



## Research Article

# Trade Openness and Economic Growth in China and India in Comparative Perspective: An Exploratory Study

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**Abstract:** China's economic success has been attributed to export-led growth, while India has used export-led growth and domestic demand-led growth simultaneously. Therefore, both economies can learn from each success in trade performance vis-a-vis economic growth. The paper intends to analyze trade openness and economic growth performance in comparative perspective of China and India and draws policy implications using data triangulation methods. The study reveals that Trade openness ratio stood at 35.4% and 31.9% respectively in China and India in 2018, which reflects narrowing down in trade-GDP ratio in two economies. China recorded simple exports-GDP ratio at 20.5% and 42.34% respectively in 2000 and 2010 compared to India's corresponding figures at 9.6% and 15.1% respectively, reflecting much more integration of China into global trade compared to India. Export-GDP ratios have steadily increased in both countries since 1991, but declined in 2008 due to effects of the global recession and stood at 18.3% and 12.5% respectively in China and India in 2018. Over the period, China has emerged as India's largest trading partner, but bilateral trade gap of India is also increasing with its overall trade gap with rest of the world, which contributes to overall trade imbalance of India and poses a policy challenge to sustain trade between two countries along with narrowing the existing bilateral trade gap, which can be addressed effectively by India's technology-intensive exports to China. Both countries are required to remove existing trade barriers and constraints to reap full trade potential focusing on customs rules and procedures, standards, certification and regulatory practices, non-tariff barriers, and rules of origin. Mutual consensus on customs valuation and guidelines to facilitate uniform documentation across ports are needed to increase China-India trade. Despite high degree of openness, both countries experienced a small deceleration in growth in recent years. Therefore, free trade and sustained reforms are the best options for China and India to return to sustainable growth rates.

**Keywords:** trade openness, economic growth, China, India, policy implications

**JEL Codes:** F10, F13, F41, F43

## 1. Introduction

Before the 1970s, many developing economies pursued import substitution due to apprehension of foreign dominance, declining terms of trade and support to domestic manufacturing. However, small size of domestic markets and high tariffs resulted in inefficient manufacturing, less employment generation and low economic growth (Balassa,

1978; Bhagwati, 1978). In the 1980s, the linkages between trade policy and economic growth received renewed attention. The relationship between trade openness and economic growth has been widely studied (Dollar, 1992; Wha-Lee, 1993; Sachs & Warner, 1995; Harrison, 1996; Jin, 2000; Greenaway et al., 2002). Substantial expansion of exports led to improved economic performance (Krueger, 1985). Increase in domestic demand [non-export Gross Domestic Product (GDP)] also surged with rapid expansion in exports (Greenaway & Sapsford, 1994). This phenomenon is termed as Export-Led Growth Hypothesis (ELGH) (Balassa, 1985; Bhagwati, 1988; Edwards, 1998; Shirazi & Manap, 2005). The ELGH suggests that increase in export is one of the key determinants of economic growth. A dynamic export sector (Romer, 1986) and trade openness lead to technological development (Barro & Sala-i-Martin, 1995; Edwards, 1998). Trade openness caused employment generation, higher productivity of human resources, a better distribution of scarce resources, higher external income, more foreign investment, and greater total factor productivity (World Bank, 1993).

The ELGH has been widely analyzed (Jung & Marshall, 1985; Greenaway & Sapsford, 1994; Riezman et al., 1996; Dhananjayan & Devi, 1997; Shan & Sun, 1998). Edwards (1998) studied the impact of trade openness on productivity. Numerous studies investigated the legitimacy of the ELGH. Most earlier empirical studies supported the ELGH (Balassa, 1985; Bhagwati, 1988; Feder, 1982; Grossman & Helpman, 1991; Sala-i-Martin, 1996; Howitt & Aghion, 1998; Sala-i-Martin et al., 2004), while several studies discarded it (Papanek, 1973; Kormendi & Meguire, 1985; Gonçlaves & Richtering, 1987; Mbaku, 1989; De Gregorio, 1992; Sprout & Weaver, 1993; Greenaway & Sapsford, 1994; Amirkhalkhali & Dar, 1995; Yaghmaian & Ghorashi, 1995; Burney, 1996). Some studies reported variations in exports and growth outcomes due to country-specific characteristics (Awokuse, 2005; Dodaro, 1993; Riezman et al., 1996; Pomponio, 1996). The extant studies on India also support positive correlation between exports and growth (Mallick, 1994; Sampath & Anwar, 2000; Nidugala, 2001; Love & Chandra, 2004; Sharma & Panagiotidis, 2004; Kaushik & Klein, 2008; Ray, 2011). In recent decades, China's economic performance holds the case of trade openness (Findlay & Watson, 1996). However, studies on links between trade openness and growth in comparative perspective of China and India are virtually absent, which is intended to analyze in the present study.

## 2. Objectives and methodology

The self-impelled domestic economic growth causes high efficiency and increases exports (Vernon, 1966). There exists two-way relationship between exports and growth, the first export growth causes high competition and generates early growth momentum and two, the greater manufacturing efficiency encourages further increase in export expansion (Balassa, 1985; Bhagwati, 1988). The ELGH supports the ideas of development of international and domestic competitive markets, the adoption of new technology, increase in productivity, greater trade liberalization and economies of scale, higher exports, more output and rapid employment (World Bank, 1993). ELGH received an extensive support from policy makers in developing economies (Tyler, 1981; Balassa, 1985), while import substitution led to poor growth performance (Balassa, 1980; Barro & Sala-i-Martin, 1995), which caused the end of initial phase of this strategy and encouraged export-led orientation for economic recovery in developing countries (Bruton, 1989). Against the above backdrop, the present study aims to analyze the role of trade in exports and validate the ELGH for China and India in comparative perspective using data triangulation method.

The study has used data triangulation method to overcome the possible bias in use of single-data source and to increase the validity and reliability of the research outcomes. Triangulation is widely used in the qualitative research. Triangulation refers to the method that facilitates to improve the reliability and legitimacy of research outcomes (Noble & Heale, 2019). Data triangulation is one of the methods to improve the validity of research (Denzin, 1978). Data triangulation refers to collection and use of numerous data sources over time, space and person (Korstjens et al., 2018) to explore the data normalcy and enhance research findings and extant knowledge (Bans-Akutey & Tiimub, 2021). The most recent data required for the present analysis has been utilized from publications of the Asian Development Bank (ADB), International Monetary Fund (IMF), International Trade Centre (ITC), the Organization for Economic Cooperation and Development (OECD), the World Bank, etc. Data triangulation has been used due to its merit of trendiest and the easiest to put into practice. Data triangulation facilitates in cross-checking of the consistency and accuracy of data entries from diverse sources. A careful review of data collected from different sources has been

accomplished to arrive at more accurate qualitative results.

### 3. Review of literature

Earlier research analyzed economic growth in terms of export-led orientation (Emery, 1967; Emery, 1968; Syron & Walsh, 1968; Serven, 1968; Kravis, 1970; Michaely, 1977; Heller & Porter, 1978; Bhagwati, 1978; Krueger, 1978). This was followed by an examination of connection between export and output growth (Balassa, 1978; Balassa, 1985; Tyler, 1981; Feder, 1983; Kavoussi, 1984; Ram, 1985; Ram, 1987; Moschos, 1989). Various studies substantiated a strong relationship between trade openness and economic growth (Grossman & Helpman, 1991; Sala-i-Martin, 1996; Howitt & Aghion, 1998; Sala-i-Martin et al., 2004). The trade openness significantly impacts growth performance (Dollar, 1992; Sala-i-Martin, 1996; Dollar & Kraay, 2004; Wacziarg & Welch, 2008; Chang & Mendy, 2012; Jouini, 2015; Chenery & Strout, 1966; Balassa, 1978; Feder, 1983; Al-Yousif, 1997; Vohra, 2001; Kalaitzi & Chamberlain, 2020). Some studies found a negative relationship between trade openness and economic growth (Levine & Renelt, 1992; Rodriguez & Rodrik, 2000; Yanikkaya, 2003; Herzer et al., 2006; Kalaitzi & Cleeve, 2018).

A plethora of studies analyzed relationship between trade and growth performance in developed and developing countries (Baliamoune-Lutz, 2011; Bhagwati & Srinivasan, 1975; Keesing, 1967; Marjit & Ray, 2017; Ncube & Cheteni, 2015; Sun et al., 2021a). The ELGH caused better economic performance in developed countries (Afxentiou & Serletis, 1991; Henriques & Sadorsky, 1996; Boltho, 1996). However, this was not the case in developing countries (Catão, 1998). Some studies found substantial linkage between export growth and economic growth (Ram, 1987; Balassa, 1980) specifically after attaining a positive level of economic development (Syron & Walsh, 1968; Kravis, 1970; Michaely, 1977; Heller & Porter, 1978; Balassa, 1978).

A strong relationship between export performance and growth exists (Islam, 1998) in the long term (Chow, 1987; Sephton, 1989). Some recent studies authenticates ELG hypothesis (Kalaitzi & Cleeve, 2018; Kalaitzi & Chamberlain, 2020). Various studies have not supported ELGH (Papanek, 1973; Kormendi & Meguire, 1985; Helleiner, 1986; Gonçalves & Richtering, 1987; Mbaku, 1989; De Gregorio, 1992; Sprout & Weaver, 1993; Amirkhalkhali & Dar, 1995; Yaghmaian & Ghorashi, 1995; Burney, 1996). However, Al-Yousif (1997) rejected the applicability of ELGH in the long term. Trade openness impacts economic growth in the long-run up to a certain level and then declines (Zahonogo, 2016).

Various studies analyzed the causality between exports and economic performance (Yanikkaya, 2003; Shirazi & Manap, 2004; Siliverstovs & Herzer, 2006; Gbaiye et al., 2013; Ahmad et al., 2018). Abu Al-Foul (2004) found a unidirectional causal linkage between export growth and economic performance. Some studies found a bi-directional links between export growth and economic progress (Panas & Vamvoukas, 2002; Narayan et al., 2007; Elbeydi et al., 2010; Mishra, 2011; Kalaitzi & Cleeve, 2018; Dinç & Gökmen, 2019; Sun et al., 2021b). However, Kwan and Cotsomitis (1991), El-Elbeydi et al. (2010) and Tang (2006) found no causal relationship between export growth and economic performance. El-Elbeydi et al. (2010) reported the long-term relationship between export growth and economic performance. Trade openness impacts economic growth in the long-run up to a certain level and then declines (Zahonogo, 2016).

Some country-specific studies evaluated the relationship between export growth and economic performance (Khan & Saqib, 1993; Serletis, 1992; Henriques & Sadorsky, 1996; Al-Yousif, 1997; Begum & Shamsuddin, 1998) and found positive correlation between exports and growth in India (Mallick, 1994; Sampath & Anwar, 2000; Nidugala, 2001; Love & Chandra, 2004; Sharma & Panagiotidis, 2004; Kaushik & Klein, 2008; Ray, 2011) and China in recent decades (Findlay & Watson, 1996). Most of the extant literature reveals a direct relationship between trade openness and economic growth. To the best of my knowledge, none of the existing studies have analyzed the linkages between trade openness and economic growth in the comparative perspective of China and India. The present study aims to fill the gap in existing studies by confining to two Asian giants viz. China and India on the phenomenon under study.

## 4. Results and discussions

In 1978, China's trade openness was estimated at 13.7% compared to India's trade openness of 12.7%. In 1987, India's trade openness was nearly 43% of China's trade openness. With rapid trade liberalization, India's trade openness has surged to 49.7% and reached about 90% of China's trade openness ratio in 2008. Compared to the 1980s, China has improved her openness ratio to 62.2% in 2005, but declined to 55% of the GDP in 2008 due to Global Financial Crisis (GFC) (World Bank, 2011). Table 1 reveals that external trade balance had surged in China from 2000 to 2015 and then declined in 2018; however, it remained negative in India over the period. Trade openness ratio stood at 35.4% and 31.9% respectively in China and India in 2018, which reflects narrowing down in trade-GDP ratio in two economies. China recorded simple exports-GDP ratio at 20.5% and 42.34% respectively in 2000 and 2010 compared to India's corresponding figures at 9.6% and 15.1% respectively, reflecting much more integration of China into global trade compared to India. Export-GDP ratios have steadily increased in both countries since 1991, but declined in 2008 due to effects of the global recession and stood at 18.3% and 12.5% respectively in China and India in 2018.

**Table 1.** Growth of GDP and external trade in China and India (US\$ billion)

Year	China				India			
	GDP	External trade			GDP	External trade		
		Export	Import	Trade balance		Export	Import	Trade balance
2000	1211.3	249.2	225.1	24.1	484.5	46.6	52.83	-273.0
2005	2285.9	762.0	660.0	102.0	837.5	104.9	151.92	-2039.9
2010	6087.2	1577.8	1396.2	181.5	1702.3	257.7	379.53	-5405.5
2015	11015.5	2273.5	1679.6	593.9	2146.7	270.3	392.17	-7730.2
2018	13608.1	2487.4	2135.6	351.8	2779.7	347.1	540.56	-12837.9
CAGR (%)								
2000-2005	13.5	25.0	24.0	33.4	11.5	17.6	23.5	49.5
2005-2010	21.6	15.6	16.1	12.2	15.2	19.7	20.1	21.5
2010-2015	12.6	7.6	3.7	26.7	4.7	0.9	0.6	7.4
2015-2018	7.3	3.1	8.3	-16.0	8.9	8.7	11.3	18.4
2000-2018	14.4	13.6	13.3	16.0	10.2	11.8	13.8	23.8

Source: Compiled from ADB (2020a, 2020b), IMF (2020), OECD (2018), WEF (2020), World Bank (2020a, 2020b, 2020c), and WTO (2020)  
Note: Data for India converted from INR to US\$

Table 1 also reveals that during 2000 to 2005, China's exports and imports have surged at the Compound Average Growth Rate (CAGR) of 25% and 24%, respectively, which fell subsequently during 2005 to 2010 by 15.6% and 16.1% respectively due to impact of GFC. In 2010, China became the world's largest exporter of commodities. China's exports and imports have declined further between 2010 and 2015, with export and import growth averaging 7.6% and 3.7% respectively and thereafter China's trade flows have declined sharply between 2015 and 2018. Thus, China's foreign trade volume remained significantly higher compared to India and its share in global exports has been consistently higher than its imports in recent decades, whereas reverse is true for India.

Table 2 reveals that global exports balance for China surged more than twenty-six times from US\$ 22.5 billion in 2001 to US\$ 600.2 billion in 2015 and declined to US\$ 429.6 billion in 2019, whereas India recorded a negative world trade balance over the period. India's merchandise exports have surged from 2001 to 2019, which led to significant increase in merchandise trade to GDP ratio and world merchandise exports. However, China's merchandise exports have

surged more rapidly and stood at 6-7 times higher than India during the same period, while an increase in merchandise imports in China remained more than 4-times higher than India for most of the period, which clearly reflects stronger performance of China's trade compared to India. India had experienced negative trade balance compared to positive trade balance in merchandise products in China from 2001 to 2019 due to stronger manufacturing growth in China than India, while China's recorded negative trade balance compared to positive trade balance in services in India due to stronger performance of service sector in India compared to China.

In China and India, both the exports to and imports from the world have increased significantly, however, multiple-times higher in China than India (WTO, 2018). China's trade flows recovered significantly in 2017 due to increase in commodity imports driven mainly by solid domestic demand (World Bank, 2017). In early 2018, China's current account experienced a deficit for the first time since the second half of the 2001, which is attributed to strong imports, mainly of machinery and equipment (World Bank, 2018).

**Table 2.** Trade balance, exports and imports in China and India

Year	China (US\$ billion)						India (US\$ billion)					
	Trade (products)			Trade (services)			Trade (products)			Trade (services)		
	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import
2001	22.5	266.1	243.5	n.a	n.a	n.a	-6.8	43.8	50.6	n.a	n.a	n.a
2005	102.0	761.9	659.9	-5.5	78.4	83.9	-40.5	100.3	140.9	18.1	106.0	87.9
2010	181.7	1577.7	1396.0	-15.0	178.3	193.4	-129.6	220.4	350.0	2.1	117.0	114.9
2015	600.2	2281.8	1681.6	-216.9	218.6	435.5	-126.9	263.9	390.8	32.7	156.3	123.5
2019	429.6	2498.5	2068.9	-258.2	266.8	525.0	-155.6	323.2	478.9	28.5	205.1	176.6
	CAGR (%)											
2001-2005	45.9	30.1	28.3	n.a	n.a	n.a	56.2	23.0	29.2	n.a	n.a	n.a
2005-2010	12.2	15.6	16.1	22.2	17.8	18.2	26.2	17.0	19.9	-65.9	5.1	14.3
2010-2015	26.9	7.6	3.8	70.6	4.1	17.6	-0.4	3.7	2.2	73.1	5.9	1.4
2015-2019	-8.0	2.3	5.3	5.9	6.8	6.4	5.2	5.2	5.2	-4.5	9.5	12.6
2001-2019	17.8	13.2	12.6	34.4	9.8	15.1	19.0	11.7	13.3	4.6	6.8	7.2

Source: Compiled from ADB (2020a, 2020b), IMF (2020), OECD (2018), WEF (2020), World Bank (2020a, 2020b, 2020c), and WTO (2020)  
 Note: n.a refers to unavailable. Balance of trade, exports and imports in services for India in 2005 refers to 2008 and balance of trade, export and import in services in China and India for 2019 refer to 2018

Table 2 also reveals India's merchandise exports have surged at a CAGR of 17% that during 2005 to 2010 compared to 23% in 2000-2005. India's exports of manufactures have remained stable over the period, whereas the share of primary products declined. Following GFC, India's export growth declined sharply to 3.7% in 2010-2015, whereas it recovered slowly during 2015-2019 at a CAGR of 5.2%, which is attributed to slowed global demand, domestic infrastructural bottlenecks and policy constraints. Thus, India's export growth has seen swings due to 2008 crisis, the Euro zone crisis and the global slowdown. India's merchandise imports have shown more or less similar trends over the period, due to a reduction in imports of crude oil and petroleum products and gold and silver. In India, merchandise trade balance had declined significantly from 56.2% in 2001-2005 to 26.2% in 2005-2010 and became negative in 2010-2015. In China, merchandise trade balance remained lower compared to India and became negative in 2015-2019. Over the period, China's trade balance remained higher than India, which reflects the robustness of services sector in India compared to China.

In 2018, China was the world's largest economy (in purchasing power parity terms), the second-largest economy at market prices (Mason & Shetty, 2019) and the largest exporter of goods and services compared to the 14<sup>th</sup> largest



in 1995 (Constantinescu et al., 2018). However, China's growth has slowed to 6.5% in 2018 and its import growth continued to outpace export growth, thereby contributed to declining in current account surplus (World Bank, 2019). In recent years, China pursued looser macroeconomic policies to counter the potential economic impact of trade disputes with the US.

Trade performance of China and India in terms of Balance of Payment (BoP) and Balance of Trade (BoT) is presented in Table 3. China's BoP on current account had surged from 2000 to 2015 followed by a steep decline in 2018 and exports remained significantly higher than imports over the period. In China, BoT in goods had surged rapidly from 2000 to 2015, but declined in 2018, while BoT in services remained negative and overall BoT increased strongly up to 2010 and slowed afterwards to reach US\$ 18.9 billion in 2018. In contrast, India's BoP on current account remained negative throughout, while exports and imports have sustained over the period and balance of trade in goods and services respectively remained negative and surged significantly, while overall balance of trade had increased steadily and stood at US\$ 43.6 billion in 2017.

**Table 3.** Balance of payment and trade in China and India (US\$ billion)

Year	China						India					
	Balance of payment			Balance of trade			Balance of payment			Balance of trade		
	Current account	Exports	Imports	Goods	Services	Overall	Current account	Exports	Imports	Goods	Services	Overall
2000	20.4	218.1	188.1	29.9	-1.1	10.5	-2.6	45.4	-57.9	-12.4	1.7	5.8
2005	132.4	689.0	564.7	124.3	-0.2	250.6	-9.9	105.1	-157.0	-51.9	23.2	15.0
2010	237.8	1478.1	1239.9	238.1	-15.0	471.7	-47.9	256.3	383.5	-127.1	44.1	13.0
2015	304.1	2142.7	1566.5	576.2	-218.3	117.8	-22.1	266.4	396.4	-130.1	69.7	17.9
2018	49.1	2417.4	2022.3	395.2	-292.2	18.9	-57.2	337.2	517.5	-180.3	81.9	43.6
CAGR (%)												
2000-2005	45.3	25.8	24.6	32.9	-34.7	88.6	30.6	18.3	22.1	33.1	68.6	20.9
2005-2010	12.4	16.5	17.0	13.9	105.3	13.5	37.1	19.5	-	19.6	13.7	-2.8
2010-2015	5.0	7.7	4.8	19.3	70.8	-29.3	-14.3	0.8	0.7	0.5	9.6	6.6
2015-2018	-45.5	4.1	8.9	-11.8	10.2	-36.7	37.3	8.2	9.3	11.5	5.5	56.1
2000-2018	5.0	14.3	14.1	15.4	36.3	3.3	18.7	11.8	-	16.0	24.0	12.6

Source: Compiled from ADB (2020a, 2020b), IMF (2020), OECD (2018), WEF (2020), World Bank (2020a, 2020b, 2020c), and WTO (2020)  
 Note: Balance of trade in services for China in 2005 refers to 2004 and overall balance of trade for China in 2015 refers to 2014, and overall balance of trade for India in 2018 refers to 2017

China was the fifth largest exporter of services and the second-largest importer of commercial services, with global share of imports at 9.2% in 2017 (World Bank, 2019). India had been a net exporter of services and its trade balance in services has modestly increased. India's share in global services exports has increased modestly in recent years. Export of software services constitute nearly half of the total service exports of India, which have been consistently rising over past several years except a marginal decline in 2016-2017 (GoI, 2018).

Table 4 reveals that bilateral trade balance between China and India has surged twenty-one times between 2001 and 2005 and stood at US\$ 56.9 billion in 2019. With trade liberalization, scenario changed significantly with a sizable surge in India's bilateral imports. In 2009, China emerged as India's leading bilateral trade partners with large exports to India, thereby causing serious bilateral trade imbalances between two economies. In 2012, India's bilateral trade deficit with China reached an unsustainable level of US\$ 39.1 billion (IMF, 2013). Currently, the bilateral trade between China and India is larger than the combined bilateral trade of Germany, the UK and Japan. During the last decade, increasing

bilateral trade imbalance between China and India has not been rectified, which remained unmanageable even during recent recession. Trade deficit has increased exponentially over the period and may not be sustainable in near future. Uncovered trade gap grew sharply and trade deficit has started increasing since 2002, which increased rapidly during 2004-2007, when the world economy was booming.

**Table 4.** Bilateral trade between China and India (US\$ billion)

Year	Between China and India	China's exports to India	China's imports from India	Between India and China	India's exports to China	India's imports from China
2001	0.2	1.8	1.7	-0.9	0.9	1.8
2005	4.3	8.9	9.7	-2.9	7.2	10.1
2010	20.0	40.9	20.8	-23.8	17.4	41.2
2015	44.8	58.3	13.4	-52.1	9.5	61.6
2019	56.9	74.9	17.9	-51.1	17.3	68.4
CAGR (%)						
2001-2005	84.7	49.1	54.5	34.0	68.2	53.9
2005-2010	46.8	35.7	16.5	52.3	19.3	32.5
2010-2015	17.5	7.3	-8.4	16.9	-11.4	8.4
2015-2019	6.1	6.5	7.5	-0.5	16.2	2.6
2001-2019	36.9	23.0	14.0	25.1	17.8	22.4

Source: Compiled from ADB (2020a, 2020b), IMF (2020), OECD (2018), WEF (2020), World Bank (2020a, 2020b, 2020c), and WTO (2020)  
Note: Trade balance between China and India for 2005 refers to 2006

In 2012, bilateral trade deficit between China and India was estimated at US\$ 39.2 billion, but with declining growth rate since 2006, however, bilateral trade deficit has been increasing significantly except in 2009. In China, current account surplus in 2017 remained similar to 2016, but expected to increase slightly due to high demand by economies along the Belt and Road during 2018-2022. In India, falling trade deficit has reduced current account deficit during 2013 to 2016 and current account deficit is expected to widen during 2018-2022, due to renewed import of general merchandise and non-monetary gold in 2017 (OECD, 2018). Over the period, China has emerged as India's largest trading partner, but bilateral trade gap of India is also increasing with its overall trade gap with rest of the world, which contributes to overall trade imbalance of India and poses a policy challenge to sustain trade between two countries along with narrowing the existing bilateral trade gap, which can be addressed effectively by India's technology-intensive exports to China.

## 5. Conclusion and policy implications

There is a growing coordination between China and India in multilateral trade negotiations. However, there are immense opportunities to boost further the trade in both countries through mutual cooperation and collaboration to accelerate the growth process. China and India are leading economies having substantial gap between actual trade and trade potential. Therefore, both countries have a long way to go to reap full trade potential, for which concerted and sustained efforts are needed on the part of both Asian giants. Intra-industry trade in intermediate manufactured goods has considerable scope for boosting trade between China and India. Both countries have identifiable differences in export specialization in terms of natural resource endowments, skills, and policy. For instance, India's exports are heavily concentrated in cotton textiles and garments, whereas China specialize in manmade fibers based textiles and garments, which has immense trade potential.

Both countries are required to remove existing trade barriers and constraints to reap full trade potential focusing on customs rules and procedures, standards, certification and regulatory practices, non-tariff barriers, and rules of origin. Mutual consensus on customs valuation and guidelines to facilitate uniform documentation across ports are needed to increase China-India trade. Trade documents related to standards, certification, regulatory practices, rules, and regulations need to be in English as per international practice. Technical and agricultural standards are required to be streamlined to boost China-India trade. Tariff-quota on agricultural products and non-tariff barriers on automotive parts and components are required to be eliminated for trade promotion and smoother economic cooperation between the two countries.

India has a comparative advantage in the English language skill in service industries, whereas China has an advantage in labour-intensive manufacturing for export sectors. India has comparatively more skilled human talent in engineering, automobiles, chemicals, and pharmaceuticals, whereas, China has more skilled human resources in consumer electronics, telecommunications, and other consumer durables. At the same time, both countries have talented manpower in mathematics and science skills. Therefore, these differences in skills call for cooperation between two Asian titans to reap full potentials of manpower skills.

Despite high degree of openness, both countries experienced a small deceleration in growth in recent years. Therefore, free trade and sustained reforms are the best options for China and India to return to sustainable growth rates. Divergence between imports and exports may have long-term implications for China's current account balance. Divergent growth paths along with numerous commonalities have been experienced in both countries. Besides differences in their drivers of growth, similar development strategies have been used during global buoyancy or recession. China is facing increasing challenges in using ELG strategy, whereas in India, this strategy is still a credible development strategy. During recent crisis and low external demand, both China and India have pursued domestic demand-based economic policies.

The pattern of integration into global economy widely differs between China and India and bilateral trade linkages have become stronger over the period. India can reap the full benefits of economic reforms, if performance of manufacturing remained high. At the external front, India has huge potential to utilize the win-win opportunities of collaboration with China in the capital, technology, trade and investment for manufacturing and infrastructure development, which would strengthen economic relations further. Therefore, there is need to address the barriers to sustained economic cooperation between two countries by eliminating mistrust and increasing confidence.

China and India should opt for sustained cooperation in global trade by entering into traditional trade negotiations as equal partners, building their trust in rules-based negotiations, and negotiating agenda collectively to replicate their growth and trade priorities. Traditional trade cooperation should be strengthened and deepen to sustain trade openness by addressing the outstanding barriers to trade in goods and services. Cooperation between should be widened beyond trade policy by focusing on taxes, regulation, and infrastructure. Cooperation between China and India in GVCs should reduce policy spillovers and realize robust growth.

## Conflict of interests

The author declares no conflict of interest.

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