



## LABOUR INTENSIVE GOODS – A KEY TO SUCCEED IN EUROPEAN UNION MARKETS

**Dr.V.Muthukumar\***

**Dr.V.Babu\*\***

*\*Assistant Professor, PG Department of Commerce, Kristu Jayanti College, Bangalore.*

*\*\*Associate Professor and Coordinator, PG Department of Commerce, Kristu Jayanti College, Bangalore.*

### **Abstract**

India has multidimensional relationship with the European Union. EU is our largest trading partner, the biggest source of our foreign direct investment, and an important source of technology. And also home to a large and influential diaspora. Trade is the bedrock of this multidimensional relationship that the subcontinent enjoys with the EU. Therefore the immediate and direct effect if the enlargement of the EU in May- 2004 for India is offering burgeoning trade prospects, as the enlargement results in EU market place, the biggest in the world accounting for more than one fifth of global trade and contributing one fourth of the world's GDP. India is a labour abundant country and the EU is the capital abundant bloc. India can produce the labour intensive goods at the lower cost but EU cannot produce the same at a lower cost, because they are not abundant with labour. Being a capital abundant country they can produce the capital intensive goods which are difficult to produce in India. As per the Heckscher Ohlin theorem the labour abundant country that is India should produce the labour intensive items and exports to the EU and the EU being a capital abundant country produce the capital intensive goods and they may exports to India. Through that both the countries can be beneficial mutually. And the consumers of both the country's will be getting both the commodities at the lowest price. In this paper an analysis was made to find out the stipulation of Indian labour intensive goods at the EU Market and the growth of export of Labour Intensive goods from India to EU.

**Key Words:** Labour Intensive Goods, European Union, Exports of India, BOP.

### **INTRODUCTION**

Reduction of trade barriers creates competitive pressures and the potential for technology transfer so as to lead to productivity gains and restructuring of an economy toward its comparative advantage. India has undertaken a series of economic reforms towards opening up of the economy in the decade of the nineties. Notable among these has been the extensive effort to liberalise its international trade. It is therefore expected that trade liberalization in India would have led to the changes in the composition of economy. Further, a country's comparative advantage in international trade may be influenced by differential rates of changes in accumulation of production factors or due to the increased trade integration of other countries. India's recent movement towards exports oriented development strategy may have altered the picture of comparative advantage for labour intensive goods in the world market. Across developing countries there is an on-going debate and emerging concern about the threat and opportunities in relation to the rise of India and the consequent intensification of competition in labour intensive goods.

### **MEMBER STATES OF EUROPEAN UNION**

The following countries are the members' states of European Union:

1.Austria 2. Belgium 3. Bulgaria 4.Cyprus 5.Czech republic 6. Denmark 7.Estonia 8.finland 9. France 10.germany 11. Greece 12. Hungary 13. Ireland 14. Italy 15. Latvia 16. Lithuania 17. Luxemburg 18. Malta 19. Netherlands 20. Poland 21. Portugal 22. Romania 23.slovakia 24. Slovenia 25. Spain 26.swedan 27. United Kingdom.

### **LABOUR INTENSIVE GOODS**

There are more than 200 Labour intensive goods have been produced in India. Among them the below 17 LIGs have been exported from India to European Union. These products plays vital role in the consumption of labour intensive goods in the European Union Market. Those seventeen are as follows as per SITC classification: Textile yarn and thread (651), Cotton fabrics woven (652), Woven textiles non cotton (653), Other textile etc., product (654), Special textile etc., (655),Lace, Ribbon, Tulle etc., (656),Floor cover, Tapestry etc., (657), Structures and parts (691),Metal tanks boxes (692),Tools for use in the hand and cutlery (695 & 696), Base metals house hold equipments (697), Furniture (821),Travel goods and hand bags (831), clothing not of fur (841), Fur etc., clothes (842), Footwear (851), other manufactures (899).

### **METHODOLOGY**

The present study is an attempt to analyse the exports of Indian labour intensive goods to EU. For this purpose the data have been collected from different sources like, Ministry of commerce of India, WTO, UNCT AD, OECD, UNCOM Trade etc. The Collected data have been analysed with help of the statistical tools like Trend analysis, Percentage and **simple Regression**.



## **BOP OF INDIA WITH EUROPEAN UNION**

India and European Union are good strategic partners in the global village. Both depend on others for their international trade. In the year 1999-2000 the balance of payment was negative to India that is -6366.0669 it was unfavourable balance of payment for India. But in the very next financial year this unfavourable balance of payment has become favourable one for India. That means India's exports to European Union were more than the imports from that bloc. But in the very next year the balance of payment for India became unfavourable one. From this year the balance of payment for India has been unfavourable with European Union. But the negative balance of payment is substantial. In the year 2008-2009 the balance of payment for India has become favourable. The export of India is more than the exports of European Union to India. The important point, to be noted is that the EU has the favourable BOP with India except three above said years. Even if it is an unfavourable condition for India, India has more advantage in trading with European Union. Indian products have more customers in the EU Market especially the labour intensive goods.

## **EXPORTS OF LABOR INTENSIVE GOODS TO EUROPEAN UNION**

The exports of labour intensive goods have been increasing every year in India especially with European Union, It is evidenced through the following analysis. The table shows below explains the exports of labour intensive goods to EU from India over a period of 2004-05 to 2013-14. Year 2004-05 was taken as base year to analyse the growth of exports over a period of time. It clearly indicates the growth of exports of labour intensive goods in the EU market.

### **1. Textile yarn and thread (651)**

The exports of textile yarns and Threads have been increasing every year it is evidenced through the trend of exports of this particular commodity over the last ten years comparing to the base year the exports have been increased to more than 200%. It shows that the consumption of textile yarns and threads has been increasing ever year in the EU market. But it is not yet consumed by the immediate consumers. It has been consumed by industrial customers.

### **2. Cotton fabrics woven (652)**

The exports of Cotton fabrics woven (652) have also been increasing every year the exports has been increasing upto 200 crores. It reveals that the need for this product has been increasing in the EU market. The trend of exports also shows the positive sign. All the other labour intensive products have faced some crisis during the year 2007-08 due to the financial crisis. But the export of this product did not fall.

### **3. Woven textiles non cotton (653)**

The exports of this product are also increasing every year but it does not create any major impact on the balance of payment of India with EU. The export is being increasing gradually, comparing to the base year it has been increased to more than 25% in the year 2013-14.

### **4. Other textile etc., product (654)**

This includes all other textile item other than the above said three products. All other textile items are coming under the purview of this product classification. The consumption of this product in the EU market is also increasing, it is proved that the trend of exports of this particular commodity have been increasing every year comparing to the previous years. The exports of this commodity have been doubled in the year 2013-14 comparing to the base year 2004-05.

### **5. Special textile etc., (655)**

The consumption of Special textile items (silk) has been increasing in the EU market during the last few decades. In the year 2004-05 the exports of this product were Rs.1100 crores but it is increased to Rs.1845 crores in the year 2013-14. It shows that the need for this particular has been increasing in the EU market.

### **6. Lace, Ribbon, Tulle etc., (656)**

Comparing to all the labour intensive goods the exports of this product has decreased every year in comparison with the base year 2004-05. In the years 2005-06 and 2006 – 07 the demand for this product in the European Market was very low. The demand for these products are neither increasing nor decreasing over the past ten years.

### **7. Floor cover, Tapestry etc., (657)**

This is one of the major labour intensive items exporting from India to EU. It is consumed only by the immediate consumers those who uses the product with bearing any changes on it. The trend of exports of this product has been increasing every year. In comparison with the base year the exports of this particular commodity has been doubled.



### 8. Structures and parts (691)

The export of this product is increasing gradually. The consumption of this product has increased to 132% during the year 2013-14 comparing to the base year.

### 9. Metal tanks, boxes (691)

The consumption of this product is also increasing every year. In the year 2004-05 the exports of this product was Rs.915.67 crores but it is increasing gradually and in the year 2013-14 the exports of this product was Rs.1514 crores it shows that the consumption this labour intensive good in the EU market has been increasing.

### 10. Tools for use in the hand and cutlery (695 & 696)

This particular product has a high level of demand in the EU market. It is justified through the increasing trend of this product's exports to EU from India over a period of time. Comparing to the previous year the exports of this product have increased to 227% in the year 2012-13.

### 11. Base metals house hold equipments (697)

In the EU market Indian base metals and house hold equipments plays a vital role. The demand for this product has also been increased every year. In the year 2004-05 the exports of this particular product was Rs.299 crores but in the year 2013-14 the exports of this product were more than 690 crores it is a growth of more than 200%. It clearly evidenced that the demand for this product in the EU market has been increasing every year.

### 12. Base metals house hold equipments (697)

Even though it has been contributing meagre level to the overall export of India to EU the demand for this product has been increasing every year. In the year 2004-05 the exports of this product were Rs.128.49 crores but it is increased to Rs.1243 crores in the year 2012-13, it is an increase of 967% growth.

### 13. Travel goods and hand bags

The exports of this product also have the increasing trend. The demand for this product has been increased to 154% in the year 2012-13 comparing to the base year 2004-05. It shows that there is a high level of demand for the Indian travel bags and hand bags in the European Union market.

### Growth of Exports of Labour Intensive Goods to European Union (Rs. in Crores)

S.No	Products/ Years	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	Textile yarn and thread (651)	315.82 (100%)	397.05 (125.7)	486.01 (153.8)	610.63 (193.3)	639.08 (202.1)	627.20 (198.5)	553.70 (175.3)	640.04 (202.6)	680.75 (215.5)	704.1 (222.9)
2	Cotton fabrics woven (652)	1839.2 (100%)	2143.7 (116.5)	2057.8 (111.8)	1888.4 (102.6)	2060.5 (120.3)	2594.2 (141.1)	2233.7 (121.4)	2601.4 (141.4)	2534.7 (137.8)	2554 (138.8)
3	Woven textiles non cotton (653)	210.83 (100%)	203.98 (96.7)	250.07 (118.6)	258.68 (122.6)	192.76 (91.42)	232.61 (110.3)	232.66 (110.3)	235.05 (112.4)	240.48 (114.6)	254.8 (119.8)
4	Other textile etc., product (654)	2217.1 (100%)	2243.3 (101.2)	2979.7 (134.4)	3562.5 (160.7)	4095.3 (184.7)	4008.8 (180.1)	3737.6 (168.6)	4005.8 (180.7)	4015.8 (182)	4022 (184.5)
5	Special textile etc., (655)	1100.2 (100%)	1300.6 (118.2)	1339.2 (121.7)	1353.0 (122.9)	1356.4 (123.8)	1587.5 (144.2)	1788.2 (162.5)	1823.7 (165.7)	1837.8 (167.1)	1845 (167.7)
6	Lace, Ribbon, Tulle etc., (656)	340.63 (100%)	239.72 (70.37)	143.35 (42.08)	179.70 (52.75)	293.84 (86.26)	277.43 (81.44)	251.89 (73.94)	280.05 (82.2)	288.6 (84.72)	292.2 (85.78)
7	Floor cover, Tapestry etc., (657)	1077.9 (100%)	1119.1 (103.8)	1399.0 (129.8)	1520.1 (141.1)	2050.8 (190.3)	2242.8 (208.1)	2092.0 (194.1)	2205.1 (204.7)	2278.9 (211.4)	2295 (212.1)
8	Structures	1204.6	1284.4	1292.3	1317.7	1384.4	1453.2	1557.5	1586.4	1601.4	1614



	and parts (691)	(100%)	(106.6)	(106.9)	(109.4)	(114.9)	(120.6)	(129.2)	(130.7)	(131.9)	(132.1)
9	Metal tanks boxes (692)	915.67 (100%)	1016.4 (111)	1145.1 (125.1)	1294.8 (141.4)	1196.8 (130.7)	1283.8 (140.20)	1364.3 (148.9)	1410.1 (154)	1502.1 (164.1)	1514 (165.3)
10	Tools for use in the hand and cutlery (695 & 696)	333.72 (100%)	355.30 (106.4)	427.28 (128.1)	537.59 (161.1)	691.31 (207.2)	725.86 (217.5)	695.07 (208.3)	741.3 (222.1)	745.6 (223.4)	760.2 (227.8)
11	Base metals house hold equipments (697)	299.66 (100%)	299.71 (100.1)	344.28 (114.9)	351.96 (124.5)	410.69 (137.1)	524.50 (175)	665.59 (222.1)	675.4 (225.4)	680.1 (226.9)	692.1 (230.9)
12	Furniture (821)	128.49 (100%)	156.62 (121.9)	315.99 (245.9)	551.64 (429)	604.74 (470.6)	981.36 (763.7)	1206.2 (938.7)	1226.7 (954.7)	1254.5 (976.3)	1243 (967)
13	Travel goods and hand bags (831)	2610.1 (100%)	2537.2 (97.20)	2931.8 (112.3)	3163.6 (121.2)	3524.8 (135.)	3698.1 (141.7)	3933.6 (150.7)	4006.8 (151.6)	4024.9 (154.2)	4035. (154.6)
14	clothing not of fur (841)	8601.1 (100%)	10820. (125.7)	11312. (131.5)	12009. (139.6)	17332. (201.1)	18096. (210.39)	18675. (217.1)	18934. (221.5)	18965 (221.9)	18987 (222.1)
15	Fur etc., clothes (842)	69.537 (100%)	78.052 (112.2)	100.88 (145.1)	149.05 (214.3)	162.90 (234.3)	183.19 (263.44)	209.15 (300.7)	239.78 (344.6)	257.8 (363.7)	280.0 (402.6)
16	Footwear (851)	2328.3 (100%)	2241.0 (96.25)	2737.2 (117.5)	3140.1 (135.2)	3491.4 (150)	4381.5 (188.2)	4740.2 (203.6)	5024.5 (215.8)	5437.9 (233.5)	5946. (255.3)
17	Other manufactures (899)	149.78 (100%)	153.64 (102.5)	188.64 (125.9)	183.62 (122.6)	214.80 (143.4)	238.10 (158.9)	277.01 (184.9)	298.05 (199)	335.06 (223.7)	364.9 (243.6)

Source: UNCTAD, WTO and Ministry of Commerce of India

### 1. Clothing not of Fur

This is the highest exported labour intensive commodity from India to Euro Union. There is a high level of demand for this product in the EU market. During the year 2012-13 the exports of this commodity from india to EU were done for some Rs.18897 crores. The trend of export of this product also been increasing positively.

### 2. Fur etc., clothes (842)

This is the least exported labour intensive goods from india to EU. Any how the exports of this product have been increasing every year. In the year 2004-05 the exports of this product were only RS.69 Crores but it is increased to Rs.280 crores in the year 2013-2014. It is an increase of more than 400%.

### 3. Footwear

There is a high level of demand for the Indian hand made foot wears in the EU market. it is proved that the exports of this product have been increasing every year. Comparing to the base year the exports of this product increased to more than 250%.

### 4. Other manufactures

Apart from the above said products all the other products will be coming under the purview of other manufactures. The exports of this product are also increasing every year. It indicates that the demand for this product in the EU market is increasing every year.

## MAJOR FINDINGS

According to this study the exports of all the labour intensive goods is increasing every year. Out of these 17 labour intensive goods Cotton fabrics woven (652), Other textile etc., product (654), Special textile etc., (655), Structures and parts (691), Travel goods and hand bags (831), clothing not of fur (841), Footwear (851) are the leading exportable commodity from



India to European Union and the trend of these products are also increasing every year, it reveals that the consumption of Indian Labour intensive goods in the EU market is increasing year by year. And the exports of other labour intensive items are also increasing but they do not contribute maximum to the overall exports, comparatively they are the least exportable commodity from India to EU. It shows that the demand for the Indian Labour Intensive items have been increasing every year in the EU Market. Clothing not of fur (841) is the leading exportable Labour Intensive Commodity from India to European Union and it has huge amount of Customers in the European Union Market.

### **CONCLUSION**

Being a labour abundant country India can produce all the LIG's at a lower cost than other countries. So it is still profitable one for India to export these goods to the less labour abundant countries and India may import the goods in which India is not capable of producing at a lower cost. As per the Heckscher Ohlin theorem the labour abundant country that is India should produce the labour intensive items and exports to the EU and the EU being a capital abundant country should produce the capital intensive goods and it may exports to India. Hence Indian Labour Intensive goods have more demand in the EU Market, because if these goods are produced in EU cost of the product may be high. Through that both the countries can get the advantage mutually.

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