CHAPTER 6
CONCLUSIONS AND SUGGESTIONS

Passing of USSR into nothingness paved way for the end of cold war. The world has become unipolar and the USA emerged as the sole leader, influencing the economic flows and activities. Many of the countries, world over, had to restructure their eco-political policies. India and the member nations of the EU were no exception. In the initial pages while formulating the hypothesis pertaining to this project it was clearly identified that EU, which has been selected for the study, hold plethora of opportunities for India's foreign trade. The European union has undoubtedly emerged as an important economic and trading entity of the world and it is becoming indispensable for India to redesign the strategies and policies. So as to penetrate sensitive but lucrative market of the EU.

This chapter necessarily endeavours to summarise what has been discussed in the earlier chapters so as to have a synoptic view of the situation and interpret the policy implications. This chapter further attempts to offer suggestions for improving the terms of trade and gains of trade in favour of India.

Conceptual framework is entitled as the first chapter of the project. The chapter is of theoretical nature and efforts have been made to discuss and deliberate upon the important theories propounded by the eminent economists and thinkers and are presented in a chronological order. The obvious initial discussion is on the philosophy of merchantalism which has ruled the minds of all for almost three centuries.
By the turn of 18th century, Adam Smith contradicted the same and propounded free trade approach which was inconsonance with the policy of Lazza's fair. He advocated for the minimum state intervention in the economic activities. His disciple David Ricardo, though differed in approach (from absolute advantage theory to comparative advantage) also favoured free flow of foreign trade. Later J.S. Mills, F.W. Tausing also advocated the same approach.

The said economic philosophy was discarded by many prominent economists namely Karl Marx, Pigou etc. who propagated the role of welfare economy and social justice. Further, a detailed analysis of the modern theory of international trade propounded by Hesker and Ohlin has also been presented. The issues like disequilibrium of balance of payment, the degree of protectionism, constraints and the gains of trade etc. have also been covered in this chapter.

In the second chapter an analytical study of the economic structure of the member of European Union have been covered. It goes without saying that these economies have rich attraction relating to their respective markets. These are the nations which are industrially developed and are quality conscious. However, as these nations are moving in hi-tech areas, creating opportunities for the Indian exporters to take up the areas where the said opportunities exist. Moreover it need to be stressed that Indian exporters have to be careful about the quality of the goods at competitive price.
The member countries of EU are mostly scarce in natural resources. However, their geographical location and high degree of technological advancement transformed these nations amongst the economic giants of the world. They are accumulating trade surpluses over a long period of time and have amassed plethora of wealth. These factors put together and some international pressure to reduce trade surpluses, have definitely led to structural changes in the domestic economies of the member countries which in turn has increased consumerism and consequently higher imports. Thus, chapter 2 proves the first hypothesis (hypothesis (a)) to stated below:

"European union nations have great economic potentials for other countries. Their population and growing affluence create vast scope to maintain or increase exports to these countries".

"The third chapter proves the third (c) hypothesis saying "Indian textile industry has all the potentials to meet the specifications of EU customers".

The second and third chapter seen together proves the second hypothesis (hypothesis b) which may be read as below:

"The economic structure of India and that of the EU nations is such that they become complementarily to meet each other's requirements.

The third chapter consists of a discussion about the structure of Indian economy and the changes which have been brought about during the plan period. This structural aspect of the economy has been dealt with special
reference to India's foreign trade. India has been facing foreign exchange crisis since independence and despite all monetary and fixed measures we have not been able to attain a favourable balance of payments position. Even a number of doses of devaluation have not succeeded in overcoming the foreign exchange crisis.

It is a world wide phenomenon that the rate of growth of economies is lesser than the growth of nations. A foreign trade, thus, there is a constant increase in the percentage of gross national products going into foreign trade. However, in the case of India's trade relations this growth is relatively low and the rate of increase in exports is somewhat slower than that of imports. Like other countries too had certain items of exports and the chapter highlights of weakness and problems of the Indian textile industries and then constant efforts made by the government to improve and protect this industry, as it is a major export earner for the nation.

The fourth chapter necessarily deals with the India's trade with EU. It has been stirringly noted that though the EU member countries like Germany, UK, Belgium etc. are one of the most important trading partners, still the over all trade trend between the two economic entities i.e. India and EU is highly erratic. Infact the detail of 90's is the period of restructuring consolidation and development of the union itself. While the Indian exporters took time to give up their skepticism, to understand the newer policies of EU and finally, to consolidate and strengthen their trade relations.
This chapter invalidate the hypothesis (d) which says that the pace of India's imports and exports to EU nations have consistent increasing trends during the period under review, while the fact is that the trend was erratic during the period under review.

The fifth chapter goes deeper in to the details of export of textile products to EU nations. It is hardening to note that India is flaring well in the export of textile items. They are successfully competing with the European textile industry which poses itself to be the producer of very high quality goods suitable for the consumers of European market, while Indian produces are fighting neck to neck. However, being a labour intensive industry, India has an obvious advantage when compared to the goods produced within EU itself but when compared to neighbouring competitors, India still need to go far. Thus proving hypothesis (e) on quality maintenance and price control.

On the basis of foregoing discussion it may safely be concluded that India is doing well in the area of textiles. They are producing high quality textile products at reasonable prices. Still the researcher feels that if more conquarterised strategies, the likelihood of bigger success stories in the area of foreign trade cannot be ruled out.

Suggestions to increase textile exports to EU:

SUGGESTIONS

India is experiencing in negative trade balance continuous by for decades.
India's import bills are much higher than the export earnings that cannot be sustained in the long run. The exports will have to be increased to contribute the foreign exchange requirements in a bigger way. Hence, India has to make elaborate efforts to increase its exports to the world. EU being the affluent and fashion oriented society where the consumers often act under the strong demonstrating effect can be tapped. On the other hand, Indian textile industry with the accumulated experience of centuries can definitely meet their requirements. Hence, there seems a total horizon of opportunities in the form of fifteen member countries of EU for Indian exporters. However, in order to seize and capitalize this opportunity Indian exporters meet sharper skills and a highly professional approach. In this process of improvement, certain suggestions discussed below may prove to be instrumental.

1. **High Quality product**

   British, German and French people are known for their standard and style of living. EU member nations at large are affluent and quality conscious. They are further benefited because of the highly developed textile industry of U.K., Germany, Luxembourg, Italy, etc. While they also have plenty of supplies from different countries, having a plethora of variety to choose. Indian exporters therefore need to improve their level of quality of goods. They have to be careful right from procuring the raw material to the production of finished output and even the packaging. EU is a society where the customers, if satisfied with the quality of the products, are ready to pay any price. Though our exporter boast
regarding the quality of their product, but still there is enough room for the quality improvement which would on the long run help the exporters to win over the goodwill and fetch larger trading orders and consequently bigger orders.

(2) **Cost of production**

Textile is said to be labour intensive industry. India being the country with huge population, is presumed to have the advantage of no-labour cost and consequently, low cost of production. While on the practical aspect, the cost of Indian Textile producers is very high and due to mediocre technology, wastages due to electricity failures, strikes and lockouts etc. Thus Indian exporters are supposed to take care of these factors and control the cost. Many of the competitors like China, Bangladesh etc. are supplying their low costs produces any in the low income group consumers. This segment of the market is very lucrative at EU & therefore Indian exporters will have to complete counterparts by maintaining the cost of their products.

(3) **Proper Segmentation**

EU is a big market with 15 member nations i.e. a big lot of market and consumers. It is impossible to approach the whole market in a single stroke and get satisfactory results. So, in order to meet the specification of different, group of consumers the whole EU market should be thoroughly segmented i.e. divided on the basis of country, culture, age, sex, class etc. and then the search should be made to find out the specifications of different segments. These specification,
then can easily be handled by the Indian exporters, as a result increasing their exports. 

For instance the rich citizens of EU are highly oriented towards fashion and demand high quality and latest prints and textile material where as the middle class prefers good quality textile at reasonable rates. Thus, for textile exporters of India, segmentation on the basis of income will serve the purpose.

(4) Honouring Small Orders

There are various members nation of EU, like, Luxembourg, Greece, Ireland, etc, where India has little or no access. In order to penetrate these markets, it will be advisable for Indian exporters to initiate by honouring small orders first. By doing so she can get larger orders. Honouring small orders may expose him to further market.

As against this Indian exporters want to start with big orders and earn huge profits and therefore prefer the markets where they already have strong hold, eg. U.K., Germany, etc. Thus, they need to change their attitude and start honouring smaller orders too.

(5) Exploring New Markets

Indian exporters feel more comfortable and protected in an already well established markets and hardly make efforts to set foot in an unknown market. In countries like Ireland, Greece, Luxembourg, Spain where Indian exporters have
not yet approached properly, so efforts should be made to explore new markets and try to convince them of self-efficiency and create good faith to enchore new trade relations.

(6) Publicity

'No awareness, No demand.' Indian textile production can comfortably meet the international standards. But are all EU nations aware of the fact? Due to lack of goodwill, tag of developing nation and traditional image of agricultural; and backward technological economy, it cannot have her piece of coke. So launching of promotional programmes are needed to maintain and to fetch larger shares of the markets.

(7) Adoption of latest technology:-

Indian textile industries are still running on outdated and obsolete methods machineries. Though modernizaions has taken place but we still lack behind. The world is changing fast and we have to update ourselves if we want to stand in the market and face competition. Thus, it makes necessary to transfer and adopt latest and selective technology. On the short run it causes heavy out flow of foreign exchange but in the long run the selective technological imports will fetch huge amount of foreign exchange.

The latest technology would enable our exports to face and fight the closest textile competitors like China, Japan, etc and also increase their share in
the EU market.

(8) Dynamic:-

World changes fast with time and so does the demand. The exporters should be dynamic i.e. aware of the latest changes in the economy, demand, socio-economic situation, socio-political conditions, fashion trends, latest substitutions, etc in the EU member countries and should be ready to adopt the changes and produce accordingly.

(9) Banking and Insurance Facilities

No exporting nations can have a break through in the world markets without the synchronised efforts on the parts of its banks, insurance companies.

Our banks, as they are today, have yet to make their presence felt to the EU nations. Attempts have been made by Indian banks and other companies to enlarge their network of overseas branches staffed by well informed, trained and well versed agents and employees who would be constantly on the lookout for how opportunities and able to offer proper guidance and assistance to our visiting businessman and prospective exporters.

(10) Single Window Approach

The government of India has broadly categorized the products with long term with great precision and special measures undertaken to secure their development and improvement to meet the international standards. Textile is one
of them. Assistance and attention is also given for consolidating the position of
the established export items in overseas markets. Under the single window
market the government provides all the raw-material, export credit and
infrastructural facilities to the sectors so identified, at confessional rates. Thus
would enable the exporters to produce high quality goods at a reasonable cost
and compete in the world markets.

(11) Credit

India is considered to be a high cost economy which is due to low
productivity and high cost of infrastructural, banking.

Other countries provide export credit at a very low rate whereas in India
the rate of interest on export credit is quite high. It would be suggested that low
cost credit, high quality raw material; at reasonable prices and appropriate
infrastructural facilities etc should be provided to the exporters. This will enable
them to be more competitive with improved quality and reduced cost of
production.

(12) Packaging

Packaging plays a very important role in attracting the customer as well as
preserving the products from breakage, spoilage or damages. Good and
attractive packaging leaves good impression in the minds of the customers. It
creates temptation to buy the product. Though India has made appreciable
progress yet more efforts are to be made in export items in order to make them
more attractively presented and safely reached to the overseas destinations. Once well packed, the customers, who are quality conscious, are ready to pay even higher prices.

(13) Delivery Schedules

Indian exporters lack value for time. They pay very little importance to punctuality and thus very little weightage to the delivery schedules, which causes them loss of reputation and consequently mitigate the prospects of getting further orders.

A safe margin of time should be kept by the Indian exporters so that they would be able to stick to the delivery schedule and satisfy the importers abroad.

(14) Approach the services of Specialised trading agencies:-

In the selected countries many organizations provide the specialized services to facilitate smooth trading in the country. Indian exporters should seek their services too and make their presence felt in the market.

(15) Export Promotion Council:-

The councils have responsibility towards industry, foreign market and individuals and these responsibilities focus on the councils primary objective of facilitating the Indian industries entry and exploitation of foreign markets. These councils encourage quality, low cost of production and fetch better prices in the market as well and serve the interests of domestic markets, industry and
commerce. In order to meet these responsibilities council must be permitted to
develop and run their own programmes. It may also be suggested that for every
important exportable item having potential in near future there should be
separate export promoting council. All the exporters should take the benefit from
these promotion councils without contracting the interests of each other.