

## ABSTRACT

**TITLE: DETERMINANTS OF TRADE BETWEEN INDIA AND THE EUROPEAN UNION**

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India-EU relationship is very old and it dates back to the early 1960s. India was amongst the first few countries to establish diplomatic relations with the European Economic Community. The bilateral trade between India and EU constitutes of nearly a quarter of total trade of India. Many studies have highlighted the importance of Gross Domestic Product (GDP) of the trading countries and their exchange rates as important factors explaining the trade of between the two countries. To check for the significance of these factors, annual Trade data has been used for the period between 1990 to 2014. Using the data and running relevant regressions it was found that the factors are significant and together explain a major part of the variation in both the exports and imports of India. The trade balance has also been calculated which shows that for the initial stage of trading between the two countries ( for the period under consideration), the balance was largely in favour of EU and towards the very end of the period it moved in favour of India.