



Organisation for Economic Cooperation & Development

India and China: a Comparison of Two Trade Integration Approaches

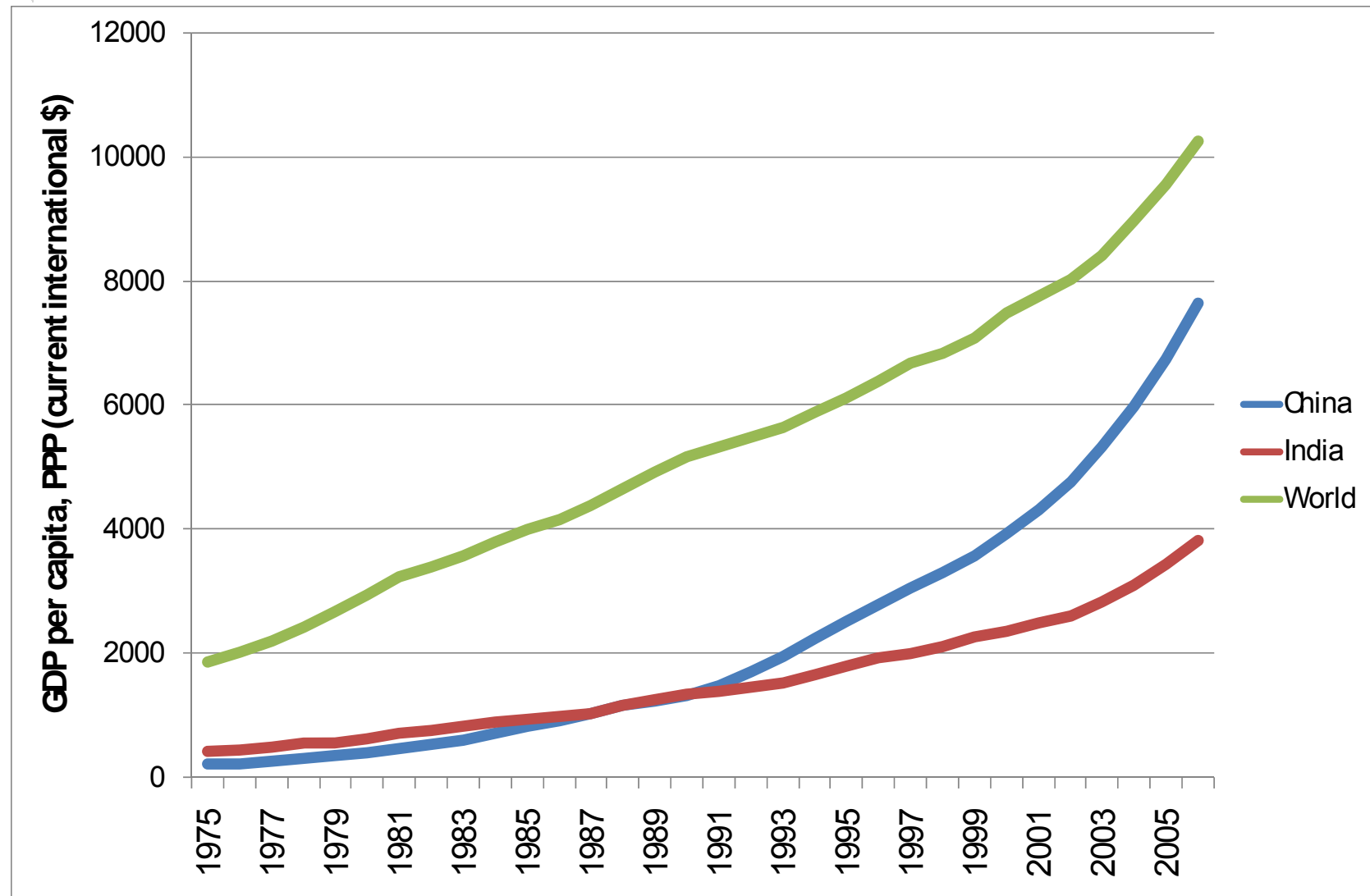
by Przemyslaw.Kowalski@oecd.org

**India and China's Role in International Trade and
Finance and Global Economic Governance,**

6-7 December, New Delhi, India

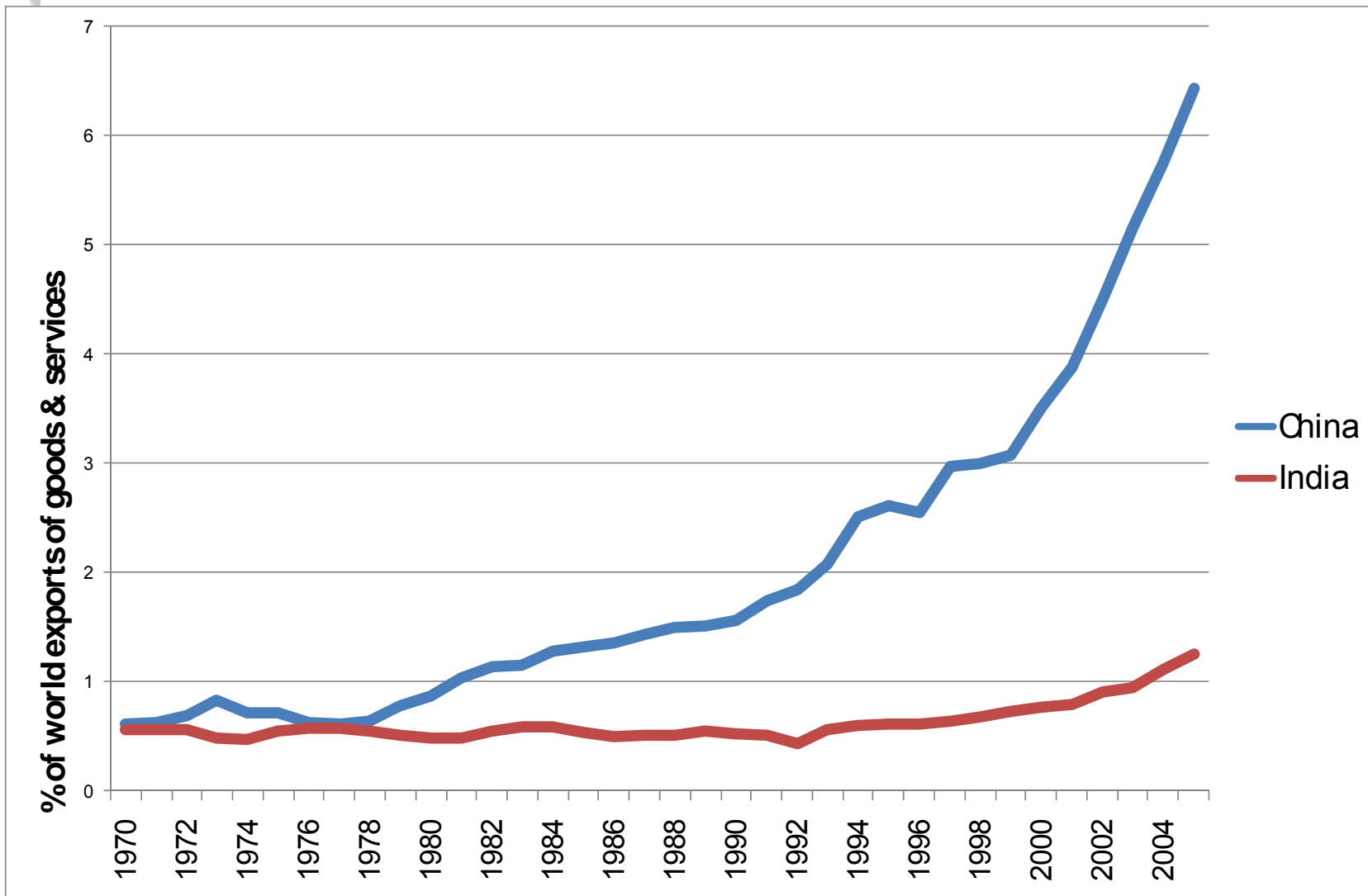


GDP per capita





Shares in world exports



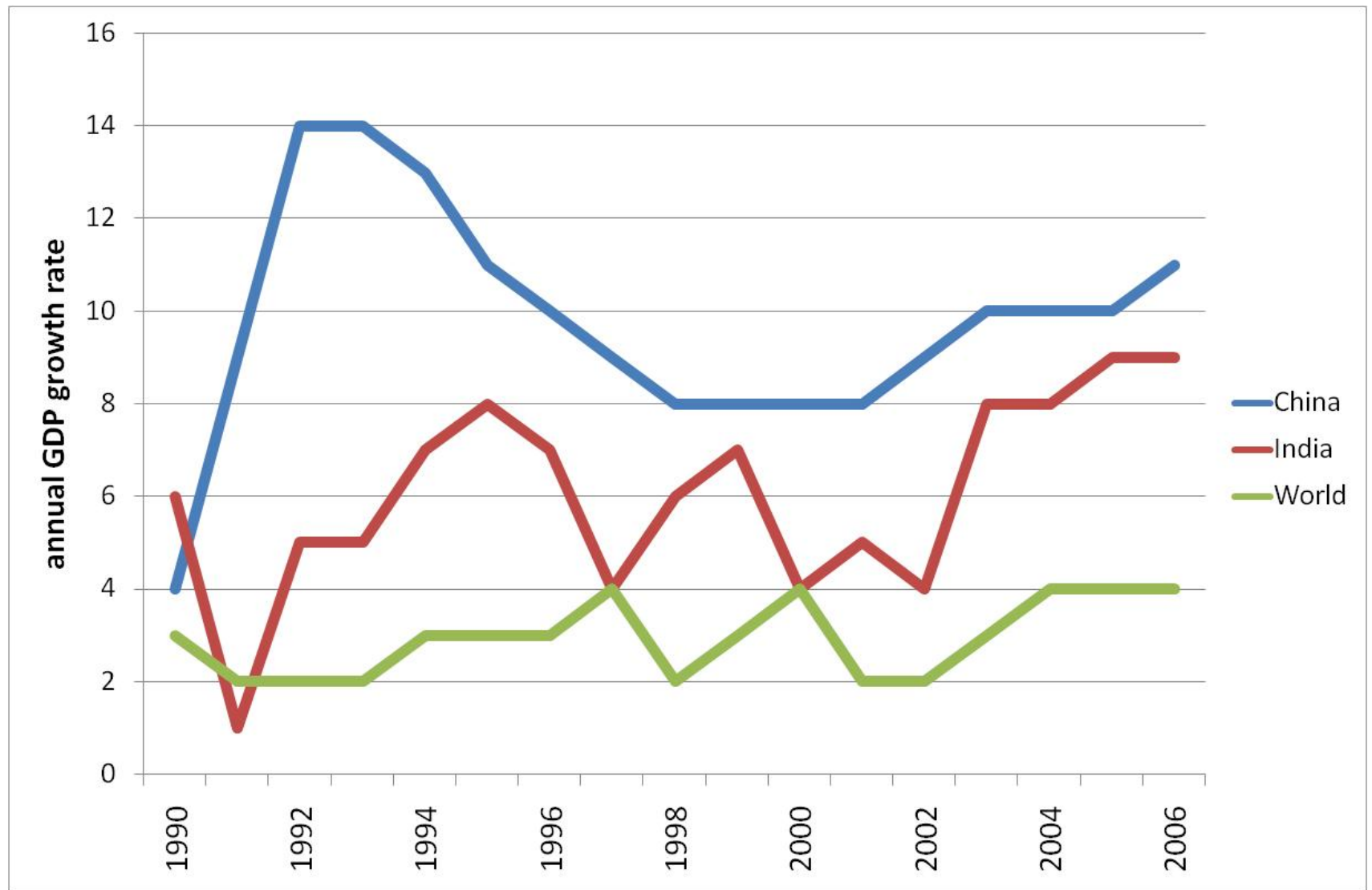


Key issues

- Role of trade and trade policy in recent economic growth?
- What is the role of trade policy in China's and India's future economic development?
- What approaches? Multilateral / regional?
- Other policies that impair trade integration?
- How is international trade in China and India likely to evolve?



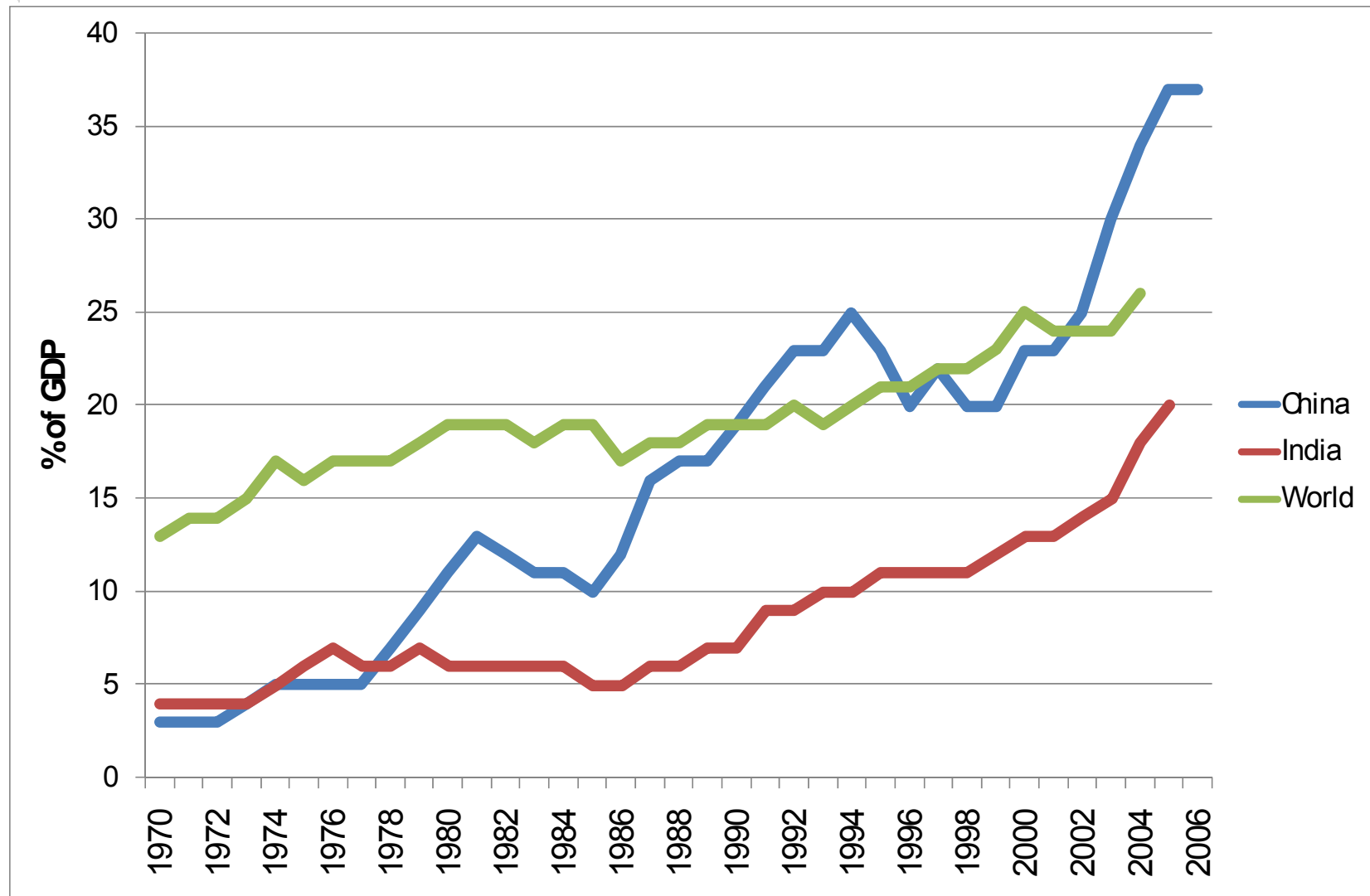
GDP Growth



Source: World Development Indicators

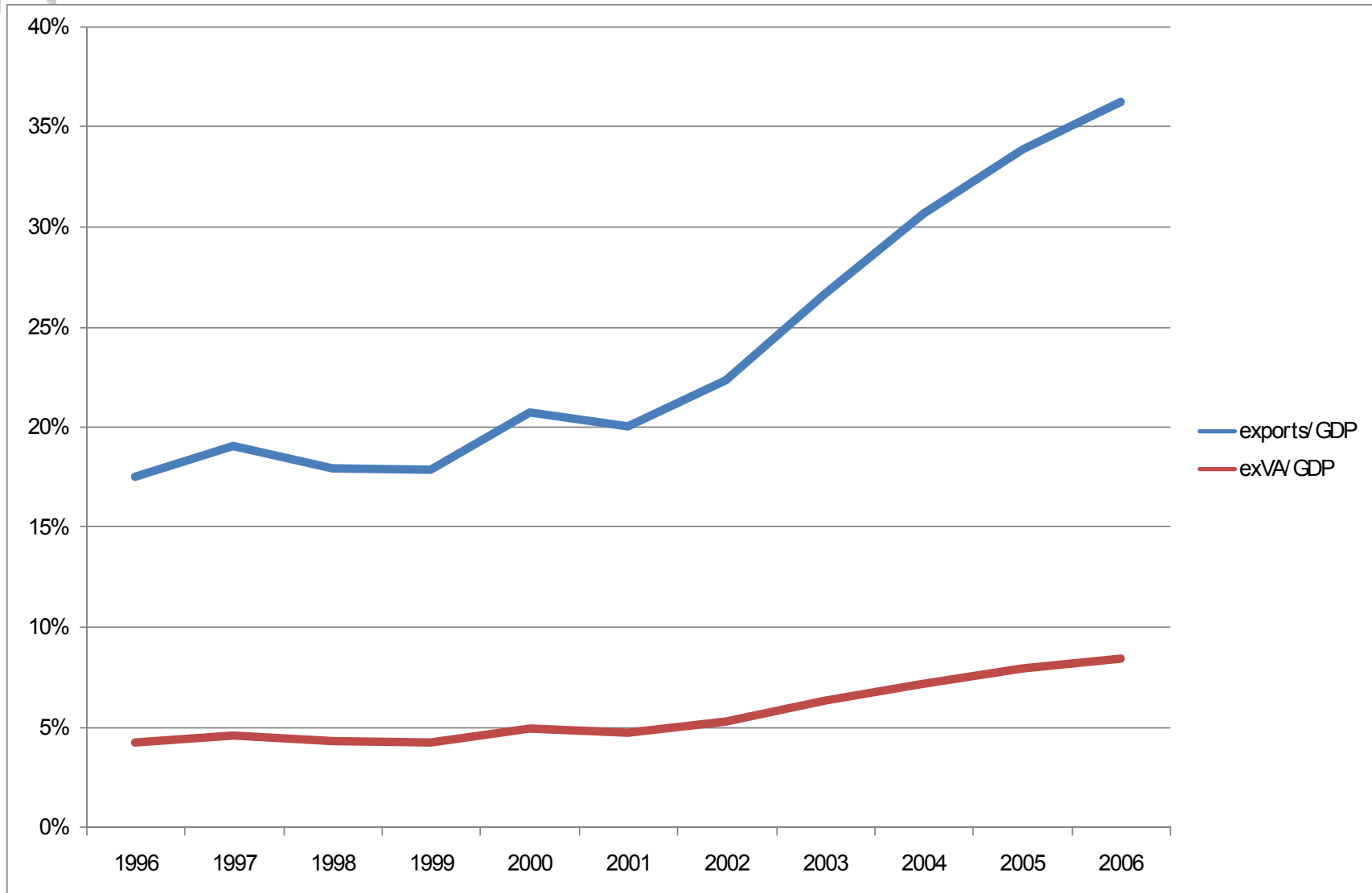


Ratio of exports of goods & services to GDP, 1970-2006



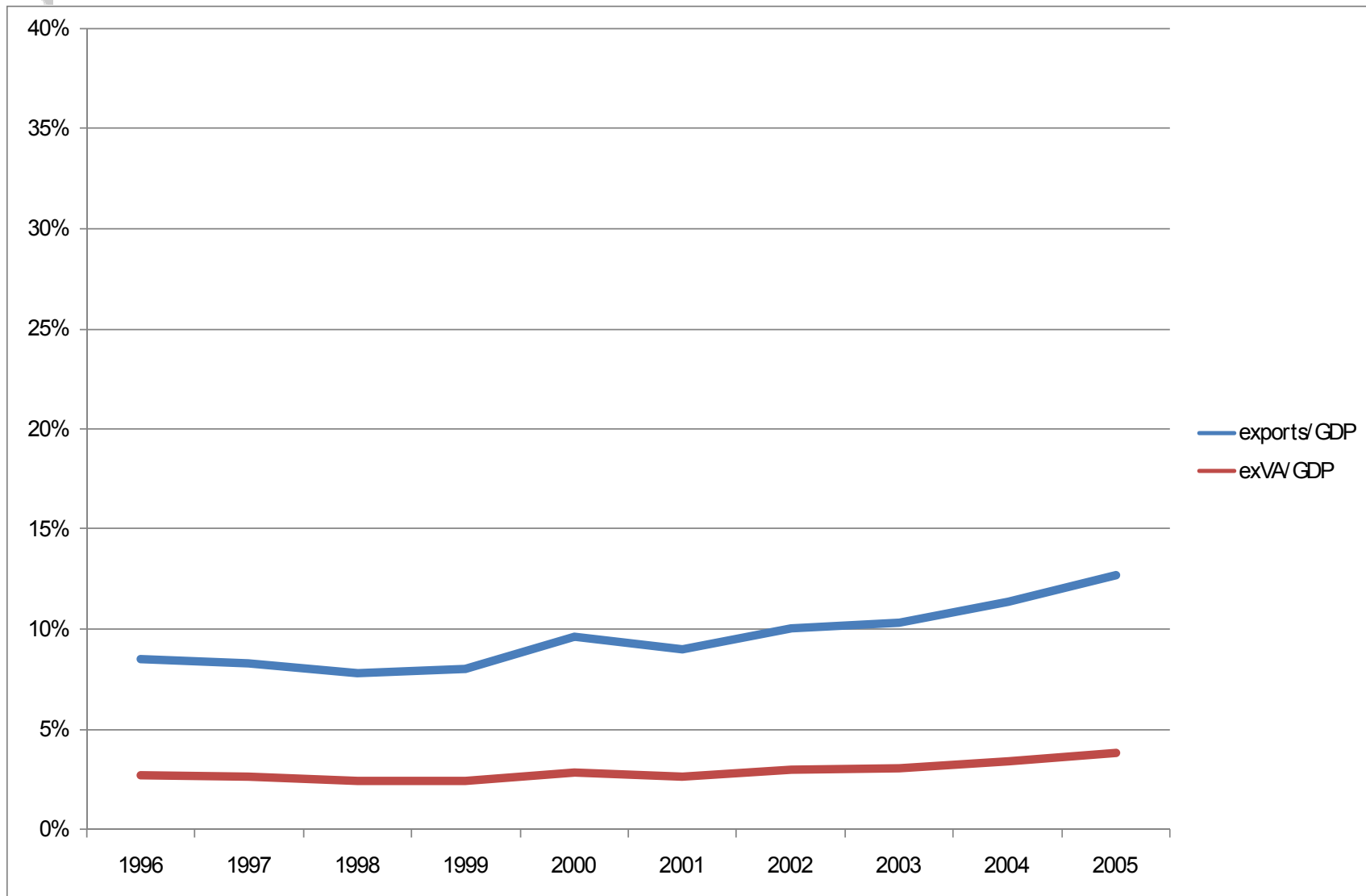


Contribution of export value added to GDP in China





Contribution of export value added to GDP in India





Divergence in sectoral trade growth

Growth rates 1994-2004

Regions/ Countries	Goods exports	Services exports
World	7.87	7.54
<i>Brazil</i>	8.14	9.87
<i>China</i>	19.19	14.15
<i>India^a</i>	9.83	16.24
<i>Russia</i>	10.53	10.22
Industrial Countries	6.36	7.13
Developing Countries	10.53	8.6
	Goods imports	Services imports
World	8.05	7.29
<i>Brazil</i>	6.57	5.35
<i>China</i>	18.82	16.04
<i>India</i>	9.69	13.54
<i>Russia</i>	6.68	8.86
Industrial Countries	7.41	6.99
Developing Countries	9.25	8.09

Source: IMF BOP (2006).



High Technology Exports

(% of manufactured exports)

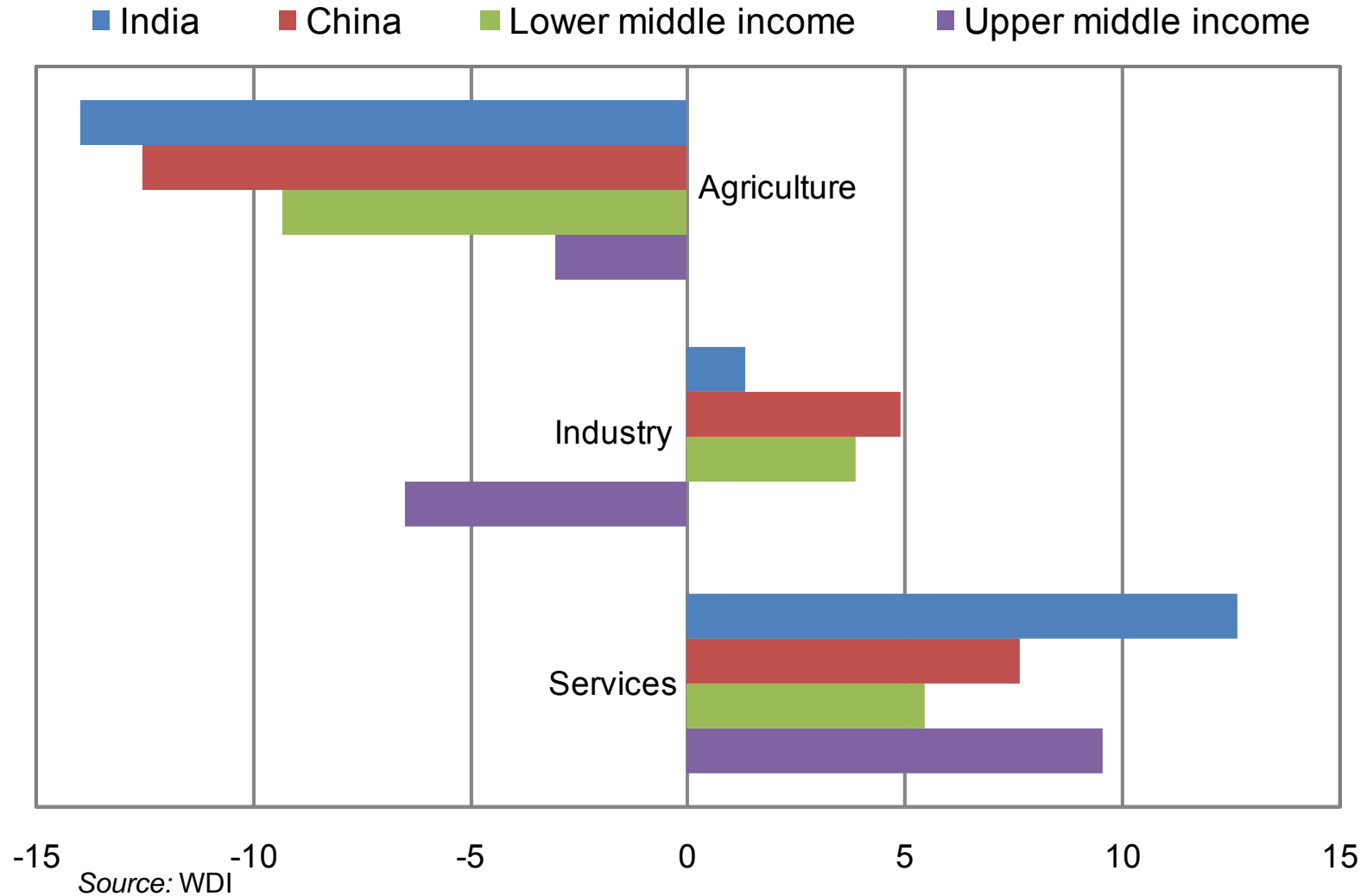
	2000	2002	2004
Brazil	19	17	12
China	19	23	30
India	5	5	5

Source: WDI



Can India become the US without becoming South Korea?

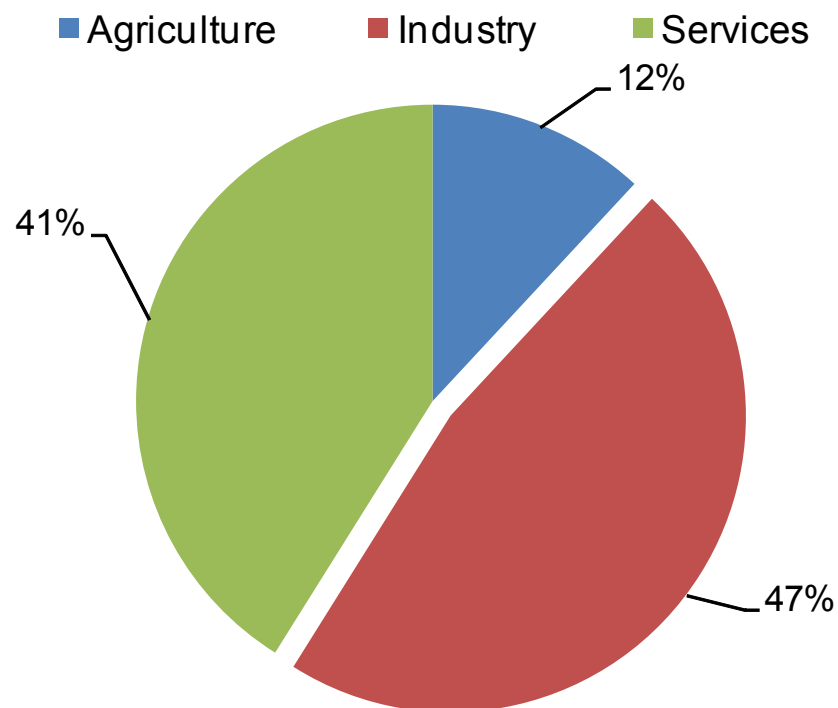
A. Percentage change in sectoral value-added, 1991-2006, % of GDP



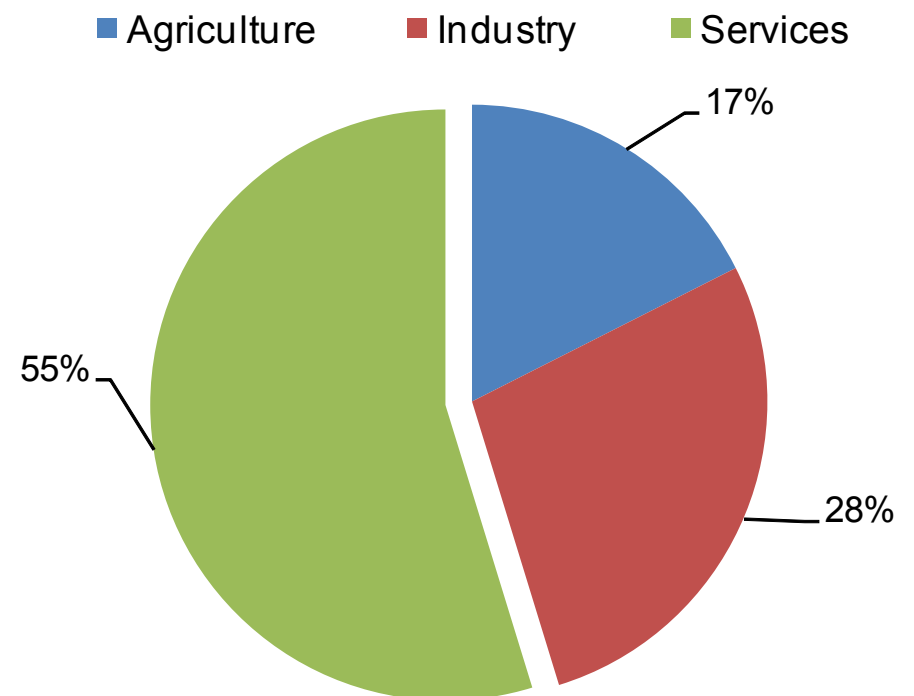


Composition of value added

China, 2006



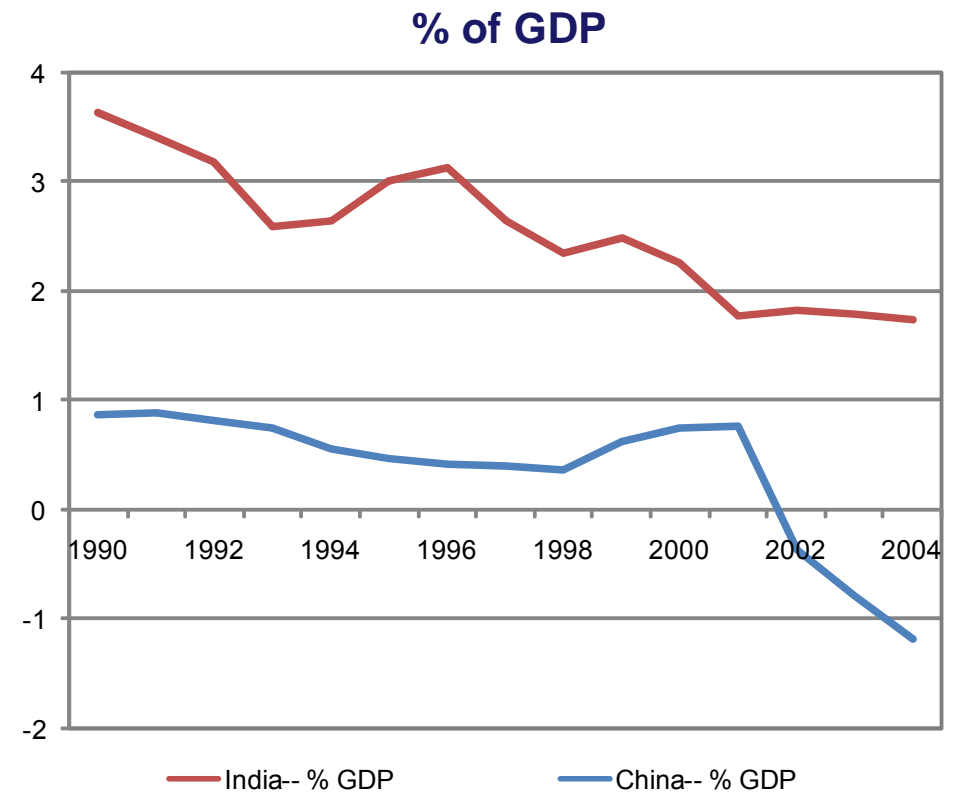
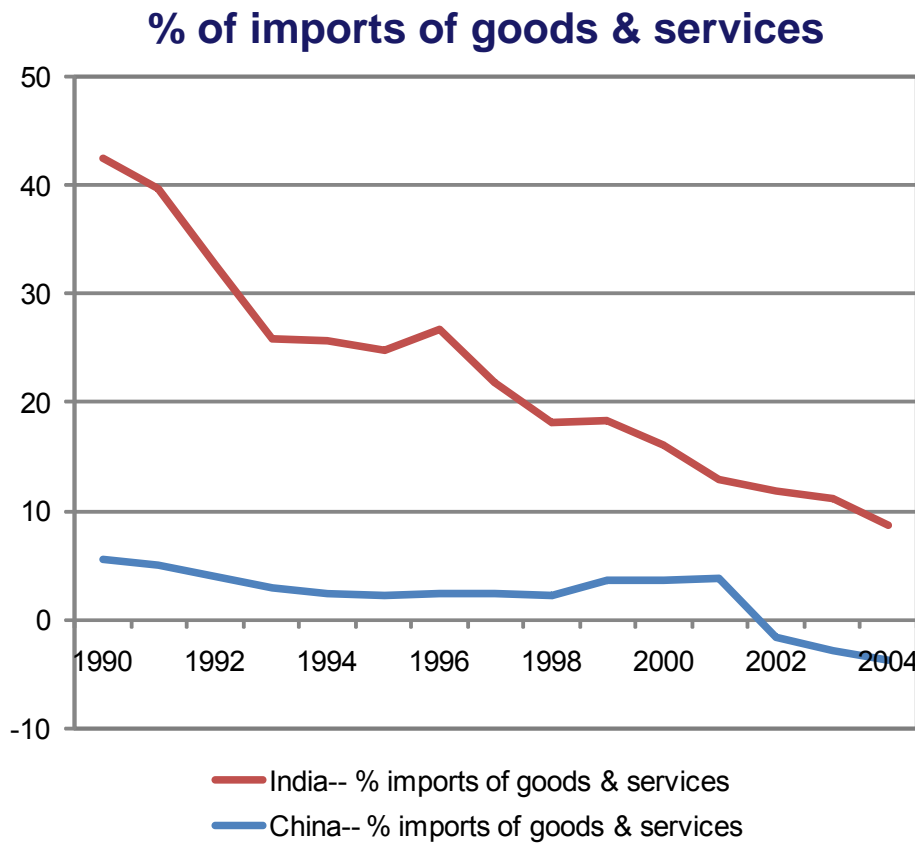
India, 2006



Source: WDI



Taxation of international trade



Source: GFS & WDI



China and India tariff structure

INDIA

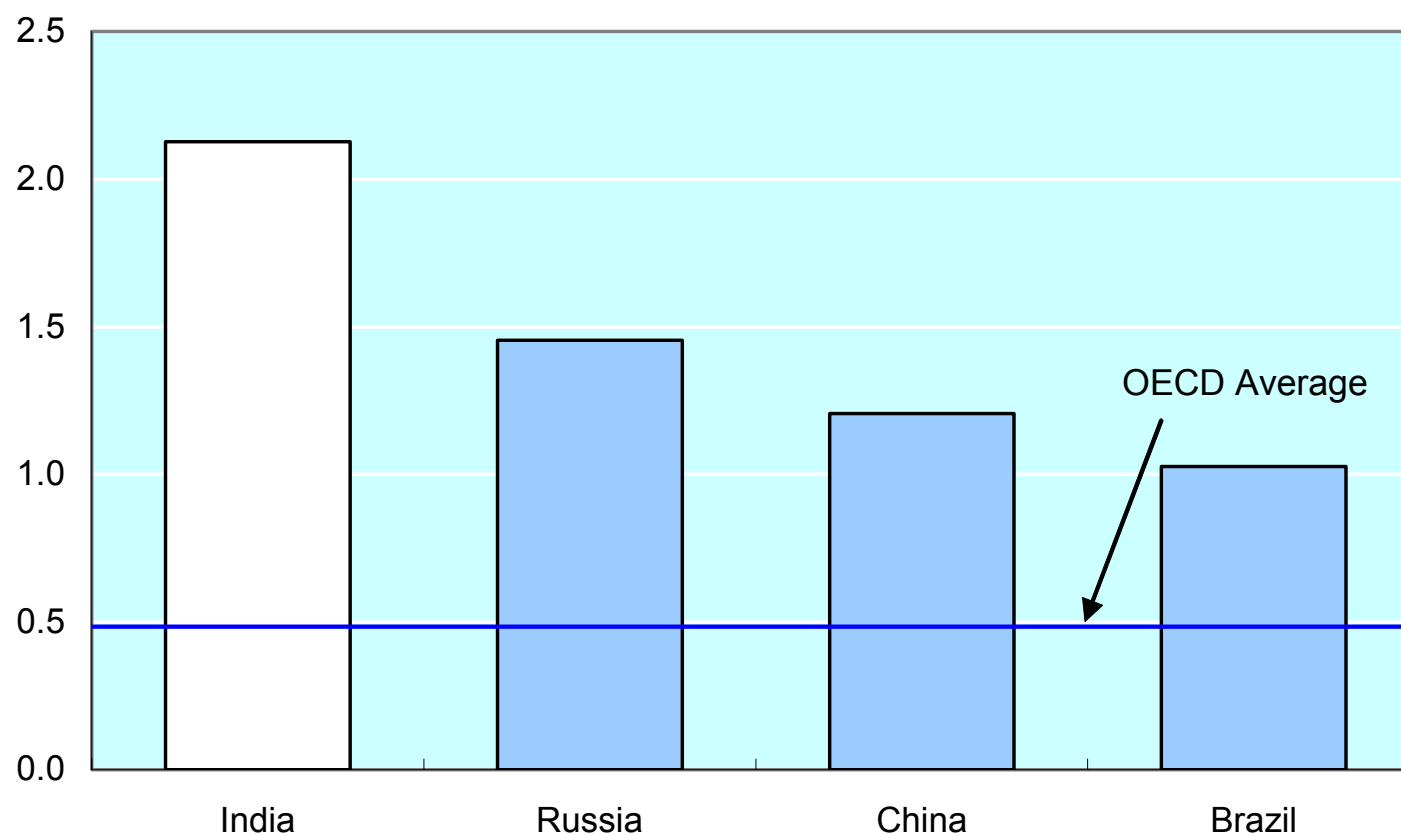
	<i>Agricultural products</i>			<i>Non Agricultural products</i>			<i>Maximum Tariff</i>
	Simple mean tariff	Weighted mean tariff	Std dev	Simple mean tariff	Weighted mean tariff	Std dev	
1990	82.87	50.27	46.26	82.17	49.55	38.53	355
2001	40.64	49.07	26.76	31.00	24.81	8.64	210
2004	37.37	60.89	30.10	27.81	20.95	8.48	182
2005	37.57	52.30	33.48	15.00	11.97	7.35	182

CHINA

	<i>Agricultural products</i>			<i>Non Agricultural products</i>			<i>Maximum Tariff</i>
	Simple mean tariff	Weighted mean tariff	Std dev	Simple mean tariff	Weighted mean tariff	Std dev	
1992	46.58	19.20	26.53	41.39	33.04	33.12	220.0
2001	24.47	54.30	20.99	14.45	12.61	9.34	121.6
2004	16.52	22.76	12.02	9.55	5.15	6.76	68.0
2005	14.96	11.83	10.58	8.96	4.61	6.23	65.0

Source: UN TRAINS

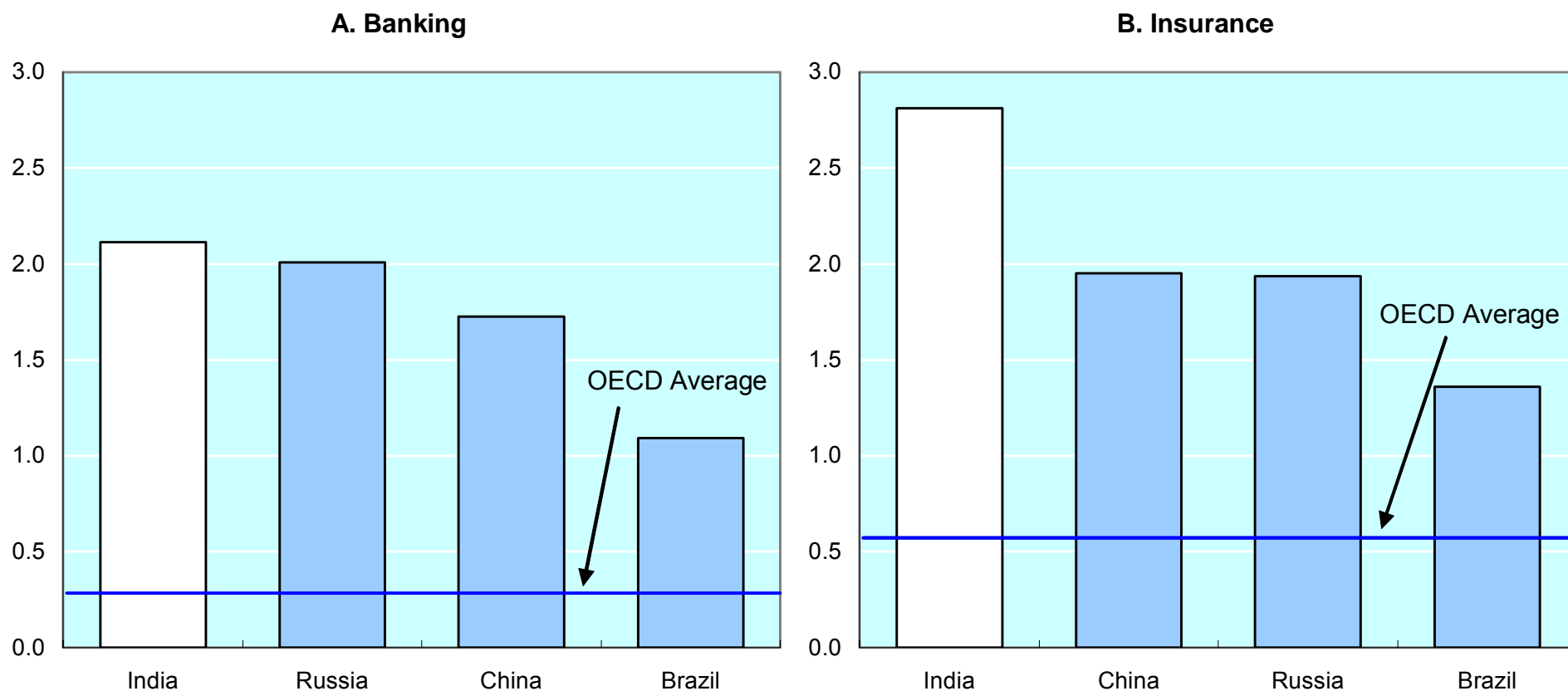
Barriers to Services Trade- Distribution



Source: Calculations based on the methodology described in OECD (2005).



Barriers to Services Trade: Banking & Insurance

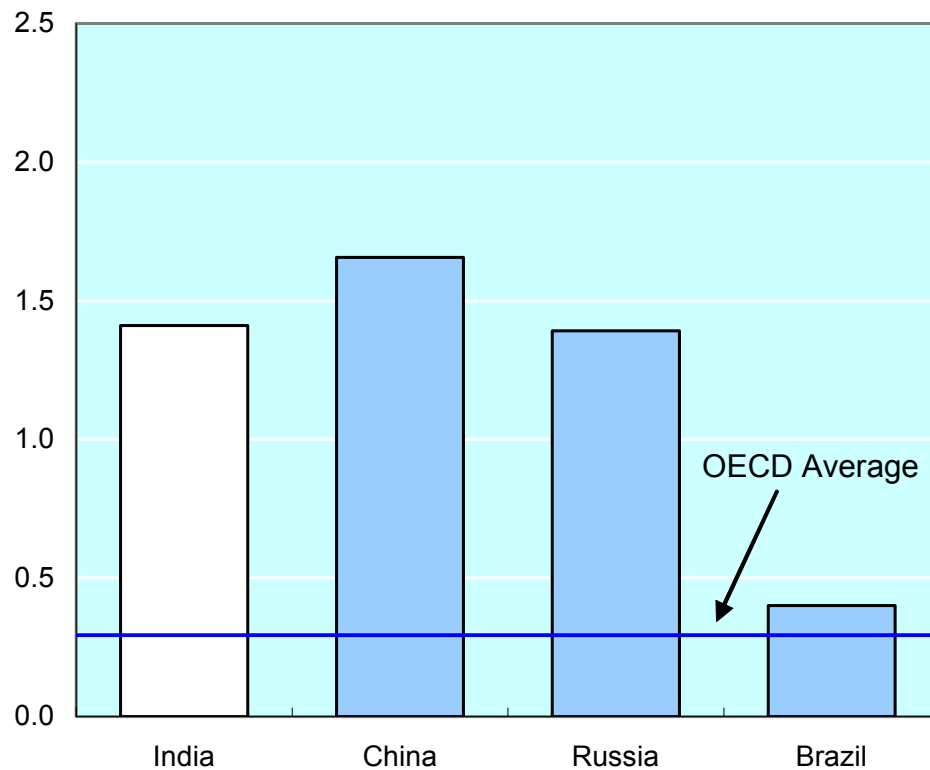


Source: Calculations based on the methodology described in OECD (2007a)

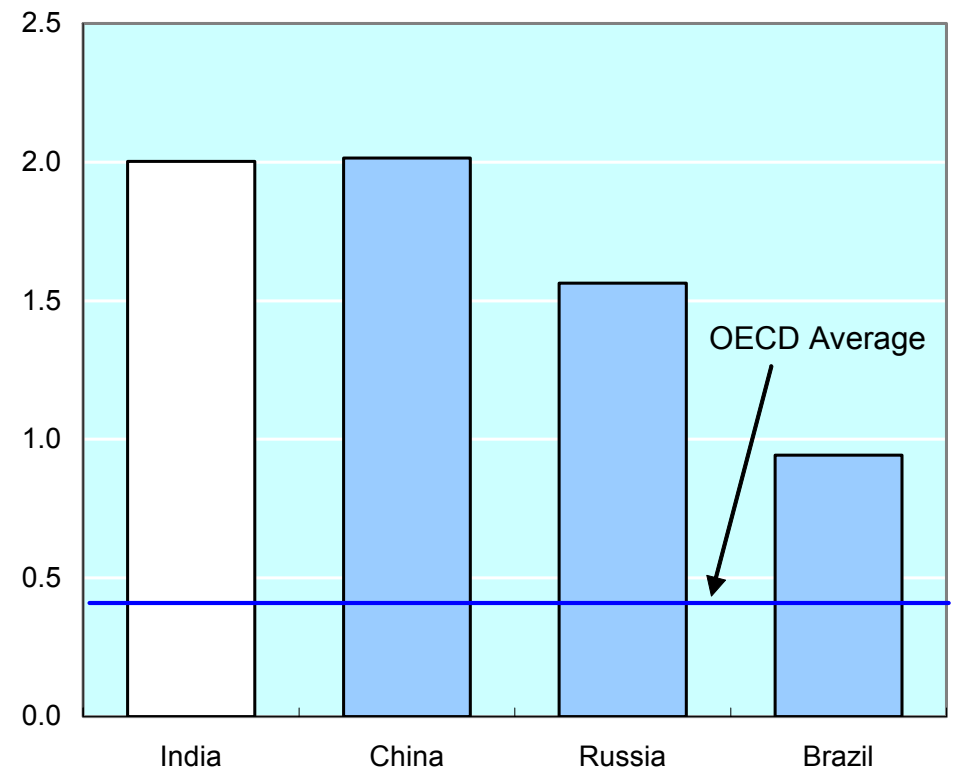


Barriers to Services Trade: Telecom

A. Fixed Telecom



B. Mobile Telecom





China and India in a baseline scenario: exogenous changes

Baseline summary: cumulated growth rates for 2001-2020 by country
Percentage changes

	Labour total	Unskilled labour	Skilled labour	Capital	Total Factor Productivity	Real GDP	Population
Brazil	19.4	13.9	82.5	83.7	34.5	86.5	22.5
Russian Federation	-0.4	-1.4	8.9	83.4	71.9	103.4	-10
India	39.8	35.6	121.6	210.1	55.6	185.4	25.5
China	17.7	16.6	101.8	420.3	75.7	262.8	12.4
USA	25.3	31.5	18.2	111.8	22.4	82.5	15.7
Japan	-4.3	3.1	-11.6	62	18.6	39.2	-3.4
Germany	2.7	8	-2.6	44.9	14.8	35.1	-4.2

Source: authors' own calculation based on WB and GTAP data



Trade Implications

Projected export performance in the baseline (at constant prices)

	% change	Post export value USD Millions	Rank pre- simulation	Rank post simulation	Δ rank
Brazil	42.5	98 661	28	31	-3
Russian Federation	73.17	187 420	19	23	-4
India	495.09	376 282	30	10	20
China	490.66	2 294 000	4	1	3
USA	82.54	1 656 572	1	2	-1
Japan	-1.49	471 284	3	7	-4
Germany	35.34	849 365	2	3	-1

Source: authors' own calculation based on WB and GTAP data.



Concluding remarks

- International trade likely one of the key facilitators of growth in China and India
- China: reforms have gone further in manufacturing trade
- China: high level of public ownership and regulatory barriers persist in the services sector
- India: impressive reduction of trade barriers but protection still persists adding to the hurdles faced by the manufacturing sector.
- India: services trade policy is still very restrictive, even as compared to China
- India: other reforms necessary to promote trade-led expansion of labour-intensive activities



Thank you



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