

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

Free Trade among South, East and South-East Asian Countries

A Step towards Asian Integration

By **Dr. Shahid Ahmed**, Associate Professor, Department of Economics, Jamia Millia Islamia (Central University), New Delhi.

ABSTRACT

This study investigates the potential trade flows between countries of South, East and South East Asian region as a result of tariff liberalization using the GTAP-model. The study reveals that tariff liberalization has positive effects on all country groupings of South, East and South East Asian nations, with no or nominal negative effect on rest of the world. The study finds that engagement of South Asian region is crucial for Asian regionalism if the goal is to maximize welfare of people in this region. The present study reveals that there is a huge unrealized potential in the countries of this region and free trade will be welfare enhancing, hence there is a need to explore greater cooperation in South, East and South East Asian region like the EU.

Bilateral Trade and Investment between India and China

Measuring Relative Competitiveness in Each Other's Market

By **Dr. Biswajit Nag**, Associate Professor, and **Shri Rittwik Chatterjee**, Research Fellow, Indian Institute of Foreign Trade, New Delhi.

ABSTRACT

The paper focuses on bilateral strategic cooperation between India and China. It started with describing and explaining the recent bilateral situation between these two countries. The comparative macroeconomic variables between these two countries are also provided to initiate the discussion and to make a better understanding of the present situation. The paper explains the overall trade dynamics between India and China, where Constant Market Share Analysis (CMS) model is used to understand the nature of export change. Using CMS, the paper analyzed the prospects of several products in each other's market. While analyzing investment, the paper examines FDI policies of China and the sectors where the Indian companies have invested. The potential sectors for the Indian companies to invest in China have also been identified. Finally, the paper concludes through describing the trade negotiation strategy of both the countries and the areas where economic synergies can be formed.

An Empirical Analysis of Foreign Institutional Investment and Stock Market Returns in India

By **Shri P. Srinivasan**, Ph.D. Scholar, and **Dr. K. Sham Bhat**, Professor, Department of Economics, Pondicherry University, Pondicherry.

ABSTRACT

Augmented Dickey Fuller and Phillips-Perron tests were employed to examine the stationarity of both net foreign institutional investment and NSE market return series. Besides, Instantaneous Granger Causality test was employed to examine the contemporaneous relationship between net foreign institutional investment flows and equity market returns in India for the pre-global financial crisis and during a crisis period. By and large, our analysis reveals that there is an evidence of negative feedback trading hypothesis and positive feedback trading hypothesis by foreign investors before the global financial crisis period and during a crisis period respectively. This implies that foreign institutional investment acts as smoothening effect and destabilizing forces before and during the crisis period respectively. However, such positive feedback trading strategies from foreign institutional investors seem to be rational during the period of global financial crisis.

ECONOMIC SURVEY 2008-09

India's External Sector

ABSTRACT

The year 2008-09 was marked by adverse developments in the external sector of the economy, particularly during the second half of the year, reflecting the impact of global financial crisis on emerging market economies including India. Emerging economies were affected in varying degrees depending upon the extent of openness and the dependence on capital flows as the external environment deteriorated on account of slowdown in global demand, reversal of capital flows and reduced access to external sources of finance in the face of adverse global credit market conditions.

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.

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- (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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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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