



ICRIER

N E W S

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Board of Governors



Isher Judge Ahluwalia



Uday S. Kotak



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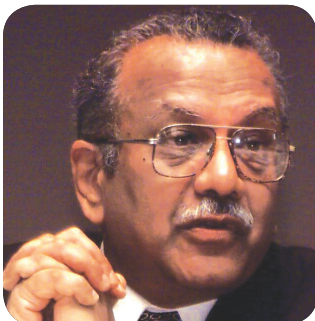
Rakesh Mohan



Shankar N. Acharya



N. K. Singh



Nitin Desai



O. P. Bhatt



Malvinder Mohan Singh



Nandan M Nilekani



T. N. Srinivasan



Anwarul Hoda



Rajiv Kumar

Letter from the Director

Dear Reader,

All of us at ICRIER have been deeply saddened by the Mumbai tragedy which has touched us all in one way or the other. We at ICRIER share the anguish and anger felt all across the country. Given this context, it does seem somewhat trifling to recount ICRIER's achievements in the last six months. But the best response to those who want to throw us off track and harm the country is for each one of us to re-commit ourselves to putting in a little extra effort to make India a stronger and more inclusive economy and a more cohesive and caring society.



During the past six months (July to December 2008), the most satisfying aspect for me has been the further strengthening of ICRIER's research team with the joining of Prof. Amit Shovon Ray who has taken over as the Chair Professor for Trade, Technology and Competitiveness, and the promotion of two of ICRIER's outstanding and senior researchers Arpita Mukherjee and Nisha Taneja as professors. I am hoping that this will encourage others to make ICRIER a career choice so that we can develop a core team of researchers that will carry forward ICRIER's traditions of high quality objective research that is aimed at influencing policy. With these appointments, we now have a complement of six professor level researchers within ICRIER. We currently have 51 in house research staff and 23 external consultants, working on specific research studies being undertaken by ICRIER. The creation of a critical mass of highly qualified researchers is beginning to generate a virtuous cycle of attracting a larger number of sponsored studies and qualified researchers to ICRIER. I am convinced that with the finalization of our Medium Term Strategy and Human Resource Strategy, in that order, ICRIER will become even more attractive for qualified and experienced researchers.

The rapid expansion in in-house researchers and the need to accommodate short term consultants and visiting scholars has created a tight space constraint. I am happy to report that our efforts at acquiring additional space for ICRIER are beginning to show success. ICRIER, is therefore, set to expand further in response to rising demand for its services by sponsors both within India and abroad and from both the government and the private sector.

Coming to the achievements in the last six months (July to December 2008), it is satisfying to report that 7 new studies have been initiated, 6 research studies were completed, research work was brought out in three published volumes and 14 papers were brought out as Working Papers (**see pages 15-16**).

'Think Ink' series that includes short policy-oriented articles by ICRIER researchers started on 1st March, 2007. It has become one of the most frequently accessed items on ICRIER's website. We have had 38 'Think Ink' pieces so far.

As part of our ongoing visitors program, we have had a very busy and high-quality calendar. ICRIER hosted Nobel Laureate Michael Spence at an interactive session on the "Global Financial Crisis" on November 10, 2008. Other eminent scholars who gave seminars or interacted with ICRIER researchers included, Prof. Allan Fels, Dean, Australian and New Zealand School of Government (ANZSOG); Dr. Robert C. Haywood, Director, World Export Processing Zone Association (WEPZA); Dr. Jean Joseph Boillot, Co-Chairman of the

Euro-India Economic & Business Group (EIEBG); Dr. Naoki Tanaka from Centre for International Public Policy Studies and President of Center for International Public Policy Studies; Prof. Nicolas Forsans, Director, James E Lynch India & South Asia Business Centre, Centre for International Business, University of Leeds (CIBUL); Dr. Harsh Vardhan Singh, Deputy Director-General, World Trade Organization; and Dr. James R. Barth, Lowder Eminent Scholar in Finance, Auburn University and a Senior Finance Fellow, Milken Institute, Santa Monica, CA. We have been fortunate in having Prof. T. N. Srinivasan as a Visiting Professor at ICRIER.

During these last 6 months, ICRIER organized 30 research and dissemination seminars in collaboration, among others, with Konrad-Adenauer-Stiftung, Sasakawa Peace Foundation, InWent Germany, Aberystwyth University, Wales, Department of Industrial Policy & Promotion, Government of India, Department of Commerce, Government of India, Centre for Monitoring Indian Economy Pvt. Ltd. (CMIE), Institute for Defence Studies and Analyses (IDSA) and Federation of Indian Chambers of Commerce and Industry (FICCI). We now have two regular monthly seminar series viz. the Financial and Macro Seminars and the WTO Monthly Seminar Series. These have attracted considerable attention and are now an established part of ICRIER's calendar.

In our on going effort to improve the research infrastructure, we have recently installed CMIE's top end 'I Cube' data service, which provides the entire range of CMIE databases and the services of an experienced data analyst. In addition we have also subscribed to 'JStore', a premier source for all scientific journals. Further, ICRIER is now a 'Wi-Fi enabled' premises.

We move into the New Year with greater expectations and also greater resolve to help improve the knowledge content for policy making in India in an era of growing international economic integration and interdependence. I sincerely thank the Chair, Dr. Isher Judge Ahluwalia, and the members of the newly constituted Board of Governors for their guidance and support in taking ICRIER forward.

"Wishing you all a very happy 2009"



Rajiv kumar

July 8, 2008

The Application of Competition Law and Policy to Retailing

Prof. Allan Fels, Dean, Australia and New Zealand School of Government, began the seminar with a brief presentation detailing the retail evolution in Australia and the evolution of subsequent competition laws. He said that the concerns about organized retailing in developing countries are only natural. The picture portrayed in developed countries, by organized retailers is one of efficiency because of modern and efficient supply chains. But, he stated, that there has also been concern over the concentration in the sector. In the 1980s, the Australian retail sector comprised five big retailers and one big wholesaler who supplied to the little retailers. Subsequently, two of the big retailers merged, followed by merger of the remaining two retailers, resulting in two huge organized retailers competing with the other big retailer and the smaller retailers. The other retailer eventually went out of business and there was an increased pressure on the smaller retailers. Australian Competition Law was developed to cover the wider aspects of competition, including the traditional Anti-Trust Law. The important aspect in the Australian competition law, like in USA's law, is that anybody can take up preventive action.

July 10, 2008

Pricing-to-market in Indian exports: The role of market heterogeneity and product differentiation

Dr. Sushanta Mallick, Associate Professor, University of London, UK, presented a paper titled "Pricing-to-Market in Indian Exports: The Role of Market Heterogeneity and Product Differentiation" on 10 July 2008. Using panel data at the four-digit level of classification for the G3 (USA, EU-15 and Japan) and three emerging markets (Brazil, China and South Africa), he concludes that there is clear evidence of incomplete exchange rate pass through (ERPT) to buyers' currency prices. This degree of ERPT is net of changes in the level of protection faced by India's exporters (import tariffs in destination markets), inflation and openness in the export destination market, a macroeconomic policy index partly reflecting changes in exporter's costs, the share of the exporter in the destination market and the share of the product in the exporter's total exports. When distinguishing between G3 and emerging markets, the results indicate that Indian firms have some pricing power in G3 markets but they fully pass-through the exchange rate changes in emerging markets. On the contrary, Indian exporters seem to be taking advantage of trade liberalization in destination markets by marginally increasing the exporter currency prices into emerging markets but not into the G3.

July 14, 2008

India-Japan Economic Cooperation

The Japan Chair at ICRIER organized its first Conference for 2008-09 on July 14, 2008 on the theme "India-Japan Economic Cooperation".

The objective of the Conference was to spell out the opportunities and challenges for Indo-Japanese Economic

Cooperation in today's rapidly globalizing world. Dr. Rajiv Kumar, Director & CE, ICRIER, delivered the opening remarks highlighting the activities of the Japan Chair at ICRIER. Dr. Jaimini Bhagwati, Additional Secretary (Economic Relations), Ministry of External Affairs, chaired the first session in which Prof. Masahiro Kawai, Dean, ADBI, Tokyo, presented his paper titled '*Forging a Comprehensive Economic Partnership between Japan and India: Prospects and Challenges*'.



L to R : Amb. Aftab Seth, Director, Global Security Research Institute, Keio University, Tokyo, Japan; Prof. Brij Tankha, Professor, Dept. of East Asian Studies, University of Delhi and Mr. Shrawan Nigam, Senior Consultant, ICRIER

The second session of the Conference was chaired by Dr. Shyam S. Agarwal, Additional Director-General of Foreign Trade. In it Dr. Toshiro Nishizawa, Deputy Director General, JBIC Institute, presented the results of the '*Survey of Japanese Manufacturing Companies Operating Abroad*', done by the Japan External Trade Organization (JETRO) and Japan Bank for International Cooperation (JBIC). The survey indicates that amongst the Japanese business circles, India is the second most prospective investment destination abroad, next only to China. The Conference concluded with a presentation by Amb. Aftab Seth, Director, Global Security Research Institute, Keio University, Japan, on '*Japan-India Relations - Some History and Contemporary Developments*'. The session was chaired by Prof. Brij Tankha, Dept. of East Asian Studies, University of Delhi. Mr. Shrawan Nigam, Senior Consultant at ICRIER made the closing remarks.

July 14, 2008

Globalization and Export Zones: International Experience

Dr. Robert Haywood, Director, World Economic Processing Zones Association focused on globalization, history of economic zones, types of zones and lessons for India. According to him, globalization has been built on four pillars – trade, investment, immigration, and culture and institutions. The study of ancient trade zones shows that commerce prospers when there is a basic respect for the property rights of others, and a good effort to follow what we now call the "Rule of Law". He gave examples of free trade zones from 1557 to 1999. The earliest Zones were based on trade and commerce, and emphasized security of person and property. After World War II, zones began to focus on industry, particularly manufacturing, the generation of employment, introduction of technology and then on earning foreign

exchange. Other types of zones, such as the financial centers in the Caribbean, focus entirely on the service sector which has become the dominant sector of every developed economy. He also gave examples of export processing zones of Taiwan, Korea, Mexico and China in particular. According to him, the primary goal of a SEZ (Special Economic Zone) must be to create an internationally competitive industrial, commercial and social environment. He concluded that the gap between India's performance and the performance of the best countries in the world is the gap that needs to be filled with better special economic zone policies, and that India needs to take a serious look at its current special economic zone policy to see how well it fills these gaps.

July 16, 2008

India: the Business Cycle and the Trend in a global perspective, a European vision

Dr. Jean-Joseph Boillot, co-chairman of the Euro-India Economic & Business Group (EIEBG) started his presentation by pointing out that there is a lack of business cycle theory in India. He stated that the Indian and Chinese economy were closely following the US economy from 1980 onwards. He emphasized the importance of investment in education in putting India way ahead in human resources. He identified the fractured nature of India's growth in three levels on the basis of its level of development as 'Bolly' Bharat, 'Pahala' Bharat and 'Atakta' Bharat. The growth level was high in the Pahala Bharat where more and more people had access to world class amenities while Atakta Bharat continues to struggle for basic amenities.

He said that Africa could challenge India's position in providing services to aging European and even Chinese population. He added that studies which have put India's growth between 8 to 10 per cent are probably exaggerating and the growth is more likely to be around 6 to 8 %. Half of the jobs created will be new. In terms of demographics, India does have an advantage over China, but if we compare the urban populations, China's active modern population will be way ahead of its Indian counterpart.

July 23, 2008

Roundtable on Modernization of Indian Retail: The Role of Public Policy

The roundtable began with a brief presentation of the findings of the report by Dr. Rajiv Kumar, Director & CE, ICRIER. The aim of the roundtable was to bring together the various stakeholders, academicians and policymakers to take the first step towards policymaking in this important sector.

The roundtable was attended by Mr. Chandrakant Sanghvi, Mr. Shyam Bihari Mishra and Mr. Praveen Khandelwal representing the traders' community, Syndicate Bank Executive Director Mr. George Joseph, Navdanya's Dr. Vandana Shiva, Mr. Saktiman Ghosh from the National Hawkers' Association, Farmers' representatives, Dharmendra Kumar from India FDI Watch, Dr. Ashok Gulati from IFPRI, Mr. Narendra Patil representing the Coolies of APMC Navi Mumbai, Metro Cash & Carry wholesaler, etc.



L to R : Dr. Rajiv Kumar, Director & CE, ICRIER; Mr. Ajay Shankar, Secretary, DIPP, Ministry of Commerce and Industry, Govt. of India; Dr. Mathew Joseph, Senior Consultant, ICRIER and Ms. Nirupama Soundararajan, Research Associate, ICRIER

Mr. Mishra stressed the need to learn from the experiences of other countries. He stated that if competition was to be invited into markets, then these organized wholesalers should be allowed to bid freely with other unorganized traders in the APMC and other markets. Mr. Khandelwal raised issues of lack of Govt. policy and guidance and grievance redressal for retailers, and of unequal concessions and exemptions given to corporates. He also stressed on the need to replace the term 'unorganized retail' with 'self-organized retail' demanding a level playing field for the traditional retailers to compete effectively with the corporate retailers.

Mr. Ghosh from the Hawkers' association expressed the demand to restrict malls within 2 kms of hawker-dense areas. The farmers' representative expressed grievances about the malls bullying small farmers by refusing produce citing quality control. He also said that farmers' subsidies often landed in the hands of businessmen. Mr. Dharmendra Kumar from FDI India Watch listed demands: individual licenses keeping in mind local conditions for each organized retail outlet, setting up of retail regulatory authority, reservation of space for direct selling by farmers, and amendment of penal and police acts so as to legalize street vendors.

Dr. Gulati from IFPRI stated that the flood of organized retail could not be stopped and that we should learn from the Chinese example of modernizing wholesale markets by using money generated from the organized retailers. He also added small retailers and hawkers could think of being franchise outlets for big retailers using their technology and providing manpower.

Metro explained their wholesale business trying to elucidate how their business believed in the growth of independent retail in India and how it was there to facilitate modernization of these independent retailers.

The Chairperson, Mr. Ajay Shankar, made his concluding remarks stating that the retail sector has unfortunately been ignored for long and that similar roundtables should be held in different parts of the country to facilitate more discussions on the topic to help policy-making.

July 24, 2008

Roundtable on India's Future External Environment

In continuation of the discussion series relating to the National Interest Project, a roundtable was organized on "India's Future External Environment" on 24th July, 2008. It started with Amb. Santosh Kumar's brief presentation discussing the fundamental questions that need to be answered before framing any external policy. He raised the

issue of potential global powers, pattern of interactions between them and discussed subjects like defense, energy, regional environment etc. Subsequently, a conceptual model was presented by Dr. Rajiv Kumar, Director & CE, ICRIER in which he streamlined the whole issue of national interest by emphasizing on two basic objectives of sovereignty and economic prosperity. Therefore, he stated the challenge of weaving them together to form a 'grand strategy' without apparent trade offs. This was followed by a lively discussion on the future. Valuable inputs on the issues were provided by participants including Amb. Arundhati Ghosh, Mr. Kanwal Sibbal, Brig. Arun Sehgal, Mr. D. K. Jain and others. Admiral Raja Menon made a presentation on the Net Assessment of relevant drivers and scenarios. The main points raised during the discussion included India's internal security situation and good governance, demographic challenges, salience of its military power, regional environment issues, increasing role of economies like China, Russia, and those in West Asia in changing the patterns of global interaction, and transnational issues of terrorism, political and economic set-up and stability, depleting natural resources and pandemics. Everyone agreed that the size of the economies under consideration is too dissimilar to accurately measure their present and future inter-relationships.

August 12, 2008

The Making of the Monetary Policy in India with Special Reference to the First Quarter Review of the Policy for 2008-09

Dr. Michael Debabrata Patra, Adviser-in-Charge, Monetary Policy Department, Reserve Bank of India (RBI) gave a presentation on 'The Making of the Monetary Policy in India with Special Reference to the First Quarter Review of the Policy for 2008-09'.

In an economy whenever there is a difference between aggregate demand and aggregate supply, the economy is in disequilibrium, and the authorities intervene through appropriate policy prescription (monetary and fiscal). Monetary policy operates through aggregate demand side and aims to achieve growth stability, financial stability etc. using "multiple indicator" approach. Fiscal policy, on the other hand, operates through government budget decisions.

The First Quarter Review of Annual Statement on Monetary Policy 2008 showed that inflation has started to increase from the middle of 2007, and from July 2007 to July 2008, the increase is substantial, from 4.7% to 12.5%. However, since 74% of inflation is due to supply side shocks, monetary policy has had a limited role to play.

The Review talked about cash reserve ratio (CRR), call money rates, liquidity adjustment facility (LAF) and market stabilization scheme (MSS). Under the current dispensation, while the Reserve Bank can prescribe CRR without ceiling or floor, all scheduled commercial banks were required to maintain the CRR at 7 per cent with effect from the fortnight beginning August 6, 2007 based on their net demand and time liabilities.

Regarding the behaviour of daily call rate it said that the repo and reverse repo rates were 9% and 6% respectively and call rate remained confined between these two rates.

Growth performance of India is remarkable. In 2007-08, after China, India is the second fastest growing economy in the world (9.0%). Growth of service sector is 10.7% and that of agriculture and industry is 8.1% and 4.5% respectively. Various agencies have placed the real GDP growth for 2008-09 in the range of 7.0-9.5 per cent.

August 22, 2008

Convergence towards Regional Integration: Trade Implications for the UK and India



As part of an ongoing study titled "Convergence towards Regional Integration: Trade Implications for the UK and India", ICRIER and the Aberystwyth University, Wales organized a full day workshop on 22nd August 2008. The workshop addressed trade issues in the context of ongoing India-EU FTA negotiations with reference to non tariff barriers. The discussion centered on UK-India trade in two specific sectors- textiles & clothing (T&C) and leather and footwear (L&F). The workshop was attended by officials from Ministries of Commerce and Industry, and Textiles, representatives from academia, export councils, business confederations and exporters. The main issues addressed were non tariff barriers vis-à-vis domestic barriers, inadequacies in trade facilitation and their impact on trade with the UK. Sector specific issues were also raised- in case of L & F, testing & certification issues, animal rights issues (PETA campaigns), sanitary import permit, lack of investment, lower unit value realization. For T & C, regulations and standards (including compliance issues), preferential market access, accessing higher end value chains were some of the issues that were deliberated upon. The feedback received from the participants has been incorporated in the report.

September 1, 2008

The Third Oil Crisis and its impact on Japan's Financial Innovation



Dr. Naoki Tanaka, President, Center for International Public Policy Studies, Japan, gave a special Seminar on "The Third Oil Crisis and its impact on Japan's Financial Innovation" at India International Centre, New Delhi, on 1st September 2008. The topic of his presentation provided an interesting perspective on how every oil crisis made Japanese entrepreneurs to restructure their production system to accommodate the additional costs. He painted a historical overview of how in 1960 Japan evolved into a knowledge economy with a major stress on Research and Development (R & D). He stressed how the third oil crisis led to the consolidation of the financial sector in Japan, with the merger of twenty-one major banks into three large entities. Innovation happened in all these processes as R & D got extended to RDDD with demonstration and deployment of resources added to it and given priority. Dr. Tanaka remarked that this post industrial society in Japan led to further industrial deepening with emphasis on the services sector growth compared to the manufacturing sector of the economy. The liberalization of the financial sector was undertaken to harness this knowledge enterprise effectively. Due to monetary policy being ineffective in Japan, more stress was laid on the micro side to bring the economy back to equilibrium.

September 9, 2008

Role of Commodity Derivatives in a Liberalized Market Economy

Dr. V. Shunmugam, Chief Economist at the Multi Commodity Exchange of India Ltd. (MCX), presented on commodity derivatives market and its role in a liberalized market economy such as India. He started with the global history of futures trading which dates back to the 17th century when futures trading took place in Japan and England. Forwards trading can be traced back to the 18th Century in the US, Canada, Japan and Egypt. In India, the history of futures trading goes back to 1875 with the formation of Bombay Cotton Trade Association. In 2002-03, India had 3 national level multi commodity

exchanges trading more than 100 commodities in the futures market. Dr. Shunmugam discussed the main functions of an exchange traded futures contract, viz., trade guarantee, risk management, price discovery, transactional efficiency and liquidity enhancement. He also discussed the main features and components of a commodity futures contract. He gave an overview of the legal framework for operation of commodity exchanges in India and described the types of participants in the commodity futures markets. He explained in detail how a commodity exchange operates, giving example of MCX in particular. He elaborated on the direct and indirect benefits of futures trading in India. According to him, the direct benefits are evolution of a nationwide market, discovery of prices, risk management, availability of bank finances to farmers based on their hedged positions, streamlining of supply chain and so on. The indirect benefits include integration of markets across geographical regions through the reference prices transparently available at the derivative markets, increased quality standards, formation of efficient value chain, development of scientific warehousing services, development of collateral management, and stimulation of infrastructure development. He concluded his presentation by providing some missing links in the functioning of a well integrated spot and futures market and recommended the establishment of a national spot exchange as an ultimate solution.

September 17, 2008

Shifting Coordinates of India's Stance at the WTO- Understanding the Domestic and International Economic Drivers

The launching seminar on the WTO seminar series was presented by Prof. Amit Shovon Ray. His paper attempted to trace the shifting coordinates of India's position at the WTO. By focusing on three specific areas of negotiations, namely agriculture, services and TRIPS, the paper presented a political economy analysis of how India's stance at the WTO has evolved over time and what have been the underlying key drivers, both domestic and international, responsible for this shifting position. Prof. Ray showed that from the Uruguay Round days to the present ongoing process of the Doha round, the domestic constituencies within India's democratic polity have played a very vital role in determining India's stance at the WTO. On the other hand, sharp changes at times speak of India's tilt towards economic diplomacy to achieve gains on some counts, even compromising on some of the long standing issues. Finally, Prof. Ray pointed out the striking contrast between India's material capabilities and its *ideational* influence over the world in the immediate post independence years. According to him, at present India, with its sound material capability and heightened profile at the WTO, has an unprecedented opportunity to use the platform of WTO negotiations as a major *foreign policy* instrument to play a constructive leadership role.

The discussant, Dr. Jayanto Roy, made observations pertaining to NAMA and Singapore Issues and highlighted some of the areas for future research on WTO. During the floor discussion, several interesting issues were highlighted, including *bilateralism* versus *multilateralism*, leveraging the WTO to push for domestic reforms, India's dual overlap of

Seminars

interest with both developed and developing countries and skepticism about India's potential "leadership" role. In his closing remarks, Dr. Anwarul Hoda, underscored the rationale behind India's policy stance on different aspects of WTO negotiations.

September 19, 2008

Preventing an Economic Downturn

At the seminar on "Preventing an Economic Downturn" organized jointly by ICRIER and CMIE, Dr. Mathew Joseph made the presentation on "Macroeconomic Situation" on behalf of ICRIER. The presentation projected a growth rate of 7.9 per cent for India for the year 2008-09. The projections were based on a composite Index of Leading Indicators. The presentation noted a rise of GDP growth to 8.2 per cent in Q1 2009-10 but argued that it cannot be sustained as the impact of successive monetary tightening is yet to surface.



L to R : Dr. Mathew Joseph, Senior Consultant, ICRIER; Dr. Surjit Bhalla, Managing Director, Oxus Investment (P) Ltd.; Prof. S D Tendulkar, Chairman, Prime Minister's Economic Advisory Council; Mr. Mahesh Vyas, Managing Director and CEO, Centre for Monitoring Indian Economy Pvt Ltd. (CMIE); Dr. Rajiv Kumar, Director & Chief Executive, ICRIER and Dr. Jahangir Aziz, Principal Economic Advisor, Ministry of Finance.

Weakening industrial growth since Q4 2006-07, moderating services growth since Q2 2006-07, falling capital goods production growth since Q3 2007-08, low core sector growth since Q2 2007-8 and falling fixed investment growth, all point to a slowdown in the near future. Trade deficit is expected to deteriorate to about 11 per cent of GDP and current account deficit to rise sharply to 4 per cent of GDP. The high fiscal deficit of the Centre (crossing 3% of GDP and 6.3% if off-budget bonds are added) is also likely to hurt growth of the economy.

Dr. Mahesh Vyas who gave the presentation on behalf of Centre for Monitoring Indian Economy (CMIE), projected GDP growth of around 9.4% for 2008-09 with robust industrial growth of around 11.1%. According to him, this highly optimistic scenario is backed by a favorable manufacturing sector growth and a rosy investment scenario.

CMIE studied audited annual accounts for over 1700 manufacturing companies for the year ended March 2008 and found that gross fixed assets have grown by 18% and debt-equity ratio has reduced to 0.6 in 2007-08 as compared to 1.7 in 2001-02. In another analysis CMIE took 2100 non-finance companies for the quarter ended June 2008 and found that sales have been accelerating. Regarding profit margins they found that excluding refineries, the profit margins remained intact. They also expected the investment boom to remain

intact due to his many new investments in the pipeline. Another factor for his sanguine view is the orders book position of capital goods and construction companies which registered a robust growth of 47% in 2007-08.

October 7, 2008

Macroeconomic Performance and Policies since 2000

Dr. Shankar Acharya, Member, Board of Governors and Honorary Professor, ICRIER gave a seminar on "Macroeconomic Performance and Policies since 2000" in the conference room at ICRIER on October 7th 2008. The presentation was a review of the Indian economy from 2000 onwards and up to the end of the fiscal year 2007-08. He provided details of how the Indian economy had the best five year growth period (2003/4-2007/8) with GDP growth averaging an unprecedented 8.8 percent a year as compared to earlier growth of previous best five-year period (1992/3-1996/7) at 6.6 percent a year. The proximate drivers of this growth spurt he asserted were the sustained investment boom, cumulative productivity-enhancing effects of reforms, an unusually buoyant international economic environment and a demand-and-technology driven acceleration of modern services output. He argued that inflation was at moderate levels during this period contributed by low world inflation, liberal Indian foreign trade policies and anti-inflationary monetary policy backed by low fiscal deficits.

He said that greater integration with the world economy has been accomplished by growing service exports, buoyancy in current transfers and surge of net foreign capital flows. Moreover, sustained effort at fiscal consolidation brought fiscal and revenue deficits down to 5 percent and 1 percent respectively.

He added that remarkable transformation in the level and composition of aggregate saving and investment was seen in the economy. But he warned that the current worldwide financial crisis might end this golden growth cycle. He provided policy insights on how to cope with the present financial crisis and how to restore fiscal balance.

October 14, 2008

Regional Rural Banks: Sustainability through Outreach

Dr. Amarendra Sahoo, Chief General Manager, Rural Planning and Credit Division, RBI, Mumbai spoke on 'Regional Rural Banks: Sustainability through Outreach'.

He stated that RRBs were established with the objective of mobilizing rural savings and deploying them in productive activities for the poor in rural areas. According to All India Credit Survey Committee, credit system in the rural areas was mostly regulated by informal sectors like money lenders, relatives, while commercial banks and cooperative banks were dominated by big farmers. As a result, poor farmers did not have adequate access to appropriate credits and exploitation was commonplace. Therefore, to facilitate the credit facilities in the rural areas as well as to poor farmers, regional rural banks were set up as a third channel of credit delivery.

In the initial phase of their establishment, RRBs made losses due to factors like low and administered interest rates, directed lending, complex operational structure etc. In 1997, massive

recapitalization of these banks took place and some degree of freedom was also given. For example, they were allowed to invest in government securities, collect money from call market etc. which improved their situation. Initially RRBs only catered to low income group people and agriculture but now they are allowed to diversify their investment. This has made them more profitable and accessible. RRBs have done well in the issue of new instruments for financial inclusion such as General Credit Cards (GCC) and no-frills accounts, business-facilitator model. Since the introduction of "No frills" accounts, RRBs have opened 48.51 lakhs accounts and extended loans to more than 1 lakh accounts under GCC, besides other priority areas such as Self Help Groups, Kisan Credit Cards (KCC), tenants & SSI/ Tiny/ Swarozgar Credit Card (SCC) etc. The total number of account holders served by RRBs as on September 2007 had increased substantially to 8.78 crore.

In conclusion he stated that RRBs have tremendous potential and great scope of massive outreach. After amalgamation, they have acquired critical mass in terms of financial strength to widen and deepen their outreach.

October 16, 2008

Profiting from the Innovation of Others

Dr. Nicolas Forsans, Director of James E Lynch India and South Asia Business Centre, Centre for International Business, University of Leeds (UK) presented a paper on "Profiting from the Innovation of Others" This study examined how the strategic decision of innovative firms to rely exclusively on in-house R&D or to buy external know-how from other R&D organizations influences financial performance and R&D efficiency. Drawing on various theoretical frameworks, the study developed hypotheses which were tested with data on 109 Indian chemical firms. The findings indicated that, on average, buying know-how from outside may enhance firm profitability. The seminar was attended by research scholars, academics and policy makers.

October 23, 2008

Relevance of the Multilateral Trading System and Doha Negotiations in today's world

The second seminar in the WTO seminar series was presented by Dr. Harsh Vardhan Singh, Deputy Director General, WTO. He spoke on how the multilateral trading system and the ongoing Doha negotiations hold an important position in the current scenario. He expressed his views on the need for global domestic policy, determination of self responsibility, insufficiency of market forces, social dimension of globalization and the difference between globalization and global harmonization. He also spoke about the spillover effects of trade. He said that WTO is not a regime that imposes freer trade but a system that provides for regulation of trade with increased market opportunities and interaction over time. He emphasized that in contrast to the usual argument that FTA's were an alternative to the multilateral trading system, they were actually a part of the multilateral system permitted under a clause in the WTO agreement. He also brought forward the drawbacks of FTA's focusing on the issues that cannot be addressed by them. The speaker centered some attention to the ongoing

Doha negotiations with focus on the NAMA and agriculture modalities. He said that lack of agreement in Doha round would result in continuation of tariff peaks and tariff escalation, high level of agricultural subsidies for rich countries, reduced opportunities in area of services and continuation of instability in the world. Dr. Singh voiced his concern on the inability in making political adjustments in Doha and said that expecting larger adjustments in other fora then becomes a question mark in the context of global governance.

The discussants, Prof. Manoj Pant, JNU and Prof. Arpita Mukherjee, ICRIER made some interesting observations and comments on Regional and Bilateral relations. Apart from this, issues related to agriculture, WTO framework, services, politics etc. were raised in the meeting. The speaker addressed all the queries quite skillfully and re-emphasised the importance of the multilateral trading system.

October 30, 2008

Roundtable on Higher Education

Representatives of the Munk Centre, University of Toronto met with various academicians and industry officials at ICRIER to discuss issues relating to higher education in India and in Canada. The Munk Centre delegates included Prof. Janice Gross Stein, founding Director of Munk Centre for International Studies and the new School of International Studies at University of Toronto; Dr. Judith Wolfson, Vice President, University Relations and Dr. Lorna Jean Edmonds, Assistant Vice President, University Relations. During the course of the discussion, issues relating to access and quality of higher education were addressed. The Canadian experiences with regard to funding of education and reforms in the system were shared.

Various problems of the Indian higher education system were also highlighted; particularly, the lack of employability, lack of adequate research activity, the need for greater private sector participation, the disconnect between vocational education and higher education and the declining number of Non-IT and Non-Management graduates. Four possible areas of research were identified as below:

1. Research on the socio-economic impact of university on community in India, drawing examples from the Canadian experience.
2. Study of governance structures in universities and their impact and efficiency.
3. Examination of discrepancies in the system, to understand if this phenomenon is cyclical in nature, if the current trajectory is towards development and if an exogenous shock is required to set things in motion.
4. A broad enquiry into (a) dispersion of quality and (b) differentiation.

November 5-6, 2008

Changing Political Context in India's Neighbourhood: Prospects of Regional Security and Cooperation

ICRIER, in collaboration with Institute for Defence Studies and Analysis (IDSA), organized the annual international conference on 'Changing Political Context in

Seminars

South Asia: Prospect of Regional Security and Cooperation', on November 5-6, 2008. Hon'ble Vice President of India, Shri M. Hamid Ansari, delivered the Keynote Address. He underlined the serious political commitment to closer ties with South Asian neighbours. Dr. Rajiv Kumar, Director & CE, ICRIER, stressed that it's time to 'do out of box' rather than just 'think out of box' and underscored India's asymmetric gestures in the region.

The objective of this two-day international conference on South Asia was to bring together strategic experts, scholars, academicians and civil society representatives to discuss the changing political context in South Asia and its impact on regional cooperation and security in the region. It also made an attempt to identify the common challenges affecting socio-economic development of these countries and deliberated on the ways to address these challenges.

One important suggestion, as enunciated by paper presenters, was to design a study of cost of non-cooperation. Another appealing idea was the setting up of a WTO-type dispute settling mechanism. On the need for regional security architecture, there was an innovative idea of setting up a defence ministers' forum outside the purview of SAARC. Climate change, water, food security, trade and economic cooperation were other areas of discussion. The problems of cooperation stemming from anti-Indian sentiment were seen as an impediment to regional cooperation.

November 6-7, 2008

Deepening Financial Sector Reforms and Regional Cooperation in South Asia

The conference on "Deepening Financial Sector Reforms and Regional Cooperation in South Asia" was jointly organized by ICRIER and InWent. Session I, chaired by Shankar Acharya, focused on Financial Sectors in South Asia. K.P. Krishnan, JS, MoF, India, presented how India's financial sector reforms have been successful in general despite challenges. Salman Shah, former Finance Minister, Pakistan, described how Pakistan is progressing with its financial sector reforms. Joshua



L to R : Dr. K.P. Krishnan, Joint Secretary, Ministry of Finance; Dr. Shankar Acharya, Honorary Professor, ICRIER; Dr. Salman Shah, Former Finance Minister of Pakistan and Mr. Joshua Felman, IMF

Felman of IMF compared the current global financial crisis with the East Asian crisis of 1997. Session 2 was chaired by W.A. Wijewardena, Deputy Governor, Central Bank, Sri Lanka. In this session, Eli M. Remolona of BIS elaborated on the Asian Bond Funds of East Asia. K.M. Abraham of SEBI discussed a regulator's perspectives on enhancing regional financial cooperation in South Asia. Ugo Panizza from UNCTAD discussed the benefits of developing regional bond markets and the role of south-south cooperation. Session 3 that focused on financial inclusion was chaired by Rajiv Kumar. Huzzatul Islam Latif, MD, Grameen Trust, elaborated on the Grameen Bank experience. Mandira Sarma, ICRIER, presented cross country empirical analysis on financial inclusion and development. In the final panel discussion, (chaired by Martina Metzger), Sheel Kant Sharma, Secretary General of SAARC emphasized the importance of strengthening regional financial and monetary cooperation. Sebastian G. Paust of ADB spoke on the positive impacts of financial and monetary cooperation. Charles Wyplosz, University of Geneva, elaborated on the current financial turbulence vis-à-vis exchange rates using the Asian and European example. Ernesto May from World Bank spoke on current financial tsunami and its implications for South Asia.

November 6, 2008

Food Security in SAARC



Participants in the International Conference on 'Food Security in SAARC'

ICRIER organized an International Workshop on the ongoing project of "Food Security in SAARC" on November 6-7, 2008. The objective of the workshop was to discuss the issues relating to food security, the initiatives and policies undertaken to tackle this issue, critically evaluating these policies and finally suggesting measures to overcome the identified constraints to make the policies more effective in each of the South Asian countries. In addition, other specific issues relating to strengthening of the SAARC food bank to ensure food security in the region, issues on low productivity, low investment, low research and technology breakthrough, role of inter and intra regional trade, development of infrastructure, policies for farmers, credit and insurance policies, etc. were also discussed. Country papers on Bangladesh, Nepal, Sri Lanka, Pakistan, Bhutan, Maldives and India were presented during the workshop. Prof. Praduman Kumar and Prof. Nisha Taneja were the resource persons, who reviewed the draft papers. Based on these discussions, the final synthesis paper is expected to present practical policy recommendations easily comprehensible by policy makers for their use and implementation to achieve food security in the region.

November 10, 2008

Global Financial Crisis

An interactive session was organized at ICRIER with Nobel Laureate Prof. Michael Spence on the Global Financial Crisis. The session was chaired by Dr. Isher Judge Ahluwalia, Chairperson, ICRIER and attended by key policymakers, academicians, heads/representatives of banks/industry associations and media.

The session was followed by a discussion where ideas and views were exchanged and the likely future impact of the crisis on the world was discussed.

November 11, 2008

Macroeconomic Policy-making in the Catch-up Phase of a Small Open Emerging Market Economy

Dr. Ashima Goyal, Professor, IGIDR, in her presentation on *"Macroeconomic Policy-making in the Catch-up Phase of a Small Open Emerging Market Economy"* examined the ways in which macroeconomic policies differ in emerging market and mature economies. The emerging market economy is different because of its dualistic labour market structure and partially convertible capital account. The labour market is crucial for macroeconomic outcomes. According to her, the past practices have to change during the catch-up phase in emerging economies. Faster absorption of labour into the modern sector implies a more elastic medium-run supply response, which is subject to multiple shocks. A demand contraction then has a large output cost but little benefit in reducing inflation. Countries at different levels of development, but with an expanding labour force, high capital mobility and growth rates share similarities in optimal policy. But recent developments in capital markets suggest that regulatory practices must reduce incentives for excessive risk-taking and pro-cyclicality.

Since fiscal policy in these economies is subject to populism, the burden falls on monetary policy. Illustrating the issues with Indian experience of inflation, coordination of interest and exchange rate policy, the 'impossible trinity', and development of forex markets, Professor Goyal concluded that in India monetary policy in response to a supply shock will be the best if it flexibly targets inflation, while giving some weight to output gap, and also to smoothening of interest rates. Exchange rate intervention and signalling can help free interest rates to focus on the domestic cycle. Two-way movement of nominal exchange rate can be used to reduce inflation and induce hedging, while maintaining a long-run competitive real exchange rate. Targeting inflation in consumer price index (CPI) would be ideal since administrative interventions and collection lags fall as the country opens up.

November 28, 2008

Stakeholder Consultation on India-EU FTA in Services

The first Stake Holder's Consultation on India-EU FTA in services was jointly organized by ICRIER-Department of Commerce (Govt. of India), Centre for WTO studies and FICCI. The purpose was to get feedback from the industry on their experiences

in the EU market and to present ICRIER's research for the Department of Commerce on three services sectors namely Telecom, Accountancy and Construction & Consultancy Services. It was attended by senior officials of the government, industry associations, sector experts and individual companies.

Individual presentations were made by Dr. Arpita Mukherjee, Dr. Parthapratim Pal, Dr. Rajat Kathuria and Mr. Durgesh K. Rai on various service sectors. They gave an overview of the sector in EU and India and highlighted recent trends and developments, trade possibilities for Indian companies in the EU, barriers being faced in the EU market and other issues of concern to the companies. This was followed by interesting question and answer session and discussion at various levels with the participants at the seminar.

December 1, 2008

Book Release: WTO Negotiations on Agriculture and Developing Countries



L to R : Dr. Anwarul Hoda, Member, Planning Commission; Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission; Dr. Ashok Gulati, Director in Asia, International Food Policy Research Institute (IFPRI); Prof. Bibek Debroy, Visiting Senior Research Fellow, Institute of South Asian Studies (ISAS) and Mr. Pradeep Mehta, Secretary General, CUTS International

Book release function of the book "WTO Negotiations on Agriculture and Developing Countries" co-authored by Dr. Anwarul Hoda, Member, Planning Commission and Dr. Ashok Gulati, Director (IFPRI) started with the welcome address by Dr. Rajiv Kumar, Director & CE, ICRIER. This was followed by the formal release of the book by Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission.

Dr. Gulati thanked Dr. Isher Judge Ahluwalia, Chairperson, ICRIER for bringing the two authors together to write the book. The authors presented an overview of the book and explained how it can fill the gap in the existing literature. In this book they offer realistic recommendations regarding market access, subsidies, special and differential treatment of developing countries, and other issues in the negotiations.

This was followed by comments from the two panelists Prof. Bibek Debroy, Visiting Senior Research Fellow, Institute of South Asian Studies (ISAS) and Mr. Pradeep Mehta, Secretary General, CUTS International. The panelists spoke highly about the book and said that this book will help students, and researchers in understanding the recent history of agricultural trade talks.

Seminars

After questions and comments from the audience, Dr. Ahluwalia gave an insightful speech. The session came to an end with a vote of thanks by Dr. Rajiv Kumar.

December 3, 2008

The Status of the WTO Negotiations: What Lies Ahead

The third seminar of the series was delivered by Dr. Rahul Khullar, Special Secretary, Department of Commerce. He spoke on the status of the WTO negotiations: What lies ahead. The seminar was chaired by Dr. Rajiv Kumar, Director & CE of ICRIER. Dr. Khullar divided his presentation into three different parts. The history of negotiations which would help put today into perspective, the importance of trying to complete Doha fast and finally, the current status of negotiations. Speaking on the history, he briefly mentioned the different rounds and how the negotiations progressed. Speaking on the current status, he mentioned the caveat that trade negotiations are not about Pareto optimality but in reality they are about getting the achievable second best. He also explained that the underlying theme of the WTO was the single undertaking which meant that nothing would be agreed upon until everything was agreed. Explaining the urgency to complete the negotiations, he elaborated the important reasons, one of them being financial crisis. He argued that this is the time to clinch the deal and give a major boost to trade. He also stated that the crisis might lead to increased protectionism over the next few years, so it would be essential to put commitments in place before that. Yet another important reason would be the change in US administration due to Mr. Obama being the president which might change negotiating priorities and might affect even what has been agreed upon till date if not formally sealed. The extreme possibility, according to Dr. Khullar, that could happen if Doha was not wound up was the end of multilateralism. Moving on to what is currently the situation Mr. Khullar said that a lot had moved since the breakdown of the mini ministerial in July. Countries had actually brought in more flexibility in their stances. He wound up his presentation by focusing on some of the key issues that are currently being informally negotiated among members at Geneva. These included issues such as special safeguard mechanism, special products, tariff simplification and article 9.4 on agreement on agriculture, among others. The floor was then opened for discussion. Many of the participants raised questions which focused on the importance of trust among negotiators, the role that Indian domestic politics has on negotiations, clarifications on sectoral negotiations, the status of certain issues and the place of environmental goods in the agenda. Dr. Khullar responded to all the queries and comments and Dr. Kumar, thanked the speaker for providing an extremely interesting and useful presentation.

December 9, 2008

Efficiency, Productivity and Soundness of the Banking Sector

Mr. Rajan Goyal, Director, Department of Economic Analysis and Policy, RBI, New Delhi, presented an assessment of the productivity, efficiency and soundness of the banking sector

in India in terms of accounting as well as economic measures, over the period 1991-92 to 2006-07. Accounting measures i.e., financial ratios, indicate that there has been an across the board improvement in the performance of banking industry since early 1990s. The performance of various bank groups in respect of most of the ratios has tended to converge. However, between 1991-92 and 2006-07, performance in terms of different ratios varied across the bank groups. There are areas such as business per employee or per branch and other income to total income where public sector banks still need to catch up with their peers in the private sector, while in terms of ratios such as non-labour cost per unit of assets, return on equity and intermediation cost, public sector banks are ahead of private sector and foreign banks. The economic measure of efficiency and productivity computed through Data Envelopment Analysis (DEA) subsumes all inputs and outputs and provides bank-wise efficiency scores. DEA scores substantiate the results arrived at through the accounting measures. That is, efficiency has improved across all bank groups and most of these efficiency gains have emanated after a few years of reforms, i.e., from 1997-98 onwards. During 2006-07, the new private sector banks as a group are the most efficient, followed by the State Bank, nationalized banks, foreign banks and old private sector bank groups. The analysis at bank level revealed that of the 81 banks operating in the country at end-March 2007, 28 least efficient banks were either private banks or foreign banks.

December 10, 2008

Global Financial Meltdown: Causes and Lessons for the Future

ICRIER organized a presentation on "Global Financial Meltdown: Causes and Lessons for the Future" by Dr. James R. Barth, Lowder Eminent Scholar in Finance, Auburn University and a Senior Finance Fellow, Milken Institute, Santa Monica, CA. His presentation covered 10 key issues of prime concern to the policy makers. He started by giving a comparative information on the size and composition of financial sector of different countries of the world which corroborated his point that China and India are the two most interesting countries outside the US. Then he spoke about different banking structures, ownership and activity restrictions on banks, concentration and complexity of the banking industry and the regulatory challenge therein. According to him, the best performing banking sector in times of crisis has been the Spanish banking sector. He observed that developing countries are more restrictive in entry of foreign banks but more open in practice than their WTO commitments indicate. Evidence shows that foreign entry produces good outcomes, therefore regulatory authorities should reduce barriers to foreign and domestic entry, subject to only real prudential concerns. Comparing the regulatory structures across countries, he exclaimed that the US regulatory regime is multiple, overlapping, inconsistent and costly. He argued that greater emphasis should be placed on off-balance sheet transactions, transparency and market discipline. Speaking on the recent subprime mortgage market meltdown in the US, he said that it has spread to other parts of the financial sector and exposed gaps in the US regulatory regime and market discipline. Moreover, it shows the inability of the policymakers to adapt regulatory structure fast enough to

changes in the financial market place. When the floor was open to discussion, questions like who should supervise, how to balance the goals of safety, soundness, stability, market integrity, consumer protection and competition, what lessons can be learnt from the crisis, is deregulation (or inadequate regulation) the real source of the problem and are the new regulatory mechanisms necessary and sufficient were well debated.

December 16, 2008

Water and Energy Security

The workshop on Energy and Water was organized by ICRIER in collaboration with KAS, on 16th December, 2008. The event was inaugurated by Dr. Rajiv Kumar, Director & CE, ICRIER. He mentioned that it was a part of the larger National Interest Project being undertaken by ICRIER and supported by the Ministry of External Affairs. The idea was to identify the issues and the regions important for India's economic diplomacy and to provide policy inputs to pursue those objectives more effectively. He thanked Mr. Joerg Wolff of Konrad Adenauer Stiftung (KAS), for readily agreeing to support the workshops in four of the selected areas.

Mr. Joerg Wolff, Resident Representative, Konrad Adenauer Stiftung said that the current series of workshops linked many of KAS's work areas and mentioned that this workshop will be followed by three more workshops—on Technology, India and its Neighbours and India and the World. He stressed that the outcome of the exercise should be an identification of the key areas of policy intervention in each topic. Mr. Wolff then welcomed the panellists and the participants.



Participants in the Workshop on 'Water and Energy Security'

There were two speakers in each session. The first session was on Water which was chaired by Prof. B. G. Verghese, Centre for Policy Research. Mr. R. Rangachari, Research Professor, Centre for Policy Research, and former Member, Central Water Commission, and Prof. Jayanta Bandyopadhyay, IIM, Kolkata, presented their papers in this session. Energy was the focus of the second session of the workshop. Mr. Tantra Narayan Thakur, Chairman and Managing Director, Power Trading Corporation, chaired the session. The speakers of this session were Dr. Jyoti Parikh, Executive Director, IRADe and Mr. V. Raghuraman, Principal Advisor & Chief Coordinator – Energy, Environment

& Natural Resources, Confederation of Indian Industry (CII). Each session was followed by a lively discussion. Mr. Shrawan Nigam, Senior Consultant, ICRIER, thanked the speakers and the participants for the lively exchange of views.

December 22, 2008

From Doha to the Next Bretton Woods: A New Multilateral Trade Agenda

The seminar for the month of December under the WTO Meeting Series was chaired by Dr. Anwarul Hoda, Member, Planning Commission and was delivered by Dr. Aaditya Mattoo, World Bank. Dr. Mattoo presented a paper titled, 'Beyond Doha: A New Multilateral Trade Agenda' in which he pointed out the fundamental shift taking place in the world economy to which the multilateral trading system has failed to adapt. The Doha process focused on issues of limited significance while the burning issues of the day were not even on the negotiating agenda. He said that the scope for tariff reductions in NAMA was very little, while under-valued currencies could provide significant protection. There was thus a need to ensure that currencies were not under-valued. As IMF deals with exchange rates, cooperation needs to be encouraged between WTO and IMF. He said that the traditional negotiating dynamic, driven by private sector interests largely in the rich countries, is running out of steam and the world economy is moving from conditions of relative abundance to relative scarcity. As a result, economic security has become a paramount concern for consumers, workers, and ordinary citizens. He further said that international economic integration can contribute to enhanced security and in order to address these new concerns – relating to food, energy, and economic security – a wider agenda of multilateral cooperation is required, involving not just the WTO but other multilateral institutions. The interesting seminar was followed by an even more stimulating discussion where some of the key concerns that were raised were on the feasibility of Dr. Mattoo's wide canvas of economic integration and the prioritizing and sequencing of the agenda. The seminar came to a close with some observations/remarks by the chair.

Meetings

July 2, 2008

OECD Review of India's Investment Policy

An Investment Policy Review by OECD was approved by the Commerce & Industry Minister, and DIPP requested ICRIER to meet the OECD Research Mission on 2nd July 2008. Mr. Kenneth Davies, Senior Economist and Ms. Misuzu Otsuka, Economist, both from the Investment Division of OECD, met Mr. Shrawan Nigam and Dr. Mathew Joseph. They had expected DIPP to have asked ICRIER to discuss only some of the areas, and were impressed with ICRIER's ability to discuss all the areas. The existing policies and possible areas for improvement were discussed.

July 7, 2008

Interaction with the LAFIA delegation from Australia

LAFIA (Leading Australia's Future In Asia), is a program for improving the understanding about Asia among senior public servants in Australia and New Zealand. The LAFIA delegation consisting of 12 senior public servants from Australia and New Zealand, visited ICRIER on 7th July 2008. They were led by Prof. Andrew MacIntyre, Director of the Crawford School of Economics and Government, and accompanied by Mr. Mark Ryan, First Secretary in the Australian High Commission.

A presentation on India's macroeconomic situation and outlook was made by Dr. Mathew Joseph and a presentation on the Socio-economic agenda and reforms was made by Mr. Shrawan Nigam. Both the presentations were highly appreciated and evoked a number of questions. The participants enquired about the reasons for the low share of industry and manufacturing, the taxation system—particularly whether it was different for individuals and corporates, the health services, and what were the effects of the global recessionary trends and of rising food and fuel prices on India's growth prospects.

July 8, 2008

Discussion with Telenor, Norway

Mr. Henrik Seip, Director, Security Integration Group Risk, Telenor, visited ICRIER on 8th July 2008. Mr. Shrawan Nigam and Prof. Rajat Kathuria met him. He enquired about the macro-economic environment with particular reference to risk from global recession, high inflation particularly in fuel and food prices, political uncertainty, regulatory risk, certainty of regulations, reliability of the judicial system and transparency in the legislative and administrative process.

He mentioned that Telenor is seriously considering large investments in mobile telephony in India, and may wish to have a more detailed study conducted to assess the business environment. He sounded very positive as his meetings with various people in India revealed their optimism about India's future in the mobile telephony sector.

New Studies Initiated

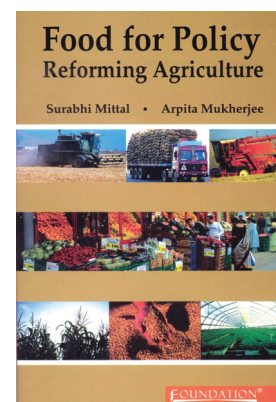
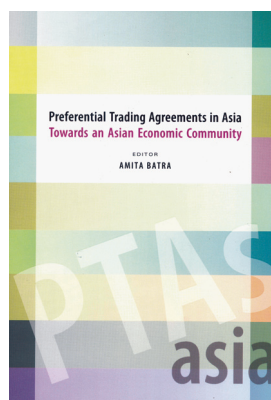
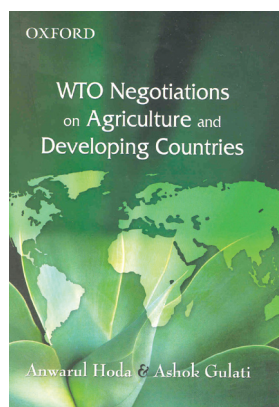
S.No.	Title and Sponsor
1.	Express Industry-Impact & Bottleneck Assessment, Express Industry Council of India
2.	Importance of Bilateral Agreements of SAARC Member Countries with India and China, Ministry of Commerce & Industry
3.	Food Security in SAARC, Konrad Adenauer Stiftung
4.	Viability of Alternate frameworks for Agricultural Trade Negotiations, University of Adelaide, Australia
5.	Updating the information on India's compliance with International Standards and Codes and Business Indicators, Westchester Group, USA
6.	Benchmarking the International Competitiveness of the Indian Textile and Apparel Industry, Ministry of Textiles, Government of India
7.	Making the South Asian Economic Union a Reality: Trade Facilitation for Efficiency and Regional Integration, DHL

Research Studies Completed

S.No.	Title and Sponsor
1.	Convergence towards Regional Integration between the EU & India, Aberystwyth University, UK
2.	South-South FDI, Third World Multinationals and Development: South Africa, East Africa and India, The EDGE Institute, Johannesburg, South Africa
3.	India-Indonesia: Comprehensive Economic Cooperation Agreement (CECA) Opportunities for Trade in Services, Ministry of Commerce & Industry
4.	Trade in Services for the Proposed India-EU Free Trade Agreement, Ministry of Commerce & Industry
5.	Privatization & Internationalization of Higher Education in the Countries of South Asia: An Empirical Analysis, SANEI, Pakistan
6.	Rationalization of Non-Tariff Measures (NTMs)/ Para-Tariff Measures (PTMs) Imposed by India, Ministry of Commerce & Industry

Recent ICRIER Publications

Books



Working Papers

NO.	TITLE	AUTHOR(S)	MONTH(S)
229	WHAT CAN BE LEARNED ABOUT THE ECONOMIES OF CHINA AND INDIA FROM PURCHASING POWER COMPARISONS?	ALAN HESTON	DECEMBER 2008
228	THE COST COMPETITIVENESS OF MANUFACTURING IN CHINA AND INDIA: AN INDUSTRY AND REGIONAL PERSPECTIVE	BART VAN ARK ABDUL AZEEZ ERUMBAN VIVIAN CHEN UTSAV KUMAR	DECEMBER 2008
227	EMERGING THROUGH TECHNOLOGICAL CAPABILITY: AN OVERVIEW OF INDIA'S TECHNOLOGICAL TRAJECTORY	AMIT SHOYON RAY	NOVEMBER 2008
226	THE CHINESE EXPORT BUNDLES: PATTERNS, PUZZLES AND POSSIBLE EXPLANATIONS	ZHI WANG SHANG-JIN WEI	NOVEMBER 2008
225	INDIA'S MACROECONOMIC PERFORMANCE AND POLICIES SINCE 2000	SHANKAR ACHARYA	OCTOBER 2008
224	DECONSTRUCTING CHINA'S AND INDIA'S GROWTH: THE ROLE OF FINANCIAL POLICIES	JAHANGIR AZIZ	OCTOBER 2008
223	POLLUTION ACROSS CHINESE PROVINCES	CATHERINE YAP CO FANYING KONG SHUANGLIN LIN	SEPTEMBER 2008
222	IMPACT OF ORGANIZED RETAILING ON THE UNORGANIZED SECTOR	MATHEW JOSEPH NIRUPAMA SOUNDARARAJAN MANISHA GUPTA SANGHAMITRA SAHU	SEPTEMBER 2008
221	CHINA AND INDIA: A TALE OF TWO TRADE INTEGRATION APPROACHES	PRZEMYSŁAW KOWALSKI	AUGUST 2008
220	TRADING WITH ASIA'S GIANTS	BARRY BOSWORTH SUSAN M. COLLINS AARON FLAAEN	AUGUST 2008
219	INFORMAL VALUES AND FORMAL POLICIES: A STUDY OF JAPANESE TECHNOLOGY POLICY AND SIGNIFICANCE FOR INDIA	SARADINDU BHADURI JANASHRUTI CHANDRA	JULY 2008
218	REGIONAL ECONOMIC INTEGRATION AND FDI IN SOUTH ASIA : PROSPECTS AND PROBLEMS	ARADHNA AGGARWAL	JULY 2008
217	DEVELOPMENT STRATEGY FOR THE HILL DISTRICTS OF UTTARAKHAND	SURABHI MITTAL GAURAV TRIPATHI DEEPTI SETHI	JULY 2008
216	IMPACT OF PROPOSED COMMODITY TRANSACTION TAX ON FUTURES TRADING IN INDIA	PRAVAKAR SAHOO RAJIV KUMAR	JULY 2008

Think Ink

<http://www.icrier.org/publication/thinkink.html>

TITLE	AUTHOR	DATE
INDIA & JAPAN: POISED TO ENTER A NEW ERA OF ECONOMIC RELATIONSHIP	AMIT SINGH	NOVEMBER 15 , 2008
MAKING THE CASE FOR SOFT POWER	RAJEEV RANJAN CHATURVEDY	NOVEMBER 01 , 2008
THE SYSTEMIC IMPORTANCE OF THE GATS DOMESTIC REGULATION NEGOTIATIONS	SEEMA SAPRA	OCTOBER 15 , 2008
CARBON KARMA	RIDDHIMA GANDHI	OCTOBER 01 , 2008
DEFLATING THE INDIAN ELEPHANT	TANU M. GOYAL	SEPTEMBER 15, 2008
SOCIAL SECTOR IN INDIA	DEBOSREE BANERJEE	SEPTEMBER 01, 2008
SOUTH ASIAN AGRO VALUE CHAIN: FORESEEABLE REALITY OR MYTH	SANJEET KUMAR RAI	AUGUST 15, 2008
NUCLEAR OPTION FOR INDIA'S ENERGY NEEDS	RAJEEV RANJAN CHATURVEDY	AUGUST 01, 2008
IS INDIA REALLY HEADING TOWARDS MDG-2?	ANNU	JULY 15, 2008
A NEW PANCHSHEEL IN INDIA'S POLICY TOWARDS ITS NEIGHBORS	INDRAJIT SINHA RAY	JULY 01, 2008

ICRIER Welcomes

Sl. No.	Name	Designation
1.	Prof. Amit Shovon Ray	Chair Professor of Trade, Technology and Competitiveness
2.	Ms. Swapna Nair	Consultant
3.	Ms. Sanjana Joshi	Consultant
4.	Ms. Seema Sapra	Visiting Fellow
5.	Mr. Anindya Saha	Fellow
6.	Ms. Sirjjan Preet	Research Associate
7.	Ms. Deepika Wadhwa	Research Associate
8.	Mr. Dony Alex	Research Associate
9.	Mr. Santosh Kumar Das	Research Associate
10.	Mr. Sabyasachi Saha	Research Assistant
11.	Mr. Souvik Dutta	Research Assistant
12.	Ms. Shikha Juyal	Research Assistant
13.	Mr. Jitu Burman	Private Secretary to Director & CE

ICRIER in the News

- ◆ December 21 **The Times of India. Economic forecasts: The good, the bad and the ugly.** Swaminathan Aiyer felt that : Finally, things could get really ugly if we go by Rajiv Kumar's ICRIER model, which predicts growth of just 3.9% in the first half of the next financial year. This model has some credibility: it predicted the 9% boom in 2007-08, and was among the first to indicate a slowdown this year. It is based on 10 leading economic indicators, including GDP growth in the US and Europe , factoring in the global slowdown.
- ◆ November 21 **The Nation. Experts blame EA government's slow response.** Rajiv Kumar, Chief Executive of the Indian Council for Research on International Economic Relations, urged Asia as a whole to prepare for the economic downturn caused by a crisis in the centre of capitalism that is likely to do more damage to the world economy than the Asian financial crisis, which hit at the periphery of capitalism.
- ◆ October 29 **The Hindu. FM meets top brains to finalise India's stand on meltdown.** "The agenda of the meeting was the Summit that US President George Bush has called on November 15. We are discussing the position that India will take at the summit. There will be another meeting. A paper is being prepared by the Ministry of Finance," economic think tank ICRIER Director Rajiv Kumar told reporters after coming out of the meeting.
- ◆ October 28 **The Economic Times. Economists call for measures to raise domestic demand.** Dr. Shankar Acharya, RBI chair professor at the ICRIER and former chief economic advisor to the government, said that the dose of fiscal stimulus has been enough to counter inflationary pressures already. Any further fiscal stimulus would be negative, he warned. As for policy impetus, he said that the action taken has been very swift and both the government and the central bank have done what is required.
- ◆ October 9 **The Economic Times. ICRIER for single financial regulator to deal with crisis.** Talking about the lessons that India can draw from the ongoing financial crisis, Indian Council for Research on International Economic Relations (Icrier) Director Rajiv Kumar said, a single financial regulatory authority would ensure, "...much more effective and real time coordination between regulators dealing with different segments of financial market".
- ◆ September 24 **The Economic Times. SEZs may not be the best way to boost exports, says Icrier.** According to a recent Icrier study, India 's Foreign Trade Policy objective to increase the country's share in world trade to 1.5% by 2009 must be seen as "quite ambitious." This comment derives strength from the huge difference between the historical trend in export growth and the projected growth.
- ◆ September 19 **The Australian. Indian shoppers increase spending.** A government-initiated report released by the ICRIER think tank in May found that while there would be some initial loss of revenue for the kirana stores from competing modern retailers, the small corner stores would survive for many years to come and would often form mutually beneficial relationships with organised retailers.
- ◆ August 13 **The Economic Times. Industrial growth still in slow lane.** Icrier director general Rajiv Kumar said: "I think the monetary policy measures being taken since January this year are beginning to impact the industrial growth. Our GDP growth projection remains at 7.8% as the industrial growth outlook is not very promising."
- ◆ August 05 **The Financial Express. CTT to hit commexes.** The increase in the transaction tax is likely to defeat the purpose of commodity markets, an ICRIER report said. The report pointed out a negative relation between high transaction cost and trading volume on the basis of 'empirical results' on five commodities — gold, copper, crude, soyaoil and chana.
- ◆ July 28 **Business Standard. India ranks low in financial inclusion: Icrier.** India has been ranked poorly, even below African countries such as Kenya and Morocco , in the first-ever Index of Financial Inclusion (IFI) prepared by a New Delhi-based think-tank to find out the extent of the reach of banking services in 100 countries worldwide.
- ◆ July 22 **The Economic Times. End of high growth rates for India?** We have attempted to forecast GDP growth for 2008-09 by using a composite index of leading economic indicators (LEIs) for the Indian economy. The use of leading indicators for forecasting GDP growth is part of the ongoing work at the Indian Council for Research on International Economic Relations (Icrier). Icrier had predicted a growth of GDP at 9.2% for 2007-08 in November 2007. Most of the agencies had predicted a lower growth rate of 8.5% or below for last year as against the actual growth rate of 9%.
- ◆ July 3 **Economic Times. Sugar crisis looms large, wheat, rice comfortable: ICRIER.** The country is likely to face a severe shortage of sugar and pulses by 2021, with supply falling by over half the demand, according to a study by economic think tank ICRIER.

About ICRIER

ICRIER – established in August 1981 – is an autonomous, policy-oriented, not-for-profit research institute. We have nurtured our cherished autonomy by establishing an endowment fund, income from which enables us pursue our priority research agenda. ICRIER's office is located in the prime institutional complex of India Habitat Centre, New Delhi. The focus of our work is to support India's interface with the global economy.

ICRIER's founding Chairman was Dr. K.B. Lall who led the organization since its inception till 1992 when he handed over the Chairmanship to Mr. R.N. Malhotra (1992-1996). He was followed by Dr. I.G. Patel who remained Chairman from 1997 to 2005 until his demise in July 2005. ICRIER's current Chairperson is **Dr. Isher Judge Ahluwalia**.

Amongst ICRIER's founding members are: Dr. Manmohan Singh, Dr. C. Rangarajan, Dr. M.S. Swaminathan, Dr. Jagdish Bhagwati, Dr. R. J. Chelliah, Mr. M. Dubey and Dr. Deepak Nayyar.

ICRIER conducts thematic research in the following six thrust areas:

- Trade, Openness, Restructuring and Competitiveness
- WTO-Related Issues
- Regional and Bilateral Issues
- Financial Liberalization and Integration
- Macro-economic Management in an Open Economy
- Strategic Aspects of India's External Relations

To effectively disseminate the research findings, ICRIER organises workshops/ seminars/ conferences to bring together policy makers, academicians, Union Cabinet Ministers, Members of Parliament, senior industry representatives and media persons to try and create a more informed understanding on issues of major policy interest. ICRIER invites distinguished scholars and policy makers from around the world to deliver public lectures on economic themes of interest to contemporary India.

ICRIER's highly qualified **in-house team** of researchers includes several Ph.Ds from reputed Indian and foreign universities. At present the in-house team has 25 Senior Economists and 26 Research Associates/ Assistants. In addition, ICRIER encourages external researchers to work on specific assignments and maintains a network of external consultants. At present we have 23 External Consultants working on various projects. The team is led by **Dr. Rajiv Kumar**, D.Phil in Economics from Oxford University and Ph.D from Lucknow University.

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