

## **On the continuing relevance of research**

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November is always a busy month in India. All important visits, seminars, colloquiums, round table and even social functions like engagements and marriages are compressed in a short period. Given our economic buoyancy this year it is doubly so.

Delhi this week hosted at least two significant events. First the Global Partners' Conference of the Boston Consulting Group (BCG) which was held in India for the first time. It is yet another signal that we may have arrived on the global scene. It brought together nearly 500 global partners for primarily an in-house brainstorming and also consider the India opportunities. P. Chidambaram's speech and wide-ranging interactions were well received. In the panel interaction with Deepak Parekh, Tarun Das and myself, they also got a feel of our strengths, challenges and limitations on the pace of change in an era of coalition politics.

Second, the Indian Council for Research on International Economic Relation (ICRIER) celebrated its Silver Jubilee anniversary. It was inaugurated by the Prime Minister and its two-day conference had leading academics and policy-makers to debate on issues like infrastructure deficit, agricultural growth, contribution of manufacturing sector, the macro economy and the global integration of India with the financial market.

As a Member of the Governing body of ICRIER from nearly its inception, it has been interesting for me to participate in its evolution as a premier research institute. The far-reaching contributions of its founding chairman, late K B Lall, followed by R. N. Malhotra and Dr. I.G. Patel enabled the Institute to constantly adjust and deliberate on our contemporary challenges. The journey of ICRIER from 1981 to 2006 has mirrored the dynamics of Indian policy making. Research organisations generally fail to anticipate events and lag behind the changes in the real world. ICRIER has tried to avoid this. The contribution of Isher Judge Ahluwalia, earlier its director and now its Chairperson, has reflected unstinted devotion and innovative managerial skills.

Research organisations need constant renewal and rediscovery. Some institutions are fortunate in receiving public grants (and there is a case of enhancing them, particularly for those based in non-metro cities) but the culture of philanthropy, endowments and more importantly linkages between academic institutes with the corporates has yet to evolve.

Prime Minister in his thoughtful address dwelt on the new areas where we need to promote research. These include developing analytical skills for forecasting global trends to meet unforeseen external challenges, analysing domestic constraints to growth, creating expertise for multilateral negotiations, as well as examining the benefits of preferential trading agreements particularly the cost and benefits of APEC membership. Other issues "could be to know the extent to which the principles that drive liberalization in goods trade apply to services;" new opportunities through reverse brain drain and issues connected with energy security. The Prime Minister has raised the broader question of the future of research in this country, readapting agendas for keeping them relevant and attracting (as well as retaining) high quality research talent. It will be well worth setting up a Group to look at our research institutions, evaluate their quality and suggest measures to garner resources through greater public-private partnership.

One area that the Prime Minister specifically mentioned was the services sector. The estimates of how big services trade are ambiguous. We need to start complying with international standards to credibly compare its service exports with other countries, as well as to better

understand the state of the domestic services industry. India does appear to outperform in terms of services trade, but many in the international community see these as inflated. There are several reasons to explain data discrepancy.

Beyond this there are two other areas where research on service must focus. First, the political and economic push-pull forces driving trade in services. Research on push factors makes the country better able to predict and see opportunities, while knowledge about pull factors helps inform policy priorities.

The push factors include the consumer demand for efficiency, customised, individualised services at low cost, increasing use of IT to manage information and increasing need for management and development of IT infrastructure. The pull factors that make India competitive in services are basically responses to the service buyers' fears, particularly privacy concerns, intellectual property protection and competitively priced skilled labour. Most of the push and pull factors have been researched but generally from the standpoint of people trying to show that outsourcing is damaging. Objective comparisons of data leaks, IP theft and wages would be a contribution.

As our economy gathers strength so must be the quality of our research. Creating awareness about the benefits as well as deficiencies of our economic strategy with flexibility and robustness to meet unexplained challenges makes this necessary. ICRIER may have set an example.