

FOREIGN TRADE REVIEW

Quarterly Journal of
Indian Institute of Foreign Trade

OBJECTIVES OF *FTR*

Global economic relations among the nations today have undergone significant changes in the last 20 years. Several trade blocs have emerged with powerful economic backing along with an emerging consensus that countries should reduce the barriers in the way of free international trade. The pattern of trade of the developing countries has changed significantly and operations of multinational corporations have contributed to that change. New areas have emerged in the arena of trade during the GATT Negotiations.

In the international financial system in the post Bretton Woods System era, a very strong regime of international fund managers has acquired the centre stage and this has imparted volatility in the financial system. The developed countries are finding it more difficult to attend stability both in the financial and real sectors in international trade. All these require fundamental research to have the necessary policy prescriptions suitable for a developing country like India. There is a lack of forum in the dissemination of research in the field of international trade and related areas.

The *Foreign Trade Review* is an international quarterly intended to fill the urgent need as explained above. The Indian Institute of Foreign Trade - an apex institution for research, training and consultancy in the broad areas of international trade has taken up the task of the publication of the journal. The following are the objectives and scope of the journal:

- To provide a forum for debate and discussion of high quality theoretical and empirical research in the areas of international trade, finance and marketing.
- To provide an outlet for research in evaluation and interpretation of innovations in the instruments and methods in the areas of trade.
- To transmit information on system and policy developments, and wide statistical information related to international trade and the international bodies facilitating international trade transactions.
- To provide a forum for discussion on the areas relevant for the negotiations in WTO.

The Journal invites research papers covering areas and problems consistent with the objectives as laid down above. It also welcomes papers on policy relevance and operational aspects.

FOREIGN TRADE REVIEW

VOL. XLII

APRIL-JUNE 2007

NO. 1

IN THIS ISSUE

Should India Opt for Full Capital Account Convertibility?

Some Exploratory Results

By *Debashis Chakraborty*, Assistant Professor,
Indian Institute of Foreign Trade, New Delhi

Arup Guha, Assistant Manager,
American Express, New Delhi.

The usefulness of easing controls on capital flows in a country is a long-debated question. It is argued that the liberal capital control regime boosts the confidence of the international community on the domestic economy and becomes instrumental for ensuring higher capital inflows. On the contrary, it is widely held that controls on capital flows ensure a developing country against experiencing a sudden potential currency crisis. In the light of the current debate in India on the appropriateness of adoption of Capital Account Convertibility (CAC), the current paper looks into the interrelation between current and capital account balance in the country first, and the macroeconomic scenario next, in order to explore whether the country has reached a stage to opt for full-fledged CAC. The empirical findings suggest that India should move cautiously in this regard.

WORLD TRADE 2006, PROSPECTS FOR 2007

Risks Lie Ahead Following Stronger Trade in 2006

By *WTO Secretariat*

Risks in financial and property markets and large trade imbalances in goods and services mean increased uncertainty in 2007 and raise the prospect of weaker economic and trade expansion in the coming year, according to WTO economists. "A successful conclusion to the Doha Round holds great potential for boosting growth and alleviating poverty," Director-General Pascal Lamy said. "An agreement would also deliver more relevant trade rules, helping to establish a more stable and certain foundation for today's dynamic global marketplace."

IIFT STUDY

Impact of European Union Enlargement on Exports of Indian SMEs in Food Processing Industry

By *Dr. K. Rangarajan*, Professor and Head, Kolkata Centre,
Indian Institute of Foreign Trade, Kolkata .

Ms. Tamanna Chaturvedi, Consultant,
Indian Institute of Foreign Trade, New Delhi.

Shri Upendra Pandey, Former Participant,
MBA (International Business), Indian Institute of Foreign Trade, New Delhi.

GUIDELINES FOR AUTHORS CONTRIBUTING ARTICLES TO FOREIGN TRADE REVIEW (FTR)

Manuscripts submitted for publication must be in English. Electronic manuscript (floppy/CD) will be accepted provided it comes with a hard copy. All manuscripts should be typed in double space, in MS-WORD format with tables, diagrams, graphs, charts, etc., in Excel in black colour only on one side of the paper, with a wide margin (minimum one inch) on either side.

They are accepted for publication on the understanding that they contain unpublished work not submitted for publication elsewhere. Any special feature relating to the paper such as its presentation in a seminar/conference must be clearly indicated at the bottom of the first page.

The first page should contain the title of the article, author or authors' designation, name of the institution and full address.

Footnotes should be listed consecutively in the text with superscript Arabic numerals. All footnotes typed serially in double space should be given separately at the end of the text. If there are bibliographical references and footnotes, references should follow the footnotes in a separate sheet.

The following format should be used for referring books, articles in journals, etc. in the reference:

- (a) Williamson, John (1985), *The Exchange Rate System*, Institute for International Economics, Washington, D.C.
- (b) Coes, Donald V. (1981), "The Crawling Peg and Exchange Rate Uncertainty", in John Williamson (ed.), *Exchange Rate Rules: The Theory, Performance and Prospects of the Crawling Peg*, St. Martin's Press, New York, pp. 113-116.
- (c) Ware, Roger and Ralph Winter (1988), "Forward Markets, Currency Options and the Hedging of Foreign Exchange Risk", *Journal of International Economics*, Vol. 25 (November), pp. 291-302.

All tables must be consecutively numbered using Arabic numerals and appropriately titled. All notes to tables should be given at the bottom of the respective table. The position of tables should be clearly marked in the text at the appropriate place.

If mathematical equations/formulae are used, they should be typewritten or handwritten clearly. Use notations, exponents, etc., which are simple to reproduce. The full mathematical workings necessary for justifying each step of the arguments should accompany all the articles of a mathematical character. This is meant to assist the referees. These workings will not be published.

All manuscripts must be addressed to The Editor, *Foreign Trade Review*, Indian Institute of Foreign Trade, B-21 Qutab Institutional Area, New Delhi-110016, India. (E-mail: akanungo@iift.ac.in)

Foreign Trade Review is published four times a year by Indian Institute of Foreign Trade, New Delhi. Single issue may be purchased at Rs 75/- (or US\$8.00). The subscription rates are as follows:

	Inland	Overseas			
		Surface		Airmail	
	Rs	US\$	£	US\$	£
One Year	275.00	30	18	48	36
Two Years	500.00	54	32	92	66

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