

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

Measuring Protection in Indian Industries

By **Shri Nagendra Kumar Maurya**, Assistant Professor, Department of Banking, Economics and Finance, Bundelkhand University, Jhansi, U.P. (India).

Prof. J.V. Vaishampayan, Head & Dean, Department of Applied Economics, Faculty of Commerce, University of Lucknow, Lucknow, U.P. (India).

ABSTRACT

Liberalization has been a key ingredient of recent economic policies in India and elsewhere, based upon the notion that removing restrictions on domestic economic activity as well as on the trade relations with other countries has a beneficial impact on the economy. Studies attempting to measure tariff and non-tariff barriers have shown gradual decline in tariff and non-tariff barriers [World Bank (1989), Aksoy & Etori (1992), Goldar and Hasheem (1992), Gang and Pandey (1998), Hasheem (2001), Pandey (2004)]. In this paper, the authors have made an attempt to quantify the trade barriers operating in Indian industry in order to understand whether protection levels actually decrease following trade liberalization. The authors have also computed several measures of trade liberalization covering tariff barriers – effective rate of protection and import penetration rates under different phases of trade reforms.

Key Words: Trade Liberalization, Tariff Barriers, Effective Rate of Protection, Nominal Rate of Protection.

JEL Classification: F 13, F 14, F 40.

SAFTA as An Instrument of Rejuvenating Indo-Pak Trade Relations

By **Shri Raju Narayana Swamy** IAS, Secretary to Government of Kerala, Thiruvananthapuram, Kerala (India).

ABSTRACT

The history of Indo-Pak economic relations has perhaps been one of the most controversial and sensitive issue that has held the centrestage of South Asian politics. During 1997-2004, Pakistan's actual imports from India were 4.8 per cent and India's actual imports from Pakistan were 6.4 per cent only of the respective potential imports, on an average per annum. The establishment of SAARC (South Asian Association for Regional Cooperation) in December 1985 has also played an important role in boosting the intra-trade ties between India and Pakistan. The agreement of South Asian Free Trade Agreement (SAFTA), effective from 1 January 2006 has also further improved trade between the two countries. SAFTA is a step forward in the right direction for fostering regional economic integration. But a major limitation of SAFTA is its narrow coverage. Different countries have kept a significant part of their imports out of the purview of the Tariff Liberalization Programme (TLP) by putting them on the sensitive or negative list. Apparently,

58.5 per cent of India's exports to SAARC countries are subject to sensitive list (Pakistan 34%). Pakistan's imports from India are still governed by a positive list as Pakistan has not provided Most Favoured Nation (MFN) status to India. Therefore, there is urgent need for extending the coverage of the Agreement to substantially all trade in the region, as per the WTO requirement. This paper looks deep into the problems and potentials of trade between India and Pakistan. The article analyzes how SAFTA has in fact given a fillip to a better understanding between the two countries; how the latter has contributed to the furthering of the two countries' relations notwithstanding the fact that the bilateral disputes are out of the purview of the SAARC agenda. The article also focuses on how the inclusion of bilateral problems would derail the SAARC process.

Differences between Indian Exporters and Non-Exporters of Engineering Consultancy Services

By **Shri Anomitra Chakravarty**, Managing Director, KPS Consultants & Impex Pvt. Ltd., New Delhi (India).

Dr. S.N.V. Siva Kumar, Professor of Economics, K.J. Somaiya Institute of Management Studies and Research, Mumbai (India).

Dr. Mohd. Nishat Faisal, Senior Lecturer, Department of Business Administration, Aligarh Muslim University, Aligarh U.P. (India).

ABSTRACT

Export of engineering consultancy services represents a small but growing portion of India's services exports. This paper seeks to understand major impediments that must be overcome to encourage more Indian professional services firms to enter foreign markets. It develops research propositions that may differentiate between exporters and non-exporters and empirically examines them through a survey of 167 Indian engineering consulting firms. Export motivations among exporters and different external support systems to help firms market their services in the international arena are also examined. Two-thirds of the firms surveyed were not exporting. It is found that exporting firms invest greater time and resources to develop international business relations with an eye on future business potential. Senior managers of exporting firms provide unique network connections through their personal / social contacts enabling the firm to exploit foreign business opportunities. Exporting firms are on an average larger, i.e. employ more number of professionals. It is also found that senior managers of exporting firms are positively inclined towards international activity and perceive lower barriers to exporting as compared to their non-exporting counterparts. Findings enhance knowledge about the key differences between exporters and non-exporters of knowledge intensive professional services like engineering consultancy.

Keywords: Consultancy; Engineering; Professional Service; Business Network.

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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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- (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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The Section Officer (Publications)

Indian Institute of Foreign Trade, B-21 Qutab Institutional Area, New Delhi-110016

Phones: 26965124, 26965051, 26966563, 26965300 • Fax: 91-11-26853956, 26867841, 26867851

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