



# RIS Diary

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## Regional Conference on SAARC: Post-Islamabad Challenges

RIS, jointly with the South Asia Centre for Policy Studies (SACEPS), Dhaka, organised a Regional Conference on SAARC – Post Islamabad Challenges on Tuesday, 31 August 2004. This conference was participated by senior experts from Bangladesh, Pakistan, Nepal, Sri Lanka, and India to discuss the challenges to the implementation of SAFTA, potential for cooperation in energy issues as well as evolving a regional approach to poverty and social issues.

Shri J.N. Dixit, Hon'ble National Security Adviser, Prime Minister's Office delivered the inaugural address. Professor Arjun K. Sengupta, Chairman, RIS and SACEPS chaired the inaugural session. Professor Rehman Sobhan, Executive Director, SACEPS and Dr. Nagesh Kumar, Director-General, RIS also addressed the inaugural session.

The first session dealt with SAFTA: Prospects and Challenges and was chaired by Professor Muchkund Dubey, President, CSD. The panelists in the session were: Dr. Saman Kelegama, Executive Director, Institute for Policy Studies, Colombo; Dr. Akmal Hussain, Member, Economic Advisory Board to the President of Pakistan; Professor I.N. Mukherjee, Jawaharlal Nehru University and RIS; Dr. Sudipto Mundle, Deputy Country

Director for India, ADB; and Dr. Nagesh Kumar.

The second session on the theme of Energy Cooperation in South Asia was co-chaired by Hon'ble Shri Mani Shankar Aiyar, Minister of Petroleum & Natural Gas and Panchayati Raj and Dr. Mohan Man Sainju, Chairman, IIDS, Kathmandu.

Mr. Farooq Sobhan, President, Bangladesh Enterprise Institute; Dr. Leena Srivastava, Executive Director, TERI, New Delhi; and Professor Mahendra P. Lama, Jawaharlal Nehru University; were the panelists for this session.

The third session on Social Charter and Poverty Alleviation: The Tasks Ahead was co-chaired by Dr. Kamal Hossain, Former



(From right): Professor Rehman Sobhan, Executive Director, SACEPS; Shri J.N. Dixit, Hon'ble National Security Adviser, Prime Minister's Office; Professor Arjun K. Sengupta, Chairman, RIS and SACEPS; and Dr. Nagesh Kumar, Director-General, RIS

Foreign Minister of Bangladesh; and Dr. Abhijit Sen, Member, Planning Commission. The panelists included Dr. Godfrey Gunatilleke, Marga Institute; Dr. (Ms.) Maxine Olson, Resident Coordinator, UNDP, New Delhi; Dr. Sridhar Khatri, Director, RCSS and Dr. Rohini Nayyar, Adviser, Planning Commission. It was followed by the concluding session.

## South Asia Development and Cooperation Report 2004 Launched in Islamabad



(From left) Dr. Zafar Moen Nasir, Senior Fellow, PIDE; Dr. A.R. Kemal, Director, PIDE; Mr. Zafar Altaf, former Federal Secretary; and Dr. Nagesh Kumar, Director-General, RIS at the seminar in Islamabad.

The Pakistan Institute of Development Economics (PIDE) organised a seminar in Islamabad at the Planning Commission Auditorium on August 18, 2004 for launching RIS' *South Asia Development and Cooperation Report 2004*. Mr. Zafar Altaf, former Federal Secretary, chaired the seminar. After the welcome address by Dr. A.R. Kemal, Director, PIDE, Dr. Nagesh Kumar, Director-General, RIS made a presentation on the findings of the RIS Report. It was followed by an extensive discussion on the contents of the Report. Mr. Shiv Shankar Menon, High Commissioner of India also participated in the discussion. The Report was received well by the audience and was extensively covered in the mainstream media. More than 80 participants from academia, research institutions, government departments, and media took part in the event.

Earlier RIS, jointly with the South Asia Centre for Policy Studies (SACEPS), Dhaka; and Centre for Policy Dialogue (CPD), Dhaka had organised launching of the RIS Report in Dhaka on May 18, 2004.

## Building New Bridges In South-South Cooperation: A Study of India-Brazil-South Africa Economic Cooperation

RIS has undertaken a study to explore the potential of economic cooperation in the India-Brazil-South Africa (IBSA) Trilateral Dialogue. The Foreign Ministers of India, Brazil and South Africa had met in Brasilia on June 6, 2003, and agreed to set up a Trilateral Commission of IBSA Dialogue Forum for regular consultations. The First Ministerial Meeting of the Commission was held in New Delhi on 4-5 March 2004 at which they adopted a New Delhi Plan of Action to boost trilateral trade and promote South-South Cooperation (SSC).

The New Delhi Ministerial Meeting of IBSA in tune with Brasilia Declaration emphasized the importance of concrete trilateral cooperation in civil aviation, infrastructure, job creation and small medium and micro enterprises, science and technology, information technology, tourism, energy, defense and social sectors covering health, education, etc. The Ministers agreed that the IBSA countries can reinforce the economic strength of each other by synergizing their complementarities in area of industry, services, business and technology which in turn could create a market of 1.2 billion people 1.2 trillion dollars of GDP and foreign trade of 300 billion dollars. It was also decided that each countries could conduct studies to examine the potential for economic and commercial partnership and the ways and means for increasing trade and investment flows among the three countries.

Against this background the RIS study, undertaken at the request of Ministry of Commerce and Industry, explores the possibilities of strengthening trade (goods and services) and investment relations between these countries. RIS has also been asked to provide analytical support on the subject by the Ministry of External Affairs. Contact for further details: dgoffice@ris.org.in

## Relevance of Investment in India-GCC Partnership

India and GCC are entering into a free trade arrangement in order to facilitate exploitation of their complementarities for mutual development. RIS has been commissioned by the Department of Commerce to examine the relevance of investment forming a part of such an arrangement. The study will assess the impact of including investment in the FTA on the economies in question. First, it will analyse the existing investment flows by looking at the trends, patterns, as well as the potential for two way flows between the countries. This assessment will provide a background to the second issue that will examine the policy regime

for investment in the countries. The objective behind this would be to identify the barriers to investment that exist at present and the constraints that affect the realisation of the potential. It will also identify areas in which investment could be encouraged in the future. The third aspect that the study will deal with is the potential negotiating issues that would encourage bilateral investment. Contact for further details: dgoffice@ris.org.in

## Study on Trends, Structure and Competitiveness of Indian Seed Industry

International Food Policy Research Institute (IFPRI), Washington D.C. has approached RIS to carry out a study on Indian Seed Industry to analyse the structure, progress and degree of competitiveness of the seed industry since the introduction of New Seed Policy in 1988. The study is also designed to look into the implications of the new IPR regime (after January 2005) for the seed sector and consequent changes following the Seeds Act 2001. Apart from this the study would also look into other issues like magnitude and nature of FDI in the Seed Industry. The study launched in October 2004 is likely to be completed by May 2005. Contact for further details: sachin@ris.org.in

## Policy Notes/Other Consultations

- **SAARC Ministerial Meeting:** A Note on "SAFTA and Beyond: An Agenda for SAARC" was sent to Hon'ble Minister for External Affairs, Government of India on July 17, 2004 following a briefing meeting called by him.
- **NAM Ministerial Meeting Durban,** South Africa, August 17-19, 2004: RIS participated in the discussion meetings organised by the Ministry of External Affairs in New Delhi, respectively on August 6, 2004 and August 11, 2004, for inputs to the mid-term Ministerial Meeting of NAM. Subsequently a Note on Economic Agenda for NAM, was sent on August 12, 2004.
- **BIMSTEC Summit:** Revised Report on Future Directions of BIMSTEC: Towards a Bay of Bengal Economic Community" was made available to the Ministry of External Affairs on July 26, 2004.
- **India-China Joint Study Group:** As a member of the group, DG-RIS participated in the Meetings of the JSG held in New Delhi (July 2004). RIS prepared and submitted some Draft of the Chapters to the Ministry of External Affairs as a part of the work programme of the India-China Joint Study Group.

## Dr. Arjun K. Sengupta appointed Chairman, RIS

Distinguished economist Professor Arjun K. Sengupta, has been appointed President, General Body, and Chairman, RIS Governing Council.



These positions had fallen vacant after Shri K.C. Pant, formerly Deputy Chairman, Planning Commission, resigned after guiding the work of the organisation for the past five years with great distinction.

Dr. Sengupta has had a distinguished career as an economist, policy maker, and diplomat. He has served as the member-secretary of the Planning Commission, as India's Ambassador to the European Commission in Brussels, as Executive Director on the IMF's Board and is also currently an adjunct Professor at Harvard University and Independent Expert on Human Rights and Extreme Poverty, United Nations Human Rights Commission. He has also been appointed by the Government of India, Chairman (in the rank of a Cabinet Minister) of the National Commission on Enterprises in the Unorganised/Informal Sector.

- **A Note on Regional Trading Arrangements: Options for India** was prepared for the Ministry of External Affairs and sent on July 19, 2004. The same was also made available to the PMO.
- **India-Korea Economic Relations:** A Policy Note on India-Korea Economic Relations was prepared for the East Asia Division, Ministry of External Affairs on July 30, 2004.
- **Other Notes provided:** A Note on China's Economic Miracle: India's Economic Performance in a Comparative Perspective, prepared for the Ministry of External Affairs on August 21, 2004, and the Note on Some Points on Indian Reforms and Investment Climate, for MEA on August 14, 2004.
- **WTO/NAMA Negotiations:** Submitted several inputs on the list of sensitive products and bound and applied rates to the Department of Commerce.
- **2004-05 Forecasts of India's Exports: A Disaggregated Analysis by Countries and Commodities** submitted to the Department of Commerce, Ministry of Commerce and Industry on April 19, 2004.

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# Strategic Approach to Strengthening International Competitiveness in Knowledge-based Industries

RIS, jointly with the Department of Scientific and Industrial Research, Ministry of Science and Technology, organised a National Workshop on Strategic Approach to Strengthening International Competitiveness in Knowledge-based Industries on August 13, 2004. Shri Rao Inderjit Singh, Hon'ble Minister of State for External Affairs inaugurated the Workshop and addressed the participants. Dr. Nagesh Kumar, Director-General, RIS; Dr. A. Lahiri, Adviser, DSIR; and Dr. George B. Assaf, Director, UNIDO, New Delhi also addressed the inaugural session.

The Workshop presented and discussed the analysis on determinants of export competitiveness of Indian enterprises in Indian manufacturing overall as well as in select knowledge intensive sectors to draw policy lessons. It brought at one platform the industry, government and academia to reflect on the issues relating to India's export competitiveness. The industries selected for detailed discussion included automobiles, electronics, drugs and pharmaceuticals, machine tools, and specialty chemicals.

The first session on Determinants of Export Performance in an Era of Globalisation: A Broader Perspective was chaired by Prof N.S. Siddharthan, Institute of Economic Growth. Dr. Nagesh Kumar along with Dr Rishikesh T Krishnan, IIM, Bangalore were the key speakers for the session. The second session focussed on the electronics industry, and was chaired by Prof Ashok

Parthasarathi, CSSP, JNU. The key speakers were Prof. K J Joseph, Visiting Senior Fellow, RIS; Wing. Comdr. S K Khanna, Executive Director, CETMA; and Mr. Vinnie Mehta, Executive Director, MAIT.

The third session was on chemical industry, chaired by Mr. S.N. Singh, President, ICMA. Dr. V.K. Kaul, Associate Professor, University of Delhi; and Mr.

Ravi Sinha, Ex-CEO, SRF Ltd. were the key speakers. The theme of fourth session was drugs and pharmaceuticals and was chaired by Mr. Prabir Sengupta, DG, IIFT. The key speakers were: Dr. Aradhana Agarwal, Associate Professor, K.M.College, Delhi University; Mr. G. Wakankar, Executive Director, IDMA; and Mr Bimal K. Raizada, Ex Vice President Ranbaxy.

The fifth session focussed on the case of automobile industry. It was chaired by Dr. Rajiv Kumar, Chief Economist, CII. Dr. Neelam Singh, Associate Professor, Lady Shri Ram College; Mr. R.R. Rao, Joint MD, ICRA;



(From left) Shri Rao Inderjit Singh, Hon'ble Minister of State for External Affairs; Dr. Nagesh Kumar, Director-General, RIS; Dr. George B. Assaf, Regional Director, UNIDO; and Dr. A. Lahiri, Adviser, DSIR.

Mr. Indranil Dasgupta, AGM, ICRA Advisory Services; and Mr. Dilip Chenoy, Director General, SIAM were the key speakers of the session. The sixth session focussed on non-electrical machinery and was chaired by Mr Jagdish Singh, Advisor, DSIR. The key speakers were Dr. Padma Suresh, Associate Professor, Sri Venkateswara College; Mr. V S Goindi, President, IMTMA; and Mr. V.K. Mathur, CMD, INAPEX Limited. It was followed by the concluding session.

RIS is finalizing the reports presented at the workshop for submission to the Government in the light of the discussion.

## Seminar on WTO's July Framework

An attempt has been made to break the deadlock in the trade talks at WTO since the collapse of Cancun Ministerial by the WTO Director-General and the Chairman, General Council by putting up a July Framework currently being discussed in Geneva. In order to take stock of the progress made at the Geneva talks and the prospects for developing countries, RIS organised a Seminar on WTO July Framework on August 6, 2004. Ambassador S.T. Devare, Vice-Chairman, RIS chaired the seminar.

A distinguished panel of eminent experts discussed the issues involved in the subject. They included Professor Anwarul Hoda, Member, Planning Commission; Mr. S.N. Menon, the then Special Secretary (TDP), Ministry of Commerce and Industry; and Dr. Kamal Malhotra, Senior Advisor, UNDP, New York. A large number of participants from government departments, academia, research institutions, business and industry circles, and media took part in the discussion.



(From left): Dr. Kamal Malhotra, Senior Advisor, UNDP, New York; Professor Anwarul Hoda, Member, Planning Commission; Ambassador S.T. Devare, Vice-Chairman, RIS; Mr. S.N. Menon, the then Special Secretary (TDP); and Dr. Nagesh Kumar, Director-General, RIS.

The Meeting felt that the July package or framework agreement was a positive development having broken the impasse in trade talks. However, it was premature to read

a victory in it as most of the details remained to be worked out. Developing countries like India need to remain vigilant for protecting their interests in the forthcoming negotiations.

## **Dr Nagesh Kumar, Director-General**

- Made a key presentation on Asian Economic Community: Towards a Vision of a Pan-Asian Economic Integration at the High-Level Conference on Asia's Economic Cooperation and Integration, organised by the Asian Development Bank in Manila on July 1-2, 2004.

- Chaired the Talk on "Can Indian become a Super Power in the 21<sup>st</sup> Century" by Dr George B. Assaf, Representative and Regional Director, UNIDO, organised by India Habitat Centre, New Delhi on July 22, 2004.

- Guest Speaker at the National Seminar on Historical Perspective of SAARC and Prospects of South Asian Economic Union, organised by Foundation for Peace and Sustainable Development and Rajiv Gandhi Foundation for Contemporary Studies, in New Delhi on July 23, 2004.

- Participated in the Second Meeting of the India-China Joint Study Group, organised by the Ministry of External Affairs, in New Delhi on July 26-28, 2004.

- Delivered a lecture on India's Relations with ASEAN to the participants of the 44<sup>th</sup> Course on National Security and Strategic Studies, organised by the National Defence College, New Delhi on August 3, 2004.

- Keynote Speaker in the session on RTAs and South Asia: Options before the Region at the Seminar on WTO Post-Cancun Developments: Options for South Asia, organised jointly by Sustainable Development Policy Institute (SDPI), Islamabad; CUTS, New Delhi and Oxfam GB Pakistan under the auspices of the South Asia Civil Society Network on International Trade Issues (SACSNITI), in Islamabad, Pakistan on August 17-19, 2004.

- Made a presentation on Trade Liberalisation and WTO at the SAARC Economic Cooperation Conference, organised jointly by SAARC Chamber of Commerce & Industry and FICCI in New Delhi on August 20, 2004.

- Nominated as Member of the Consultative Group on Industry and Consultative Group on External Sector respectively, constituted by the Planning Commission, Government of India. Participated in the first Meeting of the Consultative Group on External Sector on September 10, 2004.

- Made a presentation on Enlargement of EU and the Developing Economies at the Seminar on "European Union Enlargement and Its Impact on India's External Sector" by IIFT, New Delhi on September 16, 2004.

- Made a presentation on WTO: Doha/Cancun and Beyond at the 36<sup>th</sup> Professional Course for Foreign Diplomats, conducted by the Foreign Service Institute, Ministry of External Affairs, New Delhi on September 17, 2004.

- Launched and presented UNCTAD's *World Investment Report 2004: Shift Towards Services* at the UN Information Centre, New Delhi on September 22, 2004.

- Chaired the Plenary Session II at XXXIII Dairy Industry Conference on Cooperation among SAARC Partners organised by the Indian Dairy Association, in New Delhi on September 28, 2004.

## **Dr. Rajesh Mehta, Senior Fellow**

- Made a presentation on International Food Safety Standards Regulations: How Restrict Are These For Indian Processed Food Exports at the 3<sup>rd</sup> International Food Tec India 2004 and Concurrent Workshop on "Indian Food Processing Industry: Policy Initiatives and Market Access Requirements", September 10-13, 2004, Hyderabad.

- Made a presentation entitled Post-MFA Regime and The Chinese Aggression at a seminar organised by Federation of Indian Chambers of Commerce and Industry (FICCI)-Delhi and SAARC Chamber of Commerce & Industry (SCCI)-Islamabad entitled "Trade in Textiles and Clothing in the Post-Quota Regime" in Mumbai on September 14, 2004.

- Delivered a lecture entitled Short-Term Forecasting of India's Export, at Institute of Economic Growth in New Delhi on September 24, 2004.

## **Dr. K.J. Joseph, Visiting Sr. Fellow**

- Delivered two sessions on Information Technology and the Indian Economy at the Academic Staff College, Jawaharlal Nehru University, New Delhi on July 28, 2004.

## **Dr. Ram Upendra Das, Fellow**

- Participated in the Third Meeting of the Expert Group on Preferential Rules of Origin, set up by Government of India, July 16, 2004.

- Delivered a Lecture on "Trading Blocks with Emphasis on the Recent FTA's", for the Executive Masters Programme, at IIFT, New Delhi on August 22, 2004.

- Made a Presentation on "Rules of Origin Issues in India's Economic Partnership Agreements with Other Countries: *An Approach Paper on Change in Tariff Heading*

*Criterion*", Presentation for Fourth Meeting of the Expert Group on Preferential Rules of Origin, set up by Government of India, at Ministry of Commerce and Industry, New Delhi on August 24, 2004.

- Made a presentation on "Regional Economic Integration: Theory & SAARC" Professional Course for Foreign Diplomats Conducted by Foreign Service Institute, Ministry of External Affairs, New Delhi on September 14, 2004.

- Participated in a National Seminar on "Negotiations on WTO Rules" organised by Department of Commerce, New Delhi on September 21-22, 2004.

- Participated in Fifth Meeting of the Export Group on Preferential Rules of Origin, set up by Govt. of India, at the Ministry of Commerce and Industry at New Delhi on September 24-25, 2004.

- Delivered a lecture on "Implications of India's Regional Trading Agreements" for the Officers of the IAS and Allied Services during the Programme on WTO and The New Trade Regime organised by IIFT, New Delhi on September 28, 2004.

- Made a presentation at the "Consultation Meetings with Stakeholders on Rules of Origin for Government of India's Negotiations with Other Countries" organised by Government of India in collaboration with FICCI and CII New Delhi on September 30, 2004.

## **Dr. Sachin Chaturvedi, Fellow**

- Participated in International Conference on Agricultural Biotechnology Ushering in the Second Green Revolution, on August 10-12, 2004 organised by FICCI.

- Presented a paper on "SPS and TBT Agreements: Implications for India" at Advanced Course on WTO for IAS officers organised by IIFT on September 21, 2004.

- Participated in meeting on Food Security in Asia in the Context of Millennium Goals, organised by IFPRI and Asian Development Research Forum (ADRF) on September 10-11, 2004.

## **Shri Prabir De, Research Associate**

- Presented paper entitled "How Do Transaction Costs Affect International Integration: Empirical Evidence from Asian Economic Community", at the High Level Conference on Asia's Economic Cooperation and Integration, organised by Asian Development Bank, held at Manila, 1-2 July 2004.

## Training Module on International Economic Issues for IFS Officers

RIS conducted a five-day Training Module on International Economic Issues at RIS for Indian Foreign Service Officer Trainees of 2003 Batch at the request of Foreign Service Institute, MEA during August 23-27, 2004.

The training module included the inaugural-cum-orientation session on World Trading System and Development by Dr. Nagesh Kumar, Director-General, RIS and concluded with a valedictory address by Prof. Muchkund Dubey, President, Council for Social Development.



IFS officer trainees with Dr. Nagesh Kumar and Dr. Ram Upendra Das.

The Module covered topics of contemporary relevance concerning multilateral and regional trade negotiations. The faculty for the course comprised senior member of RIS faculty and some invited experts from academic and policy circles. The programme was coordinated by Dr. Ram Upendra Das, Fellow, RIS. The list of nine IFS officer Trainees who attended the Training Programme conducted by RIS included Mayank Joshi, Siddhartha Nath, Dr Aman Puri, Abhishek Ranjan Singh, Anjani Kumar, Abhay Kumar, Kishan Dan Dewal, Rajesh Swami, and Devesh Uttam.



(From left): Dr. Nagesh Kumar, Director-General, RIS; Prof. Muchkund Dubey, President, Council for Social Development; and Dr. Ram Upendra Das, Fellow, RIS.

## Brainstorming on India-Brazil-South Africa (IBSA) Economic Cooperation

RIS is currently undertaking a study on the Potential for Economic Partnership between India, Brazil and South Africa at the request of the Ministry of Commerce (see page 2). It is widely recognised that India's partnership with Brazil and South Africa could be of immense economic and strategic value in view of the dynamism and strengths of these economies.

As a part of gathering inputs for the study, RIS organised a Brainstorming on India-Brazil-South Africa (IBSA) Economic Cooperation on September 8, 2004 with different stakeholders from trade, industry, services and also from the Government. Shri Shashank, former Foreign Secretary, chaired the Meeting. Shri R. Gopalan, Joint Secretary,



(From left): Ambassador M.P.M. Menon; Mr. R. Gopalan, Joint Secretary; Mr. Shashank, Former Foreign Secretary; and Dr. Nagesh Kumar.

Ministry of Commerce, and Ambassador M.P.M. Menon, former Ambassador of India in Brazil, addressed the participants. This was followed by open discussion by stake holders from business and industry circles, and concerned policy makers, etc.

## Seminar on Agenda for G-8 under British Presidency



(From left): Mr. Creon Butler, Chief Economist of the Foreign and Commonwealth Office, London; Mr. Shashank, Former Foreign Secretary; and Dr. Nagesh Kumar at the Seminar.

The annual G-8 Summits have become important events from the point of view of the process of global governance including North-South economic relations and attract a lot of attention of the media and the civil society. The UK is assuming the presidency of G-8 and will host the 2005 Summit at Gleneagles, Perthshire, Scotland in July 2005. Besides conventional, global economic, financial, trade and political issues, the Perthshire Summit proposes to focus on climate change and related issues.

RIS organised a seminar to reflect on the main issues on the Agenda of the G-8 under the British Presidency on September 23, 2004 at RIS Conference Hall. Mr. Creon Butler, Chief Economist of the Foreign and Commonwealth Office, London, initiated the discussion on the subject. The Seminar was chaired by Ambassador Shashank, former Foreign Secretary, India. Among those who addressed it included Dr. S.P. Shukla, former Finance Secretary; Dr. Jyoti Parikh, Executive Director, IRADe; Mr. T.K. Bhaumik, Senior Advisor, CII; Dr. Rajiv Kumar, Chief Economist, CII; and Dr. Madhu Kishwar.

## Technical Seminar on Short-term Forecasting of India's Exports: Methodological Issues

RIS has set up a short-term econometric forecasting model for India's exports in collaboration with the Ministry of Commerce and Industry, Government of India to assist the policy and decision-making process

A Seminar to discuss the methodological issues involved in the exercise was organised by RIS on July 6, 2004. Prof. K.L. Krishna, former Director of Delhi School of Economics chaired the seminar. Dr. Rajesh Mehta, Senior Fellow,



(From left): Dr. Rajesh Mehta; Prof. K.L. Krishna; and Dr. Nagesh Kumar, Director-General, RIS at the Seminar.

RIS made a presentation of the RIS Model. Experts from the Delhi University, Ministry of Commerce and other agencies participated in the discussion.

## Books

**ASEAN-India Vision 2020: Working Together for a Shared Prosperity** by RIS and ASEAN-India Network of Think-Tanks, 2004.

**Future Directions of BIMSTEC: Towards a Bay of Bengal Economic Community** by RIS in consultation with IPS, Colombo; ITD, Bangladesh; and CPD, Dhaka, 2004.

**WTO Negotiations and Indian Small Scale Industry** by Rajesh Mehta and Pooja Agarwal. Published jointly with Federation of Indian Micro and Small & Medium Enterprises (FISME), and Office of Development Commissioner (SSI), Ministry of Small Scale Industries. 2004.

## Policy Brief

**#14 Oil Shock and Cyclical Upturn in US Interest Rates: Implications for Asia**

## Discussion Papers

**#76 Transforming Digital Divide into Digital Dividend: The Role of South-South Cooperation in ICTs** by K.J. Joseph

This paper argues that, the present approach, which aims at proliferating the use of ICTs in developing countries, by neglecting its production, is likely to perpetuate technological dependence of the South. Hence the e-strategies and policies in the South need to integrate both production and use. In this process much could be gained by South-South cooperation because, unlike the earlier general-purpose technologies, in case of ICTs substantial capabilities exist in the South. While there are certain initiatives at the regional and bilateral level to foster cooperation, the paper calls for an e-South Framework Agreement to facilitate a broad based approach to pool the resources such that economies of scale and scope are achieved and risks minimised.

**#77 Transaction Costs as Barriers to Economic Integration in Asia: Empirical Exploration** by Prabir De

Recent literature has emphasised the importance of transaction costs and infrastructure in explaining trade, access to markets, and regional cooperation under globalisation. For most Asian countries, transaction cost works as a strong barrier to trade integration than import tariff. By estimating a structural model of economic geography using cross-country data on income, infrastructure, transaction costs and trade of selected Asian economies, this paper provides evidence that transaction cost is statistically significant and important in explaining variation in trade in Asia. In addition, the study also finds that port efficiency and infrastructure quality are two important determinants of transaction costs.

**#78 Towards Formation of Close Economic Cooperation among Asian Countries** by S K Mohanty, Sanjib Pohit, and Saikat Sinha Roy

There have been several attempts in the past for the formation of an Asian Economic Community (AEC) with a view to enhance continental welfare within stipulated timeframe. The formation of a Close Economic Relation (CER) among some of the vibrant economies of the region, particularly JACIK Member countries (ASEAN plus three plus one) would be of immense importance in attaining such a goal. Three alternative forms of comprehensive economic liberalisations schemes may be envisaged. In this paper an effort has been made to examine the implication of CER on the region using monopolistic version of Computable General Equilibrium (CGE) for the JACIK countries. The model has been used to examine the implications of complete liberalisations of trade, investment and movement of natural persons. The results show that the proposed CER may enhance global welfare as well as welfare for individual countries in the caucus. Following formation of the proposed CER, the absolute increase in regional welfare may go beyond US\$ 210 billion per annum amounting to more than 3 per cent of the region's GNP. The implications of the CER on the regional economy would be favourable in improving production efficiency, expanding exports apart from increasing returns on capital and labour.

**#79 Complementarities and Potentials of Intra-regional Transfers of Investments, Technology and Skills in Asia** by Saikat Sinha Roy

This paper examines complementarities in merchandise trade and potentials for intra-regional transfers of investments, technology and skills in Asia. The analysis shows that intra-regional trade was substantial and growing, but trade complementarities were limited. Asian countries have also emerged as sources of as well as destinations for investment, technology and skills. In the event of a formal regional integration arrangement in Asia, there is potential for intra-regional trade, investments, technology transfers and skill movements. Substantial gains in regional welfare are also expected.



**#80 Strategic Approach to Strengthening the International Competitiveness in Knowledge Based Industries: The Indian Pharmaceutical Industry** by Aradhna Aggarwal

This paper identifies the factors that determine the export competitiveness of firms in the Indian pharmaceutical industry. The analysis is based on the primary survey data as well as the PROWESS database. Our findings suggest that the competitiveness of firms depends not only on firm specific advantages but also on government fiscal incentives. Among the firm specific factors own R&D efforts emerged as one of the prime factors influencing export competitiveness. Technology imports on the other hand did not play a significant export-enhancing role. Brand promotion and lower costs were other important determinants of the export competitiveness. The study also finds that the determinants of export-competitiveness differ across firms of different size and ownership. High transaction and production costs are found to be major constraints faced by Indian exporters. Based on the quantitative and qualitative analysis, the study draws useful policy implications to strengthen the export competitiveness of the industry.

**#81 Strategic Approach to Strengthening International Competitiveness in Knowledge Based Industries: Non-electrical Machinery Industry** by M. Padma Suresh

This study examines some major issues regarding competitiveness in one of the medium-high technology industries namely non-electrical machinery industry. Besides a review of the evolution and structure of the industry, the growth performance of the component industries is examined at the three-digit ASI level. A detailed analysis of exports as well as imports at the four-digit ITC classification is undertaken to examine the impact of liberalisation on specific machinery categories. The study indicates the inward orientation of the industry. Low tariffs and liberal imports including imports of second hand machinery have affected some industries like textile machinery and machine tools. The study considers two specific issues that are important for establishing export competitiveness namely developing technological capability and FDI in the industry. A case study of machine tool industry is incorporated for a better understanding of these issues. The report concludes with suggestions for strengthening competitiveness in the industry.

**#82 Strategic Approach to Strengthening International Competitiveness in Knowledge Based Industries: The Case of Indian Auto Industry** by Neelam Singh

This study examines the export performance and prospects of the Indian automotive industry. The technology factor being critical, the in-house, collaborative and sponsored R&D needs greater encouragement. We also recommend an early upgradation of testing facilities, and move towards uniform standards; establishment of auto compo zones/ parks, and window showcasing centers; the industry-government partnership in manpower training; institutional provision of marketing information, market development funds and branding assistance; and FTAs with more prosperous regions. Fixed investment abroad should be promoted, say through tax credit, with a geographical focus and in a coordinated fashion for vehicle and auto component producers.

**#83 Strategic Approach to Strengthening International Competitiveness in Knowledge Based Industries: Indian Chemical Industry** by Vijay Kumar Kaul

Indian chemical industry, traditionally insulated from rest of the world, of late has been exposed to global competition. The paper examines its coping strategies and sectoral innovation system: industry's evolution, major characteristics, policy and institutional framework, and its competitive edge in the global chemical industry. It prescribes some policy guidelines both for the business enterprises and the policy makers. Enterprises need to develop a strategic intent, choose a right business model to operate, develop technological competence to innovate, and focus on economies of scale, quality and environmental norms. Further, it emphasizes the need for strengthening chemical innovation system, availability of institutional finance for modernisation, exports and investment, rationalisation of the tariffs on import of strategic inputs, and promoting knowledge and chemical parks.

## Journals

- **Asian Biotechnology and Development Review** (Vol. 6 No. 3) July 2004.

Contents: *Harnessing Biotechnology for Development* by K. C. Pant; *Asia and Bioeconomy: Growing Synergies* by M. Tawfik; *Biotechnology and International Trade Regime: Options before Developing Countries* by Sachin Chaturvedi and S. R. Rao; *Domestic Import Regulations for Genetically Modified Organisms and Their Compatibility with WTO Rules* by Heike Baumüller; *Policy and Development of Biotechnology: Bangladesh Perspective* by N. Choudhury; *Recommendations of the Second Conference on Biotechnology for Asian Development*; *Bio News*; *Document*; *Bio Web*; and *Bio Stats*.

- **New Asia Monitor**, Vol. 1 No. 2, July 2004.

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# Important Visitors/Delegations Received

● Dr Zhang Xiaoji, Director-General and Dr Long Guoqiang, Senior Fellow and Deputy Director General, Development Research Centre (DRC) of State Council of China on July 27, 2004.

● A four-member delegation of senior researchers from the Institute of World Economics and Politics of the Vietnam Social Science Academy visited RIS on September 20, 2004. The delegation was led by Professor Le Bo Linh, Deputy Director-General of IWEPVSA. The purpose of the visit was to learn India's policies on industrialisation in the context of globalisation and new economy (knowledge-based economy), to exchange views on Indo-Vietnamese trade and economic relations. The other members of the delegation were: Mr. Uong Tran Quang, Senior Researcher; Mrs. Luu Anh Tuyet, Senior Researcher; and Mrs. Le Thu Ha, Senior Researcher.

● Dr Lau Sim Yee, Programme Adviser; Ms Eriko Tada, Associate Programme Officer; and Ms Nguyen Thi Hanh, Research Associate, Sasakawa Peace Foundation, Tokyo, Japan on August 20, 2004.

● Dr. Prema Chandra Athukorala, Professor of Economics, Research School of Pacific and Asian Studies at the Australian National University; and Dr. Sisira Jayasuria, Director, Asian Economic Centre, Department of Economics at the University of Melbourne on September 21, 2004.

● Dr Kamal Malhotra, Senior Advisor UNDP, New Delhi on July 22, 2004.

● Dr Ajit Singh, Professor of Economics, University of Cambridge on August 30, 2004.

● Dr (Ms) Isabelle Saint-Mezard, Director, China-India Project, Centre of Asian Studies, The University of Hong Kong on August 9, 2004.

● Dr Gautam Murthy, Centre for Indian Ocean Studies, Osmania University, Hyderabad on July 5, 2004.

● Dr Pratima Dayal, Senior Economist, Asian Development Bank Indian Resident Mission, New Delhi on July 16 and August 3, 2004.

● Dr A P Kulshreshtha, Director, Centre for Science and Technology of the Non-Aligned and Other Developing Countries, July 19, 2004.

● Dr K C Reddy, Professor of Economics and Hony. Director, Centre for SAARC Studies, Andhra University, Visakhapatnam on July 19, 2004.

● Dr. Saira Yamin-Basim, Department of Defence Strategic Studies, Quaid-e-Azam University, Islamabad, Pakistan on July 21, 2004.

● Prof R S Maker, Director, Institute for Technology & Management, Navi Mumbai, on August 3, 2004.

● A group of ten IES Probationers, led by Prof N.S. Siddharathan of the Institute of Economic

## High-Level Conference on Asian Economic Integration: Vision of a New Asia, Tokyo: November 18-19, 2004

RIS is organising this high-level conference in collaboration with: Council on East Asian Community, Tokyo; DRC: Development Research Centre of the State Council of China, Beijing; ISEAS: Institute for Southeast Asian Studies, Singapore; MIER: Malaysian Institute of Economic Research, Kuala Lumpur; IDE-JETRO: Institute of Developing Economies, Tokyo; and G-SEC: Global Security Research Centre, Keio University with the support of Sasakawa Peace Foundation, Tokyo.

The Tokyo Conference is being organised as a part of the ongoing work programme of the RIS on Asian economic integration. RIS has developed a proposal for an Asian Economic Community built in a phased manner with the core group of Japan, ASEAN, China, India and Korea (JACIK).

The Conference is expected to provide a forum of debate on the relevance of regional economic integration in Asia and desirable approaches to it in terms of scope and coverage. The discussions at the Tokyo Conference will be supported by analytical studies conducted by RIS and partner institutions over the past two years on approaches for regional integration. The Conference is also expected to contribute to the agenda of regional economic integration by providing a roadmap, creating wider awareness of the gains from it and thus building support and public opinion favourable to it. In addition, a volume is expected to be produced on the basis of the presentations made at the Conference for further dissemination of the views expressed. Earlier RIS had organised an International Conference on 'Building a New Asia: Towards an Asian Economic Community', held in New Delhi on March 10-11, 2003.

Growth, Delhi, on August 4, 2004 for interaction with the DG, RIS, on August 4, 2004.

● Dr Rajiv Kumar, Chief Economist, CII, New Delhi on August 5, 2004.

● Prof Rishikesh T. Krishnan, Associate Professor of Corporate Strategy, Indian Institute of Management Bangalore on August 11, 2004.

● Prof Ashok Parthasarathi, CSSP, JNU on August 12, 2004.

● Ms Hoihnu Hauzel, Sr Reporter/Sr Sub-Editor, *The Hindustan Times*, New Delhi on August 14, 2004.

## Vietnam Delegation at RIS



(From left): Mrs. Luu Anh Tuyet, Senior Researcher, IWEP; Professor Le Bo Linh, Deputy Director-General, IWEP; Dr. Nagesh Kumar, Director-General, RIS; Mrs. Le Thu Ha, Senior Researcher, IWEP; and Mr. Uong Tran Quang, Senior Researcher, IWEP.

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● **Expert Group on Preferential Rules of Origin:** RIS is represented on the Expert Group set up by the Government of India, 2004. RIS has provided inputs in the context of different RTAs being negotiated by India and presentations have been made at the meetings of the Group on the subject.

● **India-Mercosur PTA:** Inputs were provided on MERCOSUR Rules of Origin, to the Ministry of Commerce, in August 2004.

● **SAFTA Negotiations:** provided inputs on SAFTA Rules of Origin, for the Ministry of Commerce, Government India, July 2004.

● RIS research material dealing with issues related on Regional Economic Integration in Global Framework was made available to Department of Economic Affairs, Ministry of Finance on September 10, 2004.

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# RIS

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