Enhancing China–India Trade Cooperation: Complementary Interactions?

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Abstract

The article assesses the massive untapped potential for broader economic cooperation between China and India specifically in trade in manufactures. First, both China and India have diversified trade structures particularly from the export perspective. Second, the low intraindustry trade (IIT) shares in China–India bilateral trade, which stand in sharp contrast with the existing high IIT levels in each country’s trade with the rest of the world, indicate that both countries possess the prerequisites to follow similar patterns in trade with each other. Third, the contrasting differences in quality of products traded by both economies reveal that competition in the manufacturing sector is limited. Thus, the dissimilar strengths (or comparative advantages) of China and India in the form of product composition/concentration and product variety (quality) examined from their interactions with the rest of the world and with each other reflect their complementary strengths. These differences, if exploited, may give rise to complementary trade.

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