ASSESSING INDIA’S EXPORTS POTENTIAL TO THE EUROPEAN UNION

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ABSTRACT:

The European Union (EU) is India's largest trading partner, accounting for 16.6% of Indian exports. However, India accounts for only a meagre 2.2% out of the total Extra-EU imports. By contrast, China has a share of 16.6% in Extra-EU imports. The implication is that there is a stark disparity in the India-EU trade relationship. India is lagging behind in its exports performance and there is still potential trade gains left untapped from this trade relationship for India. The present study aims to investigate what Indian merchandise trade flows to the EU would be if India could realize its full exports potential to the EU. To estimate India’s exports potential, a gravity model has been estimated using stochastic frontier approach for a panel data set of 57 countries for the period 1999-2012. The results of the study show that firstly, the EU integration has strong trade diversionary effects on India’s exports and secondly, India’s unrealized exports potential to the EU lies at about 33 per cent. India could possibly exploit this trade potential by the timely conclusion of its Broad-based Trade and Investment Agreement (BTIA) with the EU. Also, the Non-Tariff Barriers (NTBs) that Indian exporters face in the EU markets need to be eased. These two steps will go a long way in making India realize the export potential she has in the EU market.


REFERENCES

Agence Europe (2007), ‘Council’s Green Light to Launch of Negotiations for Bilateral Free Trade Agreements with ASEAN, South Korea and India’, April, Brussels.


