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Skill Formation in the South in a North-South Model

Arabinda Ghosh

This paper analyses a North-South model in which the Southern labour market is decomposed into skilled labour and unskilled labour. The skilled labour is an intermediate input produced with capital and unskilled labour. The South is a net receiver of foreign capital from the North. The terms of trade are endogenously determined and it could play an important role in shaping South's supply of capital and skilled labour in the long run. This study shows that liberalisation of trade in the South would deteriorate short run terms of trade in the South but it would increase its supply of capital and skilled labour in the long run without disturbing its long run terms of trade.

Keywords: *North-South, Labour Market, Skill Formation, Foreign Capital*

1. Introduction

In the early years of twenty first century it has become a challenge to some of the developing economies to sustain the growth rate they have already achieved when the so called developed societies are in deep trouble. The need of the hour is not only to mobilise resources and to get rid of the policy paralysis but also to educate and train its huge manpower. Education, indeed, is guided by some kind of instinctive forces to learn more and some motivating forces to stimulate it. It is the duty of the society to ensure that adequate resources are available for its citizens to get access to education and at the same time adequate opportunities should be there to make use of their skills and abilities for livelihood purpose.

In a globalised framework it is hard to visualise ways for generation of resources by getting confined within the domestic front. But policy makers in the developing economies are still facing stiff resistance when the issue of liberalisation of trade and investment comes up. If it is possible to overcome the hurdles for making policy matters congenial to easy movement of goods and capital then it might help to achieve the desired result. In a North-South interaction model terms of trade movement could play a significant role in influencing and determining the inflow of foreign capital and skill formation process in the South.

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Export Performance Analysis of India's SEZ

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Special Economic Zone policy of India is used as an instrument of Export Promotion with an expectation of better export performance over its previous EPZ policy. A look on the trend of export gives us a rough idea about export performance of this strategy. So this paper has given a statistical support to our visualization by using Structural Stability Model to check the statistical significance of SEZ over its previous EPZ nature. The results of this model support to export performance of SEZs over EPZs. This paper also presented other dimensions of assessing export performance where it is found that SEZs are dominated by few sectors. And the zone dominated by labour intensive sector has not performed well in exporting. It is also observed that there is large difference in export performance between zones. So this paper suggests a cautious implementation of this policy with equal export capability within zones and multi sector development in the zone.

Keywords: *EPZ Export Processing Zone, SEZ- Special Economic Zone, Export*

Introduction

To promote export India adopted several measures and the scheme of establishing Export Processing Zones (EPZs) is one of it. But EPZs are criticized for their unused potential. Except Santacruz EPZ (SEEPZ) all other zones remained very weak in their performance. Thus the need for restructuring in the form of SEZs has come in light. The scheme of establishing SEZs is adopted in India after viewing its significant contribution in Chinese export. It is confirmed by many studies that the export performance of Chinese SEZs is successful. This success is a result of correct location choice, well planed policy with respect to infrastructure, incentives, labour supply and overall decentralization. The contribution of Chinese SEZs to the country's exports is in the range of 15-23 per cent. These zones, taken together, employ more than two million people directly and approximately 16 million overall. Cumulatively, 20 per cent of the total FDI into China has made its way into SEZs. Prominent industries established in these zones are textile and garments, metal works and machinery,

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Trade in Climate Smart Goods of Ecuador: Quantitative Analysis Using Trade Indices, SMART and Gravity Analysis

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The study identified Climate Smart Goods (CSG) in which Ecuador has advantage in production and trade. The interest in the subject of Trade in Climate Smart Goods was fuelled by Ecuador´s positive trade balance with the rest of the Andean Community and MERCOSUR region in 2010. SMART tool in WITS has been utilized for evaluating the relative benefits of tariff liberalization of CSG with MERCOSUR, China, Japan, US, and EU27 separately in 2010. It provides the results on various variables such as, trade creation, trade diversion, tariff revenue, welfare and consumer surplus. Further, the study has also utilized a variant of Baier and Bergstrand (2001) gravity formulation for working out the basis of trade and export potential in CSG of Ecuador in 2010. The study concludes that trade in CSG will help Ecuador to promote alternative industries in the face of global economic downturn. Also, it will help countries to look for safe, alternative and reliable energy source rather than believing in trade of crude and petroleum oil only or investing a great deal in nuclear energy. Ecuador can direct its social spending in promoting small industries which can provide CSG goods (low carbon emanating goods) at low cost. The Country-wise analysis reveals that for Ecuador, as far as trade in CSG is concerned, it is better to liberalize trade with the Japan, the US and China, the main suppliers (exporters) of CSG products. The study also finds that there is export potential of US$ 34 million in CSG with respect to four Latin American trading partners of Ecuador – Bolivia, Chile, Columbia and Peru. This is less than the export potential when Ecuador liberalizes its trade of CSG with China, Japan and the US. Finally, on the basis of Gravity Analysis, some national and international policies are recommended for promoting CSG goods and limiting climate change.

Keywords: *Climate Smart Goods (CSG), Trade Indices, SMART Analysis and Gravity Analysis*

1. Introduction

Trade and investment in Climate Smart Goods[1] (CSGs) and climate-smart services have recently received much attention as a triple win scenario where trade, climate and environment, and development all benefit (UNESCAP, 2011, a, b). The CSGs form part of the broader group named ‘Environmental Goods and Services (EGS). CSGs

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Foreign Direct Investment in Developing Countries – A Study with Reference to the South Asian Countries

P Asokan

This paper attempts to analyse the trend and the distribution of the FDI inflows into the developing countries in general and into the economies of the South Asian countries in particular. It has covered a period of 10 years, that is, from 2001 to 2010. The required data has been collected and compiled from the FDI /TNC Database of the United Nations Conference on Trade and Development (UNCTAD). The results of the study have shown that the developed countries have dominated over the other regions of the world in attracting FDI inflows. An analysis of the distribution of the FDI inflows into the Asian region has revealed that a lion's share of the FDI flows has gone to the East Asian countries. Further, it has clearly indicated that the Eastern Asian region still continues to remain a major destination in the Asian region for the high global FDI inflows. China was the largest recipient of the FDI flows, not only in this region, but also among all the developing countries of the world. India, the fast developing economy of the world, has occupied the fourth place in the list and it has accounted for 7.43 per cent of the total FDI flows received by the Asian region during the period under study. Among the various FDI recipients of the South Asian region, India has occupied the first place in the list and it has accounted for more than 70 per cent of the total FDI inflows received by this region during the period 2001 to 2010. The overall analysis has revealed that there has been a greater level of variability in the flows of FDI into the South Asian region during the period under study.

Keywords: *FDI inflows, Host Country, South Asian Nations.*

I. Introduction

The concepts of liberalisation and globalisation have been adopted and put into practice by almost all the modern economies, which have ushered in many new markets being thrown up for international business to be carried on. International financial markets have also witnessed a greater degree of integration, securitisation and liberalisation in the recent years. The restrictions on the cross-border capital flows have been drastically brought down in most of the countries, including the developing countries. In fact, with the globalisation of the various markets, the international financial flows have been far in excess of the flows of the goods and services among the trading countries of the world.

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Continuum of Goods Model with Ricardian Technology: Relative Factor Intensity Determines Environmental Degradation

Tirthankar Mandal & **Pinaki Chakraborti**

The literature on trade and environment is almost unanimous on the possibility that trade degrades environment in developing countries, South, while improves in North. This happens mainly through two channels. One is a relocation of 'dirty' industries to the 'pollution havens' of South and the other is the better environment through developed technology of North. The present paper extends analytically, the theoretical Ricardian technology of continuum of goods model, after the incorporation of environment as a factor of production. It incorporates environment in the structure not as a by product, but as a composite resource, which provides an indispensable factor in any production process.

Keywords: *North-South Trade; Continuum of Goods; Environmental Degradation*

Introduction

Expanding trade induces conflicts between growth, environment and welfare, with threats to sustainability. By now it is well known that international trade inflicts considerable extent of domestic and international externalities in the negative (WDR, 1992). At the same time since GATT 94 and formation of WTO, globalization, implying expansion of free trade, has been the rage. On the one hand, as trade and related production-consumption activities increase, they enhance the consumption-based welfare. On the other hand this will simultaneously lead to affecting countries' welfare adversely, as a result of deterioration of environment because of the associated negative externalities.

The trade theory literature generally concentrates on two factors of production. Now, as environment has emerged as a third factor, the relationship between trade, growth, gains and environmental consequences need a thorough rethinking. The literature hints at degradation of environment along two channels. First is a possible relocation of environment-intensive industries to so called pollution havens i.e., the third world (Low and Yeats, 1992). And second, is the increasing size of trade with rising pollution and other degradations through scale, composition and technique effects of the new activities (Grossman and Krueger 1993). Hence the cost of gains from trade, growth

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Economic Performance of Indo-China Merchandise Trade: An Analysis of RCA and RID Approaches

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Open regionalism and trade cooperation between the world's two largest developing countries, China and India, can foster outward-oriented development and intra-regional trade based on comparative advantage and available factor endowments. In view of the recent wave of worldwide subregional and bilateral trade cooperation, and the recent suspension of Doha negotiations by the World Trade Organization, the opportunity costs of not moving towards greater trade integration between China and India could be increasing. From the global perspective, India and China today represent two unique new players in the international market, presenting a combination of high GDP, a low but increasing per capita income, significant level of poverty and yet huge growth rates and growth potential. 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.

This paper develops a comparative assessment between the two countries and identifies the extent to which the two emerging powers should be considered as partners and/or competitors. Despite numerous internal challenges and non-economic issues of concern, an accretive and profitable economic alliance between the two countries is supported quantitatively and qualitatively. India and China share a complementary interdependence by engaging in a bilateral trade relation. This paper evaluates the structure of comparative advantage for India and China and the change in the economic scenario over a 17-year period from 1995 to 2011. Comparative advantage between the two countries has been calculated by using Revealed Comparative Advantage (RCA) and Revealed Import Dependence (RID) index. Data as per the SITC classification 1 has been used to compute the index of RCA and RID.

Key Words: *India, China, Economic Performance, Trade, RCA and RID*

1. Introduction

The world economy has changed rapidly both in horizontal and vertical spectrum. These changes in the world economy have established clearly that no nation can

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India's Look East for Integration with East Asia: Step towards Progress

Utpal Kumar De

India has adopted the Look East Policy in the ongoing globalisation phase to have more regional and sub-regional cooperation and for the promotion of trade in general and exports in particular in the eastern and south-east Asian countries. This, it has sought through multilateral agreements and reduction in tariff and non-tariff barriers, increase in investment, FDI inflows, acquiring technology and technical and other collaborations. This paper tries to examine, how far India has been able to integrate with other Asian countries in terms of various globalisation indices, economic and social, and expand foreign trade with these nations. The outcome of the paper suggests a mixed result and raises doubt about its preparedness in all these fronts, especially its capability of cluster formation, faster growth of GDP, HDI, reduction in trade deficit, solution of unemployment and inequality problem and faster development of North-East India as well.

Keywords: *Globalisation, Look East Policy, Hierarchical Cluster, FDI, Economic Growth*

Background

Economies integration through the relaxation of trade barriers is assumed to promote international trade, investment opportunities and flow of capital beyond national boundaries in all forms including human, natural, manmade, technology. The process is supposed to lead to the acceleration of economic growth of the countries adopting such policies. Integration with the global economies is thus conceived to be the solution to several social and economic problems (World Bank and IMF, 2007; Dreher, 2006; Kulkarni, 2005; Amavilah, 2009a). In the present global set up, free trade not only increases efficiency but also helps in environmental management due to greater competitive pressure and greater access to greener production technologies and knowledge as well as international capital transactions (Cole, 2004; Antiweiler et al, 2001). However, doubts have been raised by Heintz (2006), Cherni (2001) about the role of globalisation in employment generation and ensuring quality of work life, poverty reduction as well as gender equity due to persistent disparities between the developed and developing world.