CHAPTER - III

INDO-E.E.C. PREFERENTIAL & NON PREFERANTIAL TRADE AGREEMENTS
Trade agreements constitute the next important aspect of trade policy and have assumed great significance. Although the scope of trade agreements is concerned primarily with the regulation of tariffs; the general form of modern trade agreements is much the same embodying mutual tariff concessions, but the elaborateness and complexity of the agreements depend upon the nature of the agreements and the status of the contracting parties.¹

In this Chapter, the terms, conditions, scope and features of Indo-E.E.C. preferential and non-preferential agreements have been highlighted. At the same time the agreement from trade under these agreements has also been made.

31. FIRST COMMERCIAL COOPERATION AGREEMENT, 1973

The significance of the European Economic Community market for India increased with the expansion of the community in 1973 with the U.K., Denmark and Ireland coming into the field. India has traditional ties with the United Kingdom. By the virtue of its being a member of the Commonwealth, India has been enjoying preferential treatment for her exports in the British market.

¹ Palekar, S.A., Trade of India, Bombay, 1944, p.258.
With a view to establishing trade relations between India and the European Economic Community (E.E.C.) on the basis of comparative advantage and mutual benefit the Commercial Cooperation Agreement was concluded on the 17th December, 1973 and came to effect from the 1st April, 1974. India was the first country with which the enlarged E.E.C. had entered into commercial cooperation agreement within a year. Since then the agreement has been continuing by virtue of a provision for automatic renewal. The agreement provided for grant of most-favoured nation treatment in accordance with GATT principles; promotion and diversification of trade on the basis of comparative advantage and mutual benefit and development of economic cooperation.

Commercial Cooperation Agreement was different in its conception and scope from classical trade agreements. The two principal objectives enshrined in it were 'the development and diversification of the country's imports from India and India's imports from the country'.

The broad features of the agreement covered identification of areas for cooperation setting up of the mechanism of an Indo-E.E.C. joint commission.

for the periodic review of the trade matters. Under the agreement Trade-promotion programme of commission for identifying specific products and areas which are of potential significance to the expansion of Indian exports to the community in a given period of time. The trade promotion programme also includes activities such as exchange of business delegation between India and E.E.C. to explore the possibilities of expanding trade and setting up joint ventures.

The trade promotion programme undertaken at the instance of the Indo-E.E.C. joint commission has provided E.E.C. assistance for Indian participation in the European Trade Fairs, visits of India Trade Delegations to E.E.C. countries; visit of European Businessmen’s Delegation to India, visits of European experts to India.¹

One of the important projects undertaken was the preparation of report on joint project planning by M/S. Smallmen Consultants Ltd., which identified the sectors that offered good prospects for trade-oriented cooperation between economic operators. On the basis of recommendations made in the report, an Indian Trade

Centre has been set up at Brusseles with the assistance from the E.E.C. The Trade Centre has at present advised on Engineering, Electronics, Leather, Jute and Textiles and Garments. The purpose of the centre was to collect, analyse and transmit marketing intelligence and information on consumer's preferences, designs, standards, distribution channels to Indian exporters so that the Indian exporters can identify the market requirements quickly, make necessary adaptations and trade advantages of market conditions. The centre is jointly financed by the E.E.C. and the Government of India.

Since the agreement was non-preferential, the community relied on its general scheme of preferences to facilitate imports of Indian manufacturers and semi-manufacturers. The C.C.A. also provided for special sectional agreement between the E.E.C. and India and hand woven fabrics, hand-made products and trade in textile products.

The Commercial Cooperation Agreement of India provided the model and set the pattern for community's relations with the non-associated developing countries of Indian sub-continent - Sri Lanka, Pakistan and Bangladesh. These agreements registered an important
31.1 Growth of Indo-EEC trade under the first Commercial Cooperation Agreement

The year 1973-74 was the first year of non-preferential trade agreement. In order to have a broad review of the growth pattern from 1973-74 as the base year being 100, for exports to and imports from E.E.C. The indices change over 1973-74 being given in the Table 'A'. It will be observed that both exports to and imports from E.E.C. are showing a continuous rise with exception of exports in 1980-81 and exceptions of imports in 1976-77. The rise is at a higher rate for imports and at a relatively lower rate for exports.

The Table 'A' further shows that India's exports steadily rose from 100 indices in 1973-74 to 219.2 indices in 1976-77 and indices 288.6 in 1979-80. The increasing trend in exports suffered a set-back during 1977-78 when the exports indices remained practically stationary, while exports indices to E.E.C. declined from 288.6 in 1979-80 to 233.16 in 1980-81.

The Reserve Bank of India set up a high level standing committee of export finance to serve in all matters, relating to export. During 1976-77 trade policy, the emphasis was put on incentives to exports. The main incentives available to Indian exporters in the year were the tax relaxes on exports, export credits on preferential terms, the duty draw-back credit
the cash compensatory support and the duty exemption.1

Continuous recession and protectionism policy of the E.E.C. were the main reasons for the decline in exports to the E.E.C. in 1980-81. Secondly, since 1977, India did not fully utilise the textile quotas (See Table 'B'). Indian exporters should concentrate on all possibilities offered in this field.

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>UTILISATION BY PERCENTAGE OF QUOTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Yarn</td>
<td>23 %</td>
</tr>
<tr>
<td>Cotton Fabrics</td>
<td>60 %</td>
</tr>
<tr>
<td>T-Shirts</td>
<td>96 %</td>
</tr>
<tr>
<td>Women's Blouses</td>
<td>69 %</td>
</tr>
<tr>
<td>Men's Shirts</td>
<td>50 %</td>
</tr>
</tbody>
</table>


On the other hand the imports indices showed a higher rate than export indices throughout the period with exception in 1976-77. But in 1976-77, the import indices showed a decline trend and recorded

133.7 as against 148.9 indices in 1975-76. This is because of India's trade policy, up to 1976-77, has been to reduce the country's dependence on imports. To this end, the import of goods considered non-essential was severely restricted.\(^1\)

From 1977-78 to 1979-80, import indices gradually increased from 209.8 to 304.9. But in the year 1980-81 import indices showed a sharp rise and recorded 348.0 against the indices 304.9 in 1979-80. This is because of the Government had liberalised imports from 1977-78 of items needed to strengthen the country's production base and enable available production capacity to be fully utilised. Under the foreign trade policy from 1981-82, imports of capital goods have been further liberalised, especially as regards machines needed by the electronic and film industries. Imports of machinery are also allowed where local production is inadequate.\(^2\)

Table C shows that the India's balance of trade is continuously unfavourable but for an exception for 1976-77. Similarly, the unfavourable balance of

\(^{1}\) European Information, June 1981, p.12.

\(^{2}\) ibid, p.12.
TABLE - C

INDO-E.E.C. TRADE BALANCE UNDER THE FIRST C.C. TRADE AGREEMENT

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TRADE BALANCE (Rs. in crores)</th>
<th>TRADE BALANCE PERCENTAGE CHANGE OVER PREVIOUS YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>-107.19</td>
<td></td>
</tr>
<tr>
<td>1974-75</td>
<td>-168.78</td>
<td>+57.46</td>
</tr>
<tr>
<td>1975-76</td>
<td>-241.33</td>
<td>+42.98</td>
</tr>
<tr>
<td>1976-77</td>
<td>+387.16</td>
<td>-260.43</td>
</tr>
<tr>
<td>1977-78</td>
<td>-117.25</td>
<td>+130.28</td>
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<tr>
<td>1978-79</td>
<td>-506.38</td>
<td>+431.80</td>
</tr>
<tr>
<td>1979-80</td>
<td>-425.31</td>
<td>-18.74</td>
</tr>
<tr>
<td>1980-81</td>
<td>-1069.90</td>
<td>+151.56</td>
</tr>
</tbody>
</table>

SOURCE: As indicated in Table 'A'.

NOTE: + Percentage Means adverse.

- Percentage Means favourable.

trade assumed a gigantic jump in 1978-79. This has been studied on the basis of chain base percentage changes shown in Table 'C', so as to have an yearly picture of the deteriorating balance of trade position.

Table 'C' further reveals that the trade balance percentage change over previous year in 1974-75
was 57.46, but in 1975-76 recorded a decline trend and in 1976-77 marked a positive change by 260.43 percent. In the same year the chain base percentage of imports is also marked negative by 17.98 percent on the contrary exports chain base percentage marked a sharp rise by 63.35 percent (See Chapter IV, Table B). The favourable balance of trade in 1976-77 has been partly due to the increase in this country's exports to the E.E.C countries and partly because of the decrease in imports from E.E.C. This too may only be a short-lived phenomenon as the position subsequently deteriorated due to a result of steep rise in imports and relatively small expansion in exports up to 1980-81.

The trade deficit was at its peak and touched the level of ₹1,069.9 crores in the year 1980-81. This year percentage of exports had decreased by 19.23 percent and percentage of imports had risen by 14.15. (See Chapter IV Table B) and the sharp growth seen in percentage of trade balance by 151.56. In spite of this huge adverse balance of trade, India has been continuing her liberalised import region in the interests of her growing modern industrialisation sector.

The country-wise comparative figures on India's trade with the Member States of the E.E.C during 1975-76 and 1976-77 are given in Table D.
### TABLE - D
COUNTRY-WISE COMPARATIVE FIGURES (1975-76 & 1976-77)
(₹. in crores)

<table>
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<td>45.41</td>
<td>86.49</td>
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<td>115.03</td>
<td>57.22</td>
<td>+57.81</td>
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<td></td>
<td>(150.81)</td>
<td>(-46.74)</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>11.66</td>
<td>9.82</td>
<td>+1.84</td>
<td>24.58</td>
<td>5.23</td>
<td>+19.35</td>
</tr>
<tr>
<td></td>
<td>(+106.9)</td>
<td>(26.61)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>86.22</td>
<td>196.53</td>
<td>-110.31</td>
<td>178.39</td>
<td>140.30</td>
<td>+38.09</td>
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<td></td>
<td>(+106.9)</td>
<td>(28.61)</td>
<td></td>
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<tr>
<td>Fed.Rep.of Germany</td>
<td>117.91</td>
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<td>229.98</td>
<td>316.81</td>
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<td>(-13.34)</td>
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<td>Ireland</td>
<td>9.40</td>
<td>0.09</td>
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<td>12.31</td>
<td>0.39</td>
<td>+11.92</td>
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<td></td>
<td>(+30.96)</td>
<td>(+335.39)</td>
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<td>-4.81</td>
<td>118.98</td>
<td>56.06</td>
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<td></td>
<td>(+48.69)</td>
<td>(+33.20)</td>
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<td></td>
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<tr>
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<td>Neg</td>
<td>+0.01</td>
<td>0.03</td>
<td>0.03</td>
<td>0.0</td>
</tr>
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<td></td>
<td>(+200)</td>
<td>( )</td>
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<td>Netherlands</td>
<td>82.23</td>
<td>63.82</td>
<td>+18.41</td>
<td>194.56</td>
<td>65.43</td>
<td>+129.13</td>
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<td>(+2.52)</td>
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<tr>
<td>United Kingdom</td>
<td>421.32</td>
<td>284.00</td>
<td>+137.32</td>
<td>521.44</td>
<td>336.67</td>
<td>+184.77</td>
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<td>(+18.55)</td>
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<tr>
<td>All E.E.C. countries</td>
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<td>1095.53</td>
<td>-241.33</td>
<td>1395.30</td>
<td>1008.14</td>
<td>+387.16</td>
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<tr>
<td></td>
<td>(+63.35)</td>
<td>(-7.98)</td>
<td></td>
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</table>

**SOURCE**: Basic statistical material on Foreign Trade, Production & Prices 1980-81, Ministry of Commerce, New Delhi.

**NOTE**: Figures in brackets denote percent change over previous year 1975-76.

The Table D reveals that total exports from India to E.E.C. increased by 63.35 percent, while its imports from the community decreased only by 7.98 percent. In the same period, the total world exports by India increased by 27.3 percent.
while its total world imports decreased by 3.6 percent. Individual countriwise E.E.C. export percentage over the previous year can be observed from Table D that our exports went up to Belgium by 153.31 percent, Netherlands 136.60 percent, Denmark by 110.81 percent, France by 106.9 percent, Fed. Rep. of Germany by 95.05 percent, Italy by 48.69 percent and U.K. by 23.76 percent. On the contrary, percentage of imports over the previous year in the same period decreased, whereas, with the U.K., Netherlands and Ireland it has increased.

In 1976-77 India had the favourable trade balance with all the E.E.C. countries with exception from Federal Republic of Germany (See Table D).

Our "World-Export" increased for 1976-77 was hardly 27.3 percent as compared to E.E.C. increase of 63.35 percent. It shows the valuable contribution of E.E.C. on the one hand and poor performance with the rest of the world.

Similar is the case of our "World-Import" decreasing by 3.6 percent, whereas E.E.C. imports decreasing by 7.98 percent.

The important aspect to be examined is the value of exports to and imports from the countries
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>India's exports</td>
<td>India's imports</td>
<td></td>
<td>India's exports</td>
<td>India's imports</td>
<td></td>
</tr>
<tr>
<td>Belgium &amp; Luxemburg</td>
<td>44.38</td>
<td>65.71</td>
<td>- 21.33</td>
<td>144.61</td>
<td>296.67</td>
<td>- 152.06</td>
</tr>
<tr>
<td></td>
<td>(7.31)</td>
<td>(9.20)</td>
<td></td>
<td>(10.22)</td>
<td>(11.94)</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>13.05</td>
<td>4.03</td>
<td>+ 9.02</td>
<td>26.39</td>
<td>20.51</td>
<td>+ 5.88</td>
</tr>
<tr>
<td></td>
<td>(2.15)</td>
<td>(0.60)</td>
<td></td>
<td>(1.87)</td>
<td>(0.82)</td>
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<tr>
<td>France</td>
<td>48.57</td>
<td>70.29</td>
<td>- 21.72</td>
<td>146.94</td>
<td>280.30</td>
<td>- 133.36</td>
</tr>
<tr>
<td></td>
<td>(8.00)</td>
<td>(9.85)</td>
<td></td>
<td>(10.39)</td>
<td>(11.28)</td>
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</tr>
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<td>Fed. Rep. of Germany</td>
<td>86.37</td>
<td>205.79</td>
<td>- 119.42</td>
<td>384.75</td>
<td>693.77</td>
<td>- 309.02</td>
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<tr>
<td></td>
<td>(14.23)</td>
<td>(28.82)</td>
<td></td>
<td>(27.19)</td>
<td>(27.92)</td>
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</tr>
<tr>
<td>Ireland</td>
<td>9.07</td>
<td>Neg.</td>
<td>+ 9.07</td>
<td>13.55</td>
<td>5.42</td>
<td>+ 8.13</td>
</tr>
<tr>
<td></td>
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<td>(Neg.)</td>
<td></td>
<td>(0.96)</td>
<td>(0.22)</td>
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<tr>
<td>Italy</td>
<td>69.33</td>
<td>49.40</td>
<td>+ 19.92</td>
<td>151.58</td>
<td>242.48</td>
<td>- 90.9</td>
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<td>(6.92)</td>
<td></td>
<td>(10.71)</td>
<td>(9.76)</td>
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</tr>
<tr>
<td>Netherlands</td>
<td>73.26</td>
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<td>+ 16.7</td>
<td>152.04</td>
<td>214.50</td>
<td>- 62.46</td>
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<td>(7.92)</td>
<td></td>
<td>(10.75)</td>
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<tr>
<td>United Kingdom</td>
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<td>+ 10.57</td>
<td>394.86</td>
<td>730.99</td>
<td>- 336.11</td>
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<tr>
<td></td>
<td>(43.30)</td>
<td>(35.32)</td>
<td></td>
<td>(27.91)</td>
<td>(29.42)</td>
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</tr>
<tr>
<td>Total</td>
<td>606.77</td>
<td>713.96</td>
<td>-107.19</td>
<td>1414.74</td>
<td>2484.64</td>
<td>-1069.9</td>
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<td>3.E.C.</td>
<td>(100)</td>
<td>(100)</td>
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<td>(100)</td>
<td>(100)</td>
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</tbody>
</table>

**SOURCE**: As indicated in Table A.

**NOTE**: Figures in brackets denote individual country-wise share in per cent in total exports and imports.
of E.E.C., and the change in the value over the years of first commercial cooperation agreement. The most important change in the structure is the diversification in export and import percentage to these countries. In the beginning of the agreement the U.K. has been the leading trade partner among E.E.C. countries, accounting a large share of India's exports to and imports from these countries. In 1973-74 the share of the U.K. in India's total exports to the E.E.C. was 43.30 percent and 35.32 percent in India's imports from the E.E.C. This share has come down to 27.91 percent and 29.42 percent respectively in 1980-81. In 1973-74, Federal Republic of German's share was 14.23 percent in India's total exports to E.E.C., and 28.82 percent of India's imports from E.E.C., which attained 27.19 percent and 27.92 percent respectively in 1980-81.

From Table E it is clear that in 1973-74 in exports and imports U.K. and Federal Republic of Germany's combined share was 57.53 percent and 64.14 percent, respectively. This combined share of these countries has come down to 55.10 percent and 57.34 percent in 1980-81. Yet, it is more than 50% of the total in exports and imports. During this period India improved her exports position with France, Ireland, Belgium and Luxemburg, but on the contrary imports from Belgium and Luxemburg, Italy and Netherlands increased from 9.20 to
11.94, 6.92 to 9.76 and 7.92 to 8.63, respectively.

The growth in Indo-German trade in earlier years is attributed to certain favourable factors. In the process of rebuilding its war-shattered economy, West Germany became not only a major industrial power, but also one of the most thrusting and aggressive sellers of capital goods in the world market. India, on the other side, needed capital goods for her development programme, and West Germany was in a position to supply. Secondly, West Germany's exports to India were largely financed by German Government aid to country's private investment. This factor was also responsible for growing trade between the two countries.¹

As regards Britain, the British financial institutions were keen on extending export credits in India for the development of the steel, aluminium, power, coal and other core sector industries.² This is given in Table F.

<table>
<thead>
<tr>
<th></th>
<th>Million</th>
<th>Rs. crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>80.56</td>
<td>145.5</td>
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<tr>
<td>1976-77</td>
<td>93.2</td>
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<td>1977-78</td>
<td>105.2</td>
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<td>1978-79</td>
<td>135.0</td>
<td>243.7</td>
</tr>
<tr>
<td>1979-80</td>
<td>120.7</td>
<td>217.9</td>
</tr>
</tbody>
</table>

SOURCE: Commerce, 18 April, 1981, p. 31

1. Commerce, 4 October, 1980, p.31
Lastly, the higher rate of imports was largely due to the import of high value products from the community, especially of capital goods and machinery.

31.2 "Below 10 % countries"

Further, examining the direction of trade (Table E) it is observed that the shares of Belgium and Luxemburg, Denmark, France, and Ireland were less than ten percent of the total of E.E.C. in 1973-74. Even in 1980-81 our position in both Denmark and Ireland could not be improved. Perhaps substantial increase in the exports to other countries would have helped India in improving the balance of trade position with E.E.C. on the whole.

It is worthwhile to note that the communities in India's major trading partner accounting for 27 percent of India's global exports and 30 percent of India's global imports in 1978-89. However, India accounts for less than one percent of the total imports into the community. Considering the resources and technological skills available in India, the growth in Indian exports achieved so far is too small compared to the potential that exists.

The picture is very different when the rest percentage is bifurcated. An estimated 27 % of India's total exports are currently to the E.E.C., as compared
to some 12 percent to the United States and 10 percent to Japan, 13 percent to the Soviet Union and the OPEC countries.\(^1\) Within the community, the United Kingdom remains the major market for Indian goods, with just over 7 percent although its share has been declining steadily. Germany's share, on the other hand, has been rising and is now just under 6 percent.

When one looks at the level of trade between India and the community, it is clear that India has not been able to realise its full potential for exports to the member-countries so far. The reasons are many and varied. Very often, these are due to the inability of the Indian exporters to conform to the European specifications and fast changing market trends. Meeting European quality standards and delivery schedules have also been difficult for many of the small and medium scale exporters from India. It is because that quality rather than mere cost effectiveness is a major factor in increasing volume of India's exports to the European markets. It is here that the ability of the Indian exporters to adapt themselves to the requirements of the consumers in Europe would play a major role.

Indian exports to the community are also facing rough weather in the emergence of certain protectionist tendencies and adoption of restrictive trade practices

\(^1\) Europe Information External Relations, Brussels, June 1981, p.5.
in areas like textiles, jute, coir, leather and footwear, tobacco, etc. There have been problems of tariffs and quotas in respect of these commodities. While one can appreciate the problems faced by the domestic industries in the European countries in competing with cheaper imported goods, the quantitative restrictions and quotas could at best provide a very temporary solution to these problems, apart from being irritants in increasing the volume of trade between India and the E.E.C. countries. The solutions to these problems will have to be found within the wider concept of comparative advantage and effective action to adjust the production mechanism in both countries to the mutual advantages of each other. Meaningful production collaborations and tie-ups between the industries in the two countries based on their respective strengths in technology, skills and cost effectiveness would be the best way to tide over the transitional problems and arrive at a more balanced economic and commercial relationship.

On the whole, trade between India and E.E.C. has been expanding fast since 1973-74 under this commercial cooperation agreement.

32. NEW INDO-EEC. COMMERCIAL AND ECONOMIC COOPERATION AGREEMENT, 1981

The new 5-year Commercial and Economic Cooperation Agreement began with the signatures on
23rd June 1981. Under the new agreement, India and the 10-nation community seek to promote a closer cooperation across the whole range of commercial and economic endeavours", as the Preamble has it.¹

A non-preferential agreement like the first, it too is based on the principles of comparative advantage and mutual benefit. But it represents a considerable advance on the 1973 agreement.² The agreement is wider in scope than the earlier agreement of 1973 covering as it does not only trade, as did the 1973 agreement, but also cooperation in the realms of industry, technology, science and research and development. The agreement provides for consultation and cooperation on international commercial and economic problems, jointly identifying possibilities for increased production and improved marketing prospects, promotion of industrial cooperation and transfer of technology through concerted measures, promotion of increased and mutually beneficial investment and encouraging technological and scientific cooperation including joint programmes of research and development in various fields, including energy sources, energy conservation, energy related technology and protection and improvement of the environment.³

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2. Europe Information External Relations, Commission of the European Communities Spokesmen's Group & Directorate-General for Information, Brussels, June 81.
The supervision over the implementation of the agreement will be done by a joint commission formed by representatives of both the parties which is to meet at least once a year in Brussels and New Delhi. The joint commission will study, among other things, the ways and means of overcoming tariff and non-tariff barriers in various sectors of trade.  

The new agreement is an extension of the old, which was limited to commercial cooperation. One of the weaknesses of the new agreement is that it will prove unintelligible to the very people whose interests it seeks to promote the manufacturers and exporters in both India and the E.E.C. 

32.1 Commercial cooperation

India and the E.E.C. will try to raise their two-way trade "to the highest possible level", taking a number of steps to this end. The most obvious of these steps would be in the field of tariffs. The steps have been elucidated in cheaper "Trade Promotion". But the possibility of tariff concessions is ruled out as this is a non-preferential agreement. Even so, the two sides will do their best to "maintain and strengthen and open an equitable international trading system and

respect their obligations under the GATT.¹

32.2. Economic Cooperation

A key element of commercial cooperation is the expansion of industrial production on the basis of comparative advantage. Industrial cooperation, not surprisingly, is one of the major forms of economic cooperation under the new agreement. Some common market countries, in fact, justified their demands for an investment promotion and protection clause on the grounds that there cannot be industrial cooperation without investments. Once New Delhi had agreed to this demand, it linked "investments to industrial cooperation and the transfer of technology."

Under the agreement the two sides will promote industrial cooperation and the transfer of technology on a long-term basis. The objective is to utilise more fully each other's human, material and technical resources. They will also "promote and facilitate increased and mutually beneficial investment", consistent with their laws and policies.

The smaller E.E.C. countries wanted an assurance that Indian policies would be "non-discriminatory", i.e. would ensure equal treatment for all common market investors. But they found themselves opposed

not only by India, which had announced preferential for Arab investors, but also their own common market partners.

32.3 Joint Commission

To ensure the agreement's effective implementation the provisions of Joint Commission has been done. As it is a non-preferential agreement, there are no specific tariff preferences for Indian products. Like the old agreement, the new one requires the Joint Commission "to study & devise ways and means of overcoming trade barriers, tariff and non-tariff in the various sectors of trade."¹

The importance of the Joint Commission which is required for "to seek ways and means of encouraging the development of economic and commercial operations and ... of overcoming trade barriers". The Joint Commission must make recommendations on the use of all available instruments in addition to most favoured nations tariffs and generalised preferences.²

In order to increase the Joint Commission's effectiveness, the agreement stipulates it shall meet at appropriately high level, i.e. at ministerial level

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on occasion if India had its way. Moreover, it shall meet alternatively in Brussels and New Delhi, a decision which should help the E.E.C. countries to get a better understanding of India's problems and possibilities. The most important provision, however, is a financial one. For the first time the Community has specifically agreed to join India in providing funds for the use of the Joint Commission.\footnote{Malcolm Sobhan, *New Indo-E.E.C. Co-operation Agreement* (Commecce, May 2, 1981).}

**32.4 Trade Promotion**

The main emphasis of the new agreement is trade creation, especially as regards trade in industrial products. To this end, India and the E.E.C. will make a determined effort to identify products and product groups in which the other has a comparative advantage and to encourage increased production and trade in these products. The European Commission has a trade promotion programme, of which India is an important beneficiary. As the emphasis is on two-way trade, India and the E.E.C. will also cooperate in studying Indian demand, both current and potential, for industrial products for which this comparative advantage lies with common market firms. Exports of these products would be promoted in much the same way.

The approach to trade promotion is reinforced by separate provisions on economic cooperation. The sides agreement requires both sides to promote both industrial
cooperation and the transfer of technology "through concerted measures at community and national levels". The objective sought by the two sides is "the fuller utilisation of each other's materials, man-power and technological resources."

32.5 **Development Aid**

The E.E.C. will intensify its support for India's development programmes. This support will include both direct concessional transfers, through the community's own programmes in favour of non-associated developing countries, and help in securing funds from semi-public institutions, in accordance with the rules and policies of the latter. In addition, financial institutions on both sides will be encouraged to cooperate with each other.¹

The provisions for commercial cooperation have been strengthened. In order to expand and diversify their trade, the two sides will promote trade and industrial delegations, foster the organisation of fair and exhibitions; encourage their commercial organisations to cooperate with each other and generally help their economic operators identify sectors and products in which each side enjoy comparative advantage and support market development programmes based on such identification. The two sides have also undertaken to foster economic

¹. Europe Information External Relations; Brussels, June 1981, p.3.
cooperation in all fields of mutual interest. They will take steps to promote industrial cooperation, including the transfer of technology, through concerted measures of community and national levels and mutually beneficial investment, consistent with their laws and policies.

Industrial cooperation, especially when at the level of private firms, often requires capital investment. Under the new agreement, India and the E.E.C. have undertaken to "promote and facilitate increased and mutually beneficial investments". All investments will have to be consistent, however, with the relevant laws and policies of the host country.

Scientific and technological cooperation is an obvious corollary to the transfer of technology. The agreement, therefore, provides for such cooperation including joint research (R) and development (D) programmes.

The new agreement also affords a stronger legal basis for technological and scientific cooperation than the earlier commercial agreement. It provides for joint programmes of research and development and specifically refers to cooperation in the fields of energy sources and conservation, energy-related technology and environment protection and improvement.
The successful implementation of the new cooperation agreement will depend, as in the previous agreement, on the Joint Commission, made up of representatives of India, on the one side, and the European Commission, assisted by Member States representatives on the other. The Joint Commission's terms of reference have been reinforced, however, most notably as regards recommendations for the use of community funds and such other funds as may be put at its disposal jointly but the two sides for expenditure on relevant studies and activities.¹

At the level of Governments, there should be greater exchange of information and more consultations under the new cooperation agreement. The two sides have agreed to exchange available information regarding changing trends in industrial production, for example, so that both can adjust to them, with a view to achieving "optional overall economic growth". They will also hold consultations on any problems adversely affecting their trade and economic relations and consult and cooperate with each other in the solution of international problems.²

². -ibid- p.4.
TABLE - G

DEVELOPMENT OF INDO-EEC. TRADE UNDER C.C. & E. AGREEMENT
(DURING 1981-82 and 1982-83)

(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>India's exports to EEC</th>
<th>India's imports from EEC</th>
<th>Balance of trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>1409.16</td>
<td>3059.08</td>
<td>-1649.92</td>
</tr>
<tr>
<td>1982-83 (P)</td>
<td>1475.10</td>
<td>3244.91</td>
<td>-1769.81</td>
</tr>
</tbody>
</table>


(P): Figures are provisional and subject to revision.

The Table 'G' elaborating the trade results for two years is being analysed below.

32.6 Indo-E.E.C. Joint Commission Meetings:

First Meeting:

The first meeting of the Indo-E.E.C. Joint Commission set up under the new Economic and Commercial Agreement was held in New Delhi from January 23, 1982, to January 28, 1982. The E.E.C. delegation was headed by Mr. Wilhelmn Hafercamp, Vice President of the European Commission and the Indian side was led by Mr. Pranab Mukherjee, Finance Minister. The Joint Commission meeting not only discussed the trade and E.E.C. aid but also investment and other forms of
Economic Cooperation. They also discussed to encourage capital flows from E.E.C. to India. A senior official from the external relations division of the E.E.C. clearly states that India would have to open her doors if she wants inflow of foreign capital.

The major area of discussion was trade, which is the main form of economic contact between India and the E.E.C.

The decision was taken to promote economic cooperation in the formation of the Council of E.E.C. Chamber of Commerce in India. On that basis E.E.C. Chamber of Commerce in India was inaugurated on 2 November, 1982, by Mr. Gaston Thon, the President of the European Community.

The major issue of India's widening trade deficit was also discussed in a joint working group. In January 1982, the European Commission organised seminars on problems and prospects of Indo-E.E.C. relations in Bombay, New Delhi, Calcutta and Madras. Encouraged by the success of these seminars, the European Economic Commission organised a series of seminars in the European countries to persuade the European entrepreneurs to invest in India. The first seminar was held in Dusseldorf on 2-3 November, 1982, and the second seminar was held in Paris on 4-5 November, 1982, and the third in the series was held in U.K. on 8-9 November, 1982.
Second Meeting

The second meeting of the Indo-E.E.C. Joint Commission was held on 30 and 31 May, 1983, at Brussels. The Commerce Minister Shri V.P. Singh had led the Indian Delegation in the meeting. The Indo-E.E.C. Joint Commission discussed and made recommendations to the E.E.C. Commission and Government of India on all issues relating to trade and economic cooperation between India and the Community. Regarding Commercial Cooperation, the meeting heard the report of the two working groups on trade issues and adopted the trade promotion programme for 1983. It also evaluated the performance of the Indian Trade Centre set up at Brussels with E.E.C. assistance.

In addition, the meeting included the discussion on transfer of technology and a study of further cooperation activities, especially in the fields of science and technology including energy. India was keen to have more cooperation with E.E.C. countries in these areas. The Joint Commission had discussed Indo-E.E.C. cooperation with third world countries including the issue of trading facilities in India and use of Indian consultancy expertise in third countries.

Third Meeting

The Indo-E.E.C. Third Joint Commission Meeting was held in New Delhi on 5 and 7 May 1984.
At the very outset Mr. Ivor Richard told that "Since last year's Joint Commission, there has been a slight improvement in economic prospects for the community. The recession seems to be bottoming out. Inflation should also see a further reduction in 1982 to just over 5%. However, on the negative side the community will still be running overall 35 Billion E.C.U. external trade deficit. What is also giving us concern is that recovery in demand is unlikely to bring about a major reduction in unemployment".

Mr. Ivor Richard further pointed out that the causes of India's growing trade deficit with E.E.C. are, First India's economy, which is moving out of its initial development phase and more into sophisticated high technology and secondly, that the raw trade figures of India, which can be very misleading and include items such as diamonds, which are re-exported with value added. He further pointed out that European Community has taken the positive measures to increase India's exports to Europe.

After the New Economic and Commercial Cooperation Agreement, India's exports to the E.E.C. in 1981-82 were worth Rs.1409.16 crores as compared to Rs.1414.74 in 1980-81. In 1982-83 India's exports to the E.E.C. were Rs.1475.10 crores, just 4.2 percent higher than 1980-81. India's imports from E.E.C. were worth Rs.3059.08 crores in 1981-82 as against
Rs.2484-64 crores in 1980-81 and Rs.3244-91 crores in 1982-83. The imports growth recorded 23.12 percent in 1981-82 and 30.6 percent in 1982-83 on the basis of 1980-81. India has been consistently running a deficit in bilateral trade balance with E.E.C. since 1977-78 and the quantum of deficit has been steadily growing.

32.6 Indo-E.E.C. Joint Commission Meetings

The history of the India-E.E.C. economic relations thus shows that the mere signing of an agreement means very little in real terms. On the other hand the new agreement contains provisions which, if worked sincerely, can bring about a qualitative change in the relationship between India and the E.E.C.

33. NON-PREFERENTIAL AGREEMENT

33.1 Generalised system of preferences (GSP):

Origin of GSP.

The origins of the GSP go back to a resolution of the UNCTAD-II in 1968 in New Delhi, calling for "a mutually acceptable and generalised system of preferences" in favour of developing countries. In June 1971, the contracting parties to the GATT agreed to waive the most-favoured nation clause for a 10-year period, so as to make it possible for the industrialised countries to introduce their preferential schemes, (autonomous, i.e, not open to negotiation-non-reciprocal, as beneficiary countries do not grant tariff concessions
in return for GSP.¹

33.2 Object of GSP.

A major object of the GSP as stipulated in the UNCTAD Resolution 21(II), is to help the developing countries to speed up their rate of economic growth and prompt their industrialisation by offering them preferential access to the rich market of the developed countries under certain conditions.

Further, it is also envisaged that the GSP will promote increased export earnings by the developing countries, so as to hasten the process of industrialisation and thereby accelerate their economic growth. Elimination or substantial reduction in tariffs effected by the developed countries under GSP in favour of developing countries on a preferential basis, have been primarily aimed at bringing about considerable improvement in the market-access for the products of developing countries, as their exports of manufactures and semi-manufactures to the prosperous and fast growing markets in the developed countries are no longer subject to any disadvantage of high import tariffs.²

33.3 GSP & Global Coverage:

European Economic Community was one of the

¹ European Information External Relations; the European Community & India, Brussels, June 1981, pp. 5-6.
first countries to introduce the scheme of Generalised System of Preferences (GSP) in July 1971, offering non-reciprocal tariff preferences to developing countries with a view to enabling the latter to augment their export earnings, promote industrialisation and accelerate economic growth. All industrial products, with few exemptions, are included in the GSP scheme. The products covered are given duty-free treatment, subject to overall ceiling and maximum country amounts. The products are categorised as sensitive, semi-sensitive and non-sensitive products. Normally, the ceilings and the maximum country amounts are rigidly applied in the case of sensitive items. The sensitive tariff quota items are allocated among member States based on a standard formula relating to trade, GNP and population. In the field of agricultural products, a selective approach has been adopted and certain specific products have been included for partial tariff reduction. Originally the GSP scheme was initiated for ten years by the end of 1980. As per the UNCTAC recommendations, the E.E.C. extended the GSP scheme for another ten years period (1981-90).

The lead given by the European Economic Community was closely followed by other developed countries. At present, the entire developed world

comprising the ten-member European Economic Community, Japan, Norway, Sweden, Finland, Austria, Switzerland, Newzealand, Canada, and the United States of America has been operating GSP schemes in favour of the developing countries. The Australian scheme of preferences, though under operation since 1966, was really brought at par with the GSP scheme of other developed countries, with effect from 1974, and currently though outside the purview of GSP, Australia also grants similar preferential tariff concessions to developing countries. In addition, major East European countries including the USSR, Czechoslovakia, Hungary and Bulgaria, have also introduced their own GSP schemes for the benefit of developing countries. It would thus be seen that at present GSP has really assumed global dimension in tariff relations between Developed and East European countries on the one hand and the developing countries on the other.¹

33.4 Indian context

India is one of the major beneficiaries of the E.E.C's. scheme, which is currently open to 125 countries and 21 dependent territories. At the time of its first enlargement, in 1973, the E.E.C. used the GSP instrument to offset as far as possible the loss of commonwealth preferences to India and other Asian

countries, while helping them to diversify their
export outlets through preferential access to the E.E.C.
countries. India, especially from 1973-74 onwards, has
been emerging one of the principal beneficiaries under
the GSP in most of the GSP markets. In the European
Economic Community, India can now be ranked among
the first four in terms of exports to E.E.C. under the GSP.

33.5 Evolution of E.E.C. GSP during seventies

The basic structure of the E.E.C. GSP scheme
during the 70's remained unchanged even though a number
of improvements were made. The improvements made in
the scheme during this period and which were of particula
relevance to India are dealt with below separately
for agricultural and industrial items.

33.5(a) Agricultural Sector

In the agricultural sector the E.E.C. scheme
is selective. The twin constraints of the common
Agricultural Policy and the Lome Agreement with ACP
countries have inhibited the E.E.C. from making substan-
tial improvements in the GSP concessions for these
products. However, during this period a number of
important products of interest to India have been
included in the GSP and in the case of certain other
products the tariff cut has been deepened. Important
additions of new items which were of significance to
India in the E.E.C. GSP scheme for agricultural products
were unmanufactured FCV tobacco in 1974, Castor Oil in 1975, shrimps of family Penacidae and pepper in 1976. Following the Tropical products negotiations some fresh fruits and vegetables such as mangoes and Okra were made eligible for GSP treatment. Improvements have also been made by way of the deepening of tariff cut. In 1975, the duty on froglegs was brought down from 5 percent to zero. The duty on shrimps of family penacide was reduced from 7 percent in 1976 to 6 percent in 1979. Following the Tropical Products Negotiations the duty on dehydrated mushroom was brought down from 10 to 8 percent and on pepper from 6 to 5 percent in 1977.

A major improvement in the E.E.C. GSP in 1974 following the accession of the UK to the E.E.C. was the inclusion of unmanufactured FCV tobacco. However, from the very beginning there has been a tariff quota for this item. The tariff quota was changed from a value limit to a quantitative limit in 1975. Another limitation on the GSP for manufactured tobacco was that for the years 1974 to 1976 only tobacco valued at less than 200 UA per 100 Kg. was eligible. Following the tropical Products Negotiations a major step was taken by bringing high value tobacco within the scope of GSP and enlarging quota to 60,000 tonnes from 38,000 tonnes. The ad valorem duty was brought down from 10.5 percent to 7 percent for tobacco valued less
than 280 UA per 100 Kg. and from 14 to 7 percent for tobacco valued at more than 280 UA per 100 Kg. However, the maximum specific duty for lower value tobacco was removed and the minimum raised from 12.5 UA to 15 UA per 100 Kgs. The maximum duty for FCV tobacco valued at more than 280 UA per 100 Kgs. was retained at the same figure under the GSP as under MFN rates. As a result of these changes, although Indian tobacco of higher value gained, the incidence of tariff was actually increased on lower values tobacco. The tropical product offers on FCV tobacco thus did not result in any net liberalisation for Indian tobacco. Further, India has not gained much advantage from the substantial increase in the quota.

Since high value tobacco is also eligible for the GSP treatment within the same quota-limit the preference of the E.E.C. importer is to utilise the limited GSP quota for only high value tobacco. As other developing countries export high value tobacco in a large promotion proportion than India, the benefit of the increase in the quota of the GSP has gone mainly to countries like Brazil and South Korea.

Following the implementation of the Tokyo Round Tariff concessions certain changes took place in the MFN tariff structure of unmanufactured tobacco. Briefly, these concessions have resulted in the
incidence of tariff becoming more on specific duty basis ranging from 280 UA per 100 Kgs. to 300 UA per 100 Kgs. The MFN concession is weighted in favour of higher value tobacco because of the narrow range stipulated between minimum and maximum. It was expected that following the implementation of the MFN concessions the GSP duty would also be realigned. This has, however, not happened except for a nominal reduction of the minimum charges from 150 UA per 100 Kgs. to 130 UA per 100 Kgs. The tariff quotas have also remained static.

In 1979 a major step was taken in giving duty free access to the least developed countries for all agricultural products included in the GSP scheme. This was a significant concession made by the E.E.C. to benefit only a few developing countries. Other countries like India continue to pay tariff, though at reduced levels, on a number of agricultural products included in the scheme.

33.5(b) Industrial sector

During the period of seventies, the framework of the E.E.C's. GSP scheme for industrial products remained unchanged with products divided into sensitive, hybrid, semi-sensitive and non-sensitive categories. Except for a few minerals in their primary form and one or two other exceptions as certain textile primary
products and leather not further prepared than
tanned, all industrial products are included in the
E.E.C.'s. GSP. scheme. The products are, as mentioned
earlier, given duty free treatment subject to overall
quotas ceilings and maximum country amounts. Normally,
the ceiling and maximum country amounts are analysed
rigidly in the case of sensitive items. In these
items they are further sub-divided into quotas for
member countries of the E.E.C. In the case of semi-
sensitive products the global ceilings are sometimes
applied and in the case of non-sensitive products these
are generally not applied.

During the first four years of the scheme
the maximum country amount was uniformly applied among
beneficiary countries. In most cases the beneficiary
countries could individually get a share of 50 percent
of the total quota but in the case of some products this
was reduced to 30 or 20 percent. From 1975 a new
element was introduced in that; the maximum country
amount was not uniformly applied among member countries.
Yugoslavia, Hongkong, South Korea and Mexico were
placed under further limitation in as far as the
maximum country amount was concerned. The differential
application of maximum country amount was extended
further in the scheme of 1977 in which in addition to
the countries mentioned above, Columbia, Brazil,
Singapore, Uruguay were also brought within the
purview of the lower maximum country amount. This differential treatment of various developing countries for the purpose of application of the maximum country amount helped the poorest developing countries such as India because the special restrictions applied to the more advanced developing countries were not extended to them. From 1977 a trend was started by which the least developed countries (LDCs) were singled out for being favoured with special differential treatment.

In the case of non-sensitive non-textile products the least developed countries were exempted from the application of both tariff quotas and maximum country amount in 1979. Differential and favourable treatment was given to the LDCs, in respect of non-sensitive and semi-sensitive textile products also as they were exempted from the application of maximum country amounts.

It would be seen from the above that in the E.E.C. scheme certain provisions were incorporated in the mid-70s by which advantage was given to all low income beneficiary countries. However, during the years 1977 to 1979 an emphasis was placed on improving the GSP treatment for only the LDCs. The process of special treatment for all low income countries, however, received some impetus by the
introduction of a new textile regime in the GSP in 1980. As against the global tariff quotas for the application of the GSP envisaged in earlier years for the industrial products, the 1980 scheme envisages specific quotas for each beneficiary country for textile products in 1980. The percentage of imports from these countries which are to be given duty free treatment under the GSP have been calculated on the basis of per capita GNP and the share in 1977 exports of the community. At one end of the scale are Hongkong and Romania which have been given exemption for only 2 percent of their exports and at the other are Haiti and Bangladesh for whom the exemption is 100 percent. India figures in the middle of the list and has been given exemption in respect of 35 percent of its exports. Although India gets GSP benefit for only 35 percent of its textile exports, in terms of the total quantity of exports eligible for duty free treatment, she has been given the largest share. Thus Indian exports have benefited considerably from the improvement made in the E.E.C. GSP scheme for textile products in 1980.

In 1981 the E.E.C. extensively remodelled its GSP scheme, following the decision to continue generalised preferences for a further 10-years period. In 1981 important changes were introduced in the rules for preferential import of industrial products
into the E.E.C. giving countries like India a far greater security in utilising the benefits available. 1

In 1980 the Asian countries submitted detailed memorandum to the E.E.C. for simplifying its scheme by (1) classifying products as either "sensitive" or "non-sensitive" and (2) progressively eliminating the sensitive list by 1985. The blunt truth is that these memoranda were ignored by the Common Market. When in the 1981 GSP scheme was declared, the Asian diplomats denounced it as a fraud and sham. 2

In the 1981 scheme all manufactured products with the exception of textiles*, have been divided into these two categories. The sensitive list runs to 122 products or product group. And it is likely to become longer rather than shorter between now and 1985. Ironically, the 1981 scheme has a feature long sought by India; it includes individual country quotas and ceilings for sensitive products. 3

Under the year's GSP scheme the tariffs are reintroduced in the case of a country which has used

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2. The GSP scheme for textiles remain unchanged for 1981 in all essentials, partly because it was totally revised at the end of 1979.
3. -ibid- p.150.
up its quota or ceiling for a given product, the other countries are unaffected. But these quotas and ceilings have either been kept at last year's level or even reduced.

India has been given a quota in the case of only one of the 122 items on the sensitive list. This is footwear for which the quota for India has been set at a higher level than for other exporting countries. As regards the other 121 items, India's exports are subject to a ceiling. The exports of Hongkong, South Korea and China, on the other hand, are subject to quotas more often than not.

Table H shows the three years' comparative analysis of scope and achievement of exports from India to E.E.C. which received GSP benefits. It shows that India never received the 100 percent GSP benefits in individual products nor in total. Industrial products suffered the highest percentage and received GSP benefits 37.3 percent in 1980, 39.47 percent in 1981 and 35.62 percent in 1982. That is not more than 40 percent.

Textiles is the second biggest item which suffered the GSP benefits and never covered even 45 percent. It received GSP benefits 40.42 percent in 1980, 37.18 percent in 1981 and 41.08 percent in 1982, thus achieving almost three-fourth of the target.
The highest percentage received GSP benefits is shown in agricultural products in 1980 by 80.83 but in the year 1981 reduced sharply and accounted 67.64 percent but in 1982 again accounted 72.71 percent. A tribute to our traditional goods for this high percentage of achievements. Overall achievements never crossed 45 percent which required attention.

The factor that is most responsible for such poor achievement in textiles is our incapacity to produce the quality now in demand in the E.E.C.markets. This is not due to any deterioration in the quality of our textiles, but is due to the tremendous improvement in the quality and variety now manufactured by our competitors as well as the indigenous industries of the importing countries. According to E.E.C. buyers Indian products are not only poor in quality but also highly priced. This would require complete modernisation of textile machinery to make our products competitive. But the exports of agricultural products is possible only when the country's internal requirements are fulfilled.

About the industrial products, the real problem is that the economy is not growing fast enough and we are simply not producing as much as we can. It is to this aspect of the problems that undivided attention should now be paid, both by the Government and the exporters.
Jute and coir products are continuously losing their place in the E.E.C. market. The Indian jute industry is currently facing with multi-prolonged problems. The jute mills are incurring heavy losses at the rate of Rs.10-12 crores a month, due to uneconomic functioning. The same problem is with coir, due to rising labour costs in the country. A number of mills manufacturing coir goods were closed down during recent years, affecting the off-take of yarn from India.

The two-day Indo-E.E.C. international workshop on coir, on 15 October, 1984, at Cochin suggested to coir manufacturers to improve the quality of the product and keep production costs at reasonable levels to sustain the country's coir exports.

33.6 Greece's entry & GSP

The scheme for 1981 duly takes into account Greece's entry into the E.E.C. All quota and ceilings have been increased by 2 per cent, representing that country's share in the community's combined GNP. However, for 265 products in Greeks will not apply the same preferential rates as their common market partners until 1986. This is because under the transitional arrangements negotiated by Athens, the Greeks have five years in which to bring their tariffs on these

2. ibid., 16 October, 1984.
### TABLE - H
ANALYSIS OF SCOPE AND ACHIEVEMENT OF EXPORTS FROM INDIA TO E.E.C. RECEIVED GSP. BENEFITS (1000 ECU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agricultural products</th>
<th>Industrial products</th>
<th>Jute &amp; Coir products</th>
<th>Textiles</th>
<th>All products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Covered by GSP.</td>
<td>Received GSP.</td>
<td>Covered by GSP.</td>
<td>Received GSP.</td>
<td>Covered by GSP.</td>
</tr>
<tr>
<td>1980</td>
<td>129,063</td>
<td>106,897</td>
<td>538,867</td>
<td>200,985</td>
<td>81,292</td>
</tr>
<tr>
<td></td>
<td>(62.83 %)</td>
<td>(59.83 %)</td>
<td>(37.3 %)</td>
<td>(70.88%)</td>
<td>(40.42 %)</td>
</tr>
<tr>
<td>1981</td>
<td>108,113</td>
<td>73,133</td>
<td>568,804</td>
<td>224,485</td>
<td>63,045</td>
</tr>
<tr>
<td></td>
<td>(67.64 %)</td>
<td>(67.64 %)</td>
<td>(39.47 %)</td>
<td>(71.69%)</td>
<td>(37.78 %)</td>
</tr>
<tr>
<td>1982</td>
<td>127,621</td>
<td>92,263</td>
<td>696,769</td>
<td>248,191</td>
<td>59,923</td>
</tr>
<tr>
<td></td>
<td>(72.31 %)</td>
<td>(72.31 %)</td>
<td>(35.62 %)</td>
<td>(71.28%)</td>
<td>(41.08 %)</td>
</tr>
</tbody>
</table>

**SOURCE:** EEC, Head Office, Brussels
Pamphlet supplied by North and East Asia, New Delhi Office.

One European Currency Unit (ECU) = Rs.10.86 on the basis of 1980.
products into line with those set under the GSP.
scheme.

Mr. Michael Cendrowicz, Principal Administrator of the European communities, points out that there were as many as 1800 industrial products which enjoyed benefits under the GSP scheme, of which 130 were among the sensitive list. Out of the 130 items one item was subject to a quota system. Apart from these items, there were as many as 380 agricultural products which also enjoyed the benefits under the GSP scheme.  

The GSP scheme of 1984 designed by the community is certainly an improvement in the community's efforts in reducing a number of products under the sensitive category. At the same time the shifting products from non-sensitive to sensitive category may be effectively prevented under the GSP scheme.  

33.7 GSP Seminars  

A series of three seminars on the Generalised System of Preferences Scheme were organised in the month of December 1983.  

First Seminar on the GSP was held at Ludhiana on 2 December 1983. A four-member delegation from the European Communities Commission in Brussels, led by Mr. Michael Cendrowicz gave a detailed analysis and an explanation of the regulations of the GSP scheme, which is a preferential tariff scheme for
industrial and processed agricultural products from developing countries.

Discussions were held on the issues raised by industrialists and businessmen particularly from the bicycle and light engineering fields from Ludhiana and surrounding towns present in the Seminar. The E.E.C. team explained in details the difference between sensitive and non-sensitive items. The question/answer session emerged with the result that nearly all items produced in Ludhiana and the neighbouring region fall under the non-sensitive category and are consequently not subject to any duty or restriction when exported to the European Market under the GSP.

A second seminar of the GSP was held at Pune on 6 December 1983. The four member delegation from the European Communities Commission in Brussels, gave a detailed analysis of the scheme along with its explanations of the rules of origin both in the industrial and agricultural sectors.

Discussions were held at the Seminar on the issues raised by industrialists and businessmen particularly representing light and heavy machinery, textiles, tools, garments and handicrafts. The question/answer session permitted the exporters present to clarify the various problems they had encountered.

A third GSP Seminar was held at Bangalore
on 8 December 1983. A team of experts from the European Communities Commission in Brussels gave a clear and comprehensive explanation of the Generalised System of Preferences Scheme and the rules of origin, and drew the attention of the Indian industrialists and businessmen from various sectors - diesel engines, leather garments, textiles, woolen carpets and handlooms, present to the considerable opportunities offered to them under the scheme. Improvements (of benefits to India) in the 1982 GSP Scheme, the raising of tariff ceilings, and the transfer of products from the sensitive to the non-sensitive lists and vice versa, were detailed.

The participants from various sectors took advantage of the question/answer session to bring up several aspects of GSP regulations and items of particular interest to them such as diesel engines, leather garments, woolen carpets, textiles and handlooms, as also the concept of individual quotas and ceilings and classification of products, were also discussed.

33.8 GSP Workshops

The technical workshop was held on 5 December, 1983 in Bombay with certifying agencies and Export Promotion Councils. This was presided over by
Mr. V. Sitaraman, Executive Director, Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council. The practical GSP problems were discussed with members present who were from various sectors -- chemicals, drugs, handlooms, etc.

A second workshop was conducted on 7 December, 1983, organised by the Indo-German Chamber of Commerce in Bombay. The GSP problems and procedures came up for discussion at the meeting. Various representatives from textile mills and textile engineering, chemicals, footwear, paints, machine tools, woolen mills were present.

The E.E.C. grants duty free entry for India’s goods under four different schemes, namely, the Generalised System of Preferences (GSP), the Agreement on Hand-woven Fabrics of Cotton and Silk, the Agreement on handmade products and the Jute and Coir Agreement. These schemes are changed and improved from time to time.¹

¹. Duty Free Imports from India into EEC, published by the Indo-German Chamber of Commerce, 1981.