INTRODUCTION

Tracking down the development of human civilization reveals that in the earlier phases of life the man lived a simple life. As the socio economic activities increased, the inter-dependence of man has also magnified. In the present system, the economic requirements of man have increased so much as now even the nations are not considered capable of satisfying such economic needs of their respective citizens, paving way to the international trade.

Given the multiplicity of socio economic and political permutations and combinations, every country tried to protect and nurture its own interest first and thus, often lead to conflicting situations. International trade is becoming complex and highly competitive activity, which is influenced by the multiplicity of factors with diverse and conflicting interests. In the process of serving their own interest, the countries often create hindrances and try to lessen imports while provide subsidies and other benefits to their exporters for promoting them to export more.

The countries, world over, are adopting various strategies to develop their industries and services in such a way so that they become self-sufficient and still generate some exportable surpluses. In the process many countries have obstructed the inflow of goods and services from abroad, while many countries are gradually opening up their markets and are trying to compete and beat them in the market.
These efforts have generated a relatively a newer concept of economic regionalism. A few such examples are EEC, African common market, OPEC and perhaps the newly formed commonwealth of Independent state (CIS) etc. These regional groups were formed by different countries with different objectives. For instances, OPEC and commonwealth of independent states were primarily formed to protect their domestic market and industry. On the other hand regional groups are also formed to cooperate and share their resources, so as to make optimum use of it. The former approach was protective in nature and was relatively counter productive as against this the later approach was positive one and has far reaching influence on the world trade. The concept of custom union and common markets have brought economies together, helped them to utilize their resources optimally and increased their bargaining beverage in the world market. Such economic unification's have even influenced the consumption and production patterns in the domestic market and also had a bearing on the composition and direction of the foreign trade of all the member countries.

The occurrence of benefit of such regional economic unifications largely depends on the degree of unification. There are unions which are infact paper horses rather than a reality and thus, the consequential benefits are negligible. On the other hand, a closer economic unification lead to optimal utilization of factor of production, technological sharing and their complementarity in trends of consumption as well as production. Such economic regional organization adopt the policy of free trade amongst themselves but largely follow a stringent
commercial policy while trading with the outside world. European union is one such reality. The member countries of this organization are committed for the growth and development of the region as a whole. On one ground or the other, they try to lessen their share of extra-EU trade while putting is special strategic efforts to minimize the imports.

The experience shows that international social, cultural and political organizations have always faced ebbs and tides and many of them have passed into nothingness over the period of time. However, in the economic sphere it is noticed that the international organizations like I.M.F., I.B.R.D., etc continued to play their active role. It is also important to note that the organizations which are involved in the protection and promotion of international trade, have even bigger role to play. The countries with the economic strength could have brow beaten the developing nations, had there been no such international organization playing their parts.

India’s import requirements are growing fast and keeping in mind the size of the country and the emerging protectionism, it is not likely that the aid flow will be to the extent of required volume. Thus India has to increase its exports to the world, which is blessed with abundance of natural resources and has attained substantial industrial growth. The country is capable to export the goods of traditional nature as well as other type of semi finished or finished goods. India, though not part of European Union, but is located in its neighbourhood and has yet to reap the gains from the development in the region.
India due to its geo-political and geo-economic realities has not been able to become part of any economic regionalism. It is a common knowledge that the concept of Asian common Market never saw the light of the day and remained a concept only. It would not be preponderous on the part of the researcher to predict that such regional organizational would not become a reality in the future too. However, the absence of India’s association to any economic grouping is also a result of its non-alignment policy in the political sphere.

India is one of the second largest country amongst the third world which is characterized by its economic under development. Despite consistent and persistent efforts during the last half a century India has yet to become and important nation of the world commensurate with its size. India is making desperate efforts to diversify its trade to obtain better terms of trade and to enjoy higher trade gains. The European Union which have been selected for study in this project were not important trading partners in the past but they have great potentials and India’s trade with these countries is bound to assume importance in future.

The foregoing introductory paragraphs reveal that EU is the reality of the day. It is a live regional organization which is all committed to the regional growth and is considerably protective with the rest of the world. On the other hand, India is in dire need to increase its exports to the world. Considering the economic affluence and the consumption patterns of EU market, the opportunities seem to
be huge. Based on scientific research findings and methodical analysis of the consumption behaviour will definitely see them the way for Indian exporters.

It is against this back drop that the researcher has choosen to work on the research work entitled – “Indo-EU trade relations – A case study of textile industry”.

Methodology

While collecting the data, it was found that the data was not uniformly available. For some years country wise data with respect to India's exports and imports etc with all the member nations of EU was available. While, during certain period information of India’s trade with only selected EU countries was available. To cope up this problem the available information has been analysed in two phases in chapter four.

The nature of study is such that the researcher has to depend on secondary data for which the main sources are given below:

(a) The year books of financial statistics and direction of trade statistics. IMF publication various issues.

(b) The Europa year book, Faro East Asia and Australasia and India year book and economic survey.

(c) Government publications of India and other countries such as issues of white paper on international trade and news letters of different countries.
(d) Data regarding composition of India's trade collected from various issues of Statistics of the Foreign Trade of India by countries.

(e) W.T.O. secretarial estimates based on European commission data.

(f) European observatory for textile and clothing (1996)

(g) European report of August, November and December 1996.


In order to analyse the trends in India's trade with countries under review, percentage variations over the previous years are depicted on the graph.

A higher index suggests a high degree of concentration of India's trade with any or some of the countries of the region on vice versa.

With the application of all the statistical tool an attempt is made to maintain the objectivity of the project. On the basis of the trends and results drawn, endeavour is made to interpret and also to make appropriate suggestions so that the decade of 1990s may prove to be a glorious chapter in Indo-Pan Pacific trade relations.

**HYPOTHESES**

The work is essentially based on the secondary source, hence the hypothesis of this study are based on the 'Pilot Research' conducted by the researcher and are being tested by using published material. However, the hypotheses are given as below:
(a) 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.

(b) The economic structure of India and that of EU nations is such that they become complimentary to meet each other’s requirements.

(c) Indian textile industry has all the potentials to meet the specifications of EU customers.

(d) The trade compositions underwent a substantial change but still it is highly skewed and diversification is needed.

(e) The pace of India’s exports and imports from EU nations have increasing trends during the period under review.

(f) More stress on quality maintenance and price control is required.

**Format of the project**

The project is divided into six chapters in order to have a synoptic and comprehensive view of India’s trade relations with EU nations. In the first chapter an attempt is made to have a comprehensive but selective view of the international trade theories. The chapter also evaluates the gains and terms of international trade alongwith the constraints and the contribution of international trade to the economic growth.
In the second chapter, the economies of the member nations of EU, are
analyzed with reference to their trade policy framework. The third chapter presents
Indian economic scenario with special reference to Indian textile industry and its
textiles exports.

The fourth chapter deals with the India’s trade with EU nations with special
reference to textiles trade. In this chapter to analyze the trends in trade volume,
graphic presentations of percent variations is depicted and the composition of
India’s imports from the exports to the EU member countries given.

An analysis of India’s is made in the fifth chapter. Export items are identified
mainly for the markets of EU nations, which have export potentials. The sixth and
last chapter highlights the major conclusions. An endeavour is made to give to
smoother trade relations between India and EU nations.