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*Openness and
Competitiveness of
Manufacturing Sector:
A Comparative Study
of China and India*

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Abstract

FDI may affect the supply of productive resources including (financial capital, equipment and machinery, technology, management and etc.). FDI creates employment where unemployment and underemployment rate is high and thus increases the income of the workers. As a result an additional savings to the host country is created. FDI also has the backward effect. Through buying locally made materials and intermediate goods it creates a good environment for the locally produced goods. For China, the competitiveness of manufacturing sector and Trade Openness are increasing over the year since 1991. However, the Financial Openness of China is showing mixed result, it increased until mid-1990s and it is showing the declining trend. In case of India, the picture is so complex. The Competitiveness of manufacturing sector and Financial Openness are showing the fluctuating path over the year. No as such trend can be found for these two series for India. Only the Trade Openness is showing increasing trend for India.

Keywords: China, India, Financial Openness, Foreign Direct Investment (FDI), Manufacturing Sector, Revealed Comparative Advantage (RCA), Trade Openness

1. Introduction

India and Republic of China are the emerging economic powers of Asia in global economy. After experiencing the socialistic planned economy, both the countries now opened their economies to the others; China in 1978 and India in 1991. Both the countries have billion plus population and they experience tremendous GDP growth each year. A nation's Competitive power is determined by its macroeconomic policies such as market openness and monetary policy. Michael Porter, in his book 'The Competitive Advantage of Nations', claims that the competitive power of a country or region is dependent on its ability to create an attractive business environment for companies (Kotler, 2000). The economic development is traditionally prompted by the high rate of productivity which is often a result of a strong manufacturing sector (Coasta, 2006).

1.1. Economic Impact Of FDI

FDI may affect the supply of productive resources including (financial capital, equipment and machinery, technology, management and etc.). According to Ricardo's classical theory of growth, an increase in capital and labour would result in growth of output. In Harrod-Domar model, the change in capital stock and incremental capital-output ratio (ICOR) determine the growth of national income. In Solow's neo-classical model, economic growth is not only determined by the stock of capital labour but also by the capital-labour ratio. FDI may positively contribute to the capital formation. And hence, FDI may bring advanced equipment, machinery for the manufacturing sector to the developing host country. Moreover, the FDI in infrastructure

creates good investment conditions or opportunities; it tends to promote domestically financed investment. FDI may promote productivity of domestic sector of the host country through technology transfer.

FDI creates employment where unemployment and underemployment rate is high and thus increases the income of the workers. Export oriented FDI promotes the exports. In practice, the impacts of FDI on the supply and demand side are intermingled rather than separate. "Some impact of FDI can be quantitatively measured; other cannot be directly measured. For instance, the effects of FDI on GDP growth, capital formation, employment, and export and govt. tax revenue are measurable, whereas the effects on technology transfer and diffusion efficiency, environmental pollution, access to foreign markets and demonstration effects are difficult to quantify. There are various reasons for the difficulty in measuring these impacts: some economic variables are affected simultaneously by multiple factors, including political, cultural and economic factors, and it is difficult to separate one factor's effect from that of others" (Sun, 1998). "The endogenous growth theory suggests that investment in human capital is as important as physical investment. Accumulation of human capital is reflected in a number of areas, particularly in health and education. Improvement of people's health has led to a significant increase in life expectancy and a large reduction in child infant mortality" (Yao, 2003).

1.2. An Overview Of China

The year 1978 represents an impact line of demarcation in China's foreign trade, which can be seen from increases in exports and imports. The Scale and the growth of trade in China were both restricted during the 22-year period 1955-77. Since 1978, China has adopted an opening up of the economy as one of her fundamental policies, and rapidly merged into the world economy. By 1994, it was made convertible in current account transaction for international settlement. The dual exchange system introduced in 1979 was replaced by a single exchange system from January, 1994.

1.2.1 Characteristics Of FDI In China Since 1979

Phase One: 1979-1985: Although four Special Economic Zone (SEZs) was set up during the time period. But still the restricted regulatory environment was there in China; foreign equity share in joint venture was restricted to less than 50%. In 1983, the Joint Venture Implementing Regulation was passed. In 1984, 14 coastal cities would open to foreign investment, expanding the open door polices from SEZs to other Coastal regions.

Phase Two: 1986-1989: The provision for the 'Encouragement of foreign Investment' in October 1986 (so called 22 Articles) was passed. This was the mark of the beginning of the Second Phase of FDI development

in China. A set of Central regulations was implemented in favour of FDI. To promote foreign investment, almost all open coastal cities set up the Economic and Technical Development Zones (ETDZs) designed for high technology industrial projects.

Phase Three: 1990-till now: An amendment to the joint venture law in April 1990 was the starting point of the third phase. In April 1991, the income tax Law for Enterprises with Foreign Investment and Foreign Enterprises (the Unified Income tax Law) was passed. Foreign investment enterprises (FIEs) have become important players in industrial activities. By 1995, there were 49559 FIEs established in the industry sector (Sun, 1998).

1.3. An Overview Of India

In India, liberalization was stated in 1985 when Government of India announced a series of measures aimed at deregulate and liberalization of industry. These were followed by the drastic changes introduced in the 1991 Industrial Policy of the Government. In July 1991, Policy Statement reduced the list of industries reserved for the public sector from 17 to 8 (Sury, 2001).

Export-Import Policy: India's foreign trade is regulated by the Foreign Trade (Development and Regulations) Act, 1992 which replaced the Import and Export (Control) Act, 1947. Prior to mid-1991, foreign trade of India suffered from strict bureaucratic and discretionary controls. Then, the Government of India realized that India's foreign trade policy must response to the changes (liberalization and Openness) sweeping across the world. To reduce controls, simplify procedures and to create a congenial environment for trade, the Government made a Statement on Trade policy in Parliament on August 13, 1991.

FDI in India: Before economic reform India strictly restricted on Foreign Direct Investment (FDI) into her economy. After 1991, it was allowed; but the degree of it was so low. The second generation reform was started during second half of 1990s. According to RBI's "Report on Currency and Finance (1998-99)", 'the Government is committed to promoting increased flow of FDI for better technology, modernization, export and for providing products and services of international standards'. Therefore, the policy of the government has been aimed at encouraging foreign investment. It should be noted that comparative advantage and the beneficial effects of FDI are dynamic have its own longer-term rewards (Sury, 2001).

Further Liberalization: On May 9, 2001, government decided to open up new sectors to foreign investment, raise sectoral caps in the large number of industries and allow defense production by domestic private companies up to 26% foreign equity.

1.4. China And India

“The Global Competitiveness Report,” published by the World Economic Forum for the Year 2001-2002 has classified and ranked 75 countries under two indices: The Growth Competitiveness Index (GCI) and the Current Competitiveness Index (CCI). “In the first, ranks were given according to the underlying potential of a country for medium term (five years) growth. Under the CCI, an economy is graded according to the effective utilization of its current stock of resources. China stands higher than India in Global Competitiveness largely because of infrastructure, hassle free government, and labour regulations. In this regard, China is closer to East Asia rankings while India resembles Latin American examples. But India scores equally with or better than China in ranking of technology and administrative procedures” (Swami, 2003)

External Openness in China and India: External Openness does provide opportunities for growth, but it also carries risks of instability as the 1997 East Asia and the 2002 Argentina. But, “it is clear that openness by itself does not assure growth focusing an investment in physical and human capital, on infrastructure, macroeconomic adjustment, supporting institutions and management culture” (Swami, 2003). Most empirical results support the argument that FDI can promote output growth. “Foreign exchange policy is a precondition for the rapid growth in FDI and export, it can be inferred that the exchange rate mechanism must also have played an important role in economic performance” (Yao, 2003). Earlier in China they had found that domestic component manufacturers had remarkable potential, which could be harnessed to lower costs through new design. Foreign investors started exporting, reaped scale economics that further lower costs and become profitable (Jha, 2005).

2. Research Objective

- The first objective is to give a comparative scenario of the FDI inflow, total export, total export of manufacturing goods for China and India.
- The second objective is to depict a Comparison of Competitiveness of manufacturing sector of China and India.
- The Third objective is to have a Comparison of Trade Openness from export point of view of China and India.
- The fourth objective is to find the relationship, if any, between Competitiveness of manufacturing sector and Trade Openness of both the Countries
- The fifth objective is search for the relationship between Competitiveness of manufacturing sector and Financial Openness of both the countries.

- Both the countries now allow FDI to improve its manufacturing sectors. So, the sixth and the last objective is to find the effectiveness of FDI on the manufacturing sector more competitive to compete with the world economy.

3. Methodology

The production of a commodity is, determined mainly by two physical inputs: labour and capital. However, the Competitiveness as well as the efficiency of input usage of manufacturing sector is further determined by two sets of factors: External and Internal.

- *The External factors:* - The factors which are related to Openness of the economy. It includes Foreign Direct Investment (FDI), total volume of Export and the foreign Exchange Mechanism.
- *The Internal factors:* - The factors which are related to within its own economy of a country. It includes Human Capital, Infrastructure, Location of the manufacturing units, Institutions (e.g. Govt. policies, legal regulation, etc.) and so on.

Some recent cross-country studies (Sala-i-Martin, 1996) reveal that human capital, saving and population growth are the three main variables responsible for inter-country growth difference. However, few studies have considered all the external and internal factors in a cross-country analysis.

3.1. Competitiveness Of Manufacturing Sector

In the literatures on measures of Competitiveness of a sector, we can have so may approach are followed. However, in my term paper we are trying to concentrate on the competitiveness from the point of view of World economy i.e. we are trying to look how the manufacturing sector of a country is competitive with the world economy after opening of that economy. That is why we are concentrating solely on the Export competitiveness of manufacturing sector in measuring the Competitiveness.

According to Balassa (1961), “Revealed Comparative Advantage (RCA)” Index can measure the competitiveness of manufacturing sector between the two countries (in Ebberts and Zhang, 2003). However, here we are taking this RCA Index between a country and the World economy as a whole in aggregative level. Hence, RCA Index can be written as:

$$RCA_{it} \text{ Index} = \frac{X_{mit} / X_{mwt}}{X_{it} / X_{wt}} * 100 = \frac{X_{mit} / X_{it}}{X_{mwt} / X_{wt}} * 100$$

Where, $(RCA_{m i t})$ is the measures of Competitiveness of Manufacturing sector of i th country at t th period. $(X_{m i t})$ implies the Total Export of manufacturing sector of i th country at t th period. $X_{i t}$ implies the total volume of the Merchandised Export of i th country at t th period. $X_{m w t}$ implies the total volume of export of manufacturing sector at world level and at t th period. And $X_{w t}$ implies that the total volume of Merchandised Export at world level and at t th period. Therefore, $X_{m i t} / X_{i t}$ measures the share of manufacturing sector in total merchandised export of a country at certain time. In addition, $X_{m w t} / X_{w t}$ measures the share of manufacturing sector at world level in total merchandised export at world level at that time. So, we can say that $RCA_{i t}$ Index implies how a country's share of manufacturing sector in her total merchandised export compare to the that of world economy. The value of RCA Index is unit less, since it is the ratio of same units. It obtains only the numerical figure without unit. Now, if RCA index (%) > 100, then we can say that the country has a comparative advantage in manufacturing sector compared to the world economy. If RCA index (%) < 100, then we can say that the country has a comparative disadvantage in manufacturing sector compared to the world economy. In addition, if RCA index (%) = 100, then we can say that the country has the same level of competitiveness of manufacturing sector compared to the world average.

The data on these variables are available on the official site of WTO. We have taken the data of these variables for world level and for China & India. The data are for 15 years i.e. from 1991 to 2005. All the data on these variable are reassured in US Dollar (in million) at Current Price. Since we are taking the ratio of these figures of a certain period, so the price effect of a particular period is, cancel out. Therefore, further we do not need to deflate these data with price level.

3.2. Openness Of An Economy

The Openness of an economy can be seen from two different perspectives; Trade Openness and Financial Openness. Some part of the Openness of an economy may not be observed or measured in quantitative figure. Therefore, here we only take the observed part of openness, which can be measured quantitatively.

Trade Openness is generally calculated by the Ratio of the Sum of Export (X) and Import (M) to total GDP, i.e. $(X+M)/GDP$. It is often the case that the ratio of exports only to GDP is preferred: indeed the ratio of imports to GDP is less sure in the interpretation. In this paper, we are concentrating on the competitiveness of manufacturing sector from the point of view of export only. A country with huge volume of import may not be so competitive in manufacturing sector. The data of Total Export for India is taken from Directorate General of Commercial Intelligence and Statistics (DGCI&S). The figures are in Rupees (Cores) at constant price. The data of GDP for India is taken from Central Statistical Organization (CSO) at constant price in

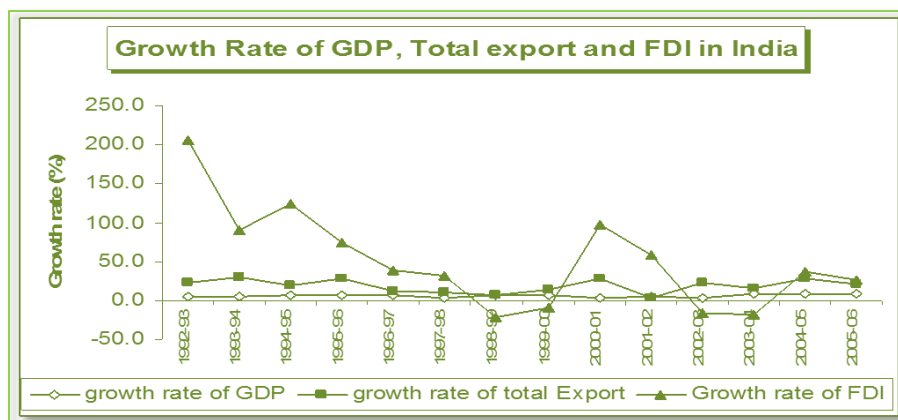
Rupees (Cores). Since, both the series are in same currency and current price with same base year, the Ratio, $(X/GDP)*100$ is unit less and it has no such effect of price on it. The base year is 1999-2000 financial year for both the series. The data of Total Export and GDP for China are taken from ‘Statistical Year Book: 2006’ of China. Both the series are in Yuan (in 100 million) with same base. Therefore, the Ratios do not have any unit and free from effect of inflation.

Financial Openness is measured by the ratio of Capital flows across the broader to the GDP. For Capital flows, we can take either only entry to the sum of entries and outgoing. However, definitely we would not consider the net flows (i.e., Inflow – Outflow), which mean nothing with respect to openness. In this term paper, we are taking only the Inflow of foreign capital. The foreign capital has two part; Foreign Direct Investment (FDI) and Portfolio Investment. Since, portfolio investment is much more volatile in nature; it may be withdrawn from the economy at any time. Hence, here we are taking only the FDI. Therefore the measure of financial Openness is $(FDI / GDP)*100$.

4. Data Analysis/ Findings

4.1. GDP, Total Export And FDI Of India

The GDP of India has increased from Rs.1206346 Crores at constant price in 1991-92 to Rs. 2842478 Crores in 2005-06. During the same period, Total Export has gone up from Rs. 44041.8 Crores to Rs. 456417.9 and FDI inflows increased from Rs.316 Crores to Rs. 34188 Crores. GDP of India increased throughout the period, and growth rate is also high compared to the pre-reform period. In case of Total Export of India, it is increased steadily. But the growth rate of it fluctuated a little bit, but, it was positive growth rate of total export as shown in the Chart, here. In case of FDI of India, it increased throughout the period.

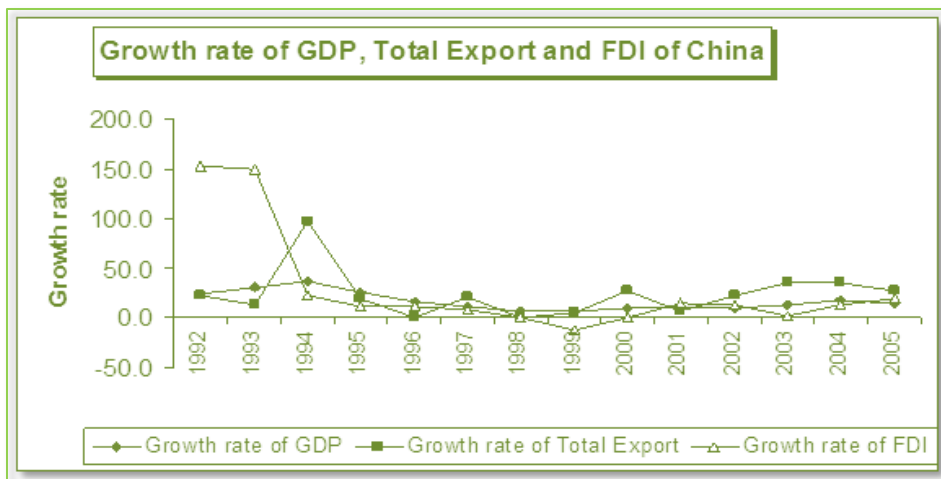


But, only in 1998-99 and 1999-00 it declined from the previous year. The growth rate of FDI inflow of India is very much fluctuating. In the beginning of the period India had very small amount of FDI inflow, which is why the growth rate of initial years, just after the open of India’s economy. After that the growth rate declined

drastically until 1998-99. In 1998-99 and 1999-00, the growth rate of FDI inflow in India was basically negative. After that it is following a fluctuating path.

4.2. GDP, Total Export And FDI Of China

We can have that the GDP of China has increased from 21781500 million Yuan in 1991 to 183084800 million Yuan in 2005. In case of Total Export of China, it increased gradually from 3827.10 million Yuan to 62648.10 million Yuan during the same study period. FDI in China also increased rapidly from 4366 million US Dollar to 72406 million US Dollar (USD) during the same period. But the FDI inflow was huge in early 1990s. It was stagnant or even fall during the end of the last decade as in case of India.

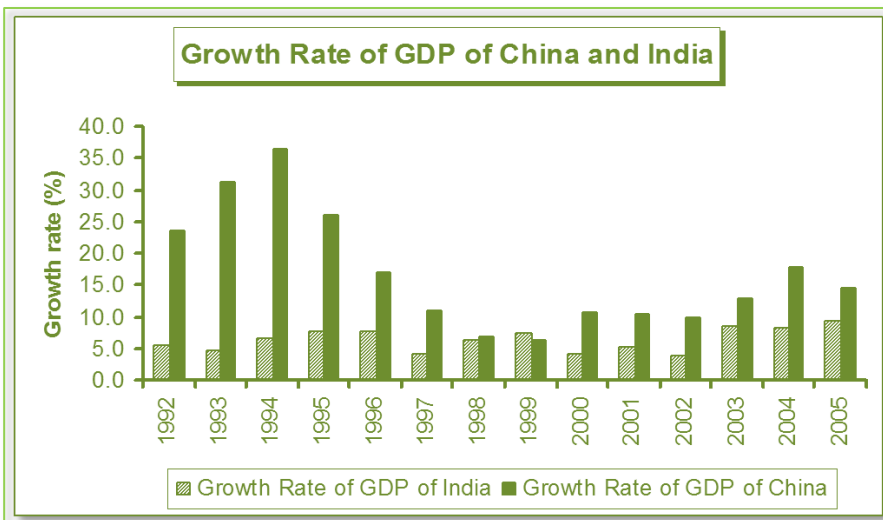


In the above Chart, here, the growth rates of GDP, total export and FDI inflows are shown. We can see that growth rate was substantially high in the early 1990s. It came down at a lower rate during the end of the 1990s. After that it became rising. The growth rate of Total export was very fluctuating over the 15 years. But after 2001, it rises, but at a lower rate. The growth rate of FDI inflow was as same as India. The growth rate was very high during the early 1990s. Because, many steps were taken to improve the FDI inflows in China, during the end of last decade the growth rate became negative, but after that it is rising at a very lower rate.

4.3. Growth Rate Of GDP Of China And India

The GDP of China is much higher than that of India throughout the study period. But the growth rates of these two countries are showing very interesting features. In India, just after opening of her economy the growth rate of GDP was moderate; but it was increasing. Even, it was much higher than the so-call Hindu rate of growth. It declined during the end of the last decade. However, it become rising in this decade and it is still rising. The growth rates of GDP of these two countries are shown in the Chart, here.

In case of China, the growth rate of GDP in early 1990s was so high. Then, it became decreasing and after the starting of this millennium, it becomes rising gradually. So, literatures try to say that this nothing but the evidence of the convergence theory. However, the absolute figure of China is much higher and the growth rate is also higher still now than that of India.



4.4. Growth Rate Of Export Of India And China

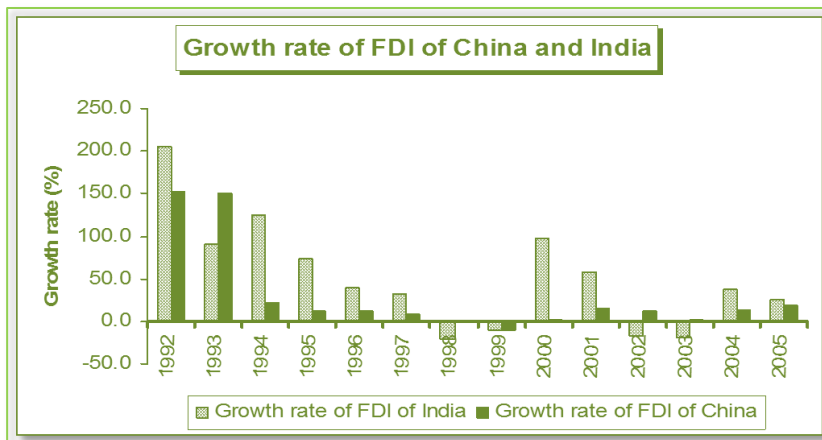
In the Chart, here, on the previous page, we can see the growth rates of export of both the countries are following more or less the same path. However, the absolute figures are much higher in case of China than India. The growth rates of Total Export as GDP declined during the end of last decade for both the countries.



4.5. Growth Rate Of FDI Inflow Of China And India

The growth rates of FDI inflow are following the same path as the growth rates of GDP and Total export for both the countries. The Chart, here, is showing the growth rate of FDI inflows in China and India. But, unlike the growth rates of Total export and GDP, the growth rate of FDI inflows became negative during the recession period i.e. in the end of last decade and the start of this decade. The growth rates were higher than ever in the early 1990s for both the countries.

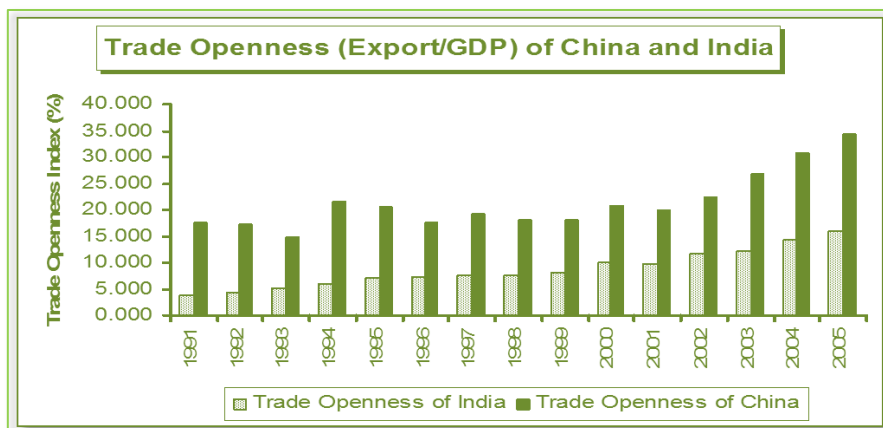
After that, they gradually declined to the negative figures. Here, one interesting feature comes out from the Chart that the growth rate of FDI inflow is higher than that of China during the whole study period. The reason of that, the base of the FDI figure was so low that it raised the growth rate of FDI inflow of India.



But, in case of China the absolute figure of FDI inflow was high even before 1991, so that it reduced the growth rate.

4.6. Trade Openness Of China And India

As we already said that, although, it is convenient to take the sum of total export and import when the Trade Openness is calculated. In this paper we are trying to link between Competitiveness of manufacturing sector, from the point of export, and the trade openness of the economy. That is why we are considering Total Export only instead of sum of export and import.

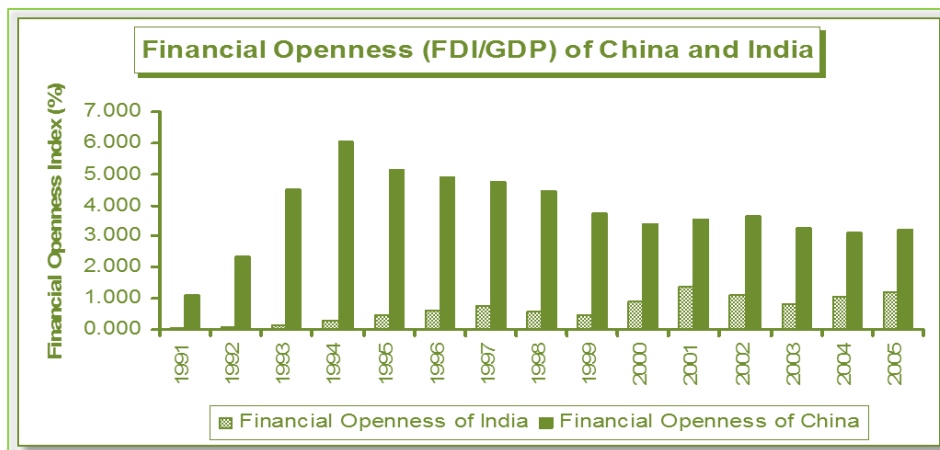


In the Chart, here, the comparison of Trade openness is shown between the two countries. It is very clear picture we see in the Chart that, the Trade Openness for both the countries increased rapidly. Moreover, the Trade Openness of China is much higher than that of India throughout the study period. The Trade Openness of China had come down during the recession period, but still it was higher than that of India. In addition, the Trade Openness of India was still rising during the recession period.

4.7. Financial Openness Of China And India

The Financial Openness of an economy is measured by the ratio of foreign direct investment (FDI) to the GDP in percentage form.

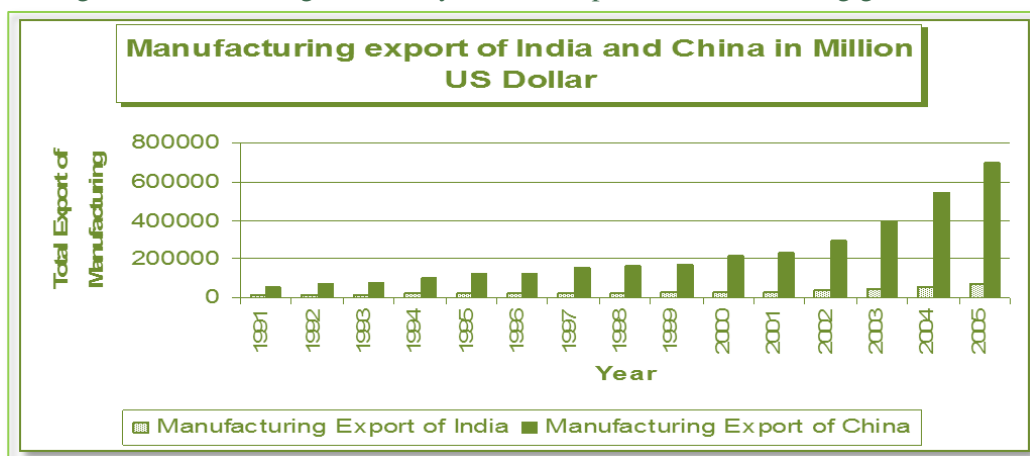
It was already explained in the Methodology section in this term paper. We are considering that index because; it is very easy to say that a bigger economy can have the higher volume of FDI. So, the FDI/GDP gives the true pictures of the degree of Financial Openness.



To compare the Financial Openness of both the countries, we have drawn the Chart, here. In the Chart, we have seen that Financial Openness of China is also higher than that of India throughout the study period. In case of India, it is more or less rising gradually. However, in case of China, it was increasing so rapidly till 1994. After that it became declining until 2005. It may be reason that the GDP of China is increases at a higher rate than the rate of FDI inflow (it was basically very low) in China.

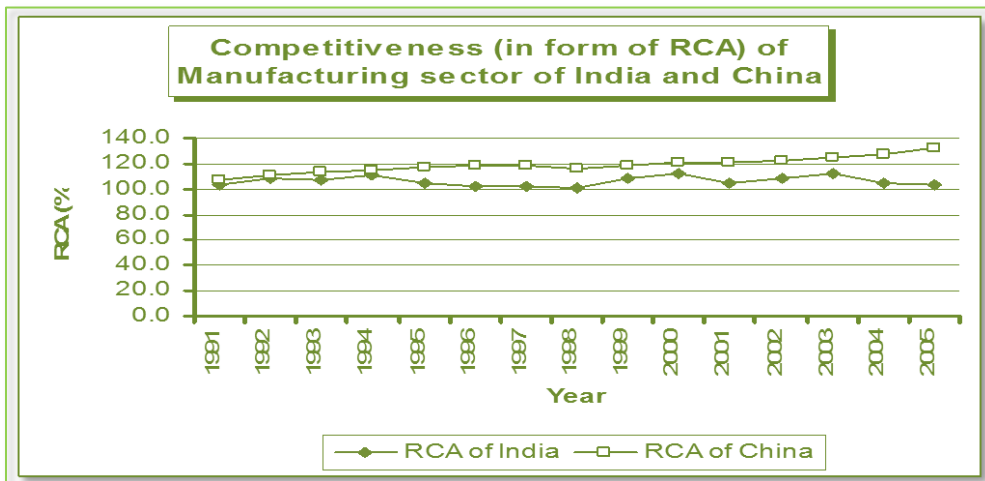
4.8. Manufacturing Export Of China And India

In this paper we are looking the manufacturing sector only. So, the Export of manufacturing goods shows the strength of the manufacturing sector of that country. A vivid picture comes through the Chart, here. In the Chart, we can see that total figures of manufacturing export in China are much higher than that of India throughout the study period. The total export of manufacturing goods increased, but at a very lower rate. In case of China, the total export of manufacturing goods increased and at an increasing rate. China is capturing the world market very rapidly. But India is lagging behind China.



4.9. Competitiveness of Manufacturing sector of China and India

The competitiveness of manufacturing sector is measured in term of Revealed Comparative Advantage (RCA). The method for calculating RCA is already mentioned in the Methodology section in this term paper. And the calculation was done in the table-3 of this paper.

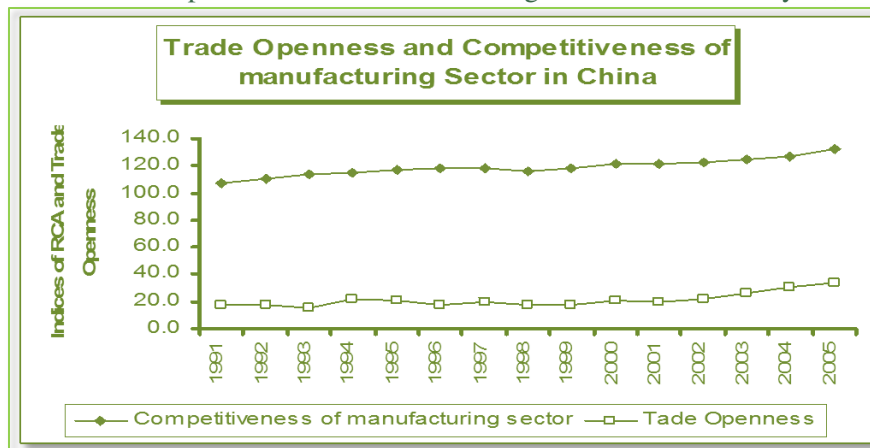


In the Chart, here, we have seen that the index for competitiveness of manufacturing sector (RCA) for both the countries is greater than 100. That means both the countries are in more favourable position compare to the other world. They getting advantage in manufacturing sector compare to the world average. In the Chart, here, we would see a clear picture of divergence of competitiveness of manufacturing goods from export point of view between the two countries. In the above Chart, we would also see that the competitiveness of manufacturing sector of China increased at a decreasing rate in the early 1990s, but it increased at an increasing rate in recent years since 2000. In case of India, although RCA is greater than 100 throughout the study period, the value of Index of competitiveness of manufacturing sector is very mush fluctuating throughout the period. It shoeing the evidence of divergence of competitiveness and India is lagging behind China.

4.10. The Linkage Between Trade Openness And Competitiveness For China

If we plot the figures of Trade Openness and Competitiveness of manufacturing sector for the same year, we may draw any linkages between them. The linkage between them may occur with lag period. But, the linkage between them can be captured the shapes of these two curves.

The Chart, here, is showing the linkage between Trade Openness

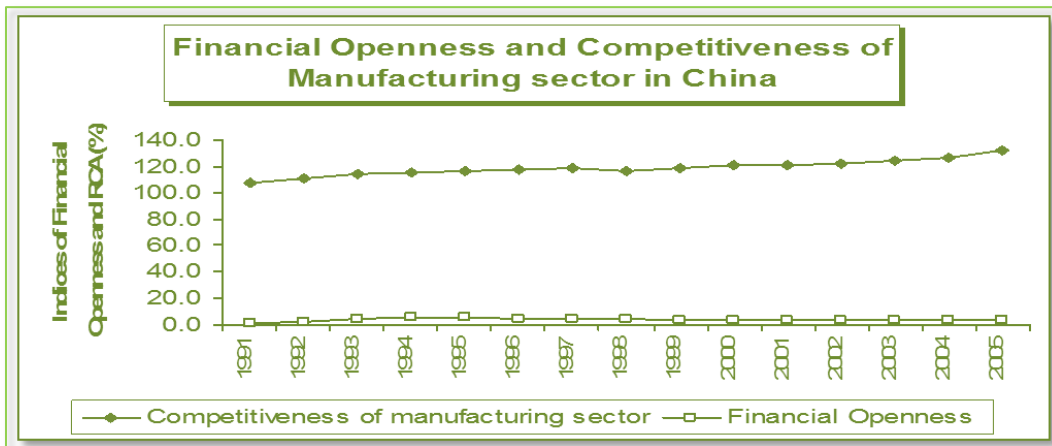


and Competitiveness of manufacturing sector for China. Both the curves are showing more or less same pattern. Therefore, we may conclude with a strong linkage between them for China. In the Table-1, we have seen a high value of correlation (it is 0.85 and statistically significant) between Competitiveness of manufacturing sector (RCA in %) and Trade Openness (X/GDP in %) of China.

4.11. The Linkage Between Financial Openness And Competitiveness For China

In the Chart here, we plotted the corresponding figures of Financial Openness (in form of FDI/GDP in %) and Competitiveness

of manufacturing sector for each year for China. The two curves are showing different shapes. While the financial Openness was



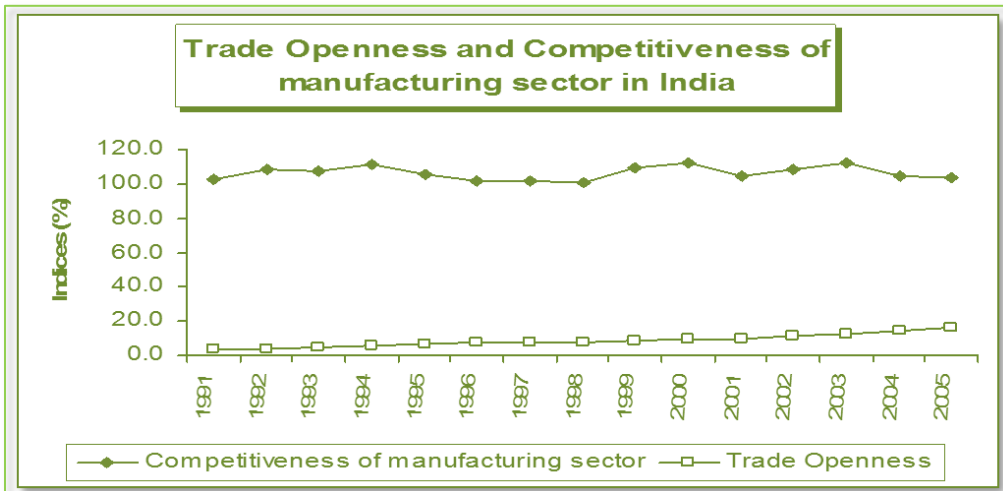
higher in mid-1990s than that of recent times, Competitiveness of manufacturing sector is high in recent time than that of mid-1990s. That is why we are getting a very low value of correlation coefficient between them as shown in the Table-1 for China. But, here we corresponding both the figures for the same year, when calculating correlation coefficient. The lag year linkages could not be captured through this correlation matrix.

	RCA (%)	X/GDP (%)	FDI/GDP (%)
RCA (%)	1	0.85	0.06
X/GDP (%)	0.85	1	-0.14
FDI/GDP (%)	0.06	-0.14	1

To grab the true linkage between them we should run the time series regression with lags. But, as we already said that with small number of observations we cannot run the time series regression. It cannot be captured the long term relationship with few observations.

4.12. The Linkage Between Trade Openness And Competitiveness For India

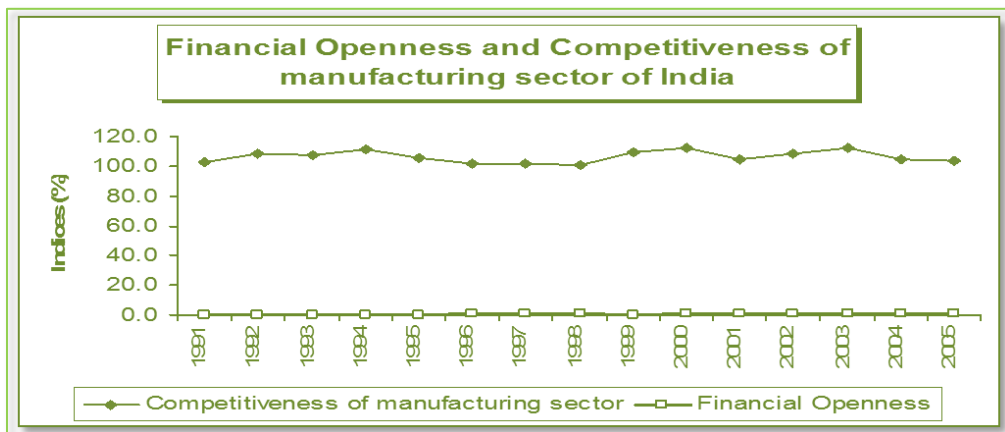
In case of India, the linkage between Trade Openness and Competitiveness of manufacturing sector is not so clear. While index of Trade Openness of India is rising steadily throughout the period, the competitiveness of manufacturing sector in India is fluctuating over the period and it is almost stagnant as is shown



in Chart, here. It is showing no clear evidence of the so called linkage between them in India. In the Table-2, we have seen that the correlation coefficient is also low between them in case of India. It is just 0.05 which is insignificant. The reason behind this unusual result may that the Competitiveness of manufacturing sector may depends many other internal factors (socio-economic) and external too which are not included in this analysis.

4.13. The Linkage Between Financial Openness And Competitiveness For India

The Financial Openness of India is increasing up to the end of the last decade. The middle of the study period is showing the declining of Financial Openness of India. After, 2000 it once again started to increase. In case of competitiveness, it was fluctuating over the same period



and still remains more or less stagnant. So, no such one to one pattern can be drawn from the Chart, here. The table-2, is showing a very contradictory result.

The correlation between them is very low and evens a negative figure (it is -0.07). That means they have inverse relationship. In the table-3, we have seen that when the figure of competitiveness is high for a year the figure of Financial Openness is low for that year and vice versa. It may be happed due to the dependency with lag values of other factors as well as not inclusion of other factors in this analysis.

Table-2: Correlation Matrix for India

	RCA(%)	X/GDP(%)	FDI/GDP(%)
RCA(%)	1	0.05	-0.07
X/GDP(%)	0.05	1	0.86
FDI/GDP(%)	-0.07	0.86	1

5. Conclusion

From the above analysis we see that for China the competitiveness of manufacturing sector and Trade Openness are increasing over the year since 1991. However, the Financial Openness of China is showing mixed result, it increased until mid-1990s and it is showing the declining trend. In case of India, the picture is so complex. The Competitiveness of manufacturing sector and Financial Openness are showing the fluctuating path over the year. No as such trend can be found for these two series for India. Only the Trade Openness is showing increasing trend for India. For the impact of FDI, the more details assessment is needed.

However, one should worry of equating higher FDI inflows with better economic performance. The more striking point is that the quality of FDI is equally important, here, than its quantity. In a country such as India with traditionally high tariffs and large domestic market, FDI might move in merely to produce behind tariff wall for the domestic market. Such FDI becomes virtually indistinguishable from domestic investment and has, in India, sometimes lobbied for higher protection along with domestic firms. FDI become attractive for its own sake when it makes a net contribution to exports and have the productivity spillover effects. Policy should target FDI with potential for such effects rather than any FDI. There is strong difference in productivity spillovers between Japanese and US FDI, India has experienced in her manufacturing sector. So, to get the more compact assessment, one should go for the more details analysis including all dimensions of economy which could be affected from the financial openness as well as trade openness.

6. References

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7. Tables And Figures

Table-3: Calculation of Revealed Comparative Advantage (RCA) of India and China

Year	World	India		China	
	(X w m / X w) in %	(X ind m / X ind) in %	RCA of India in (%)	(X chi m / X chi) in %	RCA of China (%)
			RCA ind		RCA chi
1991	70.3	72.4	103.0	75.4	107.3
1992	70.9	77.2	108.9	78.6	110.9
1993	70.6	75.6	107.1	80.5	114.0
1994	71.6	79.9	111.5	82.2	114.9
1995	72.0	75.8	105.2	84.0	116.7
1996	71.3	72.9	102.2	84.3	118.1
1997	72.1	73.5	101.9	85.3	118.3
1998	75.0	75.4	100.6	87.3	116.4
1999	74.6	81.4	109.1	88.3	118.3
2000	72.8	81.6	112.2	88.2	121.2
2001	73.1	76.4	104.5	88.6	121.3
2002	73.4	79.7	108.5	89.9	122.4
2003	72.8	81.4	111.8	90.6	124.5
2004	72.1	75.5	104.7	91.4	126.8
2005	69.7	72.5	104.0	91.9	132.0

Source: Official web site of WTO; i.e. <http://stat.wto.org/>