

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

FDI and Its Impact on Indian Economy

An Empirical Investigation

By **Shri Maram Srikanth**, Assistant General Manager, IDBI Bank Ltd., Large Corporate Group, Hyderabad.

Dr. Braj Kishore, former Dean, Department of Commerce & Management, Osmania University, Hyderabad.

ABSTRACT

The study is a modest attempt to explain the impact of Foreign Direct Investment (FDI) equity inflows on Indian economy by using monthly data for the period April 2005 to March 2011, before and after the eruption of Global Financial Crisis. The empirical study is based on “Granger Causality Test” to establish the linkages between FDI equity inflows and macro-economic variables such as Inflation, Index of Industrial Production (IIP), interest rates, exchange rates and foreign exchange reserves. As per the results, there is a unidirectional causality from FDI equity inflows to IIP and WPI; and also from foreign exchange reserves to FDI. Hence, the Indian policy-makers are encouraged to attract more and more FDI inflows into the country so as to accelerate the pace of industrial production thereby addressing supply side gaps to contain inflationary pressures in the economy and also to accumulate foreign exchange reserves so that international creditworthiness of the country can be enhanced.

Keywords: Foreign Direct Investment (FDI), Capital flows, Granger Causality Test

Competitiveness of Leather and Leather Product Exports

A Case of Kanpur Cluster

By **Dr. Anuj Sharma**, Associate Professor and **Dr. Anupam Verma**, Dy. Director & Professor – International Business, Birla Institute of Management Technology, Greater Noida (UP).

ABSTRACT

Kanpur Cluster, despite being one of the oldest leather clusters of India with availability of all factors of production, is behind Chennai and Kolkata clusters in terms of revenue earned from export of leather and leather products as well as per unit realization in most of the leather products category. The current study focuses on studying export competitiveness of Kanpur cluster *vis-a-vis* Chennai and Kolkata. The paper has analyzed former cluster on Porter's framework and has brought forward the factors that result in low export performance of the cluster and the steps required by state policy-makers and exporters to improve the export competitiveness.

The research design of present study is exploratory followed by descriptive in nature. The sampling technique used is judgmental based on opinion of experts and researchers of the field. The data are collected from exporters of Kanpur through structured questionnaires. The exporters covered by the study account for 80 per cent of export revenue in leather sector from Kanpur. In-depth interviews with government officials and office bearers of organizations like FIEO, Council for Leather Exports were conducted to collect the data.

Researchers in consultation with industry experts and literature review determined the factors that have impact on export competitiveness. This study found that lack of external factors like transport infrastructure, power supply, image of State, recession in world market and insufficient State Government support in terms of policy and internal factors like high per unit manufacturing cost, lack of coordination among industry players, low use of technology (Modern Machines) and insufficient marketing activities, are the major reasons for low export performance of the cluster.

Keywords: Cluster, Competitiveness, leather export, Porter's Diamond

China and India: Economic Performance, Competition and Cooperation

By **Dr. Radha Raghuramapatruni**, Assistant Professor, GITAM School of International Business, GITAM University, Visakhapatnam.

ABSTRACT

In the recent years China and India have experienced unprecedented growth in terms of economic development, which have attracted the world economy. From the global perspective, China and India today represent two unique new players in the international market, presenting a combination of high GDP, significant level of poverty, a lower per capita income and living standards. This raises several questions about their becoming the major drivers of international economic growth. It is only in the recent past that political initiatives of confidence building measures began to shape their areas of mutual cooperation. Now the bilateral trade among these economies has been recognized as the most reliable and the agreeable instrument of China-India rapprochement which will tend to influence the world economy and its growth pace. Their long-term potential as trade partners, however, remains to be fully explored and exploited.

It is in this context of their fast changing equations, the current paper makes an attempt to hypothesize how this bilateral trade promises to become one of the most potential instruments to intensify their political relations and facilitate progress in actualizing their strategic partnership for their mutual benefit in the future.

Keywords: Competition, Cooperation, RCA, Trade Intensity index, Revealed Import Dependence, Export Intensity.

THE LEAST DEVELOPED COUNTRIES REPORT 2011

The Potential Role of South-South Cooperation for Inclusive and Sustainable Development

Overview

(Courtesy: UNCTAD Secretariat, Geneva)

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Manuscripts submitted for publication must be in English. Electronic manuscript (CD/DVD/e-mail) 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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- (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)

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