

*Annual Report*  
*2004–05*



**INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS**  
Core-6A, 4th Floor, India Habitat Centre, Lodi Road, New Delhi-110 003  
Website: [www.icrier.org](http://www.icrier.org)

# ICRIER Profile

Established in 1981, the Indian Council for Research on International Economic Relations (ICRIER) is an autonomous non-profit research organisation instituted to promote policy-oriented research and debate issues central to India's international position and its global economic exposure.

ICRIER conducts thematic research on areas such as foreign trade and investment, financial sector reforms, competitiveness of Indian industry, WTO related issues for Indian industry and services, and regional economic co-operation to provide dispassionate analysis of trends in trade, knowledge, and capital flows and their implications for India. Over time, research at ICRIER has also focused on domestic economic issues as the line between domestic and international issues is getting blurred under the impact of globalisation.

In addition, ICRIER holds public policy workshops to bring together policy makers, academicians, Members of Parliament, and the Media where issues of major policy interest are discussed and debated. In the effort to better understand global developments and experiences of other economies which have bearing on our own policies and performance, ICRIER invites distinguished scholars and policy makers from around the world to deliver public lectures on economic themes of interest to contemporary India.

Dr. Isher Judge Ahluwalia was elected Chairperson, ICRIER at its Annual General Meeting on August 8, 2005. She succeeds Dr. I. G. Patel who passed away in July this year. Currently Dr. Ahluwalia is also Chairperson, Board of Trustees, IFPRI (International Food Policy Research Institute), Washington, D.C and Vice Chairperson, Planning Board, Punjab and Member, National Manufacturing Competitiveness Council, Government of India. She has served as visiting Professor at the School of Public Affairs at the University of Maryland, College Park. She was Director & Chief Executive, ICRIER from 1998 to 2001 and is known for her active role in spearheading and promoting policy-oriented research on the Indian economy.

Dr. Arvind Virmani is Director & Chief Executive, ICRIER. Previously he was Advisor, Development Policy in the Planning commission and Senior Economic Advisor in the Department of Economic Affairs, Ministry of Finance. Prior to this he held the position of Advisor to Finance minister in 1991–92 and 1992–93. Before joining the government he was Senior Economist in the World Bank Research Department. Presently Dr. Virmani is also Chairperson SBI Mutual Fund and Member TRAI.

Dr. I. G. Patel was Chairman ICRIER from 1997 to 2005. Amongst the founding members of ICRIER are, the Hon'ble Prime Minister of India - Dr. Manmohan Singh, Mr. Montek S. Ahluwalia; Deputy Chairman, Planning Commission, Dr. C. Rangarajan, Chairman, Economic Advisory Council to the PM, Prof. Jagdish Bhagwati, Columbia University and Late Dr. I. G. Patel.

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# Foreword



This has been a year of transition at ICRIER. Sadly, we lost our Chairman, Dr. I. G. Patel on July 17, 2005. During the eight years that he was Chairman, “IG” was a tremendous source of inspiration and wisdom to the researchers and the management alike. He believed that high quality research could play an important role in informing policy and encouraged ICRIER to fulfill this role. The General Body of ICRIER at its AGM on August 8, elected me as Chairperson. I am greatly honoured by the General Body's decision and am very aware of the high quality legacy that I inherit.

As I renew my association with ICRIER, it is heartening to see that ICRIER has during the past year continued its thrust on research excellence and policy relevance. The Director's Report provides a comprehensive account of the research highlights and public policy seminars and discussions during the year. ICRIER has continued its research thrust on WTO-related issues and taken important new research initiatives on the determinants of the competitiveness of Indian industry, both areas which are growing in importance as the Indian economy travels further down the path of integrating with the world economy.

As regards South Asian economic cooperation and integration, ICRIER successfully transferred the Secretariat of the South Asia Network of Economic research Institutes (SANEI) to the Pakistan Institute of Development Economics (PIDE) in April 2004 and the Director & Chief Executive of ICRIER retains his position as a member of the SANEI Steering Committee to further the cause of South Asian economic cooperation. As it happens, I was earlier elected representative of SANEI on the Board of Governors of the Global Development Network (GDN) which is now based in New Delhi, I hope to be able to use the opportunity to represent South Asian development interests at the global level of research and discussion.

Over the past two years, India has become a special focus of attention of development watchers and a consensus has evolved that the Indian economy is well set to achieve rapid economic growth and become one of the major economies of the world. Policy experts, researchers and policy advisors at ICRIER therefore have a larger role to play in helping interpret the changes in the global economic environment and offering policy options to best exploit the growing opportunities through internal reform and working collectively to shape the international environment. I am confident that ICRIER will rise to the new challenges and opportunities under Dr Arvind Virmani's leadership.

**Isher Judge Ahluwalia**  
Chairperson

**Board of Governors of ICRIER  
As on July 15, 2005**

**Chairman**

Dr. I. G. Patel  
12, AMEE Cooperative Society  
Diwali Pura, Old Padra Road  
Vadodara–390 015

**Elected Members**

Dr. Shankar Acharya  
Honorary Professor ICRIER  
(& Former Chief Economic Advisor  
Ministry of Finance)  
Core 6-A, 4th Floor  
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New Delhi–110 003

Ms. Lalita D Gupte  
Joint Managing Director  
ICICI Bank Ltd  
ICICI Bank Tower  
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Mumbai–400 051

Ms. Janaki Kathpalia  
Former Additional Secretary  
Ministry of Finance  
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New Delhi–110 065

Dr. Vijay Kelkar  
Chairman  
IDFC Asset Management Company,  
617, Vaswani Mansion  
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Mumbai–400 020

Mr. Uday S Kotak  
Vice Chairman & Managing Director  
Kotak Mahindra Bank Ltd  
Bakhtawar, 2<sup>nd</sup> Floor  
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Mumbai–400 021

Dr. R A Mashelkar  
Director General, CSIR  
Department of Scientific & Industrial  
Research  
Anusandhan Bhawan  
2, Rafi Marg  
New Delhi–110 001

Mr. Aman Mehta  
Former Chief Executive  
Hong Kong and Shanghai Banking  
Corporation  
4/7, Shanti Niketan  
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Dr. Rakesh Mohan  
Deputy Governor  
Reserve Bank of India  
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Mumbai–400 001

Dr. Kirit S Parikh  
Member  
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Dr. Swati A Piralal  
Director Strategic Alliances &  
Communications  
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Nicholas Piralal Tower  
Ganpatrao Kadam Marg  
Lower Parel  
Mumbai-400 013

Mr. N Ravi  
Editor  
The Hindu  
Kasturi Buildings  
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### **Co-opted Members**

Dr. Isher Judge Ahluwalia  
32, Aurangzeb Road  
New Delhi-110 003

Mr. N K Singh  
Former Member  
Planning Commission  
Suite 2/10, Hailey Road  
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New Delhi-110001

Mr. Nitin Desai  
Honorary Professor, ICRIER  
(& Former Under Secretary General,  
UN)  
B- 63, Defence Colony  
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### **Overseas Members**

Dr. Arvind Panagariya  
Professor of Economics & Bhagawati  
Professor of Indian Political  
Economy  
Columbia University  
School of International & Public  
Affairs  
420 West 118<sup>th</sup> Street  
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### **Member- Secretary**

Dr. Arvind Virmani  
Director & Chief Executive  
ICRIER  
Core 6-A, 4<sup>th</sup> Floor  
India Habitat Centre  
Lodhi Road  
New Delhi-110 003

**Founder & Life Members of ICRIER  
As of July 15, 2005**

<b>Founder Members</b>		39.	Mr. P. C. Nayak
1.	Late A. M. Khusro	40.	Late P. Chenstal Rao
2.	Late Anand Prakash	41.	Mr. P. K. Dave
3.	Mrs. Anna R. Malhotra	42.	Mr. P. K. Kaul
4.	Mr. Ashok V. Desai	43.	Mr. P. K. Nanda
5.	Mr. B. D. Jayal	44.	Prof. P. N. Dhar
6.	Late B. K. Chatterjee	45.	Late Prakash Tandon
7.	Late B. K. Nehru	46.	Mr. R. D. Pradhan
8.	Mr. B. S. Das	47.	Dr. R. J. Chelliah
9.	Mr. Bharat Ram	48.	Mr. R. M. Honovar
10.	Late Brij Bhushan	49.	Late R. N. Malhotra
11.	Dr. C. Rangarajan	50.	Mr. R. S. Gae
12.	Dr. Charan D. Wadhva	51.	Mr. R. V. Subrahmanian
13.	Dr. Deepak Nayyar	52.	Late Raj Krishna
14.	Mr. Freddie A. Mehta	53.	Dr. Rajni Kothari
15.	Mr. Govind Narain	54.	Dr. S. P. Gupta
16.	Mr. H. N. Ray	55.	Late S. R. Sen
17.	Mr. Harbans Singh	56.	Mr. S. S. Marathe
18.	Dr. I. G. Patel	57.	Mr. S. S. Ramphal
19.	Mr. I. S. Chadha	58.	Mr. S. S. Rao
20.	Late J. Rameshwar Rao	59.	Mr. S. V. S. Juneja
21.	Dr. Jagdish Bhagwati	60.	Late Sanjaya Lall
22.	Late K. B. Lall	61.	Late Sukhamoy Chakravorty
23.	Mr. K. K. Bhargava	62.	Mr. Suman K. Modwel
24.	Mr. K. L. Dalal	63.	Late Suresh Kumar
25.	Late Khub Chand	64.	Mr. T. K. N. Unnithan
26.	Late L. K. Jha	65.	Dr. V. R. Panchamukhi
27.	Late Lovraj Kumar	66.	Mr. Vijay G. Pande
28.	Late M. C. Bhatt	67.	Mr. Vinay Bharat Ram
29.	Mr. M. Dubey	68.	Late Y. T. Shah
30.	Dr. M. S. Swaminathan		
31.	Late Malcolm S. Adiseshiah	<b>Life Members</b>	
32.	Dr. Manmohan Singh	1.	Mr. J. S. Bajjal
33.	Prof. Manu R. Shroff	2.	Mr. Prakash Shah
34.	Late Mohd. Yunus	3.	Mr. Raghunandan D. Maluste
35.	Mr. Montek Singh Ahluwalia	4.	Mr. Shiv S. Kapoor
36.	Mr. N. C. B. Nath		
37.	Mr. N. K. Sengupta		
38.	Mr. Nitin Desai		

# Director's Report



With profound grief we share with you the deeply sad and shocking news of the passing away of our Chairman, Dr. I. G. Patel in New York on Sunday, July 17, 2005. Dr. Patel's unexpected demise is a terrible loss for everyone at ICRIER and for all those who had the privilege of knowing him. Dr. Patel served as Chairman, ICRIER for a long spell of eight years from August 1997 to July 2005. Under his guidance and vision, ICRIER emerged as a prominent think tank of international standard. His remarkable contributions both in academics and in economic policy making helped ICRIER attain greater heights and will continue to be a source of abiding inspiration to us. I consider myself very fortunate that Dr. I. G. Patel provided me an opportunity to benefit from his great wisdom and intellectual integrity. Dr. Isher Judge Ahluwalia was elected Chairperson, ICRIER at its Annual General Meeting on August 8, 2005. We include a special message from our new Board Chair in this Annual Report. I look forward to working with Dr. Ahluwalia in making ICRIER play a significant role in the evolution of policy reforms as India engages further with the world economy.

The primary thrust of ICRIER in the past year continued to be on research excellence. Over the years ICRIER has greatly increased its output and quality of policy oriented research, while maintaining and strengthening its research based policy advice. During the year under reporting ICRIER sharpened its focus on three broad subject areas of International Economics, Macroeconomics and Policy Reform issues and the sub-areas that fall within them. A substantial part of our policy oriented research has been in the sub-areas of Trade, Openness and Competitiveness, Bilateral Trade and Domestic Financial Development, while much of our research based policy advice has been in Multilateral / WTO negotiations and proposed Regional and Bilateral trading arrangements. Both dimensions have received equal emphasis in the case of financial liberalisation and capital flows, growth and other policy reform issues. In all the broad subject areas of research mentioned above, our advice is most eagerly sought by government ministries on a wide variety of issues in the services sector.

A number of research studies completed during the year have analysed the effect of liberalisation on wages, unemployment and wage differentials in the manufacturing sector, the effect of tariff reductions on Indian industry and the evolution of productivity growth in the textiles sector. A number of these studies show that in the post reforms period increased FDI and exports have had contrasting effects on wage rates and employment in the organised (registered) manufacturing sector. FDI has had a strong positive effect on industrial wage rates, but a negligible one on employment, while the effect of exports on wage rates is negligible but it has led to higher employment. A policy implication of one study is to remove the policy and procedural hurdles for FDI and exports and to lay out a red carpet for export oriented FDI. This demonstrates empirically for India what we know about the role of FDI and exports in China. This



study has also demonstrated that FDI, trade and technology imports have all led to improvements in labor productivity. Technical progress has, however been labor saving in nature and this along with skill intensive FDI has had a positive impact on the wages of skilled workers. Trade on the other hand has had a greater positive impact on the relative wages of unskilled workers in line with the expectations of the Hecksher-Ohlin model.

A disaggregated model used in a research study to analyze the effect of tariff reduction on the manufacturing sector shows that Indian manufacturing industry has coped extremely well with the drastic reduction in tariffs from 150% in 1990 to 20% in 2004. Tariff reductions had a strong positive effect on exports and a moderate effect on imports. The overall effect on production and value added in organised manufacturing was therefore positive, but with little effect on employment on aggregate investment. Given that the textiles sector is the largest sector in India and also the one with largest employment it holds special importance. A detailed study on the textiles sector has highlighted (among other issues) the importance of scale economies in raising productivity and its implications for policy. Employment generation is a long standing concern of the government and the Tenth plan has expressed concern about the ability of the economy to generate enough jobs for the expected demographic bulge in the labor force. ICRIER studies have identified policy reforms on the basis of hard quantitative analysis that will help raise the employment generating capacity of the modern manufacturing sector and generate high quality jobs that the educated youth of this country now demand as their right.

A number of research studies at ICRIER have focused on bilateral trade possibilities, including with our neighbors, China and Pakistan. An augmented gravity model was used to estimate the unexploited potential for mutually beneficial trade between India and other countries. The countries with high unexploited potential for trade with India included China, Pakistan and Japan. The study estimates the trade potential between India and Pakistan and shows that it exceeds \$ 6 billion, as against other existing estimates which put the potential at around \$ 2 billion. The ICRIER study suggests that normalisation of transport arrangements and removal of India specific trade restrictions would help realize most of this potential even without any special tariff concessions. The same study also shows that the potential trade between India and China was more than twice the actual. A separate study has identified the constraints and restrictions on India–China trade that need to be addressed or removed to attain the full potential (without any special tariff concessions). Yet another research study based on the revealed comparative advantage of China and India identified 6-digit level sectors in which export potential was the highest. Studies of this kind help provide an environment in which Indian industry can identify opportunities for export to China and help government in identifying potential threats from Chinese imports to India so as to take advance corrective action.

Another noteworthy research study at ICRIER focused on Export Processing Zones in India, Bangladesh and Sri Lanka. The study showed that Indian EPZs have been successful in streamlining custom procedures and keeping corruption low. However,

lack of integrated administrative set-up, stringent labor laws and poor infrastructure in the zones result in relatively poor investment climate. One implication of the detailed data in the study is that geographically restricted EPZs are most suitable for export processing, carrying out those stages of production that have high import content and perhaps require relatively greater unskilled labor (e.g. electronics assembly). The cross country analysis in the study also reinforces the survey based arguments for reducing red tape and bureaucracy and improving governance.

A study on 'FDI in Retail Sector: India' funded by the Department of Consumer Affairs, is an important example of how ICRIER research has contributed to policy formulation through research based policy advice. The findings of the study have evoked substantial interest and debate amongst policy makers, industry representatives and the media. The study found that organised retailing has significant backward linkages. FDI in organised retailing would contribute to productivity by setting up supply chains, investment in food processing industry and manufacturing units, increased productivity of agriculture and growth of interlinked sectors such as tourism and IT. The study recommends opening up of retail to FDI – over a 3 to 5 year timeframe - to give the domestic industry enough time to adjust to the changes, suggesting that in the initial stage FDI up to 49 per cent should be allowed which can be raised to 100 per cent in 3 to 5 years (depending on the growth of the sector). The study also suggests that opening up of the sector to FDI should be backed by appropriate domestic reform measures including enforcing quality standards for local production and imports.

The services sector is expanding rapidly and its contribution to GDP and international trade is increasing. ICRIER has conducted research on a wide range of issues in the sector with the objective of providing policy advice, bilateral and regional trade related issues being a case in point. Three studies were commissioned by the Trade Policy Division of Ministry of Commerce, Government of India with the objective of providing specific policy prescriptions in the area. The first, under the aegis of the Indo-ASEAN, the second, under the Indo-Thai FTA and the third for the Indo-Malaysian Joint Study Group. These are aimed at enabling the Government to identify the areas of mutual trade interest in the services sector in the context of possible FTAs / CECAs / CEPAs. Another study in this area explores trade expansion opportunities between India and six Gulf Cooperation Council (GCC) countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates respectively. In the context of bilateral trade in goods ICRIER has conducted studies on the potential for India–Korea trade and promotion of regional trade among countries of South Asia. The latter is of particular importance in the context of the SAFTA Agreement signed in January 2004 that is to go into effect in January 2006.

Given the limited amount of research globally on the role of services in the growth process, ICRIER initiated a study to review the literature in this area that could increase our understanding as well as form the basis for further research. Deepening our understanding was another study that identifies some of the critical issues in India's service-led growth and provides policy insights with respect to the same. This study was

conducted under the aegis of the Asian Development Bank's policy networking project to strengthen policy reforms in collaboration with the Ministry of Finance.

WTO issues have been a focal point of interest at ICRIER. Besides continuing our work in traditional areas like Telecommunication and Financial services, work was initiated during the year on Singapore issues. A paper on SPS/TBT was completed but more work is under way. Pioneering work on Anti-dumping issues in India at ICRIER has attracted global attention and work is progressing on a book on Anti-dumping that will help disseminate this work to a wider audience.

Some major publications during the year included 'Economic Development in South Asia', published by Tata McGraw Hill, a joint report of the ICRIER-Department of Consumer Affairs on 'FDI in Retail Sector: India' published by the Academic Foundation press. During the year, ICRIER also initiated a new series of publications called the ICRIER-WTO papers. These publications have the benefit of being refereed by knowledgeable experts in the new and evolving areas covering the WTO-related issues. Research in this area is supported by the Sir Ratan Tata Trust. The publications in this series will contribute to the dissemination of the output of the research work supported by the Trust. Six papers have already been published and more will follow.

Public policy workshops, discussion seminars, and public lectures at ICRIER continued to engage our attention. Themes include UN reforms, the decline of the Dollar, demographic change in the world economy, growth rate and inequality in dual economies with a focus on India and China, institutional innovations and global development finance. Among the eminent speakers who delivered lectures at ICRIER were Prof. David Bloom, Clarence James Gamble Professor of Economics and Demography, Harvard School of Public Health and Prof. Edmund S. Phelps, McVickar Professor of Political Economy, Columbia University. We also had the rare privilege of hosting a talk by Nobel laureate (1996) Prof. James Mirrlees, Professor of Political Economy and Fellow of Trinity College, Cambridge in December last year. Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission chaired the lecture. Sir Nicholas Stern, Second Permanent Secretary in the UK treasury and former VP for Research at the World Bank was another prominent speaker. ICRIER and the World Bank organised a joint seminar on 'The growth experience of the 1990s' at which the quality of participation and the quality of debate was very high. The World Bank study on the Growth experience of the 1990 has reference to some of our Working Papers that have contributed to the debate on economic growth, policy reform and institutional problems and reform.

ICRIER's research capacity and capability received a gratifying response from our donors, multilateral and international agencies and government alike who continue to utilise ICRIER's expertise and thereby play a vital role in supporting the expansion of ICRIER's research activities and our goal of promoting quality research. The Sir Ratan Tata Trust, International Development Research Centre of Canada (IDRC), Ford Foundation and Carey Foundation deserve a special mention for providing significant funding during the year. The Carey Foundation's endowment grant of \$100,000 was

particularly welcome. Project specific funding, much of it based on formal competition with others was also received from the Global Development Network (GDN), the World Bank, the South Asia Network of Economic Research Institutions (SANEI) and the Asian Development Bank (ADB).

**Arvind Virmani**  
Director & Chief Executive, ICRIER

# Activities

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

Research Projects

Seminar & Conferences

Public Policy Programmes

## **Research Projects**

### **I. International Economics and International Economic Relations**

- IA Trade, Openness, Restructuring and Competitiveness
- IB Financial Liberalisation and Impact of Capital Flows
- IC Multilateral Issues: World Trade Organisation
- ID Regional and Bilateral Issues

### **II. Macroeconomics, Growth and Poverty**

- IIA Macroeconomic Management and Growth
- IIB Financial Development and Reforms

### **III. Reform Issues**

# Research Projects

## I. INTERNATIONAL ECONOMICS AND INTERNATIONAL ECONOMIC RELATIONS

### IA Trade, Openness, Restructuring and Competitiveness

#### *Projects completed*

#### **IA.1. Impact of Tariff Reforms on Indian Industry** – *Arvind Virmani, B. N. Goldar, C. Veeramani and Vipul Bhatt*

Conducted by Dr. Arvind Virmani, Professor, ICRIER, Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER (till August 2004), Dr. C. Veeramani, Fellow, ICRIER (till June 2004) and Mr. Vipul Bhatt, Consultant, ICRIER (till May 2004), this study is an attempt to assess the impact of reductions in import tariff rates on the Indian manufacturing sector using a multiple-equations dis-aggregated econometric model. An 838-equations model is estimated and solved to carry out simulations (under alternative tariff reduction scenarios) encapsulating the impact of tariff reduction on key economic variables like output, employment, invested capital stock, exports and imports.

The results suggest that a substantial reduction in tariff rates, (along with associated currency depreciation and increased market access) would have only a marginal impact on net exports, value of production and employment in the organised manufacturing sector. It seems no significant adverse impact would be there on the domestic industrial sector from the tariff cuts. Rather, some improvement in aggregate industrial production and employment might occur emanating from the efficiency enhancing effects of tariff reform. A detailed sector-wise analysis indicates that the impact of tariff reforms would be differentiated across products i.e. opening up of new opportunities and potential threats, with firms in some industries gaining and firms in some other industries losing in terms of net exports, value of production and employment.

The findings of the study have been published in ICRIER Working Paper No. 135.

#### **IA.2. Cost & Productivity in Indian Textiles: Post MFA Implications** – *Danish A. Hashim*

This study was conducted by Dr. Danish A. Hashim, Consultant, ICRIER. Post MFA, one of the main factors determining the competitiveness of industries is unit cost, which in turn depends upon factor prices on the one hand and the productivity levels on the other. The present study examines these two factors for three main textile industries, namely cotton yarn, man-made textiles and readymade garments by using a panel data analysis for selected states over 1989–97 period. To begin with, an attempt is made to estimate

the total factor productivity and analyze its determinants. To throw some more light on the scope of improvement in productivity, major production characteristics are also examined with the help of translog variable cost functions. Finally, in order to analyze the relative roles of factor prices and productivity in the growth of unit cost, a decomposition analysis of the unit cost growth is undertaken.

The results show a relatively high growth in unit cost accompanied by a low / negative productivity growth in the three industries studied. Decline in capacity utilisation is one of the main factors affecting productivity performance. Availability of energy, reductions in nominal rate of protection and non-tariff barriers positively influence productivity. In man-made and garment industries there exists a possibility of enhancing the productivity by increasing the size of firms and disbursing larger credit. Technological change is found to be non-hicks neutral only in man-made textiles. This implies that cotton yarn and garment sectors failed to save labour, possibly as a result of rigid labour laws. All the three industries have non-homothetic structure of production function and show that increase in scale is labour as well as energy saving. Demand for factors is by and large price inelastic. Demand for labour with respect to energy price in case of garments is positive and elastic. So a lower increase in price of energy would help in modernisation of the garment sector. Decomposition of unit cost shows that increase in price of material has been the largest contributor to unit cost growth in the three industries. In cotton yarn technological retrogression and inefficiency affected unit cost growth adversely. Man-made and garment industries suffered diseconomies of scale, despite there being scale economies associated with the average size firms. The large firm size in these two industries would help reap the benefits of scale economies at the industry level too. The garment industry, in addition, experiences a high degree of inefficiency, indicating a need for a better mix of inputs.

The study concludes that the availability of energy and materials at cheaper rates, large scale production by firms, flexible labour laws and easy exit policies are some of the necessary measures that would make the Indian textile and garment industry more cost effective. Also, states having comparative advantage over others in a particular textile industry should be given greater attention for lowering unit cost.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 147.

### **IA.3. Impact of Liberalisation on Wages and Employment in Indian Organised Manufacturing – *Rashmi Banga***

The study was conducted by Dr. Rashmi Banga, Consultant, ICRIER. In an attempt to estimate the impact of liberalisation on labour markets, this paper examines the effect of FDI, trade and technology on wages and employment in Indian organised manufacturing industries in the post reforms period. To capture labour market rigidities that exist in India, i.e., lack of flexibility in wage setting and rigid hire and fire policies, the study uses dynamic panel data (DPD) estimations applying generalised method of moments (GMM). The analysis is undertaken for 78 three-digit level industries. The impact of



technology is captured through three components, which are, research and development intensity, import intensity of capital goods and import intensity of soft technology. An index for technology acquisition is also constructed using principal component analysis to estimate the impact of technological progress.

The results show that FDI, trade and technological progress have differential impact on wages and employment. While higher extent of FDI in an industry leads to higher wage rate in the industry, it has no impact on its employment. On the other hand, higher export intensity of an industry increases employment in the industry but has no effect on its wage rate. Technological progress is found to be labour saving but does not influence the wage rate. Further, the results show that domestic innovation in terms of research and development intensity has been labour utilising in nature but import of technology has unfavourably affected employment. An immediate policy direction that emerges from the study is that to improve the employment potential of the economy trade should be encouraged and higher incentives should be generated for attracting FDI into export-oriented sectors. As the economy opens up, cost adjustments become increasingly important and flexible labour laws are required to facilitate cost adjustments.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 153.

#### **IA.4. Trade and FDI in Services: A Review – *Rashmi Banga***

The study was conducted by Dr. Rashmi Banga, Consultant, ICRIER. Services sector has emerged as the largest and fastest-growing sector in the world economy in the last two decades, providing more than 60 per cent of global output and, in many countries, an even larger share of employment. Not only has the services sector grown in terms of its share in global output and employment, its share in total trade has also grown rapidly in this period. Along with this, we find that global FDI is also shifting away from manufacturing towards services sector. The growing importance of services sector and the corresponding rise in its role in integrating the world economy has led to a stream of literature that examines different aspects of trade and FDI in services. However, very few studies have focused on the conceptual issues with respect to trade and FDI in services.

This study undertakes a selective review of both theoretical as well as empirical studies on trade and FDI in services. It identifies some of the conceptual issues in this area, e.g., whether theories of trade and FDI are relevant for services; what are the important barriers to trade in services; and what are the important determinants of FDI in services. The main objective of the paper is to provide policy insights that emerge from this literature for developing countries. It also provides future areas of research in trade and FDI in services.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 154.

### **IA.5. Liberalisation and Wage Inequality in India – *Rashmi Banga***

The study was conducted by Dr. Rashmi Banga, Consultant, ICRIER. Following the economic reforms program undertaken by India, many studies have estimated the impact of liberalisation on labour productivity. However, associated with rising labour productivity is the problem of growing wage inequality between skilled and unskilled workers. But this aspect of liberalisation has generally been ignored in the literature. This paper is a pioneering attempt to estimate the impact of three major components of liberalisation: FDI, trade and technological progress on labour productivity and wage inequality in the Indian manufacturing sector.

The study uses cross-industry panel data estimations and the results show that FDI, trade and technological progress have all led to improvements in labour productivity in the post reforms period. However, they have differential impact on wages of skilled and unskilled workers. Wage inequality is found to have increased overtime and this has been caused mainly by higher FDI and skill-biased technological progress. But, trade is found to have lowered wage inequality in Indian industries. An important policy implication that follows from the results is that to maximise the benefits of FDI, it is important to channelise it towards export-oriented industries, which use larger number of low-skilled workers. This will not only raise the productivity of labour at the lower end but will also lead to lower wage inequality between skilled and unskilled workers. Further, efforts should be made through more research and development (R&D) to make technological progress less skill-biased in Indian industries.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 156.

### ***Ongoing projects***

### **IA.6. Puzzles in Manufacturing Productivity, Employment & Labour Share – *Arvind Virmani and Danish A. Hashim***

This study is being conducted by Dr. Arvind Virmani, Professor, ICRIER and Dr. Danish A. Hashim, Consultant, ICRIER. The assessment of the economic reforms initiated in India in 1991 have thrown open a number of puzzling issues to both economists as well as policy makers. Important among them are the deterioration in productivity performance of Indian manufacturing; and the increase in manufacturing employment, which is accompanied by a declining share of labour in value added. The study addresses these issues in the literature on productivity and employment.

The study estimates the productivity performance of Indian manufacturing by allowing for non-unit elasticity of substitution and non-constant returns to scale for majority of the industries. As regards the effect of reforms on employment, a review of other studies indicates a significant increase in manufacturing employment in the post reform period compared to the same in the 80's. This was not expected in view of increased competition along with improved access to foreign technology, which was anticipated to

have adversely affected the employment growth through higher capital intensity. Noteworthy, here, is the fact that despite the increase in manufacturing employment, the share of labour in value added has declined considerably. Against this backdrop, the present study intends to address the following related issues: First, whether the increase in growth of employment is sustainable. Second, how the increased employment can be related with the declining share of labour in manufacturing value added and what implications this has for long term employment policy. Third, how the shifts in real wage rate and factor biased technical change have affected employment over the years and what could be the lessons for employment policy from this.

The study is expected to be completed by September 2005.

#### **IA.7. Indian Textile and Clothing Sector: Post MFA – *Meenu Tewari***

The study is being conducted by Dr. Meenu Tewari, Consultant, ICRIER. The final phase out of the Multi-fiber Arrangement (MFA) and the dismantling of global textile quotas from January 1, 2005 represents one of the most significant changes in the institutional rules of trade that have governed the textile and clothing industry in the last forty-two years. With price pressures and global competition escalating after the removal of quotas, countries are bracing for major changes in the structure of sourcing and apparel supply worldwide. The expectation is that a substantial consolidation of supply networks will ensue, creating winners and losers. The general assumption is that large countries with stable supply networks and well-developed capacities for scaling up, such as China and secondarily India, will benefit from the elimination of quotas, while smaller countries that had hitherto benefited from limited but assured market access under quotas, will likely lose out. Most analysts moreover converge on projecting China as the likely 'supplier of choice' for the world's largest retailers and buyers, with the potential of capturing up to 50% of the global market share, according to WTO estimates.

While predictions abound, little is understood of the precise ways in which suppliers are becoming incorporated into global markets and the varied pathways of upgrading that are emerging in this most employment-intensive of industries. How is India's textile and apparel industry responding to this new environment, and how is it positioned within the transformed global division of labour in textiles and clothing? The present study seeks to address these issues. It is structured around four main themes: (1) Emerging firm strategies and the evolving structure of post MFA sourcing networks and supply chains within India's textile and apparel sector (including India's evolving position within global clothing value chains); (2) Changing sources of profitability in the textile and apparel industry; (3) An assessment of the changing cost structure within the industry and (4) Innovative policy responses.

The study is expected to be completed by October 2005.

#### **IA.8. Effects of Trade Liberalisation on Agricultural Production & Rural Incomes in India – *Surabhi Mittal***

The study is being conducted by Dr. Surabhi Mittal, Fellow, ICRIER. The aim of the study is to assess the impact of global agricultural trade liberalisation on production, rural income and poverty in India. With the elimination of OECD countries agricultural subsidies and reduction in domestic support, the likely change in the supply of and demand for major crops in the Indian economy will be estimated under alternative realisations of international and domestic prices. The demand and supply elasticity's will be estimated econometrically for the major cereals, edible oil, cotton and sugar using the data of the past twenty years. An econometric model will be framed for each crop, combining separate sub models for international and domestic sector. Simulations will be done to assess the impact of trade liberalisation.

A major focus of the study will be on the relation between trade and poverty. The links to be tracked are how trade liberalisation affects the domestic prices and then how the changes in the agricultural prices affect the poor farmers' income levels, given their consumption and production bundles. Households across different income classes will be treated as the basic unit of which poverty is defined. The time period of analysis is 1980–2000. Analysis will be undertaken for major cereals (rice, wheat), edible oil, cotton and sugar. Literature review has been done for the study, data compilation is in progress. For demand and supply models, a test run has been carried out.

The study will be completed by March 2006.

## **IB Financial Liberalisation and Impact of Capital Flows**

### ***Projects completed***

#### **IB.1. Foreign Investment in Retail Sector: India – Arpita Mukherjee and Nitisha Patel**

Conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, and Ms. Nitisha Patel, Research Assistant, ICRIER (till January 2005), this study examines the growth across different segments of retailing, evaluates the likely impact of allowing FDI on various stakeholders and suggests the likely timeframe and process of opening up the sector. Experiences of other countries in allowing FDI in retailing and its impact are also discussed. The present entry process for foreign retailers and their perceptions about the Indian market are analysed. The study also investigates the structural, regulatory, fiscal and other barriers affecting the performance of retail trade and suggests reform measures for removal of such barriers. The study is based on a survey among 391 respondents across 8 Indian cities.

The study found that almost all major developing countries have allowed FDI in retailing and its impact has been largely positive. It strongly advocates that FDI should be allowed in retailing since it would speed up the growth of organised formats. It found that organised retailing has significant backward linkages by setting up of supply chains, investment in food processing industry and manufacturing units, increased productivity

of agriculture, growth of interlinked sectors such as tourism and IT. Consumers have also gained from organised retailing since it leads to lower prices, improves the quality of products and widens the choice of products available to consumers. The study shows that the slow growth of organised retailing is in fact slowing down the process of development of upstream sectors such as food processing industry, textile manufacturing, etc. However, it suggests that the strategy of opening up should be backed by appropriate reform measures. Since the Indian retail sector is highly fragmented and is in consolidation mode, the study recommends that the opening up of the FDI regime should be gradual – over a 3 to 5 year timeframe - to give the domestic industry enough time to adjust to the changes. In the initial stage FDI up to 49 per cent should be allowed which can be raised to 100 per cent in 3 to 5 years (depending on the growth of the sector). FDI cap below 49 per cent (i.e., 26 per cent) would not bring in the desired foreign investment collaboration.

The study was commissioned by Department of Consumer Affairs, (Ministry of Consumer Affairs, Food and Public Distribution, Government of India). The report has been published by Academic Foundation.

## **IB.2. Global Integration of India's Money Market & Impact on Interest Rate** – *Arvind Virmani and Vipul Bhatt*

This study was conducted by Dr. Arvind Virmani, Professor, ICRIER and Mr. Vipul Bhatt, Consultant, ICRIER (till May 2004). The benefits of the free and unrestricted flow of capital in and out of countries and the ever-increasing integration of world capital markets effected due to the process of globalisation, are liquidity enhancement on one hand and risk diversification on the other, both of which are instrumental in making markets more efficient and also facilitating smooth transfers of funds between lenders and borrowers. Moreover, the degree of financial integration has important macroeconomic implications in terms of the effectiveness of fiscal and monetary policy in influencing aggregate demand as well as the scope for promoting investment in an economy. India began a very gradual and selective opening of the domestic capital markets to foreign residents, including non-resident Indians (NRIs), in the eighties. The opening of the capital market picked up pace during the nineties.

The study attempts to estimate the degree of financial integration between India and the rest of the world, by focussing on the degree of integration of the Indian money market with the US money market. Using time series analysis, the study finds that the short-term money markets in India are getting progressively integrated with those in the USA even though the degree of integration is far from perfect. Covered interest parity is found to hold for while uncovered interest parity fails to hold. The difference between the two can be attributed to the existence of an exchange risk premium over and above the expected depreciation of the currency. Analysis of RBI interventions in response to foreign exchange shocks suggests that these may play a role in the deviations from interest parity.

The findings of the study have been published as ICRIER Working Paper No. 164.

## **IC Multilateral Issues: World Trade Organisation (WTO)**

### ***Projects completed***

#### **IC.1. The WTO Anti-dumping Agreement: Possible Reform through the Inclusion of a Public Interest Clause – *Aradhna Aggarwal***

Conducted by Dr. Aradhna Aggarwal, Consultant, ICRIER, this study suggests that one way to correct the 'producer-interest' bias in the WTO Anti-dumping Agreement (ADA) could be to balance it by explicit mandatory consideration of 'public interest', both at the initiation stage of the proceedings, as well as, in the final stage of determining the injury. The present agreement does provide some scope for Members to define 'interested parties', which can participate in the initiation, investigation and determination processes; and in fact, in at least two jurisdictions – Canada and the European Union (EU), there is such a public interest clause in their anti-dumping implementing legislation. But, as the paper acknowledges, this has not made much of a difference in the outcomes in this regard.

The study, however, makes out a case for introducing mandatory provision in the ADA to address the 'public interest'. While acknowledging and arguing in favour of such a change in the orientation of the agreement, it also spells out the necessary changes in some detail, providing the definitions of 'interested parties', 'public interest' as well as the modalities of determining 'injury'. It also takes on board other kinds of criticism about this move, such as further delays and additional costs of these proceedings but does not find much substance in them. It argues that a well tailored public interest clause is administratively workable and will prove to be highly effective in balancing the interests of domestic producers and the interests of consumers.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 142.

#### **IC.2. Trade and Competition Policy – *Aditya Bhattacharjea***

Conducted by Dr. Aditya Bhattacharjea, Consultant, ICRIER, this paper covers the entire gamut of issues of interest and concern to developing countries in the trade and competition policy interface, domestically and multilaterally. In the backdrop of its multilateral stance on the subject, the paper critiques India's domestic policy reforms and recent legislation in this area. The paper traces the history of the debate on competition policy from the time of the Havana Charter until the recent decision of abandoning negotiations on the subject under the WTO Doha round. With a detailed analytical account of the debate within the WTO from the time of the 1996 Singapore Ministerial Conference, which mandated a study of the interaction between trade and competition policy, the paper lays bare the respective positions of the proponents and opponents of



a multilateral agreement on competition (MAC), and comes to the conclusion that a MAC is not in the interest of the developing countries generally.

It further argues that, although there may be no political market for a MAC in the foreseeable future, the European Union, the major proponent of a MAC has already achieved its objective, even without an agreement, inasmuch as more than 50 developing countries have adopted competition legislation in the last decade with most of them prohibiting hard-core cartels and providing for non-discrimination, explicitly and implicitly. (This is true of the Indian legislation also). The developing countries, on the other hand, were not able to make any headway on the competition concerns most relevant to them, such as cross border consequences of mega-mergers and the abuse of antidumping procedures and intellectual property rights. Although opposed to a MAC in the WTO, the paper argues for international cooperation to mitigate the cross border impact of competition policies of different countries by way of an agreement outside WTO.

The paper makes suggestions for the use of price comparison methodology of the UR anti-dumping agreement to curb the price fixing behaviour among cartels. In case of a MAC under the WTO, the paper recommends revocations of patents or compulsory licensing under the WTO dispute settlements understanding to curb the price fixing behaviour of cartels, particularly in the area of pharmaceuticals and speciality chemicals. The critique on the Indian policy and legislation suggests that the basis of India's opposition to a MAC has been overlooked in crafting the new Competition Act of 2002. What is more, some important provisions of the act seem to be distorted versions of the relevant provision of the EU Treaty which is the legal foundation of the anti-trust policy in the EU. While noting positive features of the 2002 Act by way of improvements compared to the MRTP Act, it also points to some weaknesses.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 146.

### **IC.3. Telecommunication Services: India & GATS – Rajat Kathuria**

The study was conducted by Dr. Rajat Kathuria, Consultant, ICRIER. The last decade has witnessed a sea change in the telecommunication scenario in India. During this period there has been a very rapid growth of Direct Exchange Lines (DELs), though the teledensity in India still remains low. Two policy documents were released during this period reporting a change in the previously held view that telecommunications was a luxury service to the one where it was seen as an important infrastructure service that should be generally available, with world class quality at reasonable and affordable prices. Private investment was seen as an important contributor to achievement of national objectives in the area of telecommunications, and a number of policy initiatives were taken in this regard. However, the experience with policy reform has not been entirely satisfactory, and a re-orientation of policies has recently taken place to provide greater flexibility of operation. The latest policy framework also recognizes convergence

of technologies and services that has thrown up opportunities for growth in several sectors and takes note of the regulatory and other social challenges.

This paper brings together the issues that are relevant to the WTO negotiations specific to telecommunication services from an Indian perspective. It focuses on the opportunities and challenges in the multilateral trade for telecom services in light of the changing domestic and international telecom scene. The vast changes witnessed in telecommunications policy and regulation in India in the last two years have been compared with those taking place elsewhere, especially in Asia-Pacific, which is the fastest growing region in the world. While describing the key changes in India, the paper examines the commitments made by India in the GATS and proposes a strategy for further liberalisation. The constraints likely to be faced in this process are also addressed.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 149.

#### **IC.4. Trade in Financial Services: India's Opportunities and Constraints** – *Rupa Chanda*

Conducted by Dr. Rupa Chanda, Consultant, ICRIER, this study provides an overview of the trends and structure of the financial services sector, both globally and in India, with particular focus on India's prospects for liberalising financial services under the GATS. The study discusses in detail the nature of India's financial sector, its strengths and weaknesses and its trade and investment prospects, with specific reference to ongoing reforms in various regulatory and institutional spheres. The study also provides an overview of the GATS negotiations in financial services, the resulting commitments, with specific reference to the commitments made by India in this sector, and the latest developments in financial services under the request-offer process of the Doha Round negotiations in services.

The study discusses India's negotiating strategy in the Doha Round to bind in the autonomous liberalisation that has been undertaken in this sector and also highlights the scope for leveraging India's offer in financial services to obtain more liberal commitments in other sectors and modes of export interest to India. The study suggests various domestic reforms and measures that are required to make this sector more dynamic and conducive to overall economic growth and efficiency.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 152.

#### **IC.5. Patents Legislation in India** – *Mahima Puri and Anjali Varma*

The study was conducted by Ms. Mahima Puri, Consultant, ICRIER (till May 2005) and Ms. Anjali Varma. As a proprietary right fostering innovation, patents play an important role in a competitive economy. Patents rights are statutory intellectual property rights



granted by the government to an inventor to manufacture, use or market an invention which in turn benefits consumers through the development of new and improved products and processes. The 2005 Patents [Amendment] Act marks a distinct evolution in Indian Patent Law. With the inauguration of the product patents regime, India is fully compliant with Article 65(4). The contours of the Law and Rules are yet to be defined but it is clear that the Amendment builds on the Ordinance of March 2004 taking into consideration objections raised both by the public and political parties alike.

The paper attempts a comparison of Indian legislative provisions vis-à-vis the minimum standards of protection required under the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement and broader standards as defined in the Paris Convention. It aims further to plot an evolution in the patents law as first promulgated in 1970 to that of its successive amendments made in 1999, 2002 and The Patents Amendment Ordinance of 2004 and touches upon aspects of the Patent Amendment Act (2005) prior to presidential assent.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 158.

#### **IC.6. The SPS and TBT Agreements: Implications for Indian Policy – Bibek Debroy**

The study was conducted by Prof. Bibek Debroy, Consultant, ICRIER. Protectionist pressures such as through tariffs exist in every country. If tariffs are disciplined through multilateral commitments, policy substitution will lead to increased use of non-price based measures or non-tariff barriers (NTBs) and this includes standards. As part of the Uruguay Round package, the SPS and TBT agreements entered into force on 1st January 1995, as multilateral agreements.

This paper sketches the evolution of the SPS and TBT agreements and their features. The policy response has two angles; on the external response there is the issue of standards having costs, as well as benefits. At higher levels of development, there is a greater premium placed on public goods like standards. Given this, the cause of providing these global public goods may be better served by removing market access barriers in developed countries and thus boosting income growth in developing countries like India. Ensuring standards through trade policy may well be a second-best option. Stated differently, externally imposed standards, whether sanctioned by multilateral agreements like SPS or TBT or not, imposes trade-offs that developing countries are not ready for. The costs are perceived to be too high and the benefits too low. In terms of negotiating, one thus negotiates by emphasising transparency, lack of discretion and arbitrariness in determination and administration of standards and special and differential treatment in favour of developing countries. As an issue, revamping the dispute resolution mechanism is no less important, since developing countries often face large legal costs.

However, the internal policy response is no less important and there are several layers to this. First, India has too many small exporters. Second, compliance costs have fixed

and variable cost elements. If fixed costs have to be recovered from export markets alone, even if the costs are affordable, Indian exports are liable to be rendered price uncompetitive. Yet, domestic standards are often non-existent and this is more of a problem for SPS than for TBT. Fourth, extrapolating the legal argument, it is not only the case that standards are non-existent, sometimes there is a multiplicity of standards under different statutes and orders. Fifth, statutory announcement of standards is meaningless unless these are enforced. Sixth, there are problems with testing and certification, there being capacity-constraints in both. Seventh, particularly in the context of SPS measures, there is a broader issue of agricultural reforms and changing the nature of the domestic food processing sector. And finally, through BIS (Bureau of Indian Standards), there is a need for information dissemination to producers about standards, both of the SPS and TBT varieties. In the last resort, reaction to any multilateral agreement is a function of the speed of domestic reforms.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 163.

#### **IC.7. Intellectual Property Conventions and Indian Law – *Mahima Puri and Anjali Varma***

The study was conducted by Ms. Mahima Puri, Consultant, ICRIER (till May 2005) and Ms. Anjali Varma. The Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement (1995) provides for minimum norms and standards in respect of intellectual property rights. The Agreement under Article 2—Intellectual Property Conventions obligates a compliance with Articles 1–12 and Article 19 of the Paris Convention for the Protection of Intellectual Property (1967) and provides that nothing in the given Agreement shall derogate from the existing obligations prescribed under the Paris Convention, the International Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organisations (Rome Convention) (1961), the Berne Convention for the Protection of Literary and Artistic Works (1971) and the Treaty on Intellectual Property in Respect of Integrated Circuits (1989).

This study aims to evaluate the Indian intellectual property laws, including the legislation enacted since 1995, from the point of view of their compatibility with the requirements of the TRIPS Agreement. The objective of the study is first to compare the Trade Related Aspects of Intellectual Property Rights Agreement with the Paris Convention, Rome Convention, Berne Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits and then with the provisions of Indian Law provided under the Trademarks Act (1999), The Copyright Act (1957), the Designs Act (2000), The Semiconductor Integrated Circuits Layout-Out Designs Act (2000), The Patents Act (2005) and the Geographical Indications of Goods (Registration and protection) Act (1999).

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 166.

## **IC.8. The Anti-dumping Agreement and Developing Countries: Issues and Proposals – Aradhna Aggarwal**

Authored by Dr. Aradhna Aggarwal, Consultant, ICRIER, this book attempts to analyse the experience of developing countries vis-à-vis the anti-dumping law of the GATT/WTO. It consists of nine chapters. Chapter 1 proposes to explain the notion of contingent protection within the WTO framework, and examines time trends in the use of contingent protection measures. Chapter 2 looks at the history of negotiations relating to anti-dumping from a developing country perspective. Chapter 3 analyses the major legal provisions through various rounds and presents a critical examination of the existing provisions. Chapter 4 presents research on the use of anti-dumping in both developed and developing countries. Chapter 5 deals with the theoretical explanations of the justification of anti-dumping and empirically investigates the macroeconomic determinants of anti-dumping filings in developed and developing countries in a comparative framework. The objective is to underline the need for reforming the law to curb its use. Chapter 6 and 7 propose to offer a number of specific proposals for reforming the existing anti-dumping law. Chapter 8 addresses the issue of ‘balancing of interests’ of producers and consumers. Finally, Chapter 9 reviews the evolution of the S&D treatment from a historical perspective, discusses the relevance of updating them and provides inputs and possible alternatives for future negotiations. A major hypothesis is that operationalising the ‘special and differential treatment’ is the key instrument to safeguard the interests of the developing countries in regard to anti-dumping use.

The book has been completed and will be published in due course. It is supported by the Sir Ratan Tata Trust.

### ***Ongoing projects***

## **IC.9. Subsidy Disciplines under GATS – Rajeev Ahuja**

This study is being conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER. The study evaluates subsidies in services and investigates whether it is in India’s interest to push for a separate discipline to govern subsidies in services under the WTO’s General Agreement on Trade in Services (GATS). With the view to develop a subsidy framework in GATS, it examines the extent to which the existing GATS provisions tend to discipline subsidies in services, and explores various issues that come up in the design of such a framework.

Information on the current subsidy practices of different member countries is rather limited. Nevertheless, the available evidence suggests that subsidies are fairly widespread in all service sectors across countries, and such subsidies take variety of forms such as tax incentives, direct grants, preferential credit guarantees, etc. and are given for variety of purposes. It is therefore in the interest of developing countries, who cannot match subsidy levels of developed countries, to see that subsidy disciplines are developed sooner than later. Besides, subsidy disciplines would help make greater progress in the WTO negotiations on services. Instead of developing a full blown subsidy

framework, which is rather difficult given the lack of information on subsidies, the study provides some pointers towards making a progress on this area in the WTO.

This study will be completed by August 2005.

#### **IC.10. Overall Framework on WTO – *Harsha Vardhna Singh***

This study is being conducted by Dr. Harsha Vardhana Singh, Honorary Professor, ICRIER. An assessment of the key issues and the developments within the WTO fora shows that to press for certain types of market opening, the negotiators are going to rely on analytical studies on the impact of liberalisation to provide an underlying conceptual framework. Important studies on this matter have begun, with the World Bank initiating a major analytical exercise for this purpose. The results of the World Bank study will be scrutinized by others, including for example by UNCTAD, whose work in relation to developing countries as well as India, shows results different from the preliminary results obtained by the World Bank.

The final results of these studies will form a part of the ICRIER overall framework paper. Another important feature of the WTO process has been the effective pressure from NGOs for country positions. The paper is following these developments together with the key discussions that are taking place in the process for the Ministerial meeting in Hong Kong. Since the Hong Kong Ministerial meeting will set the main framework for the final phase of negotiations, the results of that meeting will also be a major input in determining the components of the framework.

The first draft of the study is expected to be available in time for the Hong Kong Ministerial meeting in December 2005.

#### **IC.11. Barriers to Movement of Natural Persons – *Rupa Chanda and Debjani Ganguli***

This study is being conducted by Dr. Rupa Chanda, Consultant, ICRIER and Dr. Debjani Ganguli, Consultant, ICRIER. The first phase of the study on barriers to movement of natural persons (Mode 4) centres on the USA, and determines the volume and nature of barriers to movement of Indian Service Providers in the region. The US has a large temporary admission system with various visa categories, regulations and certification systems for temporary workers. While there has been considerable attention on the general barriers faced (in form of visa and other restrictions), there has been less work on domestic regulations in particular sectors and professions. Domestic regulations and recognition issues such as licensing requirements, nationality and residency conditions are often the most significant barriers in regulated professionals, such as medicine and law. Many of these barriers are not apparent from the GATS commitments. This paper documents in detail the steps to licensure as well as the regulatory difficulties faced by service providers in various sectors. The paper is organised in three major sections. Section 1 discusses the measurement of mode 4 and classifies the various classes of admission of mode 4 workers in the US. It also examines the volume of mode 4 during

the last five years and specifically looks at mode 4 movement in various categories from India. Section 2 summarizes the most common constraints and limitations on market access for mode 4 in the US. Section 3 presents the crux of the study and is divided into five sector-specific subsections.

Analysis of the major barriers that emerge across the various sectors (key service sectors and professions of export interest to India) reveals that the process for receiving a license in most sectors is typically quite long and requires multiple applications and fees. Professionals often have to go through the same process of licensing for temporary and permanent licensing. The few sectors that have temporary licensing schemes severely limit the scope of practice of foreign professionals. There is also some amount of favouritism in recognising qualifications as many US states recognize a foreign education in specific countries such as Canada and the United Kingdom. The study also identifies various mutual recognition agreements between the US and other countries in the different sectors and points out ways in which India can establish such recognition agreements to promote trade in licensed services.

The study is expected to be completed during this year.

#### **IC.12. Globalisation of Transport Services: India's Trade and Investment Prospects** – *Arpita Mukherjee, Ruchika Sachdeva and Deepa Bhaskaran*

The study is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Ms. Ruchika Sachdeva, Consultant (till March 2005), ICRIER and Deepa Bhaskaran. The transport sector includes road transport services, rail transport services, air transport services and maritime transport services. The objective of this study is to discuss India's trade and investment prospects in the transport sector in the light of the recent trends and developments in the above mentioned sub-sectors, both globally and within India. The study will highlight the linkages of transport with the rest of the economy, areas of weaknesses and reform requirements. It will discuss the implications of the unilateral liberalisation undertaken by India. The study will also discuss the nature and extent of liberalisation in transport services in various bilateral/regional/multilateral agreements and how India is likely to address this sector in the ongoing GATS negotiations and in its bilateral/regional agreements.

The study is expected to be completed by October 2005.

#### **IC.13. Implementation Issues** – *Anwarul Hoda*

The study is being conducted by Prof. Anwarul Hoda. The issue of implementation as a whole became a rallying point for Members against the proposal for launching a new comprehensive round of multilateral trade negotiations, which envisaged inter alia the expansion of the scope of WTO disciplines. It first appeared on the WTO agenda as a standard matter in the context of the First Ministerial Session at Singapore in December 1996. However, by the Third Session at Seattle it had evolved into a large list of issues representing 'asymmetries and imbalances' in the WTO Agreement, from the

perspective of several developing country Members. At the time the Doha Round got launched in November 2001 it received serious attention from the Ministers and became the subject matter of a separate Ministerial Decision. The Ministers separately agreed (in the main Ministerial Declaration) that negotiations on outstanding issues would be an integral part of the Work Programme, which they established at the Session.

Against this background, the study aims to present an overview of the deliberations in the WTO on Implementation Issues, giving an account of the debate that has taken place and describe the current status of negotiations. It aims to provide an evaluation of the results obtained so far, an assessment of the outstanding issues and recommend the future course of action for India.

The study is expected to be completed during this year.

#### **IC.14. Special and Differential Treatment – Anwarul Hoda**

The study is being conducted by Prof. Anwarul Hoda. This study undertakes to examine the usefulness of the special and differential S&D provisions contained in the WTO Agreement and the scope for making them mandatory or improving them in other ways. The WTO Agreement contains a number of provisions, which accord S&D treatment to developing countries. Some of the provisions envisage favourable action by the developed country partners, while others grant flexibility to the developing countries in the use of trade policy instruments on which the WTO Agreement imposes obligations on Members. A number of developing countries, including India, have been making the point that these provisions are not effective and operational and, therefore, need to be improved, including by making them mandatory. The deadline for action on improvement of the provisions on S&D was the end of July 2002 as per initial work programme approved by the Ministers at Doha. This deadline passed without any agreement on the subject.

In September 2003, at the 5<sup>th</sup> Ministerial Declaration meeting held at Cancun, the draft Ministerial Declaration contained proposals for agreement in 27 out of about 90 areas in which developing countries have made proposals. The points on which an agreed language was proposed to be adopted at Cancun were the less significant ones and in the subsequent discussions the developing countries have stressed that they want agreement on all or most of the 90 proposals. In the post-Cancun negotiations this subject continues to be of importance for the developing countries.

The study is expected to be completed during the year.

#### **IC.15. Enhanced Protection for Geographical Indications: The Case of Indian Tea – Anwarul Hoda, Parthapratim Pal and Monika Verma**

The study is being conducted by Prof. Anwarul Hoda, Dr. Parthapratim Pal, Fellow, ICRIER and Ms. Monika Verma. The TRIPS (Trade Related Aspects of Intellectual



Property Rights) Council under the Doha mandate is discussing two important aspects of Geographical Indicators: First, the extension of higher level of protection under Article 23 of the TRIPS Agreement to products other than wines and spirits and Second, the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection. This paper analyses these issues and explores the implications of these rules for Darjeeling tea.

This is an extension to an earlier paper on the issue which is being further revised in order to study it in greater details. The study is expected to be completed during this year.

#### **IC.16. The Import on India of Tariff and Quantitative Restrictions under the WTO – B. N. Goldar**

This study is being conducted by Dr. B. N. Goldar, IDBI–IFCI Professor, ICRIER (till August 2004). The objective of the study is to make an assessment of how Indian industry has been impacted by India's commitments on tariff and quantitative restriction (QRs) under the WTO. While noting that India has drastically reduced the level of tariff, particularly industrial tariff, in the period since 1991 (the peak rate of tariff declining from 150% in 1991–92 to 15% in 2005–06), it is argued that the tariff reform undertaken by India in the last 14 years was mostly done at India's own initiative and had little to do with India's commitment under the WTO because the tariff rates have in most cases been brought down to a level well below the rates committed. As regards removal of QRs, India had removed most QRs on manufactured intermediate goods and machinery in 1991. Thus, for a fairly large part of Indian industry, liberalisation of imports in the 1990s and later is not an outcome of India's WTO commitments.

Two major components of trade liberalisation traced to India's commitments are (a) removal of quantitative restrictions on textile imports since 1995, and (b) removal of quantitative restrictions on 1429 items in 2000/2001 after India had to give up the BOP cover. Analysing these aspects further with the help of trade data, it is found that the increase in imports of textiles was small in relation to the increase in exports, so that the overall effect of the increase in textile imports on domestic industry must have been modest. As regards removal of QRs on 1429 items in 2000/2001, it is found that the imports increased substantially in a small number of them, uncompensated by export increase, and this may have adversely affected capacity utilisation in such industries. But, overall, there has been only a limited increase in the imports of the 1429 items (mostly consumer goods) freed from QR in 2000/01, the explanation for which may lie mostly in canalisation and trade defensive measures taken.

This study is expected to be completed during this year.

#### **IC.17. WTO Agreement and India: The first 10 years – Parthapratim Pal**

The project is being coordinated by Dr. Parthapratim Pal, Fellow, ICRIER. India completed its first 10 years as a Member of the WTO on December 31, 2004. This

project by ICRIER comprises a compilation of contributions from experts in various fields on India's implementation of the WTO Agreement. It aims to review how India has coped with the obligations that the WTO Agreement has entailed and at the same time benefited from the rights granted.

This study will be completed during this year.

#### **IC.18. Market Access Negotiations in Services: Options for India – B. K. Zutshi**

This study is being conducted by Mr. B. K. Zutshi, Consultant, ICRIER. The study forms a part of the ICRIER series on market access negotiations in the Doha Round. The focus of the study is market access negotiations in the services sector. Starting with an analysis of the GATS framework agreement, the paper makes a critical assessment of liberalisation under the GATS during the Uruguay round and thereafter, arriving at the conclusion that so far there has been limited liberalisation under the GATS excluding telecommunication services, and to a lesser degree financial services. The paper looks at India's existing commitments and contrasts this with the autonomous policy reform and liberalisation already accomplished and under way in the services sector in the country. The paper makes an assessment of the current status in the services negotiating agenda and also covers the area of rules relevant to market access negotiations. Using the leverage of its domestic reform agenda, the paper proposes a strategy of pro-active engagement for India in the negotiations to secure effective market access commitments from its partners in identified areas and modes of export interest to it.

This study will be completed during this year.

#### **IC.19. Trade in Energy Services under GATS – Arpita Mukherjee and Arvind Virmani**

This study was conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER and Dr. Arvind Virmani, Professor, ICRIER. The Energy sector is one of the most important infrastructure service sectors in India. Competitive provision of energy services ensures that energy-dependent services and manufacturing sectors have access to efficiently produced, market-priced, reliable energy. 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 the 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 on-going GATS negotiations. The study discusses India's trade and investment prospects in energy services, spelling out the unilateral liberalisation undertaken so far. It identifies the domestic and external barriers inhibiting India's trade in this sector. It evaluates the scope for multilateral negotiations in



energy services and the implications of such liberalisation for Indian energy sector. Finally, the study recommends domestic policy reforms that would be necessary to support India's negotiating strategies at the WTO and the overall growth of this service sector.

As part of this study, ICRIER provided consultancy services in goods and services to Petrofed (Petroleum Federation of India) and undertook a joint paper on India's negotiating strategies at the WTO in the Petroleum, Oil and Natural Gas sector, which was widely acclaimed by the Ministry of Petroleum and Natural Gas and the Ministry of Commerce & Industry. The papers on energy and other electricity sectors have been completed. The integrated report will be completed shortly.

## **ID Regional and Bilateral Issues**

### ***Projects completed***

#### **ID.1. Trade Potential for India in a Gravity Model – Amita Batra**

This study was conducted by Dr. Amita Batra, Senior Fellow, ICRIER. The comprehensive programme of trade liberalisation initiated in India in July 1991 has undoubtedly led to a perceptible change in the performance of the external sector. Current account deficits have fallen sharply and reserves are accumulating. Though our share of world trade has almost doubled as the base was small it is still not commensurate with our position as the 11<sup>th</sup> largest economy in terms of the current exchange rate (4<sup>th</sup> in terms of GDP at PPP). Similarly, though our trade to GDP ratio has increased it is still far below other large economies such as China and Brazil. Clearly therefore, India needs to enhance its volume of trade with the rest of the world. In this context, ICRIER undertook a study to estimate India's global trade potential.

The study has used an augmented gravity model equation with maximum possible geographical coverage of world trade flows. Bilateral trade in the model has been explained using variables that are representative of geographical, cultural and historical proximity of bilateral trade pairs along with their economic size. In the process the model estimates the most natural trading partners for India. The study identifies countries, regions and regional groupings in Asia with maximum potential for expansion of trade with India. The estimates obtained in this study indicate a huge potential, of the order of US \$ 6.5 billion, with Pakistan. The model also shows that there is tremendous potential with China and trade can more than double if barriers and constraints are removed. The potential direction of trade indicated by the findings in this paper assumes great importance in the context of India's ongoing efforts of bilateral and regional integration.

The study is available as ICRIER Working Paper No. 151.

## **ID.2. Performance of Export Processing Zones of India, Sri Lanka and Bangladesh: A Comparative Analysis – Aradhna Aggarwal**

Conducted by Dr. Aradhna Aggarwal, Consultant, ICRIER, the primary objective of this study is to analyse using econometric analyses, the factors affecting EPZ performance in attracting foreign direct investment and enhancing export performance across three South Asian countries namely India, Sri Lanka and Bangladesh. The study examines domestic and foreign investment trends in EPZs in these countries; analyses export performance of these zones using various indicators and examines the determinants of export performance and investment in the zones. The study also analyses in a comparative framework, the evolution of the EPZ policy across the three countries, governance, incentive package and the provision of infrastructure facilities in the zones across these countries. Primary surveys were conducted across all the zones in India and select zones in Bangladesh and Sri Lanka to solicit views on different aspects of investment climate in the zones and to get different perceptions on the determinants of investment climate in them. Secondary data was collected from the Board of Investment (BOI) for Sri Lanka, Bangladesh Export processing Zones Authority (BEPZA) for Bangladesh and Ministry of Commerce for India.

Findings of the study revealed that the establishment of a successful EPZ programme requires removing all obstacles simultaneously. This is because EPZs offer a package of services simultaneously. An important finding of the study is that investment attracted by the zones depends on the relative advantages that the units enjoy vis-à-vis the firms in the rest of the economy, while the success of the zones in terms of export competitiveness is determined by the overall investment climate of the host country. The study therefore argues that zones cannot be insulated from the broader institutional and economic context of the country and that they cannot be treated as an economy within the economy. Zones are a part of the economy and require overall improvement in the investment climate to ensure success in the long run.

The study was supported by South Asia Network of Economic research Institutes (SANEI) and has been published as ICRIER Working Paper No. 155.

## **ID.3. India-China Trade in Goods – Amita Batra**

This study was conducted by Dr. Amita Batra, Senior Fellow, ICRIER. Bilateral trade relations between India and China have witnessed a transformation in the last decade. While China has emerged as the second most important trading partners for India, India is among the top 20 trading partners of China. China and India are the largest markets in terms of the number of consumers. China has emerged as a leading economic power and a leading trading nation in the world. In the last decade, the two neighbours have outperformed other countries in terms of economic growth. China experienced an average 7.8 percent GDP increase over the past ten years followed by India with an average of more than 5 per cent growth. In contrast, the global average was about 3 per cent. There are therefore opportunities for India and China to significantly expand and strengthen their bilateral economic relations given the accelerated pace of economic

globalisation in both India and China against the backdrop of fundamental changes taking place in the world towards regional trading arrangements. The study developed an understanding of the current status of export and import structures of India and China and analysed the strengths, weaknesses and potential opportunities and constraints in trade expansion between the two economies.

The findings of the study provided input into the Indo-China Joint Study Group report. This was a Ministry of Commerce & Industry, Government of India supported study.

#### **ID.4. India-China Trade in Services – *Arpita Mukherjee, Sanchita Chatterjee and Gurnain Pasricha***

This study was conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Ms. Sanchita Chatterjee, Consultant, ICRIER (till March 2005), and Ms. Gurnain Pasricha. Services sector accounts for a significant proportion of GDP of both India and China. Although there are trade complementarities, the bilateral trade between these two major developing countries is, at present, limited. The two countries have expressed an interest in enhancing bilateral trade. In this context, this study identified the areas of bilateral trade interest and the barriers faced by service providers in each other's markets in these sectors. It also recommended measures for the reduction/removal of such barriers and suggested ways in which the two countries can not only increase their bilateral trade but collaborate to gain greater share of third country markets.

The findings of the study provided input into the Indo-China Joint Study Group report. The study is supported by Ministry of Commerce & Industry, Government of India.

#### **ID.5. Non-Tariff Barriers in Sri Lanka & ASEAN – *Nisha Taneja and Mohammad Saqib***

Conducted by Ms. Nisha Taneja, Senior Fellow, ICRIER and Mohammad Saqib, Consultant, ICRIER, this study identifies non-tariff barriers (NTBs) in ASEAN and Sri Lanka which constitute major impediments to India's exports. The study measures the incidence of non-tariff measures applicable to Indian exports by the countries specified in the study viz., ASEAN and Sri Lanka using the TRAINS-UNCTAD data base. In addition the study assesses the extent to which Indian exporters face NTBs through a survey of exporters.

The study finds that the incidence of non-tariff measures imposed by ASEAN and Sri Lanka increased significantly during 1997–98 to 2002–03 in the case of Indonesia, Philippines and Malaysia. At the firm level, most of the barriers were related to the application of measures on Technical Barriers to Trade and Sanitary and Phytosanitary Measures. The study points out that for some products (e.g., peanuts) standards amongst the ASEAN countries vary significantly making it difficult for Indian exporters to target the ASEAN market as a region. In meat products, importers made unreasonable demands for processes which discriminated against small and medium enterprises. The survey also indicated that there were barriers related to certification, registration and

testing. The study recommends Mutual Recognition Agreements between India and the ASEAN countries which would reduce transaction costs through duplication of testing and certification. The study also recommends domestic measures that should be implemented to meet standards related to the application of TBT and SPS measures.

The findings of the study have been published in ICRIER Working Paper No. 165. The study has been supported by Government of India, Department of Commerce (Tariff Commission).

#### **ID.6. Revealed Comparative Advantage: An Analysis for India and China –** *Amita Batra and Zeba Khan*

This study was undertaken by Dr. Amita Batra, Senior Fellow, ICRIER and Ms. Zeba Khan. Reduction of trade barriers creates competitive pressures and the potential for technology transfer so as to lead to productivity gains and restructuring of an economy toward its comparative advantage. India has undertaken a series of economic reforms towards opening up of the economy in the decade of the nineties. Notable among these has been the extensive effort to liberalize its international trade. It is therefore expected that trade liberalisation in India would have led to changes in the composition of exports so as to reflect India's comparative advantage in the global economy.

A country's comparative advantage in international trade can also vary over time. This may be on account of differential rates of change in accumulation of production factors or due to the increased trade integration of other countries. Further, given the ongoing debate and emerging concern about the threat and opportunity in relation to the rise of PRC in different parts of the world and especially among developing countries and the fact that China and India are not just similar in size but also with respect to factor endowments, it is important to explore the extent to which the two economies compete or complement each other in the global market for manufacturing sector commodities. Against this background, the study analyses the comparative advantage according to factor intensity for India and China individually and in a comparative framework.

This study was completed in May 2005 and will be available as an ICRIER Working Paper shortly.

#### **ID.7. India-Korea: Trade in Goods – Amita Batra**

The study was conducted by Dr. Amita Batra, Senior Fellow, ICRIER. In the last decade trade between India and Korea has increased, both, in terms of volume and percentage growth. Bilateral trade experienced a quantum jump in the last two years, with the trade between India and Korea registering a rate of growth of 34 and 66 per cent in 2002–2003 and 2003–2004 respectively. Share of bilateral trade in total trade of India and Korea respectively is however, small. Trade between India and Korea accounted for only about 3 per cent of India's total trade in 2003–2004. In 2003–2004, India's exports to Korea were US\$ .8 billion accounting for only about 1 per cent of India's total exports,

while imports from Korea were US\$ 2.8 billion and account for about 4 per cent of India's total imports.

The fact that bilateral trade between India and Korea is increasing and trade shares are rather small clearly implies that there is a huge potential for enhancement of bilateral trade between the two countries. This is also reinforced by the increasing trend in total external trade for India in recent years. Hence, India and Korea can mutually gain through expanded bilateral trade. Against this background, ICRIER has been asked to undertake a study to explore the possibility of expansion on trade in goods between India and Korea by the India-Korea Joint Study Group constituted by the Government of India. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, is a member of this study group. The objective is to present a comprehensive study on bilateral economic linkages between India and Korea.

The study was supported by Ministry of Commerce & Industry, Government of India.

### ***Ongoing projects***

#### **ID.8. Indo-US Trade in Services: Prospect of the ICT Sector – Arpita Mukherjee, Prerna Ahuja, Paramita Deb Gupta and Mahima Puri**

The study is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Ms. Prerna Ahuja and Ms. Paramita Deb Gupta. Ms. Mahima Puri, Consultant, ICRIER (till May 2005) is providing advice on legal issues.

The objective of this project is to identify the areas of bilateral trade and mutual cooperation between India and the US in the ICT sector in the context of a possible Indo-US Free Trade Agreement. Five sectoral studies based on primary surveys are being conducted under this project. These include telecommunication sector, software services, IT-enabled/BPO services, audio-visual services and e-commerce. For each of these sectors, recent developments in the sector in India and the US and areas of mutual trade interest between the two countries are examined. The sectoral studies also discuss the existing barriers to trade and suggest measures for removal/reduction of those barriers. The extent of liberalisation undertaken or demanded by the US in its other FTAs is also analysed to understand what it is likely to ask India and how much India can gain from the FTA negotiations. The study analyses the likely impacts (both positive and negative) of the proposed FTA on the particular sector and overall services trade between India and the US. Lastly, it recommends various reform measures which would enable the Indian industry to improve efficiency enhance global competitiveness and gain from the proposed FTA.

The study will be completed by July 2005.

#### **ID.9. Trade in Services under a Free Trade Agreement: Feasibility Analysis and Potential for Trade Creation – Suparna Karmakar**

The study is being conducted by Dr. Suparna Karmakar, Consultant, ICRIER. Three studies have been undertaken simultaneously under this head. Feasibility analyses for trade creation in services under the aegis of the Indo-ASEAN CECA and Indo-Thai FTA and another for the Joint Study Group under the aegis of the Indo-Malaysia CEPA. The objective of these studies is to identify the areas of mutual trade interest in the service sector between India and her partner countries in the context of a possible Free Trade and Investment Agreement. Under the Framework Agreements for establishing Free Trade Areas between Indian and ASEAN, Thailand, and now Malaysia, it has been decided that for promoting economic cooperation between the countries and to raise the capacity and international competitiveness of their goods and services, the partner countries will progressively liberalize and eliminate barriers to trade in, and facilitate the cross-border movement of goods and services between the territories of the Parties on a reciprocal basis as well as create a bilateral trade regime which maximises the complementarities between the two countries.

Both quantitative and qualitative techniques are being used to identify the potential service sectors for a FTA between India and the partner countries in ASEAN. The quantitative analysis will be based on the available data and nature of present service trade between the two countries. Since data on services are not available at a desegregated level, a qualitative analysis is conducted to identify the potential sectors and modes of trade interest, and also the prevalent trade barriers in those sectors. The studies also analyse the extent of multilateral binding of the selected sectors under GATS and the likely additional benefits to be gained by bilateral preferential access over and above the WTO commitments made by the parties. It would also take into account India's ability to use any additional concessions that may be offered by the FTA partners in addition to their WTO commitments.

The study is expected to be completed by August 2005.

#### **ID.10. Feasibility for Inclusion of Services in the Proposed Indo-GCC FTA –** *Arpita Mukherjee and Sukanya Ghosh*

The study is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER and Ms. Sukanya Ghosh. India and six Gulf Cooperation Council (GCC) countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates have significant trade interest in various service sectors such as energy, education, health, IT, real estate, construction and consultancy. A large number of Indians, at all skill levels, work in the GCC countries. Early 2004, India and GCC countries expressed an interest in exploring the possibility of an Indo-GCC Free Trade Agreement (FTA) which would encompass the service sector.

In this context, ICRIER has undertaken a study with the objective to investigate whether it is in India's interest to include services sector in the proposed FTA. The study will identify the service sectors (and modes within those sectors) of bilateral trade interest and mutual cooperation. It will also identify areas of future trade potential and



collaboration. Other objectives of the study are to investigate the likely impacts (both positive and negative) of such bilateral agreement, identify existing barriers to trade and suggest reform measures for the reduction/removal of such barriers through the proposed FTA.

The study is expected to be completed by August 2005.

#### **ID.10. SAFTA: Potential for Expansion in Intra- regional Trade – Amita Batra**

The study is being conducted by Dr. Amita Batra, Senior Fellow, ICRIER. The South Asian Free Trade Area (SAFTA) was approved in January 2004 and will go into effect in January 2006. South Asian intra-regional trade remains depressed despite past stimulus efforts. The objective of this study as part of the SAFTA Stakeholder Collaboration, Assessment and Workshops activity undertaken by the USAID/Nathan Associates USA, is to support trade liberalisation within South Asia so as to accelerate regional economic growth, job creation and poverty reduction and to promote political and economic cooperation. ICRIER has been assigned to undertake a country-specific paper for India examining issues associated with participation in SAFTA and how to enhance trade, investment, economic growth and poverty reduction.

The study is expected to be completed by October 2005. The preliminary outline was presented at the orientation workshop and interactive brainstorming session held in Dhaka, Bangladesh during April 6–8, 2005. The study will be presented at a regional conference proposed to be held in New Delhi in October 2005.

#### **ID.11. Preferential Trading Agreements in Asia – Towards an Asian Economic Community – Arvind Virmani, Amita Batra, and Rashmi Banga**

This study is being conducted by Dr. Arvind Virmani, Professor, ICRIER, Dr. Amita Batra, Senior Fellow, ICRIER and Dr. Rashmi Banga, Consultant, ICRIER. A new trend that has rapidly gained momentum in the 1990s is the proliferation of regional and bilateral trade agreements among countries that reduce barriers to trade on a reciprocal and preferential basis for each other. Currently, nearly all countries are party to at least one RTA and some, to many agreements simultaneously. While northern countries have signed the maximum number of agreements, Asian countries have signed relatively fewer agreements. Asian countries have traditionally pursued trade liberalisation through the multilateral trading arrangement rather than through PTAs. While PTAs like the AFTA and SAPTA have been there for some time, they have tended to emphasize broader issues of regional cooperation rather than concrete measures of trade liberalisation. This stance is now undergoing a change. Several bilateral and plurilateral initiatives have been undertaken in the region – India has a CECA with Singapore, FTA with Thailand and talks for economic cooperation with China are at a decisive stage. Negotiations on economic cooperation between Japan and Korea are beginning. Finally, there are preliminary discussions of a possible ASEAN +3 RTA and the idea of ASEAN

plus four (ASEAN, China, Korea, Japan and India) has already been conceived. The latter may in fact be a precursor to the concept of an Asian Economic Community.

The trade-offs involved in regionalism are complex and difficult to isolate. The evidence on the balance between trade creation and trade diversion in trade blocs is mixed. The maximisation of the benefits of formation of a trading bloc is likely to be a function of finding the right partners. The notion of 'natural' trading partners or trade blocs between neighbouring countries may not always provide the optimum mix of countries. Even more important than the static gains and losses is the question of whether the RIAs are stepping stones towards the ultimate goal of freer trade or do they actually act as millstones around the neck of progress towards this goal. In this background, ICRIER has undertaken a study to analyse the proposed new regional arrangements in Asia with the aim of exploring some of the issues on regional economic integration as it proposes to emerge in Asia. The broad objective of the study is to extract concrete and realistic policy guidelines from the empirical analysis of the economic effects of PTAs for member nations, non-member economies as also for the multilateral trading system. The focus of the study will be on the existing and potential PTAs among ASEAN, India, China, Korea and Japan.

The study is for a period of two years.

## **II MACROECONOMICS, GROWTH AND POVERTY**

### **IIA Macroeconomics Management and Growth**

#### ***Projects completed***

##### **IIA.1 Role of Services in the Growth Process: A Survey – Rashmi Banga**

The study was conducted by Dr. Rashmi Banga, Consultant, ICRIER. It is observed that since 1990s service sector has emerged as the fastest growing sector in most of the economies, be it developed or developing. The growing share of services in global output, employment and international transactions has brought to the forefront the issue of the role played by services in the growth process of developing countries.

In this context, the paper undertakes a selective review of literature that discusses the growth of service sector in developing countries. The relationship between manufacturing and service sector is also explored along with the reasons for slower productivity growth in services as compared to goods. The problems in measurement of productivity in services are discussed along with the issue of productivity paradox. The main objective of the paper is to provide future areas of research in services.

This study was supported by the Sir Ratan Tata Trust and has been published as ICRIER Working Paper No. 159.



## **IIA.2. Critical Issues in Services-led Growth – Rashmi Banga**

Conducted by Dr. Rashmi Banga, Consultant, ICRIER, the paper identifies some of the critical issues in India's service-led growth and provides policy insights with respect to them. The critical issues identified are: what explains growth of service sector in India; what are the reasons for lack of corresponding growth in employment in the service sector; can service sector sustain its growth; and what are the external and domestic constraints to trade in different services. An assessment of performance of services at the aggregated as well as the disaggregated level is undertaken in terms of their shares in GDP, employment, trade and FDI. In order to identify external and domestic constraints to trade, services have been categorised according to their extent of liberalisation, growth and share in trade. Finally, policy directions that emerge from the study are listed.

The study has been supported by the Asian Development Bank (ADB), India, under the aegis of the ADB Policy Networking project on 'Trade and Industry'. The study will form a part of an ADB publication and will be published by Oxford University Press in due course.

## **IIA.3. Essays in Macroeconomic Policy & Growth – Shankar Acharya**

Authored by Dr. Shankar Acharya, Honorary Professor, ICRIER, this book of essays seeks to combine an analytical approach with 'insider knowledge' of the policy process in India. The essays cover a wide range of topics in the area such as macroeconomic management, growth performance and prospects, economic reforms, external sector management, tax reform, and problems of fiscal stress.

The manuscript was completed in May 2005, and is with the publisher, Oxford University Press.

## ***Ongoing projects***

## **IIA.4. Role of Monetary Aggregates in the Conduct of Monetary Policy in India – Sanghamitra Sahu**

The study is being conducted by Dr. Sanghamitra Sahu, Fellow, ICRIER. In recent times, a broad consensus has emerged among economists that, in the long run inflation is a monetary phenomenon. However, notwithstanding this view, monetary policy is often analysed using models that have no causal role for monetary aggregates in the analysis of inflationary process. Against this background, the paper examines the role of monetary aggregates as indicators of future inflation for maintaining price stability. It analyses the monetary indicators within the framework of a small monetary model known as P-star model. This P-star model has substantial empirical support in the developed countries. Therefore it would be useful to test it in the case of a developing country like India.

The study is expected to be completed by August 2005.

#### **IIA.5. Policy Regimes, Growth & Poverty – Arvind Virmani**

This study is being conducted by Dr. Arvind Virmani, Professor, ICRIER. The study primarily explores the links between Indian Policy Regimes, Economic Growth Performance and Poverty Outcomes. It draws lessons for policy reform needed for accelerating growth and poverty reduction. This study covers the period from 1950–51 onwards for which consistent data series are available. The second purpose is to examine the issues of distribution, poverty and hunger in greater depth. The links between policy, growth and poverty are explored at three levels. The first level is that of a policy regime or approach, the second is that of variations and refinements within each regime and the third level is the effect of specific policies.

This study is expected to be completed during this year.

#### **IIA.6. The Debate on the Poverty Estimates of 1999–2000 – K. L. Datta**

The study is being conducted by Mr. K. L. Datta, Consultant, ICRIER (till March, 2005). This paper examines the issue of comparability of the latest estimate of poverty made by the Planning Commission for the year 1999–2000 with the earlier estimates, focusing on the methodology and data base of the estimation. It makes an extensive review of the estimates of poverty made by Angus Deaton, Sundaram and Tendulkar, Abhijit Sen and Surjit Bhalla in their effort to make the official estimates of poverty for 1999–2000 comparable with the earlier estimates of the 1980s and 1990s and links their observations for a comparative analysis of their estimates. The paper traces the comparable poverty estimates for the 1980s and 1990s in their levels and change and uses the extent of poverty reduction implicit in these estimates to assess the magnitude of poverty reduction in the two decades. These are used in the wider debate about globalisation and poverty in the Indian context.

The study is expected to be completed during this year.

## **IIB Financial Development and Reforms**

### ***Projects completed***

#### **II B.1. New Institutional & Economic Approaches to Health Insurance for the Poor in India – Rajeev Ahuja**

The study was conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER. Research on this project was divided into 3 phases. The first phase involved studying economic incentives present in community based health insurance arrangements as observed in different

parts of developing countries. The second phase involved studying health insurance situation in India. The third phase required conducting a household level survey. The process of analyzing household survey data is still on-going and its findings will come out in due course.

Findings of the first two phases were reported in ICRIER Working Paper No. 95 and No. 123. Research on this project was jointly carried out by ICRIER, Centre for Development Research (ZEF), Bonn (Germany) and Centre for Economic and Social Studies (CESS), Hyderabad. The project was supported by the Volkswagon Foundation.

## **IIB.2. Substitutability of Household Sector Saving Assets in India – Arvind Virmani and Sanghamitra Sahu**

The study was conducted by Dr. Arvind Virmani, Professor, ICRIER and Dr. Sanghamitra Sahu, Fellow, ICRIER. In India, one aim of financial liberalisation was to do away with the fixed interest rate regime and leave them to be determined by the market. This financial reform which started in 1991 had a considerable impact on the structure of interest rates. The empirical literature suggests the positive relationship between interest rates and household savings. So it is expected that any change in the interest rate structure will affect the household sector financial portfolio.

In this backdrop, the study analyses the impact of the changing structure of interest rates on the household sector demand for financial assets. The paper shows that interest rate and income are the major determinants of the household demand for financial assets. It also finds that provident fund which earns a high nominal rate of interest rate as well as enjoys tax benefits, acts as a substitute for all other assets.

The findings of the study have been published as ICRIER Working Paper No. 157. This was an RBI chair related study.

## **IIB.3. Health Insurance for the Poor in India: A Conceptual Analysis – Rajeev Ahuja**

Conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER, this paper charts the early development of the emerging phenomenon of micro health insurance, which refers to insurance for the poor, in India. Further, it identifies certain issues such as transaction cost, membership size and risk diversification, inpatient and outpatient care, healthcare benefits and so forth that are important in the design of micro health insurance program. The analyses of these issues carried out in the paper should provide insights to all those involved in the design of health insurance for the poor.

This study is supported by the South Asia Network of Economic research Institutes (SANEI). The findings of the study were presented at the SANEI conference held in Delhi during August 26–27, 2004 and have since been published as ICRIER Working Paper No. 161.

## **II B.4. Decentralisation & Centrally Sponsored Schemes: Some Observations** – *Rajeev Ahuja*

Conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER, the study examines interstate performance of Sampoorna Grameen Rozgar Yojana (SGRY) and Swarnjayanti Gram Swarozgar Yojana (SGSY)—two of the Centrally Sponsored Schemes (CSSs) of the Ministry of Rural Development. While SGRY is meant to provide wage employment, the aim of SGSY is to promote self-employment in the rural areas. The schemes differ substantially in their design and delivery mechanisms. SGRY is implemented exclusively by the PRIs whereas the implementation of SGSY involves many agencies, including PRIs, banks, NGOs and so forth. The authors find that SGSY performs uniformly better than SGRY in all states, except West Bengal. Two important reasons for the difference in interstate performance of these schemes are: resource availability of states, and effectiveness of the two different delivery mechanisms. Later, schemes' performance was related to the progress on decentralisation across states and it was found that the performance of both schemes relate positively to a decentralisation index. Similar results are obtained in our analysis of two other CSSs i.e., water supply (sector reforms program) and total sanitation scheme.

The findings of this study were presented in the National Seminar on Decentralized Governance and Development: Promises, Performance and Prospects held on March 17–19, 2005 in Jamia Millia Islamia University, New Delhi. The paper is expected to come out in an edited volume.

## **III Reform Issues**

### *Ongoing projects*

#### **III.1. Linkages between Development Researchers & Policymakers in India** – *Arvind Virmani, Tarun Das and Tejinder Singh Laschar*

The study is being conducted by Dr. Arvind Virmani, Professor, ICRIER, Dr. Tarun Das, and Mr. Tejinder Singh Laschar, (both are Honorary Consultants, ICRIER). The study undertakes an in depth analysis of research and case studies done by Indian researchers in the spheres of External Sector Reforms and Labour Market Reforms. This analysis is done with the background that India is in a transitional stage; where economic policy reforms set in 1991, along with a metamorphic initiative, for change in the economy and polity. The changes have been witnessed on a global scale. The impact of these policy shifts on the macro economy and the development process are latent, subtle and significant.

This study seeks to bring out to both policy makers and researchers the gaping distance between development research and policy making, and the good effort lost due to this non-linkage. It aims to bring to the limelight the scope of development research and its implications in the process of policy-making and it's bearing on the institutional

framework in the Government of India. Traditionally, the link between research and policy has been viewed as a linear or rational process, whereby a set of research findings is shifted from the 'research environment' over to the 'policy environment', and then has the desired impact on 'policy-makers decisions'. There is a strong need to readjust the perspectives of research both in social and economic change which lead to development. It is useful to identify a research agenda where both the academic community and policy makers are complimentary and thereby engaged productively. Researchers must be sensitive to policymaker demands for research as well as the broader need by society. Here it may be brought out that the quality of the evidence cited in terms of relevance, credibility and communication is also significant for policy uptake. Researchers should focus their research on: How can policy-makers best use research, and move towards evidence-based policy-making? And, how can researchers best use their findings in order to influence policy; and finally how can the interaction between researchers and policy-makers be improved?

The study will be completed during this year.

### **III.2. Governance in the Provision of Public Goods in South Asia – Arvind Virmani and Sanghamitra Sahu**

This study is being conducted by Dr. Arvind Virmani, Professor, ICRIER and Dr. Sanghamitra Sahu, Fellow, ICRIER. It has been recognised that poor governance is the major contributing factor for the poor delivery of public goods and services. While a number of studies have tried to analyse the quality of governance by analysing various subjective aspects of public delivery system, the objective aspect of the delivery of public goods and services have not been tried. Therefore this study propose to fill the gap by developing a time series index of quality governance based on the availability of public and quasi-public goods and services for the South Asian countries as they share similar kind of situations and institutions. The construction of the index will be based on quantitative data thus minimising the subjectivity and bias. The proposed methodologies for the study are a simple arithmetic mean approach as well as a weighted average method.

This study is expected to be completed by June 2006.

# **Seminars & Conferences**

# Research Seminars

## I. ICRIER–World Bank Seminar on Global Development Finance

ICRIER and the World Bank jointly organised a seminar on ‘Global Development Finance: Harnessing Cyclical Gains for Development’ on June 10, 2004 to understand the challenges and implications regarding the global financial conditions affecting developing countries and the future of infrastructure financing in the developing world. Drawing from World Bank’s report by Dr. Mansoor Dailami, Lead Economist, World Bank, the objective of the Seminar was to focus on global financial conditions and the future of Infrastructure finance in developing countries. Dr. Dailami in his presentation emphasised that the key challenge for policymakers in India is to channel capital flows into areas, such as infrastructure, where it can lay the foundations for sustained growth and poverty reduction. Seminar comprised panel discussions on India’s position in context with the theme.

The Seminar was chaired by Dr. Arvind Virmani, Director & Chief Executive, ICRIER. The opening remarks at the Seminar were made by Mr. Michael F. Carter, India Country Director, the World Bank. The panelists included Dr. Surjit Bhalla, Managing Director, Oxus Investments, Dr. Sudipto Mundle, Deputy Country Director, ADB, Dr. Shubhashis Gangopadhyay, Head, India Development Foundation, Dr. T. C. A. Srinivas Raghavan, National Council for Applied Economic Research (NCAER), and Dr. Saumitra Chaudhuri, Economic Advisor, International Centre for development oriented Research in Agriculture (ICRA) Ltd. The seminar was attended by academicians, researchers, experts from financial institutes, senior officials from the Ministry of Finance and media.

## II. Impact of Tariff Reforms on Indian Industry

ICRIER organised a seminar on ‘Impact of Tariff Reforms on Indian Industry: Assessment based on a Multi-sector Econometric Model’ on June 25, 2005 based on a comprehensive study undertaken by ICRIER to quantify the impact of tariff policy changes on India’s industrial sector. The focus of the seminar was to debate and discuss how the domestic industry in India would be impacted by the substantial industrial tariff cuts expected to be made by the Indian government in the near future.

The results shared at the discussion, suggested that even a substantial decline in tariff rates from an average of about 30% to about 10% (along with associated currency depreciation and increased market access) would have only a marginal impact on net exports, value of production and employment in the organised manufacturing sector. According to the ICRIER findings shared at the seminar, there would be no significant adverse impact on the domestic industrial sector from the tariff cuts. Rather, a small increase in aggregate industrial production and employment might occur emanating from the efficiency enhancing effects of tariff reform. Prof. K. L. Krishna, former Senior Consultant, ICRIER, chaired the session. Dr. Arvind Virmani, Director & Chief Executive,

ICRIER, Prof. B. N. Goldar, former (IFCI-IDBI) Chair Professor, ICRIER and Dr. C. Veeramani, former Fellow, ICRIER made presentations on the ICRIER study. The presentations were followed by a question and answer session with active participation of the audience, consisting of scholars, experts, researchers, ministry representatives and media.

### **III. The Growth Experience: Lessons from the 1990s**

ICRIER and the World Bank organised a joint seminar on 'The Growth Experience: Lessons from the 1990s' on September 28, 2004 to analyse the impact on growth of key policy and institutional reforms: macroeconomic stability, trade liberalisation, privatisation, deregulation of finance and utilities etc. Drawing from the World Bank report as well as from ICRIER and other research work on macroeconomics, growth, policy & reform, the seminar focussed on factors that led to the obstruction and sustenance of economic growth in the nineties.

Dr. Roberto Zaghera, Economic Advisor of the World Bank's Poverty Reduction and Economic Management (PREM) network and Dr. Lant Pritchett, Lead Economist of the World Bank's South Asia Environment and Social Unit emphasised on the importance and relevance of new policy initiatives necessary for raising the sustainable rate of economic growth in developing countries, with special reference to India. The seminar drew lessons from the diverse country experiences; from the perspective of reforms in policy and institutional areas and how it has affected growth. Representatives from the Planning Commission, Ministries of Finance and External Affairs, Financial Institutes, Multilateral Organisations, Research Institutes and Academia participated in the seminar. Dr. Isher Judge Ahluwalia, Chairperson, Board of Trustees, IFPRI and Board Member, ICRIER, chaired the seminar.

### **IV. Foreign Direct Investment in Retail Sector: India**

ICRIER organised a seminar to present the preliminary findings of the ICRIER–Department of Consumer Affairs report on 'Foreign Direct Investment in Retail Sector: India' before the government and other stakeholders in New Delhi on November 22, 2004. The purpose of the study was to analyse the growth across different segments of retailing, evaluate the likely impact of allowing FDI on stakeholders and suggest the likely timeframe and process of allowing FDI.

The study advocates that FDI should be allowed in retailing since it would speed up the growth of organised formats. Based on the findings, the study recommends that any opening up of the FDI regime should be gradual – over a 3 to 5 year timeframe – to give the domestic industry enough time to adjust to the changes. It suggests that in the initial stage, FDI up to a maximum of 49 percent should be allowed which can be raised to 100 per cent in 3 to 5 years (depending on the growth of the sector). FDI cap below 49 per cent (i.e., 26 per cent) would not bring in the desired foreign investment collaboration.



Mr. L. Mansingh, Secretary, Department of Consumer Affairs, Government of India, chaired the session. The seminar was attended by different ministries, organised and unorganised retailers, foreign retailers, industry and trading associations, retail experts, multilateral agencies, real estate developers, manufacturers, academicians and media.

## **V. China's Impact on NAFTA Economies**

ICRIER invited Dr. Wendy Dobson, Professor at the Rotman School of Management, University of Toronto, and Director of its Institute for International Business for a presentation on 'China's Impact on NAFTA Economies' on December 17, 2004.

The focus of the seminar was on China's emergence as a major economic force—creating both opportunities and risks for business and policy planning for NAFTA economies. The seminar was important in terms of its usefulness for India in understanding how the Chinese have handled and overcome the trade diverting provisions of NAFTA. Dr. Dobson examined issues of trade, investment and the exchange rate regime, as well as China as a source of systemic risk—before discussing implications for Canada and its NAFTA partners. The seminar was chaired by Mr. Nitin Desai, Honorary Professor, ICRIER.

## **VI. Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh**

ICRIER held a seminar on 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh'. The focus of the seminar was to discuss important policy implications and analyse factors crucial for the success of Export Promotion Zones (EPZs) and Special Export Zones (SEZs) in India.

The real test in terms of the success of the zones as discussed during the seminar was whether they have lead to an overall increase in the economic activity in the area they were located in and eventually within the country as a whole—the indicators of economic activity being economic growth, investment and employment. Dr. Aradhna Aggarwal, External Consultant, ICRIER, explained that the countries wishing to attract investment in the zones would have to put together a co-ordinated package of incentives, infrastructure and good governance. In order to sustain their competitiveness in the long run it is important to improve countrywide investment climate, as the zones cannot be insulated from the broader institutional and economic context of the country. Finally, she argued that the zones will need to give way to industrial clusters of high tech industries to help jump-start the manufacturing processes in the country and improve export competitiveness with greater return.

The seminar was chaired by Mr. Gopal K. Pillai, Additional Secretary, Ministry of Commerce & Industry, Government of India and was attended by government officials, bureaucrats and academicians.

# Conferences

## I. Release of the report 'FDI in Retail Sector: India'

ICRIER organised a press briefing on the release of the ICRIER–Department of Consumer Affairs, (Ministry of Consumer Affairs, Food and Public Distribution, Government of India) Report on 'FDI in Retail Sector: India' on July 14, 2005 in ICRIER Conference hall. The briefing was addressed by Dr. Arvind Virmani, Director & Chief Executive, ICRIER and Dr. Arpita Mukherjee, Senior Fellow ICRIER. Dr. Mukherjee made a presentation outlining the key objectives behind ICRIER's survey-based study. In presenting the findings to the media, the lessons for India from experiences of other countries, the likely impact of opening up of the retail sector to FDI, the process of allowing FDI and policy implications for India were shared.

The report recommends that FDI should be allowed in retailing since it would speed up the growth of organised formats. The ICRIER study found that organised retailing has significant backward linkages by setting up of supply chains, investment in food processing industry and manufacturing units, increased productivity of agriculture, growth of interlinked sectors such as tourism and IT. Consumers have also gained from organised retailing since it leads to lower prices, improves the quality of products and widens the choice of products available to consumers. Based on the findings of the ICRIER study, the report suggests that the opening up of the FDI regime should be gradual—over a 3 to 5 year timeframe - to give the domestic industry enough time to adjust to the changes. In the initial stage FDI up to 49 per cent should be allowed which can be raised to 100 per cent in 3 to 5 years (depending on the growth of the sector). FDI cap below 49 per cent (i.e., 26 per cent) would not bring in the desired foreign investment collaboration.

The briefing was very well attended by print and electronic media and was followed by an interactive discussion.

# **Public Policy Programme**

- I. Public Policy Workshops**
- II. Public Lectures**
- III. Other Contributions to Policy Debate**

# **I Public Policy Workshops**

## **I.1. Meeting with the Pakistani Delegation**

A high level delegation from Karachi Council of Foreign Relations, Economic Affairs and Law (KCFREAL), Pakistan led by Former Chief Justice of Pakistan – Mr. Saeed Uz Zaman Siddiqui, met researchers from ICRIER as part of a three-day good will mission to New Delhi on September 22, 2004. The primary purpose of the meeting was to discuss matters related to regional and bilateral trade, the promotion of economic activity and the free exchange of trade between India and Pakistan. The delegation sought to understand how the Indian economy has had to reorient itself to the changing multilateral trade discipline within the WTO framework and its approach in the Negotiations.

The Pakistan delegation consisted of Former Governor of Sindh – Lt. General Moiniddin Haider, Former Ambassador to France and Chairman of Aga Khan Foundation – Mr. S. K. Delhavi, Former Ambassador to Russia – Mr. Mansoor Alam, Former Federal Minister – Mr. Haleem Siddiqui, Former Attorney General of Pakistan – Mr. Liaqat Merchant, Secretary General of KCFREAL – Mr. Ahsan Mukhtar Zubairi and Group Director of Jung Newspapers – Ms. Fariha Razzak Haroon. The ICRIER discussion was led by Dr. Arvind Virmani, Director & Chief Executive, ICRIER.

## **I.2. First Technical Workshop – ADB Policy Networking Project**

ICRIER was selected as a hub institution by Asian Development Bank (ADB) under the aegis of ADB's 'Policy Networking Project to Strengthen Policy Reforms' for the thematic cluster of 'Trade and Industry'. Instituted by ADB, the project was supported by Government of India, Ministry of Finance (Office of the Chief Economic Adviser) with the objective of providing policy recommendations for the government in the broad areas of trade policy and industrial performance.

The First Technical Workshop to debate and discuss relevant policy questions addressed by each paper under the project was organised jointly by ICRIER and IIMB (hub institute for Industry) at the India Habitat Centre on October 25 and 26, 2004. The papers covered by ICRIER included 'Critical Issues in Services-led Growth' by Dr. Rashmi Banga, Consultant, ICRIER, 'Globalisation, Poverty and Inequality' by Dr. Rajat Acharyya, Jadavpur University, Kolkatta and 'Non-tariff and Other Barriers to Trade' by Dr. Rajesh Mehta, RIS, New Delhi. The Discussants for ICRIER papers were Dr. Rupa Chanda, Associate Professor, IIMB, Dr. Suresh Tendulkar, Professor, DSE, Dr. Surjit Bhalla, Oxus, New Delhi and Prof. Anwarul Hoda, Member, Planning Commission respectively.

The workshop was chaired by Dr. Vijay Kelkar, former adviser, Ministry of Finance.

### **I.3. Panel Discussion on 'The Future of the Dollar'**

In view of the overall decline of the dollar ICRIER organised a panel discussion on 'The Future of the Dollar' on February 4, 2005 to assess structural issues of the world economy, the role that the Dollar plays in it and how that role is evolving. Mr. Nitin Desai, Honorary Professor, ICRIER Chaired the panel discussion. The panel consisted of Mr. Srinivasan Varadarajan, Director, J. P. Morgan Securities, (India), Dr. Omkar Goswami, Director, CERG Advisory and Dr. Surjit Bhalla, MD, Oxus Investments.

The discussion opened with a presentation on the evolution of the external value of the rupee over the past decade by Dr. Arvind Virmani, Director & Chief Executive, ICRIER. He focussed on the linkages of the Real Exchange rate to productivity changes and differential inflation. Mr. Srinivasan Varadarajan presented a market perspective for the next year or so and offered that the case for a weaker dollar had been building for quite sometime, the key factors being the impending correction in global imbalances, the need for the US to finance the 'twin deficits' and a diminishing requirement for Asian reserve accumulation. Dr. Omkar Goswamy discussed the implications of the dollar slide for key currencies including Europe, Asia and China while Dr. Surjit Bhalla emphasised on the need for the role of interest rates to be taken in the context of growth if it is going to be taken as a tool of exchange rate and savings rate policy. Dr. Virmani distinguished between short-term movements in exchange rate emanating from expectational factors and manifest themselves through capital flows and long-term trends, which depend predominantly on relative productivity changes and are closely related to growth and competitiveness.

Mr. Desai concluded that the key imbalance is between the dollar and the Asian currencies, particularly the Chinese currency and that for some time the present processes of dollar depreciation would continue.

### **I.4. Panel Discussion on 'Reforming Global Governance'**

ICRIER organised a panel discussion on 'Reforming Global Governance' in view of the wide-ranging global changes and challenges affecting the UN on March 24, 2005. The aim of the discussion was to present an Indian and a developing country perspective on the reforms of global governance as well as to reflect on the role of the Bretton Woods Institutions.

Addressing the emergence of human rights reforms and the contentious issue of humanitarian intervention, Mr. Virendra Dayal, former Member National Human Rights Commission and former Under Secretary General in the UN, said that India should play a proactive role in the emerging human rights regime of the UN, as well as in the evolution of norms for humanitarian intervention. Raising pertinent issues related to WTO rules vis-à-vis the developing countries, Mr. Anwarul Hoda, Member, Planning Commission, explained that it was mostly the manner in which the WTO rules were

implemented and not the rules per se that resulted in tilting the gaps against the interests of the smaller countries.

Mr. Nitin Desai, Honorary Professor, ICRIER, emphasised on legitimacy of the multilateral system in the eyes of the North and South, which he felt would be questioned if decision making bodies like the Security Council are not modified to give greater voice to the third world. The discussion was chaired by Dr. Arjun Sengupta, Chairman, National Commission for Enterprises in the Unorganised and Formal Sector & former Executive Director for India in the IMF.

### **1.5. ADB Policy Networking Project - Second Technical Workshop**

The Second Technical Workshop for the thematic cluster 'Trade and Industry' under the ADB's 'Policy Research Networking to Strengthen Policy Reforms', was held at Indian Institute of Management, Bangalore on 24–25 January 2005 organised jointly by ICRIER and IIMB, the two hub institutions for this theme. Six draft papers which had been circulated prior to the meeting and assigned reviewers were discussed and commented upon.

The concluding discussions revolved around key issues, next steps and deadlines of submission of the two variants of the ADB papers, i.e. a non-technical (policy) version capturing clear focused policy issues and a technical version for an academic audience. It was discussed that the events to follow would include consultations with policy makers and stakeholders to discuss and analyze the policy implications and reform roadmaps specified in the policy papers.

### **1.6. Indo – Thai Free Trade Agreement: Opportunities for increased Trade in Services**

With services contributing to nearly half of the domestic value added in both India and Thailand making it the premier engine of growth in the two countries, it has become imperative that the two economies cooperate more closely to gain from bilateral trade in services to optimise mutual gains. Given this scenario, ICRIER was commissioned by the Ministry of Commerce to undertake a study on 'Opportunities for Enhancing Service Trade Under Indo-Thai FTA' in order to examine the barriers that deter increase of market access in key service sectors, and suggest negotiating modalities to overcome them, in the interest of maximising the gains from this bilateral engagement. In view of this, ICRIER organised an interactive workshop on Indo–Thai Free Trade Agreement: Opportunities for increased Trade in Services on July 6, 2005 to generate a discussion on the findings of the study and to gain deeper understanding of the issues at hand. The workshop was chaired by Dr. Arvind Virmani, Director & Chief Executive, ICRIER.

## **II Public Lectures**

### **II.1. Speech by Sir Nicholas Stern**

ICRIER organised a talk by Sir Nicholas Stern, Second Permanent Secretary to the HM Treasury, London, Head of the Government Economic Service, and Director of Policy Research of the Prime Minister's Commission for Africa on September 13, 2004. Sir Nick Stern spoke on his Commission for Africa work.

Launched by Mr. Tony Blair, the Prime Minister of UK, the Commission for Africa was set up in preparation of the UK taking over the Presidency of the G8 and the European Union in 2005. Sir Nick Stern discussed the role of the Commission as being to take a fresh look at Africa: its past, present and future, as well as to make recommendations for action that will help set the priority for the UK Government in 2005 and beyond. The seminar was chaired by Dr. Arvind Virmani, Director & Chief Executive, ICRIER.

### **II.2. Health, Demographic Change and Its Impact on the Economy**

ICRIER organised a public lecture on 'Health, Demographic Change and Its Impact on the Economy' by Prof. David Bloom, Clarence James Gamble Professor of Economics and Demography, Department of Population and International Health, Harvard School of Public Health on December 21, 2004. Prof. Bloom made an insightful presentation where he elucidated the effects of public health and demographic changes on economic growth. He explained how better public health could increase the productivity, incentive for acquisition of education and investment. He further emphasised that the improved health would also lead to a demographic transition and the so-called demographic dividend.

One of the surprising implications of his analysis was that about 3/4th of the difference between China's and India's growth rate during the last 25 years is due to the fact that China had encashed its demographic dividend. In the next 25 years, he suggested, it would be India's turn to have the benefit of this dividend. The Lecture was attended by a number of demographers and eminent persons from academia, policy makers, media and various research institutes. It was chaired by Dr. Isher Judge Ahluwalia, Chairperson, Board of Trustees, IFPRI and Board Member, ICRIER.

### **II.3. Dual Economies Growing: India and China**

Nobel Laureate James Mirrlees, Professor of Political Economy and Fellow of Trinity College at the University of Cambridge, delivered an engaging talk on 'Growth and Inequality in Dual Economies' at a Public Lecture organised by ICRIER on December 23, 2005. Looking at the growth rate of high growth economies, he explained that if we were to look at their growth figures in some detail, it would be hard to understand how growth at the rates observed in China, India, Korea, etc. is technologically possible.

According to him, the movement of resources from low productivity to high could help to solve this puzzle.

Drawing a brilliant analysis of growth rate and inequality in dual economies, Professor Mirrlees suggested modifications of the conventional sources of growth accounting equation. He demonstrated how the standard equation of growth (capital contribution + labour contribution + technological advances) cannot explain the true growth rates because it tends to underestimate the growth rate as in the case of China (5.75%) and India (4.75%). The solution according to him lay in modifying the growth equation to take account of the migration of labour from low productivity/wage sectors to high productivity/wage sectors wherein the shift of labour between these two sectors would then get represented by another term in a growth accounting equation.

The Lecture was very well attended by academicians, policy makers and analysts, thinkers and researchers. Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission chaired the lecture.

#### **II.4. Innovations, Institutions and Economic Performance**

ICRIER organised a public lecture by Prof. Edmund S. Phelps, McVickar Professor of Political Economy, Columbia University on 'Innovations, Institutions and Economic Performance' on December 30, 2004. Professor Phelps's talk stressed on the impact of institutions on innovativeness in the economy, which has an impact on productivity, which in turn raises wages thus widening peoples' choices of careers and goods.

He explained that institutions helped generate change and mental stimulation for people in their work. To assess their effectiveness his research looked at three levels of innovational activity: adoption of innovations; adaptation for domestic use; and origination. The implication: how much dynamism an economy has depends on the presence of institutions that facilitate and motivate adoption and adaptation – and origination in exceptional cases. Professor Phelps suggested that as India is now said to be in the catch up period as was Europe in the 50's and 60's, drawing lessons for India from Europe would be useful. According to him, institutions like company law and corporate governance rules and financial devices like stock exchanges and corporate bond markets could be expected to foster innovation.

The lecture was attended by experts from research institutes, scholars, and senior officials from the Ministry of Finance, Ministry of Commerce, and Planning Commission. Mr. Nitin Desai, Honorary Professor, ICRIER chaired the lecture.

#### **II.5. A Tripolar Century: USA, China and India**

Dr. Arvind Virmani, Director & Chief Executive, ICRIER delivered a public lecture on 'A Tripolar World: USA, China and India' on May 18, 2005. The fast growth of Japan till the seventies led scholars to predict a 'Pacific Century.' This talk gradually faded with the bursting of the 'Japanese Bubble,' but was revived with the rise of the Asian Tigers.



Some called it the Asia-Pacific century while others predicted an 'Asian century.' Such talk reached its peak before the Asian crises of 1997–98. In parallel, the world became recognizably unipolar with the collapse of the USSR. Since then talk of multi-polarity has been in the air, joined more recently by sounds of China's challenge to US uni-polarity.

This lecture was based on Dr. Virmani's papers titled 'A Tripolar Century: USA, China', 'Economic Performance, Power Potential and Global Governance: Towards a New International Order,' and 'China's Socialist Market Economy: Lessons of Success'. The talk presented a more radical thesis, that the World will be transformed into a Tripolar one by the middle of this century. He asserted that there is little possibility of the World becoming multi-polar. While delivering the talk he cautioned that one must recognize the high degree of uncertainty associated with long term forecasts and that these risks do not however disappear if we assume that the future will be like the present (as most people tacitly do). Forecasts he pointed out are essential for effective planning of National and International security policies. If these projections of the global economy approximate reality, they will have profound implications for the USA, India, European Union and Japan and the emergence of a New International order.

The lecture was very well attended by renowned academicians, researchers, thinkers and policy makers. The lecture was followed by an interactive discussion and exchange of ideas. Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission chaired the lecture.

### III Other Contributions to Policy Debate

ICRIER's views and policy recommendations have contributed to policy formulation through contributory articles by our researchers and news reports/ reviews of our studies. The issues concerned include streamlining and integrating central and state level taxes vis-à-vis value added tax (VAT), acceleration of economic policy and institutional reforms, credibility and direction of national governance, GDP growth, coal-diesel-petroleum price hike, phased custom duty reforms, inflation management. Additionally, there are the broader areas of research where ICRIER has continued to provide inputs towards public and policy debate.

#### *Union Budget*

Our Professors participated actively in the debate on the 2004-05 & 2005-06 budgets and the policy issues that enter into it. Articles in national dailies included 'The politics of good budgets' in Indian Express, July 6, 2004; 'Of Exaggerated Fears and Exaggerated Hopes', Financial Express, July 9, 2004; 'Responsible on reform but unsound on taxes', Indian Express, July 9, 2004; 'Pot-pourri Package – Selling Dreams to the Common Man', Times of India, July 9, 2004; 'Reforms with a Human Face', Business Standard, July 9, 2004; 'Tax reform returns' in Indian Express, July 28, 2004; 'Neutral customs duty makes more economic sense than VAT', Financial Express, February 14, 2005; 'It's the economy stupid', Business Standard, February 15, 2005; 'Promised reforms have fructified', Economic Times, March 1, 2005; 'Chidambaram, on balance', Economic Times, March 1, 2005; 'Economics and politics of it all', Financial Express, March 1, 2005, etc.

#### *FDI*

In the context of financial liberalisation, ICRIER's study on FDI in retail sector: India by a Senior Fellow evoked significant interest and debate on the issue. The recommendation of the gradual opening up of FDI to retail sector of up to a maximum of 49%, was communicated through various media reports such as 'Govt not averse to retail FDI', Economic Times; 'Policy change to attract FDI'; 'Allow up to 49% FDI in retail sector: ICRIER', Hindu Business Line; 'ICRIER moots 49% FDI in retail' Business Standard, on November 23, 2004, and again on February 8, 2005 in 'Nath seeks view on FDI in retail', Business Standard, and 'Dollar holler: FM set to play FDI for retail', in Economic Times. There has also been a lot of debate on attracting FDI in greenfield manufacturing and services by the Indian government. A contributory article based on an ICRIER study by a Consultants, titled 'Aping Chinese FDI Policy Mayn't Help' in Financial Express, July 5, 2004, drew inferences for India's FDI policy outlining the government's role towards creating a stable policy environment instead of resorting to short term fiscal benefits to attract more FDI.

### *Tariffs*

In the area of trade and openness in the Indian industry, ICRIER's empirical assessment on the impact of further tariff reductions and the results of the study, that showed a strong positive effect on exports and a moderate effect on imports and therefore a positive overall effect on production and value added, was reiterated in specific and broader articles contributing to the policy debate on the issue. The articles include, 'Even 10% duty cut won't hit industry: ICRIER' in Business Standard, June 26, 2004; 'Tax Policies for 2005', January 25, 2005.

### *WTO Issues*

The anti-dumping issues have continued to attract significant global attention vis-à-vis the inclusion of a public interest clause in the agreement. In this context, a contributory article 'Pleading for the public' in Business Standard, November 5, 2004, by a Consultant, argued for such a clause asserting that in the backdrop of the current agreement imposing no obligation to take the broader public interest into account, a public interest clause may prove to be effective in balancing the interests of the domestic producers and the consumers and hence provide for a wider and more complete analysis of the situation in the domestic market.

### *International Relations*

In the area of international economic relations, several contributory articles and news reports on the projected India-China-USA tripolarity in the world economy were relevant in the context of the emerging Indo-US partnership and debate on India-China relations; as they outlined and projected the likely changes in the world economy and the global power relations impelling the US towards closer relations with India. The views have also contributed to the debate on national and international security policies. Some of these articles include, 'Indian economy among top three by 2050'; 'Expert predicts tripolar world by 2050', the Hindu, May 19, 2005; 'The new tripolar world', India Today, April 25, 2005; 'Indian economy has more promising future than Chinese: Virmani'; 'Decline of the West', Business Standard, January 21, 2005; 'India, US & China in a tripolar world' Hindustan Times, May 22, 2005 and 'Poised for the jump', Indian Express, July 15, 2005.

### *Bilateral Regional Issues*

An article on the proposed Indo-Singapore comprehensive economic cooperation agreement (CECA), 'Barriers hampering trade: shows ICRIER study' in Financial Express, April 8, 2004, discussed recommendations in a recent ICRIER study that liberalisation measures undertaken bilaterally should be much beyond what the countries are willing to commit in the multilateral forum. It highlighted specific areas of potential economic cooperation between India and Singapore as identified by ICRIER. Another article titled 'What can we cook in Seoul Kitchen?' in Economic Times, October 1, 2004 on India and South Korea evolving a consensus on issues of common interest

and jointly working for an early resolution of the Doha Development Agenda, was very well timed as it appeared during the South Korean President, Roh Moo-hyun's visit to New Delhi. The article analysed how the bilateral economic relationship between the two countries could reach its full potential by outlining a possible policy roadmap to achieve the same. A contributory article on India-China relations, 'From bhai-bhai to buy-buy' in Indian Express, April 13, 2005 analysed and outlined the strategy for a sustainable economic relationship between the two countries, rather than an FTA that does not include services, FDI or the movement of persons. It was based on an ICRIER working paper, findings of which suggest that the highest un-exploited potential of India's trade is with China. Another contributory article in this context was 'Partners in Trade: Can we trust China?', Sunday Times (ToI), April 17, 2005.

### *Growth Macroeconomics*

Columns and articles by ICRIER Professors have contributed to the academic/policy debate by continuing to take the position that there was excessive optimism about India's medium term growth prospects, reiterated the critical policy reforms necessary to accelerate economic growth, outlined the tax policy priorities necessary to be pursued through annual budgets, emphasised the importance of fiscal responsibility and consolidation for better macroeconomic performance, and advocated appropriate policies to deal with new emerging trends in external finances. Of vital inputs to the academic /policy debate are the columns by one of our Professors appearing in Business Standard. The articles include: 'Growth Prospects: A Reality Check', April 27, 2004; 'A Common Currency for SAARC?', August 24, 2004, 'Inflation and Monetary Policy Dilemmas', September, 28, 2004; 'Forex for Infrastructure anyone?', October 26, 2004; 'Guaranteeing Employment or Fiscal Crisis?', November 30, 2004; 'Bad Ideas are Winning', December 28, 2004; 'Tax Policies for 2005', January 25, 2005; 'A New BOP paradigm?', February 22, 2005; 'Farewell fiscal responsibility?', March 22, 2005; 'India's tax reformers', April 26, 2005 and 'Inflation and the Way Out' in Financial Express, August 12, 2004.

### *Financial Development*

On the macro front, there has been ample media focus on financial reforms and development with an ongoing debate on setting up of the Pension Fund Regulatory and Development Authority (PFRDA). The article 'Do we need a separate pensions regulator?' in Financial Express, June 16, 2004 by a Senior Fellow contributed to the debate by analysing the pros and cons of setting up such a scheme, asserting that the real advantage of the PFRDA will come from the spillover effects. Another article on the same issue by him, 'Walking out on young India' in Indian Express, March 24, 2005 opposed the stand taken by the left parties on the issue.

Similarly, contributions were made to the public debate on two important concerns mentioned in the CMP, namely employment guarantee scheme and universal health insurance. The article, 'EGS demands other reforms', in Economic Times on January 20, 2005, advocated that EGS can be made more effective by integrating and replacing the

plethora of rural development and poverty alleviation schemes. On the same issue, the article 'Welfare schemes: some food for thought' in Financial Express, November 23, 2004 asserted that implementation is of great importance and IT should be used to bring accountability and transparency in its implementation. On the second concern of universal health insurance, the articles, 'Converting wealth into health' in Indian Express, November 18, 2004; 'Guaranteeing Employment or Fiscal Crisis?', Financial Express, November 30, 2004; and 'Universal health insurance: the way ahead' in Financial Express, January 14, 2005, assessed the need to redesign and implement the scheme in selected pilot districts and argued for a decent healthcare system and partnership with private insurers to achieve the desired social objective by the government.

### *Reform Issues*

ICRIER has also continued to address other reform issues such as those related to national governance, through the following contributory and opinion based articles: 'Good Governance Must For 7.5% Growth', Financial Express, May 12, 2004; 'Reforms have been in line with the average pace so far', Financial Express, May 16, 2005; 'Debate: Will the New Regime Push Reforms', Economic Times, May 18, 2004; 'Reforms, may be but at what speed?', May 25, 2004; 'Bad Ideas versus Good Men', June 22, 2004; 'The Real Story of E-2004, (People voted for governments that improved economic well-being and booted out those that didn't)', India Today, June 28, 2004; 'Debate: Should plan panel be disbanded?', Economic Times, October 8, 2004; 'India's tax reformers', April 26, 2005; 'India's Economy: Past and Future', April 04, 2005, Outlook and 'How do we unearth black money?', Economic Times, January 18, 2005.

Addressing the urgent need for electoral reform to reduce political corruption, the article 'Rule of law or of law breakers?' in Economic Times, April 5, 2005 provided the possible elements of a solution. In light of the global rise in oil prices necessitating an ongoing policy debate on its impact on India, a contributory article 'Cut theft and dacoity losses' in Indian Express, May 21, 2005 laid out the critical reforms that would be essential in India's oil policies by the government in order to reduce India's increasing dependence on the oil cartel.

### *Civil Aviation*

In the context of openness and competitiveness in the domestic air travel industry, contributory articles by a Consultant have continued to provide inputs to the debate on critical issues such as the effect of global price rise on the airline industry and government reducing entry barriers for domestic airlines etc. The article titled 'High ATF: keeping the airlines low', Business Standard, August 21, 2004, recommended important measures by the government for absorbing the increase in oil prices and aviation turbine fuel (ATF) in order to arrest the growth of air travel cost. Two articles 'The wrong flight path' in Business Standard, August 17, 2004 and 'Flight of fancy?' in Business Standard, March 24, 2005, cautioned that the government may be taking the easy path of increasing the supply, i.e. allowing too many airlines to enter, which could create havoc

after a short term spell of competitive environment leading to many airlines incurring losses. The articles reiterated the view that the answer to make the domestic civil aviation industry more profitable does not lie in merely reducing entry barriers. But in the government playing a much more decisive role towards improving the operating environment and taking active interest and measures towards helping domestic airlines to cut down the cost of air travel.

# South Asia Network of Economic research Institutes (SANEI)

As of April 2004, the Secretariat of South Asia Network of Economic research Institutes (SANEI) has successfully transferred from ICRIER to Pakistan Institute of Development Economics (PIDE). Dr. Arvind Virmani, Director and Chief Executive of ICRIER retains his position as a member of the SANEI Steering Committee. Dr. Isher Judge Ahluwalia, Chairperson, ICRIER was earlier elected as representative of SANEI on the Board of Governors of the Global Development Network (GDN) and thus will continue to represent South Asian development interests at the global level of research and discussion.

## I. Sixth Annual SANEI Conference

ICRIER hosted the Sixth Annual conference of SANEI in New Delhi from August 26–27, 2004. The Conference brought together 50 participants from SANEI member countries in South Asia including Bangladesh, India, Nepal, Pakistan and Sri Lanka, presenting research on diverse areas of economic development in South Asia.

Key participants at the conference included Professor T. N. Srinivasan, Chairman SANEI, Dr. Isher Judge Ahluwalia, Founder Coordinator SANEI, Prof. Siddique Osmani, Research Advisory Panel Member, SANEI, Dr. Asaduzzaman, Research Director, BIDS, Bangladesh and Mr. Basil Ilangakoon, Executive Vice Chairman, Marga Institute, Sri Lanka, both Members of SANEI Steering Committee, Dr. Shankar Acharya, Honorary Professor and Member Board of Directors, ICRIER and Dr. Arvind Virmani, Director & Chief Executive, ICRIER and Coordinator, SANEI (till March 31, 2004).

Researchers undertaking projects under SANEI round V presented their draft final reports. Work-in-progress of the research projects due for completion under SANEI round VI was also presented during the conference. The Steering Committee of SANEI India met on August 27, 2004 at ICRIER to discuss the future plans and strategies for SANEI.

Ms. Nisha Taneja, Senior Fellow, ICRIER and Dr. Arpita Mukherjee, Senior Fellow, ICRIER presented a paper on 'Indo-Sri Lanka Trade in Services: FTA II and Beyond' jointly with Sanath Jayanetti and Tilani Jayawardhana from Institute of Policy Studies, Colombo. The session was chaired by Dr. Arvind Virmani, Director & Chairperson, ICRIER.

Dr. Rajeev Ahuja, Senior Fellow, ICRIER presented a paper on 'Health Insurance for the Poor in India: Selected Conceptual Issues' and Dr. Aradhna Agarwal presented work-in-progress report on 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh'.

## **II. Research**

The final report of the study 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh' (under the sixth round of funding) conducted by Dr. Aradhna Agarwal, Consultant ICRIER, will be presented at the Seventh Annual Conference of SANEI scheduled to be held in December 2005.

## **III. Publications**

Economic Development in South Asia edited by Dr. Mohsin Khan (Director, Central Asia and Middle East Department, IMF), Tata McGraw Hill, New Delhi, 2005.

## **IV. Global Development Network (GDN)**

As part of the GDN research project on "Bridging Research and Policy", ICRIER completed a study on 'Linkages between Development Researchers & Policymakers in India' by Dr. Arvind Virmani, Professor, ICRIER, Dr. Tarun Das, and Mr. Tejinder Singh Laschar, (both are Honorary Consultants, ICRIER).

Dr. Surabhi Mittal, Fellow, ICRIER presented the project proposal on "Effects of Global Agricultural Trade Liberalisation on Agricultural Production and Poverty in India" under the pre conference workshop "Impact of rich country policies on poverty: A global view" during the sixth annual conference of Global Development Network (Developing and developed worlds: Mutual Impact), held at Dakar, Senegal, January 21-26, 2005. Nine studies have been accepted under the trade theme for funding, of which the India study is being conducted by ICRIER.





# Faculty News

## **ARVIND VIRMANI**

### **Appointed**

- Member of the Board of Life Insurance Corporation of India, February 2005.
- Member of the Multidisciplinary and Intermediation Research Committee (MIRRC), Global Development Network, May 2004.
- Chairman of the Sub-Group on Floating Rate Bonds of the Reserve Bank of India, December 2004.
- Member of the Joint Study Group (JSG) on India-Republic of Korea bilateral economic linkages between two countries, January 2005.
- Expert Member of the Advisory Committee for organising 'Research Day Awards', University Grants Commission, July 2004.

### **Presentations/Lectures at Seminars/Conferences in India**

- Discussant at two sessions (i) De-regulated economies and Finance fragility; and (ii) De-regulated Finance and Development at the conference on 'Development in Open Economies' jointly organised by United Nations conference on Trade and Development (UNCTAD) and Jamia Millia Islamia, New Delhi, April 1–3, 2004.
- Delivered a lecture on 'Reality and Myths of India's Economic Growth' at India Habitat Centre (IHC), jointly organised by ICRIER and India Habitat Centre, New Delhi, April 12, 2004.
- Delivered a lecture on 'Reality and Myths of India's Economic Growth' at India International Centre, jointly organised by ICRIER and IIC, New Delhi, April 16, 2004.
- Delivered a lecture on 'India's Economic Growth: Indian Version of Socialism to Experiments in Market Reform', organised by Bombay Chamber of Commerce & Industry, Mumbai, May 11, 2004.
- Delivered a lecture on 'India's Economic Growth: Indian Version of Socialism to Experiments in Market Reform' organised by Reserve Bank of India, Mumbai, May 11, 2004.
- Chaired the seminar on 'Global Development Finance 2004: Harnessing Cyclical Gains for Development' jointly organised by ICRIER and the World Bank, New Delhi, June 10, 2004.
- Delivered a lecture on 'India's Economic Growth: Indian Socialism to Market Reform' organised by Infosys Technologies Ltd., Bangalore, August 16, 2004.

- Presentation made at the Session on 'Macro Strategies for Employment Growth' at the seminar 'Employment and Economic Growth' organised by Observer Research Foundation, New Delhi, August 17, 2004.
- Chaired the Session on 'Indo Sri Lanka Trade in Services: FTA II and Beyond' at the Sixth Annual SANEI conference, jointly organised by ICRIER and SANEI, New Delhi, August 26–27, 2004.
- Chaired the session on 'Is Asia on the road to be an independent growth centre?' at the Economic Forum on 'India and China as Centres of Globalisation' jointly organised by Federation of Indian Chambers of Commerce and Industry (FICCI) and Konrad Adenauer Foundation (KAF), New Delhi, November 17, 2004.
- Chaired the plenary session on 'Sources of Funding' at the Regional conference on 'Universality of Infrastructure Services: Financing, Delivery, Legal and Regulatory Issues' organised by The Energy and Resources Institute (TERI), New Delhi, December 7, 2004.
- Presentation made at the session on 'Air Power in National Strategy: Views from the Side' at the National conference on 'Air Power in the Millennium' organised by Centre for Air Power Studies, New Delhi, December 8–9, 2004.
- Participated at the Session on 'Achievements in Regional Cooperation' at the Regional Dialogue on 'Global Change and the Future of SAARC: Challenges and Prospects' jointly organised by the Friedrich-Ebert-Stiftung (FES) and Ambassador Kant Bhargava, New Delhi, December 8–10, 2004.
- Chaired the session on 'Progress of Reforms and their Overall Impact on the economy' at the Workshop on 'Economic Reforms: Canadian and Indian Perspectives' organised by the Shastri Indo-Canadian Institute, New Delhi, December 10, 2004.
- Delivered a lecture on 'India's Economic Growth History: Some Policy Lessons' at a conference on 'Growth, Development and Macroeconomic Policy' organised by Indian Statistical Institute, New Delhi, December 18, 2004.
- 'Budget 2005–06: Policy Reform Recommendations' given at the Pre-budget Consultations with the Finance Minister, New Delhi, January 12, 2005.
- Presentation made at the session on 'Growth Drivers: International and Domestic' at the Sixth Annual NBER–NCAER Neemrana conference jointly organised by National Bureau of Economic Research (NBER) and National Council of Applied Economic Research (NCAER), Rajasthan, January 16–18, 2005.
- Delivered a lecture on 'Economic Growth in India: Some Lessons from History' organised by Indian Institute of Management, Bangalore, January 24, 2005.
- Delivered a lecture on 'Economic Growth in India: Some Lessons from History' at Petroleum Federation of India, New Delhi, February 7, 2005.
- Delivered inaugural address at the Indiatimes Strategy Summit organised by Indiatimes.com and SBI Mutual Fund, New Delhi, February 24, 2005.

## International Seminars/Conferences

- Presentation made at the Session on 'Growth Strategies: Lessons from Country Cases?' at the PREM Week conference, the World Bank, Washington, D.C., April 27–28, 2004.
- Delivered a lecture on 'India's Economic Growth' at the World Bank, Washington, D.C., April 27, 2004.
- Delivered a lecture on 'India's Economic Growth' at the Asia and Pacific Department, International Monetary Fund, Washington, D. C., April 28, 2004.
- Presented a 'Course' on 'Economic Reforms: Policy and Institutions Some Lessons from Indian Reforms' at the Learning Week conference, the World Bank, Washington, D.C., May 3, 2004.
- Presented a paper on 'Economic Reforms: Policy and Institutions Some Lessons from Indian Reforms' at the conference on Scaling Up Poverty Reduction, the World Bank, Shanghai, May 25–27, 2004.
- Participated as a Discussant in a session on 'Telecom Reform' at the Fifth Annual conference on 'Indian Economic Policy Reform' organised by the Stanford Center for International Development, Stanford, June 3–5, 2004.
- Delivered a lecture on 'The Indian Elections and Budget: Continuity, Changes and Challenges' at Institute of South Asian Studies, National University of Singapore, Singapore, September 1, 2004.
- Delivered a talk on 'Economic Growth, Governance and Voting Behaviour: An Application to Indian Elections' at the Institute of South East Asian Studies, National University of Singapore, Singapore, September 2, 2004.
- Participated in a meeting of the Consultative Group of the Knowledge for Change Program (KCP) organised by the World Bank, Brussels, Belgium September 9, 2004.
- Participated in the 'Triologue European Union-India-United States of America' jointly organised by the Hanns Seidel Foundation and the Konrad Adenauer Foundation, Brussels, Belgium, September 30, 2004.
- Was the opening speaker in the first Session, 'China and India: Competition or Cooperation' at the Asia Pacific Summit 2004, organised by Asia Pacific Foundation of Canada, Vancouver, Canada, October 13–14, 2004.
- Delivered a talk on 'Economic Growth, Governance and Voting Behaviour: An Application to Indian Elections' at the Institute of Asian Research, University of British Columbia, Vancouver, Canada, October 15, 2004.
- Presented a paper on 'Economic Relations Between India and Taiwan, China' at the Bilateral Interaction organised by Institute for Defence Studies and Analyses (IDSA), Institute of International Relations (IIR) and National Chengchi University (NCU), Taipei, Taiwan, October 27–28, 2004
- Participated as a member of the India–China Joint Study Group (JSG) at the third meeting of the Group, Beijing, China, December 1–3, 2004.

## Other Meetings

- As a Member of Telecom Regulatory Authority of India (TRAI), New Delhi.
- As a Member of the Committee to assess the outcome of Council of Scientific & Industrial Research activities, New Delhi.
- As Chairman of the Board of Trustees of SBI Mutual Fund, Mumbai.
- As a Member in the meeting of the India–China Joint Study Group, New Delhi.
- As a Member (Expert) of the Research Council of National Institute of Science, Technology and Development Studies (NISTADS), New Delhi.
- As a Member of the ‘Market Development Advisory Committee’ of Securities and Exchange Board of India (SEBI), Mumbai.
- As a Member of the Board of Center for Policy Research, New Delhi.
- As a Member of the Technical Advisory Committee of the Money, Foreign Exchange and Government Securities Market of the Reserve Bank of India, Mumbai.
- As a Member of the Board and Investment Sub-Committee of Life Insurance Corporation of India, Mumbai.

## Publications

- Election 2004: A Different Explanation, *Economic and Political Weekly*, Vol. XXXIX No. 25, June 19–25, 2004, pp. 2565–2567.
- Forex for Infrastructure, *Economic and Political Weekly*, Vol. XXXIX No. 52, December 25–31, 2004, pp. 5559–5562.
- Customs Tariff Reform, *Economic and Political Weekly*, Vol. XL No. 11, March 12–18, 2005, pp. 1006–1008.
- “Economic Performance, Power Potential and Global Governance: Towards a New International Order” in *Economic Development in India*, Academic Foundation, New Delhi, 2005.
- “A New Development Paradigm: Employment, Entitlement and Empowerment,” in *Political Economy of Reforms*, edited by Bibek Debroy & Rahul Mukherji, Published by Bookwell Publishers in association with Rajiv Gandhi Institute for Contemporary Studies, New Delhi, 2004.
- “Towards A New Development Paradigm” in *Economic Development in India*, EDI 89, Academic Foundation, New Delhi, 2005.

## **SHANKAR ACHARYA**

### **Appointed**

- Member of Steering Committee on Functional Competition Policy Project, April 2004.
- Member (part time) of Twelfth Finance Commission, July 2004.
- Member of Governing Body of National Institute of Public Finance and Policy (NIPFP), July 2004.
- Reappointed Member of Board of Governors of Indian Council for Research on International Economic Relations (ICRIER), July 2004.
- Member of Development Evaluation Advisory Committee of Planning Commission (Chaired by Dy. Chairman), November 2004.
- Reappointed Member of Governing Body of National Council of Applied Economic Research (NCAER), April 2005.

### **Presentations/Lectures at Seminars/Conferences in India**

- Inaugurated the Mid-Term Technical Workshop on 'State Government Budget Constraints and Delivery of Social Services', at Administrative Staff College of India, Hyderabad (part of ADB-Sponsored 'Policy Research Networking Project'), August 4, 2004.
- Chaired a session in Sixth Annual SANEI conference organised by ICRIER at India Habitat Centre, New Delhi, August 26–27, 2004.
- Delivered a lecture on 'Have India's Economic Reforms Worked?' at Centre for Civil Society, New Delhi, September 2, 2004.
- Participated as a speaker on 'Indian Economy' in Global Portfolio Managers Meeting Mumbai 2004, organised by Fidelity, at The Taj Mahal Palace Hotel, Mumbai, October 5, 2004.
- Participated as a speaker in Panel discussion on 'The "Real" India: Ensuring Board-Based and Sustainable Growth' in 'The India Conference: Welcoming The World' organised by EuroMoney conferences at Taj Palace Hotel, New Delhi, November 4–5, 2004.
- Participated as discussant in a workshop on 'Equity and Development in South Asia', Sponsored by the South Asia Region of the World Bank and the WDR 2006, Imperial Hotel, New Delhi, December 7–8, 2004.
- Participated as discussant on Sri Lanka in a Workshop on 'Equity and Development in South Asia' sponsored by the South Asia Region of the World Bank and the WDR 2006 at Imperial Hotel, New Delhi, December 7–8, 2004.

- Member of the panel 'India's Economic Policies in The Globalising World and Planning in New Perspective' at the National Seminar on 'Development & Nationhood: An India Perspective' at FICCI, New Delhi, January 3–4, 2005.
- Participated as a speaker at 'IRADE–IIEF State of Market Conclave 2005', Second Generation Financial Sector Reforms for India (A Financial Sector that Supports and Fosters 8% Growth), Taj Palace Hotel, New Delhi, January 6–8, 2005.
- Chaired a session on Public Finance in the Sixth Annual NBER–NCAER Neemrana conference, Neemrana, Rajasthan, January 16–18, 2005.
- Participated as a speaker in the session 'An Economic Overview of India', organised by US Council on Foreign Relations, India International Centre, New Delhi, February 16, 2005.
- Participated as a panelist on 'Budget 2005', an Open Forum organised by India Habitat Centre, India Habitat Centre, New Delhi, March 10, 2005.
- Participated as Chairman, Advisory Committee in a session on 'Reforming State Finance–An Agenda' at the Final Technical Workshop of Policy Research Networking project-ADB, organised at Administrative Staff College of India (ASCI), Hyderabad, March 21–22, 2005.
- Delivered a lecture on 'India's Economy: Retrospect and Prospects', at Indian Institute of Technology, Delhi, March 31, 2005.

### **International Seminars/Conferences**

- Participated in Global Economic Governance conference on 'Pathways Through Financial Crisis', University College, Oxford, UK, April 29–30, 2004.
- Participated in a meeting of the 'Toyota International Advisory Board (IAB)', at Hakone, Japan, July 7–8, 2004.
- Delivered a lecture on 'SAARC – Is it the time for a common currency?' in the National Forex conference organised by Forex Association of India at Taj Samundra Hotel, Colombo, Sri Lanka, August 20–22, 2004.
- Held discussions with the Government of Sri Lanka on the World Bank's draft Development Policy Review report Colombo, Sri Lanka, September 14–18, 2004.
- Made Presentations at Seminars of the published Sri Lanka Development Policy Review, Colombo, Sri Lanka, December 14–16, 2004.
- Participated in Kotak Bank–Goldman Sachs Investor conference on 'India Unplugged...Promise of a New Era', at Millenium Hilton, New York, February 8, 2005.

## **Publications**

- 'Sri Lanka: Development Policy Review', World Bank, December, 2004.
- Draft of book 'Essays on Macroeconomic Policy and Growth', *Oxford University Press*, (forthcoming).
- Contributions to 'Report of the Twelfth Finance Commission', November, 2004.
- 'India's Growth Prospects Revisited', *Economic and Political Weekly*, October 9, 2004.
- 'Thirty Years of Tax Reform in India', *Economic and Political Weekly*, May 14, 2005.

## **NISHA TANEJA**

### **Presentations/Lectures at Seminars/Conferences in India**

- Presented a paper on 'Indo-Sri Lanka Trade in Services: FTA II and Beyond' with Arpita Mukherjee, Sanath Jayanetti and Tilani Jayawardhana at the Sixth Annual SANEI conference, New Delhi, August 26–27, 2004.
- Presented a paper on 'Trade Facilitation in South Asia' at the Commonwealth Business Council and Council for Social Development (CSD) Roundtable on SAFTA, New Delhi, December 15–16, 2004.

### **International Seminars/Conferences**

- Participated in a seminar on 'Pakistan-India Trade' organised by the World Bank, Islamabad, Pakistan, April 1–2, 2005.

## **Publications**

- (with M. Sarvananthan, B.K. Karmacharya and S. Pohit), 'Informal Trade in India, Nepal and Sri Lanka' in Mohsin Khan (ed.), *Economic Development in South Asia*, Tata Mc Graw Hill, New Delhi, 2005.
- 'Informal Trade in the SAARC Region: Implications for Free Trade Agreements' in S. Soz, S. K. Sahni, and R. N. Srivastava (eds), *Towards South Asian Economic Integration and Unity*, Foundation for Peace and Sustainable Development, Delhi, 2004.



## ARPITA MUKHERJEE

### Presentations/Lectures at Seminars/Conferences in India

- Presented a paper on 'Indo-Sri Lanka Trade in Services: FTA II and Beyond' with Nisha Taneja, Sanath Jayanetti and Tilani Jayawardhana at the Sixth Annual SANEI conference, New Delhi, August 26–27, 2004.
- Chaired a session on 'Services Negotiation Way Ahead' at the Synergy 2004, Fifth National Industry Academia Meet organised by NIILM Centre for Management Studies, New Delhi, October 29–30, 2004.
- Delivered a lecture on 'Trade in Services: Gats 2000 Negotiations' for IES Probationers of Batch XXVI at Institute of Economic Growth, Delhi, November 2, 2004.
- Presented the Department of Consumer Affairs–ICRIER draft report on 'Foreign Direct Investment in Retail Sector: India', in a seminar organised by ICRIER, New Delhi, November 22, 2004.
- Made a presentation on 'WTO & India: Prospects Ahead' at the one day International workshop on 'WTO & India: Year 2005 and Beyond', organised by Centre of International Business, Amity Business School, Noida, December 22, 2004.
- Made a presentation on 'India and Services Negotiation: Future Strategies and Implementation Issues' at National seminar on 'India and the WTO Regime: The first decade and Beyond' organised by School of International Studies, JNU, New Delhi, January 27–28, 2005.
- Presented a paper on 'FDI in Retailing and India' at NIILM Centre for Management Studies, New Delhi, March 4, 2005.
- Made a presentation on 'Trade in Services: GATS 2000 Negotiations' at the workshop jointly organised by FICCI and Islamabad Based SAARC Chamber of Commerce and Industry, New Delhi, March 29–31, 2005.

### Publications

- 'Higher Education, GATS and India: Issues and State of Play', in *Indo-US Business*, Indo-American Chamber of Commerce, Mumbai, July–August 2004.
- 'Doha Round of Services Negotiations: Indian Perspective', in Annual Special Issue of Chartered Financial Analyst, *ICFAI University Press*, Hyderabad, December 2004.
- 'Developing Countries and GATS Negotiations: The Case of India', *Global Economy Journal*: vol. 5, No. 2, Article 1, June 2005.
- 'Cultural Diversity and Trade Liberalisation: The Case of India', in *Trade and Culture: Issues in 2004*, conference paper of Centre for Trade Policy and Law, Chicago, <http://www.carleton.ca/ctpl/pdf/conferences/tradeandcultureposting4.pdf>.

- 'Audio-visual policies and international trade: the case of India' in Paolo Guerrieri, P. Lelio Iapadre and Georg Koopmann (eds), *Cultural Diversity and International Economic Integration: The Global Governance of the Audio-Visual Sector*, Edward Elgar Publishing Limited, UK, 2005.
- 'GATS and Developing Countries: Key Issues and Prospect for India' in J.K Mittal and K.D. Raju (eds), *World Trade Organisation and India: A critical study of its first decade*, New Era Law Publications, New Delhi, 2005.
- 'Trade in Construction and Consultancy Services' in *Journal of Marketing and Communication*, Second Issue (forthcoming).
- (With Nitisha Patel), 'Foreign Direct Investment in Retail Sector: India', Academic Foundation, New Delhi.

## **AMITA BATRA**

### **Presentations/Lectures at Seminars/Conferences in India**

- Made a presentation on 'India–China: Trade in Goods to the India–China JSG' during the IJSG meetings, New Delhi, July 27, 2004.
- Made a presentation on 'Stock Return Volatility Persistence in India: 1979–2003' at the conference on 'Research on Finance and Accounting', organised by Indian Institute of Management, Lucknow, March 17–18, 2005.

### **International Seminars/Conferences**

- Made a presentation on 'Response to East Asian Regionalism-View from India' at the conference on 'East Asian Regionalism and its Impact' organised by the Institute of Asia Pacific Studies, Chinese Academy of Social Sciences, Beijing, China, October 21–22, 2004.

### **Publications**

- (With Arvind Virmani), 'Response to East Asian Regionalism-View from India' (forthcoming) in the volume of conference proceedings of the international conference on 'East Asian Regionalism and its Impact' organised by the Institute of Asia Pacific Studies, Chinese Academy of Social Sciences in Beijing, China, October 21–22, 2004.
- 'Stock Return Volatility Persistence in India: 1979–2003', proceedings of the conference on 'Research in Finance and Accounting' organised by IIM, Lucknow, March, 2005.

## RAJEEV AHUJA

### Presentations/Lectures at Seminars/Conferences in India

- Presented a paper on 'Health Insurance for the Poor in India: Selected conceptual issues', in the Sixth Annual SANEI conference, Delhi, August 26–27, 2004.
- Presented an overview of 'Current Health Insurance Coverage' in an Annual conference on 'State of Insurance Market: A Billion Lives to Cover', organised by BearingPoint, Hyderabad, October 27–29, 2004.

### International Seminars/Conferences

- Presented a paper on 'Extending formal insurance to the informal economy workers in India' in a conference on 'Unlocking Human Potential: Linking formal sector with the informal economy workers' at UNU-WIDER, Helsinki, September 17–18, 2004.
- Participated in a conference on 'Private Voluntary Health Insurance' at Wharton School, Philadelphia, March 15–16, 2005.

### Publications

- 'Even Development: Reaching Rural Areas and Socially Weak', *IRDA Journal*, December 2004.
- (With Indranil De), 'Health Insurance for the Poor: Need to strengthen healthcare provision', *Economic and Political Weekly*, Vol. XXXIX No. 41.
- 'The Poor Need health insurance, too', *IRDA Journal*, October 2004.
- 'Universal Health Insurance Scheme', *Yojana*, July 2005.
- (With Anwarul Hoda), 'Agreement on Subsidies and Countervailing Measures: Need for Clarification an Improvement', *Journal of World Trade*<sup>\*</sup> (forthcoming in December issue).

## SURABHI MITTAL

### International Seminars/Conferences

- Delivered a lecture on 'Indian Agriculture: Trends, issues and policies' at Department of Agriculture, University of Mauritius, Mauritius, November 16, 2004.

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\* Kalaitzidakis, et al's article "Academic journals and Institutions in economics" in *Journal of the European Economic Association*, December 2003, rank this journal at 135.

- Presented the project proposal of 'Effects of Global Agricultural Trade Liberalisation on Agricultural Production and Poverty in India' at the workshop on 'Impact of rich country policies on poverty: A global view', organised during the Sixth Annual conference of Global Development Network (Developing and developed worlds: Mutual Impact), Dakar, Senegal, January 21–26, 2005.

## **Publications**

- (With Praduman Kumar and Anjani Kumar), 'Total Factor Productivity of Crop Sector in the Indo-Gangetic Plain of India: Sustainability Issues Revisited', *Indian Economic Review*, Delhi School of Economics, Vol. 39, No. 1, Jan–June 2004, pp. 169–201.
- (With Praduman Kumar and Pramod Kumar), 'Vegetable Demand and Production in India: Long-term Perspective' in Sant Kumar, P.K.Joshi and Suresh Pal (eds), *Impact of Vegetable Research in India*, National Centre for Agricultural Economics and Policy Research (ICAR), New Delhi, 2004, pp. 161–178.

## **RASHMI BANGA**

### **Presentations/Lectures at Seminars/Conferences in India**

- Presented a paper on 'Critical Issues in India's Services-Led Growth' in Asian Development Bank Policy Networking Project, First Technical Workshop, at India Habitat Centre, New Delhi, October 25–26, 2004.
- Presented a paper on 'Impact of Liberalisation on Wages and Employment', in international conference of Academy of International Business (AIB), at Indian Institute of Technology, Kharagpur, 11–13 January, 2005.
- Presented a paper on 'Impact of Liberalisation on Wages and Employment', at the Second Technical Workshop, at Indian Institute of Management, Bangalore, January 24–25, 2005
- Presented a paper on 'Role of Services in economic Growth' in Institute of Economic Growth, Delhi, January 12, 2005.
- Presented a paper on 'FDI in India and China: Comparative Analysis' in School of International Studies, Jawaharlal Nehru University (JNU), February 21, 2005.

### **International Seminars/Conferences**

- Attended Summer School on 'Micro-Economic Impact of Trade Policies' in University of Milan, Italy, August 2004.

- Presented a paper on 'Contribution of Services to Output Growth and Productivity Enhancement in Indian Manufacturing: Pre and Post Reforms', in European Trade Study Group conference, Nottingham University, U.K., September, 2004.

## Publications

- Review of Pradeep Agrawal, Subir Gokran, Kirit Parikh, Veena Mishra and Kunal Sen et al (eds), *Policy Regimes and Industrial Competitiveness in World Affairs*, Volume 8, No. 4, December 2004.
- 'Does the Structure of Debt Affect the Output and Investment Strategies of the Firm?' ***Journal of Restructuring Finance\****, Vol. 2, No. 2, 2005, pp 1–16.
- 'Trade in Services: A Review', ***Global Economy Journal\****, Vol. 5, No. 2, Article 3, 2005.
- 'Foreign Investment, Technological Progress and Labour Productivity: A Case Study of Manufacturing in India' in H. Kehal and Palgrave Macmillan (eds), *Foreign Investment, Globalisation and Digitalisation: Concerns and Opportunities*, 2005.
- 'Do Investment Agreements Matter?' ***Journal of Economic Integration\**** (Forthcoming).
- 'The Export-Diversifying Impact of Japanese and U.S. Foreign Direct Investments in Indian Manufacturing Sector' ***Journal of International Business Studies\**** (Forthcoming).

## SANGHAMITRA SAHU

### Publications

- (With B. Kamaiah), 'On the Relevance of Monetary Models of Exchange Rate: Some Evidence from Asian Countries', *Asian Economic Review*, Vol. 46, No. 2, August 2004.

## DANISH A. HASHIM

### Presentations/Lectures at Seminars/Conferences in India

- Presented a paper on 'Cost & Productivity in Indian Textiles: Post MFA Implications', at an internal seminar at the ICRIER, New Delhi, August 23, 2004.
- Delivered two lectures to the Indian Economic Services (IES) trainees on 'Estimating Cost Functions & Capacity Utilisation' at the Institute of Economic Growth, Delhi, January 6, 2005.

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\* Refereed International Journals are mentioned in bold

## **Publications**

- 'Indian Airlines, 1964–1999: Structure of Cost and Policy Implications', *Economic and Political Weekly*, Mumbai, Vol. 39, No. 32, August 7, 2004.
- 'Why is Air Travel so Expensive in India? An Analysis', *Economic and Political Weekly*, Mumbai, Vol. 39, No. 34, August 21, 2004.
- 'Post-MFA: Making Textile and Garment Industry Competitive', *Economic and Political Weekly*, Mumbai, Vol. 40, No. 2, January 8, 2005.
- 'The Capacity Utilisation of an Airline and its Impact on Cost', *Journal of Services Research*, IIMT, Gurgaon, Vol. 5, No. 1, April 2005.
- 'The Capacity Utilisation of an Airline and its Impact on Cost' in V. Jauhari & U. Venkatesh (eds), IIMT, Gurgaon, Readings in Services Management, 2005.

## **ARADHNA AGGARWAL**

### **Presentations/Lectures at Seminars/Conferences in India**

- Presented a paper on 'Strategic Approach to Strengthening the International Competitiveness in Knowledge based Industries: Indian Pharmaceutical Industry' at the National seminar on 'Strategic approach to Strengthening the International Competitiveness in Knowledge based Industries' organised by RIS and DSIR, Delhi, August 13, 2004.
- Invited as a discussant at a session in the conference on 'WTO Post-Cancun developments: Options for South Asia' organised jointly by Sustainable Development Policy Institute, Pakistan, Consumer Unity & Trust Society, India, Oxfam GB, Pakistan and South Asia Watch on Trade, Economics & Environment, Nepal in Islamabad, Pakistan, August 17–19, 2004.
- Presented work-in-progress report on 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh' at the Sixth Annual SANEI conference, New Delhi, August 25–26, 2004.
- Presented a paper on 'The WTO Anti-dumping Agreement: Possible Reform Through the Inclusion of a Public Interest Clause' at the National seminar on 'WTO rules Negotiations' organised by the Department of Commerce, Ministry of Commerce & Industry, New Delhi, September 21–22, 2004.
- Made a presentation on Anti-dumping to the IES Trainee officers at the Institute of Economic Growth, Delhi, September, 2004.
- Made a presentation on the Indian Pharmaceutical industry to the IES Trainee officers at the Institute of Economic Growth, Delhi, September, 2004.

- Presented a study on the 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh' at the seminar organised by ICRIER at the India International Centre, New Delhi, March 30, 2005.

## **Publications**

- (With Nagesh Kumar), 'Liberalisation, Outward Orientation and In-house R&D Activity of Multinational and Local Firms: A Quantitative Exploration for Indian Manufacturing', *Research Policy*, Vol. 34, No. 4, pp. 441–460, 2005.
- (With Welber Barral and Gilvan Brogini, Brazil, Krista Lucenti, Switzerland, and Colin McCarthy, South Africa), 'The Use of Anti-dumping in Brazil, China, India and South Africa', National Board of Trade, Sweden, 2005.
- 'Liberalisation, Multinational Enterprises and Export Performance: Evidence from Indian Manufacturing' in C. H. H. Rao, B. B. Bhattacharya and N. S. Siddharthan (eds) *Indian Economy and Society in the Era of Globalisation and Liberalisation* (Essays in honour of A.M. Khusro), Academic foundation, New Delhi, 2005, pp. 223–244.
- 'SEZ Bill 2005: Can it Re-ignite the Engine of Transformation' *Yojana* (forthcoming).

## **K L DATTA**

### **Presentations/Lectures at Seminars/Conferences in India**

- Participated as a discussant at the seminar on 'Mid-Year Review of the Indian Economy', organised by India International Centre, New Delhi, November 27, 2004.

### **Publication**

- 'Central Planning: A Case Study of China', *Concept Publishing Company*, New Delhi, 2004.

## **MEENU TEWARI**

### **International Seminars/Conferences**

- Made a presentation on 'Adjustment in the Indian Textile and Apparel Industry' at the conference on 'Clothing Europe: Comparative Perspectives on Trade Liberalisation and Production Networks in the New European Clothing Industry', Chapel Hill, NC, October 16, 2004.
- Made a presentation on 'The emergence of quasi buyer-driven chains in the US furniture industry' at Duke University, Department of Sociology, November 12, 2004.

- Made a Presentation on 'Regional re-positioning within India's garment industry: Elements of a third generation narrative in global commodity chains' at the 45<sup>th</sup> Annual conference organised by American Collegiate Schools of Planning, Portland, Oregon, November 22, 2004.
- Made a presentation on 'Adjustment in an era of global outsourcing: Learning and uncertainty in North Carolina's furniture districts' with Mary Donegan, at a conference on 'Navigating Globalisation in the American South', University of North Carolina, Chapel Hill, March 4, 2005.
- Presented a paper on 'Prospering from within: Managing economic change by nurturing local assets' with Aaron McKethan, at a conference on 'Navigating Globalisation in the American South, University of North Carolina, Chapel Hill, March 4, 2005.
- Participated as a discussant on 'The RTA effect?' for the panel, 'Sectoral Perspectives on Commodity Chains: the Global Apparel Industry' at the conference on 'Global Networks: Inter-disciplinary Perspectives on Commodity Chains', Yale University, May 13–14, 2005.
- Presented a paper on 'Post-MFA adjustments in the Indian textile and garment industry' at the conference on 'The End of Global Quotas: Understanding the New Shape of the Global Economy,' at the Harvard Law School's Labor and Worklife Program, Harvard University, May 23–24, 2005.

## Publications

- 'Non-local forces in the historical evolution and current transformation of North Carolina's Furniture Industry' in James Peacock, Harry Watson and Carrie M. Mathews (eds), *The American South in a Global World*, Chapel Hill and London: UNC Press, March 2005.
- (With Poonam Pillai), 'Global standards and environmental compliance in India's leather industry', *Oxford Development Studies*\* (Forthcoming).
- 'Foreign direct investment and the transformation of Tamil Nadu's automotive supply base' in Yves-André Faure, Loraine Kennedy and Pascal Labazée (eds.), *Local Production Systems and Global Markets in Emerging Economies: Brazil, India, Mexico*, IRD/Karthala, Paris (Forthcoming).
- 'The challenge of Reform: How India's textile and apparel industry is facing the pressures of economic liberalisation', June 2004. Background paper for the Sloan Workshop in Industry Studies, Rockport, Massachusetts.  
[http://www.soc.duke.edu/sloan\\_2004/Sloan.html](http://www.soc.duke.edu/sloan_2004/Sloan.html)

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\* Refereed International Journals are mentioned in bold.



## **Management Committees**

**As on July 15, 2005**

### **Executive-cum-Finance Committee**

Dr. I. G. Patel	:	Chairman
Mr. N. K. Singh	:	Member
Dr. Shankar Acharya	:	Member
Ms. Janaki Kathpalia	:	Member
Mr. Uday S. Kotak	:	Member
Director & Chief Executive, ICRIER	:	Member-Secretary

### **Investment Committee**

Mr. Uday S. Kotak	:	Chairman
Dr. Shankar Acharya	:	Member
Ms. Janaki Kathpalia	:	Member
Director & Chief Executive, ICRIER	:	Member-Secretary

**Table 1**  
**ICRIER WORKING PAPERS (2004–05)**

<b>No.</b>	<b>SUBJECT</b>	<b>AUTHOR</b>	<b>DATE</b>
135	Impact of Tariff Reforms on Indian Industry: Assessment Based on a Multi-Sector Econometric Model	Arvind Virmani B N Goldar C Veeramani Vipul Bhatt	June 2004
136	Outsourcing and Job Loss: A Protectionist Fallacy	Rajeev Ahuja	June 2004
137	Productivity Trends in Indian Manufacturing in the Pre and Post Reform Periods	B N Goldar	June 2004
138	Economic Growth, Governance and Voting Behaviour: An Application to Indian Elections	Arvind Virmani	July 2004
139	Contribution of Services to Output Growth and Productivity in Indian Manufacturing: Pre and Post Reforms	Rashmi Banga B N Goldar	July 2004
140	Impact of Trade Liberalisation in Manufacturing Industry in India in the 1980's and 1990's	Mihir Pandey	August 2004
141	Missing Markets in World Trade the Case for 'Sui Generis' Protection of Traditional Knowledge	Ajeet Mathur	August 2004
142	The WTO Anti-dumping Agreement: Possible Reform through the Inclusion of a Public Interest Clause	Aradhna Aggarwal	September 2004
143	Trade Liberalisation, Multinational Involvement, and Intra-Industry Trade in Manufacturing	Choorikkad Veeramani	September 2004
144	Patterns and Determinants of Economic Growth in Indian States	K L Krishna	September 2004
145	Indo-Sri Lanka Trade in Services: FTA II and Beyond	Nisha Taneja Arpita Mukherjee Sanath Jayanetti Tilani Jayawardane	November 2004
146	Trade and Competition Policy	Aditya Bhattacharjea	November 2004
147	Cost & Productivity in Indian Textiles: Post MFA Implications	Danish Hashim	November 2004
148	Export Processing Zones in India: Analysis of the Export Performance	Aradhna Aggarwal	November 2004
149	Trade in Telecommunication Services: Opportunities and Constraints	Rajat Kathuria	November 2004
150	Economic Performance, Power Potential and Global Governance: Towards a New International Order	Arvind Virmani	December 2004
151	India's Global Trade Potential: The Gravity Model Approach	Amita Batra	December 2004
152	Trade in Financial Services: India's Opportunities and Constraints	Rupa Chanda	January 2005
153	Impact of Liberalisation on Wages and Employment in Indian Manufacturing Industries	Rashmi Banga	February 2005
154	Trade and Foreign Direct Investment in Services: A Review	Rashmi Banga	February 2005
155	Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh	Aradhna Aggarwal	March 2005
156	Liberalisation and Wage Inequality in India	Rashmi Banga	March 2005
157	Household Sector Portfolio Allocation in India	Sanghamitra Sahu Arvind Virmani	March 2005

158	Patents Legislation and International Obligations: India	Mahima Puri Anjali Varma	March 2005
159	Role of Services in the Growth Process: A Survey	Rashmi Banga	March 2005
160	A Tripolar Century: USA, China and India	Arvind Virmani	March 2005
161	Health Insurance for the Poor in India: An Analytical Study	Rajeev Ahuja	June 2005
162	Micro-Insurance in India: Trends and Strategies for Further Extension	Rajeev Ahuja	June 2005
163	The SPS and TBT Agreements: Implications for Indian Policy	Bibek Debroy	June 2005
164	Global Integration of India's Money Market: Interest Rate Parity in India	Vipul Bhatt Arvind Virmani	July 2005
165	Non-Tariff Barriers and India's Exports: The Case of ASEAN and Sri Lanka	Mohammed Saqib Nisha Taneja	July 2005
166	Intellectual Property Conventions and Indian Law	Mahima Puri Anjali Varma	July 2005
167	Post-MFA Adjustments in India's Textile and Apparel Industry: Emerging Issues and Trends	Meenu Tewari	July 2005

**Table 2**  
**WTO Research Series**

<b>No.</b>	<b>SUBJECT</b>	<b>AUTHOR</b>	<b>DATE</b>
1.	Special and Differential Treatment in Agricultural Negotiations	Anwarul Hoda	June 2004
2.	Agreement on Subsidies and Countervailing Measures: Need for Clarification and Improvement	Anwarul Hoda Rajeev Ahuja	July 2004
3.	Trade in Environmental Services: Opportunities and Constraints	Aparna Sawhney Rupa Chanda	August 2004
4.	The WTO Anti-dumping Code: Issues for Review in Post-Doha Negotiations	Aradhna Aggrawal	September 2004
5.	WTO-Related Matters in Trade and Environment: Relationship Between WTO Rules and MEAs	Aparna Sawhney	October 2004
6.	Transparency in Government Procurement	Anwarul Hoda Suchi Bansal	November 2004

**Table 3**  
**Publications – New and Forthcoming**

<b>SUBJECT</b>	<b>AUTHOR</b>	<b>PUBLISHER</b>
Economic Development in South Asia	Mohsin Khan	Tata McGraw Hill,
FDI in Retail Sector: India	Arpita Mukherjee Nitisha Patel	Academic Foundation
Essays in Macroeconomic Policy and Growth (Forthcoming)	Shankar Acharya	Oxford University Press
South Asian Countries Studies (Forthcoming)	Kirit Parikh	Oxford University Press
WTO, Agricultural Negotiations and Developing Countries: Lessons from the Indian Experience (Forthcoming)	Ashok Gulati Anwarul Hoda	John Hopkins University Press

# Accounts

## Auditors' Report

The Members,  
Indian Council for Research on  
International Economic Relations,  
India Habitat Centre,  
East Zone, 4<sup>th</sup> Floor,  
Lodi Road,  
New Delhi

We have audited the accounts of your Council for the year ending March 31, 2005 and certify that the annexed Income and Expenditure Account and the Balance Sheet as at March 31, 2005 and the Receipt and Payment 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 purpose of our audit;
- (b) Proper books of accounts 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 Payment 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, 2005; 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, 2005.

**For V. Sahai & Co.**  
**Chartered Accountants**

**Place: New Delhi**  
**Dated:**

**(Mahesh Sahai)**  
**Partner**

**Indian Council for Research on International Economic Relations**  
**Balance Sheet as on March 31, 2005**

	Current Year (in Rs.)	Previous Year (in Rs.)
<b>LIABILITIES</b>		
Endowment Fund	130,528,070	130,013,263
<i>Balance as on 1.4.2004</i>	<i>130,013,263</i>	
<i>Donations received during the year</i>	<i>250,000</i>	
Transferred from Income Expenditure Account	<u>264,807</u>	
Earmarked Funds (SANEI)	5,438,193	18,779,669
Gifted Assets Fund (As per schedule)	14,090	77,404
<i>Gross Block</i>	<i>43,000</i>	
<i>Depreciation Reserve</i>	<u><i>28,910</i></u>	
Unspent Grants	3,790,000	3,583,714
General Fund	-	
<i>Balance as on 1.4.2004</i>	<i>26,344,208</i>	26,344,208
<i>Transferred from Income &amp; Expenditure A/c</i>	<u><i>1,433,930</i></u>	
Current Liabilities	100,095	221,832
<b>TOTAL</b>	<b>167,648,586</b>	<b>179,020,090</b>

<b>ASSETS</b>		
Fixed Assets (As per schedule 1)	18,827,905	20,564,120
<i>Gross Block</i>	<i>39,917,159</i>	
<i>Depreciation Reserve</i>	<u><i>(21,089,254)</i></u>	
Investments (As per Schedule 2)	138,234,140	125,113,050
<i>Long-term Investments</i>	<i>131,463,000</i>	
<i>Less investment Equilisation Fund</i>	<i>(500,000)</i>	
<i>Short-term Investments</i>	<u><i>7,271,140</i></u>	
Current Assets Loans & Advances		
<i>Cash in Hand:</i>	<i>11,693</i>	
<i>Balance with Bank in Savings Account (Rs.)</i>	<i>2,500,394</i>	
<i>Balance with Bank in Dollar Account (\$ 36,778.11 )</i>	<u><i>1,610,516</i></u>	
<i>SANEI Funds balance with bank</i>	5,438,193	18,779,669
Advances recoverable in cash or in kind or for value to be received	1,025,745	321,082
<b>TOTAL</b>	<b>167,648,586</b>	<b>179,020,090</b>

**Significant Accounting Policies and Notes - (Schedule 3)**

In terms of our separate report of even date

**FOR V.SAHAI & CO**  
**CHARTERED ACCOUNTANTS**

**Mahesh Sahai**  
**(Partner)**

**P. N. Bhattacharyya**  
**(Secretary)**

**Arvind Virmani**  
**(Director & CE)**

**N. K. Singh**  
**(Chairman)**

**Indian Council for Research on International Economic Relations  
Income & Expenditure account for the year ended March 31, 2005**

<b>Particulars</b>	<b>Current Year (in Rs.)</b>	<b>Previous Year (in Rs)</b>
<b>A. Income</b>		
<b>Grants</b>	<b>15,022,535</b>	<b>12,308,444</b>
Received during the year	15,228,821	15,892,158
Grants brought forward from previous year	3,583,714	-
Grants transferred to Unspent Grants	(3,790,000)	(3,583,714)
<b>Income on Investment</b>	<b>8,115,904</b>	<b>12,552,507</b>
Received during the year	8,380,711	12809571
Transferred to Endowment Fund	(264,807)	(257,064)
<b>Interest on Savings Bank Account</b>	<b>66,576</b>	<b>26,305</b>
<b>Other Income</b>	<b>251,619</b>	<b>252,229</b>
<b>TOTAL(A)</b>	<b>23,456,634</b>	<b>25,139,485</b>

<b>B. Expenditure</b>		
<b>Research Expenses</b>	<b>14,164,369</b>	<b>19,133,895</b>
<i>Salaries &amp; Allowances</i>	6,837,677	7,099,740
<i>Consultancy Charges</i>	2,665,828	2,550,106
<i>Travel Expenses</i>	1,708,338	4,501,683
<i>Workshop Seminar &amp; Meetings</i>	348,186	1,504,099
<i>Publication Expenses</i>	641,367	917,316
<i>Communication Expenses</i>	757,838	997,144
<i>Library Expenses</i>	1,205,135	1,563,807
<b>Administrative Expenses</b>	<b>3,582,185</b>	<b>4,642,960</b>
<i>Salaries &amp; Allowances</i>	1,979,452	2,483,769
<i>Professional Services</i>	348,150	222,021
<i>Fees and Subscriptions</i>	36,500	25,000
<i>Gratuity Expenses</i>	-	695,828
<i>Office Expenses</i>	1,152,102	1,087,186
<i>Assets/Recoverables Written Off</i>	65,981	129,156
<b>Overheads</b>	<b>1,952,393</b>	<b>2,247,768</b>
<i>Utility &amp; Electricity Charges</i>	985,947	1,050,123
<i>Repair and Maintenance</i>	749,009	929,645
<i>Property Tax</i>	217,437	268,000
<b>Exchange Rate Fluctuation</b>	<b>69,037</b>	<b>109,184</b>
<b>TOTAL (B)</b>	<b>19,767,984</b>	<b>26,133,807</b>
Surplus/(Deficit) before Depreciation	<b>(A) - (B)</b>	3,688,650
Less Depreciation		(994,322)
Less investment Equilisation Fund		1,754,720
		500,000
<b>Surplus/(deficit) after depreciation</b>		<b>1,433,930</b>
		<b>(2,981,457)</b>

**Significant Accounting Policies and Notes (Schedule 3)**

In terms of our separate report of even date

**FOR V.SAHAI & CO  
CHARTERED ACCOUNTANTS**

**Mahesh Sahai  
(Partner)**

**P. N. Bhattacharyya  
(Secretary)**

**Arvind Virmani  
(Director & CE)**

**N. K. Singh  
(Chairman)**

**Indian Council for Research on International Economic Relations  
Receipts & Payment account for the year ended March 31, 2005**

Receipt	Amount (RS)	Payment	Amount (RS)
<b>Opening balance</b>	<b>14,242,169</b>	<b>Payments</b>	
<b>Receipts</b>		<b>Research Expenses</b>	<b>14,164,369</b>
<i>Grants</i>	15,228,821	<i>Salaries &amp; Allowances</i>	6,837,677
<i>Income on Investment</i>	8,380,711	<i>Consultancy Charges</i>	2,665,828
<i>Other Income</i>	251,619	<i>Travel Expenses</i>	1,708,338
<i>Interest on Savings Bank A/c</i>	66,576	<i>Workshop Seminar &amp; Meetings</i>	348,186
Donations	250,000	<i>Publication Expenses</i>	641,367
Increase in current liabilities	1,790,378	<i>Communication Expenses</i>	757,838
Decrease in advances recoverable	657,440	<i>Library Expenses</i>	1,205,135
Investments matured during the year	164,916,494	<b>Administrative Expenses</b>	<b>3,516,204</b>
		<i>Salaries &amp; Allowances</i>	1,979,452
		<i>Professional Services</i>	348,150
		<i>Fees and Subscriptions</i>	36,500
		<i>Gratuity Expenses</i>	-
		<i>Office Expenses</i>	1,152,102
		<b>Overheads</b>	<b>1,952,393</b>
		<i>Utility &amp; Electricity Charges</i>	985,947
		<i>Repairs and Maintenance</i>	749,009
		<i>Property Tax</i>	217,437
		<i>Purchase of Fixed Assets</i>	147,800
		<i>Investment made during the year</i>	178,537,585
		<i>Decrease in current liabilities</i>	1,912,115
		<i>Increase in Advances recoverable</i>	1,362,102
		<i>Exchange Rate Fluctuation</i>	69,037
		<b>Closing Cash &amp; Bank Balances</b>	<b>4,122,603</b>
<b>TOTAL</b>	<b>205,784,208</b>	<b>TOTAL</b>	<b>205,784,208</b>

In terms of our separate report of even date  
**FOR V.SAHAI & CO**  
**CHARTERED ACCOUNTANTS**

**Mahesh Sahai**  
(Partner)

**P. N. Bhattacharyya**  
(Secretary)

**Arvind Virmani**  
(Director & CE)

**N. K. Singh**  
(Chairman)



**Indian Council for Research on International Economic Relations  
Schedule of Fixed Assets**

	Rate of Dep.	Cost as on 01-04.04		Sold/written off		Total value 31.03.05	Dep. Reserve sale/written off Assets	Depreciation		Dep Reserve		W.D.V. of Assets	
		Own Assets	Gifted Assets	Purchased	off			Own Assets	Gifted Assets	1.4.04	31.3.05	31.3.05	31.3.04
Air Conditioner	20%	0	43000			43000		0	3523	25387	28910	14090	17613
Bicycle	20%	467			467	0	463			463	0	0	4
Building	5%	22098094				22098094		686020		8377692	9063712	13034382	1372040
Calculator	15%	30060			30060	0	26999			26999	0	0	3061
Car	20%	636396				636396		81458		229103	310561	325835	407293
Cell Phone	10%	21245	7000		28245	0	5182			5182	0	0	23063
Computer	20%	8893377	134762	147800	134762	9041177	79564	568927		6276105	6765468	2275709	2752034
Dictating Machine & Transcriber	20%	1300			1300	0	1292			1292	0	0	8
Duplicator	15%	15763			15763	0	15303			15303	0	0	460
Electric Stencil Cutter	15%	26059			26059	0	25297			25297	0	0	762
Electrical Fittings	10%	392543				392543		15355		238993	254348	138195	153550
EPABX	10%	358375				358375		19494		163432	182926	175449	194943
Fan	10%	12293			12293	0	6889			6889	0	0	5404
Fax	15%	160210				160210		7692		108930	116622	43588	51280
Furniture and Fixtures	10%	5114119				5114119		238298		2731143	2969441	2144678	2382976
Lazer Printer	20%	460075				460075		35652		281817	317469	142606	178258
Misc. Equipment	10%	107831				107831		7760		30234	37994	69837	77597
Multimedia Presentation System	25%	270400				270400		21389		184844	206233	64167	85556
Overhead Projector	25%	45500				45500		3599		31104	34703	10797	14396
Photocopier	15%	1147239				1147239		65740		708973	774713	372526	438266
Refrigerator	10%	15500				15500		540		10096	10636	4864	5404
Scanner	20%	26700				26700		2796		12722	15518	11182	13978
Typewriters	15%	232761			232761	0	219288			219288	0	0	13473
Water Cooler	10%	41604			41604	0	17265			17265	0	0	24339
<b>Total</b>		<b>40107911</b>	<b>184762</b>	<b>147800</b>	<b>523314</b>	<b>39917159</b>	<b>397542</b>	<b>1754720</b>	<b>3523</b>	<b>19728553</b>	<b>21089254</b>	<b>18827905</b>	<b>2056412</b>
Previous Year		39015996	184762	1091915	0	40292673	0	1987135	18713	17722705	19728553	20564120	0
						39917159				19728553	21089254		

**Note:**

1. Depreciation of Gifted Assets is adjusted from Gift Assets Fund.
2. WDV O assets at the year end includes Rs.14090/- on gifted assets (estimated cost Rs. 43000/- less Depreciation of Rs. 28910)

**Indian Council for Research on International Economic Relations  
Statement of Financial Assets**

S. No	Particulars	Rs (in lakhs)	
		2004-05	2003-04
	<b>Endowment Fund</b>	<b>1305</b>	<b>1300</b>
	<b>Financial Assets (A+B+C)</b>	<b>1429</b>	<b>1393</b>
<b>(A)</b>	<b>Long Term (A)</b>	<b>1315</b>	<b>1112</b>
	<b>Bonds</b>		
	IDBI (5 years @ 9.25% maturing on 05.10.07)	25	25
	IFCI (3 years @ 6% maturing in Feb '06)	25	25
	<b>Fixed Deposits/ Govt. Securities</b>		
	<b>Punjab National Bank</b>		
	@ 5.5% maturing in Aug '05	100	-
	<b>ICICI Bank</b>		
	@ 7.3% maturing in Apr '04		100
	@ 6 maturing in May '05		200
	@ 6% maturing on 21.07.05	58	
	@ 5.25% maturing on 28.07.05	58	
	@ 6.46% maturing on 07.09.05	100	
	<b>UTI Bank</b>		
	@ 6% maturing on 14.07.04		66
	@ 5.85% maturing on 28.09.04		100
	@ 5.75% maturing on 20.01.05		50
	@ 5.75% maturing on 3.03.05		27
	@ 6.52% maturing on 29.12.05	100	
	@ 5.8% maturing on 03.03.06	30	
	@ 6.50% maturing on 11.01.06	148	
	<b>IDBI Bank</b>		
	@ 5.50% maturing on 27.07.05	100	
	<b>Kotak Mahindra</b>		
	@ 6.15% maturing on 12.01.06	62	
	@ 6.66% maturing on 25.04.06	100	
	@ 5.75% maturing on 08.01.05		110
	<b>Govt. Securities/Bonds</b>		
	@ 11.5% GOI Securities	134	134
	@ 8% GOI Bonds	275	
	<b>HDFC Bank</b>		
	@5.75% maturing in Sept '05		50
	<b>IndusInd Bank</b>		
	@ 6.% maturing on 08.10.04		25
	@ 6.25% maturing on 06.11.04		100
	@ 6.25% maturing on 08.01.05		100
<b>B)</b>	<b>Short Term (B)</b>	<b>73</b>	<b>139</b>
a)	Reliance Gilt Fund	0	51
b)	UTI – RIS	0	50
c)	Money Market Funds	73	38
<b>C)</b>	<b>Bank Balances (C)</b>	<b>41</b>	<b>142</b>

## **Indian Council for Research on International Economic Relations For The Year Ending March 31, 2005**

### **Significant Accounting Policies and Notes to the accounts**

#### **Accounting Policies**

1. (a) Accounts are maintained on cash basis.  
(b) Capital advances for purchase of fixed assets are adjusted only after the assets are installed and there final bills received.
2. Investments, which are readily encashable, are shown as short term Investments. Increase in net asset value at the end of the year over its cost/opening net asset value, as the case may be, is shown as income for the year and a reduction, if any, as an expense. Investment for fixed periods are shown at cost as long term investments and provision for diminution in the value is made only if in the opinion of the management, the fall is of a permanent nature.
3. Security deposits for installation of various facilities are charged as expenses and will be treated as income in the year of refund.
4. Capital items of limited life and small value up to Rs.5, 000 are written off as expense.
5. (a) Expenditure on books and publications is charged to the Income and Expenditure account but a separate record of items purchased is maintained.  
(b) Expenses on computer software are fully charged to the Income and Expenditure account when the expense is incurred.
6. Depreciation is provided on the written down value method in the year in which assets are received. Depreciation for the entire accounting period is provided irrespective of the date of purchase of assets. The rates adopted and disclosed in the fixed assets schedule are consistent with the rates adopted in earlier years.
7. Donations received are carried forward in the Balance Sheet under Endowment Fund.
8. 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 and Expenditure Account.
9. Gifted assets are valued by the management and shown as an addition to the fixed assets with a corresponding credit to a "Gifted Assets Fund" account. Annual depreciation on gifted assets is deducted from the cost as well as the 'Gifted Assets Fund' account.
10. Leave salary is accounted for on the basis of actual payment to the employees at the time of retirement/leaving.

#### **Notes to the Accounts**

11. ICRIER has a US Dollar account with American Express Bank, New York in 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.
12. A grant of Rs.14, 461,000 was received from The Ford Foundation in June, 2002 on the condition that unless the Foundation consents otherwise in writing, withdrawals from the Fund shall not exceed 75% of the interest and dividends earned each year. Consequently 25% of the income on account of interest and dividends amounting to Rs.264, 807 has been transferred from the current years income to Endowment Fund.
13. As in the previous years, income from investments has been accounted for on cash basis. However certain banks have certified interest on accrual basis and have also deducted tax amounting to Rs. 58,281 on interest, which has accrued but has not been received. Tax deducted at source on such income accrued has been accounted for by a corresponding credit to income from investment.
14. Investment in 11.5 % Government securities amounting to Rs. 13,362,000 will mature in 2011 and the difference between the book value and maturity value will amount to Rs. 33.62 lacs. Though the market value of the Investments at year end was higher than the book value, an Investment Equalisation Fund of Rs. 5.00 lacs to absorb the eventual difference has been created and will be progressively augmented in future years to cover the full difference between book value and realizable value.
15. Excess of Expenditure over Income in the previous year had arisen because grants received for specific projects, which had remained unutilised, had for the first time been transferred to "Unspent Grants" and shown as a liability. Had this not been done there would have been an Excess of Income over Expenditure in the previous year of Rs. 602,257.
16. Schedules 1 to 3 forms an integral part of the Balance Sheet and Income and Expenditure account.
17. Previous year's figures have been recast and regrouped wherever necessary to make them comparable with the figures for the current year.