



## Conference Summary

### Fourth IIFT Conference on “Empirical Issues on International Trade and Finance”

**Date:** 18th and 19th December 2014

**Venue:** Indian Institute of Foreign Trade, New Delhi

**Website:** <http://eiitf.iift.ac.in>



The Indian Institute of Foreign Trade (IIFT), a Deemed University, organized its Fourth Research Conference on Empirical Issues in International Trade and Finance (EIITF) on 18<sup>th</sup> and 19<sup>th</sup> December 2014 at its New Delhi Campus. 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 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 Mr. 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.

Prior to EIITF 2014 Conference, three EIITF Conferences have been successfully organized by IIFT in the past. The first Conference was held in IIFT Kolkata in December 2008. The Second Conference was held in IIFT Delhi in December 2010 and the third conference was conducted by IIFT Kolkata Campus during January 2013, the Golden Jubilee year of the Institute. All the conferences received overwhelming responses from the academia and the policy research community in India and abroad. The academic discussions during the past three conferences also received substantial rigour due to the presence of many renowned academicians and policy researchers, who were invited for delivering Special Lectures, namely: Prof. Richard Baldwin (Graduate Institute, Geneva), Prof. Jeffrey H. Bergstrand (University of Notre Dame), Prof. Maitreesh Ghatak (London School of Economics), Prof. Geeta Gopinath (Harvard University), Dr. Bernard Hoekman (World Bank), Prof. Kala M. Krishna (Pennsylvania State University), Dr. Will Martin (World Bank), Dr. Mia Mikic (UNESCAP), Dr. C. Rangarajan (Former RBI Governor and the then Chairman of the Prime Minister's Economic Advisory Council, Government of India), Prof. Partha Sen (Delhi School of Economics) and Dr. Ganeshen Wignaraja (Asian Development Bank Institute).

**(a) Inaugural Function:**

The Fourth EIITF Conference was inaugurated by the Hon'ble Minister of State for Commerce and Industry (Independent Charge), Smt. Nirmala Sitharaman on December 18, 2014. 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.

In his welcome address, Dr. Surajit Mitra mentioned how IIFT, which was set up on 2<sup>nd</sup> May, 1963 at the initiative of Pandit Jawaharlal Nehru as an Institution with a focus on

foreign trade related research and training, has transformed over the five decades from a foreign trade facilitator to a globally networked Institution in international trade and business by blending business knowledge with creative research, pioneering executive development programmes and international collaborations and linkages. He recounted how in the aftermath of the global financial crisis in the US, IIFT undertook an academic initiative in 2008 to organize the first EIITF Conference with an aim to provide a platform for academic debate and discourse on contemporary issues like the imbalances caused by the financial crisis, ways and means for deepening trade integrations with the world and how to translate the enhanced trade flows into growth as well as sustaining development. He further explained how over the years, the themes of EIITF has been chosen in sync with the rapid progress of globalization and trade openness and increased interest of researchers in the associated fields. Dr. Mitra observed that over the last decade, the deepening of the integrated production networks in manufacturing sector has led to enhanced participation of developing economies in value chains by specializing in narrower product lines. This has resulted in a spectacular rise in importance of developing countries in world trade. Citing statistical evidences, he pointed out that the share of North-North trade (i.e., trade between developed countries) has declined from 56 per cent in 1990 to 36 per cent in 2011, while the corresponding figures for South-South trade has jumped from 8 per cent to 24 per cent in the corresponding period. The share of North-South trade over 2000-12 period has remained at around 37 per cent, which is considerably higher as compared to the corresponding 1980 figure.



In her inaugural address, Minister of State (Independent Charge) for Commerce and Industry, Government of India Smt. Nirmala Sitharaman expressed serious concerns over absence of comprehensive and robust databases on export and import of items from the country. Concerned over increasing rubber imports into the country, she observed that small growers in states like Kerala are getting affected due

to decline in prices. In this context, she pointed out that due to unavailability of real time data on export and import of rubber and other agriculture commodities, the government is not able to take concrete steps to help the farmers. She urged Institutes like IIFT to collect empirical real time data which are not available with the commodity boards and also to analyse and give the Government a picture of what could be the world commodity price movement in future. She further observed that India's GDP is largely supported by services sector and growth of the manufacturing sector has largely stagnated at about 16 per cent, with the country's share in global manufacturing trade at just 1.8 per cent. Citing China's case, she pointed out that its manufacturing sector contributes 34 per cent in the GDP and 13 per cent share in global manufacturing trade. Reiterating the Government's push for boosting manufacturing growth in the country, she said that the new initiative on "Make in India" has

received a positive response and is a key pillar of the Government's strategy to propel India's growth engine further and respond to the socio-economic challenges.

In his Vote of Thanks, Dr. Rakesh Mohan Joshi thanked the Hon'ble Minister for delivering a thought-provoking speech and indicating the areas where of leading Institutions like IIFT can contribute in trade policymaking. The Minister also released a book of Dr. Biswajit Nag, an IIFT Faculty, entitled, "My World with Rafiki: An Economic Travelogue and Miscellany", in the inaugural session.

### **(b) Special Lectures:**

In the first Special Lecture entitled, "Avoiding Extinction: The Kyoto Protocol Carbon Market", on December 18, 2014, Prof. Graciela Chichilnisky (Columbia University) noted the global risks currently being faced in terms of climate change, biodiversity extinction, clean water scarcity etc. and the need to adopt policies for securing sustainable development. In the Context of the UN Kyoto Protocol negotiations, she further deliberated on the areas of Carbon Market, Green Power Fund and the need for technology advancement for reducing carbon from the atmosphere.



A Luncheon Lecture entitled, "OECD Services Trade Restrictiveness Index (STRI)", was delivered on December 18, 2014 by Hildegunn Kyvik Nordås and Frederic Gonzales (OECD, Paris), where they presented the methodology and the results relating to STRI covering 18 sectors across 40 countries. Discussing various aspects of the OECD STRI database, the lecture outlined the potential role of the index in trade policymaking, especially in the area of service trade.

The second Special Lecture entitled, "Production Networks in East Asia: Recent Developments and Economic Impacts", on December 18, 2014 was delivered by Prof. Shujiro Urata (University of Waseda). After discussing the presence of the different forms of production networks across countries and the recent rise in network trade, Prof. Urata noted that a number of reforms like reduction in trade cost, transportation and FDI liberalizations, technological progress, etc. are responsible for the rapid expansion of production networks in Asia. The positive effects of networked trade, viz., employment and export creation, industrial upgradation and narrowing development gaps were strongly underlined in the Lecture.

The third Special Lecture entitled, "Trade in Services - An Indian Perspective", was delivered on December 18, 2014 by Mr. J. S. Deepak (Department of Commerce, Government of India). Noting the significant role of services exports in India's trade, Mr. Deepak discussed India's sectoral and modal interests in the ongoing multilateral

negotiations. He also dealt on the offensive and defensive interests of the country by discussing the offers and commitments. The Lecture of Mr. Deepak also deliberated on the potential implications of the Trade in Services Agreement (TISA) and Mega FTAs on services trade in coming days.



connect between countries through the RTA route is deepening over the decades. Discussing the recent rise in trade in inputs and final products and the Rules of Origin (ROOs) compliance related concerns, he noted that ROOs may lead to an outcome where the net welfare effect of ubiquitous FTAs would be negative for all countries, vis-a-vis no FTAs and positive tariffs scenario.

The fourth Special Lecture entitled, “Proliferation of Free Trade Agreements and Implications of Rules of Origin”, on December 19, 2014 was delivered by Prof. Alan Deardorff (University of Michigan). Citing the example of Trans-Pacific Partnership (TPP) and similar mega-FTAs and the consequent emergence of overlapping RTAs in the recent period and the concerned areas, Prof. Deardorff discussed how the



The fifth Special Lecture entitled, “TradeSift and International Trade Policy Analysis”, on December 19, 2014 was delivered by Prof. Jim Rollo (University of Sussex). After discussing the application of TradeSift for analyzing international trade, Prof. Rollo deliberated on the current trade trends and the policy implications.

### (c) Policy Forums:

The IIFT-FICCI Policy Forum on “Issues Pertaining to Trade Facilitation” was organized on December 18, 2014. The panellists included Mr. Sandeep Kumar (Ministry of Finance, Government of India), Dr. William Gain (IFC, World Bank), Dr. Pritam Banerjee (DHL), Dr. Biswajit Nag (IIFT) and the discussion was moderated by Mr. Manab Majumdar (FICCI). The discussion was spread over three levels, namely from the government perspective, business perspective and academic perspective. It was noted that the Government of India has undertaken several studies to understand the nuances of doing business in India and how to improve the trade facilitation scenario further. Academic perspective focused on the methodology which has been adopted to measure various indices, capturing trade facilitation achievements. Observations from private sector revealed that India still has a long way to go

although it has achieved significant improvements through digitization and automation over the past decades. The Forum noted that it is important for India to improve the integration among various services in the overall trade facilitation.

The IIFT-ADB Policy forum on “East Asia and South Asia Integration” was organized on December 19, 2014. The panellists included Prof. Anwarul Hoda (ICRIER), Prof. Rajat Kathuria (ICRIER), Dr. Jayant Menon (ADB) and Prof. Meenu Tewari (ICRIER) and discussion was moderated by Dr. Jayant Menon (ADB).



The main focus of the forum was to improve India’s ability to participate in the regional value chains in South and Southeast Asia. It was noted that some product groups, e.g., automobiles, textiles, pharmaceuticals etc. have brighter possibilities to get integrated in the value chains. The discussions observed that reforms in import duties and taxes, enhancement of port capacity and rail and road connectivity with industrial bases, securing uninterrupted supply of

energy, adoption of appropriate trade facilitation measures, policy support for high value-high technology exports, etc. would further support India’s participation in the regional value chains.

#### **(d) Technical Sessions:**

Besides six special lectures and two policy forums, 78 research papers were presented in the Conference spread over 21 technical sessions. The main themes of these sessions were Exchange Rate and Capital Flows (16 papers), Firm Heterogeneity and Trade (8 papers), Macroeconomics and Finance (10 papers), RTAs and Gravity Modelling (16 papers), Trade and Development (7 papers), Trade and Environment (4 papers), Trade Facilitation Issues and WTO (4 papers), Trade in Services (6 papers) and Trade Theory and Policy (7 papers).

Under ‘Exchange Rate and Capital Flows’, the main discussion was around possible impacts of various exchange rate regimes of the bilateral trading partners on their merchandise and services exports, the exchange rate pass-through to import and domestic prices in India applying robust time-series econometric models and effects of Foreign Direct Investment (FDI) on the domestic investment and growth pattern of the emerging economies like BRICS nations, including a research paper on Investment Development Path (IDP) approach exploring the dynamics of Indian outward FDI. For ‘Firm Heterogeneity and

Trade’, the focus was on the global trade collapse together with role of intra-firm trade, the cost share of inputs and trade finance in the trade collapse of 2008-09, the factors affecting the export performance of manufacturing firms in India, and how MNE activities influence export performance in India. In the technical sessions under the theme ‘Macroeconomics and Finance’, the impact of stock market development on economic growth, shock and volatility spillovers among equity sectors, and the role of financial integration in developing and industrial countries in the context of output growth and volatility were some major issues discussed in details.

The session on ‘RTAs and Gravity Modelling’ saw several research discourse on gravity



model application for scrutinizing the determinants of export and import flow of countries in South Asia, the strategic interaction of issues of regional integration among small and island economics and the impacts on trade creation and trade diversion of China’s and India’s major preferential trade agreements using an augmented gravity model. The thrust areas of the technical session on, ‘Trade and Development’ were the impact of gender neutrality on trade and

finance, the causal relationships between foreign aid and economic development, implications of offshoring for the labour markets by examining its effect on wages of different skill groups in a worldwide industrial framework, and the welfare implications for the urban poor, relating urban informal wage movements and likelihood of changes in urban poverty.

For ‘Trade and Environment’, the focus was on causality between carbon emissions, FDI, trade and economic growth, the adverse influences of merchandise trade flows on per capita CO<sub>2</sub> emission in countries across development spectrum and evidences on MFN tariff rates and carbon emission, particularly for lower-middle-income countries. Under ‘Trade Facilitation Issues and WTO’, the discussions revolved around WTO and food security, impact of carbon based border tax adjustment on India’s export to select EU countries, and measurement and Determinants of trade costs of India within Asia.



‘Trade in Services’ has been among the most extensively discussed topics in the Conference. The issues that were predominantly discussed in this session include impact of services trade restrictiveness on trade flows, estimation of the key economic determinants of services trade with special reference to policy variables, and the impact of reforms on productivity growth and technical performance on India’s service sector. The research papers in the session on ‘Trade Theory and Policy’ focussed on validation of the existence of product cycles using ex-post export

data for differentiated products, the microstructure of import markets and the division of the gains from trade among consumers, importers and exporters and study on empirical investigation of whether protection has really been for sale in India or not. Noted economists including the likes of Dr. Mohammad A. Razzaque (Commonwealth Secretariat), Dr. Rashmi Banga (UNCTAD), Prof. Madhurya P. Bezboruah (Gauhati University), Prof. N. R. Bhanumurthy (NIPFP), Prof. Saibal Kar (Centre for Studies in Social Sciences), Prof. Nitya Nada (TERI), Prof. Raj S. Dhankar (FMS) and Prof. Arpita Mukherjee (ICRIER) chaired the technical sessions to enliven the academic and policy debates.

#### (e) Valedictory Session:

The Valedictory session on December 19, 2014 started with the welcoming remarks by Prof. Rakesh Mohan Joshi, Chairperson (Research). Dr. Jaydeep Mukherjee, IIFT then delivered a snapshot of the Conference proceedings, covering the deliberations in the Special Lectures, technical sessions and Policy Forums.

The Valedictory address was delivered by the Commerce Secretary, Government of India and Chairman IIFT Shri Rajeev Kher. In his address, Shri Kher pointed out that only firm commitment on globalization through mutually beneficial multilateral reforms can bring the world economy firmly back on growth path. The extent of globalization over the last three decades has been hailed strongly by the multilateral bodies.



He stressed on the growing trade-investment linkage which underlines the importance of technology transfer and implications for the export baskets of the recipient countries. He observed that a well-endowed Institute like IIFT can significantly supplement the Government initiatives in trade capacity building and policy-making through its research output. While highlighting the

importance of more research in trade and finance areas, he complimented the Director and IIFT faculty for the efforts to make the EIITF 2014 a success.

The Director and Vice-Chancellor IIFT Dr. Surajit Mitra in his address observed that this is a unique Conference which has a fair balance of representations from academia, policy researchers, multilateral agencies, industry bodies and policy-making communities. He hoped that mutual learning in this kind of high-calibre academic Conference will push the frontiers of academic research in international trade and finance and better understanding of policies in these fields further. He noted that selected papers of this Conference will be published in an edited book by a reputed publisher.



In this session '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 by Dr. Debashis Chakraborty 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 held in 2016 at IIFT Kolkata Campus.