

# ICRIER *news*



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ICRIER IN NEWS

## ICRIER Welcomes

- Dr. H V Singh as  
Honorary Professor.
- Dr. Meenu Tewari as  
Consultant.
- Dr. Parthapratim Pal as  
Fellow.

## Obituary

- Dr. Sanjay Lall,  
Founder Member,  
ICRIER passed  
away in June 2005.
- Dr. I G Patel, Chairman,  
ICRIER passed away on  
July 17, 2005.

## Letter from the Director

Dear Reader,

ICRIER is deeply grieved at the unexpected demise of our Chairman, Dr. I.G. Patel in New York on Sunday, July 17, 2005. Dr. Patel served as Chairman, ICRIER for eight years. His active involvement at ICRIER and his focus on policy oriented research enabled ICRIER to take its research programme to greater heights. We hope to continue to work on the principles and vision laid out by him.



A brief account of the activities and events that took place at ICRIER in the last six months is presented below.

ICRIER organized a panel discussion on the future of the Dollar to understand the structural issues of the world economy, the role that the Dollar plays in it and how that role is evolving. The discussion, in view of the overall decline of the dollar in international currency markets, evoked significant interest and debate amongst the audience. Of equal significance was the ICRIER panel discussion on UN Reforms in the backdrop of the wide-ranging global challenges affecting the UN today. The discussion presented an Indian and a developing country perspective.

Export processing zones and their contribution to national economic development have been subject to intense debate for some four decades now. ICRIER carried out an empirical study on the performance of EPZs in South Asia vis-à-vis the factors crucial for the success of EPZs. A seminar was held to debate and discuss the strategies related to these factors as well as the policy implications that came out of the ICRIER research. Mr. Gopal K. Pillai, Additional Secretary, Ministry of Commerce & Industry, Government of India chaired the seminar.

An ICRIER-Habitat joint public lecture on Tripolar World organized in May this year was relevant in the context of the emerging Indo-US partnership as it outlined and projected the likely changes in the world economy and the global power relations that are impelling the US towards closer relations with India. These changes are also relevant to the ever popular debate on national and international security policies. Based on the economic foundations of global power, an index of the 'power potential' of nation states has been devised. It was asserted that the world will be transformed into a 'Tripolar' one by the middle of this century. The talk was chaired by Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission.

With best wishes,

Arvind Virmani

a forum for sharing information

# Panel Discussions

## The Future of the Dollar

February 04, 2005



*From L to R: Dr. Surjit S. Bhalla, Director, Oxus Research & Investments, Dr. Omkar Goswami, Chairman, CERG Advisory Pvt. Ltd., Mr. Nitin Desai, Honorary Professor, ICRIER, Mr. Srinivasan Varadarajan, Managing Director (Head of Markets), JP Morgan Chase Bank, Mumbai, and Dr. Arvind Virmani, Director & Chief Executive, ICRIER.*

ICRIER organised a panel discussion on 'The Future of the Dollar' to assess the future of the US Dollar, in light of its overall decline of the dollar in international currency markets. It focussed on structural issues of the world economy, the role that the Dollar plays in it and how that role is evolving. The panel consisted of Mr. Srinivasan Varadarajan, Director, J. P. Morgan Securities, (India), Dr. Omkar Goswami, Director, CERG Advisory and Dr. Surjit Bhalla, MD, Oxus Investments.

The discussion opened with a presentation on the evolution of the external value of the rupee over the past decade

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

Mr. Nitin Desai, Honorary Professor, ICRIER and Chair of the discussion, concluded, that the key imbalance is between the dollar and the Asian currencies, particularly the Chinese currency. For some time the present processes of dollar depreciation would continue. The ICRIER panel discussion was covered by NDTV. The discussion was very well attended by academicians, researchers, senior officials from the Ministry of Finance and media.

## Reforming Global Governance

March 24, 2005

ICRIER organised a panel discussion on 'Reforming Global Governance' in view of the wide-ranging global changes and challenges affecting the UN today. The aim of the discussion was to present an Indian and a developing country perspective on the reforms of global governance as well as to reflect on the role of the Bretton Woods Institutions. The panel consisted of Mr. Virendra Dayal, former Member National Human Rights Commission and former Under Secretary General in the UN, Mr. Anwarul Hoda, Member, Planning Commission and Mr. Nitin Desai, Honorary Professor, ICRIER.

Chairing the discussion Dr. Arjun Sengupta, Chairman, National Commission for Enterprises in the Unorganised and Formal Sector & former Executive Director for India in the IMF pointed out that the UN till now has effectively spelt out the gaps and links within the governance system to facilitate development. And today it has to play the role even more effectively. Speaking on the emergence of human rights reforms as also the contentious issue of humanitarian intervention, Mr. Virendra Dayal, former Member National Human Rights Commission and former Under Secretary General in the UN, said that India should play a proactive role in the emerging human rights regime



*From L to R: Dr. Virendra Dayal, former Member, NHRC and former Under Secretary General, UN, Mr. Nitin Desai, Honorary Professor, ICRIER, Dr. Arjun Sengupta, Chairman, the Center for Development and Human Rights, Dr. Arvind Virmani, Director & Chief Executive and Mr. Anwarul Hoda, Member, Planning Commission.*

of the UN, as well as in the evolution of norms for humanitarian intervention. Raising pertinent issues related to WTO rules vis-à-vis the developing countries, Mr. Anwarul Hoda, Member, Planning Commission, explained that it was mostly the manner in which the WTO rules were implemented and not the rules per se that resulted in tilting the gaps against the interests of the smaller countries. Mr. Nitin Desai, Honorary Professor, ICRIER, emphasised that the effectiveness of global mechanism for the articulation of norms and standards was perhaps the most spectacular achievement of the UN today. He stressed on legitimacy of the multilateral system in the eyes of the North and South, which he felt would be questioned if decision making bodies like the Security Council are not modified to give greater voice to the third world.

The seminar was attended by academicians, scholars, experts, ministry representative and media.

## Seminars

### Performance of Export Processing Zones

March 30, 2005

ICRIER organised a seminar on 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh' to analyse factors carrying important policy implications crucial for the success of EPZs and SEZs in India.

Elucidating the economic rationale behind EPZs, Mr. Pillai, pointed out that the real test in terms of the success of the zones was whether they have lead to an overall increase in the economic activity - the indicators being economic growth, investment and employment. Dr. Aradhana Aggarwal, Consultant ICRIER, explained in her presentation that the purpose behind the zones was to establish a viable internationally competitive platform capable of attracting export oriented investment to promote exports. To sustain their competitiveness in the long run it is important to improve countrywide investment climate, as the zones cannot be insulated from the broader institutional and economic context of the country. Finally, the zones will need to give way to industrial clusters of high tech industries to help jump-start the manufacturing processes in the country and improve export competitiveness with greater return.

Dr. Arvind Virmani, Director & CE, ICRIER, pointed out that China's success as compared to India was mainly in terms of attracting export related FDI and labour



*From L to R: Dr. Aradhana Aggarwal, Consultant, ICRIER, Mr. Gopal K. Pillai, Additional Secretary, Ministry of Commerce & Industry, Dr. Arvind Virmani, Director & Chief Executive, ICRIER.*

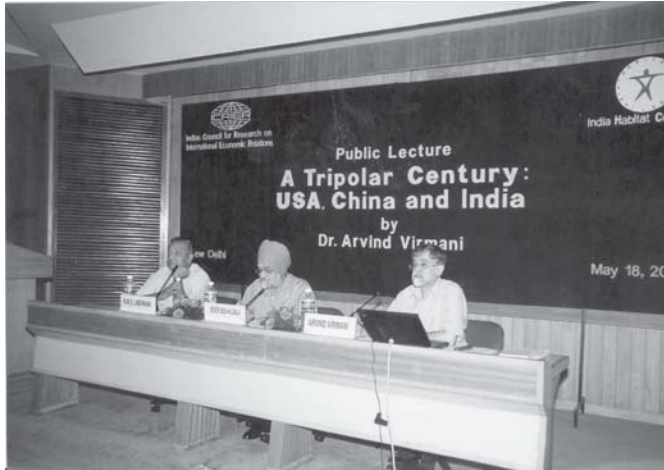
intensive exports. India he said needs to bring its infrastructure availability and quality to global standards in the SEZs within the next few years.

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

# Public Lectures

## A Tripolar Century : USA, China and India

May 18, 2005



*From L to R: Mr. Liberhan, Director, India Habitat Centre, Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission and Dr. Arvind Virmani, Director & Chief Executive, ICRIER.*

Dr. Arvind Virmani, Director & Chief Executive, ICRIER delivered a public lecture on 'A Tripolar World: USA, China and India' on May 18, 2005. The fast growth of Japan till the seventies led scholars to predict a 'Pacific Century.' This talk gradually faded with the bursting of the 'Japanese Bubble,' but was revived with the rise of the Asian Tigers. Some called it the Asia-Pacific century while others predicted an 'Asian century.' Such talk reached its peak before the Asian crises of 1997-98. In parallel, the world became recognizably unipolar with the collapse of the USSR. Since then talk of multi-polarity has been in the air, joined more recently by sounds of China's challenge to US uni-polarity.

This lecture was based on Dr. Virmani's papers titled 'A Tripolar Century: USA, China', 'Economic Performance, Power Potential and Global Governance: Towards a New International Order,' and 'China's Socialist Market Economy: Lessons of Success'. The talk presented a more radical thesis, that the World will be transformed into a Tripolar one by the middle of this century; that the current global economy is evolving in a direction that is likely to result in a bipolar world (USA & China) by the end of the first quarter (2025) of

the 21st century and a tripolar one (India, China, USA) by the end of the second quarter (2050). Each pole will not however be exactly equal and India is likely to be the weakest pole through much of the century.

He asserted that there is little possibility of the World becoming multi-polar. While delivering the talk he cautioned that one must recognize the high degree of uncertainty associated with long term forecasts and that these risks do not however disappear if we assume that the future will be like the present (as most people tacitly do). Forecasts he pointed out are essential for effective planning of National and International security policies. If these projections of the global economy approximate reality, they will have profound implications for the USA, India, European Union and Japan and the emergence of a New International order.



*Audience at the Public Lecture.*

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



# Policy Workshops

## ADB Policy Networking Project - Second Technical Workshop

JANUARY 24–25, 2005

ICRIER was selected as a hub institution along with IIM, Bangalore to cover research on the thematic cluster of 'Trade and Industry' as part of the ADB's 'Policy Networking Project to Strengthen Policy Reforms' which undertook to simultaneously cover research in six different thematic areas. The project supported by the ADB is in collaboration with the Ministry of Finance (Office of the Chief Economic Adviser) and aims to provide policy recommendations for the government in the broad areas of trade policy, industrial performance and private sector development, where ICRIER is the hub for Trade policy and Growth, while IIM for Industry and Private Sector. The First Technical Workshop was held in New Delhi on October 25–26, 2004.

ICRIER and IIMB jointly organized the Second Technical Workshop at Indian Institute of Management, Bangalore on January 24–25, 2005. Six draft papers which had been circulated prior to the meeting and assigned reviewers were discussed and commented upon.

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

## Recent ICRIER Publications

### Working Papers

No.	SUBJECT	AUTHOR	DATE
152.	Trade in Financial Services: India's Opportunities and Constraints	Rupa Chanda	January 2005
153.	Impact of Liberalisation on Wages and Employment in Indian Manufacturing Industries	Rashmi Banga	February 2005
154.	Trade and Foreign Direct Investment in Services: A Review	Rashmi Banga	Feb 2005
155.	Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh	Aradhna Aggarwal	March 2005
156.	Liberalisation and Wage Inequality in India	Rashmi Banga	March 2005
157.	Structure of the Household Sector Asset Portfolio in India	Sanghamitra Sahu Arvind Virmani	March 2005

No.	SUBJECT	AUTHOR	DATE
158.	Patents Legislation and International Obligations: India	Mahima Puri	March 2005
159.	Role of Services in the Growth Process: A Survey	Rashmi Banga	March 2005
160.	A Tripolar Century: USA, China and India	Arvind Virmani	March 2005
161.	Health Insurance for the Poor in India: An Analytical Study	Rajeev Ahuja	June 2005
162.	Micro-Insurance in India: Trends and Strategies for Further Extension	Rajeev Ahuja	June 2005
163.	The SPS and TBT Agreements: Implications for Indian Policy	Bibek Debroy	June 2005

## Other Publications

### Public Lecture

SUBJECT	AUTHOR	DATE
A Tripolar World: India, China and US	Arvind Virmani	May 18 2005

### Books

SUBJECT	EDITOR	YEAR
Economic Development in South Asia	Mohsin Khan	2005

# International Networking

#### **DR. ARVIND VIRMANI**

- Made a presentation at the session on "Rising Giants: China, India, and the World Economy" at the PREM Week Conference, the World Bank, Washington, D.C., April 19–20, 2005.
- Delivered a talk on "A Tripolar Century: USA, China and India" at the World Affairs Council of Greater Dallas, Dallas, April 26, 2005.
- Participated in the BRICSAM Advisory meeting organised by the Centre for International Governance Innovation (CIGI), Canada, May 27–28, 2005.
- Participated as a panelist at the session on "Assessment of Progress on Economic Performance and Reform" at the Sixth Annual Conference on Indian Economic Policy Reform by Stanford Center for International Development, Stanford, June 3–4, 2005.

- Participated in the regional consultation on "Globalization, Growth and Poverty (GCP)" organised by International Development Research Center (IDRC), Colombo, June 18, 2005.

#### **DR. SHANKAR ACHARYA**

- Participated in Kotak Bank–Goldman Sachs Investor conference on "India Unplugged...Promise of a New Era", at Millenium Hilton, New York, February 8, 2005.
- Participated as a speaker on "Federalism and Governance", in an international seminar on "Federalism and Conflict Resolution in Sri Lanka", Colombo, Sri Lanka, May 10–11, 2005.

#### **MS. NISHA TANEJA**

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

#### DR. MEENU TEWARI

- Made a presentation on “Post-MFA Adjustments in the Indian Textile and Garment Industry” at the Conference on ‘The End of Global Quotas: Understanding the New Shape of the Global Economy’, at Harvard Law School’s Labour and Worklife Program, Harvard University, May 23–24, 2005.
- Participated as a discussant on “The RTA effect?” for the panel, ‘Sectoral Perspectives on Commodity Chains: The Global Apparel Industry’ at the Conference on ‘Global Networks: Inter-disciplinary Perspectives on Commodity Chains’, Yale University, May 13–14, 2005.

#### DR. AMITA BATRA

- Made a presentation on “India: Country Study: Preliminary Outline” at a workshop organised by USAID and Nathan Associates on SAFTA in Dhaka, Bangladesh, April 6–8, 2005.

#### DR. RAJEEV AHUJA

- Participated in a conference on “Private Voluntary Health Insurance” at Wharton School, Philadelphia, March 15–16, 2005.

#### DR. RASHMI BANGA

- Presented a paper on “Foreign Direct Investment in Services” in “Foreign Direct Investment and Policy Challenges: Areas for New Research”, United Nations Conference Centre, Bangkok, Thailand, May 12–13, 2005.

#### DR. SURABHI MITTAL

- Presented the project proposal of “Effects of Global Agricultural Trade Liberalization on Agricultural Production and Poverty in India” at a workshop on “Impact of rich country policies on poverty: A global view”, organised during the Sixth Annual Conference of Global Development Network on ‘Developing and Developed Worlds: Mutual Impact’, Dakar, Senegal, January 21–26, 2005.

## ICRIER in News

### Lecture / Seminars

**Indian economy among top three by 2050**, Zee News (May 19, 2005): Arvind Virmani, Chief Executive, ICRIER, today forecast that the Indian economy would be among the top three fastest growing economies of the world by 2050 and will overtake Japan within the next five years. He said “India is set to become the global growth engine in about 15 years and its power potential will equal the US during the third quarter of the 21<sup>st</sup> century while China during the second quarter.”

**Living among giants**, The Australian (June 4, 2005): Within India’s elites the optimism is rife, typified by Arvind Virmani, from the ICRIER, who has just completed a paper titled A Tripolar Century: USA, China and India. “The primary driver of the evolution of a unipolar world into a tripolar one is income convergence between India, China and the [US] and other rich countries.” Virmani says. “Over the next 50 years both China and India will become high-income countries, with India lagging China by about a dozen years. This is India’s dream: the tripolar world.”

**Expert predicts tripolar world by 2050**, The Hindu (May 19, 2005): Looking into the crystal ball of the future, the Chief Executive of ICRIER, Arvind Virmani, has predicted that by 2050 a tripolar world would be balanced between the two most populous nations – India and China – and the United States. India and the US should cooperate, not against China but to consolidate their economic position, he added.

**EPZs not sustainable growth model: ICRIER study**, PTI news, BS (March 30, 2005): “Zones are not sustainable models of growth in the long run. After the initial phase of expansion, their competitiveness can be sustained by improving the countrywide investment climate,” ICRIER consultant Aradhna Aggarwal said.

**Indo-China trade touches record \$13 billion in 2004**, IE (April 04, 2005): Amita Batra from ICRIER said, auto components, pharmaceuticals and machinery are the three sectors where India has started making in-roads into the Chinese market. “There is a definite possibility that India could generate a trade surplus in the coming years, if it manages to do well in these sectors,” she said.

**The Future of the Dollar**, BS (February 16, 2005): On the same day an ICRIER seminar contributed its rupee worth of wisdom. The general consensus was that the dollar, sterling, euro, and yen would continue to hover around their current levels relative to each other, and that the main readjustment would have to be a substantial appreciation of the Chinese yuan.

### Opinion

**Carving up the Cake**, IE (May 23, 2005): Dr Virmani, Director, ICRIER says, infrastructure development is not about spending money. What’s really needed on the infrastructure front is “policy reform, regulatory reform and more effective innovative ways to deal with the problem – something on the lines of what was done for highway development.”



**Trade protectionism: Hurdle to free trade?**, IE (March 16–31, 2005): Agrees Ms Meenu Tiwari, visiting consultant at ICRIER and professor at the North Carolina University, US, “Regional and preferential trade arrangements curtail the trading opportunities of developing countries like India who are not part of any major trade bloc.

**Experts want to reverse bias on FII's fiscal sops**, ET (Jan 13, 2005): At a pre-budget interaction with P Chidambaram, ICRIER Director Arvind Virmani said, “FDI can play a great role in increasing the GDP growth from 6.5% to 7.5%, The government should allow 100% automatic FDI in most sectors subject to security clearance and target Fortune 500 companies to invest in India. Dr. Virmani said reforms in indirect taxes started in 1980 were yet to be completed and that was preventing the government from realising the real benefits.

**India opens up London routes, to private airlines**, FT (Feb 2, 2005): “This will dramatically improve the level of service for Indians travelling to London and it will reduce fares as well,” said Danish Hashim, aviation analyst, ICRIER. It is something of a breakthrough for the Indian consumer.

**Budget airlines set to take over Indian skies**, FT (April 27, 2005): On new carriers requiring a minimum capitalization of only 300m to get a license, Danish Hashim, ICRIER says this is too low and likely to lead to a repeat of mistake in the 1950s when several new airlines competed ruinously. Government airport landing and navigation fees are also 28–29 per cent higher than world standards, he estimates.

**Budget 2005, Cover Story, Outlook**, (March 14, 2005): As former chief economic advisor and member of TFC Dr. Shankar Acharya says, to neutralise a revenue deficit of Rs 95,312 crore by 2008-09 will be tough. Three years down the line, if the world economy slows or oil prices zoom or there is a natural calamity, we'd be in a more exposed situation.

**Quality of funds genuine issue: Acharya**, CNBC-TV18, www.Moneycontrol.com, (Jan 14, 2005): On RBI Governor, Dr. Y V Reddy's suggestion that quality and

quantity of capital flows into the country be controlled through ceilings of taxes and this leading to the subsequent decline in stock prices, Dr. Shankar Acharya, Professor, ICRIER said, “The quality of funds is a genuine issue and we should be allowed to take necessary regulatory action”.

## Retail study

**Nath seeks view on FDI in retail**, BS (Feb 9, 2005): The Consumer Affairs Department, the nodal agency for the sector, is also working on the opening up and is awaiting a final set of recommendations from research agency ICRIER before moving ahead with the proposal. The department had commissioned the report for liberalizing the sector to foreign investment.

**Dollar holler: FM set to play FDI for retail, pension funds**, ET (Feb 8, 2005): Officials feel the current bane of FDI does not anyway block major global players who are exploiting the loopholes in the rules to set up base here. Arguments are also being marshaled to explain that opening up of FDI in retail will not hurt small retailers. ICRIER has already submitted a preliminary report to the consumer affairs department on this issue.

**Singh's on song, scripts key role for FDI in retail**, ET (Apr 20, 2005): Indian retail chains would get integrated into global supply chains since FDI will bring in the technology to improve production, quality standards and marketing. ICRIER has recommended a gradual opening up of retail to FDI. The alarm over threats to small retail outlets and the flood of imports due to foreign investment in the sector is seen as exaggerated.

## Review

**On a Fast Track**, ET (Jan 30, 2005): A useful, and modern, feature is the stress on the ‘natural monopoly’ segments of public undertakings; those may be corporatised, exposed to competition (via free entry) and regulated. The book also scores from in-depth discussions on sectors like telecom, power, urban infrastructure, housing policy and slum eradication.



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