



Research at IIFT

THE following Research Projects were undertaken by IIFT during 2014-15:

1. Managing India's Trade Deficit with Large Trading Partners: Lessons and Prospects

India's trade pattern with several of its large trading partners has caused bilateral trade deficits/imbances to emerge which are a cause of concern to the Government of India. In the Asian region, the top three countries with whom India has a negative trade balance are China, South Korea and Indonesia. Together these countries accounted for 23.7 per cent of India's overall trade deficit in 2007, which had increased to 28.6 per cent by 2012. By 2015, India's trade engagement with China is expected to touch US\$100 billion, with Korea US\$40 billion and with Indonesia US\$20 billion and therefore, the possibilities of the trade deficit further increasing are real. The analysis of current account deficit of India has indicated that under the given structure of trade, the current account deficit is unsustainable in the long run. Accordingly, the present study undertakes a detailed analysis of the structure of exports and imports of India to China, South Korea and Indonesia and identifies possible ways of reducing the deficit in the future.

The findings of the study indicate that most of the export items from India to China and South Korea are primary products like ores, or semi-processed raw materials like metals or chemical products and import items mainly concentrated in electrical and non-electrical machinery, chemicals & fertilizers, and base metals. The reason for low penetration into Chinese and South Korean market is due to high tariffs and non-tariff barriers faced by India on these products and preferential treatment given to the competing countries. The reasons for

surge in Chinese and South Korean imports have been cited to be inverted duty structure, Information Technology Agreement (ITA-1) of WTO and a non-competitive Indian high tech capital goods industry. On the other hand, export basket of India is diversified with products like cereals, oil seeds; advanced technology intensive products like electrical & non-electrical machinery, transport equipment, etc. The study finds that trade complementarity between India and these countries is very high and also identifies possible high export growth oriented products where India could focus to increase exports to these markets.

2. Study for Comparing Performance of the PSUs (STC, MMTC & PEC) in Common Activities

The study was undertaken at the request of Department of Commerce, Ministry of Commerce & Industry. The three public sector undertakings (PSUs), i.e. STC Ltd., MMTC Ltd and PEC Ltd. sign Memorandum of Understandings (MoUs) with the Ministry of Commerce and Industry every year, incorporating broad-based performance evaluation parameters and targets. In some activities, these PSUs compete with each other undercutting their own margins. Procurement of urea and coal are the two major segments where three PSUs compete with each other. The background of the study was to lay down the performance framework for PSUs under Ministry of Commerce and Industry for procurement of (a) Urea, and (b) Coal. Urea, a canalized item with single customer, i.e. Department of Fertilizers is procured by MMTC and STC (under Department of Commerce), and Indian Potash Limited, a private sector firm. Coal, an item under open general licence (OGL) is procured by MMTC, STC and PEC, for power producing units, beside many others.

While *inter-se* competition amongst them may be considered healthy at macro and national level, but absence of benchmarking parameters measuring their relative performances in common activities creates a lingering doubt as to whether *inter-se* competition is desirable or not, and if yes, how to evaluate their relative performance.

Since the performance evaluation parameters and targets set for the PSUs under DoC are generic in nature and do not reflect segment-wise performance, this study was carried out with the following objectives:

- The desirability of *inter-se* competition in procurement of urea and coal amongst the PSUs with same parentage, and develop appropriate allocation mechanism of the volume of business, so as to promote *inter-se* competition or otherwise.
- Developing performance evaluation parameters for PSUs: (a) as compared to industry-wide benchmarks, and (b) relative to one another in their common activities.
- Understanding the risk associated in the process of procurement of urea and coal and the degree of risk sharing of PSUs in the process, and
- Suggesting suitable remuneration mechanism for the PSUs commensurate with the risk assumed by them in the procurement process.

3. Study on Prospective Plan for Footwear Design & Development Institute

The study was undertaken on behalf of Department of Commerce, Ministry of Commerce & Industry. The key objective of this study was to prepare an expansion plan for FDDI for next 10 years. Given the focus on the “Make in India” initiative, and the projections for growth in the footwear and leather products industry, IIFT was asked to prepare a growth strategy for FDDI and to identify states most suited for establishment of new FDDI campuses. Key factors for the analysis

included identification of the opportunities and requirements of the states in terms of presence of manufacturing units for leather products and demand for skilled manpower at a managerial level in the area of manufacturing and retailing leather and leather goods. The scope of the project included –

- (a) Industry overview and analysis.
- (b) In-depth study of FDDI functioning.
- (c) Identification of factors which impact need for FDDI.
- (d) State-wise opportunity analysis for establishment of new FDDI Campus.
- (e) Prioritizing the locations identified.
- (f) Recommendations for expansion plan for FDDI.
- (g) Identification of key indicators for measuring and evaluating performance of new campuses.

4. Export Strategy for Punjab: Challenges, Opportunities and Action Plan

In the post-liberalization era, the export sector of Indian economy made comprehensive progress resulting in employment generation, speeding up the process of economic development, bringing newer technologies, integrating Indian economy with global economy in general and contributing to country's foreign exchange reserves in particular. Punjab, being an economically advanced state has attracted attention of investors, industrialists, entrepreneurs, policy-makers and agricultural scientists, etc. and accordingly several studies are conducted in order to understand the nature of industries, factors facilitating business, state innate strengths & factor endowments and suitability of business models including sectoral studies looking at export potential of key products. The various studies have, however, neglected the issues related to export prospects of various sectors of Punjab's economy. Therefore, there is a need for conduct of study to assess, appraise

and analyze the export prospects of Punjab and suggest the strategy for exports to Punjab exporters. Accordingly, this study is commissioned at request of Punjab Small Industries & Export Corporation (PSIEC), Chandigarh. The specific Terms of Reference of the study are as follows:

- (a) To appraise the state's strengths in key areas of economic activity, i.e. agriculture, industry and service sector, availability of natural resources and availability of trade related infrastructure in the state.
- (b) To find out the potential sectors of exports from Punjab keeping in mind present global environment and examining the various critical gaps that exist in factor endowment for state for promoting exports.
- (c) To examine the regulatory, infrastructural and operational problems faced by exporters in Punjab.
- (d) To devise the road map for potential sectors of exports for tapping global markets, accessing new customers and executing export orders effectively & efficiently and suggesting the measures that can be taken in agricultural, industrial and services sectors for faster export growth and employment.
- (e) To suggest & recommend the measures for boosting the exports, both merchandise & services from Punjab including possible measures for improving and strengthening the physical and institutional infrastructure of the state.

FOURTH INTERNATIONAL CONFERENCE ON "EMPIRICAL ISSUES IN INTERNATIONAL TRADE AND FINANCE"

THE Institute organized its Fourth Research Conference on Empirical Issues in International Trade and Finance (EIITF) during 18th and 19th December 2014 at its New Delhi Campus. The Conference was inaugurated by Smt. Nirmala Sitharaman, Hon'ble Minister of State for Commerce and Industry (Independent Charge). Besides the Hon'ble Minister, Dr. Surajit Mitra, Director and Vice-Chancellor IIFT and Prof. Rakesh Mohan Joshi, Chairperson (Research) were present at the Inaugural Function. The Conference received wide response from the academia and the policy research community, and a total of 170 papers were submitted from Universities and Research Institutes from India and abroad. After suitable peer-review process, a total of 96 papers were

selected for presentation and finally 78 research papers were presented at the Conference. These included 20 paper presenters from abroad including renowned Universities and multilateral bodies like London School of Economics, Oxford University, University of



Dr Surajit Mitra, Director & Vice Chancellor, IIFT presenting memento to Smt Nirmala Sitharaman, Hon'be Minister of Commerce & Industry (Independent Charge) at the inauguration of the IIFT Conference.



Shri Rajeev Kher, Commerce Secretary, presenting Best Doctoral Paper Award to Ms Amrita Saha.

Westminster, University of Sussex, University of Nottingham, Hanken School of Economics, Goethe University Frankfurt, Gdansk University of Technology Poland, Auckland University of Technology, University of Isfahan Iran, Tlemcen University Algeria, OECD Paris, etc.

The Conference schedule accommodated a total of 21 technical sessions, where ongoing research in different areas of international trade and finance were presented. Besides the technical sessions, Prof. Alan Deardorff (University of Michigan), Prof. Graciela Chichilnisky (Columbia University), Prof. Shujiro Urata (University of Waseda), Prof. Jim Rollo (University of Sussex), Dr. Nordås Hildegunn (OECD) and Shri J.S. Deepak (Department of Commerce, Government of India) were invited for delivering Special Lectures at the Conference.

In addition, two Policy Forums on issues of significant contemporary policy relevance, namely: 'Issues Pertaining to Trade Facilitation' (in collaboration with FICCI) and 'East Asia and South Asia Integration' (in collaboration with Asian Development Bank), were also organized at the EIITF 2014 Conference.

The Valedictory address was delivered by Shri Rajeev Kher, the Commerce Secretary, Government of India and Chairman, IIFT. The 'Best Doctoral Paper Award' was given to Ms. Amrita Saha (University of Sussex) for her paper on "Has Protection really been for Sale in India? An Empirical Investigation".

The Conference ended with the vote of thanks to all dignitaries, paper presenters, session chairs, discussants, and sponsors. IIFT faculty, students and staffs have been acknowledged for their involvement to make this conference successful. It was announced that the next conference will be organized in 2016 at IIFT Kolkata Campus.

Ph.D. PROGRAMME

The Ph.D. 2014 Programme commenced from 19th July 2014 onwards. Fourteen candidates have been enrolled for the programme on the basis of written exam and viva-cum-interview. Four students were awarded Ph.D. Degree at the 49th Annual Convocation held on 22nd April 2015.



Dr. Arvind Panagariya, Vice Chairman, NITI Aayog, awarding Ph.D. Degree to the successful student at the 49th Annual Convocation.