

# 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

### **A Study on Environmental Compliance of Indian Leather Industry & its Far-reaching Impact on Leather Exports**

By **Shri Chandan Roy**, Assistant Professor & Head, Department of Economics, Kaliyaganj College, West Bengal, India.

#### ABSTRACT

Indian Leather Industry is recognized as one of the most promising foreign exchange earning sectors since early 1970s. The industry was hard hit by two consecutive foreign environment bans since 1989. Along with that, few domestic environmental regulations also resulted into closure down of a number of leather tanneries during this period. However, the government intervention and the successive compliance measures adopted by the firms ultimately helped the industry to gain momentum in its export sector. This paper analyzes the far reaching impact of these environmental regulations on export sector of Indian Leather Industry. Whether this boost in leather export marks a trade-off relation between environmental quality and volume of exports is a matter of debate, which is attempted in this paper. This paper, within the limitations of data availability regarding environmental statistics, has determined a positive relation between environmental quality and volume of leather exports and justified that instead of Pollution Haven Hypothesis, Indian Leather Industry rather confirms Porter's Hypothesis.

**Keywords:** Leather Exports, Environmental Regulations, Compliance, Pollution Haven, Porter's Hypothesis, BOD, CETP, ETP.

### **Export Strategy of Apparel Products: A Study of High Value Added Products**

By **Shri J.N. Gupta**, IRSS, Northern Railway and Research Scholar, Indian Institute of Foreign Trade, New Delhi.

**Dr. (Mrs.) Vijaya Katti**, Professor and Chairperson, Indian Institute of Foreign Trade, New Delhi.

#### ABSTRACT

It has been observed that EU countries get higher unit value realization (UVR) in their apparel products export by exporting high value added/differentiated products. The most valuable activities in the apparel value chain are not related to manufacturing per se, but are found in the design, branding, marketing, etc. among other activities within the products.

The study has been undertaken to analyze the export of Indian apparel products from the point of view of total export value and unit value realization (UVR). The study focused on top 10 apparel products being exported from India, which constitute more than 50 per cent of the total value of India's export of apparel products. A time series data has been prepared to get the picture of export of top 10 apparel products from India to the World. For these products, competitive positions of top 10 exporting countries for these products were obtained. Comparative calculation of trade value, quantity and unit value realization (UVR) were carried out for all the top exporters including India in each of these top 10 products. Further, in these top 10 exporting products, the analysis was carried out for India's export destination markets for the years from 2004 to 2009.

To know the competitiveness in the export of these 10 products, Revealed Comparative Advantage (RCA) values of these 10 products have been calculated for these products. Analysis shows that Indian exporters are not able to get high UVR for their exports. The study attempted to find destination markets to get high UVR based export for Indian exporters for enhancing export volume of these products to achieve growth. The study is concluded with the suggestions from Indian exporters to improve upon competitiveness by concentrating on export of high value-added products.

**Keywords:** Unit Value Realization, Apparel products, Competitiveness, Export, strategy

## **Current Issues Surrounding the Trade and Climate Change Interface**

By **Dr. Mitali Das Gupta**, Post Doctoral Fellow, Global Change Programme, Jadavpur University, Kolkata.

### **ABSTRACT**

The interface between trade and climate change is a complex issue though institutionally both the WTO and the UNFCCC are mutually supportive and leave sufficient policy space for one another in their respective operation. In this paper, three issues viz. carbon leakage and the border issue; the problem of unilateral trade measures; and finally, the issue of technology transfer and IPRs have been discussed. While the first two issues show how climate mitigation arises conflict within the WTO system, the third issue will discuss just the reverse, i.e. how the trade and technology transfer could arise conflict in international climate talks. The reason why trade intersects with climate change is due to the numerous implications that climate change may have in terms of its potential impacts and the intense regulatory and economic changes that are required to mitigate and adapt to these impacts. Hence, there is an intense need for a successful conclusion to the current negotiations on both climate change and trade. The paper concludes by saying that a successful conclusion of the WTO negotiations on trade liberalization will definitely help improve access to climate-friendly goods and technologies which are a pre-requisite to address climate change concerns. On the other hand, a successful round of the UNFCCC negotiations is likely to promote a supportive and open international economic system that would lead to sustainable economic growth and development thereby addressing the problems of climate change better.

## **“Freeing” Trade in South Asia: India’s Tariff Withdrawal for Pakistan and Bangladesh**

By **Ms. Pratima Singh**, Research Associate, Institute of South Asian Studies (ISAS), Singapore.

### **ABSTRACT**

This paper discusses economic integration in the South Asian region using an India-centric approach. It suggests that the gains for India withdrawing its tariff on imports from Pakistan and Bangladesh hugely outweigh the losses for the country. It uses a bilateral trade approach, analyzing the India-Pakistan and India-Bangladesh trade relationships. The India-Pakistan relationship shows Pakistan’s exports to India contribute much less to India’s total imports than to Pakistan’s GDP. The benefits of India unilaterally withdrawing tariffs, thus, are substantial. The India-Bangladesh trade relationship, despite having many complementary characteristics, is not very well established. Both the countries will gain immensely if India opens up its borders to their exports. These gains will outweigh the minor losses for India which will be compensated for by its increased goodwill. Economic integration is important to maintain stability in this region and the two bilateral relationships described above are crucial in ensuring this.

(JEL Codes: F13, F14, F15)

**Keywords:** India-Pakistan Trade, India-Bangladesh Trade, India’s Import Tariffs

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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.

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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.

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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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