PREFACE

For more than two decades, India has figured in the World Bank Reports among low income grouping of the countries. Pursuing the path of Mixed Economy and Import Substitution, its economy had remained highly protected; as a result it remained alienated from the global mainstream. It is only since early 1990s that it has started showing outward orientation. Liberalisation of economics on radical scale, following the collapse of the socialist statism, took place. Yet, it has to go a long way to establish its credentials as a competing trading power on the international scene. Noteworthy is the fact that even at this stage hardly 8 per cent of its GDP emerges from exports, much less as compared to the other developing countries in the Asian region like Singapore, Hong Kong, Taiwan, China, Thailand, Indonesia, Malaysia, Israel etc. Even Sri Lanka and Pakistan give evidence of their better exports base than India's. India has large profitable domestic market which discourages healthy growth of its external sector due to low profitability. Indeed, until recently India had hardly any consistent Export-Import Policy. Whatever policies were devised at different times during the preceding two decades whether in response to pressures from outside or inside were ad hoc in nature and for short term duration.

Besides the constrictive indigenous scenario, the external environment also bore depressing effects. In other words, demand side factors were equally responsible for such lackluster performance of our exports over the years. India's exports have been severely constrained by a plethora of non-tariff barriers as enforced by the developed countries in general and European Community in particular. Almost entire gamut of our exports of textiles and garments to the EC have been subject to stringent MFA quotas, agricultural export constrained by exorbitant European variable levies, and more recently a significant segment of textiles have been covered by EU's anti-dumping investigations. As such, more than 50 per cent of India's exports have been subject to Community's NTBs.

On the European side the Community has in the early 1990s completed its market integration among the member states with a view to pursuing common economic policies towards non-bloc countries. This phenomenon is commonly known as Single European Market (SEM), eliminating all border controls on free movement within the Community of goods, services, labour and capital.
Intra-Community elimination of internal barriers does not mean that EC will be equally liberal to non-members as well. EC has already Common External Tariff (CET) for the non-bloc countries which is exorbitantly high, and varies according to the nature of goods. EC has already been under Customs Union since 1968. With the establishment of SEM by 1 January 1993 it was expected that the EU would be less protective to the non-bloc countries and as a result, its benefit might percolate to non-members as well over a period of time. Further, another recent development that might prove to be a silver lining to the Indian exports is that they might get better market access to the European Community in the near future. This is the conclusion of Uruguay Round of negotiations where EC has pledged that it would dismantle all its non-tariff barriers over a period of 6 years beginning 1st January 1995, and convert them into tariffs which again will be reduced by 38 per cent in the same period.

It is in the midst of fast changing politico economic conjuncture globally as well as nationally that this study has been carried out with a view to finding out how the removal of EC's NTBs internally will bear effect on India's exports, and also the extent to which the EU would continue to be afflicted with protectionism. Furthermore, it is a comparative static analysis purely based on data on NTBs compiled by UNCTAD.

In Chapter-I, an attempt has been made to explain different dimensions of Indo-EC economic cooperation as enshrined in different cooperation agreements concluded at different points of time since the early 1970s. Its one salient characteristics lies not only in an in-depth analysis of EC's GSP scheme and its effects on India's exports, but also future direction of the new GSP scheme, that has been declared on 31 December 1994, and will expire on 31 December 1998.

In Chapter-II, analysis has been made of how and the extent to which Single European Market has been shaped and its effects on competitiveness of the European economies. The cost of "non-Europe" as spelt out in the Paulo Cecchini Report (1988) has influenced increasingly the European Policy makers. Following the two reports of the Inter-Governmental Conferences, Maastricht Treaty led to the transformation of the EC into EU. Earlier it has to be acknowledged that the major objects and uses of SEM had been delineated in the Single European Act (SEA), which provides an outline of the on-going project on the
shape of European Monetary and Economic Union in the next few years. Besides, our study examines the feasibility of EMU towards the end of the present century.

Chapter-III bears a comprehensive survey of the relevant literature and also discusses relevant methodologies on the measurement of NTBs. Further, it indicates the methodology that has been used in our analysis of the theme under study. Furthermore, attempt has been made to examine not only the future of Article-115 but also whether or not the fears relating to "Fortress Europe" are well founded, particularly in relation to India's exports.

Chapter-IV deals with the changing pattern of the Indo-EC trade in the period from 1981 to 1994. This bears a time series analysis in which we have shown the direction in the comparative context of India's trade with the EC countries, as well as rate of growth and market share. Besides trend analysis, we have also briefly analysed major NTBs, bearing effect on Indian exports and the products covered thereunder.

Chapter-V is the nucleus of our study based on three well-defined hypotheses, emerging from the relevant UNCTAD data. It examines the Community NTBs and the effect of their removal on India's exports product-wise. Briefly stated, our main findings are: i) The items covered by NTBs are also subject to higher tariffs; ii) Items bearing high tariffs as well as higher NTBs-coverage as frequency ratios are more competitive in the EC markets. This phenomenon is tested through Bela Balasa's Revealed Comparative Advantage (RCA) index, and iii) Tariff equivalents of NTBs-covered items are much higher than the items not covered by NTBs.

Chapter VI deals with the future prospects of India's exports to the EC markets. Since scope of increasing our exports to the erstwhile Soviet Bloc countries is limited, India has to make rigorous efforts to increase its exports to the European countries. Herein, an analysis has been made of India's perception about the market potentials in the EU and of the measures needed to attain higher growth in its exports. India's liberalising measures aimed at augmenting exports to the member states of the EU, and the latter's response thereto have also been evaluated.

Chapter-VII bears conclusions and major findings of the research study as a whole. We have endeavoured to show the potential of Indo-EC trade in the light of recently concluded Uruguay Round of multilateral trade negotiations and inception of the WTO.