

# 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

JANUARY-MARCH 2008

NO. 4

## IN THIS ISSUE

### **Health Crisis in Developing Countries and Indian Pharmaceutical Industry: Post 2005**

By *Dr. (Mrs.) Vijaya Katti*, Chairperson (Research), Indian Institute of Foreign Trade, New Delhi.

*Shri Abhishek Wadhwa*, B-Tech Student, IIT-Delhi, New Delhi.

The poor health care system in developing countries is a major problem in their development. The introduction of TRIPS compliant patent system in the WTO member countries has increased their problem by cutting down the sources of cheap generic drugs like in India. This paper analyzes various factors which affect accessibility and affordability of drugs in these countries. The paper also gives an overview of prevalent health care system in developing countries and impact of introduction of new patent system in India, which before 2005 supplied cheaper generic drugs to these countries. Also discussed is the possibility of Indian pharmaceutical companies in the WTO regime to still remain the source of cheaper drugs and be a part in development of drugs for neglected diseases.

**Keywords:** Indian pharmaceutical industry (IPI), WTO, TRIPS, accessibility and affordability of drugs.

### **Determinants of Foreign Direct Investment in India**

By *Dr. Niti Suri*, Lecturer, Department of Commerce, Delhi School of Economics, University of Delhi, Delhi.

Countries of the world, particularly developing economies, are vying with each other to attract foreign capital, particularly foreign direct investment (FDI) to boost their domestic rates of investment as also to acquire new technology and managerial skills. As with many developing nations, encouragement of FDI is an integral part of the on-going economic reforms in India. To formulate a foreign investment policy that is most conducive to attracting FDI, it is imperative to first study the determinants of FDI in a country for the policymakers to ensure that various measures intended to induce FDI are necessary and would lead to incremental investment. This paper identifies the determinants of FDI in India, employing the ordinary least squares regression analysis on quarterly data for the period 1991 to 2003. It examines the impact of GDP, taxes, trade openness, labour cost, and political stability on FDI inflows. Using alternative specifications (based on differences in dependent and independent variables used), FDI inflows into India are found to be significantly determined by expected national income, tax rate, trade openness and labour cost for the period under study.

# **The Emergence of Global Administrative Law and International Institutions: The World Trade Organization as an Example**

By *Shri Dushyant Manocha*, Law Student, West Bengal National University of Juridical Sciences, Kolkata.

Underlying the emergence of a global administrative law is the recognition of the fact that increased global interdependence has led to a situation where decision making has moved beyond national boundaries. This situation where the presence of transnational governance structures is being increasingly felt throughout the globe has resulted in accountability concerns being expressed against such international institutions and herein lies the importance of the Global Administrative Law (GAL) Research Project at the New York School of Law. This research project is an effort to view diverse international governance structures from an administrative law perspective so as to identify some patterns of commonality and connection sufficiently deep and far-reaching as to constitute an embryonic field of global administrative law, which would enable the international community to deal with such accountability concerns.

The present paper is a small contribution to the same. It examines the functioning of the World Trade Organization (WTO) from a GAL perspective. The question asked here is that how has the WTO as an institution fared at the democracy deficit allegations which have been levied against various international organizations including the WTO? The conclusion reached here is that one way to deal with the democracy deficit concerns could be the development of an all encompassing GAL regime.

*WORLD TRADE REPORT 2007*

## **Executive Summary**

### **WTO Secretariat**

## 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
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