

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. XLIV

OCTOBER-DECEMBER 2009

NO. 3

IN THIS ISSUE

India: Towards A New Paradigm of Development Aid

By **Dr. Adarsh Kishore**, former Finance Secretary, Government of India; and currently Executive Director – Bangladesh, Bhutan, India and Sri Lanka, International Monetary Fund, Washington DC.

Ajay Bisaria, IFS, currently on Study Leave at Princeton University, New Jersey (USA).

ABSTRACT

India needs to orient its strategy towards economic and social development. It has adequately recognized the significance of Official Development Assistance (ODA) and in the process of activating its energies towards effective participation of such ODAs. This paper makes an attempt to critically examine various trends of ODA and how they can contribute to the growth and development of India. It tries to strengthen India's knowledge base through external assistance and suggests how challenges like poverty and infrastructure constraints can be tackled by effectively channelizing external assistance. It also tries to analyze India's experience with aid and indicates ways for adopting a new paradigm for overall development.

Foreign Direct Investment Inflows to India

Growth and Forecasts

By **Dr. H.S. Sidhu**, Professor, Punjab School of Economics, Guru Nanak Dev University, Amritsar (Punjab).

Neerja Dhingra, Senior Lecturer, Department of Economics, B.D. Arya Girls College, Jalandhar Cantt. (Punjab).

ABSTRACT

India, without exception, as in case of other developing countries, is eager to prompt its economic growth which compels it to accept and seek assistance of foreign direct investment (FDI). At present, it accounts for 1.25 per cent share of global FDI inflows, 7.18 per cent of Asian inflows and garners more than two third share of FDI inflows to the developing South Asia. Present study traces the history of FDI in India and reveals that actually FDI in India is an evolution since mid-eighteenth century and is an outcome of international and domestic dynamisms. It is not merely a phenomenon of post Independence or post liberalization period. Present study is an effort to examine the growth of FDI inflows to India and some selected representative countries of the developing Asia, through the computation of compound annual growth rates by fitting an exponential function estimated by ordinary least square method. It is detected that during the last three decades, the growth of FDI inflows remained highest in case of India followed by UAE, Turkey and China. What will happen in future is the function of what happened in the past. Believing this, the study has generated the forecasts of FDI inflows to the representative countries of Asia for the period 2009 to 2020, by using Double Exponential Smoothing Model. The adequacy of the model is tested by computing autocorrelation coefficients and Ljung-Box Q statistics. The study revealed that in the ensuing decade, out of all the countries of developing Asia, Saudi Arabia is expected to grow at the fastest pace as far as FDI inflows are concerned. In

near future, although the magnitude of FDI inflows may remain highest in case of China but India is expected to leap forward swiftly and attract more than one seventh share of aggregate anticipated inflows to the developing Asia.

Gains from India-Korea CEPA

By **Dr. Pravakar Sahoo**, Associate Professor, Institute of Economic Growth (IEG), New Delhi.

Durgesh Kumar Rai, Researcher and **Dr. Rajiv Kumar**, Director & CEO, Indian Council for Research on International Economic Relations (ICRIER), New Delhi.

ABSTRACT

The signing of India-Korea CEPA on 7 August 2009 is considered a welcome step in India's "Look Fast" policy. It is a significant move in fostering a regional integration by both sides. The increase in merchandise bilateral trade has largely been attributed to changing demand structure and comparative advantages of both the economies in complementary sectors. The successful completion of CEPA is timely and supported by increasing trade complementarity index (TCI) which shows both the countries' trade has gradually become more compatible over the period. Further, the intra-industry trade (IIT) analysis shows that IIT is low in top traded product groups and high in some products where trading is low thereby offering huge opportunity for intra-industry trade when sector specific barriers will be removed after CEPA enforcement. The substantial reduction of both tariffs and non-tariff barriers in a phased manner would take India-Korea relations to a higher level and also India's presence in East Asia. Apart from increase in trade, the two positive results expected due to the agreement are increase in Korean FDI inflows into Indian manufacturing and outflow of professionals from India to Korea.

WORLD INVESTMENT REPORT 2009

Overview

(Excerpt from UNCTAD (2009), World Investment Report 2009: Transnational Corporations, Agricultural Production and Development, Geneva.)

BOOK REVIEW

Rakesh Mohan Joshi, *International Business*; Oxford University Press, New Delhi; Pp. xx+912; 2009; Rs 425.

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

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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.

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- (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.

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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)

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			
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	Rs	US\$	£	US\$	£
One Year	275.00	30	18	48	36
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