

A significant step toward future research exchange with India^{*}

Nobuyuki Sato

Director for International Affairs, Policy Research Institute (PRI), Ministry of Finance (MOF)

Rui Arase

Deputy Director, Office of International Research and Cooperation (OIRC), PRI, MOF

I. The purpose of publication

The Office of International Research and Cooperation (OIRC) at the Policy Research Institute (PRI) of the Ministry of Finance of Japan, continuously conducts technical assistance projects to developing countries, which are designed to support capacity building and policy-making in the field of public finance, taxation, and policy-based finance. At the same time, “Research Exchange” including the acceptance of visiting fellows abroad and the implementation of research, is another main pillar of our activities.

Previously, the PRI’s research exchanges with overseas institutes were mainly conducted as joint research projects with Chinese government research institutes, or as co-organized workshops. However, since last year, we have been exploring the possibility of conducting a research exchange with the India Council for Research on International Economic Relations (hereinafter referred to as ICRIER), the most influential economic institution in India, led by Dr. Rajiv Kumar, Director and Chief Executive, and we finally co-hosted a workshop with ICRIER on February 15 and 16, 2010.

This special edition of “Public Policy Review” published by PRI, aims to introduce five research papers written by prominent economists both of PRI and ICRIER for the abovementioned workshop.

II. Program of the workshop

The co-organized workshop on “Policy Response to Global Financial Crisis and India-Japan Cooperation” was held on February 15 and 16, 2010, at a conference room at ICRIER in New Delhi. Details of the program are as described in the attached “Table:

^{*} The content of this paper reflects only the personal opinions of authors. It does not express the official views of either the Ministry of Finance or the Policy Research Institute.

Workshop Program”.

It was exciting for us that participants on Indian side were not only senior economists from ICRIER, but also high-level politician and senior officials. For example, Dr. Bimal Jalan, a current member of parliament, is a person who has served in various high-ranking government posts, including as the Governor of the Reserve Bank of India and as Finance Secretary, and Dr. Shankar Acharya is also an influential economist in India who was assigned as Chief Economic Advisor to the Government of India from 1993 to 2000. This shows that the ICRIER have close ties with the Government of India.

The workshop, co-chaired by Mr. Nobuyuki Sato, Director for International Affairs of PRI (coauthor of this article) and Dr. Shankar Acharya, Honorary Professor of ICRIER, was conducted through presentations of research results by both sides and lively discussions[†].

In the first session, Dr. Tokuo Iwaisako, Principal Economist of the PRI, explained about his comparative study of policy responses to the Global Financial Crisis in the US, the EU and Japan. On the Indian side, Dr. Dayanand Arora, Visiting Senior Fellow of ICRIER, reported the experience of the Indian economy during the crisis based on an analysis of the situation on capital inflow and outflow observed in India. Especially, we discussed controlling short-term capital flows in India, including the validity of regulations, the cost of sterilizing, and current inflation fears.

Following the morning session, from the standpoint of regional currency stability, Dr. Eiji Ogawa, Dean and Professor at the Graduate School of Commerce and Management at Hitotsubashi University, analyzed how much deviation there would be among Asian currencies when the Indian rupee, the Australian dollar, and the New Zealand dollar were added to the ASEAN plus three currencies. Through this session, we exchanged views on issues including the future of monetary cooperation in the East Asian region and efforts to resolve the global imbalance problem.

The final session on a single Asian currency was held the next morning, and Dr. Hiroyuki Taguchi, Vice President of the PRI, delivered the results of analysis examining the economic feasibility of forming a regional currency block in Asia, by using a generalized purchasing power parity (G-PPP) approach. Dr. Jalan, on Indian side, pointed out the lessons from the Greek Crisis, suggesting that the maintenance of fiscal and current balance disciplines without the independence of the central bank must be a challenge for each member country, as a means to sustain a single currency system. Dr. Abhijit Sengupta, Associate Professor at Jawaharlal Nehru University (JNU), finally commented on the possibility of introducing an Asian Currency Unit (ANU) for regional monetary policy coordination.

Regarding the future relationship between PRI and ICRIER, Dr. Taguchi proposed in his

[†] For readers of this journal, presentation materials on the Indian side can be downloaded from the following website: <http://www.icrier.org/conference/2010/16feb10.html>.

closing remarks that a workshop should be organized respectively in Tokyo and New Delhi at least once a year, and Dr. Kumar supported this remark. The ICRIER side also decided to explore the possibility of sending some young researchers to the PRI as visiting scholars.

III. Toward the future

Although it was the first time for the PRI to conduct such a research exchange with an Indian institution, the workshop was very successfully concluded. The PRI would like to continue to deepen the relationship through co-organizing workshops, and by sending a visiting fellow to the international conferences held by ICRIER.

On this occasion, the OIRC delegates also took the opportunity to visit other distinguished economic research institutions in India, including the National Council of Applied Economic Research (NCAER) and the National Institute of Public Finance and Policy (NIPFP) to exchange opinions on issues such as the possibility of future research exchange[‡]. It is desirable that the PRI goes on to build multiphase relationships with these institutions in India, through research exchange and the acceptance of visiting scholars, as it has with Chinese institutions.

The OIRC has recently strengthened its research exchange activities, with attention to the synergy effect on actual research activities conducted by PRI scholars and the accountability to the public through the publication of research results. Hereinafter, we, at the PRI, would like to expand upon these research exchange activities in the ASEAN region.

[‡] The delegates also visited the Center for East Asian Studies at Jawaharlal Nehru University (JNU) and the University of Delhi (DU).

Table: Workshop Program

15 th February, 2010	
10.00AM - 10.30 AM	Opening Remarks Hiroyuki Taguchi, Vice President, PRI Rajiv Kumar, Director and Chief Executive, ICRIER
10.30 AM – 12.30 AM	Session I- <i>Impact of the US Financial Crisis and Policy Responses in India and Japan</i> Chairperson: Nobuyuki Sato, Director for International Affairs, PRI Speakers: 1. Tokuo Iwaisako, Principal Economist, PRI 2. Dayanand Arora, Visiting Senior Fellow, ICRIER and Francis Xavier Rathinam, Fellow, ICRIER Discussant: Mathew Joseph, Senior Consultant, ICRIER
1.30 PM – 3.30 PM	Session II - <i>New Issues in Regional Monetary Coordination: Perspectives from India and Japan</i> Chairperson: Shankar Acharya, Honorary Professor, ICRIER Speakers: 1. Eiji Ogawa, Dean and Professor, Graduate School of Commerce and Management, Hitotsubashi University 2. Alok Sheel, Joint Secretary, Dept. of Economic Affairs, Ministry of Finance, India Discussant: Amitava Sardar, Adviser, Department of Economic Analysis and Policy, RBI (absent)
16 th February, 2010	
10.00 AM – 12.00 AM	Session III- <i>Towards a Single Asian Currency: Perspectives from India and Japan</i> Chairperson: Nobuyuki Sato, Director for International Affairs, PRI Speakers: 1. Hiroyuki Taguchi, Vice President, PRI 2. Bimal Jalan, Member of Parliament, Rajya Sabha, India Discussant: Abhijit Sengupta, Associate Professor, JNU
12.00 PM – 12.30 PM	Concluding Remarks Hiroyuki Taguchi, Vice President, PRI Rajiv Kumar, Director and Chief Executive, ICRIER