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Title of Thesis: Structure and Performance of Exports-A Comparative Study of China and India

Abstract

China and India are among the fastest growing economies of the world. The importance of both the economies is growing in the world over time, especially from the perspective of their position in global trade. Export plays an important role in economic development of a country through providing external market for domestically produced goods, employment generation, earning foreign exchange and increase in GDP, because of which both saving and investment increases. In terms of exports, China outperforms India. China is the largest exporter and second largest trader of the world whereas India's share in the world exports has been stagnant. China has around fifteen percent share in world merchandise exports whereas India's share is less than two percent.

Various studies have been undertaken by different researchers to study the structure and performance of exports of China and India at different points of time and from different perspectives. Studies have been undertaken for both the countries exclusively as well as in comparison, but no comprehensive study is available covering all the major aspects of exports, specifically an investigation into the factors behind differences in performance of exports of the two countries is still to be undertaken. The present study covers the broad period of two and half decades i.e. 1992-2016 for the analysis. It is also significant in view of growing importance of external sector in driving the economy. The study differs from the previous studies in the area in the sense that it compares the structure and the performance of exports both product-wise as well as technology-wise. The study analyzes and critically compares India's and China's export related policies. The study also analyzes the structure of merchandise exports of the two countries vis-à-vis rest of the world in terms of composition and direction. Further, the pattern of exports is examined in terms of comparative advantage, extent of Intra-Industry trade, diversification and specialization of exports. It attempts to assess the complementarities in China's and India's exports vis-à-vis ROW. Performance of export is analyzed in terms of change in the share of China's and India's export in the world export, to assess the factors behind differences in export performance of the two countries Constant Market Share (CMS) analysis has been used.

The result of the comparison of export related policies of the two countries show that among all the reforms that took place in China, SEZ development is the one with the largest influence on China's export success but in case of India various loopholes have been observed in SEZ policy, like major approvals are given to developers of real estate industry and many SEZ establishments

are far from port cities which defy the basic objectives of manufacturing and export. Comparing FDI policy it is observed that India could not perform well compare to China because of the various problems like- high import tariff, exit barriers for firms, rigid labour laws, poor quality infrastructure and low productivity of labour etc. Both the countries gradually shifted from highly over-valued fixed exchange rate to substantially depreciated market determined exchange rate. Composition reveals that machine industry is of utmost importance to China whereas for India it is the labour-intensive industry. Composition in technology terms show that high-tech exports has the highest share in China's total manufacturing exports whereas resource based manufactures has the highest share in India's exports. Analyzing the direction of exports, it is found that share of advanced economies in total exports has decreased whereas share of emerging & developing countries has increased for both the countries over time. No impressive improvement has taken place in the structure of comparative advantage in case of India whereas China has experienced significant improvement in terms of comparative advantage under the categories of low-tech, medium-tech and high-tech during 1992-2016. There is a huge difference in the structure of comparative advantage of two countries, India is good at "Primary products" and "Resource based manufactures-agro based" whereas China is good at high-technology intensive categories. In some sectors, for both the countries, high share of exports in the absence of comparative advantage can be justified on ground of high IIT in these sectors. China's export is found to be more diversified than India's export. It has also been observed that the similarity in the export structure of two countries is reducing over time and the export structure is becoming more complementary. The CMS analysis shows that both India and China have on an average gained the world market share over time and major factor behind this performance is competitiveness.

From the viewpoint of policy makers, these results have ample implications. India has among the world's highest tariff rate; the government should reduce it to expand the trade with rest of the world. In India, SEZ should be promoted in the manufacturing sector rather than services or real estate industry. Further, government need to simplify the procedures for FDI, improve infrastructure and promote skill-development among labours. India should promote manufacturing exports as competition for resource based products is stiff in the global market and being labour-intensive country it will also mitigate the problem of unemployment. Diversification of India's exports is required to stabilize export growth. CMS analysis suggests that China should focus on improving geographical structure and product structure of the country's exports as competitiveness is decreasing in case of all four technological categories of exports of China.
