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**Restructuring of India's Domestic and External Policies needed for
Effective Partnership between India and China: RBI's Project Research Study**

The Reserve Bank India today released a Project Research Study titled "[India China Bilateral Trade Relationship](#)" on its website. This Project Research Study was entrusted to Prof. S. K Mohanty, Research and Information System for Developing Countries (RIS), New Delhi with the objective to carry out an in-depth analysis on trade linkage between India and China in view of the widening trade deficit of India against China.

The Project Research Study recognises the irreversible nature of economic liberalisation undertaken in both countries, India and China, in their quest for greater integration with the world economy and attempts to identify synergies in their development process by analysing existing patterns of their trade and sectoral complementarities for further economic engagement.

The major findings of the Project Research Study are:

- (i) As the trade flows of both the countries are concentrated in Asia, particularly South-East and East Asia, regionalism can offer a credible platform to augment trade;
- (ii) Unlike popular perception, bilateral imports of India from China have been uncompetitive in several sectors including textiles and clothing, automotive, chemicals, etc. among others;
- (iii) Based on the methodology of Revealed Comparative Advantage (RCA), the study finds that India has been importing from China large amount of uncompetitive products which can easily be supplied to India by other competitors of China at a comparatively cheaper price;
- (iv) Based on simulations under Computed General Equilibrium (CGE) modelling, the study finds that liberalisation among ASEAN+3 countries alone may not generate the expected level of welfare gain irrespective of their level of economic integration; and
- (v) Based on dynamic panel data analysis, the Project Research Study finds that appreciation/depreciation of Yuan has significant impact on India's exports to other countries.

According to the study, India is likely to gain from its engagement with China, provided a cautious approach is pursued to ensure long-term interests of India are preserved in its bilateral economic engagement. This requires restructuring of India's domestic and external policies to ensure effective partnership between the two neighbouring countries.

The Reserve Bank introduced a "Research Project Study/Report Series" with a view to disseminating the research output undertaken with the support of external experts under the Reserve Bank's Scheme for support of economic research in areas like real economy, monetary sector, financial economics etc. This would be available in its website under 'Publications >Occasional>> [Project Research Study](#)'

Research Project Studies/Reports are another effort made by the Reserve Bank for encouraging policy-oriented research and also providing data and reports for researchers at large. The Research Projects being funded under the scheme are assigned to external research institutions/scholars wherein internal researchers also collaborate. On completion of these projects, the studies are released on the Reserve Bank's website for wider circulation with a view to generating constructive discussion among economists and policy makers on subjects of current interest.

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