

# 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

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## IN THIS ISSUE

### **The Impact of ASEAN+3 Trade Agreements on the South Asian Economy: An Analysis in GTAP Framework**

By *Kakali Mukhopadhyay*, Research Associate, Department of Agricultural Economics, McGill University, Quebec, Canada.

*Paul J. Thomassin*, Associate Professor, Department of Agricultural Economics, McGill University, Quebec, Canada.

*Debesh Chakraborty*, former Professor of Economics, Department of Economics, Jadavpur University, Kolkata.

Regional economic integration has been adopted as a strategy for development in different regions of the world in the 1980s following the formation of single market by the European Union and NAFTA by the North American countries. Though Asian countries have been slow to respond to the global trend of regionalism, however, over the past few years these countries have also recognized the potential of regional economic integration and have started taking steps to benefit from it. Several initiatives of broader economic integration are in progress to push the agenda of regional economic integration. Besides deepening the sub regional cooperation between its 10 member states, ASEAN is also negotiating with major East Asian countries, Japan, China and Korea to formulate a regional trade agreement. This would likely to have an impact on the other economies of the world. However, the impact of regional trade agreement is an empirical question. Thus the paper estimates the economic impacts of proposed ASEAN+3 trade agreements on the South Asian economy using Global Trade Analysis Project (GTAP) framework. The findings reveal that South Asia will be affected adversely in terms of GDP growth, export and also welfare-wise.

### **Growth Performance and Forecasts of Exports of Leather Industry in Punjab**

By *Dr. Sanjeev Gupta*, Faculty in Management, Dr. B.R. Ambedkar National Institute of Technology, Jalandhar (Punjab).

*Dr. Gulshan Kumar*, Senior Lecturer, Department of Economics, DAV College, Hoshiarpur (Punjab).

The present paper aims at measuring the performance of exports of leather industry by computing yearly and compound annual growth rates, making short-term forecasts and measurement of long-term trends. Long-term trends in exports were captured by fitting ten distinct functional forms and equation of best fit was selected on the basis of yardsticks mentioned in the econometric literature. Forecasts of exports were prepared for the lead-time of five years by using Double Exponential Smoothing. Econometric benchmarks were used to test reliability and adequacy of the fitted model. The findings have been supplemented with necessary recommendations.

## **South Korea's FTA Strategy**

By **Prof. To-hai Liou**, Professor of Diplomacy and Director, Centre for WTO Studies, College of International Affairs, National Chengchi University, Taiwan.

Despite the creation of WTO in 1995, forming FTAs has become an emerging trend of worldwide trade since the late 1990s. South Korea was quite early to pursue FTAs, however, it fell behind its Asian neighbours as its FTA negotiations with Chile dragged on for years. The situation was further worsened by a rising China and accelerating economic integration in the East Asian region. Roh Moo Hyun government thus decided to take a bold initiative to sign FTA with US. In this paper, the author intends to first explain why FTA is more popular than WTO since the late 1990s, then analyze South Korea's FTA strategy as a case study by first examining the evolution of its FTA policy, then exploring motivations behind Seoul's decision for initiating the FTA negotiations with the US, assessing the results of their FTA negotiations versus South Korean motivations, and finally the implications of the deal on South Korea and Northeast Asia.

## **Reforming Indian Foreign Exchange Market: A Survey**

By **Dr. Vyuptakesh Sharan**, Emeritus Fellow, School of International Studies, Jawaharlal Nehru University, New Delhi.

The process of economic reform in India embraced also the foreign exchange market. The present paper analyzes the reform measures and their impact in this context. The measures of reform included, inter alia, adoption of managed floating exchange rate arrangement, rationalization of the very structure of the market, introduction of variety of activities, such as options and swaps, etc., gradual move towards the capital account convertibility and infusion of stability in the market. The study finds the outcome very positive. The turnover of the transactions surged up more especially in the inter-bank segment. The foreign exchange market in India moved towards greater efficiency in view of reduced bid-ask spread, forward premia, being to a great extent, in line with the interest rate differentials and being, to a great deal, a predictor of future spot rate, and a lower degree of the RBI's intervention giving way to the free play of market forces. Nevertheless, oscillations in foreign exchange transaction should be checked in order to transfuse greater stability in the Indian foreign exchange market.

### ECONOMIC SURVEY 2007-08

#### India's External Sector

(Ministry of Finance, Government of India)

### **BOOK REVIEW**

#### **SEZ – An Investment to Promote Growth**

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

Prabha Shastri Ranade (ed.), *Special Economic Zones: Global and Indian Experiences*, ICAFI University Press, Hyderabad, pp. 299, US\$19.

## 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)

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