

# 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

### **An Analysis of Causality between Growth and Instability in Agricultural Exports of India**

By **Dr. S.K. Goyal**, Associate Professor (Agricultural Economics,) Department of Business Management, CCS Haryana Agricultural University, Hisar, Haryana (India).

**Dr. Ernst Berg**, Professor of Production and Environmental Economics, Institute for Food and Resource Economics, University of Bonn, Germany.

#### ABSTRACT

An attempt in the present study has been made to study growth and extent of instability in exports of major agricultural commodities during pre and post liberalization period, and to examine the relationship between agricultural export growth and export instability. The study uses the Cuddy-Della Valle Index to examine instability in exports and cointegration and error correction models to investigate the causal relationship between agricultural export growth and export instability. The total agricultural exports increased at the annual compound growth rate of 6.71 per cent during post-reform period up from 1.76 per cent during pre-reform period. The compound growth rate of all the agricultural and allied items except tea & mate, oil cakes, cashew kernels and spices were higher during post-reform period as compared to pre-reform period. As regards to instability, at the aggregate level, the results indicate relatively high volatility in agricultural exports after policy initiation. The cause and effect relationship between export growth and instability indicates that there is no causality either way in the short run, i.e. causality runs neither from instability to export growth nor from growth to instability. While there is strong evidence for unidirectional long-run Granger causality running from export growth to export instability.

### **South Africa's Trade with Australia: Opportunities for the Future**

By **Mr. C.H. Bothma**, Senior Lecturer, Department of Marketing and Retail Management, University of South Africa, Pretoria, South Africa.

**Prof. M.C. Cant**, Chair of Department: Marketing and Retail Management, University of South Africa, Pretoria, South Africa.

#### ABSTRACT

Several international market selection models have been developed over the years to measure export potential for companies and countries. The models in question aim to identify those export markets offering the best opportunities for the exporting nation. That is, they attempt to select one or a few target markets from many. If the objective is to identify the best product categories to export to a given country, the models generally do not meet this objective. In order to address this objective, research was undertaken in respect of a particular destination country to analyze and compare the imports of a supplying (export) country in the context of the importing country's import profile with the purpose of identifying those products with the best export potential. In support of this market demand approach, this article reports on a time-series analysis of Australia's imports from South Africa compared with those from the rest of the world from 2001

to 2009. The research concludes that the proposed approach provides additional and unique insights at a detailed product-level which should prove valuable in the process of evaluating the export potential between the two countries.

**Keywords:** export potential, import analysis, international market selection models

## **Indo-US Economic Relations: Prospects and Challenges**

By **Dr. Pravakar Sahoo**, Associate Professor, Institute of Economic Growth, Delhi.

**Dr. Ashwini**, Assistant Professor, Central University of Haryana, Mahendragarh, (Haryana), India.

**Dr. Geethanjali Nataraj**, Director, Federation of Indian Chambers of Commerce & Industry (FICCI), New Delhi.

### **ABSTRACT**

India and the United States of America (USA) have much in common – diversity, democracy, commitment to global causes. India being the 10th largest and USA being the number one economies account for about 27 per cent of the world production and play a major role in shaping the global economy. The last decade witnessed increased economic relations between these two resulting in four-fold increase in trade and investment making India the twelfth largest trading partner of USA. Though trade and investment constitute the core of the Indo-US strategic dialogue, such cooperation in its current form lacks focus and the actual trade has been much below potential given the size and complementarity between the two countries. In this context, the present paper analyzes trade, investment and mutual cooperation between the two countries and identifies a number of issues to improve US-India economic relations.

## **Intellectual Property Rights and Strategic Complementarities: An Analysis Based on Dynamic External Economies**

By **Dr. Satya Prasad Padhi**, Associate Professor, Department of Economics, Panjab University, Chandigarh.

### **ABSTRACT**

Starting with the Uruguay Round, the issue of tighter IPR regime divides the rich and the poor countries; developed countries generally favour a tighter IPR that would not permit any free riding.

However, the paper adopts a research methodology which starts with the well accepted premise that market power (incentive to innovation) is specific to output expectations and therefore is specific to strategic complementarities amongst various industries (Solow, 1998). In this context, the paper maintains that the good outcome, i.e. the realization of increasing returns to innovation, is particularly dependent on the possibility that the market power to innovation is specific to a growth process; a particular focus is then on the Youngian endogenous growth thesis where innovation induces further innovation through external economies, permitting further industrial differentiation (diversification) to permit increasing returns phenomenon; this approach to the problem, insofar as it focuses on the crucial role of the external economies, permits some free riding (as Romer, 1986 maintained that knowledge as a factor of production by a firm has external economies when it cannot be perfectly patented).

The paper therefore focuses on specificity of free riding possibilities that facilitate the working of external economies, which, in turn, should permit (i) higher returns to innovation more than static returns, (ii) higher growth of innovation with possibility of participation of poor countries, and (thus) (iii) higher participation in international trade by the poor countries, giving fillip to international trade.

## **ASIAN DEVELOPMENT OUTLOOK 2012**

### **Confronting Rising Inequality in Asia: India**

#### **ABSTRACT**

GDP growth slowed markedly in FY2011 as industrial and investment activity slumped and the current account deficit widened. A combination of tight monetary policy to counter persistently high inflation, strained global economic conditions, larger subsidies that pushed up the budget deficit, and lack of political consensus on resolving the policy impediments to growth were factors in the downdraft. Boosting investment and growth to match the strong performance of recent years will hinge on reaching agreement on measures to deal with long-standing and challenging policy issues. The outlook is for a moderate pickup.

(Excerpts from *Asian Development Outlook 2012: Economic Trends and Prospects in Developing Asia: South Asia*. This Chapter was written by Abhijit Sen Gupta of the India Resident Mission, ADB, New Delhi.

<http://www.adb.org/publications/asian-development-outlook-2012-confronting-rising-inequality-asia?ref=countries/india/publications>)

#### **BOOK REVIEWS**

Arpita Mukherjee, Parthapratim Pal, Subrata Mitra, Ramneet Goswami and Souvik Dutta; *Facilitating Trade and Global Competitiveness: Express Delivery Services in India*; Oxford University Press: 2012; pp: vii-xvii+287; Price: ₹ 675/-.

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

United Nations Economic and Social Commission for Asia and the Pacific; *Fighting Irrelevance: The Role of Regional Trade Agreements in International Production Networks in Asia*; Bangkok; 2011; ISBN 978-92-1-120620-3; US\$44.

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

## GUIDELINES FOR AUTHORS CONTRIBUTING ARTICLES TO FOREIGN TRADE REVIEW (FTR)

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.

Footnotes should be listed consecutively in the text with superscript Arabic numerals. All footnotes typed serially in double space should be given separately at the end of the text. If there are bibliographical references and footnotes, references should follow the footnotes in a separate sheet.

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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