Chapter VI
FINDINGS AND SUGGESTIONS

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6.1 Introduction:-

In this chapter we include the findings and some suggestions for improve the India’s foreign trade with European Union. India is an important trade partner for the EU and a growing global economic power. An enlarged European Union appears with plenty of opportunities for India. As we know, the EU is India’s single largest trading partner in both exports and imports and this trend has been growing over the years. Recently, India has a favourable balance of trade with the EU. An enlarged Union means more demand for Indian goods in the European Market. EU is now a single market with a single European act and single part of entry. Also a huge population is going to generate more demand for goods and services once their per capita income increased due to several measures related to economic and industrial development.

India’s trade potentiality to the European Union will enhance due to simplification of procedures, harmonization of rules, harmonization of Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT), and other technical barriers, which will be now converted into vast single European market. EU and India trade has grown impressively over the years, from € 4.4 billion in 1980 to over € 46 billion in 2006. Trade with the EU represents almost 20% of India’s exports and imports. Thus as a bloc EU is India’s largest trading partner.

6.2 Findings:-

The main findings of this study are the following

1. The share of India’s exports to European Union has been decreased from 27.5 per cent to 21.1 per cent in during 1990-91 to 2003-04 periods.

2. The study found that the India’s is taking grater advantage from European Union’s export. EU is India’s trade partner, while India’s trade partner rank with EU’s is 14th in import, 11th in export in the world in 2005. The study also found that the USA and Japan are the India’s big competitors in foreign trade with European Union.

3. The study found that EU imports machinery and transport equipment €375952 million in 2005 from the world and imports from India of same product €2368 million or 0.62% of EU’s total imports of this item in 2005.
EU’s imports of manufactured goods classify chiefly by material from world €116362 million or from India €4998 million or 4.29% of EU’s total imports of this item in 2005. EU’s exports of mineral fuels, lubricants and related materials to world €38847 million or exports to India €98 million or only 0.25% of EU’s total exports to world of this product in 2005. EU’s exports of chemicals and related products to the world €163339 million or exports to India €1894 million or 1.15% of EU’s total exports of chemicals in 2005.

4. The study found that EU’s imports of primary products from the world €383646 million or 32.6% of EU’s total imports from the world and imports from India of same product €2788 million or 0.72% of EU’s total imports of primary products from world in 2005. EU’s imports of textile and clothing from world €70415 million or 6.0% of EU’s total imports from world and imports from India of textile and clothing €5017 million or 7.2% of EU’s total imports of this item from world in 2005. EU’s exports of agricultural products to world €61810 million or 5.8% of total exports of EU to the world and exports to India €191 million or 0.31% of EU’s total exports of agricultural products to world in 2005.

5. India rank fourth for EU imports of textile and clothing from India in 2005. India rank ninth for EU imports of chemicals from India in same period. India rank forty ninth for EU’s exports to India of agricultural products and India rank eleventh for EU’s exports to India of same product in 2005.

6. It is found that the EU gives more opportunities to India like EU supports to help India improve quality of its manufactured goods exports, if India take this opportunity and make well use of it then India to be a developed ones. EU gives GSP facility for Indian exports, so India’s exports grew at a fast rate.

7. India’s total trade with Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Luxembourg, Malta, Romania, Slovak Republic, Slovenia in very low compare to UK, Germany, Belgium Netherlands, Sweden, Spain etc. during 1996-97 to 2005-06 period.

8. India’s exports of pearls, precious or semi-precious stones to Belgium 61.99 per cent, 3.45 per cent to Germany, 3.46 per cent to Sweden and 4.86 per cent to UK in 2001. While India’s imports of same product from Belgium 61.77 per cent and from UK 57.71 per cent in 2001.
9. India must concentrate on countries like Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Latvia, Lithuania, Luxembourg, Malta, Romania, Slovak Republic and Slovenia. In this list of some countries are newly joined to EU. Which have not significant trade partners of India, markets for exports should be explored in these countries so that trade with EU in enhanced.

10. In study period the India’s exports of consumer goods to the EU is nearly 70 per cent. Which have a great potential for expansion with the predicted higher economic growth of the Union finding reflection in higher rate of consumption. The implication for India could be increased in the exports to EU.

11. Restructuring of industry, formulation of larger trading companies through mergers and acquisitions and progressive harmonisation of technical standards could also result in an expansion of Indian exports to the European Union during the study period.

12. The pessimism of declining Indian exports to European countries seems to have no validity. It has been observed that after unification, India’s exports to the Union in absolute terms, have not declined, but on the other hand, it have been increased albeit at a lower rate during the study period. This seems to be the initial impact and over a period the growth rate is marginaly increased.

13. There was bright future for expansion to the India’s exports to EU. Enhanced global competition and the imperative of increased cost efficiency could lead to a search for production and servicing facilities even outside the Union, particularly in labour intensive section. On a selective basis, India’s opportunities could be explored in the field of textiles and clothing, electronic goods and components etc. during the study period.

14. India is capable of conforming to the high quality of exports expected by the Union. Different technical standards in different member states had proved to be big obstacles of Indian goods in the past. The EU 1992 process had assigned prime importance to technical harmonisation and standards have been an important step for India which is meant to access manufacturing processes and not merely the specifications of the final product.

15. The single European Market would also have some impact on India’s import. It may be more competitive vis-à-vis other suppliers namely, the USA, Japan
and EFTA countries. Also, with an increase in liberalisation and move towards globalisation imports from EU are likely to go up; but at the same time increase in demand in Indian goods would offset the fear of negative trade balance.

16. Finally, there is no need for India to feel intimidated by the magnitude of the single market or its importance in world trade. Outside the developed world, India will remain one of the world’s two or three largest and still expanding import markets, India’s principal needs are advanced technology and very size and range of India’s requirements will command the competing attention of rival suppliers. This would give India sufficient bargaining strength.

6.3 Suggestions:-

Suggestions for improve India’s foreign trade with European Union are as follows:

1. Indian firms must have to prepare themselves for export of goods to EU. There have been brought advantages of unification.

2. Indian exporters have to capable for providing quality goods which are competitive in nature.

3. India’s exports and imports from EU is more than EU’s exports or imports from India. There is more scope for India to expand its trade with EU.

4. India has greater advantage in the exports of textiles or clothing to EU, so it is necessary to improve quality of production of textiles of clothing and to give some intensive to increase the production of textile industry.

5. Far become the main trading partner of EU India has to expand its trade with all 27 EU member countries.

6. India’s trade relations with EU are more important for its economic development, so India has to maintain its foreign relations with EU and try to develop ourself

7. India has greater advantage in the exports of pearls, precious and semi-precious stones to the selected trading partners in the EU like UK, Germany, France, Netherland etc. India’s exports this item mainly in the term of re-exports base.