Penetrating into the EU Market

Why in news?

In the 15th Summit of India and EU, the broad consensus is emerged to strengthen the EU-India Strategic Partnership.

What is the nature of Trade Relation between India and EU?

- India is the EU's ninth largest trading partner with 2.4 per cent of the bloc's overall trade.
- EU exports to India have grown from €24.2 billion in 2006 to €45.7 billion in 2018 & India's exports to the EU have also risen steadily from €22.6 billion in 2006 to €45.82 billion in 2018.
- Trade in services has also tripled between 2005 and 2016, reaching €28.9 billion & India is among the few nations that run a surplus services trade with the EU.
- India has been negotiating a broad-based trade and investment agreement with the EU since 2007.

Are India's exports competitive in EU Market ?

- In agricultural commodities, India's share in EU's import is invariably less than 3 per cent.
- Even in processed rice, ASEAN countries share is more than double that of India even though India's production is way above that of ASEAN.
- Despite India longer coastline, EU imports more marine products from ASEAN countries.
- A tiny country like Bangladesh exports more labour intensive products such as apparels and leather products than India.
- Even in pharmaceutical sector, where India is a strong player, its presence in the EU market is not as that of ASEAN countries or China.
- Though India has a modern petrochemical sector, EU imports more by-products of same (chemicals, rubber plastic products) from China and ASEAN than India.

What are the factors responsible for lower share of India's export in the EU?

- High production cost in India leads to higher import cost in EU.
- High logistics costs and poor connectivity make Indian exports uncompetitive.
- Inefficiency in trade facilitation measures lead to high cost of export or consignments being rejected.
- India's exports being subjected to higher para-tariff in comparison to other countries.
- Indian products fail to comply with EU standards making them rejected/banned.

How it can be addressed?

- Reducing Logistics costs or promoting trade facilitation measures keeps the production cost lower thereby increasing the competitiveness in the economy.
- In the case of perishable items, reducing the transit time minimizes the consignment getting rejected.
- In recent **NCAER** study on **'Logistics Costs'** indicates that, to export floriculture/fruits from Pune to Mumbai it takes about 7 hours, which is significantly more than the flight time to Europe.
- Direct connectivity from Pune to Europe could tilt the trade balance towards India.
- Indian products should comply with EU specific market standards.

Source: Business Line

SHANKAR IAS PARLIAMENT
Information is Empowering