

**ANNUAL REPORT**  
**1981-82**



**INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS**  
40, LODI ESTATE, NEW DELHI-110003

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**INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS**  
**Programme Block, India International Centre, 40 Lodi Estate, New Delhi - 3**  
**Telephone No. 618941, 616329, 638862**

**December 1982**

This first Annual Report of the Indian Council for Research on International Economic Relations (ICRIER) coincides with a crucial phase of economic development at both national and global levels. The years following the second oil shock have experienced growing disillusionment with the state of the world economy. And yet the pressure and potential for moving from darkness to dawn have seldom been greater. Against the sombre backdrop of hope and despair, ICRIER's objectives have acquired deeper significance, as much for India as for the rest of the developed and developing world.

The main feature of the activities of ICRIER's predecessor, the Steering Committee for Research on International Economic Relations (SCRIER), constituted at the end of 1978, was to serve as a catalyst for multi-disciplinary, multi-dimensional research in international economics and its political aspects. Within the short span of about two years, the experiment of getting together some of India's leading academic, government and private sector economists to widen the ambit of research and communication on international economic issues and their impact on national progress underscored the need for this valuable activity to be placed on a sound institutional basis.

It was thus on 13 August 1981 that ICRIER was registered under the Indian Societies Registration (XXI) Act. By then SCRIER had already launched an extensive research programme. ICRIER is now engaged in deepening and broadening its thrust. To this end ICRIER's in-house research capability is being developed. A Documentation Centre to bridge data gaps and to service researchers at home and abroad is being established. Initiatives are also under way to foster regional and sub-regional cooperation and to explore possible avenues for breaking the stalemate that blocks the movement to bring about changes in the structure of international economic relations.

ICRIER has, during its first year, recorded some progress. This report summarises the work done and details the modest resources available to the Council for doing it. As we advance into the 1980's a bigger, a more determined effort is called for. It is my hope that ICRIER's researchers and activities in the coming years will help to analyse issues and evolve concepts relevant to change in international relationships in the direction of real interdependence between nations striving to sustain prosperity or banish poverty.

New Delhi  
4 December 1982

  
(K. B. Lall)  
Chairman

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The Annual Report of the Indian Council for Research on International Economic Relations (ICRIER) is divided into three parts. In the first part the research activities, including those inherited from SCRIER since 1978, have been dealt with, along with the development of the Documentation Centre-cum-Library and the Committee on South Asian Cooperation. Financial and Administrative matters, including the Annual Account for the period 18 August, 1981 to 30 June, 1982, with developments up to 15 November, 1982, wherever possible, have been outlined in the second part. Future prospects are envisioned in part three.

## PART ONE

### 1. Research Programme: Progress Report

The past year has seen a marked shift in the Council's research efforts. From being exclusively a research organising agency (with functions such as financing, monitoring and evaluating research programmes) ICRIER has gradually but steadily started expanding its in-house research facilities during the year 1981-82. The in-house research activity will be strengthened in the coming years and it is hoped that the Council will grow into one of the few research centres

which combine external and in-house research effort on international economic relations. During the year 1981-82, the Council has carried forward the SCRIER programme and, at the same time, acquired its own independent identity. As the SCRIER "heritage" still remains a predominant feature of our research activities, the following paragraphs concentrate on the research organising role of the Council before describing briefly the progress of in-house research and its future prospects.

The research organisation effort of the Council has revolved around four main themes. These are: (1) Role and Requirements of External Finance for the country; (2) Problems of and Potential for improving India's Foreign Trade and its Trading Possibilities with other individual countries and regions; (3) Prospects for Strengthening Regional Economic Cooperation among Developing Countries in Asia, specially between those belonging to the ASEAN group and others; (4) Issues in Accelerating the Pace of Technological Advance in the country with the objective of improving India's Competitive Strength in International Markets. The Council has been more than aware of the need to keep the focus on and emphasis of its research programmes in line with the changes in the domestic and international economic climate. An instance of it is that

while the single largest programme launched by SCRIER two years ago, was concerned primarily with efficacious use and mobilisation of foreign exchange resources, the major in-house project the Council today focuses on measures to increase foreign exchange earnings and maximise employment generation. Before the studies under the four themes listed above are reviewed, it may be stated that there has been notable progress in the ongoing 27 research studies. Though the overall picture could be more impressive, there is a growing awareness of the need to upgrade the quality of research output and the difficulties in doing it.

## 2. External Finance Project

It may be recalled that this project was conceived initially about two years ago, and eminent economists like Jagdish Bhagwati and T. N. Srinivasan actively participated in formulating it. It was probably the first attempt to get together a team of economists to work on various aspects of a central theme and synthesise and incorporate the studies into a single research volume. The project is being directed by B. S. Minhas and M. Shroff.

Although there were difficulties in identifying resource persons, and some delay occurred in the studies commissioned, the original framework of the project has been retained. The main

focus of the project has been on the role that external finance can play in accelerating the pace of India's economic advance. Every effort will be made to ensure that ongoing studies incorporate the recent changes in the country's external sector so that the synthesis volume expected to emerge at the end of the project is relevant to current policy issues. The research agenda, therefore, includes an analysis of the current situation and experience of the past years in order to identify the constraints to growth and the means to deal with them. It will possibly also try to define more clearly than before the policies and measures for fuller employment. Finally, it will deal with the problems of resource mobilization, both domestic and foreign, and the policies required for greater efficiency and productivity. External environment and the ways in which we could seek to modify it to our advantage would be dealt with in the study of India's negotiating concerns vis-a-vis international monetary and financial issues.

It is proposed that in the meantime workshops will be organised to discuss the individual studies as they are completed. These will not only help to improve the studies but also develop a more clearly defined framework for the project and sharpen its focus. Despite some unavoidable delays in the progress of the project, the



co-directors are exerting their utmost to quicken the pace and adhere, to the extent possible, to the goals and directions envisaged at its inception. In all 10 studies have been commissioned under this project. Of these four have been completed and six are in various stages of progress. Of the studies which have been completed, workshops on "Maximization of Agricultural Exports through Trade with East European Countries" by Padma Desai and "Recycling of Petro Dollars" by R. K. Pachauri are proposed to be held early next year. The third study on "Indian Merchandise Exports to Middle East Countries" by Manmohan Agrawal has been recently received by the Council. A workshop on it will be held as soon as the comments of the co-directors have been incorporated and the study revised. The fourth study on "Industrial Performance" by Isher Ahluwalia was discussed at a workshop on 11 August, 1982 inaugurated by L. K. Jha and chaired by B. S. Minhas. Participants included Manohan Singh, S. Chakraborty, S. Tendulkar and K. L. Krishna. Isher Ahluwalia is currently revising the study to incorporate the comments made at the workshop, and hopes to have the study ready by the end of the year. The other six studies were reviewed at a researchers' meeting on 26 November, 1982 where both the co-directors of the project were present. At the meeting, time schedules for the

studies were agreed upon. G. C. da Costa's study on 'Export Promotion Import Control and Import Substitution Strategies' is now under way after initial delays. A preliminary draft is expected from him by April 1983.

We have recently received a detailed outline of the two studies on 'The Saving Behaviour of Private Corporate Sector in India' and 'Taxation and Savings in India' being carried out under the direction of R. J. Chelliah. Progress of these studies was reviewed at a recent researchers' meeting and the first draft of these studies will be submitted by early May 1983. It is hoped that the two studies would, if possible, indicate in their final output the magnitude of domestic resource mobilization in the country and the investible funds available to the government. Jairam Ramesh has submitted six short notes as part of his study on 'Investment Requirements for Updating Technology in Selected Industries' to the co-directors, who have asked him to integrate them into one paper after developing an analytical framework for his project. Rita Nangia's project on 'Policy Options in the Energy Sector in India,' although behind schedule, has made substantial progress. She is expected to submit her first paper on the oil and gas sectors by 15 December, 1982. It is hoped that R. K. Pachauri, who is back in the country

as the head of Tata Energy Research Institute at Delhi, will take up the study on 'Energy Demand Forecast for India.' The project on 'India's Negotiating Concerns in the 1980s' being financed by the Ministry of External Affairs, is to be commissioned shortly and will be assigned to the Institute for Financial Management and Research, Madras. The study will be undertaken by R. M. Honavar and Bokil of the institute.

### 3. Problems and Potential of India's Foreign Trade

The main focus of research in this areas was on exploring the possibilities of expanding India's exports to specific regions or individual countries and analyse the problems therein. Studies on the supply constraints in the domestic economy and the impact of government policy on India's comparative advantage in different sectors have been commissioned as they are obviously related to the central theme in this area. We expect that Deepak Nayyar will help the Council in evolving a framework for further studies in this area.

Altogether seven studies have so far been commissioned. Of these, two closely inter-related studies are nearly complete, while the others are progressing steadily. The two completed studies on 'India's Terms of Trade' were carried out by G. C. da Costa

of Bombay University and D.K. Wagle of the Tata Economic Consultancy Service, Bombay. The work on the conceptual framework for deriving an alternate series was done by da Costa in his completed study, "Indian Terms of Trade: An Alternative Methodology." Wagle was expected to follow this framework for his empirical work. In the ICRIER workshop on Wagle's study, held on 16 August, it was pointed out that da Costa's methodology needed some clarifications and modifications before it could be used by Wagle. Consequently, Wagle has been given an extension so that he could wait for the experts' comments on da Costa's study. When the study is completed it will provide, probably for the first time, an alternative series for Government statistics on India's terms of trade in the last two decades.

The present status of the other studies is as follows:

(1) "India-Africa Economic Cooperation" by R.R. Ramchandani was initially delayed by six months but is now progressing.

(2) "GATT and Developing Countries" by Anwar Hoda is expected to be completed by the year end. Hoda had already completed the first draft before he left for Gambia on a U.N. assignment in September.

(3) "Export Prospects of Indian Handloom and Handicrafts and Changing Patterns of Market Demand" being carried out by Industrial Development Services (IDS) and Overseas Development Institute (ODI), London. The study directed by V.K. Larcia of IDS is nearly complete and the Council expects to receive the final report shortly. A paper on "The Role of Handicrafts and Exports, Problems and Prospects" written by Vincent Cable and Ann Weston of ODI has already been received. These two ODI researchers will also write the final synthesis report, once the IDS study is finished.

(4) "Impact of MTN on India's Trade and Indo-U.S. Trade Relations" by Robert Baldwin and Andre Sapir will concentrate on the possibilities of expanding Indian exports in the U.S. markets. The two authors have already submitted four papers on various aspects of India's foreign trade. The last paper on "Supply considerations in the Pattern of India's Exports" by Sapir was discussed at a workshop in December 1981.

(5) "Domestic Resources Costs of and Government Subsidy for Synthetic Fibres in India" by Usha Dhar was commissioned in June this year. Data collection for this study has already been completed and the first draft is expected by the end of the year. It may be pointed out that the Council's Sub-committee on Trade,

in its last meeting, recommended that studies, such as that of Dhar's, which concentrate on trade related problems of individual industries and are based on detailed empirical research, be encouraged.

Moreover, given that the Council might later be inclined to favour relatively smaller and specific projects, this study could serve as a pointer to the pattern of commissioned research in the future.

A recently completed study on "Feasibility of setting up an Off-Shore Banking Facility in India" by H.R. Machiraju falls on the border zone of the External Finance and Trade areas. Machiraju has already brought out a monograph on the study and published articles in the press. The decision to hold a workshop on the study or to bring it out as a ICRIER working paper will be taken after N.S. Sarma, who has recently joined us as a consultant on monetary issues, has commented on it.

#### 4. Regional Cooperation Among South Asian and South East Asian Countries.

The Asian Studies on International Economic Relations (formerly known as UNCTAD Studies in the Eighties) constitute a collaborative programme of ICRIER and Marga Institute, Colombo. The programme was conceived to conduct research in areas and on issues of mutual interest to the countries of South Asian and South East Asian region. Originally, thirteen areas were outlined but only eight were finally chosen. Almost each member country of the region will be preparing

a country paper relating to as many of these eight issues as possible. Lead institutes/scholars will thereafter prepare a final synthesized versions in each area for being presented before the forthcoming UNCTAD. This would identify common positions of different countries. The long term objective is to enrich, through these studies, regional cooperation, and intensify and diversify economic relations among countries of the region. Altogether eight studies were commissioned and their current state of play is as follows:

- (1) Lessons from Negotiating Experience of Developing Countries in Selected International Economic Negotiations, (Lead Institute: Marga, Colombo)

The progress of this paper, reviewed at the Bangalore seminar, was found to be satisfactory. The paper attempts to provide a framework for upgrading the efficiency of negotiations and strengthening the negotiating capability of the developing countries.

- (2) Trade and Economic Relations with the Socialist Countries (Lead Institute: Bangladesh Institute of Development Studies, Dhaka)

The draft papers were presented at the Bangalore seminar and are currently being revised in the light of comments there. A potential, time-tested export outlet for developing countries of Asia is trade expansion with socialist countries. The central objective of this research project is to identify and evaluate ways and means of trade expansion and closer economic relations between Asian developing countries and the socialist bloc.

- (3) Monetary Cooperation in the Asian Region  
(Lead Institute: Bangladesh Institute of Development Studies, Dhaka)

The countries to be covered by the project are Nepal, Bangladesh and Indonesia, the first two countries facing severe balance of payments crisis. The research project attempts to study the nature of exports and imports and other financial flows of each of these countries and outline broad remedies.

- (4) Producer and Marketing Association and the Common Fund (Lead Institutes: Marga-ICRIER)

The study on producers and marketing association will explore the possibility of forming or better functioning of such associations in jute, tea, spices, rubber and timber. The studies will identify areas where international help from the Common Fund's Second Window may be obtained to increase productivity and lead to better marketing, R & D and product development of these commodities.

- (5) Prospects for Trade Expansion among Developing Countries of ESCAP Region (Lead Researcher: Prof. Charan Wadhva)

The countries to be covered include Sri Lanka, Bangladesh, Pakistan, Nepal and India as well as the ASEAN countries. A second phase to prospect possibilities of intensive cooperation between India and ASEAN members is also envisaged.



- (6) International Cargo Transport: (Lead Institute: International Development Research Centre, Canada, Singapore)

Lowering of transport freight rates would have beneficial results on export promotion and import price reduction in developing countries. The country studies, including India's have researched into the possibilities of expanding transport capacities while lowering the costs through inducements and legislation.

- (7) Protectionism in DMECs and Its Implications for Manufactured Exports from Developing Countries in Asia (Lead Institute: ICRIER)

At the Bangalore conference, an outline for the project prepared by V.R. Panchamukhi was discussed. It was then decided that the scope of the study as envisaged in it was too extensive for it to be completed in time for UNCTAD VI. This is now being entrusted to Rajiv Kumar who has recently joined ICRIER. The outline prepared by him has since been sent to researchers in Bangladesh, Pakistan, Singapore and Sri Lanka. These researchers have also agreed to complete the study in time for the Ministerial meeting in February 1983. Due to the delay in commencing this study, its scope has been considerably narrowed.

## 5. Accelerating India's Technological Development

The project was designed to analyse the various issues in technology transfer, diffusion and assimilation in selected industries. It was expected that this would yield some policy conclusions for technological development in the country. The work on the ICRIER-NCAER project has made progress. These were presented in a seminar organised by Ashok Desai. Two other papers, in their preliminary form, have been prepared recently.

Desai proposes to organise two seminars, revise the papers already written, publish four or five articles in international journals, prepare shorter press articles and finally publish a synthesis volume.

## 6. International Political Relations

The study entitled "Changing Economic Power Structure and Relationships with the Context of the North-South Situation during the Eighties" has been entrusted to Bharat Wariawala, who has proposed a seminar on the subject. The decision on holding the seminar and on the future of the study will be taken soon.

### 7. Export Performance and Employment Generation

This sectoral project, financed by IDRC, represents the first major in-house research project effort in the Council's short history. The grant for the study was received in the third week of November, and the project is expected to start in earnest with the turn of the year. The project has been disaggregated into three constituent studies. One of the studies, on employment generation and skill formation in five traditional crafts (this includes leather which, for research purposes, will be effectively an independent study), will be entrusted primarily to Industrial Development Services to be directed by V.K. Laroia. Sanjaya Kathuria, who has recently joined ICRIER, will coordinate this study with IDS. It is expected that part of the study will be in-house with Kathuria leading the Council's research team.

The other two constituent studies will be primarily an in-house effort. The study on 'Export Policies in regard to Export Processing Zones, Trading Houses and Export Oriented Units' will be undertaken by Rajiv Kumar. The study on the 'Problems and Prospects of the Mass Tourism in India' is being presently looked after by Jayshree Sengupta.

It is expected that a detailed research programme for these studies will be ready by 15 January 1983. The programme will delineate those parts of the three studies which will be carried on in-house and specify the areas where external consultants will be used. The responsibility for completing the project within the time frame of two years conforming to recognised report standards of applied economic research will mainly rest on the Council's research wing. The progress of this study is expected to help the Council to work out effective patterns of collaboration and interaction between in-house and external researchers

#### 8. Linkages

ICRIER is also trying to foster collaborative research links with other similar institutions in other countries. We have been approached during the last two months by scholars from Michigan State University, USA, and the Centre for Cooperation with Developing Countries, Ljubljana, Yugoslavia, for research collaboration. The research proposals on 'Technology Exports from India and Cooperation Among Developing Countries' are in initial stages. In all the Council will endeavour to ensure such collaborations as would not compromise its own research objectives so that the research effort remains relevant to academic and policy issues of the country.

In the years 1979-82, SCRIER/ICRIER has established linkages with a number of like-minded institutions, particularly in Asia. The research centres and institutions with which SCRIER/ICRIER has active collaborative arrangements have been concluded are listed below:

India

- Bombay University, Bombay
- Madras Institute of Development Studies, Madras
- National Institute of Public Finance & Policy, New Delhi
- Indian Council for World Affairs, New Delhi
- School of International Studies, Jawaharlal Nehru University, New Delhi
- Centre for Studies in Developing Societies, Delhi
- Institute for Defence Studies and Analyses, Delhi
- Indian Institute of Foreign Trade, New Delhi
- Indian Institute of Management, Ahmedabad
- Administrative Staff College, Hyderabad
- National Council of Applied Economic Research, New Delhi
- Institute of Financial Management and Research, Madras
- Institute for Development Studies, Madras

South Asia

- Marga Institute, Colombo

South Asia

Pakistan Institute of Development Economics, Islamabad

Bangladesh Institute of Development Studies, Dhaka

South East Asia

Institute of South East Asian Studies, Singapore

Asian Development Institute, Kuala Lumpur, Malaysia

U. S. A.

The University of Wisconsin, Madison

9. Seminars and Publications

For continuous interaction among researchers and research centres as well as with policy makers, seminars and workshops were held and background or working papers circulated for comments. So far six major seminars have been sponsored by SCRIER/ICRIER for discussions on research projects. In addition, nearly 15 meetings of the SCRIER/ICRIER Sub-committees and other workshops were held during the years 1979-82

The mimeographed papers issued during the period was nine of which five were backgrounders and four working papers. In the category of printed literature, two monographs and two books have been published. In the next few months three more full length studies will be published.

