

ICRIER *news*

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LETTER FROM THE DIRECTOR



Dear Reader,
We are about to celebrate the 20th anniversary of ICRIER in August 2001.

Our research and policy dialogue on WTO related issues gained momentum in the first six months of this year. Besides initiating research projects on textiles and MFA, export incentives and the anti-dumping issues, we have commissioned international talent to prepare research papers in the area of globalisation and health care including some that address the controversial aspects of the TRIPS Agreement.

We had many seminars offered by a number of distinguished visitors during the past six months and a number of our researchers participated in international seminars and conferences abroad.

In partnership with UNDP and FICCI we organised the 'Forum on Strengthening Decentralisation', where Shri Digvijay Singh, Chief Minister, Madhya Pradesh, and Mr Mark Malloch Brown, Administrator, UNDP, New York were the principal speakers, with Dr Manmohan Singh chairing the session. A Round Table on Indo-US Economic Relations was organised jointly with FICCI to engage in a dialogue with a visiting delegation from the Asia Society and the American International Group led by Dr Marshall Bouton and Mr Frank Wisner.

I am very happy to welcome Dr Shankar Acharya, Chief Economic Advisor to the Government of India (on study leave from the Ministry of Finance) to ICRIER for a period of 18 months as Honorary Professor, from 1 May 2001.

Please do not miss the announcement on the last page about our celebration on 9 August 2001. I look forward to welcoming you at the function.

With best wishes,

Isher

Isher Judge Ahluwalia

Forum on Decentralisation

In the spirit of "think globally and act locally", ICRIER collaborated with UNDP and FICCI to organise a 'Forum on Strengthening Decentralisation' on 16 February 2001. The importance of building synergies between globalisation, economic reform

and decentralisation was emphasised by Director, ICRIER who noted that countries and people are becoming increasingly interdependent. Dr Manmohan Singh, Chairman at the Forum, observed that development should be about empowering people to realise their full potential to lead a life of dignity and self respect. Mr Digvijay Singh, Chief Minister, Madhya Pradesh, as chief guest spoke of how the state government of Madhya Pradesh has devised innovative mechanisms for delivering health and education to distant corners of the state. This has been facilitated through political decentralisation and empowerment of the local government as India moves further in the process of economic reform. Mr Mark Malloch Brown, Administrator, UNDP pointed out how decentralisation enabled Brazil to achieve 100 per cent enrolment in primary education by combining increased parent control in the case of education with radical restructuring of public administration. He expressed the view that preparing human development reports at the state level in India would also go a long way in making decentralisation effective and successful. He maintained that twenty years from now, decentralisation will stand out as the most decisive aspect of revolution in governance.



Shri Digvijay Singh, Chief Minister, Madhya Pradesh and Mr Mark Malloch Brown, Administrator, UNDP.



Digvijay Singh (second, left), Chief Minister, Madhya Pradesh being welcomed by R Lodha, Vice President, FICCI at a forum jointly organised by UNDP, FICCI and ICRIER. Also in the picture, from left are Isher Judge Ahluwalia, Director, ICRIER, Mark Malloch Brown, Head, UNDP, New York and Manmohan Singh, Leader of the Opposition, Rajya Sabha.

a forum for sharing information

WTO AND AGRICULTURE IN GUJARAT

A seminar on “WTO Agreement on Agriculture with Special Reference to Gujarat” was organised jointly by ICRIER, the Centre for Management in Agriculture,



Dr I G Patel, Chairman, ICRIER, and Mr Sompal, Member, Planning Commission at a seminar jointly organised by ICRIER, IIMA and GEA.

Indian Institute of Management Ahmedabad (IIMA) and the Gujarat Economic Association at Ahmedabad on 20-21 January 2001. Mr Sompal, Member, Planning Commission, delivered the keynote address. Papers were presented by Dr Isher Judge Ahluwalia on behalf of Dr Ashok Gulati, Mr Anwarul Hoda, ICRIER, Dr G S Bhalla, formerly of Jawaharlal Nehru University (JNU), Dr Samar Datta and Dr Gopal Naik of IIMA. Mr Sanat Mehta, former Finance Minister, Gujarat also presented his views. The seminar was well attended by academicians and policy makers from Gujarat and provided a good forum for understanding both the opportunities created by the WTO and its shortcomings.

INDO-US ECONOMIC RELATIONS

ICRIER jointly with FICCI, organised a Round Table session on “Indo-US Economic Relations: The Emerging Scenario.” The brainstorming session was held with a visiting delegation from the US, led by Ambassador Frank G Wisner, Vice Chairman, External Affairs, American International Group and Dr Marshall M Bouton, Executive Vice President, Asia Society. The session included high level participation from policy makers, Mr Piyush Mankad,

Secretary, Ministry of Industry, Mr Shyamal Ghosh, Secretary, Department of Telecommunications, and Mr Nripendra Mishra, Special Secretary, Ministry of Commerce. Among the topics discussed were the pace of economic reforms in India, issues in macroeconomic

management, infrastructure constraints, India’s ability to attract foreign direct investment, the US trade policy and the issues arising from agreements, such as NAFTA and Free Trade Area Agreements of the US with a number of other countries.

Left to right: Piyush Mankad, Secretary, Ministry of Industry, Marshall M. Bouton, Executive Vice President, Asia Society, R Lodha, Senior Vice President, FICCI, Isher Judge Ahluwalia, Director, ICRIER, Frank G Wisner, Vice Chairman, External Affairs, American International Group, Shyamal Ghosh, Secretary, Department of Telecommunications, Nripendra Mishra, Special Secretary, Ministry of Commerce.



Public Lectures

GLOBALISATION, INVESTMENT CLIMATE AND ECONOMIC GROWTH

Nicholas H Stern

In his illuminating address, Dr Nicholas Stern, Chief Economist, World Bank, presented a synthesis of competing views on globalisation, arguing that on balance globalisation is a positive force for growth and poverty reduction. However, to fully realise this potential, he maintained that central government as well as the state governments in India should strive to strengthen the investment climate in all sectors through improved governance, better infrastructure and more open and stable policies. At the same time, to make globalisation more pro-poor, Indian states must focus on improving primary education and fostering policies to encourage faster growth of off-farm rural employment. Mr Arun Bharat Ram,



President, CII, was in the chair. The lecture was attended by a large number of policy makers, academicians and media representatives and generated a very lively discussion.

Left to right: Piyush Mankad, Secretary, Ministry of Industry, Nicholas Stern, Chief Economist and Senior Vice President, World Bank, Arun Bharat Ram, President, CII, Isher Judge Ahluwalia, Director, ICRIER, and Sateesh Kaura, Chairman, Samtel Colour Television.



Left to right: Adrian Wood, Chief Economist, DFID, T N Srinivasan, Samuel C Park, Jr Professor of Economics, Yale University, R A Mashelkar, Director General, Council of Scientific & Industrial Research, and Isher Judge Ahluwalia, Director, ICRIER.

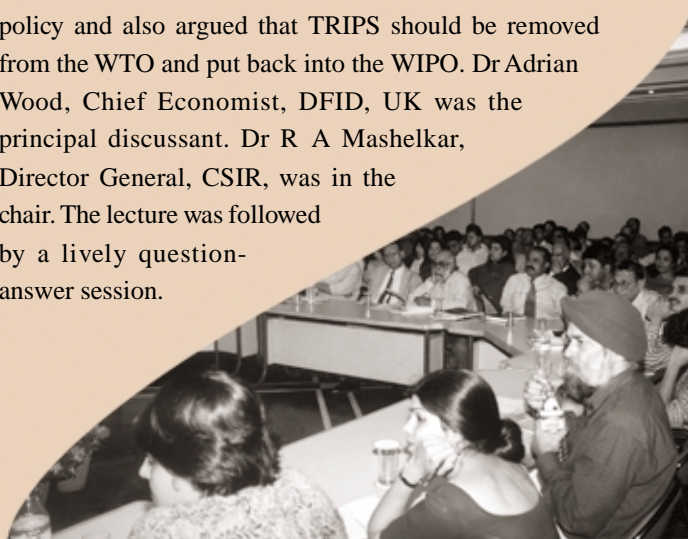
WTO AND INDIA

T N Srinivasan

In his lecture, "WTO and India," Prof T N Srinivasan emphasised the importance of a rule based multilateral trading regime for a weak economic nation such as India. Dispelling the fears on account of greater integration of agricultural markets through trade, Prof Srinivasan asserted that WTO does not prevent member countries from meeting their food security objective which is essentially a domestic issue. He maintained that India should be proactive in the WTO negotiations in putting pressure on developed countries to reduce the subsidies they

provide to their farmers. As regards the problems that domestic industry may face from a sudden surge in imports, Prof Srinivasan maintained that the use of safeguards was to be preferred to that of anti-dumping duties. There is no getting away from improving the competitiveness of the Indian economy. He was opposed to the linking of labour and environmental issues with trade

policy and also argued that TRIPS should be removed from the WTO and put back into the WIPO. Dr Adrian Wood, Chief Economist, DFID, UK was the principal discussant. Dr R A Mashelkar, Director General, CSIR, was in the chair. The lecture was followed by a lively question-answer session.



CHINA AND THE WTO

Jairam Ramesh

Mr Jairam Ramesh, Secretary, Economic Affairs, Congress Party, delivered a lecture titled "China, WTO, and its Implications for India" at a session organised by ICRIER on 25 May 2001. Mr Ramesh drew attention to how China, the tenth largest trading nation, is making all efforts at joining the WTO. He explained how China has negotiated 36 bilateral agreements with member countries and is in the process of negotiating a multilateral agreement with the WTO. China's major differences with the WTO relate to its demand for a developing country status, insurance and financial service offers, concerns on safety standards and other regulations, and trading rights for foreign firms. Efforts are also being made to build domestic support in



Jairam Ramesh, Secretary, Economic Affairs, Congress Party, speaking at the ICRIER seminar on "China, WTO and Its Implications for India."

China by projecting the potential benefits of joining the WTO.

Public Policy Workshops

CHOICE OF A REGULATORY FRAMEWORK FOR FINANCIAL SYSTEMS

Y V Reddy

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



Isher Judge Ahluwalia, Director, ICRIER, Y V Reddy, Deputy Governor, Reserve Bank of India, and I G Patel, Chairman, ICRIER.



Left to right: Isher Judge Ahluwalia, Director, ICRIER, Mathew Tharakan, Professor in Economics, University of Antwerp, Ravi Sinha, CEO, SRF Ltd., and T K Bhaumik, Senior Advisor, CII.

ANTI-DUMPING

Mathew Tharakan

Prof Mathew Tharakan, University of Antwerp, visited ICRIER to help initiate a programme of studies on anti-dumping as a part of our capacity building programme. The question of anti-dumping has assumed major significance in the current Indian economic scenario with imports from China perceived as a major threat to domestic industry. Seminars on anti-dumping, jointly organised by the CII and the Delhi School of Economics, addressed some important issues in this area.

Seminars

GLOBAL ECONOMY AND THE EMERGING MARKETS

Michael Mussa

Dr Michael Mussa, Economic Counsellor and Director of the IMF's Research Department gave a stimulating presentation on the current global economic outlook. He noted the downward revision in consensus forecasts for US growth in 2001 and linked the slowdown to negative wealth effects from declining equity prices. The key issue facing the world economy in 2001 was whether the US could achieve a "soft landing". He pointed out that stock markets had fallen much more steeply in Japan, which could postpone the long-awaited recovery. Dr Mussa also voiced concern about the sustainability of the growing current account deficit of the US and



Michael Mussa, Economic Counsellor and Director of Research, IMF presenting a seminar at the ICRIER conference room.



the overvaluation of the dollar with respect to the Euro. The talk was well attended by Delhi-based economists (including Dr Manmohan Singh) and followed by a very lively discussion.

CAPITAL FLOWS AND THEIR MACROECONOMIC EFFECTS IN INDIA



Renu Kohli

Dr Renu Kohli, Professor, ICRIER presented her paper "Capital Flows and Their Macroeconomic Effects in India," at an ICRIER seminar held in March 2001. She presented India's experience with removal of restrictions on inward capital flows since 1993. The study finds that capital inflows are associated with stock market volatility, real exchange rate appreciation and domestic monetary expansion. Analysing the policy responses during the period 1993-2000, she drew policy implications from the study.

DEVELOPING COUNTRIES AND GATS NEGOTIATIONS: TOWARDS A PRO-ACTIVE ROLE

Aaditya Mattoo

At a seminar organised in ICRIER on 23 February 2001, Dr Aaditya Mattoo, Senior Economist, World Bank, made a presentation on "Developing Countries and the WTO Services Negotiations." Dr Mattoo argued that developing countries have gained substantially from unilateral liberalisation, especially in key infrastructure services such as telecommunications, transport and financial services. However, in the past these countries were reluctant to actively participate in services negotiations and many of them did not even bind the status quo. He argued in favour of active participation of developing countries in the ongoing negotiations. However, he stressed that any multilateral negotiations should be accompanied by appropriate domestic reform, emphasising competition, and providing an effective regulatory framework.



TRADE, GROWTH AND POVERTY

David Dollar



Dr David Dollar, Senior Economist, World Bank, presented a paper titled, "Trade, Growth and Poverty" by Dollar and Kraay at an ICRIER seminar on 18 April 2001.

Recognising that the effect of globalisation on inequality and poverty is a key concern for developing countries, the paper attempts cross-country empirical analysis to show that countries which have globalised fast, grew at a faster pace in the 1980s and 1990s, thus catching up with the developed countries. After controlling for other policy changes, there is a strong positive effect of trade on growth. The evidence also supports the view that globalisation through faster growth leads to poverty reduction in poor countries.

sanei

The South Asia Network of Economic research Institutes (SANEI), now in its third year, continues to promote collaborative research amongst scholars residing in South Asia. The Steering Committee of SANEI met at ICRIER in April to deliberate on the SANEI constitution and the future course of our network. As research under SANEI gathered momentum, a number of workshops were organised in Colombo, Kathmandu and Delhi to facilitate collaborative work on the projects. New proposals submitted for funding are currently being evaluated.

The country teams for the Global Research Project (GRP) initiative of explaining growth met in Colombo in May to discuss the possible approaches that may be taken in preparing country studies for Bangladesh, Nepal, India, Pakistan and Sri Lanka. A follow-up meeting will take place in Colombo in August, coinciding with the third annual conference of researchers of SANEI.

REGULATING BIOTECH TRADE: THE CARTAGENA PROTOCOL ON BIOSAFETY

Robert Falkner



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

OTHER ACTIVITIES

- ICRIER organised a Round Table meeting with a visiting team from the US, led by Mr Lawrence Myers, Member, Board of Governors, Federal Reserve Board on 19 January 2001. The discussion focussed on fiscal policy dilemmas and challenges confronting India, on the one hand, and evaluation of monetary policy goals and instruments in the United States, (including the apparent primacy of monetary policy over fiscal policy in short-term macroeconomic management), on the other.
- Prof T N Srinivasan, Samuel C Park, Jr Professor, Yale University met with senior policy makers and representatives of the pharmaceutical industry at a luncheon discussion at ICRIER in March 2001 to discuss a number of issues relating to the TRIPS agreement.
- Dr Sweta C Saxena, Assistant Professor, Graduate School of Public and International Affairs, University of Pittsburg, was a visiting scholar at ICRIER for six weeks in June 2001. She gave a seminar on 'Explanations of the Asian Financial Crises'.

International Networking

DR ISHER JUDGE AHLUWALIA

- Participated in the Board Meeting of the International Food Policy Research Institute (IFPRI), Washington, D.C., 5-7 March 2001.
- Participated in a seminar on TRIPS as co-chair of the Working Group on Health and International Economy at Harvard University, Cambridge, 9 March 2001.
- Chaired the Global Research Project workshop at Colombo, 15-16 May 2001.
- Was discussant for a paper, "India's Reform of External Sector Policies and Future Multilateral Trade Negotiations" by T N Srinivasan at the Conference on Indian Economic Development and Policy Reform at Stanford University, 1-2 June 2001.
- Participated in the Fifth Meeting of the Commission on Macroeconomics and Health and presented a status report on "The Working Group on Health and International Economy", in Mexico, 11-14 June 2001.

PARTHASARATHI SHOME

- Presented a paper, "Tax Policy and Tax Administration: Interlinkages, Mutual Effects and Corrective Policies" at the United Nations Expert Group Meeting on Strategies for Improving Resource Mobilisation in Developing Countries and Countries with Economies in Transition at Montreal, Canada, October 2000.

ANWARUL HODA

- Spoke on "Tariff Negotiations and Renegotiations under the WTO Agreement" at a seminar on Tariff Matters organised by the WTO Secretariat on 20-21 March 2001 for the benefit of Geneva-based representatives and capital-based officials of member countries of the WTO.
- Presented a paper, "India's Position on Issues on the Multilateral Trade Agenda" at the EU-LDC Conference 2001 on Trade and Poverty Reduction, Rotterdam, 30-31 May 2001. Was discussant at a Round Table on the proposed new round of negotiations along with Dr Supachai, Director General designate of the WTO.

BASUDEB GUHA KHASNOBIS

- Presented a paper, "Sources of Growth in South Asian Countries" at the Second Global Development Network (GDN) Conference at Tokyo, December 2000 and also at the Conference on Growth and Poverty at the World Institute for Development

Economics Research (WIDER), Helsinki, May 2001.

- Presented a paper, "Effect of Financial Liberalisation on Investment Allocation: An Empirical Analysis" at the World Congress of The Econometric Society, Seattle, August 2000.

RENU KOHLI

- Was Resident Scholar at the Research Department of the International Monetary Fund in April-May 2001. Gave a seminar on "Capital Flows and Their Macroeconomic Effects in India" at the Research Department, IMF.

JAYATI SRIVASTAVA

- Participated in the "Strategy Forum on Enhancing Availability and Accessibility of Online Learning and Research Materials for the GDN Constituency," sponsored by the International Network for the Availability of Scientific Publications (INASP) and Global Development Network, World Bank, Oxford, UK, 11-12 June 2001.
- Participated and acted as the facilitator for the South Asia Group for a session, "Towards the Regional Strategies" in the "The Internet, Research and Policy: A Knowledge and Capacity Sharing" workshop hosted by the Institute of Development Studies and Global Development Network, 12-14 March 2001.
- Made a presentation on the development of the South Asia Network of Economic research Institute's website and its future web strategy at the GDN meeting of regional managers at the Global Development Network Conference, "GDN2000: Beyond Economics" Tokyo on 11-13 December 2000.

ARPITA MUKHERJEE

- Was discussant in the session, "Trade Rules in Services" at the EU-LDC Network Conference on Trade and Poverty, at Rotterdam, Netherlands, 30-31 May 2001. The conference was organised by the Netherlands Economic Institute and the EU-LDC Network.

RAJEEV AHUJA

- Presented a paper, "An Enquiry into Insurance Regulation: The Interaction of Investment and Price Regulation" at the Fourth Annual Conference of the Asia Pacific Risk and Insurance Association, at Curtin University, Perth, Australia, 16-19 July 2000.

Recent ICRIER Publications

Working Papers (January-June, 2001)

No.	SUBJECT	AUTHOR	DATE
61	India and ASEAN: The Emerging Economic Relationship Towards a Bay of Bengal Community	Sanjaya Baru	February 2001
62	Post-Trips Options for Access to Patented Medicines in Developing Countries	F M Scherer and Jayashree Watal	January 2001
63	Differentiated Pricing of Patented Products	John H Barton	March 2001
64	Capital Flows and Their Macroeconomic Effects in India	Renu Kohli	March 2001
65	Consumption and Trade in Off-Patented Medicines	Harvey Bale	May 2001
66	Protection of Traditional Medicine	Richard Wilder	December 2000
67	Impact on Savings via Insurance Reform	Ajit Ranade and Rajeev Ahuja	May 2001
68	Technology Policies and Technological Capabilities in Industry: A Comparative Analysis of India and Korea	Aradhana Aggarwal	June 2001
69	Liberalisation, Multinational Enterprises and Export Performance: Evidence from Indian Manufacturing	Aradhana Aggarwal	June 2001
70	Trade in Health Services	Rupa Chanda	June 2001
71	Financial Repression and Exchange Rate Management in Developing Countries: Theory and Empirical Support from India	Kenneth Kletzer and Renu Kohli	June 2001

ICRIER welcomes

Dr Shankar Acharya, Chief Economic Advisor, on leave from the Government of India, joined ICRIER as an Honorary Professor in May 2001.

Dr Aradhna Aggarwal and Dr Samar Verma joined ICRIER as senior fellows in February 2001.

Mr Shyam Vijay joined ICRIER as a consultant in April 2001 and Dr T P Bhatt joined as a short-term consultant in February 2001.

Mr V Ramamurty joined ICRIER as administrative officer in January 2001.



The first K B Lall lecture titled "The International Financial System – A New Partnership" will be delivered by Dr Mervyn King, Deputy Governor, Bank of England, on the evening of August 9 at 6.30 p.m. at the auditorium of the India Habitat Centre. Dr King will speak on "The International Financial System – A New Partnership." You are invited to the lecture and thereafter to a reception to celebrate the 20th anniversary of ICRIER.