

## CERTIFICATE

I, certify that, Karan Tamang has prepared the thesis titled "An Examination of Complementary and Competitive Aspects of Trade relations between India and China" under my guidance and supervision. No part of the thesis has formed the basis of award of any degree or fellowship previously. It is a genuine and original work of the scholar. He has carried out the research at the Department of Economics, University of North Bengal.

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## Declaration

I, declare that the thesis titled "*An Examination of Complementary and Competitive Aspects of Trade Relations between India and China* " has been prepared by me under the supervision of Prof. Anil Bhuimali, Professor, Department of Economics, University of North Bengal. No part of this thesis has formed the basis for the award of any degree or the fellowship in the past.

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## Entire Document

Chapter 01 – Introduction 1.1 Introduction: India's trade relation with China is an important area of study for both scholars and policymakers of both these nations. A large volume of works has been produced on different aspects of India's trade relations with China. Our study covers some of the important aspects of these relations. Trade relations can have two different aspects. One of the aspects is the complementary bilateral relation between the nations, where two countries trade with each other. Other one is the competitive relation where two countries compete with each other in the world market. As far as the trade relationship between India and China are concerned, most of the studies are either focused on complementary aspects or they are focused on competitive aspects. A very few authors have considered both aspects in their studies. We have in our study considered both complementary and competitive aspects of trade between India and China so as to have a holistic understanding of the bilateral trade relationship between the two nations. Even though we have considered both complementary and competitive aspects in this study, we have given more importance to the complementary aspect of the trade relation. The rest of the chapter is organized as follows: In the next section we have review of literature on various aspects of India's trade and India's trade with China. In section 1.3 we discuss Rational of the study and in 1.4 Limitation of this study. We have formulated several objectives for this study which is accompanied by relevant principal research questions and research hypothesis. These are presented from section 1.5 to section .7. In section 1.8 we discuss the data and methodology that we have considered for this study. And finally in section 1.9 we have presented the structure of our thesis. 1.2 Review of Literature: As we have just introduced the issues that we have covered in our preceding chapters, where we have made extensive review of literature for each chapters, in this chapters we have considered two broad aspects related to our study. One is exclusively related to India's trade and other related to India – China trade. First one is covered under the theme of a) India's Trade Potential and the second one under b) Important Issues related to India-China economic relations. a) India's Trade: Charan Wadhwa (1998) studied the export performance of India from 1950-1997 focusing on two sub- groups viz, 1950-1990 and 1991 -1997. He concluded that during the study period India failed to "take off to a long-term self-sustaining high growth path". He attributed this failure to inability of India's policy to align to world standard at both macro and mikro level. According to him it was the domestic supply related constraint and not the external factors which was responsible for relatively low export performance. He asserts that since India's trade policy was unable to evolve into 'strategic and comprehensive national export policy' over the years, there is a need for reformulation of India's export strategy as a part of national macroeconomic strategy. C. Veeramani made a comparison of export growth during the pre reform period of 1950-1990 and post reform period of 1993-2005 and found that growth rate during post reform period was not very high as compared to pre reform period. Comparing the potential and actual growth rates of exports during the post reform period he found that during this period actual growth rate was higher than potential growth rate. The reason he gave for this was overall improvement in competitiveness of India's export during this period. He also identified that appreciation of real effective exchange rate had adverse effect on India's exports during post reform period. Ranajoy Bhattacharyya and Tathagat Banerjee in their paper titled "Does the Gravity Model explain India's direction of trade? A panel data approach" examines India's direction of foreign trade. With regard to the factors responsible for affecting a countries foreign trade they pointed out that the comparative advantage to the other countries, economies of scale, the aggregate income of the home as well as the partner residents, trade policies of the government, membership to curry unions and /or customs unions and finally participation in bilateral, regional and multilateral agreements. Using the gravity model to analyse India's direction of trade they come up with some of the very interesting findings. They found that this model can explain 43 percent of fluctuations in India's direction of trade in the second half of the twentieth century. Again, when it comes to the responsiveness of India's trade, they found that it responded less than proportionally to the size and more than proportionally to the distance. The presence of colonial heritage in India's trade still seems to be an important determining factor for India's direction of trade. According to their study India trade more with the developed nations than with the developing but size of the partner appears to be more influential determining factor than the level of the development of the partner. S.N Bhattacharya and B.N Bhattacharya in their work titled "Gains and Losses of India China Trade Cooperation: A Gravity Model Impact Analysis calculated the trade intensity indices of India and China, and their result shows significant trade potential between the two countries.

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## **List of Tables**

### **Chapter 2**

Table 2.1: Exports Growth Rate(%)

Table 2.2: Imports Growth Rate (%)

Table 2.3: India's Share in World Trade (%)

Table 2.4: India's Share in World Exports and Imports (%)

Table 2.5: Export Value Index (EVI) (1992 =100)

Table 2.6: Import Value Index (IVI) (1992=100)

Table 2.7: Export Import Coverage

Table 2.8: India's Export Market Penetration (EMP)(%)

Table 2.9: Revealed Comparative Advantage (RCA) Selected Years

Table 2.10: Hirschman Herfindahl index

Table 2.11: India's Export Propensity Index(1992-2018

Table 2.12: India's Import Penetration Index

Table 2.13: Trade Entropy Index

Table 2.14a: Five Year Average Export Composition (%)

Table 2.14b: Five Year Average Import Composition (%)

Table 2.15a: Direction of Exports (five -year average) (%)

Table 2.15b: Direction of Imports (five- year average) (%)

### **Chapter 3**

Table 3.1a : Shares of India and China in Each Other's Total Exports

Table 3.1b : Shares of India and China in Each Other's Total Imports

Table 3.2: Growth Rate of Exports (%)

Table 3.3: Growth Rate of Imports (%)

Table 3.4: Export Value Index (EVI) (1992 = 100)

Table 3.5: Import Value Index (IVI): (1992 = 100)

Table 3.6: Export Composition by Stage of Processing (%)

Table 3.7: Import Composition by Stage of Processing (%)

Table 3.8: Export Propensity Index

Table 3.9: Import Penetration Index

Table 3.10: Import Export Coverage (EIC)

Table 3.11: Trade Dependence Index (TDI)

Table 3.12: Trade Intensity Index (TII)

Table 3.13: Comparison of TCI of India and China with each other

Table 3.14:HHPCI for India's export to China

Table 3.15: Revealed Comparative Advantage: Stage of Processing

Table 3.16a: Comparison of MFN Weighted Average for selected years

Table 3.16b: Comparison of MFN on Raw Materials

Table 3.16c: Comparison of MFN on Intermediate Goods

Table 3.16d: Comparison of MFN on Capital Goods

Table 3.16e: Comparison of MFN on Consumer Goods

#### **Chapter 4**

Table 4.1: Aggregated Intra- Industry Trade:

Table 4.2: Five Year Average Intra-Industry Trade:

Table 4.3: Decadal Intra-industry trade

Table 4.4: Five-year average sector wise Intra- Industry trade

Table 4.5: Share of HIIT and VIIT for 1996-2018

Table 4.6: Shares of HVIIT and LVIIT in total VIIT

Table 4.7: Five Year Average percentage of sectors with HVIIT and LVIIT

#### **Chapter 5**

Table 5.1: Unit Root Test for  $lx_t$  and  $lm_t$

Table 5.2: Estimation of Cointegration Regression

Table 5.3: Unit Root Test for Error Term

Table 5.4: Estimation of Error Correction Model

#### **Chapter 6**

Table 6.1: Comparison of Shares in World Trade (%)

Table 6.2: Comparison of Shares in World Exports (%)

Table 6.3 Comparison of Export Growth Rates (%)

Table 6.4: Comparison of EVI (1992=100)

Table 6.5a: Comparison of Export Composition of Goods by Stages of Processing (%)

Table 6.5b: Comparison of Index of Rank Dominance

Table 6.6a: Sector-wise RCA of India and China (1992-2005)

Table 6.6b: Sector wise RCA of India and China (2010-2018)

Table 6.7 Comparison of Direction of Exports

Table 6.8: Comparison of Export Import Coverage

Table 6.9: Comparison of Export Market Penetration

Table 6.10: Comparison of Export Propensity Index

Table 6.11 Comparison of the Herfindahl-Hirschman Index (HHI)

Table 6.12 Comparison of the Trade Dependence Index

Table 6.13 Comparison of the Trade Entropy Index

Table 6.14 Export Similarity Index(ESI)