

Annual Report 2003 - 2004



INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS

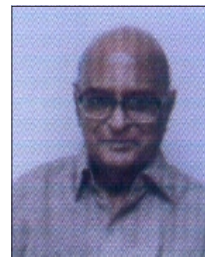
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Foreword

ICRIER has completed yet another successful year. Several research projects in a number of thematic and important policy areas were completed and a few are underway.

I am especially happy to note that ICRIER has substantially expanded its work in the area of macroeconomic research by proactively undertaking studies on issues relating to growth, policy and reforms.



Over the years ICRIER has emerged as a kind of "service expert" in the area of WTO related research. ICRIER's work in this area gathered further momentum during the year as it continued to make headway in strengthening its co-operation with the Government of India on WTO issues. ICRIER's research in WTO-related areas received significant boost with the support from Sir Ratan Tata Trust.

Of equal significance is ICRIER's ongoing work on impact of tariff reforms on Indian industry & agricultural production, role and impact of FDI on Indian economy, and regional & bilateral trade and cooperation issues etc. Many of these issues remain central to India's domestic policy reform agenda.

Of the major events mention may be made of the Fourth India-Korea Dialogue, which was successfully held by ICRIER in October. No less significant are the two book release events which took place during the year, one authored by Dr. Shankar Acharya 'India's Economy: Some Issues and Answers' which was released by Dr. Manmohan Singh, now Prime Minister of India, and the other by Dr. Arvind Virmani 'Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development' released by Dr. Y. V. Reddy, Governor RBI.

As part of its chief goal to generate high quality research output on policy oriented issues, ICRIER continued to make consistent efforts to reach out to a wider circle of opinion makers, academicians, policy makers and others interested both in the international community and within the country. We propose to carry this initiative forward.

This year also witnessed ICRIER's completion of its over five-year long tenure as SANEI Coordinator and its transition to the Pakistan Institute of Development Economics (PIDE), Islamabad. ICRIER's solid contributions and progressive efforts in building up SANEI as a vibrant research network in South Asia have been generally appreciated.

Lastly, we express our deep sense of sorrow at the passing away of Dr. K. B. Lall, Founder Chairman of ICRIER, on January 8, 2004. A special condolence meeting was arranged at ICRIER on February 27, 2004.

A handwritten signature in dark ink, appearing to read 'I. G. Patel'.

I G Patel
Chairman

Board of Governors of ICRIER

As on June 30, 2004

Chairman

Dr. I. G. Patel
12, AMEE Cooperative Society
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Elected Members

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Member Secretary

Dr. Arvind Virmani
Director & Chief Executive
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India Habitat Centre
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New Delhi 110 003



Founder & Life Members of ICRIER**As of June 30, 2004****Founder Members**

1. Late A. M. Khusro
2. Late Anand Prakash
3. Mrs. Anna R. Malhotra
4. Mr. Ashok V. Desai
5. Mr. B. D. Jayal
6. Late B. K. Chatterjee
7. Late B. K. Nehru
8. Mr. B. S. Das
9. Dr. Bharat Ram
10. Late Brij Bhushan
11. Dr. C. Rangarajan
12. Dr. Charan D. Wadhva
13. Dr. Deepak Nayyar
14. Mr. Freddie A. Mehta
15. Mr. Govind Narain
16. Mr. H. N. Ray
17. Mr. Harbans Singh
18. Dr. I. G. Patel
19. Mr. I. S. Chadha
20. Late J. Rameshwar Rao
21. Dr. Jagdish Bhagwati
22. Late K. B. Lall
23. Mr. K. K. Bhargava
24. Mr. K. L. Dalal
25. Late Khub Chand
26. Late L. K. Jha
27. Late Lovraj Kumar
28. Late M. C. Bhatt
29. Mr. M. Dubey
30. Dr. M. S. Swaminathan
31. Late Malcolm S. Adiseshiah
32. Dr. Manmohan Singh
33. Prof. Manu R. Shroff
34. Late Mohd. Yunus
35. Mr. Montek Singh Ahluwalia
36. Dr. N. C. B. Nath
37. Mr. N. K. Sengupta
38. Dr. Nitin Desai

39. Mr. P. C. Nayak
40. Late P. Chenstal Rao
41. Mr. P. K. Dave
42. Mr. P. K. Kaul
43. Mr. P. K. Nanda
44. Prof. P. N. Dhar
45. Mr. Prakash Tandon
46. Mr. R. D. Pradhan
47. Dr. R. J. Chelliah
48. Mr. R. M. Honovar
49. Late R. N. Malhotra
50. Mr. R. S. Gae
51. Mr. R. V. Subrahmanian
52. Late Raj Krishna
53. Dr. Rajni Kothari
54. Dr. S. P. Gupta
55. Mr. S. R. Sen
56. Mr. S. S. Marathe
57. Mr. S. S. Ramphal
58. Mr. S. S. Rao
59. Mr. S. V. S. Juneja
60. Dr. Sanjaya Lall
61. Late Sukhamoy Chakravorty
62. Mr. Suman K. Modwel
63. Late Suresh Kumar
64. Mr. T. K. N. Unnithan
65. Dr. V. R. Panchamukhi
66. Mr. Vijay G. Pande
67. Mr. Vinay Bharat Ram
68. Late Y. T. Shah

Life Members

1. Mr. A. N. Varma
2. Mr. J. S. Baijal
3. Late J. S. Bali
4. Dr. K. Venkatasubramanian
5. Mr. Prakash Shah
6. Mr. Raghunandan D. Maluste
7. Mr. Shiv S. Kapoor



Director's Report

In the last year's annual report we had indicated that ICRIER would lay greater stress on policy oriented research in order to fill the gaps in economic policy making. We have had considerable success in moving in this direction. The volume and the quality of our research output has increased. Observers across the world have taken note of this. We have also been able to inculcate in our researchers that ICRIER research must shed light on policy issues and make it easier for decision makers and policy advisors to resolve contentious issues. The second focus of our effort in which we have also had some success is to increase the synergies among researchers working on different projects. This is illustrated by the multi sector model of the manufacturing sector that we have built and the inter linkages it has with other research on FDI and exports. The third area which we had emphasised last year was to expand and refocus our work on macro-economics into the determinants of economic growth, poverty and employment, We have made a good start in this area, though we still need to broaden and deepen our work to issues of poverty and employment.



A number of research projects that were initiated last year reached successful completion. Additionally new studies on specific sectors of importance to the Indian economy were started and are well on their way.

In the backdrop of the ongoing WTO negotiations with members striving to reach some sort of a framework agreement, India has emerged as a prominent player. ICRIER on its part has worked hand in hand with the Ministry of Commerce & Industry and played an active role in providing greater insight on WTO issues. ICRIER's WTO work, led by Professor Anwarul Hoda, witnessed unparalleled expansion during the last five years. Sadly for us but fortunately for the country he now moves on as Member, Planning Commission. A significant piece of work being undertaken at ICRIER in this area is the development of an overall framework on WTO to identify the inter linkages between different policy initiatives in order to develop consistent policies and provide a strategic perspective. ICRIER has also undertaken a study on the impact of the TRIPS agreement to evaluate the Indian intellectual property laws as the agreement is one of the three major substantive agreements constituting the WTO. We would hope that ICRIER's expertise and quality of research output should contribute towards a deeper understanding and help India's current position at the WTO debate. The support from the Sri Ratan Tata Trust for our WTO-related research activities has been invaluable.

Our services work continues to grow and widen. It now covers sectoral issues in the domestic economy in which we have done a few pioneering studies such as on productivity growth. At the same time our services work in world trade has expanded due to a growing integration of the world economy and its relevance to bilateral and regional negotiations. ICRIER's recent work on international trade has covered sectoral issues such as telecommunications, healthcare and energy sector.

One of the growing areas of ICRIER's research work is macroeconomics, growth, poverty and employment. In our endeavour to systemise and deepen this policy research, ICRIER initiated a series of work on the Indian economic growth performance. Two papers in the

series are already complete. The first seeks to clear up the misperception about Indian economic growth history, not only among foreigners, but even among Indians and analyses the causes of changes in growth trends and variations in performance. The second paper explores the sources of growth that underlay the growth performance since independence, its primary focus being estimation of trends in total factor productivity (TFPG) for the economy. Another contribution in this area is ICRIER's paper on institutional reform presented at the GDN conference in Delhi, organised by ICRIER in Jan 2004. It utilises ICRIER's experience and expertise in policy formulation in government and advice on Indian economic policy reforms. We have also increased our work on agriculture, which is timely given the heightened concerns about the sector. We hope to provide inputs for policy making in Indian agriculture as it strives to become globally competitive.

ICRIER also widened its research activity through project funding by the World Bank to examine the efficiency of manufacturing industries across the states and analyse causes with a view to achieving faster GDP growth, and a policy paper for the Asian Development Bank (ADB) on critical issues in services led growth, which is currently underway. We have also received endowment grant from the WP Carey Foundation and the Petroleum Federation of India.

Our understanding of the issues related to trade and competitiveness in the Indian economy was deepened through several studies. One accomplishment of our research program in this area during the last year has been a study on the implications of further tariff reductions on Indian industry. The findings surprisingly suggest 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. This was presented and discussed at a focussed seminar held recently at ICRIER. This study was a follow up of an earlier study assessing the NAMA proposals on industrial tariffs funded by the Department of Industrial Promotion and Policy. We are most grateful to them for providing the seed money for the development of a 41 sector model which has since been refined further by ICRIER.

India has emerged as one of the most attractive investment destinations among emerging markets for foreign portfolio inflows. ICRIER's research work on the dynamics of foreign portfolio through FIIs and equity returns and stock return volatility patterns in India during 1979–2003, will help to develop an understanding of the investment decisions, trading strategies and behaviour of the FIIs in the Indian equity market.

One of the most debated issues in development economics today is the role played by FDI in developing countries. Various studies have been undertaken at ICRIER to examine the impact of FDI on factors including productivity, wages and employment in developing countries. One significant study is on the impact of Japanese and U.S. FDIs on productivity growth and exports of Indian manufacturing. Furthermore, inspite of considerable growth in retailing and gradual development of India as a sourcing hub, retailing is one of the few sectors where FDI is not allowed. We are doing a survey based project to examine the possibilities and impact of opening up the retailing sector to FDI.

Bilateral trade relations between India and China have witnessed a transformation in the last decade. However, China's trade with India accounts for only 0.8 per cent of its total external trade. India and China are exploring the possibilities of expanding trade for which a Joint Study Group with representatives from India and China has been set up. ICRIER is conducting a study on India-China trade in goods and services, the findings of which are expected to provide the Joint Study Group critical inputs for drawing up the framework. Also, ICRIER and NASSCOM have jointly undertaken a study to identify the areas of mutual trade interest between India and US in the IT and Communication sector. This could subsequently provide inputs for a possible India-US FTA.

This year ICRIER bade farewell to its coordinating role in SANEI after more than five years! ICRIER was chosen as an anchor for the network in 1998-99 and ever since it has played a lead role in establishing the foundations, coordinating its activities and administering it. Over the course of this period, there has been a remarkable expansion in SANEI's reach and activities as it funded around 65 research projects on diverse areas of economic development in South Asia. On behalf of ICRIER I would like to thank whole-heartedly the researchers who have actively contributed towards making SANEI a success, the Research Advisory Panel and the Steering Committee members for their unstinting cooperation. I must also place on record our thanks to the Global Development Network and the Ford Foundation for their invaluable support. I am confident that SANEI will continue to play a crucial role towards capacity building for policy oriented research in the region in the years to come.

Over the last six years ICRIER has strongly emerged as a creditable economic thinktank providing an active forum for debate and discussion on critical issues of national and international importance. In line with this, ICRIER continued to invite eminent scholars from India and abroad for lectures and seminars as part of its public policy programme, while at the same time networking and collaborating with key institutions of national and international fame on important policy related matters.

Several research projects were published as working papers and major publications brought out or are underway including the 'India Health Report' published by Oxford University Press, 'WTO, Agricultural Negotiations and Developing Countries: Lessons from the Indian Experience' and 'Essays in Macroeconomic Policy and Growth' to be published by Oxford University Press. Other significant publications by ICRIER professionals included 'An Encounter with Higher Education: My Years at LSE', published by Oxford University Press and 'Accelerating Growth and Poverty Reduction', published by Academic Foundation.

In order to strengthen the link between policy and research, we have continued to reach out to a wider circle of opinion makers, policy makers and others through relevant and consistent platforms and dissemination of our research findings. All in all 2003-04 proved to be a year of marked vigour and expansion at ICRIER and in this spirit, the quest for quality of work and professional strengthening of ICRIER continues.



Annual Report
2003-2004

A handwritten signature in black ink, reading 'Arvind Virmani', is positioned above the printed name.

Arvind Virmani

Director & Chief Executive, ICRIER

Activites

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

Research Projects

Conference & Seminars

Public Policy Programme

South Asia Network of Economic Research
Institutes (SANEI)

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
- IIC Reform Issues

Research Projects

Projects
Completed

I. International Economics and International Economics Relations

IA Trade, Openness, Restructuring and Competitiveness

Projects completed

IA.1. Ownership & Efficiency in Engineering Firms in India

In this study an analysis of the effect of ownership on efficiency of engineering firms in India is carried out using data for the 1990s. Technical efficiency of firms, estimated with the help of a stochastic frontier production function is considered for the analysis. A comparison of technical efficiency is made among three groups of firms in Indian engineering: (1) firms with foreign ownership, (2) domestically owned private sector firms, and (3) public sector firms. The results clearly indicate that foreign firms in Indian engineering industry have higher technical efficiency than domestically owned firms. No significant difference in technical efficiency is found between private sector and public sector firms among the domestically owned firms. There are indications of a process of efficiency convergence – the domestically owned firms tending to catch up with foreign owned firms in terms of technical efficiency. The results show a positive relationship between international trade orientation of a firm and its level of technical efficiency. The effect of import intensity is found to be particularly strong, which signifies the efficiency raising effects of import liberalisation.

This study was conducted by Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER, Dr. V. S. Renganathan, former Economist, National Institute of Public Finance & Policy (NIPFP) and Ms. Rashmi Banga, Consultant, ICRIER. The findings of the study have been published as ICRIER Working Paper No. 115.

IA.2. Trade Liberalisation & Price-cost Margin in Indian Industries

In this study the effect of trade liberalisation on price-cost margins in Indian industries is examined using panel data for 137 three-digit industries for the period 1980–81 to 1997–98. An econometric model is estimated to explain variations in price-cost margins, in which the tariff and non-tariff barriers are included among the explanatory variables. Thus, inter-industrial and inter-temporal variations in tariff and non-tariff barriers on manufactured imports are employed to assess the effect of trade liberalisation on price-cost margins in domestic industries. The results of the analysis clearly indicate that the lowering of tariff and removal of quantitative restrictions on imports of manufactures in the 1990s had a significant pro-competitive effect on Indian industries, tending to reduce the mark-ups or price-cost margins. However, in spite of the pro-competitive effects of trade liberalisation reinforced by domestic industrial deregulation, the price-cost margins in manufacturing did not fall in the post-reform period. Rather, there was an increase in the margin in most industry groups as well as at the aggregate manufacturing level.



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IA Trade, Openness, Restructuring and Competitiveness

Projects Completed

An analysis of trends in labour income in industries brings out that in the post-reform period there has been a marked fall in the growth rate of real wages and a significant reduction in labour's income share in value added, reflecting perhaps a weakening of industrial labour's bargaining power. This seems to have neutralised to a large extent the depressing effect of trade liberalisation on the price-cost margins in Indian industries.

This study was conducted by Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER and Dr. S. C. Aggarwal, External Consultant, ICRIER and Reader, Delhi University. The findings of the study have been published as ICRIER Working Paper No. 130.

IA.3. Contribution of Services to Industrial Growth & Productivity

As an input to the production process, services are playing an increasingly important role in manufacturing industries, world over. Yet, this fact has received very little attention in the empirical economic literature on producer behavior and productivity. The production function and productivity studies for manufacturing industries have commonly applied the value-added function or the KLEM (capital-labour-energy-materials) production function as the basic framework of analysis in which the contribution of services to production and productivity does not get an explicit recognition.

The present paper aims at filling this gap in the literature. An analysis of the contribution of services to output growth and productivity enhancement in Indian manufacturing is carried out using the KLEMS production function framework, explicitly recognising services as an input to the production process. Panel data for 148 three-digit level industry groups for 18 years, 1980-81 to 1997-98, are used for estimating the production function, using which an analysis of sources of growth is undertaken. The results of the analysis bring out clearly that the growing use of services had a significant favorable effect on growth of output (especially in the 1990s when major trade and industrial reforms were carried out). The contribution of services input to output growth in manufacturing (organized) was about one per cent in the 1980s, and it increased to about 25 per cent in the 1990s. A multilateral total factor productivity index is constructed with and without services, which show that productivity estimates are overstated if services are excluded. Multiple regression analysis undertaken to explain inter-industrial and inter-temporal variations in the intensity of use of services in Indian industries using a more aggregated data-set, i.e., 41 major industry groups, for the period 1980-81 to 1999-00, indicates that trade reforms were responsible in a significant measure for the rapid growth in use of services in manufacturing in the 1990s. The process appears to have been aided by other reforms undertaken in this decade.

This study was conducted by Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER and Ms. Rashmi Banga, Consultant, ICRIER. The results of the study were presented at a seminar organised by ICRIER, and will be published shortly as an ICRIER Working Paper. This study was part of WTO-related studies supported by the Sir Ratan Tata Trust.



IA Trade, Openness, Restructuring and Competitiveness

Projects
Completed

IA.4. Trade Liberalisation, Multinational Involvement & Intra-Industry Trade

Since 1991, India has been undertaking significant liberalisation measures, which include dismantling of quantitative restrictions on imports, reduction of import tariff rates, industrial de-licensing, and opening up of a number of industries for direct foreign investment. Studies indicate that trade liberalisation generally gives to greater intra-industry trade (IIT) – that is the simultaneous occurrence of exports and imports within the same industry. This is because of greater specialisation opportunities at the level of finer product varieties within the narrowly defined industries. If the intensity of IIT is indeed found to be growing after liberalisation in a large number of industries, an important implication is that the apprehension of domestic industries going out of business, because of greater import competition, is untenable. The positive link between liberalisation and IIT, however, has not so far been established rigorously in a panel regression framework employing the measures of tariff and quantitative restrictions (QRs) in the industries. The intensity of IIT is also likely to be influenced by the extent of multinational involvement in the industry.

The present paper analyses the effects of trade liberalisation, multinational involvement and other industry-specific factors on IIT in a panel of 81 manufacturing industries in India for the period 1988–99. The standard Grubel-Lloyd index is used to estimate the intensity of IIT in the industries. The regression analysis provides strong support for the hypothesis that trade liberalisation causes greater IIT in India. Despite the year dummies being included in the estimation, the variables representing the extent of trade barrier in the industry (QRs on imports and average nominal tariff rate) attain negative sign with statistical significance. The results indicate a lower likelihood of IIT when the spectrum of production activities in an industry is confined to few locales because of plant level scale economies.

The study was conducted by Dr. C. Veeramani, Fellow, ICRIER (till June 2004). The findings of this study will be published shortly as an ICRIER Working Paper.

IA.5. Outsourcing & Job Loss: A Protectionist Fallacy

This paper presents various arguments on how outsourcing affects job loss in the developed countries. A two firm Cournot model is used to analyse this issue demonstrating that outsourcing does not always lead to job loss, and in particular, derives the condition under which outsourcing would lead to job loss.

The study was conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER, and has been published as ICRIER Working Paper No. 136.

IA.6. Quantitative Impact of US Tariff Reduction on Indian Exports

This paper quantitatively assesses the likely changes in market access opportunities for Indian exports owing to tariff reductions by the US. The study identifies particular products for India at the ISIC 4-digit level of disaggregation, which could be considered tariff sensitive. Regression analysis of the relationship between MFN tariff rates and India's exports to the

IA Trade, Openness, Restructuring and Competitiveness

Projects Completed

US has been used to assess in quantitative terms the likely impact of tariff reduction that may be agreed in the Doha Round. This analysis suggests that tariff cuts are not expected to benefit India's exports to the US in a major way.

With the full implementation of the Chairman's formula for tariff cuts, India's exports to the US would increase by 1.2% or 0.6% depending on the value of the B coefficient in the Chairman's formula. These findings are in all likelihood substantially due to the tariff diversion effect of NAFTA preferences in favour of suppliers in Mexico, which is a competing country in many traditional items. It is expected that reduction of MFN tariff would alleviate the trade diversion effect of the NAFTA. The study has also attempted to decompose changes in India's total exports due to tariff reductions in the US into the competitive and market effects. The analysis suggests that the increase in India's exports would be mainly due to the competitive effect, which leads us to the conclusion that it is crucial for India to improve its competitiveness vis-à-vis its competitors in different markets.

The study was an input into the research project on 'Impact on Indian industry and restructuring required to adjust to tariff proposals being considered by the Negotiating Group on Market Access (NGMA) at the WTO. The study was conducted by Dr. Aradhna Aggarwal, Consultant, ICRIER and has been published as ICRIER Working Paper No. 120.

IA.7. Quantitative Assessment of NAMA Proposals on Industrial Tariffs

At the Doha Development Round of the WTO, ministers agreed to launch tariff-cutting negotiations on all non-agricultural products. India is likely to come under severe pressure during market access negotiations as her present tariff levels are among the highest in the world. Therefore, it is of crucial importance to understand the economic implications of tariff policy changes on non-agricultural sectors in India.

The study quantified the impact of tariff policy changes on Indian industrial sector in the context of the tariff proposals being considered by the Negotiating Group on Market Access at the WTO. To this end, a multiple/simultaneous equations disaggregated econometric model was formulated for understanding the behaviour India's organised manufacturing during the last two decades and for simulating the effects of alternative tariff policy scenarios. It is a model of industrial production, international trade (exports and imports), labour demand, capital formation, and price determination, with inter-sectoral linkages. For a given change in tariff rates, the counterfactual simulation of the model provided industry level estimates of resulting changes in (i) imports and exports, (ii) investment, production and employment, (iii) domestic prices, and (iv) customs revenue. The model helped in identifying the industries that would need restructuring in the face of heightened import competition as well as to take advantage of emerging export opportunities.

This study was conducted by Dr. Arvind Virmani, Director & Professor, ICRIER, Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER and Dr. C. Veeramani, Fellow, ICRIER (till June 2004). Prof. Anwarul Hoda also contributed to this report. The study was supported by the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India.

IA Trade, Openness, Restructuring and Competitiveness

Projects
Completed

IA.8. Impact of Trade Liberalisation on Indian Manufacturing

The objective of this study was four-fold: a) to document changes in India's trade policy using coverage ratios of non-tariff barriers and nominal and effective rates of protection during the 1980s and 1990s, b) to examine the structure of protection in Indian industry, c) to document the performance of registered manufacturing sector, and d) to explore the relationship between changes in trade policy and industry performance. The results show that protection to Indian industry declined during the period studied. The registered manufacturing sector showed impressive annual growth for both output and gross value added, especially for the consumer goods industries and the export promoting industries, confirming the finding of earlier studies for the 1980s. Employment growth, virtually stagnant during 1988–89 to 1996–97, picked up in the subsequent period. Labour productivity, and average wage, showed an increase during the first period, followed by a slowdown in its growth rate in the second sub-period. Both exports and imports grew slowly during 1980–81 to 1996–97, picking up in the subsequent period. Export intensity, stagnant in the first sub-period, increased in the second sub-period for most industry groups, possibly because of the decrease in the inherent bias against exports that was a result of the earlier protective regime. Import penetration, on the other hand, showed first a decrease and then an increase, although there were differences among the industry groups. Evidence on price-cost margin was mixed, showing that producers were not in general adopting competitive pricing.

The examination of trade and industry data for the two-digit and three-digit classification finds a weak though insignificant link between trade policy and industry performance. This is attributed to the effect of non-economic factors over the flow of investment in India during that period. The growth experience in the 1980s and 1990s was also conditioned by different factors, and therefore the link with trade policy is weak.

The study was conducted by Dr. Mihir Pandey, External Consultant, ICRIER and Reader, Ramjas College, New Delhi. The findings of this study are being published as an ICRIER Working Paper.

IA.9 Role of Information Technology in Trade in Health Services

This paper provides an indepth study of the nature and scope of the expanding role of information and communication technologies in the design and development of healthcare products and services, delivery systems and healthcare administration, due to its costs, efficiency and equity. It emphasises on Information Technology as the major driving force that can enable the unprivileged to access healthcare product and services in new and innovative forms. However there needs to be appropriate policy choices to facilitate its diffusion in developing countries. The study demonstrates that the allocation of healthcare resources can be improved together with trade promotion. The role of IT in healthcare and its impact through services trade depend on three inter-related aspects, viz, reach of telematic connectivity, legitimacy of service providers seeking returns on investments and structure of responsibilities for healthcare which are part of the governance frame in local and national jurisdiction. Telematic connectivity is however inhibited by structural



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impediments in less developed countries, like India. The study states that policy conflicts between health, trade and development goals over rights and interests require international regime for distributed enterprising, particularly with regard to how biological resources are shared. A stable and dependable system of healthcare calls for the creation and resourcing of new international institutions. The study was aimed at contributing to policy research on the impact of IT on design and development of trade in healthcare products and services.

This study was conducted by Dr. Ajeet Mathur, Professor, ICRIER (till Jan 2004), and its findings published as ICRIER Working Paper No. 111. This study was supported by the Working Group 4 on 'Health & International Economy' of the WHO Commission on 'Macroeconomics and Health'.

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IA.10. Impact of Tariff Reforms on Indian Industry

The Indian government may have to make substantial cuts in industrial tariff in the coming years. The agreement reached at the culmination of the tariff-reduction negotiations on non-agricultural products in the Doha Development Round of the WTO may require India to make such tariff cuts. Also, India is already committed to bring her tariff rates in line with the ASEAN levels in the near future. Since the level of tariff adjustment may be large and the impact on domestic industry due to such policy change could be significant, it is imperative to quantify the impact of tariff policy changes on India's industrial sector.

An assessment of the impact of reductions in tariff on the Indian manufacturing sector is carried out in the study using a multi-sector 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 analysis, based on counterfactual simulations of the model for 1997-98 to 1999-2000, indicates that a substantial reduction in tariff on industrial products by 70 percent on an average would lead to an increase in imports by 10 to 13 percent, and an increase in exports by 8 to 12 percent. The lowering of tariff (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 organized manufacturing sector. It seems no significant adverse impact would be there on the domestic industrial sector from the tariff cuts. While industrial investment would be affected only marginally, there would be a small increase in industrial employment. 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 study is being conducted by Dr. Arvind Virmani, Director & Professor, ICRIER, Dr. B.



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N. Goldar, IDBI-IFCI Professor, ICRIER, Dr. C. Veeramani, Fellow, ICRIER (till June 2004) and Mr. Vipul Bhatt, consultant, ICRIER (till May 2004). The study will be completed by August 2004.

IA.11. Cost & Productivity in Indian Textiles: Post MFA Implications

The textile & clothing industry, which plays a significant role in India in terms of value added, foreign exchange earnings and employment, has witnessed different policy regimes after independence. From controlled policy regime up to 1980, it experienced deregulation during 1980s and further doses of liberalization in 1991 onwards. Though these policy changes have provided the industry a good momentum, they are still not sufficient, particularly in view of the imminent phasing out of the Multi Fibre Agreement (MFA) from January 1, 2005, and the resulting competition thereafter.

One of the main concerns of the domestic textile and clothing industries in post MFA regime would be to keep their unit cost level as low as possible, which in turn is determined by the factor prices on the one hand and the total factor productivity (TFP) level on the other. The ongoing study attempts to investigate these two factors in detail for three main textile industries - cotton yarn, man-made textile, and clothing - by using a panel data for selected States over 1989-97 period. To begin with, an attempt is made to ascertain the main determinants of TFP growth in terms of internal and external policy variables. To throw some more lights on the scope of improvement in productivity, main production characteristics of the industries, namely capacity utilization, scale economies, and price elasticities of factors' demand have also been examined with the help of variable cost functions. Finally, in order to analyze the relative roles of factor prices and TFP (along with their respective individual components) in the growth of unit cost, a decomposition analysis of the unit cost growth has also been undertaken by utilizing the estimated cost functions.

This study is being conducted by Dr. Danish A. Hashim, Consultant, ICRIER and will be complete by July 2004. It is a part of WTO-related studies supported by the Sir Ratan Tata Trust.

IA.12. Non-Tariff Barriers in Sri Lanka & ASEAN

The objective of the study is to identify non-tariff barriers in Sri Lanka and the ASEAN which constitute major impediments to India's exports. As a first step a survey would be conducted among exporters to the above destinations to draw up a list of NTBs which are having a serious impact on India's exports. The next step would be to examine the ways in which the NTBs could be addressed in the FTA framework. If they do not conform with the existing multilateral rules, bilateral dialogue should aim at getting the measures withdrawn. Even if they are imposed in conformity with the rules the matter could be addressed in the FTA framework. For instance, there could be agreement to minimize the impact by action either at the importing or exporting end. The same course could be followed if the measure is in the grey area. The study will not only identify the NTBs which have a serious impact on our



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exports but also propose the manner in which they could be dealt with within the FTA framework.

The study is being conducted by Ms. Nisha Taneja, Senior Fellow, ICRIER and Mr. Mohammad Saqib, External Consultant, ICRIER and Fellow, Rajiv Gandhi Foundation. The study will be completed by September 2004. The study has been supported by the Government of India, Department of Commerce, (Tariff Commission).

IA.13. Effects of Trade Liberalisation on Agricultural Production & Rural Incomes in India

The Uruguay round initiated the agricultural reform process, starting with a shift of the forms of support away from the most distorting practices. However, neither the level of protection of developed country markets nor the amount of subsidies for developed country producers, has diminished as yet. With this background the study intends to take a fresh look at the impact of (a) US and EU subsidy changes and (b) changes in Indian tariff, on domestic agricultural production, farmers' income and employment. A model will be used to carry out the simulations over short and long term under two alternative scenarios. First, if there is no reduction in subsidies by the developed countries, and the subsidies given by them to the agricultural sector continues as in the past. The alternative scenario will be that if the developed countries remove all their subsidies and trade distortions.

An econometric analysis will be undertaken to estimate the demand and supply elasticities, using the data for past twenty years, and this will help in the estimation of demand and supply for major crops. Inter-linkages between various crops in terms of area allocation and consumption will be studied at regional level, which will further help in tracing down the consequent employment-income effects for the populations, engaged in agriculture. To assess the impacts, the likely supply and demand for major crops in the domestic economy will be estimated under alternative realisations of international and domestic prices, which will be affected by changes in subsidies and tariffs.

The study is being conducted by Dr. Surabhi Mittal, Fellow, ICRIER.



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IB.1. Dynamics of Foreign Portfolio Inflows & Equity Returns in India

With India having emerged as one of the most attractive investment destinations in Asia, foreign portfolio inflows through FIIs are very important from the policy perspective. In this study an effort has been made to develop an understanding of the investment decisions, trading strategies and behavior of the FIIs in the Indian equity market.

Our analysis reveals aggregate evidence of FIIs chasing trends and adopting positive feedback trading on a daily basis even though no such behavior is evident over horizons of a month or so. This evidence seems to support the hypothesis that resident investors have better information on a daily basis, thus making it essential for FIIs to use price signals to discern underlying information that may have triggered them. Once the information is in public domain basic analysis of the implications for stock returns becomes more important. Thus, while FIIs do tend to herd together in the stock market, their trading behavior does not appear to be destabilizing for the Indian equity market.

The study was conducted by Dr. Amita Batra, Senior Fellow, ICRIER and is now available as ICRIER Working Paper No. 109. This study is a part of RBI supported research at ICRIER.

IB.2. Stock Return Volatility Patterns in India

In this study time variation in volatility in the Indian stock market during 1979–2003 has been analyzed. The shifts in stock price volatility and the nature of events that apparently cause the shifts in volatility have been examined. An attempt has also been made to characterize the evolution of the stock market cycles over time in India and examine if in recent times the stock market cycles have exhibited greater amplitude and volatility.

Monthly stock returns have been used for analysis. Asymmetric GARCH model has been used to estimate the element of time variation in volatility. The model is further augmented with dummy variables, an outcome of the structural change analysis, to examine volatility persistence.

The analysis reveals that the period around the 1991 BOP crisis and the initiation of economic reforms in India is the most volatile period in the stock market. Structural shifts in stock return volatility in India are more likely to be a consequence of announcement effect of major policy changes and any further incremental policy changes may have only a benign influence on stock return volatility. Stock return volatility in India seems to be influenced more by the domestic political and economic events rather than global events. In particular there appears to be no coincidence between volatility of foreign portfolio capital flows in and out of the stock market and the volatility shifts in stock returns in India. Our analysis also shows that stock market cycles in India have not intensified after financial liberalization



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and a generalized reduction in stock return instability in the post reform period in India is observed.

The study was conducted by Dr. Amita Batra, Senior Fellow, ICRIER and is now available as ICRIER Working Paper No. 124. This study is a part of RBI supported research at ICRIER.

IB.3. Public Finance in Globalising World: Innovations in Theory & Practice

This study assesses the national level public policy measures and the related decision making processes that facilitate international co-operation and more significantly the financial implications of national-level policies. This study outlines the fiscal structure and fiscal adjustment in India in the light of the second generation reforms, which have a bearing on the financing of international co-operation. The study places special emphasis in exploring the features of fiscal federalism in India and recent fiscal reforms as part of the wider range of economic reforms. The study also touches the fringes of decision making process and deals with the major policies of the Indian government, such as political and economic initiatives, international treaties and agreements, etc, for the development and strengthening of international economic, social and political co-operation.

The study categorises the national level initiatives that have a bearing on the financing of international co-operation, without losing focus on institutional and political dimensions, challenges, problems and constraints. It provides an insight in questions dealing with political consensus, decision making procedure and rules governing allocation and sources of revenue. The paper assessing the policy options for the future based on adequacy, consequences, stability and sustainability of policies.

The study was conducted by Dr. Tarun Das, Honorary Consultant, ICRIER. The study was supported by the United Nations Office for Project Services (UNOPS).

IB.4. Differential Impact of Japanese and U.S. FDIs on Productivity Growth

Studies have found the impact of FDI on productivity growth to be firm, industry and host economy specific. However, the impact of FDI on productivity growth of the firm may also differ with respect to the source of FDI. The paper examines the impact of Japanese and U.S. foreign direct investments (FDI) on total factor productivity growth of the firms in Indian Automobile, Electrical and Chemical industries in the post reforms period. A parametric approach ("Time-Variant Firm Specific" Technical Efficiency Approach) as well as a non-parametric approach (Data Envelopment Analysis) is undertaken to estimate and compare total factor productivity growth (TFPG), efficiency growth and technological progress in Japanese-affiliated firms, U.S.-affiliated firms and domestic firms. The results show that Japanese affiliation has a significant positive impact on productivity growth in a firm while the impact of U.S. affiliation is not significant. Most of the TFPG in Japanese-affiliated firms is explained by the efficiency growth while most of the TFPG in U.S.-affiliated firms is explained by technological progress. The results also show that the domestic firms have witnessed both efficiency growth as well as technological progress in Electrical and Chemical industries

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in the post reforms period. This indicates “catching up” with the higher productivity levels of the foreign firms in the same industry.

The study was conducted by Ms. Rashmi Banga, Consultant, ICRIER and its findings published as ICRIER Working Paper No. 112. This is a WP Carey Foundation endowment grant related study.

IB.5. Impact of Japanese and U.S. FDI on Indian Manufacturing Exports

One of the most debated issues in the literature of development economics is the role played by the inward foreign direct investment on export performance of developing countries. Since the beginning of the decade of 1990s, the Indian government has adopted various reform measures to attract foreign direct investment (FDI) in the export sector of India. However, in spite of this, studies have found that FDI has not played any significant role in export-promotion of Indian industries.

This study aims to find whether FDI has led to diversification of export in Indian manufacturing sector in the post reforms period. It also examines whether the “nationality” of Foreign Direct Investment (FDI) matters with regard to its impact on the exports of the host country. The impact of FDI on export intensity is examined separately in the traditional export sectors and non-traditional export sectors of Indian industries. Both industry level and firm level analyses have been undertaken. An analysis of export-spillovers to domestic firms from Japanese and U.S. firms is also undertaken. Panel data estimation techniques are applied for the industry-level analysis and Tobit model is estimated for the firm-level analysis. The results show that FDI has a positive and significant impact on the export-intensity of non-traditional export sector leading to export diversification. However, the impact differs with respect to the source of FDI. U.S. FDI is found to have a positive and significant impact on the export-intensities of the industries in the non-traditional export sector, while the impact of Japanese FDI is not significant. The study analyses the reasons for this and concludes that an important impact of foreign direct investment in India is that it has led to export diversification in the post reforms period.

The study was conducted by Ms. Rashmi Banga, Consultant, ICRIER and its findings published as ICRIER Working Paper No. 106. This is a WP Carey Foundation endowment grant related study.

IB.7.Determinants of FDI in Asian Countries: Role of Policies

FDI flows into India have grown rapidly since the liberalisation in the nineties, but remain relatively small. This study identifies the possible reasons. The paper demonstrates the important role of labour costs, labour productivity and educational attainment in attracting FDI into Asian countries. Infrastructure has often been mentioned as a factor in FDI. The paper finds that the availability of electricity is indeed an important factor in FDI flows. It also confirms that FDI restrictions reduce FDI. The tariff-jumping hypothesis so popular among some economist is conclusively disproved for Asian economies, in that higher tariffs



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are found to have a negative (not positive) effect on FDI flows. The implications of these results for India are that with labour laws (such as those in India) that remove the incentive for work (or equivalently the dis-incentive to shirk) have a negative effect on labour productivity. Thus export linked FDI can be boosted if Special Export Zones are allowed to introduce and implement a more flexible labour regime.

Fiscal incentives do not have any significant impact on aggregate FDI, but removal of restrictions attracts aggregate FDI. Interestingly, BITs, which emphasize non-discriminatory treatment of FDI, are found to have a significant impact on aggregate FDI.

The paper shows that FDI intentions as manifested in FDI approvals are not always influenced by the same factors that influence actual FDI inflows. Transport and communication infrastructure turns out to be a significant factor (not electricity) perhaps because the first contact with a new country is through these two modes. Loan costs also seem to be important in FDI approvals while having no effect on actual FDI. Labour costs lose their significance as signals while the importance of labour productivity and education is also lower in contracted than in actual FDI.

The study was conducted by Ms. Rashmi Banga, Consultant, ICRIER and the results of the study published as ICRIER Working paper 116. The findings of the study were presented in the Fifth GDN conference held in New Delhi, January 28–30, 2004. This is a WP Carey Foundation endowment grant related study.

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IB.8. Global Integration of India's Money Market & Impact on Interest Rate

The free and unrestricted flow of capital in and out of countries and the ever-increasing integration of world capital markets can be attributed to the process of Globalization. One of the key criteria for international financial integration is based on movement/ co-movement of interest rates in countries over time and their comparison in terms of convergence or having a common trend. One of the most cited theoretical relation in international finance is the interest rate parity. The interest rate theory proposes that given perfect capital mobility, perfect capital market and fixed exchange rates the interest on identical assets (identical in terms of maturity etc) would be equal across countries. However, in the real world with capital controls, flexible exchange rates and imperfect capital markets divergence between interest rate is frequently observed and persists over long periods. Given the reality of non-frictionless capital markets and flexible exchange rates the recent versions of the interest parity theorem attribute this divergence to the expectation about exchange rate movements.

Empirically, there is little evidence for uncovered interest parity (UIP) which states that interest rates differentials should be exactly matched by expected variations of exchange rates. Most studies have rejected this relation not only in terms of a forward bias but also

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with regard to the a priori paradoxical negative sign of the interest differentials coefficients in standard regressions of expected exchange rates changes on interest differentials. However, there is evidence validating the covered interest parity (CIP) which says that interest rates denominated in different currencies are equal once you cover yourself against foreign exchange risk. The present study tests both for UIP and CIP using monthly data on 3-month TB auction rate for U.S. and India.

This study is being conducted by Dr. Arvind Virmani, Director & Professor, ICRIER and Mr. Vipul Bhatt, Consultant, ICRIER (till May 2004).

IB.9. Impact of FDI, Trade & Technology on Labour Markets in Indian Manufacturing

FDI, Trade and Technology are three important mutually inter-related components of liberalization that may impact on productivity, wages and employment in labour markets in the developing countries. Many studies have estimated the impact of either of the three on any one labour market issue, e.g., wages or employment. However, since the technology-trade and FDI –effects are likely to go hand in hand to impact on inter-related labour market issues, this paper attempts to investigate the impact of all the three components on Indian labour markets in the post reforms period, i.e., 1991–92 to 1997–98. Four issues of labour markets have been identified, i.e., impact on labour productivity; employment; wages; and wage disparities between skilled and unskilled workers. The analysis is undertaken for 78 three-digit level industries using data from Annual Survey of Industries and Prowess (C.M.I.E). Dynamic panel data estimations are carried out using GMM-IV in order to take account of rigidities in the Indian labour markets, especially downward rigidities in wage rates and lack of hire and fire labour policies.

The results using GLS and Random-effects models show that FDI, trade and technology have all improved labour productivity in Indian industries in the period 1991–92 to 1997–98. Further, dynamic panel data (DPD) estimations show that FDI has not increased employment levels but has had a significant impact in raising wages in the industries. Exports and technology have improved employment though have had little effect on wages in Indian industries. Wage gap has been found to be higher in industries with high levels of FDI but lower in industries with high export intensity. Technological progress in industries has been found to increase this wage gap indicating skill-bias in the technology used. The results arrived at control for industry-specific effects along with capital-labour ratios where ever appropriate. They are also found to be robust in the sense that though different methodologies were tried qualitatively the results remain more or less the same.

This study was conducted by Ms. Rashmi Banga, Consultant, ICRIER, and will be published shortly as an ICRIER Working Paper.



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IB.10. Foreign Investment in Retailing Sector

This project examines the possibilities and impact of opening up the retailing sector to foreign direct investment. In spite of significant growth of retailing and gradual development of India as a sourcing hub, retailing is one of the few sectors where foreign direct investment is not allowed. This is a survey-based study, which evaluates the challenges and threats to small as well as large domestic players and small-scale industries from entry of global players. It also covers the perception of foreign players about the Indian market; segments in which they would like to enter and segments that can be opened for FDI; barriers faced by retailing and in particular organised retailing; and reform requirements. The study is aimed at providing inputs for recommending India's negotiating strategies at the WTO.

The survey has covered various retail formats (supermarkets, cash and carry, speciality stores, etc) across different product categories (such as food and grocery, apparel and accessories, gems and jewellery, etc) in various locations (Chennai, Mumbai, Delhi, Kolkata, Bangalore, etc). The survey participants include owners of large and small retail outlets, prospective entrants (both domestic and foreign), shopping mall owners and investors, trading associations, policy makers, consumers, retail experts, etc.

The study is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER and Ms. Nitisha Patel, Research Assistant, ICRIER. It will be completed by September 2004. This is a Government of India, Department of Consumer Affairs supported study.



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IC.1. Dispute Settlement Mechanism in the WTO: Recommendation for improvement

The unique Dispute Settlement System (DSU) of the World Trade Organisation (WTO) makes it a very powerful organisation. This system combines various elements like speed, automaticity, binding nature of the decisions and rulings, fairly effective mechanism for ensuring compliance with the decisions and rulings, etc. While the WTO membership appears to be generally satisfied with the working of the system there are certain aspects of the system, which the membership would like to be reviewed and improved upon in the light of experience gained. It was in this context, that the Doha Ministerial Declaration provided for negotiations on improvements and clarifications to the Dispute Settlement Understanding, outside the scope of the single undertaking, with the dead line of May 2003. This dead line has since been extended to May 2004. In the ongoing negotiations relating to the DSU a number of proposals have been submitted by different WTO Members.

This study evaluates twelve major proposals made so far by different WTO Members. Some of these proposals relate to permanent body of panelists, treatment of Amicus Curiae Briefs, enhancement of third party rights, determination of compliance, sequencing between articles 21.5 and 22 of the DSU, "carousel" and "improving flexibility and Member control in WTO Dispute Settlement". The study examines the various proposals both from the systemic point of view and also from the Indian point of view. The study makes specific suggestions with regard to the position India might take on these twelve proposals and aims to increase awareness about the nuances of various proposals relating to the DSU, which are under consideration by the Membership of the WTO.

The study was conducted by Dr. S. Narayanan, External Consultant, ICRIER and Former Ambassador and Permanent Representative of India to WTO and is now available as ICRIER Working Paper No. 117. This formed part of WTO-related studies supported by the Sir Ratan Tata Trust.

IC.2. Trade Facilitation in the WTO: Implications for India

Focussing on the content of the significant proposals on Article X (Publication and Administration of Trade Regulations), Article VIII (Fees and Formalities connected with Importation and Exportation) and Article V (Freedom of Transit), this study examines the current status in India corresponding to each of these proposals and suggests the level of obligation that India should take if such proposals are eventually accepted at the multilateral level.

A close examination of the proposals made reveals that India is autonomously pursuing most of the recommendations made as part of its reform agenda. For instance, India already



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has a fairly transparent system of publication of trade regulations and adopting the suggested measures will not pose any burden on India. Regarding streamlining of export and import procedures, India is already in the process of implementing measures suggested by member countries in the proposals, but meeting international standards would require enormous resources and an adequate time span to implement such measures. India could accept the proposals on a 'best endeavour basis'. On the issue of transit, the proposals recommend that the solution of transit can be found through regional co-operation. India already has a transit treaty with Nepal but not much headway has been made on this issue with Bangladesh.

The study suggests that the inclusion of trade facilitation at the multilateral level, would enhance the pace of reforms in India, however, India would have to be careful in the level of obligation that it is willing to undertake given the financial and time requirement that trade facilitation measures are likely to entail.

The study has been conducted by Ms. Nisha Taneja, Senior Fellow, ICRIER. It is available on the ICRIER website as Working Paper No. 128. This formed part of WTO-related studies supported by the Sir Ratan Tata Trust.

IC.3. Transparency in Government Procurement

The study examines the implications for India of a possible WTO agreement on transparency in government procurement. At the same time, it explores the specific elements for inclusion in the agreement from India's perspective taking into account the proposals that have been made in the last six years of deliberations in the Working Group. In order to help in the understanding of the issues involved the study also provides an outline of the negotiation, evolution and operation of the plurilateral Agreement on Government Procurement.

The study finds that there are serious problems regarding the relationship between trade and an agreement on transparency in government procurement, which exclude market access from its purview. A transparency agreement on government procurement without any provisions on market access would be connected more with the socio-economic objective of improving governance and less with the expansion of trade in goods and services.

The study suggests that transparency in government procurement could bring efficiency and value for money benefits, but these aspects have little to do with the WTO Agreement. However, it does not suggest that for that reason India must necessarily oppose negotiations in the area. Since an agreement in the area would serve to remove a major malaise in governance, the study recommends that India might as well agree to the negotiations. But it should ask by way of quid pro quo for appropriate concessions in other major areas of negotiations in the Doha Round.

This study has been completed by Prof. Anwarul Hoda, Consultant Professor, ICRIER (till June 2004), and Ms. Suchi Bansal, Research Assistant, ICRIER (till March 2004). The findings of this study have been published as ICRIER Working Paper No. 129. This was part of WTO-related studies supported by the Sir Ratan Tata Trust.



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IC.4. Market Access Negotiations on Non-Agricultural Products: India's Choice of Modalities

Non-Agricultural Market Access is one of the important items on the agenda of the ongoing Doha Round of Multilateral Trade Negotiations in the WTO. A great deal of discussion has already taken place and a number of proposals made in the current round on the modalities for the reduction of tariffs.

The study seeks to facilitate the process of development of the position that would be in the best interest of India to take in future discussion on the modalities for tariff negotiations. The study finds that there are good reasons for India to be ambitious in its outlook and proactive in approaching the negotiations. As for modalities the study recommends that a nonlinear formula which attaches weight to the tariff average of the country concerned would be in India's best interest.

The paper recommends that if participation in sectorial liberalization is to be mandatory, India must ask for the possibility for developing countries to retain the flexibility to set the tariff at five per cent. The study does not favour placing great reliance on the concept of special and differential treatment. Although this concept served the developing countries well in the past when the main motivation was to fend off pressures for tariff reduction by them, it is a poor instrument for extracting concessions from the developed country partners, which must be India's main objective now.

The study has been completed by Prof. Anwarul Hoda, Consultant Professor, ICRIER (till June 2004), and Ms. Monika Verma, Research Assistant, ICRIER. The findings of this study have been published as ICRIER Working Paper No. 132. This was a Government of India, Department of Industrial Policy & Promotion supported study.

IC.5. WTO Rules & Trade Obligations in Multilateral Environmental Agreements

The study examines a critical negotiation issue in the Doha Ministerial Declaration on the relationship between existing WTO rules and specific trade obligation pursuant to multilateral environmental agreements (MEAs). The study analyzes each of the questions associated with the issue, and also shows how the environment has permeated into the multilateral trading system over the last two decades through the incorporation of environmental provisions under new WTO agreements, and a wider interpretation of justifiable restrictive trade measures on environmental grounds under the GATT Article XX exceptions in trade-environment disputes. The analysis considers six important MEAs in detail, including the objectives, the ratification status among key WTO Members, and the compatibility of the trade provisions contained in these MEAs with the existing GATT/WTO rules. It then critically examines the current state of negotiations and positions of the different WTO Members, to provide a negotiating strategy for India in light of her trade interests.

The study was conducted by Dr. Aparna Sawhney, Consultant, ICRIER and Assistant Professor, Indian Institute of Management, Bangalore and the findings of this study published



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as ICRIER Working Paper No. 133. This formed part of WTO-related studies supported by the Sir Ratan Tata Trust.

IC.6. An Assessment of Trade in Services: A Case Study for India

This paper highlights that except for areas of travel and worker remittances most developing countries have significant deficits in trade in services, due to major supply constraints that do not satisfy the pre conditions for building a competitive service sector. The Indian scene shows that software exports have emerged as an important source of foreign exchange earnings contributing substantially to invisible receipts.

The purpose of this study is to suggest a possible framework for the assessment of trade in services. It also envisages to draw solutions to questions pertaining to market access to Indian suppliers, employment, basic infrastructure, privatization of services, access to telecommunication and internet services etc. It assesses the GATS in terms of direct impact, indirect impact and non-economic considerations. It emphasises that since India has comparative advantage in the areas of healthcare, entertainment, software, construction and engineering and accountancy it would be advisable to negotiate greater market access for its professionals in these sectors. The study is expected to make a significant contribution to the process of GATS negotiations for all the developing countries in general and for India in particular.

This study has been conducted by Dr. Tarun Das, Economic Advisor, Ministry of Finance and Honorary Consultant, ICRIER. This study was supported by Government of India, Department of Commerce.

IC.7. Traditional Knowledge

The significance of the trade potential that 'sui generis' protection of traditional knowledge holds in developing countries cannot be ignored. The 'sui generis' protection mechanism is rather difficult to implement due to the lack of benefit-sharing regimes. This study analyses the problem dimensions from an inter-disciplinary prospects by initially constructing a taxonomy, taking into consideration the special features and characteristics of how different forms of traditional knowledge are held and transmitted and the modes of transfer of knowledge. It then goes on to examine why the world's intellectual property rights system, in its protection of traditional knowledge, is incomplete in scope, inefficient in application, inequitable in outcome and incompatible with other international regimes. The traditional knowledge does not fall in line with the economics of innovation and exhaustible natural resources.

The study refers to it as 'a case of missing markets'. It also notes the limitations of desirable defensive measures, such as digitalization of traditional knowledge and evaluates policy choices at national and international level, with reference to prevailing international treaties. The paper adequately highlights that the valuation of intangible assets holds the key to structuring and benefit-sharing for local communities. Valuation of assets should aim at

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optimum utilization.

This study was conducted by Dr. Ajeet Mathur, Professor, ICRIER (till January 2004). This was part of the WTO-related studies supported by the Sir Ratan Tata Trust.

IC.8. Special & Differential Treatment of developing countries

The WTO Agreement contains a number of provisions, which accord special and differential (S&D) treatment to developing countries. Some of them 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. In the work programme approved by the Ministers at Doha, it was envisaged that the decision to improve the WTO provisions on S&D treatment would be made by the end of July 2002.

This deadline passed without any Agreement on the subject. At the 5th Ministerial Declaration meeting held at Cancun in September 2003, 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 one 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. Against the given background, the study has been undertaken to examine the usefulness of the S&D provisions and the scope for making them mandatory or improving them in other ways.

This study was conducted by Prof. Anwarul Hoda, Consultant Professor, ICRIER (till June 2004). This was part of the studies supported by the SRTT.

IC.9. International Agricultural Commodity Price Database Project

The study aims to build comparative price data series on agricultural commodities across various countries. ICRIER has completed the task of building the price database for Indian markets. The task of building the database for international prices, is being undertaken by ERS-USDA. The idea behind this would be to mount the data on the worldwide web for online access by researchers.

This study was a collaborative research initiative between ICRIER, International Food Policy Research Institute (IFPRI) and Economic Research Service-United States Department of Agriculture (ERS-USDA). The study was conducted by Dr. C. S. C. Sekhar, Fellow, ICRIER (till December 2003).



IC Multilateral Issues: World Trade Organisation (WTO)**Ongoing
Projects****Ongoing projects****IC.10. Subsidy Disciplines under GATS**

This 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.

The study examines the existing subsidy practices in selected countries and in selected service sectors that are of trade interest to India, and the impact of these subsidies on trade in general and specifically on India's trade in services with these markets. Based on the assessment of subsidy practices in other countries and in India, the study will determine how subsidies in services should be dealt with under the GATS and the associated domestic policy and reform issues for India in the service sector. It is expected that this study would assist the Government of India in formulating its position during the negotiations on subsidies.

The study is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER and Dr. Rupa Chanda, External Consultant, ICRIER and Associate Professor, Indian Institute of Management, Bangalore. The study will be completed by December 2004. The study has been supported by the Government of India, Department of Commerce.

IC.11. Indian Intellectual Property Law & Impact of the TRIPS Agreement

The Agreement on Trade Related Aspects of Intellectual property Rights (TRIPS, 1995) is one of the three major substantive agreements that constitute the WTO Agreement. It lays down the minimum norms and standards in respect of Copyrights and Related Rights (Rights of Performers, Producers of Phonograms and Broadcasting Organizations), Trademarks, Geographical Indications, Industrial Designs, Patents, Lay Out Designs of Integrated Circuits, and Protection of Undisclosed Information, and also sets out the enforcement mechanisms that the WTO Members must provide in their domestic laws. The TRIPS agreement is the most wide-ranging and far-reaching multilateral treaty on the subject of intellectual property rights to date, not only incorporating by reference the provisions of existing intellectual property Conventions (such as the Paris Convention and the Berne Convention) but also establishing additional rights and obligations. All members of the WTO were given a transition period of one year from the date of entry into force of the WTO Agreement to apply the provisions of the TRIPS Agreement. Developing countries benefited from additional transitional periods. The obligations of the TRIPS Agreement would become fully applicable to India on December 31, 2004, when the transitional period for developing comes to an end in respect of the provisions on patents for chemical and pharmaceutical products. Since ratifying the WTO Agreement India has been enacting laws to bring them into conformity with its international obligations.

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

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the TRIPS Agreement. The study is being conducted by Ms. Mahima Puri, Consultant, ICRIER and will be completed by September 2004.

IC.12. Barriers to Movement of Natural Persons

The aim of this paper is to compile and present information on entry and operational barriers faced by Indian service providers in selected developed country markets at various regional and governmental levels, and in key service sectors that are of export interest to India. The study examines border level and domestic market regulations, which affect the scope and conditions for operation for Indian service providers in various host country markets, at the national level and at the subnational level in selected states/provinces within the chosen host countries. The study also examines restrictions on other modes of supplying services, which may indirectly affect provision of services through the temporary movement of service suppliers. Following compilation of this information, the study aims to qualitatively assess the nature of these market access barriers and how they affect India's comparative advantage in exporting services, while also highlighting the commonalities and differences in the nature and impact of these barriers across the selected countries and sectors. The ultimate objective is to provide the necessary background information to help formulate India's negotiating strategy on movement of natural persons under GATS 2000.

The geographic coverage of this study will be undertaken in three phases. The first phase of the study will focus on the US and Canadian markets. The second phase will focus on other English speaking markets such as Australia, UK, and Singapore. The third and final phase will focus on non-English speaking markets such as Japan, France, and Germany.

This study is being conducted by Dr. Rupa Chanda, External Consultant, ICRIER and Associate Professor, Indian Institute of Management, Bangalore and Dr. Debjani Ganguly, External Consultant, ICRIER.

IC.13. Overall Framework on WTO

While Agreement-wise study remains the staple of research agenda on WTO, the wider context of globalization and integration of world economy is also being kept in view. ICRIER has undertaken to carry out an overall framework study to identify the inter linkages between different policy initiatives and thus develop consistent policies and provide a strategic overview. The study would keep in mind the extended subject coverage under the WTO as well as the complementary domestic policies. Such subjects as labour issues, environment policies, investment policies, food safety, consumer protection, regional integration arrangements and competition policies would be covered. Quantitative estimate of the economy-wide and sector-wide impact of the WTO Agreement on India would also be reviewed. The study would also address broader strategic issues including those relating to the political economy of WTO negotiations, coalition building, leveraging domestic reforms and taking advantage of the notion of single undertaking.



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This study is being conducted by Dr. Harsha Vardhana Singh, External Consultant, ICRIER and Secretary cum Principal Advisor, TRAI and will be completed by April 2005.

IC.14. Implementation Issues

The issue of implementation first appeared in the WTO discussions as a routine matter in the context of preparations for its First Ministerial Session held at Singapore in December 1996. However, by the time of the Third Session at Seattle it had evolved into a large list of issues representing, in the eyes of several developing country Members, 'asymmetries and imbalances' in the WTO Agreement from their perspective. The issue of implementation as a whole also became a rallying point for these 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. At the time of the launching of the Doha Round in November 2001 it received serious attention from the Ministers and was 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.

This 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 would provide an evaluation of the results obtained so far and an assessment of the outstanding issues and in the light of this it make recommendations on the future course of action for India.

The study is being conducted by Prof. Anwarul Hoda, Consultant Professor, ICRIER (till June 2004)

IC.15. Enhanced Protection for Geographical Indications: The Case of Indian Tea

Protection of geographical indications in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is one of the subjects on which negotiations are taking place in the Doha Round. These negotiations encompass two important aspects: the extension of higher level of protection under Article 23 of the TRIPS Agreement to products other than wines and spirits and the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection.

An earlier paper brought out on the subject is being revised in order to study it in greater details. The study is being supervised by Prof. Anwarul Hoda, Consultant Professor, ICRIER (till June 2004) and is expected to be completed by October 2004.

IC.16. WTO Agreement and India: The first 10 years

On December 31, 2004, India will complete its first 10 years as a Member of the WTO. At the beginning of next year, therefore, it would be time to review how India has coped with

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the obligations that the WTO Agreement has entailed and benefited from the rights granted.

This project by ICRIER would comprise a compilation of contributions from experts in various fields on India's implementation of the WTO Agreement. The project will be coordinated by Prof. B. K. Zutshi, External Consultant, ICRIER and Former Indian Ambassador to GATT and will be completed by October 2004.

IC.17. Market Access Negotiations in Services: Options for India

This study is an overview of negotiations in services in the ongoing Doha Round. The focus of the study is market access negotiations in the services sector. With similar studies in the areas of agriculture and non-agricultural products, it forms a part of the ICRIER series on market access negotiations in the Round. As a backdrop to the subsequent analysis and assessment of the present state of play in market access negotiations, the paper starts with an analysis of the GATS framework agreement. It then makes a critical assessment of liberalization under the GATS during the Uruguay round and thereafter, coming to the conclusion that, other than in the case of telecommunication services, and to a lesser extent in that of financial services, there has been limited liberalization under the GATS, thus far. In terms of modes of supply, while mode 3 (establishment) commitments are relatively the best in their scope and coverage, mode 4 (movement of natural persons) are the most modest, largely confined to business visitors and intra-corporate transferees. In this context the paper looks at India's existing commitments and contrasts this with the autonomous policy reform and liberalization already accomplished and under way in the services sector in the country.

The paper then turns to services negotiating agenda in market access and also covers the area of rules to the extent it is directly relevant to market access negotiations, and makes an assessment of the present state of play in both. Looking at changes in India's service sector since the last round, and bringing out India's export interest in several sectors and modes of supply like the knowledge-based information-intensive sectors and mode 1 (cross-border supply) and mode 4, the paper proposes a strategy of pro-active engagement for India in the negotiations using the leverage of its domestic reform agenda to secure effective market access commitments from its partners in identified areas and modes of export interest to it.

This study is being conducted by Mr. B. K. Zutshi, External Consultant, ICRIER and Former Indian Ambassador to GATT. The study will be completed shortly.

IC.18. Telecommunication Services: India & GATS

The 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 last two years have witnessed vast change in telecommunications policy and regulation in India. These changes are naturally compared



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with those taking place elsewhere in Asia-Pacific, the fastest growing region in the world. While describing the key changes in India, the paper examines the commitments made by India in GATS and proposes a strategy for further liberalisation. Constraints likely to be faced in this process are also addressed.

The study is being conducted by Dr. Rajat Kathuria, External Consultant, ICRIER, and Professor & Registrar, International Management Institute, New Delhi. It will be completed shortly.

IC.19. Trade in Energy Services under GATS

The purpose of this study is to analyse India's trade possibilities in energy services within the WTO framework. The study found that India has export potential in certain energy services such as energy consultancy and retailing of fuel. On the other hand, the country is also importing certain consultancy services. There is significant need for investment in the power sector and increase in privatisation has enhanced the scope for foreign investment. The study suggests various reform measures which would enable the country to attain its export and import potentials. The study also suggests that India should actively negotiate in the WTO to remove entry barriers in markets of export interest.

As part of the project, ICRIER is providing consultancy services (Prof. Anwarul Hoda, Consultant Professor, ICRIER in Goods and Dr. Arpita Mukherjee, Senior Fellow, ICRIER in Services) to Petrofed (Petroleum Federation of India), the nodal agency for India's negotiating strategies at the WTO in the petroleum, Oil and Natural Gas sector.

The study is part of an ongoing project being conducted for the Government of India, Department of Commerce. The research work is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Mr. R. Vasudevan, Consultant, ICRIER and Former Secretary, Ministry of Power, Government of India, and Ms. Aditi Mody, Consultant, ICRIER (till September 2003). The study will be completed by December 2004.



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ID.1.Performance of Export Processing Zones in India

There has been an intense debate on the contribution of export processing zones to national economic development for some four decades. The debate touches on every possible aspect of EPZs: the rationale of EPZs, budgetary impact, employment impact, foreign exchange impact, labour rights, women rights, environmental protection, the cultural impact of foreign investment, and so on.

This paper focuses on the export and foreign exchange impact of the EPZs. It provides a comprehensive analysis of the export performance of Indian EPZs since their inception. The study begins with a brief review of the evolution of the EPZ policy through different phases of growth. It then examines the trends and patterns of total EPZ exports from an aggregate perspective. While doing so, it uses various indicators of EPZs' export performance including, gross exports, exports per unit of employment, value addition and so on. It also documents the trends and patterns of EPZs exports by sector and destination country. It then investigates the performance of the individual zones in a comparative analytical framework.

The study finds that aggregate EPZ exports registered an impressive growth rate over the period 1966 to 2002. The share of EPZs in total exports and manufactured exports also showed upward trends during 1973–2002. However, growth in the share of EPZs in total/manufacturing exports slowed down considerably after mid 1980s. EPZ and total export growth rates seem to have been converging since 1980s. This was due a continuous decline in the EPZ export growth rates since mid 1980s. Maximising foreign exchange earnings is one of the most important benefits expected from EPZs in India. The study shows that the Indian EPZs have not been able to achieve this goal either. It finds that three fourths of the total exports are accounted for by only two sectors, namely, electronics and gems and jewellery. Indian zones thus do not seem to have succeeded in promoting non-traditional exports. The study highlights the need to look at export strategies for the EPZs more closely and provides some policy suggestions.

The study has been conducted by Dr. Aradhna Aggarwal, Consultant, ICRIER.

ID.2.Indo-Sri Lanka Trade in Services: FTA II and Beyond

The study identifies sectors of bilateral trade interest, identify and quantify the domestic and external barriers to such trade and recommend regulatory, institutional and other reform measures for removal/reduction of such barriers, which would enable the two countries to gain from a possible CECA.

The study shows that there are trade complementarities in trade in services between the



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two countries. The study estimates revealed comparative advantage indices (RCA) for India and Sri Lanka to identify potential service areas for trade. Using primary information, the study shows that at a more dis-aggregated level, the two countries can trade with each other in areas such as transportation, tourism, construction, health, education, telecommunications and software, energy, retailing, banking, and through movement of professionals. Further, based on an extensive survey carried out in Chennai, Delhi, Bangalore, and Mumbai in India and Colombo in Sri Lanka, the study identifies barriers that are faced in each services sector through each mode of supply namely cross-border supply, consumption abroad, commercial presence and movement of natural persons. The study suggests a framework for removal of these barriers.

The study was conducted by Ms. Nisha Taneja, Senior Fellow, ICRIER, Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Dr. Sanath Jayanetti, Senior Fellow, Institute of Policy Studies of Sri Lanka, Colombo in collaboration with Dr. Tilani Jayawardane from the Institute of Policy Studies, Sri Lanka. The findings of the study will be presented at the SANEI Conference scheduled in August 2004. The study has been supported by SANEI.

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ID.3.India-China Trade in Goods

ICRIER has undertaken a study to explore the possibility of expansion of trade in goods between India and China. The objective of the study is to develop an understanding of the current status of export and import structures of India and China and analyze the strengths, weaknesses and potential opportunities and threats in trade expansion between the two economies.

In the backdrop of a complete transformation in bilateral trade relations between India and China in the last decade, India has emerged among the top 20 trading partners of China. In 2002, bilateral trade between India and China increased by 29 percent (DGCI&S). However, China's trade with India accounts for only 0.8 per cent of its total external trade while the share of China in India's external trade in 2001-02 was 3 per cent. Trade between India and China though growing, is modest taking into consideration the fact that the two countries are members of the largest Preferential Trading Arrangement (PTA) in terms of market potential i.e. the Bangkok Agreement, and given their size and proximity.

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 globalization in both India and China against the backdrop of fundamental changes

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taking place in the world towards regional trading arrangements.

Dr. Arvind Virmani, Director & Professor, ICRIER is a member of the Joint Study Group. Research work is being conducted by Dr. Amita Batra, Senior Fellow, ICRIER. The interim report is scheduled to be submitted in July 2004. The study is being supported by the Government of India, Department of Commerce, and will provide input into the Joint Study Group with representatives from India and China to draw up the framework of the Agreement.

ID.4. India-China Trade in Services

India and China are exploring bilateral measures for enhancing trade in services. ICRIER is conducting a study with the objective of identifying the service sectors (and modes within those sectors) of bilateral trade interest and mutual cooperation. The study will also identify areas of future trade potential and collaboration. Other objectives of the study are to identify existing barriers to trade and suggest reform measures for the reduction/removal of such barriers. The study is being funded by the Ministry of Commerce and Industry. The research work is expected to provide inputs into the Joint Study Group with representatives from India and China.

Dr. Arvind Virmani, Director & Professor, ICRIER is a member of the Joint Study Group. Research work is being conducted by Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Ms. Sanchita Chatterjee, Consultant, ICRIER and Ms. Gurnain Pasricha, Research Assistant, ICRIER. This is a Government of India, Department of Commerce supported study.

ID.5. Indo-US Trade in Services: Prospect of the ICT Sector

The ICT sector includes software services, IT training, IT-enabled/BPO services, Internet and e-commerce, audiovisual services and telecommunication services. This will identify the areas of mutual trade interest between India and US in the ICT sector in the context of a possible India-US Free Trade Agreement (FTA). The study will present a comparative picture of the recent trends and developments in the ICT sector in India and the US with particular reference to trade complementarities between the two countries. It will highlight areas of future trade potential and also analyse the regulatory regimes in the ICT sector of the two countries at both Central and Federal levels.

The study aims to identify barriers to trade in US market and suggest various measures for removal of the same, while analysing other Bilateral/Regional Agreements which India and US have entered or are in the process of entering to understand how the ICT sector has been addressed under those agreements.

Dr. Arpita Mukherjee, Senior Fellow, ICRIER, is the coordinator of the project. An interim report will be submitted to NASSCOM in December 2004 and the final report will be submitted in March 2005. Ms Mahima Puri is providing advice on legal issues. The study is being supported by NASSCOM.



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This study undertakes an analysis of the pattern of bilateral trade in the world using the gravity model. Employing the gravity equation, the study will first analyse the international trade flows for a sample of over 150 countries and then examine the potential for India's trade with these countries. While the basic gravity model predicts that the volume of trade between two economies should increase with their size (proxied by GDP) and decrease with transaction costs (as measured by bilateral distance), this study will use an augmented specification of the gravity model to predict potential bilateral trade for India.

The study is being conducted by Dr. Amita Batra, Senior Fellow, ICRIER and is expected to be completed by July 2004.

ID.7. Performance of Export Processing Zones of India, Sri Lanka and Bangladesh: A Comparative Analysis

This study would attempt to analyse using econometric analyses, the factors affecting EPZ performance in attracting foreign direct investment and enhancing export performance in South Asian countries. The three South Asian countries selected are India, Sri Lanka and Bangladesh. Bhutan, Nepal and Maldives have not established export-processing zones. Objectives of the study are three-fold. First, it will examine domestic and foreign investment trends in these zones. Two, it will then quantify the extent of foreign presence in these zones and analyse the factors affecting FDI in these zones. Three, it will analyse export performance of these zones using various indicators and examine the determinants of export performance. Foreign direct investors are expected to have an edge over domestic producers in export markets. Therefore, while analysing the determinants of export performance, the study will focus on the role of FDI in export promotion in these regions. The econometric analysis proposed to be undertaken aims at identifying the key policy parameters and other economic factors that contributed to the success of EPZs.

The study is being conducted by Dr. Aradhna Aggarwal, Consultant, ICRIER, with financial support from SANEI.



IIA Macroeconomics Management and Growth

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II Macroeconomics, Growth and Poverty

IIA Macroeconomics Management and Growth

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IIA.1. Growth Performance of the Indian Economy

The study revisits the issue of growth phases in Indian economic development. One of the innovations in this paper is to take explicit account of rainfall variations that play a very important role in the Indian economy. This allows us to determine whether the Indian economy has become less dependent on the monsoons ('drought proof'). It also allows a statistically more accurate determination of the different phases of Indian economic growth. It is able to statistically distinguish only two phases of growth since 1950-1. The first phase characterised as the 'Indian-socialist' rate of growth (ISRG) starts after independence and lasts to the end of the seventies. This period of 30 years from 1950-51 to 1979-80 was the phase of socialist experimentation, in which an average rate of growth of GDP of 3.5% per annum and a growth rate of government consumption (5.8% p.a.) that exceeded this GDP growth as well as the growth rate of private consumption (3.2% per annum).

The paper also confirms that there was a new phase of growth, starting in 1980-81 that the author calls the 'Bharatiya rate of growth (BRG).' This was the phase of market experimentation. There was a sharp and statistically significant acceleration in the growth rate during the BRG phase, over the previous period. Growth accelerated to an average of 5.8% per annum during the BRG phase with per capita income growing at an average rate of 3.6% per annum. While exploring the causes of changes in growth trends and variations in performance, the paper fills out the sector details of the various phases of development and the role that government and government monopoly has played in different sectors. The paper explores some of the growth puzzles in our economic history, viz. how the limited reforms in the eighties could produce such dramatic changes in the growth rate, and why the more broad-based reforms that began in 1991 led only to a modest increase in the growth rate over that observed in 1980's.

This study was conducted by Dr. Arvind Virmani, Director & Professor, ICRIER, and its findings published as ICRIER Working Paper No. 122.

IIA.2. Labour Quality in Indian Manufacturing: A State Level Analysis

Skilled manpower, its optimum utilisation and effective management, is the modern mantra that attracts both foreign and domestic investors. This paper has quantitatively analysed the influence of the quality of labour and its composition, on the productivity (in 18 selected states of India), with an intention to facilitate inter temporal and inter-firm comparison of input \ output and productivity in, future. Dr. Aggarwal has effectively used the Jorgenson-



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Gallop-Fraumen (JGF) methodology and Tornquist Translog Index to construct the Labour quality index to bring out the temporal and spatial differences in the labour quality for rural and urban manufacturing sectors using the Usual Principal and Subsidiary Status (UPSS) of employment.

The study also focuses on the inter-temporal and inter-sectoral changes in labour based on the educational profile of the workers, which suggests that the decline in the proportion of uneducated and not-literate workers across the sectors (highest in the primary sector, moderate in the manufacturing, trade and transport and least in the tertiary sector) can be best explained by the fact that the nature of labour demanded by a particular sector is what attracts labour towards it. It brings out significant variations among states with regards to the educational profile and the sectoral changes and establishes that Kerala is the only state in which the proportion of employment in the manufacturing sector in urban area is has increased where as in Assam the proportion casual workers has increased. Moreover, the study effectively demonstrates a strong linkage between Urban Labour Quality Indices and urban poverty, no. of ITI's and intensity of industrialisation where as the Rural Labour Quality Indices do not exhibit any such linkage.

This study was conducted by Dr. Suresh Chand Aggarwal, External Consultant, ICRIER and Reader, Delhi University, Delhi and its findings published as ICRIER Working Paper No. 126. This study was supported by the World Bank.

IIA.3. Sources of India's Economic Growth: Trends in Total Factor Productivity

Macroeconomic growth and the factors playing a vital role in it is of vital concern to the policy makers, advisors, markets and industry. The research project 'Sources of India's Economic Growth – Trends in Total Factor Productivity' reviews India's productivity performance that underlines the growth performance of the Indian economy since Independence.

The trends in the total factor productivity (TFP) for the economy are used to derive the average TFPG for two distinct periods (1950–51 to 1979–80 and 1980–81 to present) in the Indian economic history and a positive link is found between changes in TFPG growth and changes in economic growth. The study estimates TFPG for all the sectors of the economy viz, Industry, services, Agriculture etc and derives their relative contributions to overall productivity growth of the economy. The paper affirms that the collapse of growth during 1965–66 to 1979–80 was due substantially to a sharp fall in TFPG and the recovery during 1980–81 to 1991–92 was due to an increase in the same. Econometric analysis shows that investment in machinery and changes in protection (QR's and tariffs) played an important role in the changing rate of growth of TFP.

The study was conducted by Dr. Arvind Virmani, Director & Professor, ICRIER, and its findings published as ICRIER Working Paper Nos. 122 and 131.

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IIA.4. Investment Climate & Productivity Growth: Analysis of Indian States

India has been undertaking significant liberalisation initiatives since 1991 with a view to improving the efficiency of manufacturing industries and achieving faster GDP growth. The effects of national level policies can differ considerably across the Indian states, depending upon the nature of various institutional factors and policies in the states, which can be classified under the broad heading 'investment climate' (IC). This study investigates the influence of IC on the levels of total factor productivity (TFP) in the organised manufacturing sector across the major Indian states.

Using data from the Annual Survey of Industries (ASI), the study estimates multilateral TFP indices for the total registered manufacturing sector in all the major states for the period 1980–2000. For a comparison of the states with significantly different IC, the study also presents detailed estimates of TFP (at the 2-digit industry level) for three states – Maharashtra, Punjab, and Uttar Pradesh. The ranking is based on the *Firm Analysis and Competitiveness Survey (FACS)* conducted jointly by the *Confederation of Indian Industries (CII)* and the *World Bank* in 2000 and 2003 in the Indian states. For the purpose of this study, the *World Bank* provided the tabulated figures from FACS 2003 pertaining to certain quantitative indicators of IC in various industries across 12 Indian states.

The study concludes that in essence, a market friendly IC is essential for achieving higher level of TFP. This conclusion is robust, unaffected by the choice of IC indicator. The analysis also shows that there are scopes for initiating policy measures to improve the overall or particular dimensions of IC in almost all the states. States that foster a market friendly IC would attract greater investment and grow faster while others lag behind. Thus, it is not surprising that India's overall economic progress since 1991 is leaving some of the states behind. Evidently, the most effective way to eliminate regional growth inequality is to ensure that the lagging states initiate reforms to make their IC more market friendly.

This study was conducted by Dr. C. Veeramani, Fellow, ICRIER (till June 2004) and Dr. B. N. Goldar, IDBI-IFCI Professor, ICRIER and its findings have been published as ICRIER Working Paper No. 127. The study was supported by the World Bank.

IIA.5. India's Currency Regime

Empirical literature on currency regimes suggests that from August 1991 to June 1995 India's currency regime is best described as a de facto peg to the US dollar, while from then to end 2001 it was a de facto crawling peg.

The analysis of the paper is focussed on the period since the Asian crisis. It argues that a clear and well articulated official position on India's currency regime is not available. It examines the various potential reasons for reserve accumulation emerging from the statements of officials and official committees to show that reserve accumulation is the outcome of a currency regime whose main objective is to deliver low volatility of the nominal exchange rate. Excessive currency accumulation is seen to be an outcome of this regime.



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The paper shows that during the past few years the rupee appears to be a de facto peg to the US dollar. Thus the situation seems to have reverted, at least since 2002, to that prevailing between 1992 to 1995.

The paper makes a contribution to the current debate on India's currency regime and reserve policy, issues that have greater significance with the opening of the capital account and the new challenges it poses for interest rate policy in India.

The study was conducted by Dr. Ila Patnaik, Senior Fellow, ICRIER (till November 2003), and has been published as ICRIER Working Paper No. 108. This was a RBI-Chair related study.

IIA.6. India's Experience with Currency Intervention

Since the BOP crisis of 1991 there have been two views of the macro-economics of the Indian economy. One is the standard model of the open economy (widely applied and accepted in the advanced economies) that shows strong trade-offs between a stable exchange rate and monetary independence in the presence of global capital mobility. This is summarised in the "impossible trinity" namely that a country cannot simultaneously have an open capital account, a fixed exchange rate and monetary policy independence. This paper shows that net capital inflows during 1993-4 and 1994-5 were met by un-sterilised intervention: RBI purchased foreign exchange to keep the nominal exchange rate constant and thus to keep the real rate from appreciating. It concludes that as a consequence reserve money and M3 expanded leading to higher inflation and consequent real exchange rate appreciation. The paper then contrasts this with the second episode of capital inflows starting in April 2002, which was handled by sterilised intervention and reduced monetary growth. Inflation remained low but the gap between Indian and global short-term interest rates widened and the fiscal costs of accumulating reserves rose sharply.

This study also explores the monetary impact of currency intervention (on reserve money and money multiplier) and direct fiscal costs of coping with speculative behaviour by private actors. India has made enough progress in opening the capital account and the currency regime comes at the cost of distortions in the monetary policy. Though there may be benefits of such a currency regime there are few costs too that cannot be overlooked and have to be factored into policy analysis and this is where the paper has gained its distinction.

The study was conducted by Dr. Ila Patnaik, Senior Fellow, ICRIER (till November 2003), and has been published as ICRIER Working Paper No. 114. This was a RBI-chair related study.

IIA.7. Competitiveness & Economic Performance: Inter-State Dimensions

The study begins with a review of literature on economic growth and its determinants. It brings out the difference between the patterns of growth of developing and developed countries, since instability and volatility characterize the former.

The study focuses on issues of growth variability and volatility in Indian states. The coefficient



IIA Macroeconomics Management and Growth

Projects Completed

of variation of year-to-year growth rates for a state is used as a measure of volatility. Four most volatile states in India were Orissa, Rajasthan, Gujarat and Uttar Pradesh while the three least volatile states were Punjab, Maharashtra and Kerala. However the volatility has been declining on the national level since the 1980s. The author reviews various studies to quantitatively and qualitatively assesses the determinants of economic growth in the Indian states that accounts for the inter-state growth differentials. He notes that the dispersion of growth rates of states increased considerably in the post reform period (from 15% in 1980s to 27% in 1990s). Further analysis shows that agriculture has a positive impact on industrial and service sector growth. Also, social infrastructure is an important determinant of the investment decisions. The author however stresses that there is a need for exploring other approaches to explain economic growth from all perspectives.

This study has been conducted by Dr. K. L. Krishna, Honorary Senior Consultant, ICRIER (till February 2004).

Ongoing Projects

IIA.8. Essays in Macroeconomic Policy & Growth

This book of essays covers topics of macroeconomic management, growth performance and prospects, economic reforms, external sector management, tax reform, and problems of fiscal stress. The essays seek to combine an analytical approach with 'insider knowledge' of the policy process in India. The book is expected to be completed in draft by September 2004. It has already been accepted, in principle, for publication by Oxford University Press.

IIA.9. Critical Issues in Services-led Growth

Services form a diverse group of economic activities not directly associated with the manufacture of goods, mining or agriculture. They typically involve the provision of human value added in the form of labour, advice, managerial skill, entertainment, training, intermediation and the like. With the growing integration of the world economy a new interest in the role of services in world transactions has been generated and this has led to a stream of literature that examines various aspects of this sector.

Studies have theoretically argued and empirically estimated the link between performance of services sector and growth of the economy. Different explanations have been put forward to explain the increasing share of services in GDP, Investment and Employment. Petty's Law that propagates a shift of working population from agriculture to manufactures and from manufactures to services in course of economic growth has also been discussed by different studies and tested for different countries. In this context, studies have also attempted to estimate productivity growth in service sector and link productivity growth in services sector to overall growth of the economy. Further, there has also emerged a corresponding stream of literature that examines how trade in commodities differs vis-à-



IIA Macroeconomics Management and Growth

Ongoing Projects

vis trade in services and discuss the relevance of different trade theories for services.

With this background, this study proposes to prepare a comprehensive review of studies that examines two critical issues in the service sector, these are international trade & investment in services and productivity growth in services.

The study is being conducted by Ms. Rashmi Banga, Consultant, ICRIER and is expected to be completed by December 2004. This is a policy paper being prepared for the Policy networking Project supported by the Asian Development Bank.

IIA.10. Policy Regimes, Growth & Poverty

This study explores the links between Indian Policy Regimes, Economic Growth Performance and Poverty Outcomes. Issues connected with poverty and hunger will also be explored.

This study is being conducted by Dr. Arvind Virmani, Director & Professor, ICRIER and is expected to be completed by December 2004.



IIB Financial Development and Reforms

Projects Completed

IIB Financial Development and Reforms

Projects Completed

IIB.1. Health Insurance for the Poor in India: A Conceptual Analysis

This paper while giving a perspective on the topic discusses different types of health insurance arrangements prevalent for the low-income people in India. In extending health insurance to low-income people, the role of nodal agency is considered crucial. Depending on the role that a nodal agency performs, all health insurance arrangements can be broadly be categorised into three different types. Different conceptual issues come up in each type of insurance arrangement. These issues are identified and studied in this paper. Furthermore, the role of public policy in developing microinsurance in the country is analysed.

The study has been conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER with financial support from the South Asian Network of Economic research Institutes (SANEI) and will be presented at the SANEI conference scheduled to be held in August 2004.

Ongoing Projects

IIB.2. New Institutional & Economic Approaches to Health Insurance for the Poor in India

The research findings of the first phase, which involved studying economic incentives present in community based health insurance arrangements as observed in different parts of developing countries, were published last year as ICRIER Working Paper 95. The second phase was completed this year and the findings published as ICRIER Working Paper 123. The second phase of the project involved studying health insurance situation in India. The third phase of the project involves identifying a few best practices in health insurance and conducting a primary survey and its analysis of the identified schemes. The primary survey has been completed and data analysis is in progress.

The study is being conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER. The study is expected to close by November 2004. It is supported by the Volkswagen Foundation, Research on this project is jointly being carried out by ICRIER, Centre for Development Research (ZEF), Bonn (Germany) and Centre for Economic and Social Studies (CESS), Hyderabad.

IIB.3. Decentralisation & Centrally Sponsored Schemes: Some Observations

Interstate performance of two of the Centrally Sponsored Schemes (CSSs), Sampoorna Grameen Rozgar Yojana (SGRY) and Swarnjayanti Gram Swarozgar Yojana (SGSY) of the Ministry of Rural Development are examined in this paper. SGRY is meant to provide wage

IIB Financial Development and Reforms

Ongoing Projects

employment, whereas 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 study finds that SGSY performs uniformly better than SGRY in all states, except West Bengal. Two important reasons for the difference in performance of these schemes across states are: resource availability of states, and effectiveness of the two different delivery mechanisms. Later, the study relate schemes' performance to the progress on decentralisation across states. The study finds that the performance of both schemes relate positively to a decentralisation index. Similar results are obtained when two other CSSs of the ministry i.e., water supply (sector reforms program) and total sanitation schemes are examined. Currently, the effect of some of the qualitative indicators on schemes' performance is being examined.

This study is being conducted by Dr. Rajeev Ahuja, Senior Fellow, ICRIER, and Mr. Indranil De, Research Assistant, ICRIER.

IIB.4. Substitutability of Household Sector Saving Assets in India

Indian economy has undergone major financial reforms since 1991 and there have been considerable changes in the financial and interest rate structure of the economy. With these changes it was expected that the composition of the house hold sector financial savings will undergo a change through substitution of assets.

With this backdrop, ICRIER attempts to find out such kind of substitution, if any, among the financial assets accessible to the household sector. An important feature, which emerges from the analysis, is that provident fund acts as a substitute for other saving assets. Prima facie this is attributed to the fact that the provident fund offers more return as well as gives tax concessions. And in some sense there is the element of compulsion on the part of the employees in the organized sector to park their funds in the provident fund.

The study is being conducted by Dr. Arvind Virmani, Director & Professor, ICRIER and Dr. Sanghamitra Sahu, Fellow, ICRIER. It will be completed by July 2004. This is a Reserve Bank of India chair related study.



IIC Reform Issues

Projects completed

IIC.1. Lessons from Indian Economic Reforms: Policy & Institutions

Economic policy and policy reform over the last few decades has been motivated by the need to accelerate growth or equivalently to reverse a decline in growth rate. The economic literature on the determinants of growth has burgeoned and disagreement has followed consensus on the policy prescriptions that need to be followed to achieve this purpose.

The study moves the focus of the debate to concrete issues of policy formulation and policy change and explores the links between policy and institutions in the context of economic reforms. This exploration draws heavily on the economic reform experience of India and the author's practical experience of these reforms and can be viewed as an effort to conceptualise and generalise the lessons from Indian economic reforms. A subsidiary purpose of the paper is to open the door to multidisciplinary dialogue by bridging the gap between economic and other social sciences by eschewing economic jargon.

This study was conducted by Dr. Arvind Virmani, Director & Professor, ICRIER and presented at the 5th GDN Conference in New Delhi and its findings have been published as ICRIER Working Paper No. 121.

Ongoing projects

IIC.2. Linkages between Development Researchers & Policymakers in India

This study seeks to enhance the understanding of linkages between development research and policy planning in the Government of India, keeping in view the institutional framework. The study is based primarily on a critical appraisal of studies in major research institutions and their interactions with the government departments since the post reform period, 1991. The focus is on two significant areas, viz, Liberalization of the external sector and Labour market reforms.

The study deals with degree and direction of success as well as failure along with causes of slow pace of reforms in the above mentioned areas. The key issues that the study deals with are: To what extent has development research Institutes helped the policy makers? What are the lines on which research should improve in order to assist and direct policymaking? Et. al. Such a study in a pioneering step towards improving the link between research and policy making since it includes selected government ministries and research institutions dealing with economic reforms and research in external sector, disinvestment and labour market. It outlines significant recommendations of effectiveness of policy dialogue, prioritization and sequencing of reforms, organizational and institutional set up. It is hoped that this study would set new parameters for development research institutions and private researchers and go a long way in strengthening the linkages between the actual research analysis and policy making, which more often have little or no linkage.

The study is being conducted by Dr. Arvind Virmani, Director & Professor, ICRIER and Dr. Tarun Das, Economic Advisor, Ministry of Finance and Honorary Consultant, ICRIER. This study has been supported by the Economic Education and Research Consortium, Washington.



Seminars & Conference

Research Seminars

I. Cancun Agenda on Market Access: A Reality Check

ICRIER and FICCI jointly organised a one-day seminar on 'Cancun Agenda on Market Access: A Reality Check' on August 29, 2003. In his inaugural address, Mr. S. N. Menon, Additional Secretary in the Ministry of Commerce, stated that countries like India with a huge population dependent on agriculture were not willing to accept the developed countries' position on tariff reduction without a reciprocal reduction in subsidies and that the joint framework on agriculture submitted by the US and European Union was an unfair document, as it did not reflect the ambitions of the developed and developing countries. On services, Mr. Menon stated that India was keen on offshore operations through electronic means and movement of natural persons.

The deliberations mainly focused on the three core areas of non-agricultural market access, agriculture, and services with emphasis on the impending Cancun negotiations. Concern was expressed by all speakers on the low level of ambition in the US-EC proposals with regard to reduction/elimination of subsidies in the negotiations on agriculture. It was felt that for the Doha Round negotiations to succeed, it was imperative that the major industrialised countries agreed on the elimination of export subsidies and on deep reduction of domestic support. The speakers welcomed the proposal for taking the tariff average into account in the formula for reduction of non-agricultural tariffs. While concern was expressed on the proposal for sectoral elimination of tariffs in automobile components it was also felt that elimination of tariffs on textiles would provide a big opportunity for India. On services, the speakers stated that India has tremendous trade potential and should therefore actively participate in the GATS 2000 negotiations and push for removal of market access barriers in Modes 1 and 4 in markets of export interest. Eminent policy makers, policy advisors, academics, and senior officials from the WTO, World Bank, and Ministry of Commerce attended the seminar.

II. An Analysis of Retaliation Under the WTO

At an ICRIER seminar held on March 25, 2004, Prof. Robert Z. Lawrence, Albert L. Williams Professor of Trade and Investment at the John F. Kennedy School of Government at Harvard University presented a study on the economics of retaliatory measures permitted in the WTO for dispute resolution in cases in which the member complained against is unable to comply with the recommendations of the Disputes Settlement Body. In his view it would be preferable if in such cases there was a provision for compensation through liberalisation in areas of interest to the complaining party. Compensation as a substitute for retaliation is already provided for in the Dispute Settlement Understanding. The new proposal made by Prof. Lawrence was that such compensation would be available from a list of compensatory measures already agreed by each member in advance.

During the discussions that followed the view was expressed that the existing system did not envisage that retaliation would be permanent. The aim was not to square the accounts. Although the implementation of retaliatory measures resulted in contraction of trade and diminution of world welfare, its ultimate objective was to put pressure on the WTO member

concerned to withdraw the offending measures. Members generally used those measures for retaliation that had the maximum potential to put political pressure for compliance. The alternative proposed by Prof. Lawrence would deprive the complaining party of the possibility of applying pressure by retaliating where it hurt most. The seminar was chaired by Dr. Arvind Virmani, Director & Chief Executive, ICRIER.

III. Income Inequality, Distributive Conflict and Economic Growth

At a seminar organised by ICRIER on April 6, 2004, Dr. Chetan Ghate, Lecturer, Planning Unit, Indian Statistical Institute, delivered a talk on 'Income Inequality, Distributive Conflict and Economic Growth'. In the background of the lecture was a thorough review of the political economy literature on the income distribution and economic growth, based on which a workable framework was drawn to analyse the simultaneous evolution of income distribution, economic growth and distributive conflict. Quantitative analysis and economic models prove that excess equality is as harmful for economic growth as is excess inequality. Econometric evidence proves that growth-equity trade off can move in either direction if the equilibrium is not maintained.

Dr. Chetan Ghate also focused on the impact of explicit redistributive policies on both growth and income distribution. Such an analysis makes it possible for the policy makers to characterise conditions under which there is greater consensus over policies in the light of wealth distribution. Dr. Ghate, by quantifying the growth-equity trade-off, has drawn a relationship between social mobility, wealth distribution and economic growth. Academicians, policy analysts and researchers attended the lecture. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, chaired the seminar.

IV. US Agricultural Policy and WTO Issues Affecting Developing Countries

ICRIER organised a half-day joint Seminar with the Economic Research Service (ERS) of the United States Department of Agriculture (USDA) on October 13, 2003. The focus of the Seminar was on policy implications of recent research conducted at the ERS-USDA and identification of possible topics for collaborative research. Dr. Mary Burfisher of the ERS-USDA made a presentation on 'The US Experience with De-coupled Payments'. Dr. John Wainio of the ERS-USDA spoke on 'Market Access Proposals: Addressing the Concerns of Developing Countries' and Dr. C Edwin Young, Senior US Agricultural Policy Analyst, ERS-USDA, made a presentation on 'Potential Market Impacts of US Farm Policy'.

The seminar highlighted issues related to the US Farm Bill 2002 and de-coupled payments and the implications of market access issues in the WTO for developing countries. The seminar was attended by senior economists of the ERS-USDA and senior officials of the Department of Commerce and Department of Agriculture and Co-operation, Government of India, among many others. Dr. R. C. A. Jain, Secretary, Ministry of Agriculture, Government of India, chaired the seminar.

V. Missing Markets in the World Trading System: The Case for 'Sui Generis' Protection of Traditional Knowledge under TRIPS

Dr. Ajeet Mathur, Professor, ICRIER, presented a study of the feasibility and economic logic in the design of a *sui generis* protection system for protection of traditional knowledge at a seminar on October 30, 2003. Prof. Mathur proposed a framework that would harmonise national priorities and also satisfy all international commitments, including TRIPS. The study finds that recognition of traditional knowledge as a global public good could enable an international *sui generis* system to be operationalised. An international treaty providing *sui generis* protection to traditional knowledge could be reached through WIPO or UNESCO or WTO. Prof. Mathur noted that countries need not wait for an international treaty and national *sui generis* systems can be designed to suit national priorities.

Prof. Mathur concluded that for benefit-sharing arrangements to work, the government should limit its role to capacity building, facilitating information flows, promoting new forms of contracts enforcement, and making effective international representation. He proposed that it would be useful to conduct pilot projects in biodiversity hotspots like the North-Eastern states, Western Ghats, Himalayan slopes, and the Narmada and Tapti Basins in process-led action research to gain more experience of how to build capacity and embed benefit-sharing arrangements in local communities, local entrepreneurial initiatives, and local self-governance. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, chaired the seminar.

VI. Trade in Land Transport Services: Railways

At a seminar organised by ICRIER on August 6, 2003, Dr. Arpita Mukherjee, Senior Fellow, ICRIER, and Ms. Ruchika Sachdeva, Consultant, ICRIER, made presentations on a sectoral study titled 'Trade in Land Transport Services: Railways', based on a project funded by the Ministry of Commerce, Government of India. This study investigates the recent trends and developments in the rail transport sector, globally and in India, within the context of the GATS 2000 negotiations. The findings shared at the seminar emphasised that the sector witnessed limited liberalisation during the Uruguay Round of negotiations as few WTO Members scheduled commitments. The railway network in India, which is under a public monopoly, has resulted in monopoly-induced inefficiencies and low level of productivity. The study emphasised on the need and urgency for restructuring the rail transport services and suggested various reform measures to enhance the productivity, efficiency, and global competitiveness of this sector. The seminar was attended by academicians and representatives from various ministries/departments and, industry associations. Mr. B. K. Zutshi, Advisor, WTO Issues, ICRIER, chaired the session.



Conferences

I. Trade Policies of the South Asian Countries

ICRIER and the World Bank jointly organised a two-day workshop on 'Trade Policies of the South Asian Countries' on October 16–17, 2003 at the India Habitat Centre, New Delhi. The workshop was based on a report prepared by Dr. Garry Pursell, Consultant, World Bank and Dr. Zaidi Sattar, Senior Economist, World Bank. The objective of the workshop was to discuss the present status of the trade policies of the South Asian countries, the direction in which they appear to be going, and desirable directions for future reform. The workshop focused on traditional trade policies, i.e. tariffs, non-tariff barriers, anti-dumping, export policies, and aspects of sanitary and technical regulations that affect trade. While the workshop covered trade policies in the major South Asian countries, it primarily focused on India's trade policies.

Dr. Arvind Panagariya, Professor of Economics and Co-Director, Center for International Economics, University of Maryland, made a presentation on external sector reforms in India in the 1990s and their impact. Senior officials of the Ministry of External Affairs, Ministry of Commerce & Industry, Directorate General of Foreign Trade, Ministry of Textiles, and the World Bank, senior researchers and academicians, and experts in the relevant areas participated in the workshop. Mr. S. Narayan, Economic Advisor to the former Prime Minister, gave the introductory remarks at the workshop.



From L to R: Dr. Satya P. Das, Professor, Indian Statistical Institute, Dr. Arvind Virmani, Director & Chief Executive, ICRIER, Dr. L. Man Singh, Director General of Foreign Trade, Ministry of Commerce and Industry, Dr. Anup K. Pujari, Managing Director, Mysore Sugar Company Limited, Dr. Garry Pursell, Consultant, the World Bank, at the workshop on 'Trade Policies of the South Asian Countries'.

Seminars & Conferences



Dr. Mary Burfisher, Senior Economist, ERS-USDA, addressing the audience at the seminar on 'US Agricultural Policy and WTO Issues Affecting Developing Countries: Recent USDA/ERS Research'.



Dr. Ajeet Mathur, Professor, ICRIER, speaking at the seminar on 'Missing Markets in the World Trading System: The Case for "Sui Generis" Protection of Traditional Knowledge Under TRIPs'.

Public Policy Programme

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

Public Policy Programme

I Public Policy Workshops

I.1. Fourth India-Korea Dialogue

ICRIER and the Seoul International Forum jointly organised the 4th India-Korea Dialogue at the India Habitat Centre, New Delhi on October 21–22, 2003. ICRIER hosted the Dialogue with support from the Ministry of External Affairs, India. In-depth discussions were held on the opportunities offered by bilateral business and economic relationship and on issues relating to the prospects of regional economic partnership between the two countries in the emerging global scenario. The two-day Dialogue concluded with both sides reaffirming the existing friendly relations between the two countries and the great potential for further co-operation in various fields.

The Dialogue adopted policy recommendations for further liberalisation of trade and investment regimes in India and Korea, encouraging co-operation in science and technology, especially information technology, and frequent exchange of visits by government and parliament leaders supported by dialogue on strategic and security issues. The Dialogue also recommended a wider exchange of industrialists, scholars, students, journalists, artists, tourists, sports figures, etc. and special efforts to promote frequent cultural exchange between India and Korea. Mr. A. N. Varma, former Principal Secretary to the Prime Minister of India, led the Indian delegation. The Honourable (former) Deputy Prime Minister of Korea and Minister of Foreign Affairs (also Sitting Member of the National Assembly, Republic of Korea), Dr. Han Seung-Soo, led the Korean delegation.

I.2. Managing Capital Account Crisis

ICRIER organised a talk on 'Managing Capital Account Crises', on November 18, 2003. Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, and former Director, Independent Evaluation Office, International Monetary Fund (IMF), Washington, D.C., presented a synopsis of the IMF report on 'IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil'.

The goal of this exercise was to look back at three different crises, in three heterogeneous countries namely, Indonesia, Korea and Brazil to evaluate the involvement of the IMF. A select audience of eminent economists and policy makers, senior government and World Bank officials, and senior financial journalists attended the talk.

I.3. Why the Federal Reserve should not Adopt Inflation Targeting

Dr. Benjamin M. Friedman, Professor of Political Economy at Harvard University delivered a lecture at ICRIER on the general principles and the operating procedures of inflation targeting on January 23, 2004. Drawing on the experience of the countries with inflation targeting, he argued that inflation targeting does not help in improving the macroeconomic performance of a country. In particular he suggested that inflation targeting is not a suitable

I Public Policy Workshops

framework for conducting U.S. monetary policy. He was of the opinion that in case of low inflation any kind of quantitative target is not useful. However he suggested that it would be an interesting topic of research in case of India. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, chaired the lecture.

I.4. WTO Negotiations in NAMA

At a talk organized by ICRIER on April 5, 2004, Mr. Bijit Bora, Counsellor – Economic Research and Statistics Division, World Trade Organization made a presentation of the WTO negotiations on Non-agricultural Market Access in the run up to the 5th Ministerial session held at Cancun in September 2003 as well as during the Ministerial session itself. He said that the focus of discussions was whether the core modality for reduction of tariff should be a linear or a non-linear formula and whether the sectorial approach should be mandatory or non-mandatory. Asked whether the solution for the sectorial approach could be to permit the developing countries to continue with tariffs at the uniform level of 5% while others eliminated the tariffs, he stated that this was indeed one of the most widely considered options. He was of the view that once agreement was reached on agriculture, it would be easier to resolve the differences in NAMA negotiations. The talk was chaired by Prof. Anwarul Hoda, Consultant Professor, ICRIER.



Delegates from India and Korea at the 'Fourth India-Korea Dialogue'.

II Public Lectures

II Public Lectures

II.1. Financial Globalisation: The Case of India versus China

At a lecture organised by ICRIER on July 16, 2003, Dr. Kenneth S. Rogoff, Professor of Economics at Harvard University and former Economic Counsellor and Director, Research Department, International Monetary Fund (IMF), stressed upon the need for India to sustain and strengthen the pace of its economic reforms to sustain a high growth rate of its economy, and outlined the areas in which reform is needed. Examining the relationship between capital controls, financial integration and growth, Prof. Rogoff advocated trade integration with the rest of the world and moving to a regime of greater exchange rate flexibility for the Asian economies. Mr. N. K. Singh, Member, Planning Commission, chaired the lecture.

II.2. Political Economy of Reforms

Prof. Mariano Tommasi, Chairman of the Department of Economics, Universidad de San Andres and Director of the Centre of Studies for Institutional Development, Argentina, delivered a lecture at ICRIER on the 'Political Economy of Reforms' on August 13, 2003. The lecture was organised jointly by ICRIER and the South Asian Network of Economic research Institutes (SANEI). In his lecture, Prof. Tommasi presented some general considerations on the political economy of reform from a Latin American perspective, giving the example of Argentina. Prof. Tommasi emphasised that it is important to focus not on how to play the politics so that we can get reforms through, but on what can be done by countries to improve the quality of their policy-making processes or at least adjust policy recipes to institutional capabilities and incentives. This, he stated, would require political analysis and a history-grounded understanding of the trajectory of each country. Mr. N. K. Singh, Member, Planning Commission, chaired the lecture.

II.3. Chinese Mercantile: World Consumer Gains, Chinese Worker Loss

Dr. Surjit S. Bhalla, Director, Oxus Research & Investment, delivered a lecture on Chinese Mercantilism: World Consumer Gains, Chinese Worker Loses' on November 14, 2003 at a public lecture organised by ICRIER at the India Habitat Centre, New Delhi. Dr. Bhalla emphasised the nature of exchange rate regimes in both the developed and the developing world for the 'globalisation' period 1980 to 2003. With special reference to China, he attempted to answer two main questions: (i) is the exchange rate undervalued?; and (ii) are there economy-wide gains to undervaluation? He argued that the Chinese Yuan is massively undervalued—even more than the Yen against the US dollar in 1985—no matter what the definition or measure one adopts, and this magnitude of undervaluation is helping the Chinese economy to grow by an extra 2 percentage points a year. On the other hand, the Japanese Yen, the Euro, the Mexican Peso, and the Indian Rupee are all valued fairly. The lecture was chaired by an eminent expert on China and Senior Fellow, Institute for International Economics, Washington, D.C., Dr. Nicholas R. Lardy.,



II Public Lectures

II.4. The World Bank of the Future: Making Aid Work

Prof. Abhijit Banerjee, Professor of Economics, Massachusetts Institute of Technology, delivered a lecture on 'The World Bank of the Future: Making Aid Work' on November 17, 2003. The lecture was jointly organised by ICRIER and the South Asian Network of Economic research Institutes (SANEI) and was held at the India Habitat Centre, New Delhi. Drawing on data for the World Bank and the Asian Development Bank (ADB) for the period 1987–2001, Prof. Banerjee examined whether foreign aid is being spent effectively by evaluating project and sector level data for the World Bank, Asian Development Bank (ADB), and other public donor organisations. He pointed out that sectors of the economy get more money from the World Bank (and perhaps the ADB) when they are improving faster. Controlling for the rate of improvement, sectors get more money from the Bank (and may be the ADB) when they are performing worse. Prof. Banerjee stated that the correlation of the share of money from the World Bank in a given project to the project's eventual performance is either negative or zero depending on whether we focus on the expected share of funding or the actual share, while for the ADB there is no solid evidence of any correlation. Prof. Banerjee pointed out that lack of a scientific basis for decision making and scepticism about the feasibility of evidence based decision making limits donor effectiveness. He emphasised that the multilateral donor institutions need to rely more on measurable evidence available to test a particular project's efficacy. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, chaired the lecture.

II.5. The Poverty-Growth-Inequality Triangle

The World Bank's Senior Vice President and Chief Economist, Dr. François Bourguignon, delivered a lecture on 'Poverty-Growth-Inequality Triangle' organised jointly by ICRIER and the World Bank at India Habitat Centre on February 4, 2004. The focus of Dr. Bourguignon's talk was on the age-old controversy whether the development strategy should lay emphasis on growth or poverty reduction or on addressing inequality. In his lecture he brought out the power of distributional changes for poverty reduction. He emphasised that for poverty reduction, it is not just growth in income that matters but also how the growth leads to changes in income distribution. In some cases the changes in distribution may even offset the positive effects of growth on poverty, he stated. Dr. Bourguignon's point was that the real controversy is whether growth and distribution are independent of each other, or are they both inter-linked. Two important points to be considered according to him were, first, that growth and income distribution should be considered simultaneously and to recognise that income distribution matters as much as growth for poverty reduction. The second, that country specificity matters a great deal.

The lecture was attended by a number of eminent persons from academia, policy makers, media and various research institutes. Dr. Deepak Nayyar, Vice Chancellor, Delhi University chaired the lecture. Introductory Remarks were made by Dr. Arvind Virmani, Director & Chief Executive, ICRIER.

II Public Lectures

II.6. Update on Indian Economy

Dr. Y. V. Reddy, Governor, Reserve Bank of India, released the book 'Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development' authored by Dr. Arvind Virmani, Director & Chief Executive, ICRIER at India Habitat Center, New Delhi on April 7, 2004. On the occasion of the book release Dr. Reddy delivered an illuminating talk 'Update on Indian Economy' in which he provided an update covering development in 3 areas, viz. money and credit, financial markets and external sector and follow-up measures to announcements in the policy statement of November 2003.

Dr. Reddy said that, broad money (M3) aggregate deposit and non-food credit and inflows have been sterilized through open market operations including the Liquidity Adjustment Facility (LAF). Credit expansion has been most in the housing and retail sectors, followed by expansion of industrial credit. Also the priority sector lending has been remarkable. According to him, the financial sector has been steady; foreign exchange market orderly, BOP position comfortable and capital inflows robust overall despite minor cliches the external sector displays a happy picture. The Follow-up measures include two internal groups to recommend policy changes – one on Liquidity Adjustment Facility (LAF) and the other on Instruments of Sterilization, which would enable the RBI to improve liquidity management in the economy, to maintain stability in foreign exchange market and conduct a sound monetary policy. The Banking sector and small-scale sector have been given due importance and have efforts are on to enhance the performance of both.

He stated that development of the government securities market is an integral part of the reforms process and customer services and simplification of procedures and practices are measures that cannot be afforded to be overlooked.

II.7. Reality And Myths Of India's Economic Growth

Dr. Arvind Virmani, Director & Chief Executive, ICRIER delivered a lecture on 'Reality and Myths of India's Economic Growth' on April 12, 2004. Dr. Virmani examined two enduring myths that connect the past and the present. One is that the socialist policies of the sixties and seventies were a golden era for the poor. The other, that there was a growth take-off during the nineties the nineties. The period is marked by a decline in poverty rate and increase in economic growth. Dr. Virmani has given due importance to variation in growth rate due to fluctuations in the pattern of monsoon. For the sake of simplification, he has divided the period since independence into two phases, viz. 1950–51 to 1979–80 and 1980–81 to 2003–04 on the basis of agricultural growth rate.

Dr. Virmani also states that market reforms, viz. Delicensing, raising the ceiling of MRTP, dereservation, Broadbanding, capital good imports etc. though peaked in the 1970s did not help the growth rate to increase due to pressure from agricultural sector. He therefore recommends wider and compatible reforms. The lecture was attended by renowned academicians, researchers, thinkers and policy makers. The lecture was followed by an interactive discussion and exchange of ideas. Dr. Surjit S. Bhalla, Managing Director, Oxus Investments (P) Ltd. chaired the lecture.



Public Lectures



Dr Abhijit Banerjee, Professor of Economics, Massachusetts Institute of Technology, Cambridge, delivering a lecture on 'The World Bank of the Future: Making Aid Work'.



From L to R: Dr. Arvind Virmani, Director & Chief Executive, ICRIER, and Coordinator, SANEI, Prof. Mariano Tommasi, Chairman of the Department of Economics, Universidad de San Andrés, Argentina, and Mr. N. K. Singh, Member, Planning Commission, at the ICRIER-SANEI lecture on 'Political Economy of Reforms'.



From L to R: Dr. Arvind Virmani, Director & Chief Executive, ICRIER, Prof. Deepak Nayyar, Vice Chancellor, Delhi University, Dr. François Bourguignon, Senior Vice President and Chief Economist, the World Bank, at the lecture on 'The Poverty-Growth-Inequality Triangle'.



Audience at the lecture delivered by Dr. François Bourguignon, Senior Vice President and Chief Economist, the World Bank.

Public Lectures



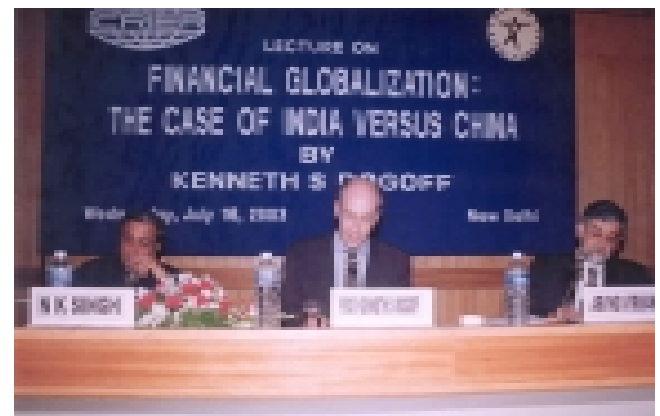
From L to R: Mr. R. M. S. Liberhan, Director, India Habitat Centre, Dr. Surjit S. Bhalla, Managing Director, Oxus Investments (P) Ltd., Dr. Arvind Virmani, Director & Chief Executive, ICRIER, at the talk on 'Reality and Myths of India's Economic Growth'.



Prof. Benjamin M. Friedman, William Maier Professor of Political Economy, Harvard University (extreme right), delivering a lecture on 'Why the Federal Reserve should not adopt Inflation Targeting?'.



11. Dr. Srujit Bhalla, Director, Oxus Research & Investment (right), delivering a talk on 'Chinese Mercantilism: World Consumer Gains, Chinese Worker Loses', chaired by Dr. Nicholas R Lardy, Senior Fellow, Institute for International Economics, Washington, D.C. (centre), Dr. Arvind Virmani, Director & Chief Executive, ICRIER, contributed the introductory remarks (left).



Prof. Kenneth S Rogoff, Professor of Economics at Harvard University (centre), delivering a lecture on 'Financial Globalization: The Case of India versus China'. Mr. N. K. Singh, Member, Planning Commission (left), chaired the lecture. Dr. Arvind Virmani, Director & Chief Executive, ICRIER, contributed the introductory remarks (right).

III Other Policy Interactions

III Other Policy Interactions

III.1. Discussion with Dr Kenneth S Rogoff

ICRIER organised a dinner discussion with Prof. Kenneth S Rogoff, Professor of Economics at Harvard University and till recently, Economic Counsellor and Director, Research Department, International Monetary Fund (IMF) on July 16, 2003. Mr. N. K. Singh, Member, Planning Commission, Dr. Shankar Acharya, Professor, ICRIER, Dr. Surjit Bhalla, Director, Oxus Research & Investment, Mr. Suman Bery, Director-General of the National Council of Applied Economic Research, New Delhi, and Dr. Sanjaya Baru, Chief Editor, Financial Express, and Mr. Jim Gordon, IMF Representative in India, among others, participated in the discussion.

III.2. Reintegrating India with the World Economy

ICRIER organised a function to release the book *Reintegrating India with the World Economy*, authored by Dr. T. N. Srinivasan, Samuel C Park, Jr. Professor of Economics, Yale University, USA, and Dr. Suresh D. Tendulkar, Professor, Delhi School of Economics, and published by Oxford University Press, New Delhi on August 13, 2003. Mr. Arun Jaitley, Minister of Law & Justice, Government of India, released the book at the function held at the India Habitat Centre, New Delhi. Mr. N. K. Singh, Member, Planning Commission, chaired the function which was attended by eminent economists and policy makers, distinguished academicians, and senior government officials.

III.3. An Encounter with Higher Education: My Years at LSE

ICRIER jointly with Oxford University Press organised a function to release the book *An Encounter with Higher Education: My Years at LSE*, authored by Dr. I. G. Patel, Chairman, ICRIER, and published by Oxford University Press, New Delhi on October 23, 2003. Dr. Y. V. Reddy, Governor, Reserve Bank of India, released the book at the function held at the India Habitat Centre, New Delhi. Eminent economists and policy-makers, distinguished academicians and educationists, senior government officials and prominent media personalities gathered on the occasion to felicitate Dr. I. G. Patel on the release of his book.

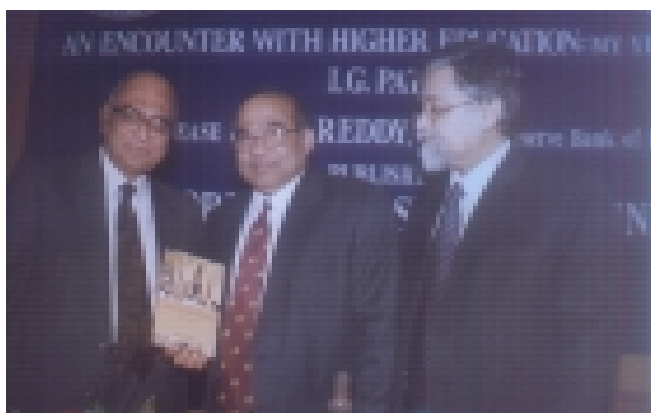
III.4. Accelerating Growth And Poverty Reduction: A Policy Framework For India's Development

Dr. Y. V. Reddy, Governor, Reserve Bank of India released a book authored by Dr. Arvind Virmani, Director & Chief Executive, ICRIER titled 'Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development' On April 7, 2004. The book is an attempt to bridge the gap between policy and implementation of the same. Policies unless based in sound empirical and theoretical analysis inevitably fail. The book focuses on a wide range of reform issues in India – such as the economic philosophy of reforms, socio-economic perspective of reforms etc. The book brings our attention to the collapsing government

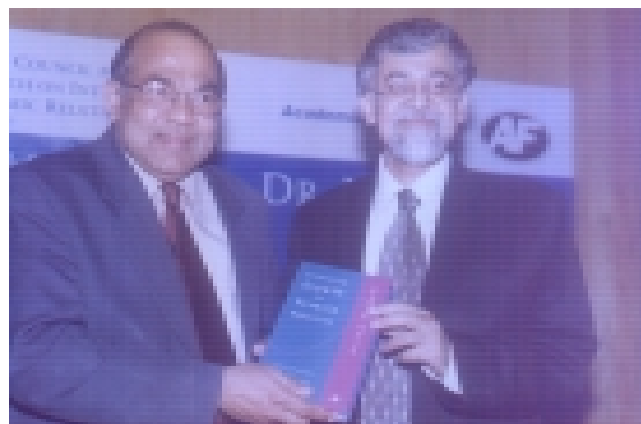
III Other Policy Interactions

mechanism, most significantly visible in 2 areas – drinking water sewerage system and primary education. Policy reforms that are undertaken to eliminate these maladies must be both sustainable and implementable.

The book is a break from the mundane since it combines comprehensive reforms with integrated approach to reforms and brings into light the need to take notice of the deteriorating government mechanism and market failure, with regard to policy making. The function was attended by academicians, policy analysts and thinkers and researchers.



Dr. I. G. Patel, Chairman, ICRIER, Dr. Y. V. Reddy, Governor, Reserve Bank of India (centre), releasing the book 'An Encounter with Higher Education: My years at LSE' authored by Dr. I. G. Patel, Chairman, ICRIER (left). Dr. Arvind Virmani, Director & Chief Executive, ICRIER (right), has contributed the introductory remarks.



Dr. Y. V. Reddy, Governor, Reserve Bank of India (left), releasing the book 'Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development' authored by Dr. Arvind Virmani, Director & Chief Executive, ICRIER (right).



From L to R: Dr. Arvind Virmani, Director & Chief Executive, ICRIER, Prof. Suresh Tendulkar, Professor, Delhi School of Economics, Mr. Arun Jaitely, Minister of Law & Justice, Government of India, Prof. T. N. Srinivasan, Samuel C Park, Jr. Professor of Economics, Yale University, USA, Mr. N. K. Singh, Member, Planning Commission, at the release of the book, 'Reintegrating India with the World Economy' authored by Prof. T. N. Srinivasan and Dr. Suresh D. Tendulkar. Book was released by Mr. Arun Jaitely.

IV Other Contributions to Policy Debate

IV Other Contributions to Policy Debate

An empirical study by ICRIER on the role of policies on FDI Inflows to Developing Countries led to a debate on whether tax benefits offered by host governments attract FDI. The study was discussed by Sunil Jain in Business Standard on January 19, 2004 under the heading 'We don't need your tax breaks' and was also discussed by N. Chandra Mohan in Financial Express on 26th January 2004. According to this study, FDI from developing countries would be attracted to tax incentives offered by host governments but FDI from developed countries may not be attracted to such cost variables. Based on the study Sunil Jain concluded that it's ironic, but in this season of India Shining, Indians continue to have a very poor view of their strengths, and that's why they think offering tax sops will attract investors.

In the backdrop of the long-standing issue of anti-dumping increasingly becoming infamous as an instrument for creating barriers to exports, ICRIER's research work on the subject has significantly contributed to the ongoing debate in the media. Sunil Jain of Business Standard in his article, titled, 'Lesson in Protectionism' on December 9, 2003, drawing from ICRIER's study, has said that qualifying for anti-dumping is far easier than qualifying for safeguard's protection. Moreover, two-thirds of US anti-dumping action and 90 percent of EU's anti-dumping acts in the period 1995-2000 were against developing countries like India. The article concludes, 'According to the author (ICRIER's Consultant), this is the lesson for India, which, along with the US, is the world's largest user of anti-dumping duties to protect local Industry. And, if India does feel the need to protect local industry, it makes more sense to use 'safeguard duties' rather than 'anti-dumping' ones, since the rules for invoking safeguard require that Indian industry come out with a concrete plan to restructure itself before getting any protection'. The same study by ICRIER was also discussed by Amiti Sen of Financial Express in her article titled, 'Experts Anti Towards Too Many Anti-dumping Duties' on October 17, 2003.

With India aggressively pursuing bilateral / regional free trade agreements (FTAs), one of ICRIER's Senior Fellows, has contributed to the debate through contributions in financial dailies. For instance, the article on 'Indo-ASEAN free trade pact' in Financial Express (October 13, 2003) highlighted the areas that are needed to be addressed in the Indo-ASEAN Free Trade Agreement following the signing of the Framework Agreement (FTA) between India and Sri Lanka. Similarly the article on the future of Indo-Lanka Comprehensive Economic Partnership with ICRIER's Senior Fellow has contributed to the same debate.

Another article in Business Standard on October 23, 2003, highlighted the potential areas of interest and the barriers that India and Sri Lanka are likely to face in trading with each other. Furthermore, two contributory articles by the Senior Fellow in Financial Express, one on December 9, 2003 titled, 'Indo Pakistan Trade Relations' and the other on December 10, 2003 were published just before the SAARC Summit which was held in Islamabad, giving a perspective on a possible roadmap to trading with Pakistan, pointing out the kind of sops that the two countries could exchange to improve trade relations.

IV Other Contributions to Policy Debate

In the area of retail, the government is planning to carve out a new category of organised retail business where foreign direct investment (FDI) can be allowed. In this backdrop, ICRIER's presentation to officials in the Ministries of Commerce and Food and Consumer Affairs on the impact of FDI in retail and to understand the WTO rules and legal provisions, has contributed to the ongoing debate on the subject through two articles in Business Standard titled 'Retail trading sector may be split for FDI inflow' on May 11, 2004 and 'Rethink on over FDI in retail' on February 24, 2004.

One of our Professor's contributory articles in financial dailies ('Rise and fall of Kolkotta', Economic Times, April 17, 2003; 'Wanted: A Trade Policy', Business Standard, September 23, 2003; 'The ABC of PTAs and FTAs', Business Standard, October 28, 2003; 'Can Indian grow without Bharat?', Business Standard, November 25, 2003; 'What's happening in Services?', Business Standard, December 23, 2003; 'The Good, the Bad and the Ugly', Business Standard, January 30, 2004; 'Why did India Reform?', Business Standard, February 24, 2004) have provided the following inputs to academic / policy debate: (a) A sobering assessment of India's growth prospects in the context of much hype in official and other circles extolling 8% economic growth; (b) An advocacy of trade policy which favours unilateral and multilateral trade liberalization and cautions against the costs of the current 'fashion' of PTAs and FTAs; (c) A reminder that for the Indian economy to fulfil its potential for growth of output and employment, the 'Commodity Sectors' of manufacturing and agriculture have to recapture their earlier dynamism. Services alone will not do the job; and (d) A continuing effort to understand the nature and causes of economic reforms in India.



South Asia Network of Economic Research Institutes (SANEI)

South Asia Network of Economic Research Institutes (SANEI)

The South Asia Network of Economic research Institutes (SANEI), now into its sixth year, continues to promote research in economics and broader concerns of development across South Asia. Prof. T. N. Srinivasan is Chairman, SANEI, and Dr. Arvind Virmani, Director & Chief Executive, ICRIER, is Secretary, Coordinator (till March 31, 2004). SANEI activities have been managed by Ms. Subhobrota Ray, Fellow, ICRIER.

ICRIER has completed its tenure of five years as SANEI Coordinator (1998–2003) and PIDE (Pakistan Institute of Development Economics) has assumed the role of the new Coordinator of SANEI as of April 1, 2004. However, the ongoing projects under SANEI (India) will continue to be managed and completed by ICRIER.

I. SANEI Annual Conference

The Fifth Annual Conference of the South Asia Network of Economic research Institutes (SANEI) was held at Colombo, Sri Lanka during August 15–17, 2003. Hon. Milinda Moragoda Esq. MP, Minister of Economic Reforms, Science & Technology, Sri Lanka, delivered the inaugural address.

The Conference brought together around 70 participants from the SANEI member countries in South Asia (Bangladesh, India, Nepal, Pakistan, and Lanka). Chairman SANEI, members of the Steering Committee, members of the Research Advisory Panel, SANEI researchers and Global Development Network (GDN) representatives were present at the forum.

Researchers undertaking projects under SANEI Round III presented their final reports on 16th August. Members of Research Advisory Panel (RAP) gave their comments on these papers. The researchers would need to incorporate these comments in their final reports and submit the final revised versions to SANEI.

Prof. Mariano Tommasi, Chairman, Department of Economics, Universidad de san Andres, Argentina, delivered a Public Lecture on the evening of August 16, 2003, on the Political Economy of Reforms with reference to Argentina. The lecture was chaired by Mr. A. S. Jayawardena, Governor, Central Bank of Sri Lanka

Work-in-progress of the research projects due for completion under SANEI Round IV, and the new projects approved under SANEI Round V were also presented during the Conference. The presentations were followed by discussions and comments from the RAP. The Steering Committee of SANEI met on August 17, 2003.

II. Research

SANEI financially supported 13 research projects under the sixth round of funding. In a departure from the earlier rounds, and in order to adhere to the Global Development Network (GDN) mandate of promoting multidisciplinary research, SANEI had opened up the research competition in this round to include all branches of social sciences. Out of the 13 projects approved for funding, 6 projects are from economics and 7 projects are multidisciplinary in nature.



List of Projects Approved for SANEI VI

S. No.	Subject	Collaborating Institutes	Country
1.	The Relationship Between Political Instability and Economic Growth in Nepal	Institute for Integrated Development Studies	Nepal
2.	Sustainability of Non-profit Organisational Forms in the Era of Globalisation	Indian Institute of Health Management Research	India
3..	An Assessment of Economic Drivers of Land Use Change in Urban Ecosystems of National Capital Region, Delhi	Institute of Economic Growth (IEG)	India
4.	Instruments of Local Financial Reform and their Impact on Service Delivery: Institutional and Developmental Concerns	Institute for Human Development Centre for Urban Studies	India Bangladesh
5.	Determinants of the Performance of Export Processing Zones in South Asia: Analysis of India, Sri Lanka and Bangladesh	ICRIER	India
6.	Microfinancing in South Asia: Supply Side Dynamics	Pakistan Institute of Development Economics	Pakistan
7.	E-Commerce and Economic Growth	Foundation for Public Economics and Policy Research	India
8.	Globalisation, Income Inequality and Regional Disparity: Analysing the Indian Experience in the 1990s	Jadavpur University Centre for Studies in Social Sciences	India
9.	Developing Framework and Approaches to Carry out Development Works in Conflict Areas	Intermediate Technology Development Group (ITDG)	Nepal
10.	Implications of Violence Against Women on the Development Process: A Cross Country Analysis for Defining Cause – Effect Relationships and Suggesting Institutional Safeguards	Institute for Planning, Innovative Research, Appropriate Training and Extension (INSPIRATION)	India
11.	Economies of Resettling Low Income Settlements in Urban Areas: A Case of Onsite Upgradation	Centre for Urban and Regional Excellence	India
12.	Transportation Demand Mgmt in the Form of Influencing Model Choice. Feasibility, Costs and Benefits: The Case of Indian Megacity, Kolkata	Department of Humanities, Bengal Engineering College	India
13.	Impact of Fuel Scarcity and Pollution on Rural Poor: A Comparative Analysis of Vulnerable Groups in Himachal Pradesh	Integrated Research and Action for Development (IRADE)	India

III. Education Research Initiative Workshop

SANEI organised a workshop on the Education Research Initiative on November 17 2003, in New Delhi. There are 6 approved projects under this initiative which are being financially supported by SANEI. Researchers engaged in these projects presented their work in progress reports at this workshop. There were around 20 participants at the workshop including Members of the SANEI Steering Committee from Bangladesh, India, Nepal, and Sri Lanka. Prof. Abhijit Banerjee, Professor of Economics, MIT, served as the Resource Person.

IV. SANEI Steering Committee Meeting

The last Steering Committee Meeting of SANEI with ICRIER as Coordinator of SANEI was held on January 29, 2004 at ICRIER in New Delhi. The meeting was chaired by Prof. T. N. Srinivasan, Chairman, SANEI, was attended by Dr. Arvind Virmani, Secretary Coordinator, and Members of the Committee viz. Dr. A. R. Kemal, Director, PIDE (Pakistan), Dr. Asaduzzaman, Research Director, BIDS (Bangladesh) and Dr. D. N. Dhungel, Executive Director, IIDS (Nepal).

V. Global Development Network (GDN)

The Global Development Network (GDN) held its Fifth Annual Conference on Understanding Reform during January 28–30, 2004 in New Delhi. This was the first GDN Conference being held in India. ICRIER was the co-organiser for the Conference.

As a co-host for the GDN Conference, ICRIER organised a session to review Indian reforms from a multidisciplinary perspective. Dr. Arvind Virmani, Director & Chief Executive, ICRIER presented a paper on 'Economic Reforms: Policy and Institutions' (ICRIER Working Paper No. 122) at the first parallel session. The session was chaired by Prof. Wahiduddin Mahmud, Professor of Economics, Dhaka University. The discussants included Prof. Ira Gang, Rutgers University, New Jersey, USA and Prof. Alvaro Forteza, Universidad de la Republica Montivideo, Uruguay.

SANEI (South Asia Network of Economic research Institutes), co-organised a session on 'Economic Reforms in South and East Asia: A Comparative Perspective' with EADN (East Asia Development Network). The session was co-chaired by Dr. Arvind Virmani, Director & Chief Executive, ICRIER, and Prof. Chia Siow Yue, EADN, Singapore. Presentations were made by Prof. T. N. Srinivasan, Chairman, SANEI on 'Economic Reforms in South Asia' and Prof. Wing Thye Woo, UC Davis, on 'Modifying the East Asian Development Strategy for the New Millennium'. Prof. Min Tang, Chief Economist, ADB, China, and Prof. Wahiduddin Mahmud, Professor, University of Dhaka, Bangladesh, served as discussants.

Dr. Shankar Acharya, Professor, ICRIER, was a panelist at the session on 'Reform in India'. The focus of the session was on the reasons for the successful initiation and implementation of economic reforms in India, and the lessons to be learnt from India's experience.

Dr. Acharya also participated as Selection Committee Member for Research Projects at the Conference.

Ms. Rashmi Banga, Consultant, ICRIER, received the First Prize in the Medals Category of the Research Competition at the session on 'Market Reforms and the New Role of the State' at the Conference. Her paper was on 'Impact of Government Policies and Investment Agreements on FDI Inflows to Developing Countries: Empirical Evidence'.

Mr. C. S. C. Sekhar, Fellow ICRIER presented a paper on 'Role of Interest Groups, Institutions and Civil Society in Development - Few Lessons from India's Experience' at the Conference. This paper was one of the five papers shortlisted in the medals category for outstanding research on development.

SANEI also participated in the Conference at the Network Heads' Meeting, Network Heads' and Coordinators' Meeting, the GDN Net Steering Committee Meeting and the Knowledge Fair.

The GDN Conference was preceded by several workshops related to different GDN activities during January 24–26, 2004. ICRIER is engaged in a study on 'Linkages Between Development Researchers and Policy Makers: A Case Study on India' as part of the GDN Global Research Project on 'Bridging Research and Policy'. Dr. Tarun Das, Consultant, ICRIER, participated at this workshop which reviewed the overall objectives of the project, its progress till date, and the steps ahead.

VI. SANEI Secretariat Shift

ICRIER has completed its tenure of five years as SANEI Coordinator and PIDE (Pakistan Institute of Development Economics) has assumed the role of the new Coordinator of SANEI, with the SANEI Secretariat shifting to PIDE in Pakistan as of April 1, 2004 and SANEI (Pakistan) being registered as a Society in Pakistan. The ongoing projects under SANEI (India), will nevertheless, continue to be managed and completed by ICRIER. These include SANEI V, SANEI VI and the Education Research Initiative. ICRIER will also organise the Sixth Annual SANEI Conference scheduled for August 26–27, 2004 in New Delhi.

VII. Publications

Economic Development in South Asia edited by Dr. Mohsin Khan (Director, Central Asia and Middle East Department, IMF), Tata McGraw Hill, New Delhi, 2004, (forthcoming). This is a collection of seven collaborative research studies financially supported under the second round of SANEI.

ICRIER Team

as on June 30, 2004

Research Faculty

Dr. Arvind Virmani	Director & Chief Executive
Dr. Shankar Acharya	Professor (RBI Chair)*
Dr. B N Goldar	Professor (IDBI/IFCI Chair)
Prof Anwarul Hoda	Consultant (Professor)
Ms. Nisha Taneja	Senior Fellow
Dr. Arpita Mukherjee	Senior Fellow
Dr. Amita Batra	Senior Fellow
Dr. Rajeev Ahuja	Fellow
Ms. Subhoborota Ray	Fellow
Dr. Surabhi Mittal	Fellow
Dr. Sanghamitra Sahu	Consultant*
Dr. Aradhna Aggarwal	Consultant*
Ms. Rashmi Banga	Consultant
Dr. Danish A Hashim	Consultant
Ms. Mahima Puri	Consultant
Ms. Sanchita Chatterjee	Consultant

Other Professional

Ms. Babit Batra	Consultant (External Affairs)
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External Consultants

Mr. B. K. Zutshi	Former Indian Ambassador to GATT
Dr. Rupa Chanda	Associate Professor, IIM, Bangalore
Dr. Aparna Sawhney	Associate Professor, IIM, Bangalore
Dr. S. C. Aggarwal	Reader, Delhi University
Dr. Rajat Kathuria	Professor & Registrar, International Management Institute
Dr. H. V. Singh	Secretary-cum-Principal Advisor, TRAI
Prof. Manoj Pant	Associate Professor, JNU
Dr. Tarun Das**	Ministry of Finance, (DEA) Government of India
Dr. Debjani Ganguly	US based
Mr. Mohd. Saqib	Fellow, Institute of Contemporary Studies, RGF

Administrative & Support Staff

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Mr. V. Ramamurthy	Administrative Officer
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Mr. Prem Chand Mathur	Accounts Assistant
Mr. Ram Autar	Dispatch-cum-Filing Clerk
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Ms Aric Mary	Receptionist-cum-Typist
Mr. Pherum Singh	Reprographic Operator
Mr. Ashok Kumar Singh	Driver
Mr. Baljeet Singh	Office Attendant
Mr. R. M. Yadav	Office Attendant
Mr. Jovinder	Office Attendant

Other Contributors to ICRIER Research

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Dr. C Veeramani
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Mr. Vipul Bhatt
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Ms. Purna Ahuja
Mr. Sovanbrata Talukdar
Ms. Sukanya Ghosh
Ms. Zeba Khan

Library & Documentation Centre

Mr. R. K. Ghosh	Library & Information Officer
Ms. Mridul Saxena	Assistant (Library & Documentation Centre)
Mr. Ajay Pal	Library Attendant



Annual Report
2003-2004

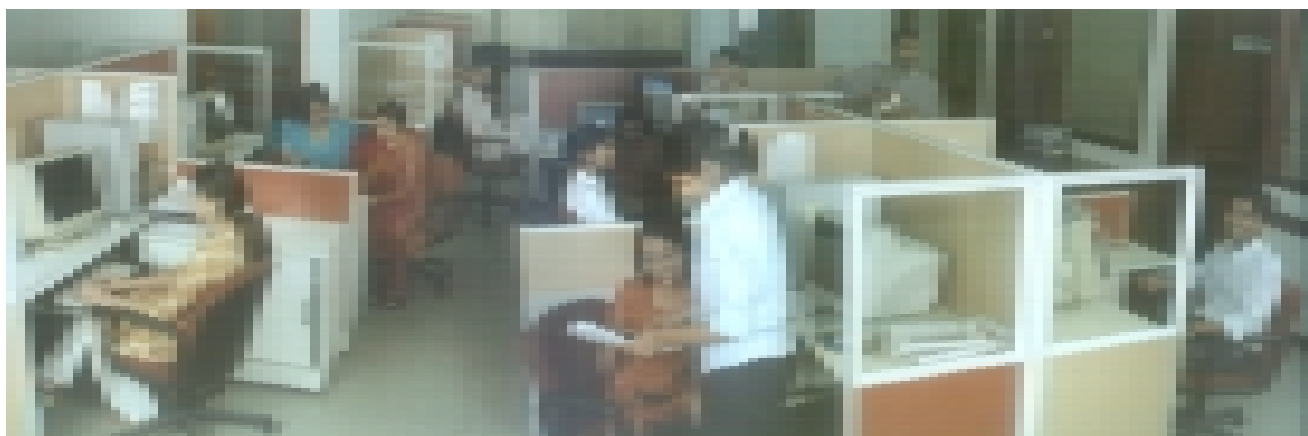
* Part Time

** Honorary

ICRIER Team



From L to R: Dr. B. N. Goldar, Mr. B. K. Zuthsi, Dr. Arvind Virmani, Dr. Shankar Acharya and Prof. Anwarul Hoda.



Research Assistants at work at ICRIER.

ICRIER Team



Sitting From L to R: Ms. Nisha Taneja, Ms. Babit Batra, Dr. Surabhi Mittal, Ms. Rashmi Banga, Dr. Rajeev Ahuja, Dr. Amita Batra, Dr. Arpita Mukherjee, Ms. Subhobrota Ray and Dr. Danish Hashim

Standing From L to R: Ms. Mahima Puri and Ms. Sanchita Chatterjee



Administrative and Support Staff with the Director.

Faculty News

ARVIND VIRMANI

Appointed

- Member of High Power Committee Constituted by the Council of Scientific and Industrial Research (CSIR), June 2003.
- UGC nominee on the Search Committee for Selection of Director of the Indian Institute of Foreign Trade (IIFT), June 2003.
- Member (part-time) of the Telecom Regulatory Authority of India (TRAI), July 2003.
- Member Programme Advisory Committees of Indo-Shastri SHARP project, nominated by the Ministry of Human Resource Development (Department of Education), August 2003.
- Member (ex-officio) of the Advisory Committee on Trade Policy, Industrial Performance and Private Sector Development for the Asian Development Bank sponsored Technical Assistance Project on Policy Research Networking to Strengthen Policy Reforms, August 2003.
- Chairman of the Board of Trustees of SBI Mutual Fund, September 2003.
- Member (Expert) of the Research Council of National Institute of Science, Technology and Development Studies (NISTADS), January 2004.
- Member of the Joint Study Group (JSG) on India-China trade and economic cooperation, February 2004.
- Member of the Technical Advisory Committee (TAC) of the Money, Foreign Exchange and Government Securities Market of the Reserve Bank of India, February 2004.

Presentations/Lectures at Seminars/Conferences in India

- Chaired the session on 'Non-Agricultural Market Access Issues' at the National Symposium on Trade and Globalisation – An Agenda Towards Cancun 2003 jointly organised by Union Ministry of Commerce and Industry, Department of Commerce, UNDP, and UNCTAD, New Delhi, August 17–19, 2003.
- Attended the breakout session of the Policy Research Networking to Strengthen Policy Reforms (TA 4066) Inception Meeting organised by Asian Development Bank, New Delhi September 2–3, 2003.
- Keynote speaker at the International Conference on 'European Union and India: Dimensions and Perspectives' jointly organised by PHD Chamber of Commerce and Industry (PHDCCI) and Konard Adenauer Foundation (KAF), New Delhi, September 12, 2003.
- Chaired the session at the national seminar on 'Economic Dimensions of Security' organised by Delhi Policy Group, New Delhi, September 23–24, 2003.
- Discussant at a session 'Exchange Rates, Tariffs, and Government Revenue' at the ICRIER-World Bank regional workshop on the Trade Policies of the South Asian Coun-

tries, New Delhi, October 16–17, 2003.

- Chaired the session on Capital Account Liberalization – Approaches and Experiences at the conference on 'A Tale of Two Giants: India's and China's Experience with Reform and Growth' organised by International Monetary Fund, New Delhi, November 15–16, 2003.
- Presentation made on 'Korea–India Economic Cooperation: Current Status and Its Prospects – An Indian Perspective' at the plenary session at the India-Korea Economic Summit, New Delhi, December 10, 2003.
- Presentation made on 'India in a Globalising World' as a guest speaker at the workshop organised by BNP Paribas, New Delhi, January 15, 2004.
- Discussant at a session 'Balance Sheets Crises' at the NIPFP-IMF Conference on 'Fiscal Policy in India', New Delhi, January 16–17, 2004.
- Presentation made 'A National Value Added Tax' at a session 'Fiscal and Monetary Policy' at the Fifth Annual NBER-NCAER Neemrana Conference jointly organised by National Bureau of Economic Research (NBER) and National Council of Applied Economic Research (NCAER), Rajasthan, January 18–20, 2004.
- Chaired the session 'Human Security and Development' at the Global Policy Workshop organised by Global Development Network (GDN), New Delhi, January 25, 2004.
- Presentation 'Multidisciplinary Perspectives of Reform' made at the session 'Economic Reforms: Policy and Institutions' at the Global Development Network (GDN) Conference, New Delhi, January 28, 2004.
- Chaired the session 'Economic Reforms in South and East Asia: A Comparative Perspective' at the Global Development Network (GDN) Conference, New Delhi, January 29, 2004.
- Keynote speaker at the plenary session on 'Prospects of Economic Growth in Asia' by Asia Pacific Council of American Chambers of Commerce (APCAC), New Delhi, March 19, 2004.
- Discussant at the session 'Foreign Inflows and Macroeconomic Policy in India' at the India Policy Forum (IPF) Conference 2004 jointly organised by NCAER and Brookings Institution, New Delhi, March 25–27, 2004.

International Seminars/Conferences

- Panelist at a session on 'Panel on a Roadmap for India: The Next 10 Years' at the 4th Annual Conference on Indian Economic Policy Reforms, organised by the Centre for Research on Economic Development and Policy Reform (CREDPR), Stanford, June 6–7, 2003.
- Panelist at a session on 'New Opportunities for Foreign Investment and Trade' at the conference on 'India's Five-Year Plan', jointly organised by Brookings Institution and Confederation of Indian Industry at Washington, D.C., June 11, 2003.
- Participated in an experts' seminar organised by the OECD Development Centre and the Global Policy Project on the topic of 'The Coherence and Impact of Rich Countries'



Policies on Developing Countries' at Paris, June 23–24, 2003.

- Addressed the Fifth 5th Annual Conference of the South Asia Network of Economic research Institutes (SANEI) organised by Marga Institute, Colombo, August 15–17, 2003.
- Chaired the session I at the presentations on SANEI III Final Reports 'What Prevents the South Asian Economies from Emerging as a Major Trading Block: The Role of Some Non-Price Factors' at the 5th Annual Conference of the South Asia Network of Economic research Institutes (SANEI) organised by Marga Institute, Colombo, August 15–17, 2003.
- Presentation made at the session 'Trends affecting economic and trade environment in Asia' at the First Sri Lanka–India Strategic Dialogue jointly organised by Bandarnaike Centre for International Studies, Colombo and Centre for Strategic & International Studies CSIS, New Delhi at Colombo, December 4–5, 2003.
- Participated as a Member of the India–China Joint Study Group (JSG) at the first meeting of the Group held at Beijing, March 22–23, 2004.

Other Meetings

- As a Member of Telecom Regulatory Authority of India (TRAI), New Delhi.
- As UGC nominee at the Search Committee meeting for selection of Director of Indian Institute of Foreign Trade, New Delhi.
- As a Member of the Committee to assess the outcome of Council of Scientific & Industrial Research activities.
- 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 of the Technical Advisory Committee of the Money, Foreign Exchange and Government Securities Market of the Reserve Bank of India, Mumbai.

Publications

- 'India's External Reforms: Modest Globalisation Significant Gains', *Economic and Political Weekly*, Vol. XXXVII No. 32, August 9–15, 2003.
- 'Accelerating Growth and Poverty Reduction – A Policy Framework for India's Development', *Academic Foundation*, New Delhi, January 2004.
- 'Competitive Access to Telecom: Spectrum Policy and M&A', *Economic and Political Weekly*, Vol. XXXIX No. 7, February 14–20, 2004.

Awards

- Recipient of 'Seva Ratna' Award from The Centenarian Trust (Regd.), Chennai for outstanding, knowledge-based contributions to economic policies and programs, Chennai, January 18, 2004.

SHANKAR ACHARYA

Presentations/Lectures at Seminars/Conferences in India

- Chaired a plenary session at the seminar on 'Economic Dimensions of Security' by Delhi Policy Group at Casuarina Hall, New Delhi, September 23–24, 2003.
- Participated as discussant in conference on 'Issues Before the Twelfth Finance Commission', organised by NIPFP, New Delhi, September 29–30, 2003.
- Delivered a lecture on 'Towards a Developed Economy' at India International Centre, organised by the Oxford Cambridge Society, New Delhi, December 17, 2003.
- Participated as a discussant in NIPFP–IMF conference on Fiscal Policy in India organised by the International Monetary Fund (IMF) and the National Institute Public Finance and Policy (NIPFP), New Delhi, January 16–17, 2004.
- Participated as panelist in the opening session on 'Economic Recovery: Domestic and International' in 5th Annual NBER–NCAER Neemrana Conference, January 17–20, 2004.
- Delivered opening lecture on 'India's Economic Reforms' at the Plenary session on this subject at the 5th Annual Global Development Conference organised by Global Development Network (GDN), New Delhi, January 28–30, 2004.
- Participated as Selection Committee Member for -research projects in 5th Annual Global Development Conference organised by Global Development Network (GDN), New Delhi, January 28–30, 2004.
- Delivered lecture on 'Economic Reforms and Growth in India' at Indian Institute of Management, Bangalore, February 4, 2004.
- Gave a talk on 'India's Economic Situation and Prospects' at the Saturday Lunch Group, India International Centre, New Delhi, February 28, 2004.

International Seminars/Conferences

- Delivered invited lecture on 'India's Macroeconomic Performance and the Challenges Ahead' at the South Asia Research Centre, Australian National University, Canberra, August 18, 2003.
- Conducted issue-identification mission for World Bank 'Development Policy Review' of Sri Lanka, at Colombo, Sri Lanka, September 7–14, 2003.
- Participated as a discussant at IMF–NCAER Conference on 'India and China: A Tale of Two Countries', November 15–16, 2003.
- Participated as a discussant in the 1st Annual India Policy Forum (session 'Should a US–India FTA be part of India's Trade Strategy?') organised by National Council of Applied Economic Research (NCAER), in collaboration with The Brookings Institution, U.S.A., March 26, 2004.
- Led an 8–person World Bank team to Sri Lanka in December, 2003 for preparing the



Development Policy Review for the country. The report was drafted by April, 2004 and (after internal World Bank review) sent to the Government of Sri Lanka in June, 2004.

Publications

Book

- 'India's Economy: Some Issues and Answers', *Academic Foundation*, New Delhi, September 2003.

Contributions to Books

- 'India's Macroeconomic Performance in the Nineties', in N. Chowdhary (eds), *Monetary and Fiscal Policies: Reforms*, IFCAI University, 2003.
- 'Opening the Economy: Further Reforms', in Anne O. Kreuger and Sajjid Chinoy (eds), *Reforming India's External, Financial and Fiscal Policies*, Stanford University Press, 2003.
- 'The Economy: Past and Future' (with Robert Cassen and Kirsty McNay), in Tim Dyson, Robert Cassen and Leela Visaria (eds), *Twenty First Century India: Population, Economy, Human Development and the Environment*, Oxford University Press, Oxford, 2004.

ANWARUL HODA

Appointed

- Member, All India Board of Management Studies, October 2003
- Member, Planning Commission, Government of India, June 2004

Presentations/Lectures at Seminars/Conferences in India

- Made a presentation on 'Market Access Negotiations on Non-agricultural Products' at a seminar on 'WTO: The Indian Approach', organised by the Bengal Chamber of Commerce & Industry, Kolkata, April 26, 2003.
- Made a presentation on 'Market Access Negotiations on Non-agricultural Products', at Department of Industrial Promotion and Policy, Ministry of Commerce, New Delhi, May 1, 2003.
- Made a presentation on 'Agreement on Subsidies and Countervailing Measures: Need for Clarifications and Improvements', organised by ICRIER, New Delhi, May 17, 2003.
- Chaired a session 'Agricultural Subsidies, Domestic Support and Commodity Prices: Implications for India' at the seminar on 'Road to Cancun: India's Stakes', organised by Oxfam (India) Trust, New Delhi, July 19, 2003.
- Participated in the 'Invitation to brainstorming sessions on India's trade in the cross-border delivery of service and through the movement of service providers', organised by The World Bank, New Delhi, August 28, 2003.

- Addressed the participants at a seminar on 'Reflections on Cancun Ministerial of WTO: Issues and Options', organised jointly by SAARC Chamber of Commerce & Industry; FICCI; and CUTS, New Delhi, August 14, 2003.
- Made a presentation on 'Non-Agricultural Market Access Issues' at a seminar on 'Cancun Agenda on Market Access: A Reality Check', organised jointly by ICRIER and FICCI, August 29, 2003.
- Made a presentation on WTO, at Foreign Service Institute, New Delhi, September 9, 2003.
- Made a presentation on 'Perspective on WTO', at Foreign Service Institute, New Delhi, September 14, 2003.
- Made a presentation on 'Cancun: No Deal Rather than a Bad Deal', at Kirori Mal College, New Delhi, September 25, 2003.
- Chaired the session and delivered a talk at the conference on 'Issues at Cancun and the Way Forward', organised by Administrative Staff College of India, New Delhi, October 8, 2003.
- Made a presentation at a seminar on 'Easing the Transition to More Open Global Markets', organised jointly by International Food & Agricultural Trade Policy Council and National Institute of Agriculture, November 12–13, 2003.
- Made a presentation on 'Lessons from Cancun' at a National seminar on 'Globalisation–Challenges and Opportunities for India', organised by Xavier Institute of Management & Entrepreneurship, Bangalore, December 16, 2003.
- Participated as a chief guest at the national seminar on 'WTO and Indian Economy: The Basics of the New World Trade Order', organised by Centre for Law, Intellectual Property and Trade, Delhi, January 24, 2004.
- Delivered a lecture on 'Does the WTO Agreement Serve India's Interest?', organised by Aligarh Muslim University, Aligarh, March 29, 2004.
- Addressed a workshop on 'Major Issues in the WTO and Implications for India' on 'Major Issues for India in the Post-Cancun Scenario', organised by Administrative Staff College of India, Hyderabad, April 30, 2004.
- Delivered a keynote address on 'Assuring development gains from the international trading system and trade negotiations', at a Afro-Asian Civil Society seminar 'From Cancun to Sao Paulo: The Role of Civil Society in the International Trading System', organised by CUTS, New Delhi, April 14, 2004.

International Seminars/Conferences

- Invited to work on the joint ICRIER–IFPRI study on 'WTO Negotiations on Agriculture and India', International Food Policy Research Institute, Washington D.C., May 22 to June 21, 2003.
- Invited (along with Dr. Ashok Gulati of IFPRI) to present a paper on 'Special & Differential (S&D) Treatment in Agriculture Negotiations' at the International Conference on



'Agricultural Policy Reform and the WTO: Where Are We Heading?', organised by University of Calabria, Capri, Italy, June 23–6, 2003.

- Chaired the session on 'Implementation and Special and Differential Treatment, organised by the Commonwealth Business Council, at the Commonwealth Trade Forum, London, July 7–8, 2003
- Invited to the WTO Roundtable on 'Singapore Issues and Trade Facilitation', organised by Institute of Southeast Asian Studies and Commonwealth Business Council, Singapore, July 30 to August 2, 2003.
- Invited for review of current developments in trade negotiations to the Evian VIII Plenary Meeting, Geneva, November 7–9, 2003.
- Made a presentation on 'Post-Cancun Agenda for WTO Negotiations on Agriculture' at the UNESCAP, Bangkok, November 18–21, 2003.
- Presented a paper on 'India and the WTO: Issues, Challenges and Prospects of Co-operation with the ASEAN' at 1st ASEAN–India Economic Roundtable, organised by Institute of South East Asian Studies (ISEAS), Singapore, February 9–10, 2004.
- Presented papers on 'Implementation Issues in the WTO' and 'Singapore Issues and Impact on The Arab Countries' at Expert Group meeting on Follow-up on the Results of the WTO 5th Ministerial Conference–Cancun, organised by UNESCWA, Beirut, May 11–12, 2004.
- Presented a paper on 'Developing Countries in the Doha Round' at International Conference on 'The Way Forward to Successful Doha Development Agenda Negotiations', organised by Fair Trade Centre, Tokyo, May 24–25, 2004

Publications

- (with Ashok Gulati), 'WTO, Agricultural Negotiations and Developing Countries: Lessons from the Indian Experience', (forthcoming)

AJEET N MATHUR

Appointed

- Re-elected in the Second General Assembly of the International Association for Advancement of Curriculum Studies (IAACS) at the University of Louisiana, Baton Rouge for the period 2003–06.
- Member, Editorial Advisory Board of the Journal 'Review of Professional Management' from November 2003.

Presentations /Lectures at Seminars/Conferences in India

- Discussant at the seminar on 'Labour Market Flexibility and Trade Unions' Right to Strike' organised by the Indian Society of Labour Economics, New Delhi, October 19, 2003.

- Presented a paper 'To serve or to Rule: Paradoxes of Shared Authority and Appropriated Power in e-Governance' at the World Conference on e-Government organised by Indian Institute of Technology, New Delhi.
- Presented a paper 'How do product markets and labour markets affect each other?' at the MacArthur Foundation Research Network's Conference, Neemrana, January 2-4, 2004.

International Seminars/Conferences

- Chaired a session in the Project Seminar on 'Measuring Human Well-Being', at UNU-WIDER, Helsinki, May 29, 2003.
- Presented a paper on 'Do the Northern Lights Shine Brightly? Some Late Lessons of Early Warnings from Spatial Inequalities' at the International Conference on Poverty, Inequality and Human Well-being at UNU-WIDER, Helsinki, May 31, 2003.
- Chaired the session on 'Managing Knowledge and ICT: Developing Intangible Assets to Improve Productivity and Profitability' at the 3rd eBRC International Conference on e-Business Research, organised by the University of Tampere and the Tampere University of Technology, September 24-25, 2003.
- Chaired the seminar on 'Crisis Management and Industrial Restructuring in Transition Economies of Central and Eastern Europe' at the University of Tampere, Finland, November 19, 2003.
- Participated in a symposium on 'Protection of Non-verbal Systems of Traditional Knowledge' and in a dialogue on Traditional Knowledge, Helsinki, December 4, 2003.
- Presented a paper 'Knowledge Sharing in Missing Markets at the Frontiers of Biotechnology Value-chains in International Business' at the 29th European International Business Conference, EIBA 2003, Copenhagen, December 10-13, 2003.

Publications

- 'What Knowledge is of Most Worth?', in William Pinar, Donna Trueit, William Doll and Hongyu Wang (eds), *Internationalization of Curriculum Studies*, Peter Lang, New York, April 2003.
- 'Who Owns Traditional Knowledge?', *Economic and Political Weekly*, Volume XXXVIII, No. 42, October 18, 2003.
- 'The Changing Role of the State with regard to Governance, Competitiveness, and International Economic Relations', in *Review of Professional Management*, Volume 1 (1), November 2003.
- 'Knowledge Sharing in Missing Markets at the Frontiers of Biotechnology Value-chains in International Business', in the 29th Annual Conference Volume of the European International Business Association, Copenhagen, December 2003.



- 'Bioprospecting: A Mega Billion Prospect' in *BioSpectrum*, 2004, Volume 2, No. 2, 2004.
- 'Designs of Healthcare Trade' in *Economic and Political Weekly*, Volume XXXIX, No. 20, 2004.
- 'Missing Markets in the World Trading System: The case for 'sui generis' protection of traditional knowledge under TRIPS', 2004, (forthcoming).

B N GOLDAR

Presentations/Lectures at Seminars/Conferences in India

- Presented a paper on 'Ownership and Efficiency in Engineering Firms in India, 1990-91 to 1999-2000' at a seminar on 'Impact of Globalization on Indian Industry: Productivity, Efficiency and Growth' organized by the Institute of Economic Growth, Delhi, September 5, 2003.
- Presented a paper on 'Trade in Health Services: Implications for India' at a conference on 'The Doha Development Agenda: Cancun and After' organized by the Rajiv Gandhi Institute of Contemporary Studies, New Delhi in collaboration with the China Association for Internationally Friendly Contacts, China, held at Delhi, November 6-7, 2003.
- Presented a paper on 'Trade Liberalization and Price-cost Margin in Indian Industries' at a seminar held at ICRIER, New Delhi, March 11, 2004.

Other Meetings

- Special Invitee to the Standing Committee on Industrial Statistics, Ministry of Statistics and Program Implementation.

Publications

- Ownership and Efficiency in Engineering Firms in India 1990-91 to 1999-2000, *Economic and Political Weekly*, vol.39, no. 5, 2004.
- (with Anita Kumari) 'Import Liberalization and Productivity Growth in Indian Manufacturing Industries in the 1990s', *Developing Economies*, 41(4): 436-60, December 2003.
- 'Water Use in Indian Industry: Estimates of value of water and price elasticity of demand', in K. Chopra, C.H. Hanumantha Rao and R. Sengupta (eds), *Water Resources, Sustainable Livelihoods and Eco-System Services*, New Delhi, Concept Publishing Company, 2003.

NISHA TANEJA

Publications

- (With M. Sarvananthan, B. K., Karmacharya and S. Pohit), 'Informal Trade in India, Nepal and Sri Lanka' in Mohsin Khan, Tata Mc Graw Hill (eds), *Economic Development in South Asia*, New Delhi, (forthcoming) (With M. Sarvananthan, B. K. Karmacharya

and S. Pohit), 'India's Informal Trade with Sri Lanka and Nepal: An Estimation', *South Asia Economic Journal*, Sage Publication, New Delhi. January-June, , 2004.

- 'Informal and Free Trade Arrangements', *South Asian Journal*, April-June, Lahore, Pakistan, 2004.
- 'India Pakistan Trade Relations: Opportunities for Growth' (2004), *Economic and Political Weekly*, January 24-31, 2004.
- 'Trade Facilitation: Issues and Concerns' (2004), *Economic and Political Weekly*, January 10-17, 2004.
- (With Sanjib Pohit), 'India's Informal Trade with Bangladesh: A Qualitative Assessment', *The World Economy*, Blackwell, , August 2003.

International Seminars/Conferences

- Participated in a seminar on 'Trade Facilitation in South Asia' jointly organised by the World Bank and European Union, Dhaka, June 8-10, 2004.
- Participated in a workshop on 'Trade and Human Development' organised by the United Nation Development Programme (UNDP), New Delhi, December 18-19, 2003.
- Participated in an ICRIER-IPS workshop on 'Indo-Sri Lanka Trade in Services', Colombo, March 26 to April 2, 2004.
- Participated in the 5th SANEI Annual Conference, Sri Lanka, August 15-16, 2003.

ARPITA MUKHARJEE

Presentations/Lectures at Seminars/Conferences in India

- Made a presentation on 'Opening up of Services sector under new WTO regime' at the seminar on 'WTO Challenges and Opportunities' organised by The Institute of Chartered Accountants, New Delhi, November 1, 2003.
- Conducted a workshop on 'Mandated Negotiations in Services for IAS and government officials' at India Institute for Foreign Trade (IIFT), New Delhi, September 23, 2003.
- Made a presentation on 'GATS 2000 Negotiations and India: Issues at State of play in Selected Sectors' at a workshop on 'WTO and its implications for India' organised by Reliance Industries Limited, Mumbai, September 27, 2003.
- Presented a paper on 'GATS 2000 Negotiations and India: Issues and State of Play' at an International seminar on 'The Doha Development Agenda: Cancun and After' organised jointly by Rajiv Gandhi Institute for Contemporary Studies, New Delhi and China Association for International Friendly Contacts, China.
- Presented a paper on 'Autonomous Liberalisation, Commitments and Barriers in Education Services' at a conference on 'Higher Education Under GATS: Future Direction' organised jointly by Indo-American Chamber of Commerce and Amity Business School,



Noida, Uttar Pradesh, March 4–5, 2004.

- Made a presentation on 'Trade in Services: India and GATS 2000 negotiations' at a seminar on 'International Business Challenges Ahead', organised by Amity Business School, Noida, UP, September 25, 2003.
- Made a presentation on 'India's Trade in Services: preparing for Cancun' at a seminar on 'Cancun Agenda on market Access: A reality Check' jointly organised by ICRIER and FICCI, August 29, 2003.

International Seminars/Conferences

- Participated in the 5th SANEI Annual Conference held in Sri Lanka on August 15–16, 2003.
- Participated in an ICRIER–IPS workshop on 'Indo-Sri Lanka Trade in Services', Colombo, March 26 to April 2, 2004.

Publications

- 'Trade in Land Transport Services: Railways', *ICRIER Working Paper 119*, January 2004.
- 'India and GATS 2000 Negotiations: Issues and State of play in Mode 4 Liberalisation', published in *Journal of Corporate Professionals*, Vol. XXXIII, Institute of Company Secretaries of India, December 2003.
- Maritime and Air Transport Services: India's Approach to Privatisation, Transport and Communication Bulletin for Asia and the Pacific, UNESCAP, No 73, 2003.
- 'India and GATS 2000 Negotiations: Issues and State of Play' in Bibek Debroy and Mohammad Saqib (eds), *Future Negotiation issues at WTO: An India China Perspective*, Globus Books, New Delhi, June, 2004.

AMITA BATRA

Presentations/Lectures at Seminars/Conferences in India

- Made a presentation on 'Economic Reforms in India' at the Fourth India–Korea Dialogue jointly organized by ICRIER and Seoul International Forum, Korea, New Delhi, October 2003.
- Presented a paper titled 'The Dynamics of Foreign Portfolio Inflows and Equity Returns in India' at the 7th Capital Markets Conference, Indian Institute of Capital Markets, Mumbai, December 2003.
- Lecture Assignment for Indian Statistical In-service Officers on 'Time Series Analysis', November 18, 2003 and March 16, 2004.

International Seminars/Conferences

- Presented a paper titled 'Stock Market Liberalization and Impact on Volatility of Stock

Market Returns in India' at the Fourth International Conference on Finance: International Financial Markets – Regulation and Capital Controls – University of Santiago, Chile, January 2004.

Publications

- 'The Dynamics of Foreign Portfolio Inflows and Equity Returns in India', in the volume of Conference Proceedings of the Seventh Capital Markets Conference, Indian institute of Capital Markets, 2003, (forthcoming).
- Stock Market Liberalization and Impact on Volatility of Stock Market Returns in India – Proceedings of the Fourth International Conference on Finance: International Financial Markets - Regulation and Capital Controls.
- Review of Amitabh Mattoo and F. Grare (eds), *Beyond the Rhetoric: The Economics of India's Look East Policy* in review of *The Journal of Asian Studies*, Vol. 63, No.2, May 2004.

RAJEEV AHUJA

International Seminars/Conferences

- Visited International Monetary Fund (IMF), Washington DC on GDN/IMF scholarship during March 15 to April 16, 2004.
- Presented a paper on 'Outsourcing and Job Loss: A Protectionist Fallacy' at Plymouth Business School, UK, March 12, 2004
- Presented the same (above mentioned) paper at Sam Houston State University, Texas, USA, April 21, 2004.
- Presented a paper on 'Are the Poor too Poor to Demand Health Insurance?' at 7th Asia Pacific Conference on 'Risk and Insurance in Bangkok', July 19–21, 2003.
- Participated in 5th SANEI Conference, Colombo, Sri Lanka, August 15–16, 2003.

Publications

- Ahuja, R. (2003). 'Health Insurance for the Poor in India', *Economic and Political Weekly*. (forthcoming)
- 'New Pensions System: Ensuring Safeguards', *Economic and Political Weekly*, (forthcoming).
- 'Microinsurance for the Poor: Policy Choices', *Economic and Political Weekly*, Vol. XXXVIII, No. 48 (November 29–December 5, 2003).
- 'Overcoming Adverse Selection in Insurance Industry: A Developing Country Context', *Journal of Insurance and Risk Management*, Vol. I, Issue 02, pp. 93–109, June 2003.
- 'Old-Age Income Security for the Poor', *Economic and Political Weekly*, Vol. XXXVIII No. 37, (September 13–19, 2003).

- 'Export Subsidies: Theory Evidence and the WTO Agreement on Subsidies', Chapter 10, in Basudeb Guha-Khasnobis (eds), *The WTO Developing Countries and the DOHA Development Agenda: Prospects and Challenges for Trade-led Growth*, (forthcoming).
- 'Health Insurance for the Poor', *Economic and Political Weekly*, (forthcoming).

SUBHOBROTA RAY

Presentations/Lectures at Seminars/Conferences in India

- Participated at the Network Heads' – Coordinators' meeting, and the GDN Steering Committee Meeting at the 5th Annual Global Development Network (GDN) Conference held in New Delhi, January 28–30, 2004.

C VEERAMANI

Presentations/Lectures at Seminars/Conferences in India

- Presented a paper on 'Growing Intra-Industry Trade in Indian Manufacturing Sector: Implications for Policy' at an International Conference organised by the Academy of International Business and Loyola College, Chennai, January 2004.
- Participated as a resource person in a workshop on 'Creating an Investor's Friendly Climate in Uttar Pradesh' organised by the Institute of Entrepreneurship Development, Kanpur, U.P., March 2004.

Awards

- EXIM Bank International Economic Development Research Annual Award 2003.

Publications

- 'Growing Intra-Industry Trade in India's Manufacturing Sector: Implications for Policy', *Economic and Political Weekly* (forthcoming)
- 'Intra-Industry Trade under Economic Liberalisation: An Analysis of India's Manufacturing Sector', *Occasional Paper, Export-Import Bank of India* (forthcoming)
- Review of Lloyd, P J., and Hyun-Hoon Lee (eds), *Frontiers of Research in Intra-Industry Trade*, in *Review of World Economics* (Weltwirtschaftliches Archiv), Vol. 139. No. 3, September 2003.

SURABHI MITTAL

Publications

- (With Praduman Kumar), 'Productivity and Supply of Foodgrains in India'. in S. Mahendra Dev, K. P. Kannan and Nira Ramachandran (eds), *Towards a Food Secure India-Issues*

and Policies : Pp. 33–58, Institute of Human Development and Centre for Economic and Social Studies.

- (With Ramesh Chand, Dayantha Jha) 'WTO and Oilseeds Sector: Challenges of Trade Liberalisation in India's Oilseed Sector and WTO', *Economic and Political Weekly* Vol. XXXIX No. 6, Pp.533–537, February 7, 2004.

C. S. C. SEKHAR

Publications

- 'Volatility of Agricultural Prices – An Analysis of Major International and Indian Markets', *Working Paper No 103, Indian Council for Research on International Economic Relations (ICRIER)*, New Delhi, June 2003.
- 'Determinants of Price in World Wheat Markets – Hidden Lessons for Indian Policy Makers', *Indian Economic Review*, Vol. XXXVIII, No.2, pp 167–187, July–Dec 2003.
- 'Agriculture, Rural Employment and Food Security–Can Trade Provide the Answers?' in Ramesh Chand (eds), *Technological, Policy and Institutional Issues and Challenges in Indian Agriculture* (forthcoming).
- 'Economic Growth, Social Development and Interest Groups – Few Implications for India's Reforms', *Economic and Political Weekly* (forthcoming).

ARADHNA AGGARWAL

Presentations/Lectures at Seminars/Conferences in India

- Made a presentation at the seminar on 'Determinants of International Competitiveness in the Indian Pharmaceutical Industry: Some Policy Implications for the Post-TRIPs Regime' organised by Research and Information System for Developing Countries, New Delhi, April 30, 2004.
- Made a presentation on 'Antidumping and Safeguard Measures', at the seminar on 'Achieving Better Market Access', organised by CUTS Jaipur, June 28–29, 2004.
- Made a presentation on 'Globalisation, Technology and Export Performance of Firms: An Exploration of Indian Manufacturing Sector' in AIB (India Chapter), Second Conference 2004, Loyola College, Chennai, January 14–16, 2004.
- Made a presentation on 'Developing Countries and the Antidumping Law: Issues and Suggestions' at the 'International Conference on WTO:Cancun and After', organised by Rajiv Gandhi Institute of Contemporary Studies (RGICS), New Delhi in collaboration with the China Association for International Friendly Contacts (CAIFC), November 6–7, 2003.
- Made a presentation on 'The Indian Pharmaceutical Industry: An Overview' at the seminar organised by RIS in association with the Department of Industrial and Scientific Research (DSIR), July 2003.



- Participated as a Discussant at AIB (India Chapter) 2nd Conference 2004, Loyola College, Chennai, 2004 for the technical session on 'Globalisation and Indian Economy', January 14–16, 2004
- Participated as a Discussant at the ICRIER–World Bank joint workshop on 'Trade Policies of the South Asian Countries', technical session on 'Non-Tariff Barriers and Anti-dumping', October 16, 2003
- Participated as a Discussant at the Institute of Economic Growth workshop on 'Reforms and Productivity', for the paper on 'Differential Impact of Japanese and U.S. Foreign Direct Investments on Productivity Growth: A Firm Level Analysis' by Rashmi Banga, September 5, 2003.

International Seminars/Conferences

- 'Impact of MNEs on Domestic Firms' Export Behaviour: Evidence from Indian Manufacturing' Accepted in the Competitive Section, AIB Conference, Stockholm, July 2004.
- 'How Do Domestic Firms Compete with Foreign-Owned Firms? An Illustration from the Indian ICT Sector (with Stanley Nollen of the Georgetown University and N. S. Siddharthan Institute of Economic growth), AIB Conference, Stockholm July 2004.
- 'Impact of MNEs on Domestic Firms' Export Behaviour: Evidence from Indian Manufacturing', 3rd Annual Global Conference on Business and Economics, Netherlands, July 2004.

Publications

- 'Macro economic determinants of antidumping : A comparative analysis of developed and developing countries', *World Development*, 32(6), 2004 (forthcoming)
- 'EPW Antidumping: What really needs to be done', *Economic and Political Weekly*, (forthcoming).
- Liberalisation, outward orientation and in house R&D activity of multinational and local firms: a quantitative exploration for Indian manufacturing (with Nagesh kumar), Research Policy. (Under Review)
- 'Developing countries and the WTO Antidumping Code: Issues and Suggestions' in Bibek Debroy and Mohammad Saqib (eds) *Future negotiation issues at WTO : An India China Perspective*, Globus Books New Delhi, June 2004.

RASHMI BANGA

Appointed

- Appointed as a Board Member for Academy of International Business—Chapter for India, CBA, University of Hawaii, Honolulu, U.S.A.

Awards

- Recipient of First prize in the Medal category of research competition in 'Market Reforms and the New Role of the State', in 5th Annual Global Development Conference on 'Understanding Reforms', sponsored by World Bank and Government of India, New

Delhi, India, January 28–30, 2004.

- Selected for summer school on 'Political Economy of Trade Policy and Development: Theories and Institutions' sponsored by Centre for Economic Policy Research, Department of Economics, University of Milan, Italy, August, 2003.

Publications

- 'Impact of Japanese and U.S. Foreign Direct Investments on Productivity Growth: A Firm Level Analysis', *Economic and Political Weekly*, Vol. XXXIX, No. 5, January 31, 2004.
- (With B. N. Goldar and R. Renganathan), 'Ownership And Efficiency In Engineering Firms In India, 1990–91 To 1999–2000', *Economic and Political Weekly*, Vol. XXXIX, No. 5, January 31, 2004.
- 'Technology Up-Gradation Strategies and Level of Technology Adoption in Japanese and U.S. Firms in Indian Manufacturing', in H. Kehal, Macmillan Palgrave (eds), *FDI in India and China*, 2004.

DANISH HASHIM

Presentations/Lectures at Seminars/Conferences in India

- Presented a paper titled 'Structure of Cost and Policy Implications: A Study of Indian Airlines, 1964–99', at the conference organised by the Academy of International Business India (AIB), Chennai, January 14–16, 2004.

Publications

- 'Productivity and Cost in Indian Airlines, 1964–99: A Comparative Analysis', *Economic and Political Weekly*, Mumbai, India, Vol. 38, No. 39, September 27, 2003.



Management Committees

As on June 30, 2004

Executive-cum-Finance Committee

Dr. I. G. Patel	: Chairman
Mr. A. N. Varma	: Member
Mr. N. K. Singh	: Member
Dr. Shankar Acharya	: Member
Ms. Janaki Kathpalia	: Member
Director & CE, ICRIER	: Member-Secretary

Investment Committee

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



Publications

Table 1
ICRIER Working Papers (2003–04)

No.	SUBJECT	AUTHOR	DATE
104	Prevention and Control of Non-communicable Diseases: Status and Strategies	K. Srinath Reddy	July 2003
105	Quantifying Trade Barriers: Has Protection Declined Substantially in Indian Manufacturing?	Deb Kusum Das	July 2003
106	The Differential Impact of Japanese and U.S. Foreign Direct Investment on Exports of Indian Manufacturing	Rashmi Banga	July 2003
107	Manufacturing Productivity Under Varying Trade Regimes : India in the 1980s and 1990s	Deb Kusum Das	July 2003
108	India's Policy Stance on Reserves and the Currency	Ila Patnaik	September 2003
109	The Dynamics of Foreign Portfolio Inflows and Equity Returns in India	Amita Batra	September 2003
110	The Export-Diversifying Impact of Japanese and U.S. Foreign Direct Investments in Indian Manufacturing Sector	Rashmi Banga	September 2003
111	The Role of Information Technology in Designs of Healthcare Trade	Ajeet Mathur	September 2003
112	Differential Impact of Japanese and U.S. Foreign Direct Investments on Productivity Growth: A Firm Level Analysis	Rashmi Banga	September 2003
113	Patterns and Determinants of Anti-Dumping: A Worldwide Perspective	Aradhna Aggarwal	October 2003
114	The Consequences of Currency Intervention in India	Ila Patnaik	October 2003
115	Ownership and Efficiency in Engineering Firms in India, 1990–91 to 1999–2000	B. N. Goldar V. S. Renganathan Rashmi Banga	October 2003
116	Impact of Government Policies and Investment Agreements on FDI Inflows	Rashmi Banga	November 2003
117	Dispute Settlement Understanding of the WTO: Need for Improvement and Clarification	S. Narayanan	December 2003
118	Are the Poor too Poor to Demand Health Insurance?	Rajeev Ahuja Johannes Jütting	January 2004
119	Trade in Land Transport Services: Railways	Arpita Mukherjee Ruchika Sachdeva	January 2004
120	Impact of Tariff Reduction on Exports: A Quantitative Assessment of Indian Exports to the US	Aradhna Aggarwal	January 2004
121	Economic Reforms: Policy and Institutions Some Lessons from Indian Reforms	Arvind Virmani	January 2004
122	India's Economic Growth: From Socialist Rate of Growth to Bharatiya Rate of Growth	Arvind Virmani	February 2004



No.	SUBJECT	AUTHOR	DATE
123	Health Insurance for the Poor in India	Rajeev Ahuja	March 2004
124	Stock Return Volatility Patterns in India	Amita Batra	March 2004
125	The Poverty-Growth-Inequality Triangle	François Bourguignon	March 2004
126	Labour Quality in Indian Manufacturing: A State Level Analysis	Suresh Chand Aggarwal	April 2004
127	Investment Climate and Total Factor Productivity in Manufacturing: Analysis of Indian States	C. Veeramani Bishwanath Goldar	April 2004
128	Trade Facilitation in the WTO: Implications for India	Nisha Taneja	April 2004
129	Transparency in Government Procurement	Anwarul Hoda Suchi Bansal	April 2004
130	Trade Liberalization and Price-cost Margin in Indian Industries	Bishwanath Goldar Suresh Chand Aggarwal	April 2004
131	Sources of India's Economic Growth: Trends in Total Factor Productivity	Arvind Virmani	May 2004
132	Market Access Negotiations on Non-agricultural Products: India and the Choice of Modalities	Anwarul Hoda Monika Verma	May 2004
133	WTO-Related Matters in Trade and Environment: Relationship Between WTO Rules and MEAs	Aparna Sawhney	May 2004
134	Northern States Versus Southern States: A Comparative Analysis	Mathew Joseph	May 2004

Table 2
ICRIER Discussion Papers – Public Policy Workshop Series

SUBJECT	AUTHOR	DATE
Financial Globalization: The Case of India versus China	Kenneth Rogoff Professor Harvard University	July 2003
Political Economy of Reforms	Mariano Tommasi Professor and Chairman Universidad de San Andres	August 2003
Chinese Mercantilism: World Consumer Gains, Chinese Worker Loses	Surjit Bhalla Managing Director Oxus Research & Investments	November 2003
The Poverty-Growth-Inequality Triangle	François Bourguignon Chief Economist and Senior Vice-President, World Bank	February 2004
Update on Indian Economy	Y. V. Reddy, Governor Reserve Bank of India	April 2004

Table 3
Other Publications

SUBJECT	AUTHOR	DATE	PUBLISHER
An Encounter with Higher Education: My Years at LSE	Dr. I. G. Patel	October 2003	Oxford University Press
Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development	Dr. Arvind Virmani	April 2004	Academic Foundation
India's Economy: Some Issues and Answers	Shankar Acharya	September 2003	Academic Foundation

Table 4
Publications – New and Forthcoming

SUBJECT	AUTHOR	PUBLISHER
India Health Report	Rajiv L. Misra, Rachel Chatterjee, and Sujatha Rao	Oxford University Press
WTO, Agricultural Negotiations and Developing Countries: Lessons from the Indian Experience (Forthcoming)	Ashok Gulati and Anwarul Hoda	
Essays in Macroeconomic Policy and Growth (Forthcoming)	Shankar Acharya	Oxford University Press



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. I. G. Patel, Chairman, ICRIER is one of India's most distinguished economists. He has headed the London School of Economics apart from having held every important position in the Government of India, including Governor of the Reserve Bank of India, Member of the Prime Minister's Economic Advisory Council and Secretary Economic Affairs, Ministry of Finance.

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.

Past Directors of ICRIER include Dr. Isher Ahluwalia, currently Visiting Professor at the University of Maryland, and Dr. Rakesh Mohan, currently the Deputy Governor of the Reserve Bank of India. Amongst the founding members of ICRIER are, the newly appointed Prime Minister of India - Dr. Manmohan Singh (also former Union Finance Minister), Deputy Chairman, Planning Commission, Mr. Montek S Ahluwalia; Prof. Jagdish Bhagwati, Columbia University; Dr. I. G. Patel and Dr. C Rangarajan.



Accounts

Auditors' Report

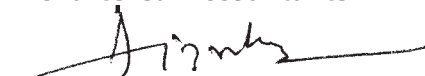
The Members,
Indian Council for Research on
International Economic Relations,
India Habitat Centre,
East Zone, 4th Floor,
Lodi Road,
New Delhi

We have audited the accounts of your Council for the year ending March 31, 2004 and certify that the annexed Income and Expenditure Account and the Balance Sheet as at March 31, 2004 and the Receipt and Payments account for the year read with the Statement of Accounting Policies and Notes thereon have been correctly drawn from the books of accounts and vouchers examined and the information and explanations given to us.

It is further certified that :-

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) Proper books of account have been kept by the Council so far as it appears from our examination of those books;
- (c) The Council's Balance Sheet, Income and Expenditure account and Receipt and Payments accounts 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, 2004; and
 - (ii) in the case of the Income and Expenditure account of the excess of Expenditure over Income for the financial year ending on March 31, 2004.

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


(Sanjay Vohra)
Partner



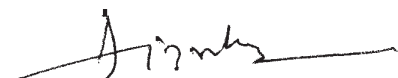
Indian Council for Research on International Economic Relations Balance Sheet as at March 31,2004

	Current Year (in Rs.)	Previous Year (in Rs.)
LIABILITIES		
Endowment Fund	130,013,263	125,279,014
Balance as on 1.4.2003	125,279,014	
Donations received during the year	4,325,000	
Transferred from General Fund	152,185	
Transferred from Income Expenditure Account	257,064	
Earmarked Funds(SANEI)	18,779,669	41,849,353
Gifted Assets Fund	77,404	96,117
As per Schedule	184,762	
Depreciation Reserve	(107,358)	
Unspent Grants	3,583,714	
General Fund	26,344,208	29,477,850
Balance as on 1.4.2003	29,477,850	
Transferred to Endowment Fund	(152,185)	
Transferred from Income & Expenditure A/c	(2,981,457)	
Current Liabilities	221,832	275,162
TOTAL	179,020,090	196,977,496
ASSETS		
Fixed Assets	20,564,120	21,478,053
(As per schedule 1)	40,292,673	
Depreciation Reserve	(19,728,553)	
Investments (As per Schedule 2)	125,113,050	127,114,943
Long-term Investments	111,187,000	
Short-term Investments	13,926,050	
Current Assets Loans & Advances		
Cash in Hand:	8,439	
Balance with Bank in Savings Account(Rs)	12,913,588	
Balance with Bank in Dollar Account(\$ 30425)	1,320,142	
	14,242,169	6,173,682
SANEI Funds balance with bank(\$ 432811)	18,779,669	41,849,353
Advances recoverable in cash or in kind or for value to be received	321,082	361,465
TOTAL	179,020,090	196,977,496

Significant Accounting Policies and Notes -(Schedule 3)


In terms of our separate report of even date

FOR V.SAHAI & CO
CHARTERED ACCOUNTANTS


Sanjay Vohra
(Partner)


P.N. Bhattacharyya
(Secretary)


Arvind Virmani
(Director & CE)


I.G. Patel
(Chairman)

Indian Council for Research on International Economic Relations Income & Expenditure account for the year ended March 31, 2004

Particulars		Current Year (in Rs.)	Previous Year (in Rs.)
A.Income			
Grants	15,892,158	12,308,444	12,822,169
Unutilised Grants transferred to Balance Sheet	(3,583,714)		
Income on Investment	12,809,571	12,552,507	10,919,552
Transferred to Endowment Fund	(257,064)		
Interest on Savings Bank Account		26,305	19,145
Other Income		252,229	133,310
Profit on Sale of Assets		-	51,558
TOTAL(A)		25,139,485	23,945,734

B.Expenditure		19,133,895	20,202,679
Research Expenses			
Salaries & Allowances		7,099,740	7,178,499
Consultancy Charges		2,550,106	2,517,884
Travel Expenses		4,501,683	5,355,663
Workshop Seminar & Meetings		1,504,099	1,329,357
Publication Expenses		917,316	1,286,130
Communication Expenses		997,144	1,059,714
Library Expenses		1,563,807	1,475,432
Administrative Expenses		4,642,960	3,651,789
Salaries & Allowances		2,483,769	2,005,952
Professional Services		222,021	331,124
Fees and Subscriptions		25,000	25,000
Gratuity Expenses		695,828	187,693
Office Expenses		1,087,186	1,102,020
Recoverables Written Off		129,156	-
Overheads		2,247,768	2,093,269
Utility & Electricity Charges		1,050,123	1,113,955
Repair and Maintenance		929,645	861,310
Property Tax		268,000	118,004
Exchange Rate Fluctuation		109,184	(128,844)
TOTAL (B)		26,133,807	25,818,893
Surplus/(Deficit) before Depreciation	(A) - (B)	(994,322)	(1,873,159)
Less Depreciation		1,987,135	2,097,723
Surplus/(deficit) after depreciation		(2,981,457)	(3,970,882)
TOTAL		25,139,485	23,945,734

Significant Accounting Policies and Notes (Schedule 3)

In terms of our separate report of even date


FOR V.SAHAI & CO
CHARTERED ACCOUNTANTS

Indian Council For Research On International Economic Relations Receipts & Payment account for the year ended March 31,2004

Receipt	Amount (RS)	Payment	Amount (RS)
Opening balance	6173682	Payments	
Receipts		Research Expenses	19133895
Grants	15892158	Salaries & Allowances	7099740
Income on Investment	12809571	Consultancy Charges	2550106
Other Income	252,229	Travel Expenses	4501683
Interest on Savings Bank A/c	26,305	Workshop Seminar & Meetings	1504099
Donations	4325000	Publication Expenses	917316
Increase in current liabilities	1989584	Communication Expenses	997144
Decrease in advances recoverable	1547490	Library Expenses	1563807
Investments matured during the year	129144217	Administrative Expenses	4642960
		Salaries & Allowances	2483769
		Professional Services	222021
		Fees and Subscriptions	25,000
		Gratuity Expenses	695828
		Office Expenses	1087186
		Recoverables Written Off	129156
		Overheads	2247768
		Utility & Electricity Charges	1050123
		Repairs and Maintenance	929645
		Property Tax	268000
		Purchase of Fixed Assets	1091915
		Investment made during the year	127142325
		Decrease in current liabilities	2042914
		Increase in Advances recoverable	1507106
		Exchange Rate Fluctuation	109,184
		Closing Cash & Bank Balances	14242169
TOTAL	172160236	TOTAL	172160236

In terms of our separate report of even date

FOR V.SAHAI & CO
CHARTERED ACCOUNTANTS


Sanjay Vohra
(Partner)


P.N. Bhattacharyya
(Secretary)


Arvind Virmani
(Director & CE)


I.G. Patel
(Chairman)

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

	Rate of Dep.	Cost as on 01-04.03		Purch-ased	Sold/ written off	Total value 31.03.04	Dep. Reserve sale/ written off Assets	Depreciation		Dep Reserve		W.D.V. of Assets	
		Own Assets	Gifted Assets					Own Assets	Gifted Assets	1.4.03	31.3.04	31.3.04	31.3.03
Air Conditioner	20%	0	43000			43000		0	4403	20984	25387	17613	22016
Bicycle	20%	467				467		1		462	463	4	5
Building	5%	22098094				22098094		722126		765566	8377692	13720402	14442528
Calculator	15%	30060				30060		540		26459	26999	3061	3601
Car	20%	636396				636396		101823		127280	229103	407293	509116
Cell Phone	10%	6645	7000	14600		28245		2052	510	2620	5182	23063	11025
Computer	20%	8312577	134762	580800		9028139		674208	13800	5588097	6276105	2752034	2859242
Dictating Machine & Transcriber	20%	1300				1300		2		1290	1292	8	10
Duplicator	15%	15763				15763		81		15222	15303	460	541
Electric Stencil Cutter	15%	26059				26059		134		25163	25297	762	896
Electrical Fittings	10%	392543				392543		17061		221932	238993	153550	170611
EPABX	10%	358375				358375		21660		141772	163432	194943	216603
Fan	10%	12293				12293		601		6288	6889	5404	6005
Fax	15%	160210				160210		9049		99881	108930	51280	60329
Furniture and Fixtures	10%	4774726		339393		5114119		264775		2466368	2731143	2382976	2308358
Lazer Printer	20%	374675		85400		460075		44564		237253	281817	178258	137422
Misc. Equipment	10%	36109		71722		107831		8622		21612	30234	77597	14497
Multimedia Presentation System	25%	270400				270400		28519		156325	184844	85556	114075
Overhead Projector	25%	45500				45500		4799		26305	31104	14396	19195
Photocopier	15%	1147239				1147239		77341		631632	708973	438266	515607
Refrigerator	10%	15500				15500		601		9495	10096	5404	6005
Scanner	20%	26700				26700		3494		9228	12722	13978	17472
Typewriters	15%	232761				232761		2378		216910	219288	13473	15851
Water Cooler	10%	41604				41604		2704		14561	17265	24339	27043
Total		39015996	184762	1091915	0	40292673	0	1987135	18713	17722705	19728553	20564120	21478053
Previous Year		38668880	184762	790479	443363	39200758	298081	2115883	23321	15881582	17722705	21478053	

Note:

- Depreciation of Gifted Assets is adjusted from Gift Assets Fund.
- WDV of assets at the end of the year includes Rs.77404/- on gifted assets (estimated cost Rs.184762/- less depreciation of Rs. 107358/-)

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

S.No	Particulars	Rs(in lakhs) 2003-04	Rs(in lakhs) 2002-03
	Endowment Fund	1300	1253
	Financial Assets (A+B+C)	1393	1332
(A)	Long Term (A)	1112	1234
(a)	<i>Units</i>		307
i)	UTI-ISFUS-98(ii)		307
(b)	<i>Bonds</i>	50	50
i)	IDBI(5 years @ 9.25% maturing on 05.10.07)	25	25
ii)	IFCI (3 years @ 6% maturing in Feb'06)	25	25
(c)	<i>Fixed Deposits</i>	1062	877
i)	SBI @ 12% matured in Sept'03		18
i)	PNB @ 7.1% matured in Jan'04		100
iii)	ICICI Bank		
	@ 6.85% matured in Jan'04		125
	@ 7.3% maturing in Apr'04	100	100
	@ 6% maturing on 21.01.05	200	
iv)	UTI Bank		
	@ 6.86% matured in Jan'04		125
	@ 7.5% matured in July'03		50
	@ 7.5% matured in Sep'03		125
	@ 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 03.03.05	27	
v)	HDFC Bank		
	@ 7.25% matured in Sep'03		50
	@ 7.25% matured in Oct'03		50
	@ 5.75% maturing on 30.09.05	50	
vi)	Indusind Bank		
	@ 6% maturing on 08.10.04	25	
	@ 6.25% maturing on 06.11.04	100	
	@ 6.25% maturing on 08.01.05	100	
vii)	Kotak Mahindra @ 5.75% maturing on 08.01.05	110	
viii)	Govt of India Securities @ 11.5% maturing in Nov'011	134	134
(B)	Short Term (B)	139	37
a)	Reliance Gilt Fund	51	
b)	UTI – RIS	50	
c)	Money Market Funds	38	37
(C)	Bank Balances (C)	142	61



Indian Council for Research on International Economic Relations For The Year Ending March 31,2004

Significant Accounting Policies and Notes to the accounts

Accounting Policies

1. (a) Accounts are maintained on cash basis except at the end of the year unspent grants are carried forward and shown as a liability.
(b) Capital advances for purchase of fixed assets are adjusted only after the assets are installed and their 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. Expenses in Indian Rupees which are periodically reimbursed are reflected in US dollars in the Income & Expenditure account by conversion at a flat rate of exchange, which in this year was \$ 1 = Rs. 45/-
4. Security deposits for installation of various facilities are charged as expenses and will be treated as income in the year of refund.
5. Capital items of limited life and small value upto Rs.5,000 are written off as expenses but a record of such assets is maintained in a separate register.
6. (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.
7. 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.
8. Donations received are carried forward in the Balance Sheet under Endowment Fund.
9. An LIC Policy has been taken to cover against future liability on account of gratuity payable to the staff. The premium paid is charged to the Income and Expenditure Account.
10. 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.
11. Leave salary is accounted for on the basis of actual payment to the employees at the time of retirement/leaving.

Notes to the Accounts

12. 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.
13. (a) Grant in Aid of Rs.35 lakhs received from the Ministry of Finance in the year 1993-94 stipulated that interest would be added to the Endowment Fund at the wholesale price index to maintain its real value. This amount, after it has been ascertained in the next year, will be transferred from General Reserves to Endowment Fund.
(b) A grant of Rs.1,44,61,000 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 (i) 25% of the income on account of interest and dividends amounting to Rs.2,57,064 has been transferred from the current years income to Endowment Fund, and (ii) 25% of such income relating to the previous year amounting to Rs.1,52,185, which had been treated as income in the previous year, has been transferred from the General Fund to the Endowment Fund to comply with the terms of the grant.
14. Grants received during the year for specific projects, which remained unutilized, have been transferred to "Unspent Grants" and shown as a liability. In the previous year this was shown as income. If the previous year's policy had been followed there would have, in this year, been an excess of Income over Expenditure of Rs 6,02,257 instead of an excess of Expenditure over Income of Rs.29,81,457..
15. Schedules 1 to 3 forms an integral part of the Balance Sheet and Income and Expenditure account.
16. Previous years figures have been recast wherever necessary to make them comparable with the figures for the current year.

