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Foreword

The issue of this Annual Report coincides with the end of the remarkable tenure of our Director, Dr. Isher Judge Ahluwalia. During her term of four years, we have seen a complete transformation of ICRIER in all respects. Its research infrastructure is now of international class; its financial structure has been strengthened considerably; its profile as a policy-relevant research institution is recognised nationally and internationally; and, most important of all, its research initiatives can be seen in the form of significant publications. I would like to applaud Dr. Isher Judge Ahluwalia for having shown tremendous entrepreneurial ability along with the remarkable attention to detail that is necessary to set up and then uphold standards of quality that have helped to develop ICRIER into an institution that can be recognised as international class.

It is our particular good fortune that we have been able to induct Dr. Rekha Mohan into our family as the new Director of ICRIER, and I have every confidence that he will build further on the strong foundations already laid.

As the Director's report indicates, this past year has been a year of consolidation. The research output listed and described in this report is testimony to the progress achieved in ICRIER's research efforts. I would particularly like to indicate the work done in the area of Trade in Services, which has been an area of pioneering research in difficult terrain not traversed by others earlier. I am given to understand that this work has been found to be extremely useful by the Ministry of Commerce as also testified by its continued association with us for further work in the area.

I am also glad to note that ICRIER has continued its efforts in South Asian studies as the SANEI coordinator and through further work enabled by a generous Ford Foundation grant. The South Asian region clearly needs greater co-operation in all respects. Our efforts in this direction were further promoted during this past year through the SANEI lecture series which has enabled scholars and policy makers from the region to travel within the region and give lectures in other countries in the region. The SANEI effort has now been strengthened by the formation of SANEI as a registered society. I would hope that this South Asia research initiative will continue to be strengthened in future years.

ICRIER has continued its good work in bringing speakers of international repute to India over the past year and in promoting policy dialogue through active discussions in key areas. I am particularly glad to note that ICRIER has honoured its founder Chairman, Dr. K. B. Lall by instituting a lecture series in his name.

[Signature]

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Chairman
Board of Governors of ICRIER
As on July 31, 2002

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New Delhi-110 065

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Editor
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As on July 31, 2002

1. Mr Montek S Ahluwalia
2. Professor Jagdish Bhagwati
3. Mr K K Bhargava
4. Mr I S Chadha
5. Dr R J Chelliah
6. Mr Khub Chand
7. Mr K L Dalal
8. Mr B S Das
9. Mr P K Dave
10. Dr Ashok V Desai
11. Dr Nitin Desai
12. Professor P N Dhuru
13. Mr M Dubey
14. Mr R S Gare
15. Dr S P Gupta
16. Dr R M Honavar
17. Mr B D Jayal
18. Mr S Y S Juneja
19. Mr P K Kaul
20. Professor A M Khurana
21. Dr Rajni Kant
22. Dr K B Lall
23. Dr Sanjay Lall
24. Mrs Anna R Malhotra
25. Mr S S Marshal
26. Dr Fredie A Mehta
27. Professor Sumant K Mohaddes
28. Mr P K Nanda
29. Mr Govind Narain
30. Dr N C B Nair
31. Mr P C Nayak
32. Dr Dwarka Narayan
33. Dr V R Panchampali
34. Mr Vidy G Pande
35. Dr J G Patel
36. Mr R D Pratihar
37. Dr Bharat Ram
38. Dr Vinay Bharat Ram
39. Mr S S Ramesh
40. Dr C Rangarajan
41. Mr S S Rao
42. Mr H R Ray
43. Dr M Mohnan Singh
44. Dr M S Swaminathan
45. Mr Y T Shah
46. Dr S R Sen
47. Dr R V Subramanian
48. Professor Manu R Sheriff
49. Mr Haribans Singh
50. Dr Niraj K Sengupta
51. Mr Prakash Tandon
52. Professor T K N Unnithan
53. Dr Sharad D Wadhwa

LIFE MEMBERS
1. Mr J S Bajaj
2. Mr Shrikant Kapoor
3. Mr Raghunandan D Malurti
4. Mr Prakash Shah
5. Mr A N Varma
6. Dr K Vankalat Saligram
The 20th anniversary year has been a very productive year for ICRIER in more ways than one. Our research programme has reached a stage where a number of books by our faculty are being published by reputed publishers. Our researchers have participated actively in an ever-widening circuit of research seminars and policy-oriented seminars, nationally and internationally. We have also expanded the set of institutions with which we collaborate. In doing all this, ICRIER has moved from strength to strength.

Our sustained effort over the past few years, at pursuing research in areas of increasing relevance for policy, has yielded a rich harvest of publications. Dr. Rupa Chanda’s book, Globalisation of Services: India’s Opportunities and Constraints, published by Oxford University Press, New Delhi in May 2002, is an example of ICRIER’s involvement in the uncharted territory of trade in services at the request of the Ministry of Commerce four years ago. Today, ICRIER has many more research projects on specific services sectors of importance to the Indian economy, and there are also projects analysing the complex conceptual issues that cut across the different service sectors. ICRIER is helping shape the national debate in this very important area in which the Government of India is engaged in the multilateral trade negotiations at the WTO.

We have also been engaged in research on the implications of trade liberalisation for Indian agriculture, a subject that is particularly timely given the ongoing trade negotiations under the WTO Agreement on Agriculture. The concerns raised about the possible adverse effects of India’s commitments at the WTO were addressed at a seminar jointly organised by ICRIER, IIM Ahmedabad and the Gujarat Economic Association Silver Jubilee Trust in January 2001. The proceedings of the seminar have been published this year as WTO Agreement and Indian Agriculture, edited by Anwarul Hoda, Professor, ICRIER. A more ambitious work has been undertaken jointly by Dr. Ashish Daulatrai Patel of IFPRI and Professor Anwarul Hoda of ICRIER, with focus on India’s interest in future liberalisation and reforms in the world agriculture. The manuscript, ‘Negotiating Beyond Doha’, is scheduled for publication later this year.

The TRIPS Agreement of the WTO has raised many important issues relating to the impact of patent protection on health. While the role of intellectual property protection in encouraging research and development cannot be denied, it is equally important to recognise that there is a potential conflict between having improved medicines through R&D encouraged by the patents regime and providing affordable access to these improved medicines, especially for the poor in developing countries. I was appointed a member of the Commission on Macroeconomics and Health (CEMH) of the WHO and Chair of the Working Group on Health and the International Economy. ICRIER was designated the secretariat of the Working Group and, in that capacity, commissioned a number of research papers, including some on TRIPS (see Section VI under Research Projects). The Report of the Working Group, Health and the International Economy, is being published by the WHO later this year.

With a view to contributing to the ongoing debate on the formulation of the National Health
Policy, ICRISAT commissioned a study of the health sector in India by a team led by Mr Rajiv Misra, former Health Secretary, Government of India. The resulting Intra Health Report is being prepared for publication by Oxford University Press later this year.

Besides services, agriculture and TRIPS, ICRISAT has widened and deepened its research agenda on WTO-related issues, e.g., anti-dumping, textiles agreement, etc. (see Section IV under Research Projects). A major three-year grant from the Sir Ratan Tata Trust in support of our research programme on WTO-related issues has made this possible.

An area of growing importance in the research and networking activities of ICRISAT is South Asia studies. ICRISAT has taken a lead role in creating SANER (South Asia Network of Economic Research Institutes), now in its fourth year. The first set of studies sponsored by SANER, and undertaken by a number of researchers in South Asia, has now been published as a book edited by Professor T N Srinivasan, Trade, Finance and Investment in South Asia, by Social Science Press in December 2001. Another important book, The South Asian Experience with Growth, edited by Bheru Ahluwalia and John Williamson, is being published by Oxford University Press later this year, resulting from ICRISAT's participation in the Global Research Project. By launching a SANER lecture series, holding workshops on SANER-sponsored collaborative projects, and taking up more research projects on South Asian economic issues (see Section V under Research Projects), ICRISAT is investing in the future of South Asia.

A number of new research projects have been initiated in the area of trade, openness, restructuring and competitiveness (see Section I under Research Projects). In particular, interstate dimensions of competitiveness are being explored in a study by Professor K K Libbey. ICRISAT prepared a background report reviewing the performance of the industrial sector in Orissa and presented the findings at a workshop in Bhubaneswar in the presence of the Chief Minister of Orissa and his officials in May 2001. We also organised a seminar at ICRISAT for the newly elected Chief Minister of Orissa and his officials on the subject, "Challenges to Punjab Agriculture in a Globalising World". Dr Ashok Goyal of IFPRI made the main presentation.

In the area of financial liberalisation and financial integration, Professor Kenneth Kletzer of the University of California, Santa Cruz and Dr Kristin Forbes of MIT have been collaborating with our researchers at ICRISAT to strengthen our research capacity on ICRISAT to address some of the complex issues arising from the financial integration of the Indian economy with the rest of the world. Dr Renu Kohli's visit to the Research Department of the IMF in May 2001 was also motivated by the same desire to strengthen research capacity at ICRISAT.

On macroeconomic management, Dr Shankar Acharya's paper, "India's Macroeconomic Management in the Nineties", was presented at a seminar at ICRISAT in September 2001 and has been published subsequently in the Economic and Political Weekly. Dr Parthasarathi Shome's manuscript, Issues in Public Finance in India, has been completed and is being published by Oxford University Press, Delhi later this year.

In keeping with our policy of networking through collaborations, we organised joint seminars, workshops and conferences during the year with industry associations, such as FICCI, NASSCOM, FIEO, and the Indian Chamber of Commerce, and universities and research institutions, such as the Delhi School of Economics, the Indian Institute of Management, Ahmedabad (IIMA) and the National Council of Applied Economic Research (NCAER). In living up to our mandate of an all-India organisation, we organised seminars at Bhubaneswar, Chennai, Kolkata and Bangalore. ICRISAT entered into a new collaborative research agreement with the Centre for Development Research (ZEF), Bonn, Germany to participate in the research project, "New Institutional and Economic Approaches to Health Insurance for the Poor in India" financed by the Volkswagen-Foundation. Dr Renu Kohli is currently visiting ZEF, Bonn for a period of six months. Internationally, we also collaborated with the London School of Economics (LSE) and the International Food Policy Research Institute (IFPRI) in organising seminars and conferences in Delhi.

Among the distinguished international speakers that ICRISAT hosted this year for public lectures were: Ambassador Sergio Armero, Minister of Development, Industry and Trade, for Brazil; Mr Vincent Cable, Member of Parliament, United Kingdom; Dr Anne Krueger, First Deputy Managing Director of the IMF; Dr Stanley Fischer, former first Deputy Managing Director of the IMF; Professor Richard Cooper and Professor Jeffrey Sachs of Harvard University; and Dr Per Pinstrup-Andersen, Director General, IFPRI.

As part of the 20th anniversary celebrations, in August 2001 we invited Dr Mayra King, Deputy Governor, Bank of England, to deliver the First K B Lall Lecture on "The International Financial System: A New Partnership" in honour of our Founder Chairman, Dr K B Lall. Finance Minister Dr Yashwant Sinha was the Chief Guest and Dr Bimal Jalan, Governor, Reserve Bank of India chaired the lecture.

On the occasion of the First K B Lall lecture we had announced that the Foundation had offered a grant of $250,000 to ICRISAT on condition that we raise twice that amount in matching funds from other sources. In actual fact, not only have we more than met our target but the Foundation, recognising our achievements, has increased its contribution to $300,000.

As this Annual Report goes to print, I am happy to report that we have added Rs 5.25 crore to our endowment in the last year. On behalf of all at ICRISAT, I thank the Fondation and our other donor friends (listed on page 79 of the Report) who have made this possible. I can assure them that we at ICRISAT are determined to prove worthy of the trust they have reposed in us.

Finally, on a purely personal note I would like to say, as I leave ICRISAT to take up a teaching assignment in the United States, that the last four years have been both a privilege and a pleasure, and I know I will cherish the memories of my time at ICRISAT for many years to come. I would like to thank Dr G P Patel and all the members of the Board for providing me the opportunity to serve ICRISAT and for giving me unstinting support and encouragement as I managed the affairs of ICRISAT in the past four years. I would also like to extend special thanks to the researchers and staff of ICRISAT who are currently ICRISAT's most valuable assets. I am confident that ICRISAT will continue to scale new heights under the leadership of my successor Dr Rakesh Mohan who brings with him rich experience of policy making, management and research. I have no doubt that ICRISAT will play a leading role in producing high quality research which will continue to shape the policy agenda in years to come.

Isher Judge Ahluwalia
Director & Chief Executive
May 15, 2002
Greetings from the New Director

I succeeded Dr Isher Judge Ahluwalia as Director of ICRIER on May 16, 2002. I am delighted to find ICRIER thriving as a research institution in all respects. I hope that ICRIER can continue to function as the country's foremost research institution working in all areas related to the open economy.

ICRIER has performed a number of significant functions throughout its 20 year history and particularly so in the last 4 years. In addition to its role as a research institution devoted to generating economic research of international quality, it also has an important role in the promotion of good public policy through the generation of informed public debate. It has done this through the dissemination of its own research work, through the sponsorship of lectures by distinguished academics and policy makers, both domestic and international, and through policy discussions on key current issues. The ability of such a research institution to perform these functions in an independent and non-partisan manner is contingent on the existence of a healthy financial structure. Among other important contributions of Dr Isher Judge Ahluwalia has been the very significant financial strengthening of ICRIER.

Quite appropriately, ICRIER has concentrated a good portion of its research on trade and WTO-related issues in recent years. These issues will remain both important and contentious in the foreseeable future and hence a good part of ICRIER's work must continue in these areas. A review of the current state of the Indian economy would suggest that macroeconomic management in an open economy framework along with financial sector restructuring constitute the key problems that need to be addressed in the coming years. These are then the areas in which new work at ICRIER should focus. A new departure that has been initiated in recent years at ICRIER through its coordination of SANEI has been the stress on South Asian studies. The strategic problems facing India at present would suggest that the work in this area must continue and should indeed be further strengthened.

I would hope that the enhanced international profile of ICRIER not only be maintained but further strengthened in the coming years. As an institution devoted to the study of issues related to the open economy, it itself must ensure that it remains internationally competitive.

Looking forwards, ICRIER has proved to be an excellent environment for nurturing young researchers in the recent past. The future of good economic research in the country depends on the condition of such a nurturing environment in future. I would hope that we can continue to provide that at ICRIER in the coming years.

Rekesh Mohan
Director & Chief Executive
July 9, 2002
We celebrated the 20th anniversary of ICRIER on August 9, 2001. Friends, well wishers and members of the ICRIER family gathered at the India Habitat Centre for the celebrations. To mark the occasion, a lecture series was instituted in the name of our founder Chairman, Dr K B Lall. Dr Mervyn King, Deputy Governor, Bank of England delivered the first K B Lall Lecture on ‘The International Financial System: A New Partnership’. Finance Minister Mr Yashwant Sinha was the Chief Guest and Dr Bimal Jalan, Governor, Reserve Bank of India chaired the session. The lecture was followed by dinner. We thanked our founder chairman, Dr K B Lall, for his vision, and resolved to carry forward the task of promoting informed debate on policy issues of importance for India as she strives to find her rightful place in the world economy.
ICRIER Celebrates 20th Anniversary

CHAIRMAN'S REMARKS

The two decades since ICRIER was founded in 1981 have been momentous years both for the institution and for the environment in which we operate. The Indian economy, long insulated from international developments, began to open up especially in the 1990s to trade, technology and capital flows. As in other countries the process has not been without controversy, but it has been steady and its direction unambiguous.

ICRIER has worked consistently through this period to deepen our understanding of policy issues relevant for managing an open economy. We have undertaken applied research on India’s interaction with the world and her immediate neighbourhood; we have initiated an active public outreach programme; we have engaged policy makers, not only government officials but also Members of Parliament in discussions on issues of current importance.

For its first decade or more, ICRIER was guided by its founder Chairman, Dr. R.B. Shukla, who is present amongst us here today, and it is my privilege to acknowledge on this occasion the debt that we owe to him. This lecture series is named after him as a small token of our appreciation.

I am very grateful to Dr. Menyen King, Deputy Governor, Bank of England, for having agreed to deliver the first lecture. Dr. King is not only one of the leading authorities on the international financial system but also an active participant in the inner circles of decision making on this subject.

No institution can thrive, or even survive, unless it is adequately funded. Furthermore, no institution can survive if it relies exclusively on government funding. We have also been able to increase our endowment from Rs. 6.6 lakh at the end of March 1991 to Rs. 6.7 crore at the end of March 2001.

Dr. G. Patel
Chairman

Audience at the lecture by Dr. Menyen King
Dr. Nisar Hussain Ahluwalia reading the Chairman’s remarks
ICRIER Celebrates 20th Anniversary
THE FIRST K B LALL LECTURE
The International Financial System - A New Partnership
Mervyn King

Dr Mervyn King, Deputy Governor, Bank of England delivered the First K B Lall Lecture, 'The International Financial System: A New Partnership' on August 9, 2001 on the occasion of the 20th anniversary celebration of ICRIER.

Dr King’s lecture shed new light on some of the most critical financial issues of the time. The recent financial crises in Latin America, East Asia, Russia and Turkey have posed formidable challenges to the smooth functioning of the international financial system and inflicted severe economic stress on the affected countries.

Dr King’s lecture drew lessons from these experiences to focus on the prevention of similar crises, mitigating risks and resolving crises when they arise. He also stressed the role that the IMF can play in the prevention and resolution of such crises in the future. Dr King maintained that progress can only be made by closer cooperation between the developed and the developing countries.

The development of standards and codes, the design of IMF lending and the wider agenda of trade liberalization and international cooperation are all part of the new partnership. Crisis prevention should be at the heart of the policies of both emerging markets and the international financial institutions. It is useful to distinguish between measures to improve economic performance and prevent financial crises, on the one hand, and ways to resolve crises once they have occurred, on the other. He also emphasized that the closeness of the relationship between Britain and India is a compelling reason for their working together in various international fora to improve the international financial system.
Activities

An account of ICRIER's activities can be classified under three broad heads:

Research Projects and Seminars

Public Policy Programme

South Asia Network of Economic research Institutes (SANEI)
Research Projects and Seminars

PROJECTS

Research projects at ICRIER during the year 2001–2002 were directed towards the following major areas:

I. Trade, Openness, Restructuring and Competitiveness
II. Financial Liberalisation and Financial Integration
III. Macroeconomic Management
IV. World Trade Organisation - Related Issues
V. South Asian Studies
VI. Globalisation and Healthcare

I. TRADE, OPENNESS, RESTRUCTURING AND COMPETITIVENESS

1.1 India in the World Economy

T N Srinivasan and Suresh Tendulkar

After nearly five decades of isolation from world markets, imposition of state controls, and slow rate of growth, in 1991 India embarked on a process of liberalisation and progressive integration with the global economy with a view to putting the economy on a path of rapid and sustained growth.

In a study of India in the world economy, Professor T N Srinivasan and Professor Suresh Tendulkar analyse the economics and politics of India's recent and growing integration with the world economy. The study covers the political economy of India's late integration, domestic and external constraints on integration, external capital inflows including foreign direct investment, and the emerging comparative advantage in information technology industry and services. The authors argue that the process of integration with the world economy has to be nurtured and accelerated if India is to eradicate its poverty, attain higher levels of economic well being, and take its rightful place in the global economic system.

This study, the outcome of a significant collaborative initiative by ICRIER to launch a joint research project with the Institute of International Economics (IIE), Washington, D.C., is now near completion. Seminars have been held at the IIE and ICRIER to facilitate feedback to the authors from academicians and policy makers. Though the project was unavoidably delayed, the manuscript is now ready for publication in October 2002 by the IIE in Washington, D.C., as also by Oxford University Press for ICRIER in New Delhi.

1.2 Trade Liberalisation, Industrial Performance and Export Growth in India

Jithendran Ahluwalia, Shubham Chaudhuri and Saumitra Chaudhuri

Trade liberalisation allows an economy to exploit its comparative advantage, assuming that the markets, institutions and the political economy factors provide a conducive environment to realise the potential offered by the new opportunities. Trade liberalisation and a liberal foreign investment regime were central features of the Indian economic reforms of the 1990s. This study attempts an assessment of the impact of trade liberalisation on the performance of the Indian manufacturing sector in the 1990s, with special focus on the pharmaceutical industry.

The study is divided into two parts. The analysis for the manufacturing sector is at the two-digit level of disaggregation as well as at the level of the six-based sectors. The study begins by examining the evidence on the extent of trade liberalisation and other associated policy changes in India in the 1990s against the backdrop of the evolution of the policy regime in the preceding decade. Estimates of total factor productivity growth are prepared for the different industry groups of manufacturing. The analysis of growth in value added and exports is supplemented by analysing trends in productivity growth across industries. While the time period is too short to attempt an econometric analysis, a qualitative analysis of the evidence is attempted to make an assessment of the impact of trade liberalisation on the performance of the manufacturing sector.

The second part of the study uses firm-level data for the pharmaceutical industry to explore the micro-level responses to changes in the policy regime. Besides econometric analysis using the Prowess data base from the CMIE, this part of the study also relies on a survey followed by interviews with CEOs of 40 firms in Mumbai, Delhi, Kolkata, Chennai and Hyderabad. These responses provide valuable insights on the possible effects of economic reforms including trade policy changes, the new patent regime and price decontrol on the performance of the industry. The analysis using the CMIE data base suggests that firm-level productivity has become a critical element of a firm's performance.

The study is funded by the World Bank, and a first draft has been submitted to the World Bank.

1.3 Industrial Performance and Policy in Orissa

K L Krishna, Saumitra Chaudhuri and Gopinath Pradhan

A study on the performance and policy of the industrial sector in Orissa was prepared by ICRIER in the context of reviewing the Draft Industrial Policy Resolution (IPR) 2001 of Orissa. The project was jointly sponsored by the United Nations Industrial Development Organisation (UNIDO), the Department for International Development (DFID) and the United Nations
Development Programme (UNDP). Professor K L Krishna, Dr. Sunil Choudhuri, and Dr. Gopinath Prabhu constituted the team from ICRER. Dr. Suvrata Bhoi prepared a background paper reviewing the interstate performance. Dr. Vishal Agrawal and Dr. Shrikant Acharya formed the Review Committee for the project. The report of the study was presented at a seminar in Bhubaneswar on May 9 and 10, 2001. The Chief Minister of Orissa inaugurated the seminar. The revised study, taking into account the comments of the seminar, was submitted to UNIDO on May 28, 2001.

The study recommended that the Government of Orissa should play the role of a facilitator in the industrial development of Orissa while encouraging greater involvement of private enterprise. It identified several thrust areas and recommended consolidation and restructuring of industrial units. It also favoured the establishment of Special Economic Zones. Some of the policy recommendations incorporated in the report are being implemented by the Government of Orissa.


### 1.4 Competitiveness and Economic Performance: Interstate Dimensions

**K L KRISHNA**

The policy reforms launched in India ten years ago have conferred considerable freedom on Indian states in the matter of economic policy. Many states have taken advantage of the new opportunities. There is healthy competition among the states in attracting investment from domestic and foreign sources. Several recent studies have documented the interstate differentials in economic performance during the 1980s and 1990s. Disparities across states seem to have widened.

This study by Professor K L Krishna, covering 15 major states, has a two-fold objective: (a) to analyse the overall and sectoral growth performance of the individual states in a comparative framework, covering the period from 1970 to 2000; and (b) to construct and analyse measures of competitiveness at the state level for the 1990s. A review of the relevant literature on competitiveness is attempted as a backdrop to the present study. The *Global Competitiveness Report 2001–2002* by the World Economic Forum, and the *World Competitiveness Yearbook (WCY) – 2001* by the International Institute of Management Development (IMD) have independently assessed the competitiveness of nation states based on a variety of criteria. A recent collaborative study by the Confederation of Indian Industries and the World Bank has assessed the competitiveness of Indian manufacturing using data from a firm-level survey in ten major Indian states.

This study utilizes secondary data from sources, such as National Accounts Statistics, Annual Survey of Industries, and state-level reports. Infrastructure data for a number of variables for the years 1985, 1990 and 1995, collected and aggregated into infrastructure indices in an interstate perspective for the Eleventh Finance Commission, has been used in constructing the infrastructure component of the competitiveness index. Work relating to the review of literature and comparison of growth experiences of the different states has been completed. Work on the assessment of the relative competitiveness of the states is in progress.

The study is expected to be completed by August 2002.

### 1.5 Impact of Trade Liberalisation on Indian Manufacturing

**MHIIR PANDEY**

The Indian economy was opened to foreign trade and foreign investment as part of the economic reforms in the 1990s. Since then, the tariff rates have declined substantially, although there was some increase towards the end of the 1990s. Non-tariff barriers have also declined during the same period. By 2001, import restrictions on all goods except those classified as hazardous or subject to environmental regulations were removed. Combined with the loosening of controls on investment and liberalisation of the financial sector, these changes in foreign trade policies were expected to lead to high growth rates.

This study by Mr. Mihir Pandey, Consultant, ICRER documents changes in trade policy and examines the performance of the manufacturing industry during the 1980s and the 1990s. The study draws upon data from the Directorate General of Commercial Intelligence and Statistics (DGCI&S) and the Annual Survey of Industries (ASI). Since the two data sets are based on different classifications, the concordance between the two is first established. The study explores empirical evidence on the relationship between trade liberalisation and growth, and adds to the growing literature in this field. Building on the idea that no single trade policy variable adequately captures the changes in policy, the study constructs different measures for trade policy changes, and attempts to trace their effect on growth. The first draft of the study is expected by July 2002.

### 1.6 Productivity Growth and Trade Regimes: A Study of Indian Manufacturing in the 1980s and 1990s

**DEB KUSUM DAS**

The role of trade policy reforms in the process of India’s industrial growth and development continues to be widely debated. The policy regime from 1950 to the end of 1970s saw import substitution as the main strategy for rapid industrial growth, and trade policy a
major instrument of industrial planning. In the process, restrictions on international transactions, including tariffs, quantitative restrictions and exchange rate controls were put in place. These protective measures were reinforced by domestic market interventions in the form of investment licensing and price controls. The policy shift towards an open and less regulatory trade regime started in the 1980s with trade liberalisation becoming a key component of the economic reforms initiated in the 1990s. The proposed study attempts to examine whether trade liberalisation had a beneficial impact on total factor productivity of the industrial sector in India between 1980 and 2000. This assumes importance in the context of gradual liberalisation of economic transactions that has been taking place in the domestic as well as the external sector since the beginning of the 1980s.

This study by Mr Deb Kumar Das, Fellow, ICRER seeks to examine whether trade liberalisation had a positive impact on productivity growth of the industrial sector in India between 1980 and 2000. It would explicitly incorporate the role of changes in industrial and macroeconomic policies in supplementing the trade reforms. Using a quantitative framework, an attempt will be made to analyse the productivity growth performance for the following periods: (1) 1980–90, when minor as well as moderate attempts were made at liberalising the trade regime; and (2) 1990–2000, where substantial trade policy changes were undertaken. The data base of the study comprises a panel of 75 three-digit industries from the Annual Survey of Industries, accounting for about 70 per cent of the value added of the manufacturing sector in 1980–81.

The study was initiated in December 2001 and is expected to be completed by December 2002.

1.7 Indo-French Economic Relations

AJEET MATHUR

This study was prepared by Dr Ajeeet Mathur for a bilateral seminar, ‘Indo-French Relationship in a Changing World’, which was organised in New Delhi jointly by Maison des Science de l’Homme, Paris and the Indian Council of Social Science Research, New Delhi on March 7–8, 2002. Bilateral studies in the field of trade and investment potential have a special significance for international business in a trading environment where multilateralism is supplemented with regionalism as well as bilateral arrangements.

This study examines why India’s economic relations with France have not developed to their potential. An attempt is made to identify specific commodities that can be profitably traded between France and India. The study also notes legal and institutional barriers to trade in both countries.

(The study has been revised in the light of the discussions at the seminar, and will be presented at an ICRER seminar in July 2002.)

1.8 Industrial Restructuring, Competitiveness and Institutions

AJEET MATHUR

The institutional context is a major factor contributing to the success or failure of policy formulation and policy implementation. Arrangements supporting or constraining market transactions generate costs. Beyond certain limits, the nature and magnitude of transaction costs is known to endanger growth, macroeconomic stability, human development and governance itself. However, very little is known about the thresholds at which transaction costs adversely affect economies and the extent to which this is mitigated by the resilience of internal institutions or external economic relations. As complex crises are caused by a combination of internal institutional failure and inadequacies of external economic relations, the nature of two-way linkage between internal institutions and external economic relations requires to be analysed.

This study by Dr Ajeeet Mathur aims to analyse institutional foundations of competitive and collaborative behaviour through sectoral studies of high growth sectors of the knowledge society. The proposal is in a formative stage and will be finalized soon.

1.9 Industry-Specific Factors in India’s Intra-Industry Trade

C. VEERAMANI

The economic liberalisation initiatives undertaken by Indian policy makers since 1991 are expected to bring about nationalisation in the choice of product lines by individual plants. If the products in an industry are differentiated and each is manufactured with increasing returns to scale, then a country may specialise in producing some varieties for home consumption and export, while importing those varieties that are not supplied domestically. It is therefore necessary to study the simultaneous occurrence of exports and imports within the same industry within the analytical framework of intra-industry trade. Indeed, studies on India’s intra-industry trade show that the liberalised policy environment boosts trade expansion towards intra-industry trade. However, the intensity of intra-industry trade, as measured by the Grubel-Lloyd index, varies across industries.

This study by Mr C. Veeramani, Fellow, ICRER attempts an econometric analysis of the influences of industry-specific factors on the intensity of India’s intra-industry trade in manufactures with her selected trading partners. The set of hypotheses, the validity of which will be tested in the study, may be grouped as those related to: (a) product differentiation, (b) scale economies, (c) industrial concentration, (d) multinational involvement, and (e) level of trade barriers. The theoretical rationale for including the specific variables will be spelled out. High-income countries (e.g., USA, Germany, UK, Belgium, and France) and middle-income countries (e.g., China, Thailand, Taiwan, Malaysia and South Africa) are selected based on their importance in India’s intra-industry trade. The rationale for including countries belonging...
to two different income groups is that the theoretical models dealing with intra-industry trade between unequal trading partners are different from those between countries of similar levels of development. Data sources for the study include the Directorate General of Commercial Intelligence and Statistics (DGCIS), ASI and the Prowess data base. The study is expected to be completed by December 2002.

I.10 Special Economic Zones: Lessons from China

NISHA TANEJA

Export Processing Zones in India were introduced several decades ago with a view to facilitating export promotion. Almost a decade after the initiation of the reform process in India in 1991 and encouraged by the success of the Chinese Special Economic Zones, the EXIM policy has recently suggested a qualitative transformation of the traditional Indian Export Processing Zones into Special Economic Zones (SEZs).

This paper on 'Special Economic Zones in India: Lessons from China' will focus on the key features and the extent of transformation of the Indian SEZs that has been attempted in the past two years. It would examine the extent to which this policy has addressed the issues of providing superior infrastructure and an internationally competitive and easy environment for exports. The basic objective is to explore the relevance of the SEZ model in the Indian setting and examine the possibility and feasibility of adopting the micro-management systems of the Chinese SEZs in India. In an era when both China and India are members of the WTO, the study will examine how WTO rules favour or circumscribe government roles in the creation of such zones.

The paper is being presented at the China-India Research Institutes Roundtable to be held at the University of Hong Kong on June 27-28, 2002.

II. FINANCIAL LIBERALISATION AND FINANCIAL INTEGRATION

II.1 Capital Account Convertibility and Macroeconomic Management

KENNETH KLETZER and RENU KOHLI

As reported in the annual reports of the past two years, Professor Kenneth Kletzer, University of California, Santa Cruz and Dr Renu Kohli of ICRIER have been collaborating on this project funded by the Ford Foundation under a capacity-building programme. In April 2001, Dr Kohli was selected as a visiting scholar at the IMF and invited to spend the month of May 2001 at the Research Department of the IMF. Since Professor Kenneth Kletzer of Santa Cruz University was also visiting the IMF, they worked further on their collaborative project which they had been pursuing at ICRIER in the preceding year. This collaboration resulted in the paper, 'Financial Repression and Exchange Rate Management in Developing Countries: Theory and Empirical Support from India', first published as Working Paper No. 71 at ICRIER and subsequently refined and published as the IMF Working Paper No. WP/01/05.

II.2 Exchange Rates under Managed Float Regime: Evidence from India

RENU KOHLI

Exchange rate behaviour and management in India have seen many adjustments and changes over the past few years during India's transition to a market-oriented regime. In this transition, studying exchange rate behaviour assumes significance even though limited past experience is an obvious constraint. One of the aims of this project has been to explore different dimensions of exchange rate behaviour to identify changes that may have implications for economic policy. As part of this project, an effort has been made to test for mean-reversion in the real exchange rate during the recent float period. Using unit root tests with improved power and different definitions of the real exchange rate, this study tests for stationarity of the real exchange rate. Co-integration and variance ratio tests further complement the evidence from unit root tests. The study finds evidence of mean-reversion in the real exchange rate series constructed with the consumer price index as deflator, as well as for a series constructed using the ratio of wholesale and consumer price indices to proxy for the shares of tradable and non-tradable goods. These results are being analysed within a broader policy perspective and the first draft of the paper is expected to be ready by July 2002.

II.3 Sequencing Issues in Capital Account Liberalisation

RENU KOHLI

This study addresses the sequencing of capital account liberalisation vis-a-vis domestic financial sector and fiscal reforms. With the crises that emerging market economies have seen in the past decade, the soundness of the domestic financial system and coordination of domestic financial sector reforms with capital account liberalisation have assumed greater importance than ever before. For instance, the Tarapore Committee in 1997 had indicated three preconditions vis-a-vis the domestic financial sector before dismantling capital controls. These were fiscal consolidation, a mandated inflation target and a strong domestic financial system. This study will attempt to analyse what extent the preconditions referred to in the Tarapore Committee report have been fulfilled. It will also attempt to draw lessons from the Indian experience so far, and from that of other countries in this regard. This assessment will specifically focus on sequencing of domestic financial sector reforms and fiscal consolidation with capital account liberalisation and attempt to arrive at an optimum combination of reforms in the three areas.
II.4 Share Ownership, Company Performance and Vulnerability to Crises: Evidence from India

KRISTIN FORBES and ARADHNA AGGARWAL

Kristin Forbes from the Massachusetts Institute of Technology (MIT) has been collaborating with Aradhna Aggarwal of ICRIER on this project as part of a capacity-building programme, funded by the Ford Foundation. The contagion effect of the Asian financial crisis has been a subject of many studies. Most such studies have used macroeconomic data to test validity of certain theories. Within each country, however, there is a large variation in how different companies are affected by financial crises. Kristin Forbes has undertaken studies of the micro-economic impact of such crises in a number of economies. This study by Aradhna Aggarwal and Kristin Forbes is an attempt to extend work earlier done by Kristin Forbes to India.

The study utilizes firm-level data to examine whether shocks during the recent Asian and Russian crises were transmitted to Indian industry at the firm level. The objective of the study is to examine the linkages between ownership patterns, company performance and their vulnerability to financial crises. The paper uses a detailed data set for Indian firms between 1995 and 2000. The study proposes to use multivariate regression analysis to explore the relationships between ownership patterns and corporate performance. It uses a censored-regression model to predict what types of firm characteristics determine a company's ownership patterns. The study is expected to be completed by September 2002.

II.5 Regulatory Issues in Insurance

RAJEEV AHUJA

This study addresses policy questions relating to an interaction of price and investment regulation and the market structure. Typically, insurance tariffs are regulated, especially in property/casualty insurance, to check against possible price undercutting by firms in competitive insurance markets. As undercutting may lead to insolvency, price regulation is a check against possible insolvencies.

An analytical model is used to demonstrate that solvency concerns cannot be addressed through tariff regulation. Investment regulation may be a better way to address these concerns. Furthermore, the study attempts to show that policy holders' welfare is maximised at a specific mix of safe and risky assets. The study also explores the rationale for tariff regulation; for example, inadequacy of data on losses and a high inflation rate. This part of the study has already been completed. As further extension to this analysis, it is proposed to examine the issue of appropriate market structure keeping in view the presence of a state owned incumbent. While most efficient risk pooling might imply a monopoly market structure, market efficiency may require that insurance, like many other products and services, be competitively provided. The study is expected to be completed by December 2002.

II.6 Benefits and Costs of International Financial Integration: The Indian Case

AMITA BATRA

The degree of integration of financial markets around the world increased significantly during the 1980s and 1990s. The experience of nations that have successfully managed financial integration suggests that the benefits of this process are potentially large. These benefits are however not assured. Risks of volatility and abrupt reversals of these flows in the context of a highly open capital account may represent significant costs. Concerns associated with these costs have been heightened by a series of recent financial crises.

Analytical arguments supporting financial openness typically focus on benefits of international risk sharing and consumption smoothing, positive impact of capital flows on domestic growth, enhanced macro discipline, and increased efficiency and greater stability of the domestic financial system. The potential costs are in the form of pro-cyclical nature of short-term capital flows, volatility and possibility of abrupt reversals of capital flows, and macro effects through rapid increases in liquidity, inflationary pressures, real exchange rate appreciation and growing external sector imbalances.

In the 1990s, with considerable external and financial sector liberalisation, India has come up as an "emerging market" for capital inflows. The developments on the policy front have induced a shift in the composition of capital account in favour of non-debt creating inflows. This study proposes to estimate the costs and benefits of capital account liberalisation in India and to examine whether empirical evidence suggests that India can expect net benefits from such liberalisation. The focus of the study will be on consumption, investment and growth effects of private capital inflows, pro-cyclicality of short-term flows, volatility of capital flows, financial sector development, including equity market development, and macroeconomic effects of capital inflows. Econometric analysis will be followed by a discussion of policy options to maximise gains from such liberalisation. The study will identify policy imperatives that may enable India to exploit the gains while minimising the risks associated with international financial integration.

II.7 Regeneration of International Capital Flows with Measures for Financial Stability

AMITA BATRA

The 1990s have been marked by a process of integration of emerging markets, while economies with global capital and currency markets, domestic financial markets have also become much more liberalised. A central feature of this process has been the increasingly free movement of capital across national boundaries. To the extent that they take place in well-functioning, competitive markets and respond to price signals, capital flows imply more
efficient provision of financial services and more efficient allocation of resources and risk. Such benefits translate over time into faster economic growth and higher employment than would otherwise be the case. However, free movement of capital also implies heightened tendency for financial instability and even sporadic crises. Both the frequency and severity of international financial crises seems to have been rising over the last decade, leading to severe economic disruption, and increase in unemployment in some developing economies.

The experience of the recent financial crises confirms the strong interrelationships between macroeconomic instability and financial instability. Financial instability may manifest itself in increased volatility of capital flows, misalignments and international contagion. Two fundamental policy responses have been found useful in this context. First, the macroeconomic policy framework (monetary and exchange rate policies in particular) must be appropriately designed. Second, a strong prudential framework should be developed to help ensure a sound financial sector and increased standard of risk management.

This study proposes to review the recent experience of the emerging markets in financial crises and suggest ways in which developing economies can benefit from sustained flows while maintaining financial stability.

III MACROECONOMIC MANAGEMENT

III.1 Primary Aspects of Indian Fiscal Policy

PARTHASARATHI SHOME

This study on fiscal policy by Dr Parthasarathi Shome, RBI Professor at ICRIER until August 2001, attempts to design a medium-term fiscal strategy for India. Beginning with a survey of fiscal trends during the 1990s, the study undertakes an overview of the tax and expenditure reforms that have been completed or are in the process of being implemented and the major reforms that remain incomplete. It analyses at the consolidated level of the centre and states, the impact on the fiscal deficit of lagging revenue performance and rising expenditure. The costly ramifications of the consolidated fiscal deficit on the sustainability of public debt are demonstrated within an empirical framework. Accordingly, the author recommends a fiscal architecture that should render India’s fiscal stance more sustainable.

The study provides an analytical framework within which the impact of fiscal federalism and decentralisation on fiscal deficit and economic growth is analysed. It arrives at the interesting conclusion that decentralised expenditure responsibilities can improve growth and fiscal performance so long as resource availability is ensured at lower levels of government. It also addresses the background, experience and complexities of introducing a value added tax (VAT) in Indian states, and its importance in achieving a comprehensive and integrated tax base. The effects of tax administration practices on the effectiveness of tax policy are also analysed. The study draws on international comparisons where relevant.

The findings of the study were discussed in a Public Policy Workshop at ICRIER and a summary version was published in the ICRIER Public Policy Workshop series. The book, Issues in Public Finance is expected to be published by Oxford University Press by December 2002.

III.2 India’s Macroeconomic Management in the Nineties

SHANKAR ACHARYA

This study provides a review of India’s macroeconomic policy and performance in the 1990s, the decade during which there was a substantial and phased opening up of the Indian economy to the rest of the world. It covers macroeconomic performance in regard to economic growth, inflation, external balance, fiscal balance, savings and investments. It also analyses and evaluates the macro policy responses to the principal problems and challenges, which emerged as the decade unfolded. The study goes on to review and assess the major institutional reforms that evolved over the decade in the key areas of fiscal policy, monetary policy and the exchange rate regime.

The findings of the study were presented at a seminar on Ten Years of India’s Economic Reform in September 2001 and the study was published in the ICRIER Public Policy Workshop series. The paper has subsequently been published in the Economic and Political Weekly, April 20, 2002.

III.3 India’s Medium-Term Growth Prospects

SHANKAR ACHARYA

This ongoing study explores the prospects for continued growth of the Indian economy in the medium term, given external conditions, domestic resource balances, the prospects for deepening ongoing economic reform, infrastructure constraints, agricultural performance, the outlook for labour supply and demand and governmental performance. The study is also an input into a research project on ‘India: Population, Environment and Human Development’ being conducted by the London School of Economics.

A paper, ‘Medium-Term Issues in Macroeconomic Management’, was prepared for the Planning Commission, Government of India, on invitation in November 2001. Preliminary conclusions point to tightening infrastructure constraints to growth, slow recovery in agriculture, only modest improvements in aggregate savings and investment, limited prospects for increases in foreign savings, continuing decline in governmental performance and an uncertain outlook for growth gains from a ‘demographic bonus’. While there is substantial potential for sizeable productivity gains from major economic reforms, the realistic prospects for quickly translating this potential into reality are not high.
III.4 Inflation and Openness: An Empirical Investigation

SUNIL ASHRA

The study by Sunil Ashra was initiated when he was a Fellow at ICRIER during October 1999-May 2001. The study could not be completed last year as Dr. Ashra left ICRIER to join the Faculty of the IIM School of Management. Dr. Ashra has kept his commitment and completed the study. It has gone through the review process at ICRIER and has been published as ICRIER Working Paper No. 84.

The paper attempts to examine the influence of openness on the rate of inflation using panel data for fifteen developing economies for the years 1980 to 1997. Growth rates of money supply and agricultural GDP are the other explanatory variables. Differences in the results between different dichotomies of country groupings have been analysed. The dichotomies include small and large countries; low income and high-income countries; South-Asian and other countries; and hyper-inflation and non-hyper-inflation countries. Fixed effects and random effects estimates of the models have been compared.

The empirical results of the paper show that openness, measured by the trade-GDP ratio, has an inverse relationship with inflation, corroborating the results reported in the literature. The results of the paper indicate that the traditional closed economy perspective for the explanation of inflation is not adequate. The impact of openness on inflation differs between different country groupings. The study also finds that whereas import-GDP ratio has a negative impact on inflation, export-GDP ratio has a positive impact, and the impacts are non-linear.

IV WORLD TRADE ORGANISATION - RELATED ISSUES

Research on WTO-related issues continued to receive high priority at ICRIER. From services, agriculture and intellectual property protection, the scope of research has expanded to include globalisation and health, anti-dumping, textiles and clothing, environment, and the Subsidies Agreement. With the commencement of the New Round of Multilateral Trade Negotiations, approved at the Ministerial Meeting of the WTO at Doha in November 2001, WTO-related research activity at ICRIER is expected to increase further. Work in this area has been made possible by a major grant received from the Sir Ratan Tata Trust for a three-year programme in the research area beginning April 1, 2000. Substantial work has also been commissioned by the Ministry of Commerce and financed by grants from the Ministry, particularly in the area of Trade in Services. Dr. Isher Judge Ahluwalia, as member of the Commission on Macroeconomics and Health, was appointed Chairperson of the Working Group on Health and the International Economy. As secretariat for the Working Group, ICRIER received funding from the WTO to commission research on areas, such as trade in health-related services, implications of TRIPS for affordable access to medicines, etc.

IV.1 Globalisation of Services: India's Opportunities and Constraints

RUPA CHANDA

ICRIER commissioned Dr. Rupa Chand, Associate Professor, Indian Institute of Management (Bhogal) to undertake a study on the opportunities and constraints characterising India's trade in services. The study has been published as a book by Oxford University Press, New Delhi, in May 2002. The study was part of the research programme on the WTO-related issues, funded by the Sir Ratan Tata Trust.

This study is an in-depth analysis of India's services sector and the potential for enhancing India's participation in international trade in the sector. It focuses on three clusters of services that share common features and face common problems. These are: (a) infrastructural services, (b) professional/business services, and (c) miscellaneous/other services. It assesses the general nature of commitments made by WTO member countries during the Uruguay Round of services negotiations and specifically discusses the nature of commitments made by India in the past round. It also suggests India's sector-specific strategy in the ongoing GATS 2000 negotiations emphasizing how the country can successfully leverage its strengths and overcome its weaknesses to benefit from the negotiation process.

The study recommends a number of domestic reforms and measures which are required to support India's negotiating strategy and enable India to take advantage of the market access opportunities created by the GATS as well as facilitate the implementation of its own commitments. The study concludes that liberalization of services trade and India's negotiating stance in the ongoing round of negotiations are closely linked to issues such as privatization, foreign direct investment and upgradation of infrastructure, all of which are integral to the success of India's economic reforms.

IV.2 Indian Agriculture and the WTO: Negotiations beyond Doha

ASHOK GULATI and ANWARUL HODA

This study is a collaborative project between ICRIER and IIFRI. Professor Anwarul Hoda of ICRIER and Dr. Ashok Gulati of ICRIER are undertaking this study with a view to devising the position that India should take in the ongoing negotiations on trade in agriculture. The study traces the genesis of agricultural protectionism in industrialised countries and describes the mechanisms through which agriculture was excluded from the mainstream of trade liberalisation undertaken by the major trading nations in the post-war world. It examines the limitations of the Agreement on Agriculture, which have been exposed by its implementation since the establishment of the WTO in 1995 and finds that there are serious flaws in the design of the Agreement as well.

The study examines the positions taken by the major industrialised countries and groups of other WTO members in the ongoing negotiations. It explains the changes in the dynamics
of negotiations introduced as a result of the commencement of the Doha Round of Multilateral Trade Negotiations (with a broader Agenda). Based on an examination of India's international competitiveness in agricultural products, the study advocates a bold approach for India in the negotiations, focusing less on special and differential treatment and more on equal treatment. It also suggests that India should join forces with Cairns Group in order to forge a common alliance for effectively confronting the two superpowers and inducing them to undertake fundamental reform and far-reaching liberalisation in the sector. The study is now completed and is expected to be published later this year.

IV.3 Trade in Services: Opportunities and Constraints

B K ZUTSHI, et al.

This project was commissioned by the Ministry of Commerce, Government of India, in October 1998 and was completed in the year 2001. The study focused initially on 10 services sectors of importance to India for the ongoing GATS 2000 negotiations. Additionally, a report on the crosscutting issue of movement of natural persons was prepared and submitted to the Ministry along with the sectoral reports. The sectoral studies covered financial services, software, accountancy, legal services, health services, tourism, air transport, telecommunication, maritime transport services, and construction, architectural and engineering services. Mr B K Zutshi, India's former Permanent Representative to GATT and Advisor on WTO issues for ICRIER, was responsible for the overall coordination of the project. Mr N Vaghul, Mr N R Narayana Munthy, Dr Yogi Mehrotra, Mr Hamil Alibori and Mr Cyrus Guzder were some of the persons from the private sector who helped shape the course of research work for the individual services sectors. During the year 2001–02, studies on maritime transport services and construction, architectural and engineering services have been revised and updated by Dr Arpita Mukherjee, and published as ICRIER Working Papers Nos. 75 and 76.

IV.4 Trade in Distribution Services

ARPITA MUKHERJEE

This study examines the distribution services sector in the Indian economy in the context of the GATS 2000 negotiations. Although this sector accounts for a significant percentage of the Indian GDP and employment, it is largely unorganised and suffers from poor access to capital, lack of management skills, a fragmented supply chain and unfavourable regulations. Since foreign direct investment (FDI) is not allowed in retailing, the development of the organised sector has been slow.

As of now, India's export possibilities in this sector are limited. However, India has the potential of expanding trade (both exports and imports) in distribution services. The study recommends a number of regulatory, structural and other reforms that would enhance the efficiency, productivity and global competitiveness of the sector, highlighting how domestic reforms are required to support the process of liberalisation. It also provides an in-depth analysis of the costs and benefits of opening up retailing to FDI. In the Uruguay Round, India did not make any commitments in distribution services. The study recommends that India should actively participate in the GATS 2000 negotiations and offer to bind the existing regime.

The findings of this study were presented at a seminar at ICRIER in January 2002. After receiving comments from various ministries, Indian organisations and retailers, the study has been published as ICRIER Working Paper No. 80. The study was funded by the Ministry of Commerce.

IV.5 Trade in Audio-Visual, Recreational, Cultural and Sporting Services

ARPITA MUKHERJEE

The audio-visual services sector is one of the fastest growing services sectors in the Indian economy. India's exports of audio-visual products have shown a rapid increase in the past decade. This study examines India's trade potential in audio-visual, recreational, cultural and sporting services in the context of the ongoing GATS negotiations.

The study finds that there has been an increasing demand for Indian audio-visual products in regions with high non-resident Indian (NRI) and South Asian concentration. India also has the potential of exporting post-production facilities, and computer animation and graphics. Given that India has already opened up the audio-visual sector for privatization and foreign investment, the study recommends that it is in India's interest to actively participate in the ongoing GATS negotiations and push for the removal of external barriers to trade. The study also recommends a number of domestic reforms and measures, which would enhance the growth and global competitiveness of this services sector.

The study, funded by the Ministry of Commerce, has been completed and the findings are published as ICRIER Working Paper No. 81 in May 2002.

IV.6 Globalisation of Infrastructure Services: India's Trade and Investment Prospects under the GATS

RUPA CHANDA and ARPITA MUKHERJEE

This study will provide an analysis of infrastructural services sectors (maritime transport, air transport, telecommunication, financial services, distribution, energy and construction and consultancy services) which play a significant role in the growth and development of the Indian economy. The study will analyse recent trends and developments in these sectors, both globally and within India. It will highlight India's trade and investment prospects in these sectors.
Although India has unilaterally liberalised infrastructure services sectors, it has shown reluctance to open up these services during the Uruguay Round of GATS negotiations. The study will discuss the nature and extent of multilateral liberalisation in infrastructure services in the context of the WTO’s General Agreement on Trade in Services and the implications of this liberalisation for India, in particular, the likely consequence of opening up various infrastructure services to foreign investors for the economy.

The study will make explicit policy recommendations, both for negotiations at the GATS and for domestic reforms, that would be required to support India’s negotiating strategy and the overall growth of the economy. The study is part of the research programme funded by the Sir Ratan Tata Trust.

IV.7 Subsidy Disciplines under GATS

RUPA CHANDA and ARPITA MUKHERJEE

GATS envisages negotiations with a view to developing multilateral disciplines to avoid the trade distorting effects of subsidies on trade in services. These negotiations are being held as part of the Doha Round. The purpose of this study is to investigate whether it is in India’s interest to push for additional disciplines in subsidies beyond what is already contained in GATS.

The study will provide a definition of subsidy under GATS. It will set up a framework for defining trade distorting subsidies and classifying them into prohibited, actionable and non-actionable subsidies. The study will also evaluate whether countervailing measures are appropriate in the context of trade in services.

The study will attempt to examine the various forms of subsidies provided by India and its important trading partners in selected services sectors. It will investigate whether the subsidies given by major trading partners have any trade distorting effects on India’s exports. It is expected that this study, funded by the Ministry of Commerce, would assist the Government of India in formulating its position during the negotiations on subsidies.

IV.8 Trade in Energy Services under GATS

ARPITA MUKHERJEE

The energy sector is one of the most important infrastructure services sectors in India. This sector has traditionally been dominated by state-owned vertically integrated utilities, engaged in production, transport and distribution of energy products, leaving little margin for trade and competition. However, in recent years there has been a distinct move towards privatisation and liberalisation.

The primary aim of this study is to analyse the recent trends and developments in energy services sector in the context of the ongoing GATS negotiations. During the Uruguay Round,

energy services was not negotiated as a separate sector. The study will analyse the coverage of the sector under GATS, distinguishing the goods and services aspects of energy trade.

The study will also analyse India’s trade and investment prospects in energy services, spelling out the unilateral liberalisation undertaken so far. It will identify the domestic and external barriers inhibiting India’s trade in this sector. It will also evaluate the scope for multilateral negotiations in energy services and the implications of such liberalisation for the Indian energy sector. Finally, the study will recommend domestic policy reforms that would be necessary to support India’s negotiating strategies at the WTO and the overall growth of this services sector.

IV.9 Export Competitiveness of Indian Textiles and Clothing

SAMAR VERMA

International trade in textiles and clothing has been an exception to the fundamental principle of free trade of GATT, and has been subject to discriminatory quantitative restrictions (QRs) for over four decades. The WTO Agreement on Textiles and Clothing (ATC) envisages a progressive dismantling of these QRs through a well-defined, phase-out plan stretching over a ten-year period from 1995 to 2004. This presents opportunities as well as challenges for the exporting nations, such as India.

An assessment of the competitiveness of the Indian textiles and clothing industry and the initiatives needed in order to equip it better to face the challenges of a quota-free international trade environment is the focus of the study. This study by Dr. Samar Verma examines the current position that India has vis-a-vis other major textiles and clothing exporting nations, particularly with reference to the major importing countries. It draws the changing landscape in the international trading environment, which is likely to significantly impact the global textiles and clothing trade. The study highlights areas requiring government policy intervention, and suggests measures that the industry would need to take for sustaining and improving India’s market share in textiles and clothing products in the impending quota-free global market in 2006.

The first draft of the study has been completed. After presentation at a seminar, the study is expected to be revised and completed by October 2002. The study is part of the research programme funded by the Sir Ratan Tata Trust.

IV.10 Export Incentives and the WTO Regime

RAJEEV AHUJA

The study of export incentives in India, Brazil and Korea has been undertaken by Dr. Rajeev Ahuja to analyse their compatibility with the WTO Agreement on Subsidies and Countervailing Measures (the SCM Agreement). Under this Agreement, some subsidies, such as export
subsides on non-agricultural products are prohibited (red category), while still others are non-actionable, such as subsidies which are not specific to an enterprise or industry, or a group of enterprises or industries (green category). What does not fall in these two categories is actionable if it causes adverse effects to the interests of other members (amber category). Remedies against prohibited subsidies and actionable subsidies that cause adverse effect can be obtained by a member country through recourse to the WTO Dispute Settlement Body. In case imports of subsidised products cause material injury to the domestic industry, the importing member has the alternative remedy of imposing countervailing duties. There are provisions for the special and differential treatment of developing countries.

This study begins with an examination of the status of the existing incentives in India under the SCM Agreement. India has been extending a range of incentives to the exporters for many years. Some of these were introduced in order to correct the pronounced anti-export bias of the Indian economy that existed prior to the commencement of economic reforms in the country. With the economic reforms progressively correcting this bias, the Government of India is gradually withdrawing some export incentives. This study, together with similar studies on the countries indicated above will help the developing countries in determining what additional flexibilities they need in the SCM Agreement. The study will also help the Government of India in taking a view on continuing or eliminating the existing incentives, given the serious resource constraints.

The first part of the study on India was completed last year and its findings have already been reported in the ICRIER Working Paper No. 72. The second part of the study in which export incentives of Brazil and Korea have been analysed has now been completed. The findings and the possible lessons for India are reported in ICRIER Working Paper No. 79.

IV.1.1 Trade Implications of the Shrimp - Turtle Decision in the WTO

RAJEEV AHUJA and JAYATI SRIVASTAVA

In 1996, in a renewed initiative to protect sea turtles (which come under the US Endangered Species Act), the US imposed unilateral embargo on the import of shrimp from countries that did not use turtle excluder devices (TED) during shrimp farming. India, Malaysia, Thailand and Pakistan challenged the US action on grounds of being arbitrary and discriminatory. In its verdict, the Appellate Body of the WTO ruled that although the US action was justified under the measures relating to the conservation of exhaustible natural resources (Article XX (g)), it failed to meet the requirements of the chapter on general exceptions (Article XX) and hence was not justified under GATT 1947. It ruled further that the term exhaustible natural resource was an evolving concept and that measures to conserve such resources, both living and non-living, fall within the scope of Article XX (g).

This study by Dr. Jayati Srivastava and Dr. Rajeev Ahuja analyses the economic as well as the systemic implications of this decision. Its finding is that the decision will not have any direct impact on the prospects of developing countries for expanding their exports of shrimp, as the additional cost of using turtle excluder devices is not significant. However, it also concludes that the decision will have a major systemic implication for the WTO in view of the reversal of the traditional legal position which had been established in the disputes raised during the time of GATT 1947. The process by which goods have been produced in the exporting country could not be a reason for taking measures affecting their imports in another country. The Appellate Body has widened the scope of Article XX (g) and to a certain extent mainstreamed environmental considerations into trade actions even if the environment of the importing country is not affected.

The study has been completed as ICRIER Working Paper No. 78, and is part of the research programme funded by the Sri Ramon Tata Trust.

IV.1.2 Anti-Dumping: Policies and Practices in India

ARADHNA AGGARWAL

This study is a part of a capacity-building exercise and is being undertaken by Dr Aradhna Aggarwal under the guidance of Professor P.K.M. Tharanan, University of Antwerp. The research programme is funded by the Sir Ramon Tata Trust.

The first part of the study reviews the anti-dumping investigations carried out by the Department of Commerce, Government of India since 1993. The analysis suggests that economic explanations have little to do with anti-dumping as it is practiced today. The use of anti-dumping measures is not contingent on market characteristics connected with economic considerations. The principal reason why anti-dumping duties are imposed is lobbying by dominant producers seeking protection. Ambiguities contained in the anti-dumping code are manipulated to facilitate dumping/injury margin. In the absence of accurate information, dumping findings are based on constructed normal prices and constructed export prices creating a high risk of artificial dumping. Injury determination contains even more losses.

Even if dumping and injury are proved, it could well be that the gains to the consumers from lower prices more than outweigh the losses suffered by the producers. The anti-dumping law in India does require a public interest test for imposing anti-dumping duties. The findings of this study are being published as ICRIER Working Paper No. 95/7.

A second paper under preparation aims at exploring worldwide trends and patterns of anti-dumping investigations and cases where anti-dumping duties have been imposed. The data base relates to the period from 1980 to 2000 which has been provided by the "Ruers Division" of the World Trade Organisation to ICRIER. The analysis suggests that there has been very rapid growth of anti-dumping (AD) investigations in recent years. The number of anti-dumping investigations increased from 150 in 1995 to 328 in 1998. The study finds that the use of anti-dumping is no longer confined to a limited number of industrialised countries. The share of developing countries in the total cases was 10 per cent at the beginning of the 1990s; it is almost 50 per cent now. However, a greater number of cases are reported against these countries than the cases launched by them. Non-market economies
IV.13 International Agricultural Commodity Price Data Base Project

ANWARUL HODA AND C. SEKHAR

This is a collaborative research project between ICRIER, International Food Policy Research Institute (IFPRI) and the Economic Research service–United States Department of Agriculture (ERS-USDA). The aim of this project is to build comparative price series data on agricultural commodities across various countries. The goal is to provide a comprehensive, easy-to-use, on-line database on agricultural commodity prices across various countries to support trade policy analysis. The initial focus is on developing domestic wholesale price series for major Indian commodities along with their corresponding international reference prices. ICRIER is focusing on developing the database for market prices, farm harvest prices and support prices of agricultural commodities in India, while ERS-USDA is undertaking the corresponding work for international markets. Mr. C. Sekhar, Fellow, ICRIER is preparing the data base. Efforts are on to piece more researchers to undertake analysis using the newly developed database in this very important area.

V SOUTHEAST ASIA STUDIES

V.1 Trade, Finance and Investment in South Asia

T N SRINIVASAN

This volume, edited by Professor T N Srinivasan (Social Science Press, November 2001), brings together nine papers on trade, finance and investment in South Asia. The papers are: 'The Impact of Changing Global Trade Policies on India' by Dr. Rajash Chaddha; 'Charting a Free Trade Area in South Asia: Instruments and Modalities' by Dr. T. N. Mukherji; 'India's Informal Trade with Bangladesh and Nepal: A Comparative Study' by Dr. Somji Pahat and Mr. Nisha Taneja; 'Bangladesh-India Bilateral Trade: An Investigation into Trade in Services' by Dr. Mustafizur Rahman; 'A Plan to Strengthen Regional Trade Cooperation in South Asia' by Dr. A. R. Kemal, Dr. Mustafizur, Dr. Kallie Abbas and Dr. Usman Qadir; 'Health Policy Challenges for India: Private Health Insurance and Lessons from the International Experience' by Dr. Arvind Mohan; 'Multinational versus National: FDI: A Comparative Analysis of the Chinese and Indian Experience' by Dr. Ashok Gha and Dr. Anil S. Ray; 'Foreign Direct Investment and Economic Integration in the SAARC Region' by Dr. Stiia Jaysuriya and Dr. Dushan Weerakoon.

The papers spell out the complex interrelations between the trade policies, development strategies, social, political and legal institutions, health policies and the timing of economic reforms of countries in the region, to evaluate why trade performance in South Asia has been so unsatisfactory.

Professor Srinivasan in his introduction integrates the various arguments put forth in the papers and explores the policy options for South Asia in the new WTO round of multilateral trade negotiations.

The studies in this volume were undertaken by researchers from research institutes in South Asia, following a competitive process of selection and funding by SANERI (South Asia Network of Economic research Institutes).

V.2 India and Economic Cooperation in South Asia

PARTHASARATHI SHOME

The volume, India and Economic Cooperation in South Asia edited by Dr. Parthasarathi Shome and published in July 2001 (ICRIER), brings together a collection of papers on India's trade and investment linkages with its South Asian neighbours. The editor, in the introductory chapter, examines theoretical arguments for and against regional trade arrangements (RTAs) and their impact on economic welfare, the scale of SAARC trade vis-à-vis other RTAs, and India's role in SAARC. The book evaluates the scope of SAARC which appears still too small relative to the more mature regional trade arrangements. In particular, India's trade and investment links with selected SAARC countries, namely, Bangladesh, Nepal, Pakistan and Sri Lanka are examined in some detail in separate chapters, while outlining the potential for future growth. The study was funded by a grant from the Government of Japan.

V.3 Economic Cooperation in South Asia

ISHER JUDGE AHLUWALIA AND SUBHODROTA RAY

This study analyses prospects of regional economic cooperation among the major South Asian nations, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka through trade and investment linkages. South Asia with its widespread poverty, low human development indicators, and low levels of growth, has been at the centre of constant interstate friction and political turmoil. Economic cooperation in this context is an effective way of forging better relations, which would also act as a confidence building measure among these nations.

The study discusses economic cooperation within the perspective of South Asian Association for Regional Cooperation (SAARC) and South Asian Preferential Trade Arrangement (SAPTA), focusing on intra-regional trade linkages, and the limited impact of the SAPTA process of trade negotiations on trade expansion in the region. While recognizing the major constraints which impede trade, an attempt is made to look into future prospects,
emphasizing that trade could indeed be an effective instrument for growth in the region as corroborated by the high incidence of informal trade.

The study highlights the existing investment linkages among the SAARC countries through joint ventures and business collaborations. An attempt has been made to identify new areas and projects for business collaboration, which would lead to enhanced cooperation within the region. In this context, a brief review of Official Development Assistance (ODA) loans in South Asia, and their feasibility for assisting intra-regional projects in the SAARC region, has also been highlighted.

The study, funded by the Japan Bank for International Cooperation (JBIC), has been completed, and will be presented at a seminar on 'Developing Assistance Strategies in the 21st Century: Global Issues and Recommendation by Region' in Tokyo in July 2002.

VI.4 Informal Trade in the SAARC Region

NISHA TANEJA, M SARVANANTHAN and B K KARMACHARYA

This study attempts to fill the gap and widen and deepen the understanding of informal trade in South Asia, both in preparing estimates of informal trade and in understanding the institutional mechanisms of informal trade. The basic framework of the study is drawn from the literature on new institutional economics focusing on issues of enforcement mechanisms, including aspects of risk and information in informal trade.

The study is based on an extensive survey carried out in India, Sri Lanka and Nepal. The survey estimates indicate that there is a two-way informal trade between India and Nepal, whereas between India and Sri Lanka most of the informal trade takes place essentially in one direction, from India to Sri Lanka. The qualitative survey on Indo-Sri Lanka informal trade reveals the following: (a) Indo-Sri Lanka informal trade takes place largely through air passengers flying between Chennai, Trichy and Thiruvananthapuram in India, and Colombo in Sri Lanka; (b) informal traders have developed efficient mechanisms for information flows, risk sharing and risk mitigation; (c) informal traders prefer to trade through the informal channel due to the inefficient institutional set-up in the formal channel and not due to trade policy barriers. The four important common factors influencing informal trade flows in India and Sri Lanka are: (a) quick realisation of payments; (b) no paper work; (c) no procedural delays; (d) and ethnic ties. In both, ethnic affinity enables non-anonymous transacting and is a crucial factor in initiation, facilitation, risk mitigation and lowering of transaction costs between contracting parties.

The study is being undertaken in collaboration with the International Centre for Ethnic Studies, Sri Lanka and the Tribhuvan University, Nepal. A meeting with the collaborators was held in April 2002 to discuss individual country reports. A synthesis report is under preparation and is expected to be completed by June 2002. The study has been funded by SANEI (South Asia Network of Economic research Institutes).

VI. GLOBALISATION AND HEALTHCARE

As the concern on the implications of globalisation for health, particularly that of the poor in developing countries, has increased in recent years, ICRIER has commissioned policy-oriented studies in this area and has made a serious effort to encourage debate and discussion on major policy issues, both at the national and international levels.

The World Health Organisation (WHO) set up a Commission on Macroeconomics and Health (CMH) in January 2000, with Jeffrey Sachs of Harvard University as Chairman, with the objective of putting health on the agenda of development. Dr Manmohan Singh, former Finance Minister of India and Dr Isher Judge Ahluwalia, Director and Chief Executive, ICRIER were members of the Commission. The Commission submitted its report to Dr Gro Harlem Brundtland, Director General, WHO, on December 20, 2001. The Commission divided its work into six major health-related areas, each to be examined by a separate Working Group set up for the purpose. Among the six is the Working Group on Health and the International Economy with Isher Judge Ahluwalia as the Chairperson.

The Working Group on "Health and the International Economy", based at ICRIER, commissioned a number of papers by eminent experts, both within India and outside, to undertake research on issues of importance and policy relevance for the Group. Eight papers were prepared and are now available as Working Papers of ICRIER. The distinguished membership of the Group included, among others, Dr Supachai Panitchpakdi, Director General-designate of the WTO and former Deputy Prime Minister, Thailand; Dr John Bostick, Professor, Stanford Law School and Professor Keith Maskus, an eminent economist with specialisation on intellectual property protection issues.

VI.1 Report on Health and the International Economy: Working Group 4, Commission on Macroeconomics and Health

ISHER JUDGE AHLUWALIA – Chairperson

The Working Group 4 (WG4), under the chairmanship of Dr Isher Judge Ahluwalia, Director, ICRIER, prepared and submitted a Report on "Health and the International Economy" to the Chairman, CMH. The Report examines the impact of globalisation and integration of the economies of the world on the health status of the population, particularly the poor of the developing countries. Some of the major issues covered by WG4 include the impact of the liberalisation of trade in health-related services on the health system in poor countries and the impact of the new regime of intellectual property rights emerging from the TRIPS Agreement of the WTO on affordable access to improved medicines. The Report draws heavily on the research studies that were commissioned by the Working Group. The Report is being published by the World Health Organisation, Geneva. Efforts are now under way to prepare the research papers for publication in a volume.
VI.2 Post-TRIPS Options for Access to Patented Medicines in Developing Countries

F M SCHERER and JAYASHREE WATAL

This paper by F M Scherer, Aenea Professor of Public Policy Emeritus, Harvard University and Visiting Professor at Princeton University and Jayashree Watal, currently at the WTO, provides a comprehensive, thorough and very illuminating discussion of the relevant issues in this very important area. The paper addresses the crucial question of how to arrive at a balance between the desire to make new drugs affordable to all those who need them and yet retain strong incentives for inventing and developing new and better treatments. The authors provide a detailed discussion of compulsory licensing, parallel trade, price controls and drug donations in exploring the implementation of TRIPS and compatible policy options for developing countries in facilitating affordable access to patented medicines. The study is published as ICRIER Working Paper No. 69.

VI.3 Differentiated Pricing of Patented Products

JOHN BARTON

This paper by John Barton, Professor, Stanford Law School, addresses the problem of affordable access to patented medicines by exploring the mechanism of differentiated pricing of patented products between the developed and the developing countries and the associated requirements of market segmentation. The paper suggests a range of recommendations and their implications for dealing with this very sensitive and crucially important issue. The study is published as ICRIER Working Paper No. 63.

VI.4 Consumption and Trade in Off-Patented Medicines

HARVEY E BALE

This paper by Harvey Balle, Director General, International Federation of International Pharmaceutical Associations and President, Pharmaceutical Security Institute, Geneva, spells out the problems relating to the access to older, patent-expired essential medicines in developing countries. The author highlights spending priorities, inadequate infrastructure for public health systems, inadequate external financing and insufficient political commitment as the crucial barriers to improving access to healthcare in developing countries. The paper suggests that an integrated approach to quality healthcare makes it necessary to address these problems along with the problems emerging from the TRIPS regime and globalization. The study is published as ICRIER Working Paper No. 65.

VI.5 Protection of Traditional Medicine

RICHARD WILDER

This paper discusses a number of issues ranging from the role of traditional medicine, the concerns regarding its protection and the suitability of intellectual property protection for traditional knowledge. The study points to several ongoing efforts by WHO, WIPO, UNCTAD, UNEP and the CBD Secretariat in defining the modalities for the protection of such knowledge. The conclusions and recommendations of the paper need to be discussed and debated at this crucial juncture when high prices of medicines are a serious concern. The study is published as ICRIER Working Paper No. 66.

VI.6 Trade in Health Services

RUPA CHANDA

This study provides an overview of international trade in health services. It discusses the nature of this trade, the various constraints to it, and its implications for equity, efficiency, and access to health care. The study draws upon country-specific and regional experiences to highlight common issues and concerns associated with trade in health services. The study also assesses the experience with multilateral liberalization of trade in health services under the GATS and notes areas where further discussion and international cooperation are required. The study suggests that trade in health services has mixed implications but that individual governments and the international community can introduce the required safeguards and policy measures to take advantage of globalization opportunities in this sector while mitigating the possible adverse consequences of this globalization. The study, published as ICRIER Working Paper No. 70, was subsequently published in the Bulletin of the World Health Organization (80.2).

VI.7 Globalisation and Health: A Survey of Opportunities and Risks for the Poor in Developing Countries

EUGENIO DIAZ-BONILLA, JULIE BABINARD and PER PINstrup-ANDERSEN

This paper examines the likely impact of globalization on the global health situation, focusing mostly on developing countries and the poor. The paper suggests that the participation of countries in the globalization process is far from uniform and poses the risk of leaving the poor even more vulnerable to diseases, with the potential to further widen international health disparities in the future. Hence, the institutional fabric of globalization and the rules and regulations governing global exchange, which are still evolving, need to be framed to enhance the beneficial aspects, and reduce the potential negative impact of globalization on health. The study is published as ICRIER Working Paper No. 83.
VI.8 Trade Liberalisation in Health Insurance: Opportunities and Challenges in Middle-and Low-Income Countries

JOHN A SBARBARO

This paper examines the impact of the expanded opportunities for international trade in health insurance on the healthcare systems of the middle-and low-income countries. In particular, it studies the potential advantages and disadvantages of the introduction of competitive private health insurance systems in these countries, and analyses the challenges faced by developing countries with the introduction of private health insurance. The paper suggests that the introduction of private health insurance does represent a threat to the control of, and care for WHO’s ten basic community diseases. The paper recommends that WHO should take the lead in initiating a process that will assist countries in determining the potential of private health insurance models as financiers of healthcare.

VI.9 The Role of Information Technology in Designs of Healthcare Trade

AJEET MATHUR

This paper focuses on the expanding role of IT in the design and development of healthcare products and services, delivery systems and healthcare administration. The paper suggests that the impact of expansion of cross-border trade in IT-related healthcare on the health status of the people is likely to be uncertain. This uncertainty is traceable to the ways in which responsibility for healthcare, currently designed healthcare products and systems, and the power to organise healthcare delivery come together. The paper is being revised, taking account of the comments received.

VI.10 Trade Barriers and Prices of Essential Health Sector Inputs

DAVID WOODWARD

This paper investigates the role of trade barriers on the prices of inputs, both pharmaceutical and non-pharmaceutical, required for health interventions. The analysis of a non-pharmaceutical input called Insecticide Treated Bednets (ITNs) as a preventive intervention of malaria, suggests that reduction of tariffs in this category could increase usage by not more than 3 per cent in Sub-Saharan Africa and even less elsewhere. The findings on pharmaceutical prices suggest that trade barriers are of secondary importance in affecting or determining drug prices. Domestic factors, such as distribution costs and retail mark-ups, and international factors, such as the new patent regime, have a much greater impact on drug prices. The study is published as ICRER Working Paper No. 73.

VI.11 Background Notes For Working Group 4

The note on ‘Globalisation and Health: A Framework for Analysis and Action’ by David Woodward et al proposes a framework for understanding and analysing globalisation, and its impact on health. It presents a set of objectives for action at the national and international levels for the promotion and prevention of health in the context of globalisation, particularly for poor populations. The note on ‘Confronting the Tobacco Epidemic in an Era of Trade Liberalisation’ by Douglas Bettcher et al examines the links between international trade liberalisation and tobacco consumption and considers the legal and political issues involved in the proposed efforts of the WHO Framework Convention on Tobacco Control. The note concludes that a mix of strong global and national regulatory strategies is required to address the global burden of tobacco consumption. The note on ‘GATS and Trade in Health Insurance Services’ by Debra J Lipson spells out the effect of GATS on trade in health insurance services and the prospects for further financial services liberalisation under GATS. It also reviews the opportunities, risks and challenges presented by GATS for national policies and regulations affecting health insurance.

VI.12 India Health Study

RAJIV L MISRA, RACHEL CHATTERJEE and SUJATHA RAO

Against the background of the work of the Commission on Macroeconomics and Health and the ongoing dialogue on national health policy in India, ICRER commissioned a study of the health sector in India in December 2000. The study was funded by the Bill and Melinda Gates Foundation. Mr. Rajiv Misra, former Secretary, Health, Government of India, was invited as a consultant to lead a team to prepare a study of the health sector in India. The team included Mr. Rachel Chatterjee, Health Secretary, Government of Andhra Pradesh and Ms. Sujatha Rao, Joint Secretary, Ministry of Health. Analytical contributions were made to the study by a number of economists, officials and non-governmental organisations who provided the background papers for the study. Extensive consultations with state-level health officials and non-governmental organisations were undertaken to receive their feedback. The draft report was presented by the team leader, Mr. Rajiv Misra, at a conference jointly organised by ICRER and the Planning Commission (see Conferences). A subsequent draft of the study was discussed at a brainstorming session with a number of experts from India and abroad on May 11, 2002. The final version of the manuscript is under preparation for publication by Oxford University Press entitled, India Health Report.

The study examines India’s health sector, assesses its current problems and seeks to address the challenges that Indian policy makers face. A major effort has been made to examine the financing mechanisms of the health systems and their reforms with a view to providing protection to the poor.
VI.13 New Institutional and Economic Approaches to Health Insurance for the Poor in India

RAJEEV AHUJA

In India, recent economic and political reforms have led to an opening up of markets and to the delegation of powers to local government and communities. This has given rise to new opportunities for improving the access to healthcare for the poor. This research project will specifically investigate the potential of scaling up existing mutual health insurance in order to allow for better risk pooling. By constructing a theoretical model on mutual health insurance schemes, the study will analyse the possibilities for government and private sector intervention in overcoming the problem of a limited risk pool. The impact of liberalisation and decentralisation on the development of the health insurance market will be carefully spelt out. Case studies in two Indian states would help to identify success stories in which different economic agents – local government, private insurance business, not-for-profit organisations – have started to jointly produce and finance help services for the poor.

Research for this project will be jointly carried out by ICRIER, Centre for Development Research (ZEF), Bonn (Germany) and Centre for Economic and Social Studies (CESIS), Hyderabad. (The project is funded by the Volkswagen Foundation, Germany.) Work on the project began in April 2002. Rajeev Ahuja, principal researcher for the project at ICRIER, is currently visiting ZEF for a few months for collaborative research.

A workshop was held at ZEF on April 22 and 23, 2002 with a view to providing better acquaintance to the team members with other similar studies commissioned by ZEF. Country studies on health insurance in Senegal, Ethiopia, Russia and China were presented along with the research plan on the India project. The workshop provided the research team from the three institutions to agree on a detailed research plan to be carried out over the next two years.
III EXCHANGE RATE CHOICES

RICHARD COOPER

On January 24, 2002, Dr Richard Cooper, Mounts Bzos Professor of International Economics, Harvard University, made a presentation on 'Exchange Rate Choices' to a seminar jointly organised by ICRIER and the NCAER.

Keeping in mind the 'incomparability triangle' of fixed exchange rates, independent monetary policy and mobility of capital as well as the less obvious incompatibility of independent monetary policy, floating rates and capital mobility, Professor Cooper expressed concern at the attempt by developing countries to move towards floating rate regimes. Professor Cooper advised against a combination of free capital movement and floating rates in these circumstances. He urged these economies to carefully evaluate their economic structure and circumstances before adopting any policy. Professor Cooper suggested some possibilities that could be explored, such as the establishment of target zones, floating rates with monetary policy targeted in core areas to some price index and common currency.

IV REFORM OF ANTI-DUMPING REGULATIONS

P K MATHEW THARAKAN

At a seminar organised jointly by ICRIER and FICCI on 'Reform of Anti-Dumping Regulations: Preparing for Forthcoming WTO Negotiations', Professor P K Mathew Tharakan of the University of Antwerp made a presentation based on his extensive research work in this area. The seminar was held at FICCI on January 25, 2002. Professor Tharakan advocated that developing countries should press for the obligatory application of the broader public interest clause as well as of the lesser duty rule. He suggested that the developing countries should propose a tightening of injury determination as well as dilution of strict confidentiality rule in injury determination.

V ECONOMIC DEVELOPMENT, TRADE AND WAGES

RONALD JONES

At a seminar on 'Economic Development, Trade and Wages' at ICRIER on February 4, 2002, jointly organised by Delhi School of Economics and ICRIER, Professor Ronald Jones, Xerox Professor of Economics, University of Rochester, USA, highlighted the role of skilled and unskilled labour in agriculture in the context of globalisation with the help of a 4x3 linear neighbourhood model incorporating four types of productive factors and three separate industries. His model allows the use of two types of labour, skilled and unskilled, as well as land and capital. The model also explains the effect of price or endowment changes on the
distribution of income and pattern of outputs. He discussed how wage rate changes are related when endowments change, when agricultural trade is liberalized, when prices rise, and when unskilled labour becomes educated and joins the ranks of skilled labour. The main line of reasoning in the model follows the well-known ‘Jones specific factor model’ of international trade. Dr Shankar Acharya, Honorary Professor, chaired the session.

VI INDIA AND GATS 2000: NEGOTIATING STRATEGIES FOR PROFESSIONAL SERVICES

RUPA CHANDA

On March 28, 2002, Dr Rupa Chanda, Associate Professor at the Indian Institute of Management, Bangalore and consultant at ICRIER, made a presentation on ‘India and GATS 2000: Negotiating Strategies for Professional Services’ at a seminar jointly organised by NASCOM and ICRIER at Bangalore. The lecture was based on her book, Globalisation of Services: India’s Opportunities and Constraints. It provided an overview of the nature of services trade in the world economy and in India, and outlined India’s trade potential in the services sector and the various domestic and external constraints to India’s trade in services. Dr Chanda also assessed the general nature of liberalisation commitments made by countries, including by India during the Uruguay Round of negotiations. The main focus of the seminar was to outline India’s sector-specific strategy in the ongoing GATS 2000 negotiations and to highlight the domestic reform and supporting measures required in India to benefit from liberalisation under GATS.

VII TRADE IN AUDIO-VISUAL, RECREATIONAL, CULTURAL AND SPORTING SERVICES

ARPITA MUKHERJEE

Dr Arpita Mukherjee, fellow at ICRIER, presented a paper on ‘Trade in Audio-visual, Recreational, Cultural and Sporting Services’ at a seminar organised at ICRIER on April 9, 2002. This paper is a part of the larger project, Trade in Services: Opportunities and Constraints commissioned by the Ministry of Commerce, Government of India. The findings of the study show that India has significant potential of exporting films, music, post-production facilities, television and radio programmes, live performances and related services to countries with large non-resident Indian and South Asian population. Since the Indian industry caters to a niche audience, it does not face any direct competition from major global players. The study recommended that it is, therefore, in India’s interest to push for liberalisation of trade in these services. B K Zutshi, Advisor, WTO issues, ICRIER chaired the session.

VIII REGULATING BIOTECH TRADE: THE CARTAGENA PROTOCOL ON BIOSAFETY

ROBERT FALKNER

At a seminar organised on April 10, 2001, Professor Robert Falkner of University of Kent presented a paper titled, ‘Regulating Biotech Trade: the Cartagena Protocol on Biosafety.’ The paper argues that the rise in world trade in genetically modified organisms (GMOs) is likely to clash with environmental concerns in many countries. The Cartagena Protocol tries to reconcile these conflicts by establishing international rules for trade in GMOs. It serves as a potent reminder of the complexity of the new trade agenda, as reflected in the growing influence of societal values and preferences with regard to environmental and human health concerns. Business representatives have expressed satisfaction with the Protocol’s provisions, hoping that this international treaty would harmonise international biosafety rules and legitimise trade in GMOs.

IX TRADE, GROWTH AND POVERTY

DAVID DOLLS

Dr David Dollas, Senior Economist, World Bank, presented a paper titled, ‘Trade, Growth and Poverty’ by David Dollas and Art Kraay at an ICRIER seminar on April 18, 2001. Recognising that the effect of globalisation on inequality and poverty is a key concern for developing countries, the paper attempts cross-country empirical analysis to show that countries which have globalised fast, grew at a faster pace in the 1980s and 1990s, thus catching up with the developed countries. After controlling for other policy changes, there is a strong positive effect of trade on growth. The evidence in the study also supports the view that globalisation through faster growth leads to poverty reduction in poor countries.

X CHANGING THE INDIAN HEALTH SYSTEM: CURRENT ISSUES, FUTURE DIRECTIONS

RAJIV MISRA

A seminar on ‘Changing the Indian Health System: Current Issues, Future Directions’, authored by Rajiv Misra, Rakesh Chatterjee, and Susanta Rau, was held at ICRIER on May 11, 2002. The seminar focused on and discussed certain aspects of the study, namely issues related to the private and public sector participation in the health sector, role of institutional capability, and policy recommendations. Dr Ashish Thakurcha chaired the seminar, which was attended by policy makers, academicians, and experts from the government, World Bank, UNDP and
XII WHAT CAUSED THE 1991 CURRENCY CRISIS IN INDIA

SWETA CHAMAN SAXENA

Dr Sweta Chaman Saxena, Visiting Fellow at ICRIR, between May 14-25, 2001 presented a paper titled, "What Caused the 1991 Currency Crisis in India?" at a seminar at ICRIR on May 24, 2001. This study argues that the rupee was increasingly overvalued under the then exchange rate peg, which contributed to the 1991 currency crisis in India. The paper offers econometric evidence in support of this explanation through constructing an equilibrium exchange rate in order to determine the overvaluation of the rupee.

XII POLICY ISSUES IN THE INDIAN EQUITIES MARKET

SUSAN THOMAS

Dr Susan Thomas of IGIDR presented a paper titled, “Policy Issues in the Indian Equities Market” at a seminar at ICRIR on June 29, 2001. This study focuses on problems of market design in the equities market. It evaluates the policy changes emerging out of the stock market scan in May 2001 and offers policy proposals to address these issues.

XIII PRODUCTIVITY AND ECONOMIC GROWTH IN EAST ASIA: INNOVATION, EFFICIENCY AND ACCUMULATION

NIRVIKAR SINGH

Dr Nirvikar Singh, Professor at the University of California, Santa Cruz, presented a seminar on July 5, 2001 on "Productivity and Economic Growth in East Asia: Innovation, Efficiency and Accumulation", based on his paper, "Total Factor Productivity Growth" (TFPG), jointly authored with Kalappa Kalirajan and Gaozhong Han. He pointed out that the TFPG may mask differences in the total efficiency change (TEC) and technical progress (TP) decompositions. The estimates of TFPG presented by Professor Singh tend to find less evidence of technological progress than other studies on the same region, though there is somewhat greater evidence for technological progress in South Korea. Although the results are sensitive to the time periods chosen, the breaking down of TFPG into TEC and TP is useful in tracing the relative importance of efficiency changes versus technological progress, and has implications for comparison policy, innovation policy and technology transfer. Dr Shankar Acharya chaired the seminar.

XIV EXPORT INCENTIVES IN INDIA AND THE WTO

RAJEEV AHUJA

At a seminar on 'Export Incentives in India and the WTO Agreement' organised jointly by ICRIR and PIDC in Delhi on July 26, 2001, Dr Rajeev Ahuja, fellow at ICRIR, presented his paper on this subject. Participants at the seminar included exporters, representatives from export promotion councils, the Export Credit Guarantee Corporation, and other interested observers. Based on a research study which was funded by the Sir Ratan Tata Trust, Dr Rajeev Ahuja also spoke on 'Subsidies Agreement and Export Incentives: Post-Doha' at a seminar organised jointly by the Hindu, ICRIR and FIEO in Chennai on December 20, 2001.

XV TRADE IN CONSTRUCTION SERVICES

ARPITA MUKHERJEE

Based on her study, 'Trade in Construction, Architectural and Engineering Services', undertaken as part of the project on Trade in Services: Opportunities and Constraints, commissioned by the Ministry of Commerce, Government of India, Dr Arpita Mukherjee, fellow at ICRIR gave two seminars. At a seminar on August 13, 2001 at ICRIR, Dr Mukherjee presented an overview of the developments in this sector, highlighting India's export potential and the several constraints impeding trade in these services. Her presentation also outlined India's possible negotiating strategies at the WTO and domestic reforms and measures which would increase the productivity and global competitiveness of these services. At a second seminar on February 22, 2002, jointly organised by the Indian Chamber of Commerce, Kolkata, and ICRIR, Dr Mukherjee presented more updated version of her findings. Representatives of construction and consultancy industries and multinationals organisations participated in the seminar.

XVI INDIA AND GATS 2000

RUPA CHANDA

At a seminar organised by ICRIR on September 26, 2001, Dr Rupa Chanda, consultant to ICRIR and Associate Professor, Indian Institute of Management, Bangalore presented the major findings of her book, Globalisation of Services: India's Opportunities and Constraints which has been published by Oxford University Press. The seminar was chaired by Mr Ravinder Gupta, Secretary, Ministry of Heavy Industries and Public Enterprises. Participants at the seminar included government officials, academicians and industry representatives. The book is based on research commissioned by ICRIR and funded by the Sir Ratan Tata Trust.
CONFERENCES

I. TRADE AND GLOBALISATION
DANNI RODRIK and MEGHNAD DESAI

On January 11, 2002, a conference on Globalisation and Trade, jointly organised by the Centre for the Study of Global Governance, London School of Economics (LSE) and ICRIER, was held at the India Habitat Centre, New Delhi. The first session began with a presentation by Dr Dani Rodrik, Ralph Hovri Professor of International Political Economy at the John F. Kennedy School of Government, Harvard University, on ‘Global Governance of Trade as if Development Really Mattered’. He questioned the centrality of trade and trade policy in economic development and emphasised instead the critical role of domestic institutional innovations. Professor Rodrik argued in favour of putting development at the top of the WTO agenda. Dr Rozeen Solly, International Trade Policy Unit, LSE gave a response to Professor Rodrik’s presentation. Lord Meghnad Desai, made a presentation on ‘Doha and After’. Dr Shanker Acharya, Honorary Professor at ICRIER, was the discussant for Lord Desai’s presentation. The conference was attended by eminent academicians, policy makers, and researchers, who also actively participated in the discussion sessions.

II. CONFERENCE ON ECONOMIC REFORMS AND FOOD SECURITY: THE ROLE OF TRADE AND TECHNOLOGY

ICRIER co-hosted an international conference with IFPRI and ICAR on ‘Economic Reform and Food Security: Role of Trade and Technology’ on April 24–25, 2002, under the auspices of South Asia Initiative (SAI), at New Delhi. The Conference was organised to bring together policy makers and policy advisors in South Asia to discuss regional priorities and to share experiences on the food and agricultural sectors. The concerns of food security are crucial in the context of South Asia which supports 22 per cent of the world’s population, 44 per cent of its poor while the income generated is a mere 2 per cent of the world income.

The conference explored the role of technology, trade and institutions in ensuring food security in the context of economic reforms in South Asia. Eminent researchers, economists, policy advisors and policy makers from countries of South Asia participated in the conference. Dr Per Pistrup Andersen, Director General, IFPRI, delivered a public lecture on ‘Emerging Issues in Trade and Technology: Implications for South Asia’ on this occasion.
III. CHANGING THE INDIAN HEALTH SYSTEM

RAJIV MISRA

On September 8-9, 2001, a conference was jointly organised by ICRIER and the Planning Commission to discuss the report titled, ‘Changing the Indian Health System: Current Issues, Future Directions’. The report prepared at ICRIER was presented by the team leader, Mr Rajiv Misra, at a workshop. Mr K.C. Pant, Deputy Chairman, Planning Commission inaugurated the conference. Professor Jeffrey Sachs, Chairman, Commission on Macroeconomics and Health spoke at the opening session. The participants of the workshop included officials of the Ministry of Health, representatives of state governments, academicians and non-governmental organisations. The Conference provided an opportunity for a lively discussion on the recommendations of the report. At a dinner session, Mr C.P. Thakur, Health Minister, Government of India, talked about the challenges facing the health sector in India and the national health policy.
Public Policy Programme

The activities of ICRIR on public policy discussion are listed below under three heads:

1. Public Policy Workshops
2. Public Lectures
3. Public Policy Workshops

I. PUBLIC POLICY WORKSHOPS

1.1 Challenges to Punjab Agriculture in a Globalising World

ASHOK GULATI, ISHER JUDGE AHLUWALIA and RAKESH MOHAN

A presentation on ‘Challenges to Punjab Agriculture in a Globalising World’ was made to the Chief Minister of the state of Punjab, Captains Amarinder Singh, and his team of officials at a seminar held at ICRIR on May 17, 2002. Dr Isher Judge Ahluwalia, Member, Planning Board, Punjab introduced the subject. Dr Rakesh Mohan chaired the seminar. Dr Ashok Gulati in his presentation spell out a multi-pronged strategy for Punjab agriculture, encompassing the production system, policy regime, and institutional framework. The strategy includes a shift to a new production system, moving away from common rice and wheat to basmati rice, durum wheat, fruits and vegetables, dairy products and inland fisheries. He recommended legislation to promote contract farming, transfer lease markets, and liberalising tenancy laws. He also stressed the importance of crop insurance system, seed certification and market reforms and building a culture of cooperatives and collective action.

1.2 Issues in Choosing between Single and Multiple Regulators for Financial System

Y V REDDY

At a public policy workshop organized by ICRIR on May 22, 2001, Dr Y V Reddy, Deputy Governor, Reserve Bank of India and member, Governing Body, ICRIR, presented a paper titled, ‘Issues in Choosing between Single and Multiple Regulators of the Financial System.’ Dr Reddy spell out the issues within a historical context, outlining the current regulatory framework. He presented the rationale for regulation, issues with respect to regulatory coverage, policy framework for regulation and its operational aspects, using examples from the Indian economy for illustration. The workshop, chaired by Dr I G Patel, Chairman, ICRIR, was attended by a distinguished audience of policy makers, academicians and regulators.

1.3 Brainstorming on Doha

T N SRINIVASAN, ANWARUL HODA, ISHER JUDGE AHLUWALIA, et al

A brainstorming meeting was held at ICRIR in July 2001 on the issues before the Doha Ministerial meeting. A group of economists, financial editors and trade policy experts, including Professor T N Srinivasan, Mr Jairam Ramesh, Dr Isher Judge Ahluwalia, Mr Bikash DeyRoy, Mr B K Zutshi, Mr T N Niran, Professor Anwarul Hoda and Dr Sonjoy Banerje met at ICRIR on July 16, 2001 to discuss the forthcoming ministerial meeting of the WTO at Doha.

The group was of the view that past experience suggests that the commencement of a new Round checks the protectional forces world-wide. They recommended that a new Round of multilateral trade negotiations should focus on traditional issues of market access with implementation issues rolled in, as this is very much in India’s long-term economic interest. They also felt that the sooner India declare her support for a new Round, the greater her influence will be in setting the agenda for the negotiations. They issued a statement spelling out the logic of why the trade ministers should launch a new round of multilateral trade negotiations at Doha.

1.4 Finance for Growth: Policy Choices in a Volatile World

PATRICK MONOHAN

The findings of the research study, ‘Finance for Growth’ prepared at the World Bank, were presented by Dr Patrick Monohan at a seminar held at ICRIR on July 25, 2001. The study outlines future financial policy issues for emerging economies. It identifies links between existing legal and regulatory frameworks and outcomes across countries, and highlights the importance of these frameworks in well-functioning financial markets. The principal suggestions derived from this research relate to devising a healthy institutional framework that allows for the development of a financial sector strategy based upon harnessing market incentives. Mr S S Torapara, former Deputy Governor, Reserve Bank of India was the principal discussant to the report. Dr Isher Judge Ahluwalia chaired the seminar.

1.5 Ten Years of India’s Economic Reform

SHANKAR ACHARYA, ARVIND YIRMANI and AJAY SHAH

On September 3, 2001, ICRIR held a workshop on ‘Ten Years of India’s Economic Reform.’ Three papers were presented: (a) ‘India’s Macroeconomic Management in the Nineties’ by Dr Shankar Acharya, ICRIR; (b) ‘The Evolution of Securities Markets in India in 1990s’ by Mr Ajay Shah and Dr Susan Thomas of the Indian Gandhi Institute of Development Research;
II. PUBLIC LECTURES

During the year 2001-2002, ICRER organized a number of lectures by eminent persons on topics of public policy interest.

II.1 China, WTO and Its Impact on India

JAI RAM RAMESH

Mr. Jairam Ramesh, Secretary, Economic Affairs, Ministry of Finance, delivered a lecture titled, ‘China and the WTO: Implications for India’ at a session organized by ICRER on May 25, 2001. Mr. Ramesh drew attention to how China, the tenth largest trading nation, was making all efforts to join the WTO. He explained how China had negotiated 36 bilateral agreements with member countries of the WTO; its major differences with the WTO related to its demand for a developing country status, insurance and financial service offers, concerns on safety standards and other regulations, and trading rights for foreign firms. China made efforts to build domestic support by projecting the potential benefits of joining the WTO. Ramesh pointed to the obvious lessons for India in this approach where the WTO is used to push domestic reforms.

II.2 Role of Venture Capital

K B CHANDRASHEKHAR

Mr. K B Chandrasekhar, a prominent entrepreneur of the Silicon Valley and co-founder and CEO of Jumpstarter, delivered a stimulating lecture on July 9, 2001 highlighting the dynamic role that venture capital has played in the US economy over the last 20 years, and how it could play a similar role in India. Noting that there has been a 500 percent increase in venture capital activity in the US since 1998, he foresaw tremendous growth potential for venture capital in India provided the right tax and regulatory policies could quickly be put in place. He emphasized that venture capital is about job and wealth creation, not just for metros but for the rural economy as well. It can play a major role in furthering knowledge-based development. Dr. Shankar Adhvaryu, Honorary Professor at ICRER, chaired the session.

II.3 Investing in Health for Economic Development

JEFFREY SACHS

In his lecture, ‘Investing in Health for Economic Development’ on September 7, 2001, Professor Jeffrey Sachs spoke of the importance of investing in health to reduce poverty, promote economic development and enhance global security. He informed the audience that the Commission on Macroeconomics and Health (CMH) was established by the Director General of the WHO, Dr. Gro Harlem Brundtland, to assess the importance of health in the economic development of nations, and for a better appreciation of the global benefits of investing in health. He outlined a two-pronged strategy to spur economic development: (a) a massive scaling up of investment in the health sector by poor countries and donors; and (b) building of capacities of health systems in poor countries. The session was chaired by Dr. M. M. Singh, Former Union Finance Minister and member of the Commission on Macroeconomics and Health.

II.4 Globalisation and Global Governance

VINCENT CABLE

Mr. Vincent Cable, Member of Parliament from Twickenham, U.K., and Liberal Democrat spokesman on trade and industry, gave a lecture at ICRER on September 17, 2001, on ‘Globalisation and Global Governance’. He outlined the strong forces of global integration through trade, investment and communications and drew attention to the political challenges they posed to both rich and poor countries. He emphasised the need for the world community to fashion durable institutions and institutions for better global governance of a more tightly knit world economy. Professor Madhu Dandavate, former Union Finance Minister, chaired the session.

II.5 A New Approach to Sovereign Debt Restructuring

ANNE KRUEGER

Dr. Anne Krueger, the First Deputy Managing Director of the International Monetary Fund (IMF) and an eminent economist, delivered a lecture titled, ‘A New Approach to Sovereign Debt Restructuring’ on December 20, 2001. She began by noting that international cooperation among countries is a basic prerequisite for dealing with many social and economic issues. She advocated the adoption of a new approach towards restructuring...
sovereign debt. Dr. Krueger’s proposals were aimed at taking a balanced view of the interests of debtor nations and their creditors. There would be a time bound standstill on debt repayments once a country is judged to be suffering from unsustainable external debt. Minority creditors could not disrupt negotiations on debt restructuring through recourse to courts; at the same time, debtor countries must follow sound economic policies during the debt restructuring process, she said. Also, debt restructuring should ensure equitable treatment of all creditors. Dr. Krueger was of the view that by attempting to be an honest broker, the IMF could make a contribution to economic welfare by reducing the occurrence of economic crises. Dr. Krueger’s presentation was followed by a lively question-answer session with active participation of the audience, consisting of economists, researchers, policy makers, diplomats and media persons. Mr. C M. Vasudev, Secretary, Economic Affairs, Ministry of Finance, chaired the session.

II.6 Reflections on Crises

STANLEY FISCHER

Dr. Stanley Fischer, former First Deputy Managing Director, IMF, and currently, Senior Vice President, The Citigroup Group, IMF, delivered a lecture on ‘Reflections on Crises’ on January 21, 2002. Dr. Fischer reflected on what he had learnt in the past few years from the emerging market crises in eight countries, namely, Mexico, Thailand, Indonesia, Korea, Russia, Brazil, Turkey and Argentina. He observed that in each one of the eight countries, the crises involved a pegged exchange rate system. Citing examples, he drew a lesson that no emerging market country should try living with a pegged exchange rate for long if it is to open its capital account. On fixed versus floating exchange rate regime, Dr. Fischer observed that the trade-off is between high interest rates to defend the currency at a temporary cost of raising the debt servicing burden for those who had borrowed in the local currency versus raising the burden of the debt which would result from a greater depreciation. He also observed that the criticism that fiscal policies were too tight early in the IMF programmes, particularly in Thailand, was correct. In fact, Argentina paid the price for the new fiscal doctrines that was developed during the Asian crises.

Dr. Fischer expressed the view that if a country owns a programme, it needs less conditionality. He raised the issue of private sector involvement and the concept of sovereign debt restructuring mechanism (SDRM) in managing crises. He concluded with the observation that countries are trying to strengthen their financial systems, improve their macroeconomic policies and become more transparent. Mr. Jyotirm Ramesh, in his discussion’s comments, spelled out the criticisms of the IMF programmes. The session was chaired by Mr. Arun Jaitley, Minister, Law and Company Affairs, Government of India.

II.7 China’s Entry into the WTO: Impact on Developing Countries

RICHARD COOPER

On January 23, 2002, Professor Richard Cooper of Harvard University delivered a lecture on ‘China’s Entry into the WTO: Impact on Developing Countries’ at a joint session organised by ICRIER and FICCI. In his lecture, Professor Cooper pointed out that China has done extraordinarily well in world markets, being the eighth largest exporting country in the world. Chinese exports rose from $10 billion in 1978 to $220 billion in 2002, an average increase of 14 per cent per annum.

Professor Cooper emphasised that China had a level of protection that was much too high by WTO standards, China needed to open its market substantially more than what it had already done. In 1999, China dramatically changed its negotiating strategy with a more proactive policy of making major commitments in providing access to the Chinese market. It eliminated quantitative restrictions, cut tariffs 50 per cent and reduced tariffs on agricultural goods by 50 per cent. Professor Cooper stated that China has received MFN treatment from the Soviet Union, US, Japan and India for the last two decades. He was of the view that China’s membership of the WTO will have greater implications on the import side than on the export side. The membership of WTO will also hasten domestic reforms in China. China has given five years to comply with the stipulated agreements after which, China’s market will open up considerably, creating business opportunities.

II.8 Governing Globalisation

DEEPAK NAYAR

Professor Deepak Nayyar, Vice Chancellor, Delhi University, and Mamb, Governing Board, ICRIER delivered a lecture on ‘Governing Globalisation’ on January 31, 2002. The lecture was organised by ICRIER.

Professor Nayyar was of the opinion that the present international institutional framework was incapable of attaining the objective of global macro-management which is essential to deal with international volatility in exchange rates and capital movements. He felt that governance in the International Monetary Fund requires more representation and transparency. Also, it must be ensured that IMF conditionality does not end up in subverting domestic political processes. As regards the World Bank, Professor Nayyar envisioned that it should put ‘development’ at the centre of its agenda, and focus on poverty removal. Regarding GATT and the present WTO, he felt that the central objective should be development as much as trade liberalisation. Professor Nayyar was of the view that there is need for putting in place some “mixing institutions”.

Professor Nayyar observed that the present system is skewed in favour of developed countries. He also laid stress on framing international rules that would impose greater accountability on transnational corporations, strengthen UNCTAD and UNIDO, and facilitate
South Asia Network of Economic research Institutes (SANEI)

The South Asia Network of Economic research Institutes (SANEI), now in its fourth year, continues to promote collaborative research in South Asia. SANoi has been registered formally as a society on November 13, 2001, with Professor T.N. Srinivasan as Chairman, and Director, ICRIER as Coordinator. Detailed information on SANEI is available at its website, www.saneinetwork.org.

I ANNUAL CONFERENCE

The Third Annual Conference of the South Asia Network of Economic research Institutes (SANEI) was held at ICRIER in New Delhi during August 28–31, 2001. The conference brought together 47 participants from member countries in South Asia. The members of the Steering Committee, Research Advisory Panel (RAP), resource persons, researchers from the South Asian region doing collaborative projects under SANEI, and economists from other research institutions participated in the conference.

Researchers of the seven ongoing studies under the second phase of SANEI presented their work-in-progress at the conference. RAP members had separate technical meetings with the individual research teams and gave them their comments on the research projects. These new research proposals, approved for funding under the third phase of SANEI, were also presented at the conference. These are listed below.

New Research Projects

<table>
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<th>S. No.</th>
<th>Subject</th>
<th>Collaborating Institutes</th>
<th>Country</th>
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<tr>
<td>3</td>
<td>Valuation and Accounting of Urban Air Pollution: A Study of Some Major Urban Ancesths in the Indian Subcontinent</td>
<td>1. Institute of Economic Growth 2. Centre for Economic Development and Administration, Tribhuvan University</td>
<td>India, Nepal</td>
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II LECTURE SERIES

The occasion of the SANEJ Conference was used to launch a series of SANEJ lectures by eminent persons. Dr John Williamson, Senior Fellow, Institute of International Economics delivered a SANEJ lecture on 'Financing for Development: Implications of the Zedillo Report for South Asia' hosted by the Bangladesh Institute of Development Studies (BIDS), Dhaka on August 27, 2001. Dr Quazi Shohabuddin, Research Director, BIDS chaired the session. At Delhi, a SANEJ lecture titled 'IMF Conditionality and Country Ownership of Programmes' was delivered on August 29, 2001 by Dr Mohsin Khan, Director, IMF Institute. Dr Rajesh Mohan, Adviser to the Finance Minister, Government of India chaired the session. An ICRIER publication on South Asia, India and Economic Cooperation in South Asia, edited by Dr Prathaparshi Shome was released by the Ambassador of Japan on this occasion.

A SANEJ lecture titled, 'India's Macroeconomic Performance and Policies in the Nineties' was delivered on November 9, 2001 by Dr Shankar Acharya, Honorary Professor, ICRIER at the Marga Institute in Colombo. The fourth SANEJ lecture titled, 'Economic Performance of Sri Lanka in the Nineties' was delivered on February 19, 2002, by Mr A S Jayawardena, Governor, Central Bank of Sri Lanka at ICRIER, New Delhi.

III PUBLICATIONS

A volume titled, 'Trade, Finance and Investment in South Asia' edited by Professor T N Srinivasan has been published (Social Science Press, November 2001). This book brings together eight research studies sponsored by SANEJ in the first round of research competition. Ms Rama Goyal, consultant, ICRIER, provided valuable editorial support. For a list of individual contributions in the book, see the section on South Asian studies under Research Projects.

Trade, Finance and Investment in South Asia, edited by T N Srinivasan, Social Science Press, 2001

Financing for Development—The Implications of the Zedillo Report for South Asia, John Williamson, Senior Fellow, Institute for International Economics, August 2001

IMF Conditionality and Country Ownership of Programmes, Mohsin S Khan, Director, International Monetary Fund, August 2001

IV FELLOWSHIP

SANEJ has announced a fellowship for research on South Asian issues. The fellowship will be awarded for empirical research on South Asian economics to a researcher working on a Ph.D programme in a university outside the South Asian countries. The selection will be based on an open competition managed by SANEJ. The fellowship will enable the researcher to undertake field work in any of the South Asian countries for a period of one year.

V GLOBAL DEVELOPMENT NETWORK (GDN)

The Global Development Network held its third annual conference titled, 'Blending Local and Global Knowledge' at Rio de Janeiro, Brazil, during December 9-12, 2001. SANEJ participated in the conference along with the other regional networks. SANEJ was represented at the Knowledge Fair of the conference, the Regional Network Heads' meeting as well as at the GDN Network representatives' meeting held in Rio. More information on GDN is available on the website of GDN at www.gdnnet.org.

VI GLOBAL RESEARCH PROJECT (GRP)

The first phase of the Global Research Project (GRP) has come to an end with the completion of three thematic papers on the South Asian growth experience. These papers titled, 'Sources of Growth in South Asian Countries' (Basudev Guha Khasnobis and Faizal Bari), 'Markets and Economic Growth' (Sunil Tendulkar and Sivasailam Thirumurti) and 'Political Economy of Growth' (Kanti Bajpai and Samrat Kerketa) all being published by Oxford University Press in a volume edited by Dr Isher Judge Ahluwalia and John Williamson.

In the second phase of GRP, country studies on the growth experience of the individual South Asian countries are being prepared. Researchers from Bangladesh, Nepal, Pakistan, India and Sri Lanka are preparing the individual country studies. A presentation on the India country study was made by Dr Isher Judge Ahluwalia at a session of the GDN Conference in Rio where a select few of the country studies were presented to a wide audience. A workshop was also held on December 13-14, 2001 in Rio de Janeiro to discuss the work-in-progress, and plans ahead. Dr Isher Judge Ahluwalia chaired the workshop which was attended by the GRP authors from India, Bangladesh and Nepal. A second workshop on the project will be held in August 2002 at Dhaka to discuss the final drafts of the country studies.

ICRIER'S ROLE IN PAANSA

PAANSA (Policy Analysis and Advisory Network for South Asia) is a component of South Asia Initiative (SAI), a programme launched by the International Food Policy Research Institute (IFPRI), based in Washington, D.C. to understand and analyse the emerging challenges to agriculture in the South Asian region, and their implications for food security and poverty alleviation. The first consultative meeting of the Indian members of PAANSA was held on January 17, 2002 at ICRIER, New Delhi. The meeting was jointly organised by IFPRI and ICRIER. Dr Isher Judge Ahluwalia and Mr Anwarul Huda (ICRIER) are members of PAANSA.

The objectives of the meeting were to discuss emerging issues facing India's food, agriculture and natural resource sectors, and identify priority areas for future research.
Dr Ashok Gulati, Director, Markets and Structural Studies Division, IFPRI, while presenting an overview of the objectives and expected outcomes of SN, elaborated on several collaborative research projects which were already initiated in South Asia by IFPRI and expressed the need for bringing together policy makers in South Asia to discuss issues of regional priority. The meeting delved on priority issues facing Indian agriculture and food sectors, policy research priorities in Indian agriculture, and the current project on agricultural diversification in South Asia, being implemented by ICRIER and IFPRI.
ICRIER Team
As of April 19, 2002

From L to R: Mr. Arvind Mehta, Dr. Renu Kohli, Dr. Ashok Ahluwalia, Dr. Sharan Acharya, and Dr. K. L. Krishna

From L to R: Mr. C. V. Prakasan, Mr. Dilip Kumar Das, Dr. Srinivasa Venema, and Mr. C. S. C. Sahay

Standing from L to R: Mr. Ramesh Goel, Dr. Agnes Mathew, Mr. Sudhakar Ray, Dr. Rupak Ahuja, Dr. R. R. Pandit, and Mr. Ramesh Kapila

Research Assistants at work at ICRIER

Sitting from L to R: Mr. Ramesh Goel, Dr. Agnes Mathew, Mr. Sudhakar Ray, Dr. Rupak Ahuja, Dr. R. R. Pandit, and Mr. Ramesh Kapila

Support staff with Director of ICRIER
Faculty News

RAKESH MOHAN

Appointed

Presentations/Lectures at Seminars/Conferences in India

International Conferences
- Participated in the Round Table Discussion held at Brookings Institution, Washington, D.C. on May 31, 2002 to consider the development of 'The India Policy Forum' organized jointly by the National Council of Applied Economic Research (NCAER), New Delhi and the Brookings Institution, Washington, D.C.
- Participated in the Conference on 'Federalism in India' held at the Centre for Research on Economic Development and Policy Reform, Stanford University on June 6-7, 2002.

Other Meetings
- Participated in the following:
  1. Meeting of the Economic Advisory Council to the Prime Minister, New Delhi, July 13, 2002.
  2. Meetings of the Telecom Regulatory Authority of India
  3. Meeting of the Spastic Society
  4. Third Meeting of the Working Group on Assessment of Centre's Resources
  5. Indo-Singapore Joint Study Group on Comprehensive Economic Cooperation Agreement Meeting, New Delhi, July 24-25, 2002
- Participated in the Board of Directors Meeting of the Infrastructure Development Finance Corporation, Mumbai.
- Participated in the Board Meeting of the National Institute for Public Finance and Policy, New Delhi.

ISHER JUDGE AHLUWALIA

Appointed
- Member, Board of Directors, Deutsche Asset Management (Asia) Limited, Mumbai, March 2002.
- Member, Council of Management, All India Management Association, New Delhi, October 2001.
- Member, Board of Scholars, Centre for Civil Society, New Delhi, July 2001.

Presentations/Lectures at Seminars/Conferences in India
- Chaired the closing session of the National Seminar on Mortality, jointly organized by Medicines for Malaria Venture and Confederation of Indian Industry, New Delhi, February 13, 2002.
- Delivered a lecture on 'Industrial Prospects 2000-2010: In the Light of Current Recession,' Lady Shri Ram College, New Delhi, February 11, 2002.
- Speaker at the 'Round Table Session on Economic Policy Implications' for the programme on National Round Table on Competition Law and Policy in India, National Law School of India University, Bangalore, November 18, 2001.
- Panel member and speaker on the 'State of the Economy' at a seminar organized by Confederation of Indian Industry at the India Habitat Centre, New Delhi, October 12, 2001.
- Addressed the members of the Indian Chamber of Commerce at an interactive session on the 'Road Map towards Achieving 10% GDP Growth,' Kolkata, April 16, 2001.
Chaired a talk on ‘Post-WTO China’ by Mr. Jairam Ramesh, Secretary, Economic Affairs, Congress Party, organised by the India International Centre, New Delhi, May 19, 2001.

International Conferences

- Participated in the meeting of the Board of Trustees of the International Food Policy Research Institute at San Jose, Costa Rica on March 3-8, 2002.
- Participated in the meeting of the Association of Indian Economic Studies, Atlanta, January 4-5, 2002.
- Presented a seminar on ‘India’s Economic Reform: The Unfinished Agenda’ at the School of Public Affairs, University of Maryland, College Park, December 19, 2001.
- Made a presentation on ‘The Country Study of India: Global Research Project’ at the Third Annual Global Development Conference at Rio, Brazil, December 9-14, 2001, and also represented SANEL.
- Participated in the meeting of the Board of Trustees of the International Food Policy Research Institute at Washington D.C. on December 9-12, 2001.
- Participated in the meetings of the Search Committee for the Director General of the International Food Policy Research Institute at Born on September 4-6, 2001 at Washington D.C. on October 23-25, 2001, and on December 7-8, 2001.
- Chaired the session on ‘Putting Globalization to Work for the Poor’ at a seminar on ‘Sustainable Food Security for All by 2020’ organised by the International Food Policy Research Institute, Born, September 4-6, 2001.
- Participated as a Commission member in the fifth and sixth meetings of the Commission on Macroeconomics and Health.
- Presented a status report as Chair of the Working Group on Health and International Economy, Mexico, June 11-14, 2001.
- Chaired the Global Research Project in a Workshop in Colombo on May 15-16, 2001. At the workshop, outlines of proposed country studies on the growth experiences of South Asian countries were presented.

Other Meetings

- Participated in the Board Meetings of the following:
  1. The Steel Authority of India Limited, New Delhi
  2. Management Development Institute, Gurgaon
  3. National Institute for Public Finance and Policy, New Delhi

4. Institute of Economic Growth, Delhi
5. The Asian Institute of Transport Development, New Delhi

Publications


SHANKAR ACHARYA

Appointed

- Member, Prime Minister’s Economic Advisory Council, New Delhi, July 2001.
- Member, High-Level Strategic Group on ‘India’s Professionalism: The New Opportunity,’ All India Management Association, New Delhi, October 2001.

Presentations/Lectures at Seminars/Conferences in India

- Delivered a lecture at the 28th National Management Convention of the All India Management Association on ‘Building Sustainable Competitive Strength’ at Chennai, September 3-4, 2001.
- Delivered a lecture on ‘India’s Macroeconomic Performance in the Nineties’ at the Indian School of Business, Hyderabad, September 27, 2001.
- Delivered a talk on ‘India’s Economic Performance in the Nineties and the Challenges Ahead’ at the India International Centre, New Delhi, September 29, 2001.
- Participant/Discussant at a workshop on ‘India’s Reputation, Development and Environment’ at the India International Centre, New Delhi, January 15, 2002.
- Delivered the Distinguished Lecture on ‘India’s Macroeconomic Performance and Policies in the Nineties’ to the participants of the 26th Refresher Course in Economics, Academic Staff...
Colleges, Jawaharlal Nehru University, New Delhi, January 21, 2002.

- Delivered a talk on 'India's Economic Performance' at St. Stephens College, New Delhi, January 25, 2002.
- Chief Guest at a presentation of Ernst Bank's International Economic Research Annual Award at the World Trade Centre, Mumbai, January 24, 2002.
- Delivered a talk on 'Budget 2002/03' organised by the Strategic Management Group at the India International Centre, New Delhi, March 15, 2002.

International Conferences/Seminars

- Participated as a discussant and a panelist in the conference on 'Indian Economic Policy: Trade, Finance and Public Finance' at Stanford University, USA, June 1-2, 2001.
- Delivered a talk on 'IMF Conditionality: An Indian Perspective' at the Marga Institute, Colombo, November 13, 2001.
- Delivered a talk on 'The Global Scene after September 11' at a meeting of the International Advisory Board of Toyota at Nagoya, Japan, February 26, 2002.

Publications


ANWARUL HODA

Appointed


Presentations/Lectures at Seminars/Conferences

- Participated in a panel discussion with Members of the Joint Parliamentary Committee on 'Key Issues Relating to the Parliament (Second) Amendment Bill' at EU India's Workshop on India's Patient Regime organized by The Economist Intelligence Unit, India on July 13, 2001, New Delhi.
- Delivered lectures on 'WTO Agreement and Agriculture in India' and 'WTO Disciplines on Quota, Tariffs and Subsidies' at the Programme on WTO and the New Trade Regime for IAS officers organized by the Administrative Staff College, Hyderbad on July 25, 2001.
- Made a presentation on 'Current Issues before WTO' on October 19, 2001 to a group of diplomats at a training course organized by the Ministry of External Affairs and the Foreign Service Institute, New Delhi.
- Delivered a talk on 'Multilateral Environmental Agreements and WTO Principles' as part of the training programme for the IFS officers, organized by TERI, November 19, 2001, New Delhi.
- Chairing the session on 'Globalisation, the WTO and a New Round,' organized by the Rajiv Gandhi Foundation and made a presentation on the subject, January 10, 2002, New Delhi.
- Delivered the inaugural Address at the seminar, 'Implications of GATS in the Service Sector' organized by Consultancy Development Centre on January 15, 2002, New Delhi.
- Delivered a lecture on 'Doha Declaration and the Multilateral Trading System' to the diplomats of foreign countries at the Foreign Service Institute, Ministry of External Affairs on January 29, 2002.
- Delivered a talk on 'The Ascension of China to the WTO' at the Delhi School of Economics, March 16, 2002.

International Seminars/Conferences

- Presented a paper on 'Multilateral Agenda and India' at the EU-LDC Conference on Trade and Poverty, Rotterdam, May 30, 2001.
- Participated in a high level discussion on the agenda for the Doha meeting of the WTO organized by the Cordell Hull Institute, Washington D.C. and the Ministry of Foreign Affairs of the Government of Japan at Tokyo on September 6-8, 2001.
- Presented a paper on 'The WTO Negotiations on Agriculture and Developing Countries' in ESCAP/UNCTAD High-level Meeting of ESCAP Developing Countries in preparation for the
- Made a joint presentation with Dr Ashok Gulati on ‘Negotiating Beyond Doha: The Way Forward for India’ at a seminar organised by the International Food Policy Research Institute (IFPRI), Washington D.C. on March 1, 2002.

Publications
- ‘India, Trade Policy and Domestic Constraints,’ website of The Evian Group, Montreux, Switzerland, (forthcoming).

K L KRISHNA

Appointed
- Chairman, Editorial Advisory Board of the journal, SARKARSHANA.
- Member, Board of Governors, Indira Gandhi Institute of Development Research, Mumbai.
- Member, Academic Council, Indira Gandhi Institute of Development Research, Mumbai.
- Member, Indian Statistical Institute Review Committee set up by the Government of India under the chairmanship of Professor C. N. R. Rao to review the work of the Indian Statistical Institute since 1992.
- Member, Governing Body, Institute of Development Studies, Jaipur.

Presentations/Lectures at Seminars / Conferences
- Continued to supervise two Ph.D. theses at the Delhi School of Economics, Delhi. Delivered a lecture on ‘Introductory Econometrics’ at the Delhi School of Economics. Contributed to lectures at the Winter School of the Delhi School of Economics.
- Delivered a lecture on ‘Panel Data Analysis’ in September 2001 at a Jawaharlal Nehru University refresher course for college teachers.
- Delivered two lectures on ‘Trade Liberalisation and Economic Performance’ at a refresher course for college teachers organised in April 2001 at the Department of Business Economics, University of Delhi, Delhi.

International Conferences
- Participated as a member of the Indian team in a workshop in Columbia on May 15-16, 2001. At this workshop outlines of proposed country studies on the growth experiences of South Asian countries were presented.
- Participated in the Third Annual Conference of the GDN in Rio de Janeiro, Brazil, from December 9-12, 2001. Also, participated in the workshop relating to the Global Research Project on Growth in Rio de Janeiro, Brazil, during December 13-14, 2001. At this workshop, the Indian GDFP study on growth was presented.

Publications

AJEET NARAIN MATHUR

Appointed
- Chair of the Working Group on East-West Educational and Research Cooperation between the University of Tampere, Finland and the Plekhanov Academy of Sciences, Moscow, Russia from October 2001 to February 2002.
- Member, Core Advisory Group, eBusiness Research Centre, Tampere University of Technology, October 2001 onwards.

Presentations/Lectures at Seminars/Conferences in India

Publications
- Communities at Risk (with Markku Rymättylä), Tampere University Press, 2002 (forthcoming).
RENU KOHLI

Appointed
- Member of the Asian Policy Forum of the Asian Development Bank Institute, Tokyo.

Presentations/Lectures at Seminars/Conferences in India
- Delivered a lecture on ‘Capital Account Convertibility: Issues and Experience’ at Hindu College, Delhi, August 2001.

International Conferences
- Participated in the Asian Policy Forum meeting of the Asian Development Bank Institute, Beijing, November 18-20, 2001. Contributed to the discussion on capital account liberalisation in China and India.

Publications
- ‘Real Exchange Rate Stationarity and Managed Floats: Evidence from India,’ Economic and Political Weekly, 37 (51), February 2-8, 2002.

ARADHNA AGGARWAL

Presentations/Lectures at Seminars/Conferences
- Discussant in the session on Competition Policy in the South Asian Context at the International Conference on WTO and South Asia: Lessons and Strategies, March 9-10, 2002, New Delhi, organised by the Consumer Unity and Trust Society.

International Conferences
- Presented a paper on ‘Ownership Structures and Legal Protection: Case of the Indian Corporate Sector’ at the International Conference on New Research on Corporate Governance in Mons (Belgium), March 13-14, 2002.

Publications

SAMAR VERMA

Presentations/Lectures at Seminars/Conferences
- Delivered two lectures on ‘Agreement in Textiles and Clothing’ and ‘Textiles and Clothing, Non-tariff Barriers and Market Access’ at the National Seminar on ‘Competitiveness of Indian Industries in the WTO Era,’ at the Administrative Staff College of India (ASCIL), Hyderabad, January 17-19, 2002.
- Delivered a lecture on ‘Textiles and Clothing and Industrial Tariffs’ at a workshop on WTO-issues and Implications for SSIs organised by CIJ-NIESBUD, at the India Habitat Centre, New Delhi, February 18, 2002.
- Discussant at the workshop on ‘The Impact of India’s Trade Reforms on the Informal Sector’ for the session on Trade Policy Changes and Informal Sector—Proposed Case Study (Germant Sector) organised by the National Council of Applied Economic Research and University of Oxford at NCAER, New Delhi, January 9, 2002.

ILA PATNAIK

Publications
ARPITA MUKHERJEE

Presentations/Lectures at Seminars/Conferences in India
- Presented a paper on 'Trade in Construction and Consultancy Services: India’s Strategies for the GATS 2000 Negotiations' at a seminar on Construction and Consultancy Services: India and the GATS 2000 Negotiations jointly organised by the Indian Chamber of Commerce, Kolkata and ICRIER on February 22, 2002, Kolkata.
- Presented a paper on 'Action Plan for India' at a National Seminar on WTO and its Impact on Consultancy and Construction Industry organized by Consulting Engineers Association of India on January 2, 2003, New Delhi, India.

International Conference
- Presented the Country Report: India (along with Mr R K Jain (IS Point) and Dr M C Harbola, Indian Institute of Foreign Trade (IIFT)) at the Regional Seminar on Liberalisation of Maritime Transport Services under the GATS/WTO organised by UNESCAP on February 11-13, 2002 at Bangkok, Thailand.

SUBHOBROTA RAY

International Conference
- Participated in the Regional Network Heads’ Meeting and the GDNNet Steering Committee Meeting as SANDE Coordinator, at the Third GDN (Global Development Network) Conference at Rio de Janeiro, December 9-12, 2001.

C S C SEKHAR

Presentations/Lectures at Seminars/Conferences in India
- Presented a paper on 'Agricultural Trade Liberalisation - Its Likely Implications for India' at the 38th Annual Conference of the Indian Econometric Society, at the Madras School of Economics, Chennai, January 14-16, 2002.

NISHA TANEJA

Presentations/Lectures at Seminars/Conferences in India
- Presented a paper on 'India’s Informal Trade with Sri Lanka and Nepal' at the Third Annual SANDE Conference, New Delhi, August 28-31, 2001 (with M Sareen, Santhana and S Karmochny).

International Conference
- Presented a paper on 'India's Informal Trade with Bangladesh' at the Ronald Coase Institute Workshop on Institutional Analysis, Berkeley, California, September 9-13, 2001 (with S Pohl).

Publications
- "India's Informal Trade with Nepal," in Economic and Political Weekly, June 23-29, 2001 (with S Pohl).
- "India's Informal Trade with Bangladesh: A Qualitative Assessment" in The World Economy, Blackwell, (forthcoming) with S Pohl.

RAMA GOYAL

International Conference
- Participated as rapporteur in the Conference on ‘Reforming Public Sector Governance in Asia’, held at Singapore on April 1-5, 2002, jointly organised and co-sponsored by the Asian Development Bank Institute, Tokyo and the Technical Cooperation Directorate, Ministry of Foreign Affairs, Singapore.

Articles in Newspapers/Magazines

ISHER JUDGE AHLUWALIA


SHANKAR ACHARYA

- 'All the FAT's Men,' Economic Times, August 2, 2001.
- 'Last We Forget - Best to Bloom in External Sector,' Times of India, August 9, 2001.
Management Committees
As on July 31, 2001

EXECUTIVE-CUM-FINANCE COMMITTEE

Dr. T.G. Patel
Mr. A.N. Varma
Mr. N.K. Singh
Dr. Shankar Acharya
Ms. Janki Kathpalia
Director, ICRIER

Chairman
Member
Member
Member
Member Secretary

INVESTMENT COMMITTEE

Mr. Uday S. Karkak
Dr. Shankar Acharya
Ms. Janki Kathpalia
Director, ICRIER

Chairman
Member
Member
Member Secretary

ANWARUL HOQDA


RENU KOLHI


SAMAR VERMA

- 'Not Competitors Yet on the EU Ramp,' The Economic Times, New Delhi, November 29, 2001.

ILA PATNAIK

- 'Consumer Key to Growth,' February 3, 2002, Times of India, New Delhi.
<table>
<thead>
<tr>
<th>No.</th>
<th>SUBJECT</th>
<th>AUTHOR</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>67</td>
<td>Impact on Saving vis-a-vis Financial Reforms</td>
<td>Ait Brezale and Rajeev Ahuja</td>
<td>May 2001</td>
</tr>
<tr>
<td>68</td>
<td>Technology Policies and Technological Capabilities in India: A Comparative Analysis of India and Korea</td>
<td>Aniruddha Aggarwal</td>
<td>June 2001</td>
</tr>
<tr>
<td>69</td>
<td>Liberalisation, Multinational Enterprises and Export Promotion: Evidence from Indian Manufacturing</td>
<td>Aniruddha Aggarwal</td>
<td>June 2001</td>
</tr>
<tr>
<td>70</td>
<td>Trade in Health Services</td>
<td>Rajeev Ahuja</td>
<td>June 2001</td>
</tr>
<tr>
<td>71</td>
<td>Financial Regulation and Exchange Rate Management in Developing Countries: Theory and Empirical Support from India</td>
<td>Kanwal Kishor and Bima Kohli</td>
<td>June 2001</td>
</tr>
<tr>
<td>72</td>
<td>Expert Reserves in India within WTO Framework</td>
<td>Rajeev Ahuja</td>
<td>July 2001</td>
</tr>
<tr>
<td>73</td>
<td>Trade Performance and Prices of Essential Health-Sector Imports</td>
<td>David Woodard</td>
<td>June 2001</td>
</tr>
<tr>
<td>74</td>
<td>Perspectives on Currency Crisis</td>
<td>Samra Choman Suman</td>
<td>July 2001</td>
</tr>
<tr>
<td>75</td>
<td>Trade in Communication and Consultancy Services</td>
<td>Anjali Mithalji</td>
<td>November 2001</td>
</tr>
<tr>
<td>76</td>
<td>India’s Trade in Marine Transport Services under the GATS Framework</td>
<td>Koay K. Yee</td>
<td>March 2002</td>
</tr>
<tr>
<td>77</td>
<td>Trade Liberalisation and Industrial Productivity: An Assessment of Developing Countries Experiences</td>
<td>Koay K. Yee</td>
<td>March 2002</td>
</tr>
<tr>
<td>78</td>
<td>Maintaining Environment through International Trade: Implications of the Shrimp-Turtle Dilemma in the WTO for India and other Developing Countries</td>
<td>Koay K. Yee &amp; Rajeev Ahuja</td>
<td>March 2002</td>
</tr>
<tr>
<td>79</td>
<td>Export Incentives in Brazil and Korea within the WTO Framework</td>
<td>Rajeev Ahuja</td>
<td>April 2002</td>
</tr>
<tr>
<td>80</td>
<td>Distribution Services: India and the GATS 2000 Negotiations</td>
<td>Anjali Mithalji</td>
<td>April 2002</td>
</tr>
<tr>
<td>81</td>
<td>India’s Trade Potential in Auto-Wood Services and the GATS</td>
<td>Anjali Mithalji</td>
<td>April 2002</td>
</tr>
<tr>
<td>82</td>
<td>India’s Informal Trade with Sri Lanka</td>
<td>Nihal K. Mehta</td>
<td>April 2002</td>
</tr>
<tr>
<td>83</td>
<td>Opportunities and Risks for the Poor in Developing Countries</td>
<td>Eugenia Okon Bozolob, John Boland &amp; Per Hestrup &amp; Andersen</td>
<td>April 2002</td>
</tr>
<tr>
<td>84</td>
<td>Inflation and Poverty: An Empirical Investigation</td>
<td>Samir Ashte</td>
<td>May 2002</td>
</tr>
<tr>
<td>85</td>
<td>Anti-Dumping Law and Practice: An Indian Perspective</td>
<td>Aniruddha Aggarwal</td>
<td>May 2002</td>
</tr>
</tbody>
</table>
Table 3
MAJOR PUBLICATIONS – NEW AND FORTHCOMING


Thank you, friends!

This is to thank our donor friends and well-wishers who have helped us in our fund raising campaign on the 20th anniversary of ICIER. Their contributions have helped us add Rs 4.7 crore to the endowment fund of ICIER.


With an additional contribution of Rs 75 lakhs from the Reserve Bank of India as the first installment for the RBI Chair at ICIER, the increase in the endowment fund is Rs 5.25 crore.
ICRIER at 20: Full throttle, in many directions
ROHIT BANSAL
Govt must support new round of talks at Doha: Experts

India must be more proactive in GATS round: Icier consultant

IMF must avoid micro-management: King
Julian assuages market calm to RBI strategy

India needs to take a more proactive and hard-nosed stance in the current round of General Agreement on Tariffs in Services negotiations, Rupa Chanda, Icier consultant and macroeconomist at IMF Bangalore, said in a research paper today. She also said that India also needed to better answer the issues and concerns of individual service sectors as well as reflect domestic and external developments in various service sectors, both in terms of the composition it sought from other countries as well as its own commitments.

India towards cash in on US-China multi-fibre agreement: Cooper
Lower exchange rate to kickstart economy
Accounts

AUDITOR'S REPORT

The Members,
Indian Council for Research on
International Economic Relations,
India Habitat Centre,
First Zone, 4th Floor,
Lodi Estate,
New Delhi-110 003

We have audited the accounts of your Council for the year ending March 31, 2002 and certify
that the annexed Income and Expenditure Account and the Balance Sheet as at March 31, 2002
and the Receipt and Payments account for the year read with the Statement of Accounting Policies
and Notes thereon have been correctly drawn from the books of accounts and vouchers examined
and the information and explanations given to us.

It is further certified that:

(a) We have obtained all the information and explanations which to the best of our knowledge
and belief were necessary for the purposes of our audit;
(b) Proper books of account have been kept by the Council so far as it appears from our examination
of those books;
(c) The Council's Balance Sheet, Income and Expenditure Account and Receipt and Payments
Account dealt with by this report are in agreement with the books of accounts and in our
opinion and to the best of our information and according to the explanations given to us the
said accounts give a true and fair view:
   (i) in the case of the balance sheet of the state of affairs of the Council as at
March 31, 2002;
   and
   (ii) in the case of the Income and Expenditure Account of the excess of Income over Expenditure
for the financial year ending on March 31, 2002.

For V. Sahai & Co
Chartered Accountants

Place: New Delhi
Dated: May 13, 2002
### Balance Sheet as on March 31, 2002

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Current Year</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in Rs.)</td>
<td>(in Rs.)</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Fund</td>
<td>6,67,17,414</td>
<td>6,67,17,414</td>
</tr>
<tr>
<td>Balance as on 1.4.01</td>
<td>3,49,02,405</td>
<td>3,49,02,405</td>
</tr>
<tr>
<td>(All) Deposits received during the year</td>
<td>3,49,02,405</td>
<td>3,49,02,405</td>
</tr>
<tr>
<td>Examinands-SAMEE Fund</td>
<td>1,48,510</td>
<td>1,48,510</td>
</tr>
<tr>
<td>Cash Assets Fund</td>
<td>29,002</td>
<td>29,002</td>
</tr>
<tr>
<td>1.4.01 fresh for the year</td>
<td>1,48,510</td>
<td>1,48,510</td>
</tr>
<tr>
<td>General Fund</td>
<td>3,05,76,225</td>
<td>3,05,76,225</td>
</tr>
<tr>
<td>Balance as on 1.4.01</td>
<td>20,72,562</td>
<td>20,72,562</td>
</tr>
<tr>
<td>(Amounts transferred from Income &amp; Expenditure A/B)</td>
<td>2,27,680</td>
<td>2,27,680</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>17,27,62,663</td>
<td>13,16,93,264</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>3,36,53,642</td>
<td>2,29,57,069</td>
</tr>
<tr>
<td>As per Schedule</td>
<td>1,58,81,587</td>
<td>2,51,32,118</td>
</tr>
<tr>
<td>(Group) - organising Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment (Rs. per A/c)</td>
<td>8,15,80,013</td>
<td>10,87,62,580</td>
</tr>
<tr>
<td>Long-term Investments</td>
<td>1,10,61,982</td>
<td>10,87,62,580</td>
</tr>
<tr>
<td>Short-term Investments</td>
<td>1,88,377</td>
<td>80,537</td>
</tr>
<tr>
<td>Cash &amp; Advance</td>
<td>1,48,510</td>
<td>1,48,510</td>
</tr>
<tr>
<td>Current Assets Loans &amp; Advances</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Cash in Hand</td>
<td>8,573</td>
<td></td>
</tr>
<tr>
<td>Derivative Instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Balances</td>
<td>4,23,312</td>
<td>1,12,74,937</td>
</tr>
<tr>
<td>Balance with Bank in Saving Account (Rs)</td>
<td>1,00,87,078</td>
<td>1,00,87,078</td>
</tr>
<tr>
<td>Balance with Bank in Other Account (Rs)</td>
<td>3,06,39,991</td>
<td>3,06,39,991</td>
</tr>
<tr>
<td>SAMEE Funds Balance with Bank (Rs)</td>
<td>3,49,02,405</td>
<td>3,49,02,405</td>
</tr>
<tr>
<td>Advances receivable in cash or on debt or for value to be received</td>
<td>3,02,028</td>
<td>6,23,312</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>17,27,62,663</td>
<td>13,16,93,264</td>
</tr>
</tbody>
</table>

**Note:** In terms of our separate report of the above.

For V. SAHAI & CO
Chartered Accountants

For ISHER JUDGE AHULWALIA
Chartered Accountants

For I.G. PATEL
Chairman
## INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS
### RECEIPT AND PAYMENT ACCOUNT FOR THE YEAR ENDING MARCH 31, 2002

<table>
<thead>
<tr>
<th>Receipt</th>
<th>Amount (in Rs.)</th>
<th>Payment</th>
<th>Amount (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>1,60,07,672</td>
<td>Expenditure Revenue</td>
<td>2,82,16,853</td>
</tr>
<tr>
<td>Income</td>
<td>3,33,47,266</td>
<td>Administrative Expenses</td>
<td>57,67,508</td>
</tr>
<tr>
<td>Grants</td>
<td>2,36,31,027</td>
<td>Salaries &amp; Allowances</td>
<td>18,91,357</td>
</tr>
<tr>
<td>Income on Investment</td>
<td>1,01,97,678</td>
<td>Utility &amp; Electricity Charges</td>
<td>11,22,835</td>
</tr>
<tr>
<td>Interest</td>
<td>33,803</td>
<td>Office Expenses</td>
<td>11,40,696</td>
</tr>
<tr>
<td>Other Income</td>
<td>1,52,482</td>
<td>Rent &amp; Maintenance</td>
<td>10,95,624</td>
</tr>
<tr>
<td>Exchange Rates Fluctuation</td>
<td>3,50,789</td>
<td>Property Tax</td>
<td>2,74,612</td>
</tr>
<tr>
<td>Donations Received</td>
<td>2,49,01,620</td>
<td>Professional Services</td>
<td>2,05,520</td>
</tr>
<tr>
<td>Current Liabilities Recovered</td>
<td>16,22,957</td>
<td>Fees and Subscriptions</td>
<td>75,600</td>
</tr>
<tr>
<td>Advances Recovered</td>
<td>28,82,059</td>
<td>Research Expenses</td>
<td>3,29,45,345</td>
</tr>
<tr>
<td>Assets Sold</td>
<td>3,375</td>
<td>Salaries &amp; Allowances</td>
<td>64,50,540</td>
</tr>
<tr>
<td>Investment Realised</td>
<td>7,79,03,715</td>
<td>Consultancy Charges</td>
<td>26,95,787</td>
</tr>
</tbody>
</table>

**TOTAL: 16,03,70,745**

**TOTAL:** 16,03,70,745

---

In terms of our separate report of even date.

MAHESH SAHAI  
(President)

R.N. Bhattacharyya  
(Secretary)

ISHER JUDGE AHUWALLA  
(Director & Chief Executive)

I.G. PATEL  
(Chairman)
### Statement of Accounting Policies

1. (a) Accounts are maintained on cash basis except that to facilitate accurate accounting for depreciation, liability for unpaid amounts in the case of fixed assets is provided on the basis of bills received.

(b) Capital advances for purchase of fixed assets are adjusted only after the assets are installed and the final bills received.

2. In the case of investments in money market growth fund schemes in which the net asset value of the investment keeps increasing, the closing value of the investment is shown at the net asset value prevailing at the end of the year and the difference between the closing value and the cost is shown as income in the year of purchase. In subsequent years further appreciation in the net asset value will be accounted for as income.

3. (a) INR/USD has a US Dollar account with the American Express. New York which earmarked funds of SANEI are included. To the extent of the balance in the SANEI fund account the US Dollar account is an earmarked asset.

(b) In respect of foreign exchange accounts operated by the Council, withdrawals are converted at the rate of exchange prevailing on the date of issue of cheques and for deposits the rate of exchange prevailing on the date of issue is adopted. The closing balance is independently converted at the bank buying rate at the end of the year and the difference between this amount and the balance as per books is transferred to the Income and Expenditure Account under the head "Exchange rate fluctuation".

4. Security deposits for installation of various facilities are charged as expenses and will be treated as income in the year of refund.

5. Capital items of limited life and small values up to Rs. 5,000 are written off as expenses, but a record of such assets is maintained in a separate register.

6. Expenditure on books and publications is charged to the Income and Expenditure Account but a separate record of items purchased is maintained.

7. Depreciation is provided on the written down value method in the year that assets are received and put to use. Depreciation for the entire accounting period is provided irrespective of the date of purchase of assets. The rates adopted are disclosed in the fixed assets schedule and are consistent with the rates adopted in earlier years.

8. Donations received are carried forward in the Balance Sheet under "Endowment Fund".

9. An LIC policy has been taken to cover against future liability on account of gratuity payable to the staff. The premium paid is charged to the Income & Expenditure Account.

10. Gifted assets are valued by the management and shown as an addition to fixed assets with a corresponding credit to "Gifted Assets Funds" account. Annual depreciation on gifted assets is deducted from the cost as well as the "Gifted Assets Fund" account.

11. Leave salary is accounted for on the basis of actual payment to the employees at the time of retirement/leaving.

12. Previous year's figures have been recast wherever necessary to make them comparable with the figures of the current year.