CHAPTER 2
SYNOPTIC VIEW OF ECONOMIES OF MEMBER COUNTRIES OF EU

European union (E.U.) is an economic union formed by the integration of the fifteen nations namely Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

The initial history of Europe is full of conflicts where all the nations were constantly at political wars, which were a persistent threat to the peace of the world. Individually, every nation was economically strong enough to achieve much more if stood and worked in peace and harmony. Visualizing the benefits of possible unification, the great thinkers like Jean Monnet felt that more/another war should be stopped at once and the European nations should be compelled towards the common goal of European unity. The main aim was not only to have a Europe as a large economic unit but also a separate political entity. Thus, the new concept of "supra nationality" was born for the first time in the world which was supported by Sir Winston Churchill who impetuously declared "we must create a sort of United States of Europe.

Thus, began the story of the unification of Europe, initially, off and on a few nations joined together to co-operate economically as well as politically but could not achieve much. The custom walls were raised again and the trade
became more restricted at the end of nineteenth century and early twentieth century. The first world war was the point of culmination of rivalry between the European countries for capturing the Asian and African markets.

**CHRONOLOGY OF THE EU**

The new era of Europe commenced since April-1951, with only six nations (Belgium, France, Germany, Luxembourg, Italy Netherlands) agreeing to form a common agenda in the name of European Union. Community gradually emerged as a formidable economic institution and a strong political bloc in the world.

The first step towards the united Europe was the creation of European Coal and Steel Community (ECSC), through a treaty signed in Paris on 18th April 1951 (effective from July 25-1952) to pool the coal and steel production of the six original members mentioned above.

The European Economic Community (E.E.C.) and Euro Atomic Energy Community (Euratom) were established by separate treaties signed in Rome on 25th March 1951 (effective from Jan. 1957), the former to create a common market to approximate the economic policies and the latter to promote growth in nuclear industry.

The treaties of Rome, entered into force. It had nine members and the first president was Watter Hallstein. The parliamentary assembly and the court of justice were common to all three communities (ECSC, EEC and EURATOM).

The common institution of the three communities were established by a
treaty signed in Brussels on 8th April-1965 (effective from 1st July 1967). France broke off the negotiations on the issue of Financing the common agricultural policy on 1st July 1965 but later resumed its place on 28 Jan. 1966, to ensure the retention of unanimity requirement.

Denmark, Ireland and U.K. joined on 1st Jan. 1973 after which a treaty was signed on 22nd July 1975, expanding the budgetary powers of the European Parliament as well as establishing a court of auditors, which came into force in June 1977.


In Feb. 1992, the European Council of the heads of state and the government signed the treaty on EU established a Union which was approved by EC heads of government at Maastricht, the Netherlands in Dec. 1991 signed in Feb. 1992 and ratified in all member states by Oct. 1993, and finally came into effect on 1st Nov. 1993. The treaty was called the "Maastricht treaty".

The EU was placed under the supervision of the European council (Comprising head of states or government of member countries), consisting of committee of ministers and a consultative assembly. Though this forum did not satisfy the federalists who aspired for a more united Europe, it served apart from the limited purpose of uniting Europe, the drawing up of the European charter on
human rights and establishing the court of human right, while the EC continued
to exist having competence in matters relating to the treaty of Rome and its
amendments.

The treaty of Amsterdam (amending the treaty on E.U. establishing the
Europe communities and certain related acts) was agreed at the
intergovernmental conference held in Amsterdam, the Netherlands in 1997 Oct.
signed by EU ministers of foreign affairs and was ratified by member state during
1998.

In order to carry on the management and working of the Union several
committees and consultative bodies were formed. Some of which are mentioned
below:-

**Consultative Bodies Economic and Social Committee**

The committee is advisory in nature and is consulted by the council of
E.U. or by the European commission particularly with regards to agriculture, free
movement of workers reorganization of Law and transport, as well as legislation
adopted under the Euratom treaty.

**Committee of the region**

The treaty on EU established a committee with advisory status,
comprising representative of regional and local bodies. The first meeting of the
committee was held in March 1994. The aim of the meeting was to make
proposals concerning economic and social cohesion, trans-European network,
public health, education and culture.

**ECSC consultative committee**

The committee is advisory and is attached to the commission. It advises the commission on matters relating to the coal and steel industries of the union.

Different other Advisory Committees were also formed in order to carry on the following functions:-

The object of the committee is to deal with all aspects of EU policy. In addition to the consultative bodies listed above there are several hundred special interest group representing different types of interest within the union. These group hold unofficial talks with the commission.

By establishing a common and progressive market, approximating the economic policies of the member states, the aim is to promote throughout the community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and a closer relationship among its member states.

In order to attain the common objectives, the following steps were taken.

(A) The elimination of the custom duties and quantitative restriction on export.

(B) The establishment of a common custom tariff and a common commercial policy towards third countries.

(C) The abolition between member states of the obstacles to the free
movements of persons, services and capital.

(D) The inauguration of common agricultural policy.

(E) The inauguration of common transport.

(F) The establishment of a system ensuring that competition shall not be distorted in a common market.

(G) To co-ordinate the economic policy of the members and to remedy disequilibrium in their balance of payments.

(H) To approximate the respective municipal law to the extent necessary for the functioning of the common market.

(I) The creation of a European social fund to improve the possibilities of employment and raise the standard of living.

(J) The establishment of European Investment bank, intended to facilitate the economic expression of the community throughout the creation of new resources.

(K) The association of overseas countries and territories with the community in order to enhance trade.

Member state shall refrain from introducing between themselves any new import or export customs, duties or charges with equivalent effect and from increasing such duties or charges as they apply in their commercial relations with each other. A common custom tariff shall be established, which is subject to
In order to achieve said objectives, the member nations have ensured the following basic features of the European Union. The main objects are:

(A) Development and introduction of the modern technique to enhance the production and maximum utilization of the available resources.

(B) Agricultural population to be ensured fair standard of living.

(C) Stabilization of market.

(D) regular supplies.

(E) Reasonable prices of supplies to consumers.

**Free Movement of workers services and Capital**

**Workers:** free movement of the workers shall be ensured within the community abolishing any discrimination based on nationality of the member states.

**Rights of establishment:** Restrictions on the freedom of establishment in the territory of another member state shall be abolished, progressively during the transitional period

**Service:** There would be free supply of services irrespective of nations.

**Capital:** There would be no restrictions regarding the free flow of capital within member countries. There won't be any exchange restrictions.
Transport: With the view to establish a common transport policy, common rules shall be applicable to international transport, effected from or to the territory of member state. When its appointment was confirmed and had a full term of office in 1995, the commission spelled out, the main thrust of its action. The emphasis was put on growth and employment, the European model of society based on solidarity, the idea that Europe should make its presence felt more strongly on the international scene.

The following are the aids that have to be compatible with the common market:-

(a) aids of a social character granted without discrimination to individual consumers.

(b) aids intended to rectify the damage caused by natural calamities or other extraordinary events.

(c) Aid to raise the standard of living and develop the economy of those region where it is abnormally low.

(d) The aids intended to promote the execution of unimportant project of EU interest and to remedy a serious disturbance of the economy of a member state.

Fiscal Provision

A member state shall not impose, directly or indirectly, on the product of
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Fiscal Provision

A member state shall not impose, directly or indirectly, on the product of
other member states any internal charges of any kind in excess of those applied directly or indirectly, on domestic products.

Economic Policy

Member states are encouraged to co-ordinate their economic policies in order that each may ensure the equilibrium of its over all balance of payment and maintain confidence in its currency, together with the high level of employment and stability of prices.

In order to promote this co-ordination a monetary committee was established.

The commission after consulting the monetary committee, recommended the council of ministers the granting of mutual assistance which may be in the form of:

(a) concerted action in regards to any other internal organization to which the member state may have recourse.

(b) any measures necessary to avoid diversion of commercial traffic where the state in difficulty maintains or re-establishes, quantitative restrictions with regard to third countries.

(c) the granting of limited credits by other member states, subject to their agreement.
Commercial policy

The member state shall co-ordinate their commercial relations with the third countries for implementation of the common policy in the matter of external trade.

The policy is based on the uniform principles regarding tariff amendment, the conclusion of tariff and trade agreements, the alignment of measures of liberation, export policy and protective commercial measures, including measures to be taken in cases of dumping or subsidies. The commission this authorized to conduct negotiations with the third countries.

Social Policy

Without prejudice to the other provisions to the treaty in conformity with general objectives, the aim of the commission is to promote close collaboration between member states in the social field, particularly in matters relating to employment, labour legislation and working condition, occupational and continuous training, social security, protection against occupational accidents and diseases, industrial hygiene; the law as to trade unions and Collective bargaining between employers and workers.

Each member state shall in the course of the first stage of the transitional period ensure and subsequently maintain the application of the principle to equal pay for men and women.
Institutions of the Community

There are certain institutions created for smooth conduct of basic functions pertaining to European Union. Some important institutions are mentioned as below:-

(1) **European Monetary Institute**: (EMI) established on 1 Jan. 1994 under stage II of the process of economic and monetary union, under the Treaty on European Union (The Maastricht treaty). The EMI members are the Central banks of the EU member states. Its purpose is to strengthen the co-ordination of monetary policies of the member states with the view to ensuing price stability and by making the necessary preparations required for the establishment of European System of Central Banks (ESCB) for the conduct of a single monetary policy and the creation of a single currency, the Euro dollar. The EMI was scheduled to be replaced by the ESCB at the beginning of state II Jan. 1st 1999

(2) **European Environment Agency (EEA)**: It became operational in 1994 having been approved in 1990, together to assist the implementation of community policy on environment protection and improvement

(3) **European monitoring centre for Drugs and Drug Addiction** became fully operational at the end of 1995, with the aim of providing member states with objective, reliable and comparable information on drugs and drug addiction, in order to assist in combating the problem. The centre co-operates with other European and international organization and non-community countries.
(4) European Agency for the evolution of medicinal products (EMEA)

Established in 1993 for the authorization and supervision of medicinal products for human and veterinary use. Became operational in 1994 with the budget of ECU 7.72m.

(5) European training foundation:- established in 1990 with the basic aim of contributing to the systems of designated central and eastern European countries and continuing vocational training as well as retaining for adults and young people.

(6) European foundation for the improvement of living and working conditions:

Established in 1975 to develop strategies for the medium and long term improvement of living and working conditions. Commission's 1997 work programme was focused on four main priority areas :-

(a) Growth and Employment of the Europe

(b) Promotion of the European model of society.

(c) Europe's role in the world

(d) Preparations for the union's future.

Thus 1997 was very much affected by the major developments that loomed ahead for the union; the intergovernmental conference, economic and monetary union, the post 1999 financial package, enlargement. In many respects
it was a milestone as work on the reform of the treaties was completed and gave way to agenda 2000. The union entered into the final phase of the preparations for the decision on third stage of EMU in spring 1998.

(7) Office for harmonization the internal market (Trade marks and Designs) (OHIM). Established in 1993.

When its appointment was confirmed in 1995, the commission quoted the main thrust of its action for its full term of office. At that time the emphasis was on growth and development.

Again in 1997 work programme was designed to get closer and attain those objectives. The main objective of the commission was to see that the union benefits everybody and works efficiently. There information operations were mounted for general public Building Europe together 'Citizens first ' and 'The Euro a currency for Europe. Building Europe together means working for peace prosperity and wellbeing. It means working for people of Europe.

So before going into further details of Indo-EU trade, it would be highly logical to peep into the socio-economic conditions, consumptions and production patterns having implication on their foreign trade.

Austria

It is bounded in the north by Germany and the Czech Republic, east by Slovakia and Hungary, south by Slovakia and Italy and west by Switzerland and Liech Tenstein. It joined the EU on 1st Jan. 1995, and along with the E.U, it is
also the member of UN, council of Europe, the central Europe initiative OECD and NATO partnership for peace.

Austria, has good trade terms with the E.U. members, as well as, non-EU members. Recently, with the emergence of EURO in 2000, it enjoyed an export boom over the first two quarters of 2000, due to weaker Euro value with growth of more than 17 percent over the same period in 1999. This was the highest growth in decades and significantly about the long term export growth rate in reported in the 1990’s of 6.5 percent. Export growth was strong across almost all sectors, including paper (17.4 percent), Machine and transport equipment (16.4 percent), food (16.2 percent), Iron and steel (15.3 percent), Chemical products (12.5 percent), textiles (3.8 percent) and last, but not least consumer goods (7.4 percent).

U.K. market was the biggest for the Austrian exports recording a total export growth of Austrian export to U.K. 17.5 percent. Its overall imports grew over by 15.5 percent in 2000. Imports from Non-EU countries grew more than twice as fast as from EU countries over the year 2000. Thus signifying that Austria has more liberal import policy and open economy to Non-EU nations, giving India a better chance to penetrate and participate in its imports.

Belgium

It is bounded by Netherlands in north, North sea in north west, France in west and South Germany and Luxembourg in east.
Surrounded by the four member nations Belgium has a sound economy and good trade relations with its co-members. According to the preliminary data for 2000, like its export earnings rose remarkably due to the buoyancy of global demand and weakness of the Euro. Belgium's import bill was heavily affected by the sharp increase in oil prices and the depreciation of Euro.

Export earnings from the other EU countries, which accounted for 74.1 percent of the total, increased at a healthy rate but were clearly outpaced by earnings from exports to non-EU Countries. It is a measure of Belgium's strong export performance in 2000 that, in spite development in terms of trade, its trade surplus actually increased, and this rise in the trade surplus was entirely accounted for by Intra trade. The high level of income and growing domestic demand pattern opens vistas of opportunities for Indian exporters. However, the most vital thing to be kept in mind while exporting to Belgium is that the community is quality conscious and thus to penetrate Belgium market quality of product will be of prime importance.

From India, Belgium has great demand for its precious stones, giving item opportunity to have a strong market for the item.

**Denmark**

Denmark is bounded in the west by North sea, North west by Skagerrak and Kattegat straits. (separating at Norway and Sweden) and south by Germany. Currency - Monetary Unit Danish krone (DKK) of 100 Ore.
Following a sharp deterioration in 1998, Denmark's trade surplus has increased over the past couple of years. With substantially increased exports and comparatively weaker demand for imports, Denmark recorded successively larger surpluses in the year 2000.

Strong growth in Sweden and the United States, coupled with the expansion in the Euro zone economies, contributed to the strength of exports, helped by a weak Euro and therefore a competitive krone vis-a-vis non-Euro currencies. Denmark's oil exports also played a significant role, with energy output increasing in both volume and value terms (the later in response to the surge in oil prices). Agricultural exports, particularly of meat products, also increased in value on the back of a strong rise in pork process (which have risen to their highest level since 1997). The current account has therefore remained firmly in surplus, following a deficit in 1998. A large surplus re-emerged in 1999 and continued throughout last year, with the surpluses on goods and services trade offsetting deficits on interest and dividend payments, and current transfers.

Denmark's weaker demand for imports shows its self-sufficiency. A surplus trade balance is good for an economy, which is a regular feature of Denmark. Thus, India or any other country has less chance to participate in the economic trade. But greater efforts can be made to induce them for trade. India will have to be more careful and particular about it. We can always start with small orders and dealings to creep in to the markets of Denmark.
Finland

Since the middle ages Finland has been part of the realm of Sweden. It is bounded in the north east by Russia, south by Baltic Sea and west by Gulf of Bothnia and Sweden. Finland is a member of the UN, EU, Nordic Council, OECD, The NATO partnership for peace and the council of Europe.

Finland is one of the committed member of EU, promoting its enlargement (especially to the Baltic States) and also try to ensure a continued northern dimensions closely involving Russia. As regards its trade, the increase in the trade surplus was recorded despite the sharp acceleration in import price inflation so far the year 2000. Export prices were also substantially higher than in the year-earlier period, pushing up the value of exported goods. In the second quarter the higher surplus was attributable to the fact that the value of exported goods exceeded the imported goods by a wide margin (the former was around one-third larger than the latter).

For India, the markets of Finland are still unexplored and thus has greater chance to intelligently explore and enter the markets. Efforts can be made to make Finland aware the India's potentials to meet their requirements.

France

The republic proclaimed of the fall of the Bourbon Monarchy in 1792, lasted until the first empire under Napoleon was established in 1804. France is bounded in the north by English Channel, North east by Belgium and
France is a member of UN, Council of Europe, NEU and the EU. Unit currency is franc (FRF) of 100 sentiments.

Despite criticism - particularly from the smaller members states- that it nakedly exploited its position in the chair to promote its own interest, France concluded its presidency successfully at the EU's summit in Nice on December 1999 by steering through the institutional reform which will allow the EU to expand its membership eastwards.

France is experiencing fall in earning from exports to a number of its France's largest trading partners, including Germany and the Benelux countries (the Netherlands, Belgium and Luxembourg), a group of which forms a highly integrated area at the core of the Euro area and which accounts for one-quarter to one-third of French goods exports. The disruption to trade was caused by the fuel protest in September, but it may also be indicative of the slow down domestic demand. France's import bill, increased sharply and has even reported trade deficits during the later part of the year 2000. This indicate that France is being more liberal in its imports creating opportunities for countries like India to strive harder and penetrate the market while making efforts to increase export. It is vital to note that consumers of France are quality conscious but the price elasticity is also considerably high. Thus India will have to take care of its product in terms of price first with a reasonable level of quality.
Germany

Germany is bounded in the north by Denmark and Baltic sea, East by Poland, South by Switzerland. West by France, Luxembourg, Belgium and Netherlands. Germany is member of the EU, UN, OECS, EWC, NATO and council of Europe.

Germany is one of the active economic player on the EU horizon. The country has aggressive business community, technological advancement, highly developed and committed manpower as well as, abundance of capital. Germany is considered as the business Centre for the EU. Drawing upon its capabilities, German trade surplus is piling up and India is no exception to this effect. India's trade deficit from Germany is mainly because of the German Technology advancement and consequently import of capital goods / capital intensive goods from Germany. However, the affluence of German economy inevitably lure the Indian exporters in German and exporters of textile goods. Among the Indian textile, carpet's export is one success story though there is still much scope to export more of high quality carpets. The other items of textiles also need to be strengthen on the quality front so as to increase the share in the German market.

Greece

It is bounded by the Albania in north, east by Turkey and Aegean sea, south by Mediterranean sea and west by Ionian sea. Greece is a member of UN,
EU, WEU, council of Europe and NATO. Unit currency is drachma (GRD) nationally divided in to 100 lepta.

Greece gained the independence from Turkey in 1821 and 29 The core issue of gout foreign policy namely closer integration with the EU and establishing better relations with neighbour, including turkey, appear to have broad public support.

The historical records of the trade relations with Greece is relatively very weak. On probing for this failure and the discussions with the Indian exporters that this country is no where on the priority list of the Indian exporters. In Greece Indian goods and exporters have little goodwill. It shows that there is greater chance to enter the market with high quality goods at reasonable price and prove abilities to develop goodwill and good hold in the country.

Italy

It is bounded in the north by Switzerland and Austria, east by Slovakia and the Adriatic sea, south east by the Ionian sea, south by Mediterranean sea, south west by the Tyrrhenian sea and Ligurian sea and west by France. Italy is a member of EU, NATO, UN, WEU and the central European initiative. The unit currency is lira (ITU) nationally of 100 centresim.

The weakness of the Euro and the consequent dynamic export performance, which saw the value of Italian goods sold abroad rise by 17.6 percent, was unable to offset strong growth in imports of 25.7 percent, in large
part the result of sharply higher oil prices, which alone accounted for 85 percent of the surplus reduction. All key export sectors performed well, in particular chemicals (25.7 percent growth), electrical machinery (21.8 percent), and transport equipment (19.7 percent). Even labour-intensive sectors, facing competition from low-wage developing countries, recorded double-digit growth rates: leather and leather products (20 percent), textile and clothing (14.3 percent). Despite the overall performance on the export front, the import growth being stronger led to widening of trade deficit.

The foreign trade balance with the rest of the EU, which represents almost 60 percent of total foreign trade, recorded a deficit in 2000, compared with a surplus in the same period of 1999. With no exchange-rate fluctuations or oil imports, these developments suggest a loss of competitiveness in the Italian economy, particularly given stronger rates of domestic demand growth in all other Euro area countries when compared to Italy.

The export and imports to non EU have also increased considerably, i.e., 27.4 percent and 42.6 percent respectively. As rise in imports is more than rise in exports, which may be due to more consumers demand or the liberal policy of the government, India has better chance to have trade with Italy specially in field of textiles whose imports have increased by 18.5 percent. The growing domestic demand and increasing consumerism at Italy suggests that exporting countries like India, having leading textile Industry has more opportunity to participate in Italy's textile-imports.
Ireland

The Republic of Ireland lies in the Atlantic ocean separated from Great Britain by Irish sea to the east and bounded in the North east by Northern Ireland (U.K.) It is the member of UN, OECD, the council of Europe and the EU.

Despite booming domestic demand, growth in the value of exports continues to outstrip that of imports, although both continue to register consistent double-digit growth rates. Once again, a remarkable export performance was underpinned by the strength both of key markets and of the largely foreign-owned high-technology manufacturing sector. Export earnings from organic chemicals and computer equipment were again particularly significant, accounting between them for over 40 percent of the total value of exports. Exports of electrical machinery and parts also rose sharply, as did telecommunications equipment. Sustained expansion in the US and a weak Euro saw exports shoot up to that market reach exports to the UK also grew strongly, up by 20.9 percent for the same reasons. Exports to these countries now account for 36.5 percent of the total. The elimination of exchange-rate risk between the Euro area countries has also contributed to strong growth in exports to the Netherlands (up 35.15), Belgium (up 33.3 percent) and Italy (up 34 percent).

Imports increased rapidly in the year 2000 as compared to the same period in the previous year. Buoyant consumer spending provided the main upward pressure on import levels, with imports of road vehicles increasing by a
particularly strong 43.1 percent imports of computer equipment rose by 19.9 percent. Owing largely to the import-intensity of the key high-technology export sector, which has the effect of pushing up import levels in line with export growth. So far the Indian goods could not make their presence felt in the Ireland market and a lot of spade work is required before entering into the market of Ireland.

Luxembourg

It has an area of 2586 Sq. km. (999 q. Mikes) and is bounded on the west by Belgium, south by France and east by Germany. Currency = Luxembourg Franc (LUF) of centimes.

It is a small country, actively participating as a members of EU , UN Benelux, OECD, the council of Europe NATO, EU and WEU. It is small economy and there is usually a trade deficit as it has greater dependence on imports than export. Recently in 2000, due to weak Euro, it exports rose by 14.6 percent as compared to the same period of the year before. This helped to reduce the deficit.

As the country is more dependant upon imports due to any cause, India has a good chance to enter the market and search to have an impact on the economy. Indian exporter's can strive to make efforts to penetrate the market with small order initially to later capture, the bigger contracts and penetrate the market by ensuring them of India's Qualitative products.
Netherlands

It is bounded in the north and west by the North sea, south by Belgium and east by Germany. Unit currency = gulden (NGL) Written as FL (orin) of 100 Cents.

Both exports and imports registered strong growth in during the last few years, with Netherlands-US and Netherlands-Asia trade flows, in particular, growing very strongly. Exports were up by 30.2 percent in 1999, while imports rose by 32.9 percent.

Almost 78 percent of the Netherlands' exports in 2000 were to EU partners. From EU countries represent a much smaller share of total trade than exports, just under 56 percent in 2000. Import growth from Asia increased by 27.7 percent during 2000, as private consumption and the demand for manufacturing inputs accelerated. Import growth from Asia was slightly lower at 27.7 percent year on year in the first eight months of 2000 which gives a good indication to India to prove itself and have a better participation in its imports. So far India has significantly weak relations with the country. By exploring and good research work it is high time chance to widen its market in Netherlands.

Portugal

Portugal has been an independent state since the 12th century apart from one period of Spanish rule (1580-1640). The monarchy was deposed on 5th Oct. 1910 and republic established.
Mainland Portugal is bounded in the North and East by Spain and south and West by the Atlantic Ocean. It has a total area of 91965 Sq. km. Population according to 1991 census 9862,700. It is a member of the UN, EC, OECD, NATO, WEU and the council of Europe. In 1995 export totalled US 22800 m and imports 32600 m.

The value of Portuguese exports on average rose by 16.7 percent since the beginning of 2000. However, there has also been a strong pick-up in the demand for Portuguese exports, particularly in non-EU markets, foreign earnings from which rose by 21.3 percent in value terms, reflecting both the continued buoyancy of the US economy through mid-2000 and the weakness of the Euro, which has boosted the price competitiveness of Portuguese goods in this and other markets beyond the Euro area. Trade figures continue to show wide disparities in the performance of different categories of goods exports. Exports of pulp and paper, plastics and rubber, chemicals, mineral products, and base metals rose by 33.8 percent, 21.2 percent, 28.3 percent, 28.8 percent and 21.1 percent respectively over the first months of the year, while Portuguese shoes, textiles and motor vehicles declined by 16.3 percent, 5.1 percent and 2.1 percent respectively over the same period. Portugal's traditional shoe and textile industries, which are labour-intensive, are struggling to compete in world markets against strong competition from lower-cost producers, like India, whose textile industry is labour intensive too. Here India is at an advantageous position in regards to its low cost of production. Thus, enabling it to face and meet the
competition by entering the market with cheaper rates and better quality.

Spain

Although Spain has traditionally been a monarchy there have been two Republics the first in 1873 which lasted for 11 months and the second in 1931-34, both were democratically and peacefully proclaimed.

It is bounded in the North by the Bay of Biscay France and Andorra, east and south by the Mediterranean and the straits of Gibraltar, South west by the Atlantic and west by Portugal and the Atlantic. Area : 492592 Sq. km. Spain a member of UN, council of Europe, NATO, WEU, EU, and ESD. Currency - Peseta divided in to 100 centimes.

The value of Spanish exports rose by a robust 19.5 percent reflecting the indirect impact of rising oil prices, which have pushed up domestic product prices, although the weakness of the Euro may also have encouraged exporters to increase their margins in markets beyond the Euro area. Spanish customers are known for their quality consciousness and therefore Indian exporter must ensure the quality of their products so as to expand their trade relations with Spain.

Sweden

Organised as an independent unified state in the 10th century Sweden became a constitutional monarchy in 1809. Sweden was united to Norway until 1905.
The territory is bounded in the west and north west by Norway, east by Finland and the Gulf of Bothnia, south east by the Baltic sea and south west by Kattaget. Area: 449964 Sq. km.

Spain and Sweden had insignificant trade relations with India in the past, leading to lack of interest on part of Indian exporters. No attempt was made to explore or search the market. But an untouched market has better chance for trade and business rather than a saturated market. Thus, India should make efforts to penetrate and search out the market for its potentialities. There is always a better chance to capture it.

U.K. or Great Britain or Northern Ireland

Great Britain is a geographical name of that Island of British Iles which comprises England, Scotland and Wales, and Scotland were united with England by act of union, 1801, Great Britain and Ireland formed a legislative union as the U.K. of Great Britain and Ireland in 1921 Northern Ireland remained within the union which is now the U.K. of Great Britain and Northern Ireland According to census 1991. Area = 228356 sq. km.

The U.K. economy is increasingly becoming an affluent society based on rent and interest on their already amassed wealth and capital rather than industrial efforts. This has obviously affected adversely U.K.'s exports. However the consumption pattern of the domestic market is recording a larger expansion than its production. Thus the demand is exceeding the supply creating ample
opportunities for Indian exporters to go and tap.

Thus, analysing the market trends in E.U., it is noted that the nature of consumption and production and their respective foreign trade patterns are considerably diversified. There are countries where the level of consumption as well as production is extremely quality conscious. Such nations are aggressive in technology development, production and foreign trade, resulting in increasing trade surpluses. Germany is one such example.

On the other hand there are countries where consumption level is high and quality conscious but have lesser industrial growth and exports. U.K. is an example which is consumer oriented and still is relying increasingly on the imports.

Further there is a group of countries like Greece, Sweden, etc. Which have greater elasticity of price. Hence, in a nutshell it is proposed that Indian exporters, in order to penetrate the EU market will have to be strategic. They will have to study the economic environment of each country separately and prepare the plan of action accordingly. For instance they have to supply the best of their produces to the countries like Germany & U.K. Against this, countries like Greece, Sweden, Spain, Luxembourg etc. will have to be provided the cost efficient goods.

The Economic Environment

The pace of economic growth in the European union (EU) has been, on an
average, modest, since the 1995. After an acceleration of growth in 1994 and the first half of 1995, the economy of the EU suffered a general slowdown. Throughout the period, business and consumer confidence in most member states have remained low in the content of low income growth, sluggish domestic demand and high unemployment, spending and investment decisions remain subdued, despite low interest rats. On a yearly average, real G.D.P. in the EU grew by 2.47 percent in 1995 and 1.6 percent in 1996 by 2.3 to 2.5 percent in 1997. However from 1996 onwards there are trends in the economic growth of all EU nation. Trade policy review (around 2 percent per year), has shown signs of strengthening in 1997. Economic and financial convergence among member states has improved, inflation has declined; long term interest rate differentials have fallen; and exchanges rates have stabilized within the exchange rate mechanism (ERN) of the European Monetary System (EMS). Fiscal, consolidation was retarded by slower than expected economic growth. Macro economic policies in many member states reflect current efforts to qualify for the single currency, which was scheduled to be introduced on 1 Jan. 1999.

Exports have been the main contributing factor to economic growth, in the period, benefiting from an improved international environments and moderate unit labour costs. Manufacturing exports have been increasingly oriented towards Asian Markets. Nevertheless, concern remains about the relatively high concentration of EU trade in medium technology products and low growth geographic area. Trade in services, one of the EU's strongholds, is likely to
benefit from ongoing liberalization in this sector.

The following tables represent the overall performance of the EU economy and growth rate in member states 1992 and 1996.

**Table 2.1 (a): Overall performance of the EU economy**

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1993</th>
<th>1994</th>
<th>1995&lt;sup&gt;a&lt;/sup&gt;</th>
<th>1996&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP (at 1990 market prices)</strong></td>
<td>1.0</td>
<td>-0.6</td>
<td>2.9</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Private consumption</strong></td>
<td>1.8</td>
<td>-0.3</td>
<td>1.7</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Public consumption</strong></td>
<td>1.7</td>
<td>1.1</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Gross fixed capital formation</strong></td>
<td>-0.9</td>
<td>-6.5</td>
<td>2.4</td>
<td>3.7</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Final domestic demand including stocks</strong></td>
<td>1.1</td>
<td>-1.9</td>
<td>2.5</td>
<td>2.1</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Exports of goods and services</strong></td>
<td>3.7</td>
<td>1.7</td>
<td>8.5</td>
<td>6.9</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Imports of goods and services</strong></td>
<td>3.9</td>
<td>-2.7</td>
<td>7.6</td>
<td>5.8</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Private consumption price deflator | 4.7  | 4.1  | 3.3  | 3.0              | 2.7              |
Real unit labour costs | -0.2 | -1.1 | -2.4 | -1.6             | -0.7             |
Money supply (M2/M3 annual change) | 5.6  | 6.6  | 2.4  | 5.4              | ...              |
Percent | Nominal short-term interest rate | 11.2 | 8.6  | 6.5  | 6.7              | 5.0              |
Unemployment rate | 9.4  | 10.9 | 11.3 | 10.9             | 11.0             |
Percentage of GDP at market prices | Gross savings rate | 19.0 | 18.4 | 19.0 | 19.9             | 19.6             |
Gross investment rate | 20.2 | 18.4 | 19.0 | 19.2             | 18.6             |
Current account balance | -1.2 | 0.0  | 0.0  | 0.7              | 1.0              |

<sup>a</sup> Estimates.

<sup>b</sup> Forecast.
Table 2.1 (b): Growth rates in Members States

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual percentage change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>2.0</td>
<td>0.4</td>
<td>2.3</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.8</td>
<td>-1.6</td>
<td>2.3</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.2</td>
<td>1.5</td>
<td>4.2</td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Finland</td>
<td>-3.6</td>
<td>-1.2</td>
<td>4.5</td>
<td>4.5</td>
<td>3.3</td>
</tr>
<tr>
<td>France</td>
<td>1.3</td>
<td>-1.5</td>
<td>2.8</td>
<td>2.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Germany</td>
<td>2.2</td>
<td>-1.2</td>
<td>2.9</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Greece</td>
<td>0.4</td>
<td>-1.0</td>
<td>2.2</td>
<td>2.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>3.9</td>
<td>3.1</td>
<td>7.3</td>
<td>10.7</td>
<td>8.4</td>
</tr>
<tr>
<td>Italy</td>
<td>0.6</td>
<td>-1.2</td>
<td>2.2</td>
<td>2.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.9</td>
<td>0.0</td>
<td>4.2</td>
<td>3.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.0</td>
<td>0.2</td>
<td>3.4</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.1</td>
<td>-1.2</td>
<td>2.1</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Spain</td>
<td>0.7</td>
<td>-1.2</td>
<td>2.1</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>-1.4</td>
<td>-2.2</td>
<td>3.3</td>
<td>3.6</td>
<td>1.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-0.5</td>
<td>2.2</td>
<td>3.9</td>
<td>2.5</td>
<td>2.1</td>
</tr>
</tbody>
</table>

a Member of the EU since 1995; pre-membership figures in italics.


Comment: following the recession of 1992 and 93, economic growth rates in most member states were modest, with a median value of 2.4 and for the
period 1994 and 96. Ireland and Finland were the only two averaging over 4 percent (around 8 percent for Ireland); growth in all the larger member states was below 3 percent in 1995 and 1996, declining since 1994 in France, Germany and the U.K. However, as shown by the closer evolution of output gaps, cyclical developments among the largest EU economics proved to be more synchronized than under the previous review, reflecting both the return to modest growth in all countries and the structural impact of single market.

Trade and Investment Pattern EU Trade Patterns

Reflecting the strength of the International environment and to lesser degree, the recovery in the EU economy, the value of the community's external merchandise trade grew by 10 percent in 1994 7 percent in 1995 and 8 percent in 1996. Extra-EU exports grew at a rate of 11 percent in 1994 but slowing to 9.5 in 1995 and 9 percent in 1996. Import growth, which stood at 10 percent in 1994, fell to 5 percent in 1995 and 9 percent in 1996. Import growth, which stood at 10 percent in 1994, fell to 5 percent in 1995 and 6 percent in 2000. This gradual downfall was due to slower growth in domestic demand and real effective exchange rate deprecations in main members of the EMS.
The EU's merchandise trade balance moved from a large deficit in 1991 (ECU 70 billion) to equilibrium in 1993 and 1994 and a surplus of ECU- 44 billion in 1996.

On the export side, the last two years were marked by the rapid growth of EU exports to Asia (a 15 percent increase per year in value between 1993 and 1996). The largest increase were recorded in exports to a single country namely Japan (growing at 15 percent per year) and to the Newly Industrialized Countries (NICS) - (17 percent per year). It includes-Hong Kong, China, Thailand, Malaysia and the Republic of Korea. As a result of these trends, the share of Asian countries in total EU exports grew by 2 percent points i.e. from 19 percent to 21 percent. Exports to the Central and Eastern European countries (CEEC's) grew from 8.7 percent of the total in 1993 in 1993 to over 11 percent in 1996, reflecting the development of bilateral economic links under the Europe Agreements. While exports to the Mediterranean basin remained stable at about 12 percent of the total share of exports to the United States (the largest single export market, taking 18.3 percent of EU export) EFTA and ACP countries have declined slightly.

The following chart represents the external merchandise trade by region, 1996/a.
Exports
EU external merchandise trade by region 1996/a (%)
Imports
Total imports ECU 579.3 billion

- Japan 9.1%
- United States 19.5%
- Other OECD countries 7.2%
- EFTA 12.8%
- Mediterranean basin 8.5%
- Central and Eastern Europe 8.6%
- ACP Countries 3.8%
- CIS 4.5%
- Latin America 5.2%
- Asian NICs 9.9%
- Other 10.9%
Externally, the EU maintained a multi-stranded approach, combining bilateral, regional and multilateral policies. Bilateral priorities included the strengthening of economic links with neighboring countries, through the conclusion of a new generation of association agreements with countries of the Mediterranean basin (Euro Mediterranean agreements) and the acceleration of the per-accession strategy for the central and eastern European Countries (CEES's) and the Baltic states. The accession process of associated states is also covered by the recent commission proposal ("Agenda 2000") to admit to EU membership Cyprus, the Czech republic, Estonia, Hungary, Poland and Slovakia as a first group. Further economic integration in the European Continent is also likely to result from the introduction of dialogue cumulation of origin between the EU, CEEC's, EFTA, and EEA counties.

Economic Impact

The commission was mandated by the council (resolution 1218/92) to report on the effectiveness and impact of the single market. A wide ranging economic survey was conducted in 1996, involving both commission services and consultants. The main results indicate that the removal of the numerous barriers to the free circulation of goods, services, persons and capital have so far resulted in substantial benefits from the EU economy.

At the macro economic level, model-based calculation estimate that the
single market was directly responsible for:-

- an increase in EU, GDP of some 1.1 to 1.5 percent or ECU 60 to 80 billion above, what it would otherwise have been; half of this increase resulted from price effects and half from productivity effects.

- a higher level of employment, with job creation estimated at between 300,000 and 900,000;

- a lower inflation rate (1 to 1.5 percent) than otherwise would have been achieved; and

- a higher investment level of 1 to 3 percent

The estimates show that during the period 1985-95 there was a considerable increase in the share of intra-EU trade in manufacturers: from 61.2 to 67.9 percent in imports and an even greater increase, from 53.7 to 67.8 percent in exports (the share of intra EU trade in some individual member states exports grew by around 20 percent age point (Denmark from 42.2 to 67.3 percent UK from 447 to 64.4 percent The corresponding increases for services in the same period was from 46.9 percent to 50 percent for imports and 42.6 to 502 percent for exports.

The commission study also shows that the increase in intra EU penetration was the highest in 15 manufacturing industries seen as most sensitive to single market measures. The shares of intra EU direct investment flows in total FDI inflows also increased markedly, from 41 to 59 percent in the
period 1984 and 1991/93; in this the commission noted the rapid rise of cross border mergers and acquisition among EU, based firms, from 720 to 2296 in industry and from 78 and to 2602 in services between 1986 and 1995.

Savings related to changes in customs and fiscal procedures, implying the elimination of 60 million customs forms and 85 percent decrease in the number of community transit movements were estimated at about 0.7 percent of the value of intra EU trade, as an e.g.. EU producers and distributors of textiles and clothing reported reduction in cross border delivery times by 15 to 20 percent on average, significantly reducing road haulage costs in the sector.

While not growing as rapidly as intra EU imports, extra-EU imports recorded significant growth about 50 percent overall from 1985-1996.

Moreover, the share of manufacturing imports from (non) EU sources in total EU consumption rose from 12 to 14 percent between 1982-1993. The study Notes that: the SMP has also led to external liberalization towards Non-EU countries because market access is easier with a single system. "Firms not based in the EU are seen as benefiting from the liberalization of the movement of goods and services with in the EU, gaining improved access conditions through such provisions as right of establishment, the "single passport" harmonizing standards, the abolition of customs and fiscal frontier and formalities,

The following chart represents share of intra EU-trade in total trade.
External Relations

Over the years, the EU has developed a dense, multilayered network of preferential agreements covering the large majority of its trading partners and taking the form of custom unions, free-trade areas and non-reciprocal preferential trading arrangements.

These agreements respond to and evolve with, commercial interests and wider geo-political objectives which include the preparation of neighbouring countries for integration into the union, support and strengthen economic and political reform in countries in transition, and the provision of economic and financial assistance to former territories.

At its meeting of April 1997, the council of ministers made efforts to ensure that EU agreements (in particular Association Agreements) follow a more consistent pattern of preferences, and a greater similarity of form and coverage. In general, agreements with the CEECs and Mediterranean countries now provide for a large measure of industrial trade liberalization and increase in agricultural coverage while undoubtedly contributing to the expansion of bilateral trade and conversion of partners to a market economy, these agreements have potential trade diversion effects, where reduction or elimination of trade measures is deeper than against third country suppliers. This is of particular importance in sensitive industries such as textiles and clothing where tariffs and restrictions are being removed faster on bilateral trade, than more generally under WTO deadlines. The emphasis on bilateral agreements may also
potentially divert EU firms from fast growing M.F.N markets in Asia or Latin America, where EU Market shares have in recent years been lagging behind U.S. and Japanese competitors.

**Measures Directly Affecting Imports:**

(i) Tariffs and other trade related charges:

Tariff cuts on industrial products under the WTO Agreements are being applied relatively evenly over the application period, with some exceptions. Deeper reduction are extended for some areas of chemicals, textile fibers, scientific instruments and industrial electronics. Tariff elimination has been achieved in various areas. Peaks are gradually being eroded by successive cut and except several "Sensitive" products in textiles and clothing (knitted fabrics, men's and women's clothing), consumers electronics and motor vehicles.

**Tariff escalation:** The EU's tariff structure has traditionally displayed significant escalation, favouring domestic processors in areas such as fish, food products, tobacco textiles, leather and Paper. The Uruguay round results, provide, for the gradual reduction of escalation by applying proportionally higher tariff cuts to the highest tariffs. By 2000, escalation by stage of processing was disappeared in paper, iron and steel but remained in textiles, clothing leather, and agricultural products.
EU’S TEXTILES AND CLOTHING INDUSTRY

Volume of EU Textile

Affected by flat domestic demand and strong import pressure, the volume of EU textile and clothing production has fallen slightly in the last ten years (0.5 percent per year in textiles and -2 percent in clothing). The modest recovery of 1994 did not continue in 1995 and 1996, when real output fell, job losses are estimated at almost 100,000 in 1996 alone, despite continuous adjustments, the industry still suffers from over capacity, EU producers responded to such challenges by modernizing production through the use of capital intensive and information technology based techniques, developing outward - processing and sourcing arrangements and being more reactive to consumer demand. While this strategy helped to increase productivity and competitiveness in certain areas, it has not stemmed job losses as yet.

Building on quality improvements and greater specialization, EU textiles and clothing producers have sought to compensate for the loss of domestic markets by increasing exports, which grew at an annual rate of 5 percent between 1985 and 1995. The EU's main export markets are the US, Switzerland, Japan and other OECD Countries:
EU's textile trading partners

The main evolution in recent years has been the rapid rise of bilateral trade with partners in central and eastern Europe and the Mediterranean region (a three fold increase in the last five years). Countries such as Poland, Turkey, Tunisia and Morocco, have become important trading partners both on the export and import side, reflecting the growing importance of outward processing trade (currently about 15 percent of total EU external trade).

As described below, this evolution may be related to the (Faster) liberalization of trade under preferential agreement, with measures such as the complete elimination of tariffs on imports from the CEEC's, the harmonization of rules of origin or the regular increase in outward processing trade (OPT) quotas.

At the same time, the shares of Poland, Turkey, Tunisia and Morocco in EU imports of Clothing increased.

The following chart present the textile and clothing import by source 1991-1995.
Textiles and clothing imports by source, 1991 and 1995

Textiles - 1991

Total US$ 14314.3 millions
Textiles and clothing imports by source, 1991 and 1995

Textile - 1995

Total US$ 17651.6 million
Textiles and clothing imports by source, 1991 and 1995

Clothing - 1991

Total US$ 33966.8 million
Textiles and clothing imports by source, 1991 and 1995

Clothing - 1995

Total US$ 42550 million

- China 12.5%
- Hong Kong 10.2%
- Turkey 10.9%
- India 6.4%
- Others 37.9%
- Morocco 5.2%
- Tunisia 5.6%
- Poland 5.1%
- Bangladesh 3.2%
- Indonesia 3.1%
From the above chart we can see the various EU textile trading partners. Imports from India accounted for 6.4 percent in clothing and 10.2 percent in textile in 1995 which have increased from 1991, representing that it has more opportunity to expand if she explores her own resources to the optimum.

(3) Employment in the industry

Although the textiles and clothing industries account for a declining share of EU manufacturing value added (by about 4 percent and employment by 8 percent), still they remain important activities in certain local areas.

Regions such as Lombardy (Italy), Catalunya (Spain), Bayern and Nordrhein-west falen (Germany) Norte (Portugal), Wallonie (Belgium) or Region du Nord (France) show the heaviest concentration of employment in textile and clothing industries. As in most other industrialized countries, the industry is undergone a process of restructuring and adjustment to reduce costs and increase productivity (Labour productivity increased in 1994 by 8 percent in textiles and 6 percent in clothing). Between 1985 and 1994, imports of textile and clothing rose, respectively, from 15 to 25 percent from 12 to 20 percent of the EU market. Import penetration seems, however, to have stabilized in 1995 and 1996. Total employment fell by about 25 percent between 1984 and 1995 with a loss of about 850,000 jobs from a total of 3.2 Million in 1984.

By April 1997, textiles import was the second group of products most affected by EU anti-dumping actions, with 24 measures in force. Measures in
force mostly concern polyester, yarns and fibers. The figures reveal an increase over the previous year in investigations and measures affecting cotton fabric and polyester yarns, raising fears among certain trading partners that the liberalization of the EU's textiles imports would be accompanied by an increase in anti-dumping activity. (Under the WTO Agreement on textiles and Clothing, quantitative restrictions vis-a-vis a number of developing countries and countries in transition, carried over from the former MFA regime are being progressively phased out as products are integrated into the GATT). There are no measures in force on Clothing.

**The Uruguay Round Implementation process**

On December 16, 1996, the community and its member states notified the second list of products for integration in the GATT, representing 17.99 percent of 1990 import volume covered by the ATC. Following that integration, effective from 1 Jan. 1998, over one third of the EU's import volume of 1990 will have been integrated into the GATT.

To date, the EU has not invoked the transitional safeguard mechanism available to prevent for the import surges from causing or threatening to cause serious damage to domestic industry.

Trade in textiles and clothing is likely to be among the beneficiaries of the harmonization of the rules of origin among European countries and the creation of a Single territory for origin between the EU, other EEA members and the
CEECs Combined with the liberalization of trade with the CEECs, the New system might provide further stimulus to industrial co-operation and outward processing operations within the zone.

**Euro**

A revolutionary step was taken by the eleven European unified countries to have a single European Unified currency called EURO from 1st Jan. 1999. This central monetary unit had officially replaced deutsche mark, French franc and Italian lira. The eleven countries that adopted this currency are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The decision regarding the single Euro currency was taken after meeting the conditions established by the Maastricht treaty to move on to the single currency.

The four other member countries of EU that did not join the arrangement are Greece, UK, Denmark and Sweden. Greece had set itself the objective of joining the Euro in the year 2001, so it did not join. UK, and Denmark used their right acknowledged in the Maastricht treaty, not to participate in the Euro.

Sweden did not meet the criterion of belonging to the European monetary system and the exchange rate mechanism and hence expressed its wish not to take or in the first wave of Euro.

Thus, with the introduction of Euro on 1 Jan. 1999, the German deutsche mark, the frank, the Spanish Peseta, the Italian lira, the Dutch Guilder, the
Belgium Franc, the Luxembourg, France the Austrian schelling, the Finnish markka, the Portuguese escudo and the Irish punt in no longer quoted on the foreign exchange market and the Govt. security markets. The Monetary units of the Various countries made up the Euro Zone a simple non decimal subdivisions of the Euro.

Euro was issued and administered by a European Systems of Central Bank (ESCB) comprising an European Central Bank (ECB) whose head quarters are at Frankfurt, Germany. Its president and the 11 National central Banks Prepare and execute the decisions of the Governing council.

The changeover to Euro is not a currency reform; but a numeric conversion of monetary assets and liabilities with the value being maintained. The changeover to Euro was no cash and the general public would probably changeover to Euro only when the Euro notes and coins are put in to circulation.

Following are the benefits from single currency.

- By Jan. 2002, the Euro will become the only valid currency in 11 European countries, creating a market of 400 million consumers, whose younger generation has been weaned on technology, world travel and Hollywood entertainment-deep cultural differences will be resolved quoted by David Mair, economist at the European commissions consumer policy directorate.

- A new study by two American economical after using 30 years of
data from 20 industrialized countries, concluded that, entry in to a single European currency could prompt even closer trade ties.

- Britain's royal economic society studied "continued European trader liberalization can be expected to result in more tightly co-related business cycles, making a common European currency move likely and more desirable.

Inevitably, there would be a tendency for economies and regions to become more specialized in the goods and services in which they have a comparative advantage.

- Euro would provide monetary stability.

- It will ensure low interest rates promoting investment and consequently an upturn in the economy, resulting in job creation. For consumer's this development would bring down the mortgage rate. It will help the 11 countries to move towards zero exchange risks. Fixed parity would mean greater transparency of prices for goods and services paying the way for stronger competition leading to lower prices for the consumer and new business and co-operation opportunities for European firms.

- Above all the Euro is expected to provide a balancing factor to the world monetary system which is presently dominated by U.S. dollars. The eleven member states constituting Euro over will
represent 290 million inhabitant compared with 268 million for the U.S. 2126 millions for Japan. It would represent 19.4 percent of world for the U.S. and 7.7 percent for Japan. The eleven account for 18.6 percent of world trade as compared with 16.6 percent for U.S. and 8.2 percent for Japan. Because of the size of its market and its position as the world's main commercial and economic power. Euro is likely to become a factor of attraction which will make it in the medium term, a world currency of trade, investment and reserve equal to the U.S. Dollar.

Thus, it may be concluded that despite the socio-economic heterogeneity, the market size of EU and its affluence, wealth and consumption patterns make all the member countries of EU very attractive. However, on the basis of foregoing discussion, it particularly need to be mentioned that in order to get the optimum gains of trade, India will have to ensure quality while still being competitive.