

# Research Activities

## (2008-09)

### 1. India-Mexico Economic Cooperation: Challenges and Opportunities

In the era of globalization a number of bilateral and regional trading arrangements are coming up. The current study was commissioned by Department of Commerce, Ministry of Commerce and Industry, Government of India. The Government of India is initiating dialogue with the Mexican Government for a Free Trade Agreement (FTA). The objective of the study was to serve as a background paper while negotiating with the Mexican counterpart. Apart from covering the various dimensions of the FTA, this study looked into some of the specific sectors like Chemicals, Pharmaceuticals, Textiles & Clothing, Bio-fuels and Tourism. The objective of the study were

- To look at the overall trade and investment relations between India and Mexico;
- To analyze the current tariff structure in Mexico;
- To look into the tariff barriers and non-tariff barriers in Mexico as perceived by the Indian exporters;
- To analyze the potential of industrial dialogue, especially in the sectors of chemicals, pharmaceuticals, bio-fuels, textiles and tourism;
- To look into the issues of standard and regulation including that of SPS ;
- To look into Customs cooperation, especially of procedures & regulation;
- To analyze briefly Mexico's FTA with others; and
- To explore the broader issues of India's access to NAFTA through Mexico.

India's trade with Mexico has been increasing through the years. India's bilateral trade with Mexico has increased more than four times from 1996 to 2005. Mexico and India do not share a strong trade relationship. Both the countries are gradually opening up. Mexico is defined as one of the most open economies of the world, considering the value of merchandise trade and the number of regional trade agreements signed. Following the

global trend, India has also started opting for various liberalizing initiatives at the regional level. One such is that of looking into possibilities of entering into FTA with Mexico. While full-fledged FTA with Mexico is not recommended, sectoral trading arrangement with Mexico may be of India's interest. Sectors like automobiles, electrical machinery and products related to nuclear reactor can be taken up in the first phase. The service sector in Mexico has lot of potential for India. The policymakers of Mexico are of the opinion that financial and educational services hold good potential for India. Further, sectors like finance and tourism have good potential for Indian investment.

### 2. Study on India-SACU PTA (Preferential Trade Agreement)

The study was carried out for the FTA Division of Ministry of Commerce, Government of India. Major objectives of the study were to: Prepare macroeconomic profile of SACU member nations; Analyze the external sector of SACU i.e. analysis of trade policy, South Africa's approach to RTAs, its engagement with other countries; Identify and understand the impact of existing trade barriers i.e. tariff and non-tariff barriers to trade flows, covering goods and services; and Identify potential area of trade and economic cooperation between India and SACU and make conclusions and recommendations for future action. The SACU offers tremendous potential for cooperation in trade, investment technology and human resources. With an appropriate agreement India and SACU would gain from the trade, investment and technology transfer.

### 3. India-Canada Free Trade Agreement: Challenges & Opportunities

This study was conducted for the Department of Commerce, Government of India. The objectives of the study were to study: the existing economic relation between India and Canada; the potential areas of investment in Canada; the sectors that might get adversely affected from the possible FTA with Canada;

the products and services that would register gains; and the overall growth in exports and imports as well as the consequent economic impacts and opportunities. The study finds that as far as FTA with Canada is concerned, there may be marginal benefit in trade in goods to India. Canada's MFN tariff is much lower than that of India. Therefore, the effective cut in tariff will be low from Canadian side in comparison to India. In this backdrop, utmost care should be taken by the Indian policymakers and negotiators while dealing with Canada. This can further act as a basis for the negotiators, for getting deeper commitment from Canada while dealing with trade in services. Canada's major service imports include, Travel Services, Other Business Services, Royalties and Licenses, Insurance Services and Financial Services. However, India's major service exports include Computer and Informational Services, Travel, Transportation, Other Business Services and Communication Services. Therefore, the existing avenues of potential trade (India to Canada) are Travel and Other Business Services. Since India is a major exporter of Computer and Informational Services, Transportation and Communication Services, trade possibilities in these industries can be explored. The study also finds that, high investment potential exists in Canada mainly in sectors like Manufacturing, Mining, Finance and Insurance.

#### **4. India's Development Cooperation – Opportunities and Challenges for International Development Cooperation**

This study was undertaken by IIFT for the German Development Institute, Bonn (Germany). Main objectives of the project were to study : Experience/foundations of Indian development cooperation; India's role in ensuring regional and cross-regional economic integration; and India's assistance to Africa's development. Findings of the study reveal that India's development cooperation with developing countries in general and particularly with African countries has shown a consistency of purpose, though it cannot be slotted into any existing established models of development cooperation whether practised by other developed countries through the DAC or by the multilateral aid agencies. It is *sui generis*. It is evolving with the

change realities of the world. Recent initiatives taken by India are driven on an equal partnership basis instead of traditional relation of donor and recipient. It is likely that Indian Development Cooperation will play crucial role in future. Capabilities of India to provide advanced but relatively low cost technology and the commonality of interest on global issues like the Millennium Development Goals will be major catalyst for Indian Development Cooperation.

#### **5. Compendium on Technology Exports 2008**

A Compendium on Technology Exports – 2008 was prepared, approved by DSIR and printed for wider circulation. This Compendium was released by Shri Subodh Kant Sahai, then Hon'ble Minister of Food Processing Industries, in a Workshop held at IIFT on 24 October 2008. This publication contains compilation and analyses of technology intensive exports data for 303 firms in India, besides an overview of the technology intensive exports in India and abroad.

#### **6. Compendium for SMEs**

There have been numerous efforts to provide support to the SME segment through various organizations and institutions involved in the promotion and development of the SSI sector existing at different levels, through various promotional schemes. In the absence of efforts towards the compilation of these schemes extended to SMEs at central and individual state levels, under one umbrella, IIFT along with FISME with funding from UNCTAD aimed at developing a Compendium for SMEs on Export Promotional Schemes and Institutions in India. This would later be converted into a software format and placed on the website of both IIFT SME Centre and FISME. The analysis of such tabulation (scheme-wise / sector-wise and region-wise) would help the policymakers to further enhance the efficacy of such schemes.

#### **7. Barriers on India's Services Export and Outbound Investment**

This study was conducted for the Department of Commerce, Government of India. The objective

of the study was to understand the degree and nature of barriers faced by the Indian services exporters and investors in the major markets. India is increasingly inclined to develop comprehensive economic cooperation agreement with several countries which includes services and investment. The barriers faced by service exporters and outbound investors do not occur at the border. They are mainly camouflaged with various types of regulatory and operational complexities. The study finds that India is facing quite significant barriers in the Middle East, EU, and South East Asia in outbound investment. The barriers may be summed up into following categories: strict entry restrictions, local partner requirement, restriction on quantum of investment and functions, etc. The major barriers in services exports are quantitative restrictions, price-based instruments (tax to foreign players or subsidy to local players), licensing or certification requirements, discriminatory access to foreign service providers, etc. The detailed classifications of the barriers are given in the report.

#### **8. Technology Branding in SMEs**

The study conducted for DSIR focuses on the area of branding and need for branding in the context of SME sector. The stigma attached to the sector, based on price-based differentials, price undercutting and lack of product and image differentiators are typical traits through which the sector is known. The study attempts to explore the efforts made by the sector in respect of branding activities and if there is a need for branding activities for the sector. Keeping the scope and nature of operation of the sector into account, what are the specific activities that are required to pursue towards branding activities. The major findings from the secondary and primary surveys show clusterization of the SMEs and they operate more as a cohesive unit. The study also showed lack of proactive marketing efforts from the SMEs and the limited efforts are carried out at the owner's level. Market is price driven with absence of R&D efforts. Price undercutting is another common problem. Suggested recommendation includes Cluster branding to Process branding to Product branding. Efforts required more at the cluster level and gradually moving towards the individual level.

#### **9. Indo-ASEAN FTA: Concern for West Bengal**

FICCI, New Delhi has assigned IIFT to carry out a study on West Bengal in respect to the Indo-ASEAN FTA. The objective of the project is to identify the commodities which are going to be affected by the Indo-ASEAN FTA both positively and negatively.

#### **10. Strategic Plan for CAPEXIL**

CAPEXIL has assigned IIFT a study to analyze the External Environment to measure the performance of domestic industry, exports, global trends, identification of the broad changes in the factor conditions, industry structure and demand conditions, identification of major drivers affecting global trade (like WTO policies, tariff and non-tariff barriers and RTAs) in CAPEXIL related products. The next step performed is the analysis of the Internal Environment to assess the past performance of CAPEXIL services related to promotion and development efforts. Strategic options & choices in terms of thrust products and thrust markets for the related products have also been identified. The report has given a detailed plan of action for CAPEXIL for the five years ending 2012.

#### **11. Textiles & Clothing: Synergizing the Value Chain among SAARC Countries**

The Ministry of Commerce, Government of India, has assigned IIFT a study to explore the possibilities of synergy among the different elements of textiles and clothing value chain among the SAARC countries in the global trade.

#### **12. Enhancing Competitiveness of Unregistered Manufacturing Units in India – Best Practices**

National Manufacturing Competitiveness Council has assigned a study to IIFT to analyze the determinants of competitiveness through identifying prime factors of constraints and pressures under which small units are operating. The study covers primarily four industries, namely: Surgical Units (Baruipur, West Bengal), Chemical Units (Ankleswar, Gujarat), Knitwear and Handloom (Tirupur, Tamil Nadu), and Food Processing (Patna, Bihar).