

# 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 Relationship between Trade, Investment and Environment**

Some Empirical Findings

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

**Shri Sacchidananda Mukherjee**, Assistant Professor, National Institute of Public Finance and Policy (NIPFP), New Delhi.

#### ABSTRACT

The interlinkage between economic openness and environmental repercussions is a widely researched area. The current study contributes in the existing pool of research by conducting a cross-country empirical analysis for the year 2008 by exploring the interrelationship between openness indicators (trade and investment) and environmental performance of a country. For this purpose, the analysis separately considers export orientation, import orientation, FDI inwardness and FDI outwardness of the countries in different variations of the proposed empirical model. The regression results do not provide strong support to the Pollution Haven Hypothesis (PHH). The findings also confirm a relationship between socio-economic and socio-political factors in a country and its environmental performance.

Keywords: Trade and Environment, International Investment

JEL Classification Codes: F18, F21

### **Capacity Building as the New Engine of Growth for Indian Exporters**

By **Ms. Soma Arora** (MBA-IIFT Delhi), Research Scholar, Guru Gobind Singh Indraprastha University, Delhi.

**Dr. Sanjiv Mittal, Professor**, Guru Gobind Singh Indraprastha University, Delhi.

#### ABSTRACT

Internationalization amongst Indian companies has always been a macroeconomic issue reflecting size and quantum of growth rather than quality and firm level competencies. This has eventually led to a history of thirty years of growth in international trade without maturity in the process of internationalization. Internationally, however, the degree and maturity of internationalization has always been a progressive topic of research impacting national and firm level policy making. This became the focal point of this study. A large part of this blame was shared by policy-makers as lack of planned capacity building. Hence it becomes imperative to derive a set of business variables related to capacity building which can foresee and impact the process of internationalization. A detailed study of sectors of export prominence in India like – drugs & pharmaceuticals, apparel, information technology, metals & metallurgy revealed the lowest degree of internationalization and unplanned capacity building prominent within the apparel sector. The dismantling of the MFA and implementation of ATC under WTO since 1995, should have witnessed capacity building of highest order in this sector to face the world markets post

2005. The severe lack of firm level competencies in the textile and clothing sector has led to loss in cost effectiveness and negligent presence in overseas markets. These and other factors determined the primary research issue as exploring the path to a mature international presence against a backdrop of planned capacity building. The research methodology consisted of an exploratory research design with use of statistical techniques like Factor Analysis to help in identification of factors which can directly impact effective capacity building. This business model would later be tested on an apparel exporting company for its efficacy as a case study in the sequel to this paper.

## **Export Determinants of Total Leather and Leather Products – Regional Analysis**

By **Dr. Hailay Gebretinsae Beyene**, Head of the Department of Management, Mekelle University, College of Business and Economics, Mekelle, Ethiopia.

### **ABSTRACT**

This study differs in the period of study and the coverage of terms. The study covers the period before reform from 1980-81 to 1990-91 and, after the reform from 1991-92 to 2004-05, which is an extension of the previous studies, and the whole period from 1980-81 to 2004-05. Regarding the coverage of terms, it focuses on several key factors in analyzing determinants of India's export of leather and leather products, empirically through the application of regression, to economic regions, viz. High Income OECD Countries, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, Sub-Saharan Africa, Other High Income Countries, and East Asia and the Pacific regions. World demand significantly affects total exports of leather and leather products to all the economic regions except Europe and Central Asia, and South Asia. The variables, domestic demand, export promotion policy, India's relative price, the import of leather, allied products and machinery, assume significant importance to select regions. The influence of post-reform period significantly differs from pre-reform and is favourable in the case of export to Middle East and North Africa; and South Asia.

### **WORLD INVESTMENT REPORT 2010**

#### **Overview**

By **Supachai Panitchpakdi**, Secretary-General of United Nations Conference on Trade and Development (UNCTAD), Geneva.

### **BOOK REVIEW**

Justin Paul and Ramneek Kapoor, *International Marketing: Text and Cases*, New Delhi: Tata McGraw Hill Publishing Co. Ltd.; 2008; Pp. 379; Rs 275; ISBN 13: 978-0-07-063588-3

By **Ms. Pragya Bhawsar**, Academic Associate, Indian Institute of Management, Ahmedabad.

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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.

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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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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