

## Research

### 1. India's Regional Trade Agreements: Impact on Indian Economy

THE study was conducted for ASSOCHAM based on the background of National Seminar organized by ASSOCHAM on "India's Regional Trade Agreements: Impact on Indian Economy". This report gives detailed information about India's engagement in different PTAs/FTAs and CECAs/CEPAs. Comprehensive analysis of trade issues with select FTAs *vis.* India-Sri Lanka FTA, India-Asean FTA, India-Korea FTA is undertaken with the help of detailed data analysis. Services sector liberalization in terms of select FTAs, CECAs/CEPAs has also been undertaken along with exploration of the opportunities for India's services sector. Issues of concern for Indian industry which are pertinent because of entering into these RTAs have also been flagged.

### 2. Feasibility of Entering into Free Trade Agreement (FTA) with Iran

The study was conducted for Department of Commerce, Ministry of Commerce & Industry. The purpose of the project has been to identify adequate number of tariff lines at 6-digit level with substantial trade potential and understand the major non-tariff barriers (NTBs) which are currently impeding India's exports to Iran. It is observed that India's trade balance with Iran has witnessed a massive change over the last six years. While in 2003 India had a trade surplus of US\$625 million, in 2008 India had trade deficit of US\$11,456 million. After the data analysis, 73 products with high Revealed Comparative Advantage (i.e., export potential) and high Compound Annual Growth Rate (i.e., high demand in the Iranian market) are identified as Opportunity Products. In addition, 262 products with low RCA and high CAGR are identified as Sunrise products. The estimation reveals that the potential gain from liberalization of the opportunity products would increase Indian exports to the Iranian market approximately by US\$5.76 billion. Also, the potential gain from liberalization of sunrise products would increase Indian exports

to the Iranian market approximately by US\$3.24 billion. Hence the total gain from the opportunity products and sunrise products comes to around US\$9 billion.

In order to understand the NTBs, a primary survey of 33 exporting firms which are mainly located in Delhi, Kolkata and Mumbai have been conducted. The survey reveals that the major NTBs affecting India's export include discriminatory duties, countervailing duty escalation, technical standards, packaging and labeling regulations, recycling norms, etc. The major sectors getting affected by these barriers includes Meat, Tea, Cereals, Chemicals, Pharmaceuticals, Printing Ink and Paints, Rubber, Iron and Steel, Machinery, Auto Components, etc. Exports of all these sectors are included in opportunity products and sunrise products category, which makes negotiation on them all the more important.

### 3. Study on Export Potential of Embedded Software Solutions in the Healthcare and Education Sector

Indian software developers have contributed to this sector by being third party developers for many health equipment as well as educational equipment manufacturing firms like Siemens, Sigma, Cole Parmer, etc. The small software development company of India is basically dependent on larger companies like Microsoft, Accenture, Sasken Communication, ST Micro Systems for business. These large companies subcontract the development job to smaller companies. Hence, the opportunities for the smaller companies lie only doing job work for the larger companies. The major challenge faced by the smaller organization is to take up independent development job. In the above context the study was undertaken to examine various challenges and opportunities available to the embedded software developers. This is a pioneering work which deals with a specialized issue of embedded software development and challenges faced by the small

software development companies who choose not to be in KPO or BPO business but do some serious programming and innovation and contribute to the global equipment market. The small software development companies of India have potential for producing innovative software but the talent remains unexplored because of the modular and component development passed on to them by larger software development companies in the global market. This study brings out the challenges faced by these companies, and in the later stage suggests how these small development companies can address the challenges highlighted to get better business. The study also provides guidelines on how to venture out independently. The study was an IIFT initiative and not a sponsored study of any external agency.

#### **4. Market Study in respect of Coir & Coir Products in Europe**

The coir industry is an agro-based, labour-intensive and export-oriented industry using coir fibre, a by-product of coconut plantations. Coir industry in India, employing around 0.6 million people with around 80% females, is facing problem of drastic decline in matting, rugs, and handloom items. In this backdrop, the study assesses the export potential of the Indian coir products in Europe as Europe is the largest export destination for Indian coir products. The study had the following broad objectives based on terms of reference agreed with the sponsor:

- A. Get a comprehensive insight of European market pertaining to threats and opportunities for Indian coir products. It includes assessment of the market, reasons for decline of specific products, competition, role of channel, market opportunity and strategies adopted by competing solution providers and nations.
- B. Modalities of trade with European countries.
- C. What measures should be taken to leverage the market potential for Indian products.

The study comprised primary and desk-based research conducted through five phases. The Study relied upon internationally recognized data sources to identify trends, gap areas, external business environment, etc. In-country study was conducted in respect of the selected products to understand problems and prospects of this industry by way of field survey, personal interviews of exporters, manufacturers, Coir Board officials, visit of Coir Technology Research Institute, Bangalore and showrooms of Coir Board/individual exporters. The study also involved field investigations to select countries, namely United Kingdom, Germany, The Netherlands and Italy in Europe. During the survey, personal discussion with importers, associations, retail shops, leading chains and exporters at the exhibition points during DOMOTEX fair helped to enrich insight about the comprehensive market overview of Europe. The study concludes that an effective strategy should, therefore, create an effective pull as well push for Indian coir products in the European market. The push can be best achieved through channel support. The channel needs to be incentivized by way of improvising the current cost structure through policy support, efficient management and better quality fibre. The pull for the products comes from consumer side purchase intentions. Continuous need assessment, effective segmentation, aggressive marketing directly and channel supported communication can improvise demand side issues. It may not be convincing for many coir exporters to risk resources on this for the commodity nature of the product in question. Therefore, efforts at the aggregate level are operationally feasible. But products like geo-textiles can be popularized via international organizations like International Erosion Control Association (IECA) and collaborative arrangements with international inter-governmental organizations.

#### **5. Export Potential Survey and Strategies for Arunachal Pradesh**

Arunachal Pradesh is like paradise on earth situated on the North Eastern tip of India having long international boundary with the countries like Myanmar, Bhutan, and China. At the same time the state is blessed with enormous natural resources,

which if properly utilized would bring substantial economic benefit not only to the state but also to the country. However, in spite of natural resource advantage the state remained primarily agrarian. Industrialization has been planned for the state and being implemented through policy level support of state and central governments. In this context, Department of Trade & Commerce, Government of Arunachal Pradesh approached IIFT to conduct a study on export potential of the state and strategies for developing export from the state. The study has been conducted both through primary and secondary survey. Both primary and value added products have been selected on the basis of resource availability, skill development, government policies, etc. To ratify the products so selected, primary survey was conducted. Major exportable include horticulture and spices, medicinal herbs and orchids, bamboo and rattan based products, wood based handicrafts and other handicrafts, dairy products, organic tea, mineral based products, etc. A district industry matrix has also been prepared. After identification of potential markets for the exportable products, the prospective routes through which this can be evacuated from the state has been suggested. Again on the basis of the border trade infrastructure in Myanmar, China and Bhutan sector and on the basis of supply chain bottlenecks in the particular sector, specific recommendation had been put forward to the Government of Arunachal Pradesh along with a time bound action plan for implementation.

Arunachal Pradesh Trade Development Authority, which will be the nodal agency for development of export from the state, is primarily responsible for implementing the recommendations, through its different wings. The study recommended preparation of State Export Policy, development of route to ICD Guwahati through Bhutan, issuance of trade license in the state itself, maintenance of trade database, along with capacity building of all groups of stakeholders through research and training.

## 6. Export Competitiveness of India and China in Engineering Exports

China and India, both are having almost similar history of economic development; though for the last few years China has outperformed India in the world market almost in every sector. In this context, Engineering Export Promotion Council (EEPC) approached IIFT to conduct a study on China's competitive factor in engineering sector and policies behind this. IIFT has conducted the study in two parts. The first part contains the list of engineering commodities that are facing a threat from China and the list of commodities for which India has an advantage with respect to China. The study also contains an analysis of the sources of export growth for engineering products. As can be expected the list of commodities which are threatened by competition from China is rather long. However, the situation is not extremely bleak for India. As far as the sources of export growth are concerned, China is far more price competitive than India. Therefore, the major source of Chinese export growth is price competitiveness. The main source of India's export growth on the other hand is the targeting of products to the high growth markets. In other words, even though India has chosen its market correctly, low level of competitiveness of Indian products has been a serious handicap for its export.

The second part contains the policies of China in the engineering sector and incentives offered to the exporters. It mainly reveals what are the reasons for the phenomenal rise of Chinese exports and why is India lagging behind? These are some of the important questions which have been addressed in this study. In Chinese development, government policies have played a decisive role. Two of them are: the development of SEZs (Special Economic Zones) and encouragement given to the SMEs (Small and Medium Enterprises). The study takes a look at these and other steps that the government has taken to encourage engineering exports from the country. While studying the policies is one objective of the report, the other objective is to compare them with India and to recommend policies that the Indian government should ideally undertake.

## 7. Comprehensive Economic Cooperation between India and Israel: Negotiating Stands for India in Goods Sector

The study was offered by Department of Commerce, Ministry of Commerce & Industry. This report is a follow-up study aiming to analyze economic co-operation between India and Israel. It provides an insight to the gain that India can have after entering into an Economic Cooperation Agreement with Israel. This study provides negotiating tools to the Ministry in terms of preparing the indicative list of sectors in which India needs to be aggressive and also sectors where it requires to be defensive. The study also identifies few major NTBs which government can take up for discussion with Israeli authorities. The study broadly covers sectors like goods, services and investment. The major objectives of the study were:

- (a) to locate the competitive advantage of India's goods sector and identify the list of existing/potential products in which India is expected to gain from increased exports. In other words, the study will try to prepare India's aggressive position in Israel's market identifying relevant tariff lines which India can ask Israel to liberalize further.
- (b) to prepare a list of products where India needs to be defensive in trading with Israel; basically developing the Negative List and the Sensitive List.
- (c) to review the NTM structure of Israel in goods sector from the secondary sources.

## 8. Study on India's Export Potential of AYUSH Products with SAARC and ASEAN Countries

The study on "India's Export Potential of AYUSH Products with SAARC and ASEAN Countries" was conducted for Department of AYUSH, Ministry of Health & Family Welfare. The study aims to look into the prospect of India's export potential of AYUSH products in SAARC and ASEAN countries in terms of the market size, trade channels, regulations requirements, etc., for boosting AYUSH products. The study has come out with a report that would be helpful for the policy-makers and has provided

analysis and inputs on trade potentials of AYUSH products in SAARC and ASEAN countries. The study also gives analytical recommendations based on available quantitative data from authentic sources and qualitative views regarding identification of the export potential in various categories of AYUSH products in selected countries. Useful information about the general trend of exports, key products, and nature of trade barriers and viewpoints of traders who are actively engaged in trading with these countries has been provided. Finally, the study provides inputs on the list of products put up for analyzing the prospective growth of trade and its impact on the domestic economy.

## 9. Dual Use Industries and Security Concerns: An Indian Standpoint

The study entitled "Dual Use Industries and Security Concerns: An Indian Standpoint" was conducted for National Technical Research Organization (NTRO), New Delhi to study the dual use export scenario and associated concerns for India. The purpose of the current analysis has been to evaluate the overall trade and production dynamics in the dual use sectors in India with respect to the current reporting and licensing arrangement for dual use industries. The objectives of the research were:

- Analysis of the overall trade and production dynamics in the dual use sectors.
- Analysis of the current reporting and licensing arrangement for dual use industries.
- Analysis of the customs procedure followed during dual use export.
- Analysis of the impact of the compliance procedure and identification of the key issues relevant for the select dual use sectors.
- Analysis of the export control procedures on dual use sectors in select countries like China, EU, Japan, Russia and the US and the implications for India.
- Policy recommendations for addressing the key issues.

## 10. Setting up of Warehouses in Free Trade Zones of Iran

India and Iran have long historical ties in cultural and economic issues. India's trade with Iran has grown significantly over the last six years. However, share of Iran in India's export basket has declined from the level of 1.5 per cent in 2003 to 1.28 per cent in 2008. Contrary to this trend, India's imports from Iran, in terms of its share in total imports have increased manifold. The rise in the import of oil products contributes to this trend. While in 2003 the share of Iranian products in our import basket was merely 0.37 per cent, in 2008 the same has increased to the level of 4.37 per cent. It appears that it is in India's favour that the trade opportunities between the two countries are strengthened through institutional arrangements. Iranian parliament approved the Free Zones Act in September 1993. These free zones have special incentives for investors. Embassy of India, in Iran, proposed a research project to IIFT Delhi on "Setting up of warehouse in free trade zones of Iran" for examining the possibility of enhancing trade with Iran through setting up a warehouse in Iran. Main objectives of this study were as below:

- Possibility for setting up of a warehouse in FTZ/SEZ of Iran.
- To study market scenario for auto components and pharmaceutical products in Iran.
- To study major problems faced by Indian exporters.
- Study of the existing arrangements for payments relating to international trade.

To achieve above objectives, this study was carried out in three phases: desk based research on the basis of secondary data; questionnaire based field survey in India; and interactions with officials and businessmen from India and Iran. The study observed that in the present context, establishing a warehouse in Iran only for auto components & pharmaceutical products may not be very fruitful exercise. However, in future, if warehouse has to be established in Iran then it should be multipurpose and preference should be given to a place near Tehran only.

## 11. Declaration on Cooperation in Trade in Traditional Medicines in SAARC Nations

The study was offered by Department of Commerce, Ministry of Commerce & Industry. According to World Health Organization "Traditional Medicine is the sum total of knowledge, skills and practices based on the theories, beliefs and experiences indigenous to different cultures that are used to maintain health, as well as to prevent, diagnose, improve or treat physical and mental illnesses". On international front, various efforts have been undertaken to incorporate comprehensive cooperation in selected segments of interest by way of certain Declarations. India can consider taking initiative to enter into an agreement covering various stages in AYUSH for cooperation on SAARC level. This declaration seeks to serve the following purposes:

- (i) The main purpose is to formulate uniformity measures in all the fields, viz. product, practice, practitioner, education, research and training thus ensuring cooperation in the field of AYUSH and not competition among SAARC countries.
- (ii) Another significant purpose is to build technical cooperation and capacity building among different countries, so that the mutual knowledge and research is shared. Student exchange programmes among different SAARC countries would enhance the knowledge sharing. Reservation of seats for students from SAARC countries in India in a fair manner can be ensured.
- (iii) Besides these ensuring trade in both goods and services is also a major purpose of the declaration. Thus not only the system but also practice and practitioners can be encouraged to move across borders.
- (iv) To explore the possibility of providing preferential treatment to trade in traditional medicine and practice in the framework of bilateral/free trade agreements between different SAARC countries.
- (v) Last but not the least a common list of HS code for AYUSH products in all SAARC countries can be one major purpose the declaration may

serve. The difficulties arising due to the mixed nature of traditional medicine, overlapping HS codes with other products should be sorted out and a uniform HS code at the level of 8 digits may be formulated. Thus any trade negotiation, export and import can well be documented with enough transparency in the system.

## 12. Assessment of Export Potential of Non-Wood Forest Produce

Non-wood Forest Produce according to Food and Agriculture Organization (FAO) of the United Nations consists of goods of biological origin other than wood, derived from forests, other wooded land and trees outside forests. Non-wood forest products (NWFP) have an important role to play in the livelihood of many rural communities around the world. With 40% forest cover and around 33% tribal population, NWFP plays vital role in providing livelihood opportunities for these tribal and other rural people of Chhattisgarh. The above study has been conducted for CGMFP Federation which is a leading organization engaged in trade and

development of the NWFP in the Chhattisgarh State. The study has been conducted with following terms of reference:

- (a) Assessment of the current international trade scenario and India's position hereof in the following products:
  - Raw and processed imili (*tamarindus indica*); Lac (*carri lacca*); Honey; Aonla (*emblica officinalis*); Beal (*aegle marmelose*); Charota (*cassiatora*); Myrobalans (*terminalia chebula*); Dhawda (*anogeisus latifolia*); Kullu (*sterculia urens*); Babool (*acacia nilotica*); Baheda (*terminalia bellirica*); Sal (*shorea robusta*);
- (b) Policies, rules and regulations governing trade in India and abroad of the above listed products;
- (c) Study of the value addition possibilities;
- (d) Certification procedure and governing laws;
- (e) Institutional support required;
- (f) Incentives required.