Establishing Regional Identities in East Asia: An Assessment of Trade Strategies of China and India

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Abstract:
This paper has explored the relative regional positions of China and India from a geo-economic perspective. The findings of this paper give rise to two important observations. First, comparing the findings from the export and import perspectives of China-East Asia trade, the core economic factors driving trade partnerships appear to be, by and large, in the import than in the export domain. This suggests that import activities of China from the region depend more on the characteristics of the East Asian partner than export does. In contrast, core economic factors such as combined market size and FDI stocks, coupled with similar demand patterns and different factor intensities, are important for generating exports from India to East Asia. Second, though China and India have regional roles as demanders (importer) and suppliers (exporter) of merchandise goods, the differences in the relative positions of the two countries stand out from the supplier perspective. China appears to exert a much larger role as a supplier relative to India to fuel economic interdependence in East Asia. Taken together, these findings support the Chinese engagement in regional production sharing activities, further emphasizing her nature of outward processing trade with the region. Though China has consolidated her role as a centre of trade and investment in East Asia, there is still a lack of regional polarization given her extra-regional bias from the export side. The paper therefore contends that there is scope for India to manoeuvre her position in the context of regional trade integration, particularly from the export perspective.

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