprehensive Economic Partnership (RCEP) involving sixteen nations which India is currently negotiating. As negotiations near completion, such protests are escalating, with the All India Kisan Sabha planning to organize a nation-wide protest on November 4th, just before the RCEP agreement is due to be signed. And the Kerala government too is organizing a protest.

The sixteen nations involved in the RCEP comprise the ten ASEAN countries, and six others with each of whom the ASEAN has separate Free Trade Agreements, namely Japan, China, South Korea, Australia, New Zealand and India. These sixteen countries account for nearly half of the world's population, 40 per cent of the world's production and 30 per cent of the world's trade. If the agreement is signed it will be one of the biggest such agreements. This very fact makes the "hush-hush" manner in which it is being negotiated all the more reprehensible.

Indeed the undemocratic manner of its planned genesis is quite staggering. Negotiations are being conducted in utmost secrecy; and sometime in early November, if the governments agree, then the FTA will be signed, and will become a fait accompli. The people of all these countries, including India, will not have any say whatsoever on what befalls them on account of it.

In India's case, quite apart from the utterly undemocratic manner in which the government is taking the country into this FTA, there is an additional factor. Under the Seventh Schedule of the Constitution, which demarcates the domains of jurisdiction of the centre and the states, agriculture belongs to the states' domain. The RCEP, indeed any FTA of its kind, necessarily impinges on agriculture; and yet the states are not even consulted about its terms. It is a blatant and fundamental violation of the Constitutional rights of the states that the Centre acts unilaterally in a sphere belonging to the states' domain.

In the United States, any such international agreement has to obtain Congressional approval, even after it has been signed by the executive, before it becomes effective; but in India, even though there is a strong legal opinion that the Indian Constitution too demands such a course, successive central governments have simply gone ahead and signed FTAs without submitting them for parliamentary approval.

In fact the FTA with the ASEAN itself had been signed by the UPA-II government in an entirely unilateral manner. The government of Kerala had major concerns then about the effect of that FTA on the producers of edible oils in the state, and an official delegation led by Com. V.S. Achuthanandan, the Chief Minister at that time, had come to Delhi to express those concerns to the central government. Prime Minister Manmohan Singh who met the delegation along with several of his cabinet colleagues, had given his personal assurance that Kerala would be consulted before the agreement was finally signed. Yet when the delegation arrived back in the state capital, it heard that the FTA had already been signed! The BJP government, which has scant regard for federalism anyway, has simply carried this wilful violation of the Constitutional rights of the states further forward.

Even though the exact terms of the agreement are shrouded in secrecy, the peasantry has every reason to oppose it, because any such free trade agreement which has agriculture within its ambit will be necessarily anti-peasant. The prospect of subsidized dairy exports from Australia and New Zealand undercutting Indian producers has already attracted attention; and so has the prospect of cheap edible oil exports from Indonesia and Malaysia which will particularly hurt producers in Kerala.

True, the Indo-ASEAN FTA already allows such exports of edible oils into India but it also permits the imposition of tariffs; under the proposed RCEP there will be little scope for that. In fact, precisely for this reason, the prospects of other crop imports like wheat and cotton also loom large, which will have a pervasive impact on the Indian agricultural sector.

Since the agricultural sector employs nearly half the total work-force in the country, and has already been witnessing a severe crisis, which has arisen because of neo-liberalism but which has been compounded by the BJP government's follies, like demonetization, the RCEP's potential for damaging the economy is immense.

But that is not all. There is an insistence reportedly under the RCEP on an IPR regime which will not only make it more restrictive but also make it impossible for peasants to use their own seeds without inviting legal action. The greater restrictiveness of the patent regime will certainly affect the pharmaceutical sector and makes drugs more expensive for consumers.

Such a prospect contradicts the argument usually advanced in favour of the RCEP, that it would result in a cheapening of goods to the benefit of consumers, owing to cheaper imports. Besides, this argument is exactly similar to the one advanced by the colonial regime to justify the deindustrialization that had occurred in India in that period. The emergence of mass unemployment and mass poverty, which had been caused by the import of cheap machine-made manufactured goods at that time had been sought to be justified by the claim that such cheap imports improved the living standards of the consumers of such goods.

But it is not just a question of asserting that as against the mass unemployment and destitution caused by cheap imports, the fact that some people will have a better living standard as a result of such cheap imports is quite inconsequential. There is a more subtle point involved here.

The destitution of the peasantry that cheap imports will bring about, will swell the reserve army of labour which will adversely affect the entire working people, by reducing their wage-bargaining strength. In addition, it will also compound the recession that the economy is rapidly plunging into, via the multiplier effects of the reduced incomes of the peasantry and the other working people.

Those who are supposed to become better off because of cheap imports, must be persons whose money incomes remain unchanged despite the destitution of the peasantry. But if the destitution of the peasantry is going to affect the entire economy, then there will be hardly anybody among the working people with unchanged incomes. The fate of the peasantry in other words affects the people's fate at large, and its destitution affects a very wide segment of society.

True, this fact may get camouflaged under certain circumstances by other phenomena, such as the boom in the economy engendered by asset-price bubbles. Indeed it has remained camouflaged until now as the agrarian crisis has hardly impinged on the middle class; but in the current situation when the boom is over, no such camouflaging is possible, so that any further agrarian destitution will now have a pervasive effect on society, with very few being left solely as beneficiaries of cheap imports.

The RCEP moreover will affect not just the agricultural sector, but also manufacturing, where India will be flooded by imports from East Asia. Iron and steel, marine products, chemical products, electronic products and even textiles, are sectors that are worried about the effect of tariff reductions under the RCEP.

But then, some may say, if India is so uncompetitive across the spectrum, wouldn't it be better to have a shake-down by closing all these inefficient units anyway? This question however betrays a lack of understanding of economics. If the goods produced by any society, no matter how "expensive" in terms of resources they may be, are all used by that society, then there will be a high level of employment and consumption within it. But if the people in that society demand goods other than what is produced within it, then not only will employment and output fall (unless offset by an equivalent amount of exports), but so will consumption, with no necessary prospects of any revival. The "free trade" and "efficiency" arguments in other words are a pure ideological legacy of bourgeois economics which have no general validity; the sooner we forget them the better.

So far we have only seen the unemployment-causing or destitution-causing effects of RCEP. Alongside such destitution however there will be a widening of the country's current account deficit (which in fact is a reflection of this destitution). The Indo-ASEAN FTA has already widened our current deficit with the ASEAN bloc; this will widen further under the RCEP, as will our deficit with China. Signing the RCEP in short will mean borrowing a larger amount (to pay for the wider current deficit) purely for the sake of causing destitution in the country!

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