

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

Revision of Indo-Nepal Treaty of Trade

Implications for Strengthening Bilateral Trade and Investment Linkages

By **Indra Nath Mukherji**, Senior Consultant, Research and Information System for Developing Countries, India Habitat Centre, New Delhi.

ABSTRACT

The paper makes an attempt to explain the trend in bilateral trade between the two countries. It points out that barring setbacks in certain years, the bilateral trade between the two countries has been growing steadily. It notes that even though Nepal has been able to diversify its trade with India, its trade deficit with India has been increasing sharply, and its export earnings are barely sufficient to meet the cost of imports of petroleum products from India.

The paper identifies products with high trade potential of both the countries so that these could be targeted in trade facilitation measures or when mutual recognition of each country's certification is accepted by the other.

Realizing the close linkage between trade and investment, the paper examines the volume and status of Indian foreign direct investments in Nepal. An exercise in intra-industry trade between the two countries gives direction for sectors/industries in which Indian investment could flow. The paper expresses concern about the labour situation in Nepal and the lack of arbitration tribunals in case of dispute. Quite a number of Indian industries have been shut down and those in the pipeline could also be adversely affected. In this context the need for long-pending Bilateral Investment Treaty (BIT) has been emphasized.

Estimation of Import and Export Demand Functions Using Bilateral Trade Data

The Case of Pakistan

By **Muhammad Afzal**, Professor, Department of Management Sciences, COMSATS Institute of Information Technology, Islamabad, Pakistan.

Jahanzaib Haider, MS Student, Department of Management Sciences, COMSATS Institute of Information Technology, Islamabad, Pakistan.

ABSTRACT

We estimated the import and export elasticities of Pakistan trade with traditional trade partners and some Asian countries to see the dynamics of Pakistan's trade from 1973 to 2008. OLS results suggest that income is the principal determinant of exports and imports. Its exports are cointegrated with Japan and the US while the imports are cointegrated with UAE and the US. Pakistan imports and exports are cointegrated with Bangladesh and Sri Lanka but not with India and China. Income and exchange rate are both important determinants of foreign trade. Continuing its trade with traditional partners and making efforts for greater market access to the

US and EU, it should make efforts to increase its trade with Asian countries notably China and India because both are fast growing economies and have huge market.

JEL Classification: F01, C51.

Keywords: Imports and exports elasticities, Pakistan, Asian countries, cointegration.

Spatio-temporal Analysis of Indian Basmati Rice Trade and its Comparison with Pakistan

By **Dr. Mondira Bhattacharya**, Associate Fellow, Council for Social Development (CSD), New Delhi.

ABSTRACT

Basmati rice is a unique and high value grain crop. It is a traditional export crop of India holding an important position in India's agricultural export basket. Due to the Himalayan agro-climate its cultivation is limited only to India and Pakistan. This study attempts to analyze the spatio-temporal features of India's Basmati rice trade and its global competitiveness. Further, it also undertakes a comparative analysis of Basmati rice trade of India *vis-a-vis* its sole competitor, Pakistan.

The main findings of the study are that as Basmati is a premium product its existing markets would continue to hold. Secondly, despite some inherent problems, Basmati exports from India are increasing temporally and spatially. Thirdly, the quantum of Basmati exports has not only been determined by competition between India and Pakistan, but also influenced by issues such as hoarding, adulteration and change in tastes for other aromatic rice varieties. Fourthly, it is a highly competitive rice variety compared to non-Basmati, but over the last few years its competitiveness has been declining. Lastly, Pakistan with its several supply constraints has been giving a stiff competition to India's Basmati.

WORLD TRADE REPORT 2011

Executive Summary

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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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- (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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