

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.

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IN THIS ISSUE

South-South Investment in Infrastructure: The Operation of Indian Firms in Developing Countries

By *Dr. Jaya Prakash Pradhan*, Associate Professor, Sardar Patel Institute of Economic & Social Research, Ahmedabad.

ABSTRACT

Since 1990s South-South investment flows have assumed a considerable significance in the economic relations among developing countries. The host developing countries tend to see the growing FDI flows from co-developing economies as a prospective source of financial capital, skills and technologies useful for their economic development. However, there is clearly a lack of recognition among them about the potential of southern investment in improving their civil, social and industrial infrastructure. A distinction can be made between the two main forms in which developing country firms participate in the infrastructure sector of co-developing countries. The first is the project exports resorted by southern firms in various infrastructure areas like transportation, communication, energy, etc. The second form comprises direct investment operation of southern firms to provide infrastructure services to the end users. India presents a classic example of South-South investment in infrastructure sector with Indian firms consistently expanding their project exports and infrastructure-related FDI activities over the years. In the light of growing size of Indian project exports and infrastructure FDI, this study calls for evolving a holistic policy framework by both home and host developing countries to enhance the potential of such investment for infrastructure development.

Fresh and Processed Fruit & Vegetables: Growth in Production and Export from India

By *Dr. S.K. Goyal*, Associate Professor (Agricultural Economics), Department of Business Management, Chaudhary Charan Singh Haryana Agricultural University (CCS HAU), Hisar (Haryana).

R.B. Gupta, DES (Horticulture), Krishi Vigyan Kendra, Chaudhary Charan Singh Haryana Agricultural University (CCS HAU), Faridabad (Haryana).

ABSTRACT

The present study is an attempt to examine the status and growth in fruit & vegetables production, processing capacity and growth and instability in exports. The study is based on secondary data collected from several published and website sources. The production of fruit has grown at an annual compound growth rate of 3.76 and of vegetables at 3.34 per cent, respectively during 1980-2006. The growth of fruit production has been more in India than world production whereas in case of vegetables production it is reverse. Now, it's processing which has assumed paramount importance for commercial exploitation by creating time, form and space utilities. Production of processed fruit & vegetable products has increased at an annual compound growth rate of 11.25 per cent. Capacity of fruit & vegetable processing units increased by 8.5 per cent per annum still the industry has been able to utilize only half of the installed capacity. India witnessed substantial increase in export value of processed fruit & vegetables (16.85% CGR) during the period under

study. Dried & processed vegetables ranked first in India's total export of processed fruit & vegetable products in value terms whereas in quantity terms pickles & chutneys occupied first position. The existence of relatively high instability in exports was also witnessed which has implications for promoting exports from the country. In spite of impressive growth in exports, our share in world exports is very low which needs to be increased by taking appropriate research and development policies and relaxing the constraints faced by the processing industry.

Special Economic Zone - An Indian Approach

By *Tarun Dhingra*, ICSSR Doctoral Fellow, Motilal Nehru National Institute of Technology (MNNIT), Allahabad.

Dr. Tripti Singh, Sr. Lecturer, School of Management Studies, Motilal Nehru National Institute of Technology (MNNIT), Allahabad.

ABSTRACT

The ever-increasing global competition compels the governments to adopt export oriented trade strategies, thereby contributing towards overall economic growth and development. The high economic growth trajectory pursued by the newly industrialized economies (NIEs), has been propelled by increase in exports. Different countries have pursued policies of developing export zones, for imparting an outward orientation to their economy. India has also established such zones with definite objectives for foreign trade development and export promotion. This research paper is an attempt to understand the concept of Special Economic Zones (SEZs), Chinese model of SEZ, its principal benefits, their performance and contribution towards trade competitiveness in India. SEZ as a trade policy has been further evaluated in light of SEZ Act, 2006. A non-parametric critical approach has been taken to study the SEZ policy in reference to its performance, limitations and challenges to perform in a highly competitive global environment.

WORLD TRADE REPORT 2008

Executive Summary

BOOK REVIEW

T.P. Bhat, Atulan Guha and Mahua Paul, *India and China: Trade Complementarities and Competitiveness*, Bookwell, 2008, pp. vii+368, Rs 750.

By *Anil K. Kanungo*, Editor, Indian Institute of Foreign Trade, New Delhi

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- (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.

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