

# ICRIER *news*

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## LETTER FROM THE DIRECTOR



Dear Reader,

An important development in the first six months of the new millennium was ICRIER's increased involvement in the area of globalisation and health. ICRIER hosted a three-day meeting of the Commission on Macroeconomics and

Health (CMH) in April. We also organised in June a South Asian forum for brainstorming on the issues of globalisation and human development at the request of DFID, UK.

The six months from January to June saw a number of seminars on work-in-progress at ICRIER and seminars by visiting faculty members at ICRIER and other visitors to India. We continued our practice of organising public lectures by eminent international visitors. Prof Jeffrey Sachs of Harvard University spoke on health, while Dr Eisuke Sakakibara of Japan spoke on the role of Japan in Asia.

I am also very happy to announce that we have significantly expanded our research agenda on WTO-related issues. With the induction of Mr Anwarul Hoda in our faculty and Mr B K Zutshi as a senior consultant, we propose to forge ahead with policy-oriented research in this very important area.

Finally, my colleagues and I are delighted that our founder Chairman, Dr K B Lall, was awarded Padma Vibhushan by the Government of India in January 2000. Our heartiest congratulations to Dr Lall.

With best wishes,

*Isher*  
Isher Judge Ahluwalia

## The Commission on Macroeconomics and Health (CMH)

## ICRIER HOSTS HEALTH MEET

ICRIER hosted the second meeting of the Commission on Macroeconomics and Health (CMH) on April 14-17, 2000 in New Delhi. The Commission has been set up by the WHO with the objective of putting health on the agenda of development. Professor Jeffrey Sachs of Harvard University is the Chairman of the Commission, which includes amongst its members, 17 leading world experts in economic development, science and health. Dr Manmohan Singh, former Finance Minister, Government of India, and Dr Isher Judge Ahluwalia, Director, ICRIER, are the two members from India.

During the meeting of the Commission in New Delhi ICRIER organised a special one day Seminar on Health in India, bringing together representatives from the Government of India and a number of state governments, as well as several health



*Chandrababu Naidu, Chief Minister, Andhra Pradesh, making a presentation on Health in Andhra Pradesh at the Second CMH meeting in New Delhi*

*Contd. on pg 2*



*Jeffrey Sachs (seated second from left) chairing the second meeting of the Commission. Manmohan Singh (former Finance Minister, Government of India), Chandrababu Naidu (Chief Minister, Andhra Pradesh), Isher Judge Ahluwalia (Director, ICRIER) and Javed Chaudhury (Health Secretary, Government of India) are seated from left to right*



CMH members  
at their meeting  
in New Delhi

WHO officials and  
health experts from  
India at the meeting  
of the CMH in New  
Delhi

experts and non-governmental organisations working in the field of health in India. The diversity of the Indian health regimes came through in the presentations by the Chief Minister of Andhra Pradesh, Chief Secretaries of Karnataka and Rajasthan, and the Health Secretary of Kerala and the rich discussion that followed the presentations. A special session was devoted to presentations on HIV Aids and Malaria by senior officials of the Government of India and WHO experts. The Commission members were able to derive insights into the problems facing the health sector in India.

The meeting also discussed the work plans of the six working groups which have been set up with the purpose of commissioning research and providing the information base for the work of the Commission. Dr Isher Judge Ahluwalia is the co-chair for the Working Group on Health and the International Economy.

The Commission is expected to prepare a series of reports over the next two years on how health interventions can facilitate faster economic growth and reduce poverty.

## DFID comes to South Asia

# ICRIER facilitates dialogue

ICRIER organised a brainstorming session on Globalisation and Human Development in New Delhi on June 6, 2000 for the Department of International Development (DFID), UK. Participants from Pakistan, Bangladesh, Sri Lanka,

Nepal, India and representatives from DFID were brought together with a view to providing inputs for the White Paper on Globalisation for the Government of UK. The presentations on globalisation and health, education and social issues by DFID representatives were followed by a lively and wide-ranging discussion by the participants. An important message that emerged was the need for showing sensitivity to the deep-rooted diversities in the societies of South Asia and the importance of empowering the vulnerable classes in these societies.



Participants from South Asia and representatives from DFID at the brainstorming session on Globalisation and Human Development organised by ICRIER



Robert Graham Harrison (Head, DFID, India) making a presentation at the South Asia Regional Consultation on Globalisation and Human Development organised by ICRIER. Seated from left to right are Felicity Townsend, Isher Judge Ahluwalia, Julian Lob-Levyt and Basudeb Guha-Khasnobis

# Seminars by ICRIER researchers

*The first six months of the year saw a number of seminars by researchers at ICRIER presenting their work-in-progress.*

## INDIA'S EXPORT PERFORMANCE IN ASIAN PERSPECTIVE: 1980-1996

Suresh Tendulkar  
January 25, 2000

Using a revealed comparative advantage index, Suresh Tendulkar establishes that the rapidly growing economies of East and South-East Asia have been successfully competing with India on the basis of their superior productivity and competitiveness acquired through rapid rates of growth in the past. The analysis also leads him to speculate that India will face stiff competition from its South Asian neighbours including Pakistan and Bangladesh as well as China, for labour intensive products. Ashok Guha, Professor, Jawaharlal Nehru University, chaired the session.

## TRADE IN TOURISM SERVICES

Homi Aibara  
February 14, 2000

This seminar was part of the series on different service sectors for which the Ministry of Commerce (MoC) has commissioned studies in the context of the services negotiations at the WTO. Homi Aibara, Partner, Mahajan & Aibara, presented the report, highlighting the current state of the tourism industry, domestically and worldwide as well as its prospects for exports from India. A major finding of this study was the overwhelming importance of the constraint imposed by the civil aviation industry in India in realising India's potential in tourism exports. B K Zutshi, Senior Consultant, ICRIER, chaired the session.

## IMPACT ON SAVINGS VIA INSURANCE REFORMS

Ajit Ranade & Rajiv Ahuja  
February 23, 2000

This paper analyses the impact of replacing a state monopoly in insurance by several competing insurance firms and the introduction of a potentially wider variety of hitherto unavailable products, on

aggregate savings. The study finds that as the economy moves from self insuring to market based insurance, private savings go down with reforms, but the impact on aggregate intermediation of funds (banks plus insurance) is theoretically ambiguous, although the simulation results indicate that intermediation also goes down. Parthasarathi Shome, Professor, ICRIER, chaired the session.

## AN ANALYSIS OF SOURCES AND USES OF FUNDS IN INDIA: 1990-95

Basudeb Guha-Khasnobis  
March 9, 2000

This paper attempts to analyse the efficiency of investment allocation in India in the 1990s in the light of the ongoing reforms in the financial sector. Econometric analysis using the available data up to 1997-98 shows that the food, electronics, chemicals and automobile industries reveal a reallocation of investment towards profitable firms, while changes are not significant in the other industries. B L Pandit, Professor, Delhi School of Economics, chaired the session.

## TRADE IN TELECOM SERVICES

B K Zutshi & Harsha Vardhana Singh  
April 24, 2000

This paper by Harsha Vardhan Singh, currently with the TRAI, shows that apart from the inherent importance of telecom, many other services such as software and IT enabled services also depend crucially on the telecom infrastructure. The paper argues that there is tremendous opportunity in further domestic liberalisation of the telecom services sector in India. Unlike other sectors which have export potential, there is a potential for substantial foreign investment and inflow of technology in this sector. India's current commitments about non-discriminatory access to network, and a credible regulator need to be strengthened. Nripendra Misra, Additional Secretary, Ministry of Commerce, chaired the session.

## MULTINATIONAL VERSUS EXPATRIATE FDI: A COMPARATIVE ANALYSIS OF THE CHINESE AND INDIAN EXPERIENCES

Ashok Guha and Amit S Ray

April 25, 2000

The study attempts a comparative analysis of foreign direct investment in Chinese and Indian economic development. It finds that while the expatriate investment in China has essentially been a process of relocation of export oriented simple labour-intensive manufactures from the neighbouring expatriate settlements into China, this process has been facilitated by China's low wages coupled with rapid growth of manufactured exports globally. India's failure to tap NRI investments, on the other hand, can be attributed to the risk-averse nature of the Indian diaspora, lack of learning process in managing export-oriented labour-intensive manufacturing, and the lack of a decentralised sanctioning mechanism for FDI in India. In both countries, investments by large transnational

corporations have been primarily oriented to the domestic market and to infrastructure development. In China, foreign investment has by now acquired substantial momentum, but it is yet to take off in India. Parthasarathi Shome, Professor, ICRIER, chaired the session.

## MANAGED FLOATING OF THE EXCHANGE RATE IN INDIA

Renu Kohli

May 23, 2000

This paper, "Managed Floating of the Exchange Rate in India" by Renu Kohli studies the motivation for intervention in the foreign exchange market by the Reserve Bank of India. The study finds a strong association between intervention and the deviation of the nominal exchange rate from relative Indo-US prices. It concludes that a PPP rule guides the intervention strategy. This implies that the Reserve Bank of India has been stabilising the real exchange rate between 1993 and 1998. Isher Judge Ahluwalia, Director, ICRIER, chaired the session.

## Discussion Seminars

### THE PROJECT OASIS REPORT FOR DEVISING A PENSION SCHEME FOR INDIA

Ajay Shah

Ajay Shah, Assistant Professor, Indira Gandhi Institute of Development Research (IGIDR) spoke on Pension Reforms in India based on the report of the expert committee on Pension Reforms set up by the Ministry of Social Justice and Empowerment, under the chairmanship of S A Dave. Currently almost 90 percent of India's work force are without any pension coverage. The proposed new system would provide an individual

retirement account to each worker. Workers would have the option to choose a combination of a risk profile and a fund manager for their pension fund. The report calls for the setting up of a new Pension Regulatory Authority and stresses that the biggest challenge would be to organise a countrywide retail collection mechanism and also an education and awareness campaign about the utility of a pension system. Y V Reddy, Deputy Governor, Reserve Bank of India chaired the session.

### VENTURE CAPITAL: WHAT IS NEEDED TO MAKE IT WORK IN INDIA

Vinod Khosla

Vinod Khosla, founder Chairman of Sun Microsystems and now General Partner, Kleiner Perkins Caulfield & Byers (KPC&B), discussed the role that venture capital can play in the development of the IT industry in India at a joint seminar by the CII and ICRIER. He emphasised the importance of risk taking in venture capital and how private initiative was crucial for this. The government should only provide an enabling environment. He also spelt out the other factors that were crucial for sustaining the momentum of growth in this sector. In particular, he emphasised the importance of modernising the telecommunication infrastructure. Arun Bharat Ram, President, CII, chaired the session.



Vinod Khosla, Founder Chairman, Sun Microsystems and General Partner, KPC&B at a Discussion Seminar on Venture Capital at ICRIER



# Seminars at ICRIER

## AWAKENING THE OTHER GIANT: TRADE AND HUMAN RESOURCES IN INDIA

Adrian Wood

Adrian Wood, Professorial Fellow at the Institute of Development Studies, University of Sussex presented a paper titled, "Awakening the Other Giant: Trade and Human Resources in India," at an ICRIER seminar on May 15, 2000. The paper analyses how closer economic links with the rest of the world would affect and be affected by India's human resources – the educational composition of its labour force and the sectoral composition of employment. Badal Mukherjee of the Delhi School of Economics chaired the session.



## LINKING TRADE AGREEMENTS TO ENVIRONMENTAL STANDARDS AND THE EFFECT ON OPTIMAL PROTECTIONISM

Ben Zissimos



Ben Zissimos, Research Fellow at the Centre for the Study of Globalisation and Regionalism at the University of Warwick and Research Scholar at Oxford, presented a paper titled, "Linking Trade Agreements to Environmental Standards and the Effect on Optimal Protectionism," at an ICRIER seminar on March 7, 2000. The paper argues how rising environmental concerns among the economically powerful WTO member countries creates incentives (i) to introduce environmental standards into trade regulations, (ii) bring more countries within the WTO, and (iii) "punish" those remaining outside the agreement with higher tariff. The session was chaired by Ajit Ranade of ICRIER.

## STAGES OF DIVERSIFICATION

Romain Wacziarg



Romain Wacziarg, Assistant Professor of Economics, Stanford Graduate School of Business, and Visiting Faculty at ICRIER, presented the findings of his study, "Stages of Diversification," at an ICRIER seminar on March 10, 2000. The study is a joint project of Dr Wacziarg and Dr Jean Imbs of London Business School and Centre for Economic Policy Research (CEPR). It analyses the evolution of sectoral concentration in relation to the level of per capita income, showing how countries start by diversifying their sectoral structure, but how there exists, relatively late in the development process, an inflexion point at which they start to concentrate again. Basudeb Guha-Khasnobis of ICRIER chaired the session.

■ Capital Inflows and Developing Country Financial Crises: Implications of Competing Explanations for Policy Interventions, Kenneth Kletzer, March 2000 (No. 53)

■ India's Export Performance in Asian Perspective 1980-1996, Suresh Tendulkar, January 2000 (No. 54)

■ Multinational versus Expatriate FDI: A Comparative Analysis of the Chinese and Indian Experiences, Ashok Guha and Amit Shovan Ray, April 2000, (No. 56)

### Working Papers

■ Stages of Diversification, Romain Wacziarg, March 2000 (No. 55)

## Global Research Project Seminar at Prague

An important initiative of the Global Development Network (GDN) is the Global Research Project (GRP) titled, “Explaining Growth.” This project was launched in 1999, with the objective of explaining the growth experiences of the seven developing regions participating in the GDN. Under the first phase, four thematic papers have been prepared for each region to provide a framework for country studies in the second phase of the project. World Bank’s Research and Data Groups and the International Economic Association are lending support to the project.

At a Conference on June 10-11, 2000, in Prague, the Czech Republic, the research findings of this project were presented. Dr Isher Judge Ahluwalia and the authors of the four papers from the region participated in the Conference.

The four thematic papers on South Asia are (i) “Sources of Growth in South Asian Countries” by Basudeb Guha-Khasnobis, ICRIER and Faisal Bari, Lahore University of Management Studies (LUMS). This paper summarises what cross-country growth

analysis has to say about regional growth experience; (ii) “Markets and Economic Growth” by Suresh Tendulkar, Delhi School of Economics and Binayak Sen, Bangladesh Institute of Development Studies (BIDS). In this paper the authors explore the functioning of key markets especially those for labour and capital and assess the extent to which these have hampered or contributed to the growth performance in the region; (iii) “Microeconomics of Growth in South Asia” by Ajit Ranade, ICRIER and Rehana Siddiqui, Pakistan Institute of Development Economics (PIDE). This paper explores the factors explaining growth from the perspective of microeconomic agents and covers issues such as household savings, risk coping, expenditure on education, firm and farm investment, and productivity growth; (iv) “Political Economy of Growth” by Kirit Parikh, Indira Gandhi Institute of Development Research (IGIDR) and Saman Kelgama, Institute of Policy Studies of Sri Lanka. This paper investigates the political economy behind the policies that countries pursued sometimes even in the face of evidence of their failure.

*Members of the South Asia GRP team – Ajit Ranade, Basudeb Guha-Khasnobis, Kirit Parikh, Isher Judge Ahluwalia, Binayak Sen, Suresh Tendulkar and Saman Kelgama with Nobel Laureate Robert Solow (fourth from left) at the GRP Conference in Prague*



# Public Lectures

## HEALTH AS A CRUCIAL FACTOR IN ECONOMIC GROWTH

Jeffrey Sachs

Speaking at a public lecture organised by ICRIER and WHO (New Delhi), Prof Jeffrey Sachs emphasised the importance of health for development. "So far health has never been on the radar screen of finance ministers across the world. They are mostly worried about exchange rates and fiscal deficits. We want to bring health on board... I would be very happy if the office of the finance minister and the health minister were next to each other," said the recently appointed chairman of the Commission on Macroeconomics and Health which has been set up by the World Health Organisation. He went on to state that "the link between health and development was discovered by evidence rather than a piercing insight." He elaborated that it was only ten years ago that macroeconomists started using statistics of life expectancy when comparing economies. They found

that countries with higher life expectancy were the ones to experience high growth in the future. Better health leads to lower mortality, and lower population growth. Governments and local communities have to bear the major costs of providing primary health services. The burden of communicable diseases in the tropical and subtropical developing countries was a particularly unfortunate geographic experience. This could be countered by devoting public resources towards research and preventive health care including, for example, the development of a malaria vaccine. Manmohan Singh, former Finance Minister, Government of India, chaired the session.



Jeffrey Sachs, Professor at Harvard University and Chairman, CMH delivering a lecture jointly organised by ICRIER and WHO (New Delhi). In the chair is Manmohan Singh, former Finance Minister, Government of India and Member, CMH

## THE ROLE OF JAPAN AND THE EMERGING ASIA

Eisuke Sakakibara



Eisuke Sakakibara, Professor at Keio University, Japan delivering a lecture on "The Role of Japan and the Emerging Asia" organised jointly by the CII and ICRIER

Eisuke Sakakibara of Keio University and until recently Vice-Minister of Finance in the Government of Japan spoke on "The Role of Japan and the Emerging Asia" at a lecture jointly sponsored by the CII and ICRIER. He expressed the view that as regards the impact of the information technology revolution, Asia including India and Japan, as well as Europe, seem to be catching up with the United States. He noted that Indians have been playing a crucial role in the transformation from industrial-financial capitalism to knowledge-based cyber-capitalism, as is evident from the wide presence of numerous Indians, Chinese and other Asian system engineers and venture capitalists in the Silicon valley.

Asian nations now have to initiate the process of adapting their economic and social systems to the IT

revolution and globalisation. They also need to build defensive mechanisms to shield themselves from possible future crises arising from the negative side of globalisation as a result of the IT revolution. Cooperation on IT between India and Japan is quite crucial from this perspective. Dr Sakakibara was of the view that Japan, for example, could supply telecommunication network infrastructure, while India could provide internet software assistance to Japanese corporations. N K Singh, Secretary, Prime Minister's office, chaired the session. Hiroshi Hirabayashi, Ambassador of Japan to India, was the Chief Guest.

## A VISION FOR THE JAPANESE ECONOMY IN THE 21ST CENTURY

Naoki Tanaka



Naoki Tanaka delivering a lecture jointly organised by the Indian Council for Cultural Relations (ICCR), the Embassy of Japan and ICRIER

# International Networking

## ISHER JUDGE AHLUWALIA

- Prepared a paper "Application and Design of India's Industrial and Trade Policy" for a seminar/public policy workshop organised by the Japan International Co-operation Agency (JICA) and the United Nations Industrial Development Organisation (UNIDO) in Colombo, Sri Lanka on January 11-12, 2000. The seminar was designed to draw up a Master Plan Study on Industrialisation and Investment Promotion in Sri Lanka. The paper was presented by Adirupa Sengupta at Colombo.
- Participated as a Commission Member in the first meeting of the CMH set up by the WHO under the chairmanship of Prof Jeffrey Sachs, during January 16-18, 2000 at Geneva.
- Participated as a World Economic Forum (WEF) Fellow at the Davos Annual Meeting of the World Economic Forum during January 27-February 1, 2000. Was a panellist in the sessions, (i) Tackling the Challenges of Trade Liberalisation, and (ii) Emerging Markets: An Agenda for Returning to Sustainable Growth.
- Participated in the High Level Committee Meeting of the Global Development Network (GDN) in Washington D.C. on April 6, 2000, organised by the World Bank.
- Participated as a Discussant and a Panellist in the Conference on "Indian Economic Prospects: Advancing Policy Reform" at Stanford University on May 31 and June 1, 2000 organised by the Center for Research on Economic Development and Policy Reform, Stanford University.
- Participated in the meeting of the Regional Networks organised by the GDN in Prague. Chaired the session on "Political Economy of Growth" at the GRP Workshop in Prague in June, 2000

## PARTHASARATHI SHOME

- Panellist, "Seminar on Global Public Goods," United Nations Development Programme (UNDP) and New York University, March 6, 2000, New York.
- Participated in the Fiscal Reform Mission to Mexico for World Bank, May 2000.

## AJIT RANADE

- Presented a paper "Impact on Savings via Insurance Reforms" (Co-author R Ahuja) at Zentrum fur Entwicklungsforschung (Centre for Development) at the University of Bonn, June 13, 2000.
- Presented a paper "Microeconomics of Growth in South Asia" (Co-author R Siddiqui) at a Seminar hosted by CERGE, Prague, June 10-11, 2000.
- Participated in the Global Development Network (GDN) Web Strategy Group Meeting to discuss and finalise the contours of a GDN Web, Washington D.C. May 30-31, 2000.

## SANJAYA BARU

- First Jhamandas Watumull Visiting Fellow at the East West Centre, Hawaii, US.

## BASUDEB GUHA-KHASNOBIS

- Presented a paper "Sources of Growth in South Asia" (Co-author Faisal Bari) at a Seminar hosted by CERGE, Prague, June 10-11, 2000

## RENU KOHLI

- Participated in the ABCDE Conference at Paris during June 26-29, 2000. The theme of the Conference was "Development Thinking at the New Millennium."

## New Faculty

ICRIER inducted a number of high quality professionals into its Faculty during the first half of 2000. Anwarul Hoda joined ICRIER as Professor to coordinate ICRIER activities on WTO related issues. B K Zutshi joined as Senior Consultant to prepare a book jointly with Rupa Chanda, Consultant, ICRIER.

Arpita Mukherjee joined ICRIER as a Research Fellow in March 2000, Subhobrota Ray joined as Consultant in May 2000 and Manjeet Raizada joined in April 2000 as Library and Information Officer.