



Opportunities for **Indian SMEs** in



# CHINA

# Opportunities for Indian SMEs in China

Federation of Indian Micro and Small & Medium Enterprises (FISME)



## Opportunities for Indian SMEs in China

Published by:

Federation of Indian Micro and Small & Medium Enterprises (FISME)

B-4/161, Safdarjung Enclave,

New Delhi – 110 029

Tel: +91-11-26187948, 46023157, 26712064

Fax: +91-11-26109470

Email: [info@fisme.org.in](mailto:info@fisme.org.in)

Website: [www.fisme.org.in](http://www.fisme.org.in), [www.smeindia.net](http://www.smeindia.net)

(Tier-II partner of SME Component of “Strategies and Preparedness for Trade and Globalization in India”)

Edited by:

Dr. Amitendu Palit

© Federation of Indian Micro and Small & Medium Enterprises

All rights reserved

This publication has been produced with the financial support from UNCTAD India program under the component –II of “Strategies and Preparedness for Trade and Globalization in India. The views and data compiled by purely the editor and are not reflect the positions of FISME or our support organizations.

# Acknowledgements

The report is published by Federation of Indian Micro and Small & Medium Enterprises (FISME) to guide Indian SMEs to improve their market access by venturing into Chinese market.

We gratefully acknowledge the services of Dr.Amitendu Palit, Visiting Fellow; ICRIER who edited and compiled this publication. The guide is further enriched by the contribution of Prof. Bibek Debroy, Economist. The guide has also benefited immensely from the contributions from Mr. Abhijit Das, Deputy Project Coordinator/Officer incharge, UNCTAD and Dr. Rashi Banga, Sr. Economist UNCTAD.

# Contents

**Acknowledgments**

**Introduction**

**Approach of the Study**

**Chapter- 1**

**China's Imports from ASEAN Countries**

- 1.1 The overall Scenario
- 1.2 The country-wise Import Profile
- 1.3 The Product-wise Import Profile
- 1.4 The Country-wise and Product-wise Import Profile

**Chapter – 2**

**China's Imports from India**

**Chapter – 3**

**Comparison between ASEAN and Indian Imports to China**

**Chapter – 4**

**Indian SME Exports**

**Chapter – 5**

**Competitiveness Analysis**

**Chapter – 6**

**Possible Entry Strategies of Indian SMEs in China**

<b>List of Tables</b>	
Table 1:	Chinese imports from ASEAN (2002-2005)
Table 2:	Country-wise Chinese imports from ASEAN (2005 and 2006)
Table 3 :	Country wise share of ASEAN exports in total Chinese ASEAN imports (2005 and 2006)
Table 4:	Export of Commodities (in no.) from different ASEAN countries with more than 50% shares in total Chinese imports of such commodities
Table 5.A :	Oil Imports from ASEAN
Table 5.B:	Country wise top ten Chinese Imports from its top five ASEAN destinations
Table 6:	Indian Export Items having Shares of 50% or More in Total Chinese Imports of Such Items
Table 7:	Country-wise Comparison of top 10 Imports to China during 2006
Table 8:	Exports from India's SSI
Table 9:	Indian SME Exports to China : 2005-06 and 2006-07
Table 10:	Average RCA between India and Malaysia
Table 11:	Average RCA between India and Singapore
Table 12:	Average RCA between India and Thailand.
Table 13:	Average RCA between India and Vietnam
Table 14:	India's current and relatively more competitive exports (6-digit level) to China vis-a-vis Malaysia, Singapore, Thailand and Vietnam.
Table 15:	Exports to China (6-digit level) by Malaysia, Singapore, Thailand and Vietnam, not India
Table 16:	Major Source Countries Exporting the 65 Key Products to China for 2005
Table 17 A:	India-Malaysia : Products with Marginal Difference
Table 17 B:	India-Singapore : Products with marginal difference
Table 17 C:	India-Thailand : Products with marginal difference
Table 17 D:	India-Vietnam: Products with marginal difference
Table 18A:	India-Malaysia: Products with marginal differences

Table 18B:	India – Singapore: Products with marginal differences
Table 18C:	India-Thailand: Products with marginal difference
Table 19.A:	Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Malaysia that were exported by India and Malaysia to China in 2005
Table 19.B:	Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Singapore that were exported by India and Singapore to China in 2005
Table 19.C:	Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Thailand that were exported by India and Thailand to China in 2005
Table 19.D:	Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Vietnam that were exported by India and Vietnam to China in 2005
Table 20.A:	Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Malaysia that were exported by India and Malaysia to China in 2005
Table 20.B:	Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Singapore that were exported by India and Singapore to China in 2005
Table 20.C:	Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Thailand that were exported by India and Thailand to China in 2005
Table 20.D:	Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Vietnam that were exported by India and Vietnam to China in 2005
Table: 21	Top 30 Textile Importing Countries for China during January - October 2006
Table 22:	China's top 10 leatherware brands
Table 23 :	Fruit Import Trends in China

***Note: The appendix provided in C.D***

## Analyzing Opportunities for Indian SMEs in China

*Dr Amitendu Palit<sup>1</sup>*

The Asia and ASEAN accounted for 49.78 % of India's exports and 57.51% of India's imports during 2006-07. These shares reflected increase of 9.59 % and 26.08 % from export share of 40.19 % and import share of 31.43% respectively during 2001-02. Within Asia and ASEAN, India's exports to China accounted for 6.56 % of its total exports during 2006-07, while India's imports from China were 9.13 % of India's total imports during the year. These shares were 2.17 % and 4.17 % respectively during 2001-02. It is evident that India's trade volume with China has gone up sharply in the new millennium.

The increasing bilateral trade between India and China has resulted in the improvement of export prospects for Indian Small and Medium Enterprises (SMEs) also. The latter can now look forward to China as a growing market with significant opportunities. However, the majority of Indian SMEs perhaps continue to view China as a trade partner from the perspective of imports and not for exports. Furthermore, lack of adequate information regarding China has left most Indian SMEs vastly ignorant about the possible entry strategies for the Chinese market.

Though Indian exports have started occupying greater market shares in China, they face strong competition from ASEAN countries. This is particularly true for Indian SMEs. Thus, in the light of the emerging opportunities for Indian SMEs in the Chinese market, as well as the challenges they face, this study attempts to address the following issues:

1. Identifying the products where Indian SMEs have potential for growth in the Chinese market.
2. Outlining the entry strategies for Indian SME entrepreneurs in China.



We have followed an empirical approach for identifying the products where Indian SMEs have opportunities in the Chinese market. This has involved use of rigorous statistical applications.

We have begun our analysis by studying the pattern of exports from ASEAN countries into China. Thereafter, we have examined Indian exports to China. By comparing the patterns of ASEAN and Indian exports to China, we have tried to identify the broad features dominating the two groups of exports.

In the next stage of our analysis, we have looked at the exports from the India's small scale sector. We have compared the leading small scale export segments from India with those export segments where India currently enjoys high market shares in China. We have also looked at the nature of the current exports by Indian SMEs to China.

In the final stage of our analysis, we have tried to study the competitiveness of Indian exports in China. Such competitiveness results help us in identifying the products where Indian exports have comparative advantages in Chinese markets vis-à-vis their ASEAN competitors. Within these segments, we have tried to examine the extant possibilities for Indian SMEs.

We have used the WITS database for obtaining the trade values (in quantity as well as price terms) for all our computations. However, the product classification followed for exports (or imports) is the familiar ITC-HS classification (2002). Wherever necessary, we have employed data from Ministry of Commerce and Industry, Government of India.

---

<sup>1</sup>Dr Amitendu Palit is a Visiting Fellow at ICRIER, Delhi. The views in the report are entirely personal. The author gratefully acknowledges the excellent research help extended by Ms Shounkie Nawani.

# CHAPTER 1

## China's imports from ASEAN

### The Overall Scenario

We begin our analysis of Chinese imports from ASEAN countries by looking at the overall trends of such imports (Table 1).

**Table 1: Chinese imports from ASEAN (2002-2006)**

Year	Total Chinese imports from ASEAN (in US Dollar Thousands)	Total Chinese imports from the world (in US Dollar Thousands)	Share of imports from ASEAN in the total Chinese imports from the world (%)	Share of imports of the major five ASEAN countries in the total Chinese imports from ASEAN (%)
2002	31170252.44	295170104.1	10.56	95.18
2003	47327709.89	412759796.4	11.47	95.83
2004	62967399.09	561228748	11.22	95.26
2005	74994148.25	659952762.1	11.36	95.88
2006	89526559.08	791460867.9	11.31	96.61

*Source: WITS*

Table 1 shows the absolute value and share of ASEAN imports in total Chinese imports during 2002-2006. This period reflects the post-WTO ASEAN imports to China.

## The Country-wise Import Profile

In Table 2 below, we show the value of Chinese imports from each ASEAN country during 2005 and 2006. We also indicate the number of import items at the 6-digit level.

**Table 2: Country-wise Chinese imports from ASEAN (2005 and 2006)**

Name of country	No of items imported (6-digit ITC classification)	Value of Imports (USD'000)	
		2005	2006
Brunei Darussalam	34	207,728.150	215,312.114
Cambodia	239	27,304.920	35,091.355
Indonesia	2464	8,436,960.169	9,605,743.215
Laos	123	25,545.083	49,646.755
Malaysia	2314	20,093,205.062	23,572,434.34
Myanmar	245	274,395.422	252,649.704
Philippines	1810	12,869,688.589	17,674,561.008
Singapore	3151	16,514,595.725	17,672,615.941
Thailand	2986	13,991,887.187	17,962,428.351
Vietnam	1529	2,552,837.945	2,486,076.300

*Source: WITS*

The following points can be noted from Table 2:

1. China imports the largest number of commodities (at the 6-digit level of ITC classification) from Singapore (3151), followed by Thailand (2986), Indonesia (2464), Malaysia (2314) and Philippines (1810). A detailed description of the commodities imported by China from these countries is given in Appendices A.I to A.X.
2. In value terms (US Dollar), among the ASEAN countries, the largest Chinese imports in the year 2005 were from Malaysia, followed by Singapore, Thailand, Philippines, Indonesia and Vietnam. In the year 2006, the highest imports were again from Malaysia, followed by Thailand, Philippines, Singapore, Indonesia and Vietnam respectively (Appendices A.I – A.X).
3. Some of the key high-value Chinese imports from Malaysia are other instruments specially designed for telecommunication (903040), digital cards incorporating an electronic integrated circuit (854221), hybrid integrated circuits (854260), transmission apparatus (852520), parts and accessories of machines (847330), Copper foil made of refined copper (741011), compound rub, unvulcanized, in primary form (400599), technically specified natural rubber (400122),

polyethylenes of specific gravity more and less than 0.94 (390110 and 390120) and palm oil, refined, but not chemically modified (151190)<sup>1</sup> (Appendix A.VI).

4. Less commodities imported from a country do not necessarily imply that values of imports from that country are relatively lower. A typical example is Chinese imports from Malaysia. Despite importing 2314 commodities from Malaysia, the value of Malaysian imports was much higher than those of Singapore (3151), Thailand (2986) and Indonesia (2464), as can be seen from Table 2. This is probably on account of some imports from Malaysia being of much higher value, including oil imports.

We now take a look at the country-wise share of ASEAN exports in total Chinese imports from ASEAN during 2005 and 2006 (Table 3).

**Table 3 : Country-wise share of ASEAN exports in total Chinese imports from ASEAN (2005 and 2006)**

Country	Share in 2005	Share in 2006	Rank in 2005	Rank in 2006
Brunei Darussalam	0.26%	0.24%	8	8
Cambodia	0.03%	0.04%	9	9
Indonesia	10.75%	10.73%	5	5
Laos	0.03%	0.06%	9	10
Malaysia	30.04%	26.33%	1	1
Myanmar	0.35%	0.28%	7	7
Philippines	16.40%	19.74%	4	3
Singapore	21.04%	19.74%	2	3
Thailand	17.83%	20.06%	3	2
Vietnam	3.25%	2.78%	6	6

*Source: WITS*

Out of the ten ASEAN members, imports from Brunei Darussalam, Cambodia, Laos and Myanmar together comprise less than 1 per cent of total Chinese imports from ASEAN. On the other hand, imports from Malaysia, Singapore, Thailand, Philippines, Indonesia and Vietnam, accounted for 99.32% and 99.38% of Chinese imports from ASEAN during 2005 and 2006. Imports from Vietnam were only 3.25% and 2.78% of such imports during 2005 and 2006. So the remaining five countries, that is Malaysia, Singapore, Thailand, Philippines and Indonesia account for more than 96% of Chinese imports from ASEAN.

As can be seen from Table 3 above, while Indonesia contributes around one-tenth of Chinese imports from ASEAN, Malaysia's share in such imports has been between one-third and one-fourth during 2005 and 2006. While Malaysia has been the biggest source of Chinese imports from ASEAN, Singapore, Philippines, and Thailand, are also found to be significant contributors.

<sup>1</sup> These items are not necessarily arranged in the order of import values.

## The Product-wise Import Profile

We examined the commodity-wise classification of ASEAN exports into China in an attempt to identify those items from ASEAN (country-wise) that figure prominently in Chinese global imports of these particular items. In other words, for a particular import 'A' entering China from ASEAN countries and the rest of the world, we tried to find out how much of the total import of 'A' by China is accounted for by different ASEAN countries<sup>1</sup>.

Our detailed computations are given in Appendix B.I to B.IX. In these appendices, we have identified those exports from ASEAN countries that have shares of at least 50 per cent in the total imports of these commodities by China during 2005 and 2006. We give a summarized result of our computations in Table 4.

**Table 4: Export of Commodities (in no.) from different ASEAN countries with more than 50 % shares in total Chinese imports of such commodities**

Country	50%-60%	60%-70%	70%-80%	80%-90%	90%-100%	Total
Cambodia			2 (2005)			<b>2 (2005)</b>
Indonesia	5 (2005) 8 (2006)	3 (2005), 4 (2006)	4	6	5	<b>23 (2005), 27 (2006)</b>
Laos	1(2006)		1		1(2006)	<b>1 (2005), 3 (2006)</b>
Malaysia	8	8 (2005), 5 (2006)	2 (2005), 9 (2006)	3 (2005), 5 (2006)	5 (2005), 1(2006)	<b>26 (2005), 28 (2006)</b>
Myanmar	1(2005)	1	1 (2005), 2 (2006)	1 (2005)	2 (2005), 3 (2006)	<b>6</b>
Philippines	1 (2005), 3 (2006)	4 (2005), 2 (2006)	1	1	2 (2005), 5 (2006)	<b>9 (2005), 12 (2006)</b>
Singapore	10 (2005), 5 (2006)	3 (2005), 4 (2006)	4 (2005), 2 (2006)	1	1 (2005), 3 (2006)	<b>19 (2005), 15 (2006)</b>
Thailand	7 (2005), 8 (2006)	4 (2005), 8 (2006)	5	4 (2005), 2 (2006)	5	<b>25 (2005), 28 (2006)</b>
Vietnam	1 (2005)	2 (2006)	3 (2005), 1 (2006)	2 (2005), 1 (2006)	2 (2006)	<b>6</b>

Note: 1. The entries in the parentheses are the respective years. Figures with no parentheses imply the same number of commodities in both years. 2. There was no eligible import for Brunei.

<sup>1</sup> The algebraic formula used for the purpose is (Import of commodity A by China from a particular ASEAN country in year 2005)/ (Total import of commodity A by China in year 2005). The shares (in per cent) have been computed for both 2005 and 2006.

Table 4 gives an idea about the penetration achieved by different exports from ASEAN countries in the Chinese market. There are some products like straw fluting paper (480512) from Indonesia, other textile materials (620729) from Philippines, accessories made of rubber used in aircraft (401213) from Singapore, broken rice (100640) and cane molasses (170310) from Thailand, which are entirely imported by China from these countries.

## The Country-wise and Product-wise Import Profile

We begin our analysis of the country-wise product-specific import profiles with a look at Chinese oil (crude oil as well as petroleum product) imports from the ASEAN countries. This is shown in Table 5A.

**Table 5A : Oil Imports from ASEAN**

Partner Country	Crude oil imports (in US \$ mn)	Petroleum product imports (in US \$ mn)	Total (in US \$mn)	Total imports from partner countries (in US \$ mn)	Value of Non-oil imports from partner countries (in US \$ mn)	% share of oil imports in total imports
Brunei Darussalam	207,626.375	¾	207,626.375	207,728.150	101.775	99.95
Cambodia	¾	¾	0	27,304.920	27,304.920	0.00
Indonesia	1,592,097.626	305961.644	1,898,059.270	8,436,960.169	6,538,900.899	22.50
India	¾	51620.239	51620.239	9,766,216.269	9,714,596.030	0.53
Laos	¾	¾	0	25,545.083	25,545.083	0.00
Malaysia	149,641.299	304773.103	454,414.402	20,093,205.062	19,638,790.660	2.26
Myanmar	¾	33.830	33.830	274,395.422	274,361.592	0.01
Philippines	49,001.619	20652.593	69,654.212	12,869,688.589	12,800,034.377	0.54
Singapore	¾	2195953.751	2195953.751	16,514,595.725	14,318,641.974	13.30
Thailand	509,120.267	221654.413	730,774.680	13,991,887.187	13,261,112.507	5.22
Vietnam	1,290,072.371	2396.826	1,292,469.197	2,552,837.945	1,260,368.748	50.63

While almost the entire Chinese imports from Brunei are oil imports, half of Vietnamese exports to China are oil products. Indonesia and Singapore are the two countries, from which China imports large chunks of oil products. However, from Singapore it obtains only petroleum products, while from Indonesia it gets both crude oil and petroleum.

We now turn our attention to the leading imports from each ASEAN country. We define 'leading' imports as those imports which are in the top ten items in value terms. We show this in Table 5B for the year 2005.

**Table 5B: Country-wise top ten Chinese Imports from its top five ASEAN destinations**

Product Code	Product Description	Trade Value (in US \$ thousands)
270900	Petroleum oils and oils obtained from bituminous minerals, crude.	1592097.626
847170	Storage units	652883.749
470329	Nonconiferous	643853.514
151190	Other	540908.358
291736	Terephthalic acid and its salts	406557.684
400122	Technically Specified Natural Rubber (TSNR)	338427.783
271019	Other	228899.466
847330	Parts and accessories of the machines of heading 84.71	138292.326
440729	Other	138085.569
260300	Copper ores and concentrates.	125139.078
<b>Top Ten Chinese Imports from Malaysia at the ITC HS 6-digit level in 2005</b>		
854221	Digital	7206012.635
854229	Other	1424622.159
151190	Other	1196459.964
854260	Hybrid integrated circuits	1028219.455
847330	Parts and accessories of the machines of heading 84.71	594615.981
847170	Storage units	554762.796
400122	Technically specified natural rubber (TSNR)	514409.819
854121	With a dissipation rate of less than 1 W	321824.543
852990	Other	310790.583
854129	Other	249204.084
<b>Top Ten Chinese Imports from Philippines at the ITC HS 6-digit level in 2005</b>		
854221	Digital	6,224,058.88
847170	Storage units	1,888,364.73
854229	Other	1,094,062.96
854260	Hybrid integrated circuits	616,106.75
901380	Other devices, appliances and instruments	288,657.11
847330	Parts and accessories of the machines of heading 84.71	237,676.49

Product Code	Product Description	Trade Value (in US \$ thousands)
440729	Other	138085.569
260300	Copper ores and concentrates.	125139.078
<b>Top Ten Chinese Imports from Malaysia at the ITC HS 6-digit level in 2005</b>		
854221	Digital	7206012.635
854229	Other	1424622.159
151190	Other	1196459.964
854260	Hybrid integrated circuits	1028219.455
847330	Parts and accessories of the machines of heading 84.71	594615.981
847170	Storage units	554762.796
400122	Technically specified natural rubber (TSNR)	514409.819
854121	With a dissipation rate of less than 1 W	321824.543
852990	Other	310790.583
854129	Other	249204.084
<b>Top Ten Chinese Imports from Philippines at the ITC HS 6-digit level in 2005</b>		
854221	Digital	6,224,058.88
847170	Storage units	1,888,364.73
854229	Other	1,094,062.96
854260	Hybrid integrated circuits	616,106.75
901380	Other devices, appliances and instruments	288,657.11
847330	Parts and accessories of the machines of heading 84.71	237,676.49
852990	Other	220,430.04
740311	Cathodes and sections of cathodes	189,881.42
847150	Digital processing units other than those of subheading 8471.41 or 8471.49, whether or not containing in the same housing one or two of the following types of unit : storage units, input units, output units	186,564.93
854121	With a dissipation rate of less than 1 W	148,178.00
<b>Top Ten Chinese Imports from Singapore at the ITC HS 6-digit level in 2005</b>		
854221	Digital	2,954,401.60
271019	Other	2,034,673.06



Product Code	Product Description	Trade Value (in US \$ thousands)
847170	Storage units	1,365,514.39
854229	Other	631,050.48
847330	Parts and accessories of the machines of heading 84.71	553,454.05
852990	Other	495,550.46
854260	Hybrid integrated circuits	392,527.36
841861	Compression type units whose condensers are heat exchangers	375,362.20
852320	Magnetic Discs	325,288.23
390190	Other	309,816.15
<b>Top Ten Chinese Imports from Thailand at the ITC HS 6-digit level in 2005</b>		
847170	Storage units	2,612,725.12
854221	Digital	964,927.47
847330	Parts and accessories of the machines of heading 84.71	799,980.94
854229	Other	691,235.80
270900	Petroleum oils and oils obtained from bituminous minerals, crude.	509,120.27
390740	Polycarbonates	351,586.73
71410	Manioc (cassava)	341,252.09
400122	Technically specified natural rubber (TSNR)	331,801.90
291736	Terephthalic acid and its salts	306,788.38
400121	Smoked sheets	281,071.95

*Source: WITS*

# 2

## CHAPTER

### China's Imports from India

During 2005 and 2006, China imported 2654 items from India at the 6-digit level of ITC classification. The values of such imports amounted to USD 9,766,216.27 and USD10,277,458.54 respectively. As a proportion of total ASEAN imports into China, Indian imports were 10.91 % and 11.48 % of such imports respectively, during the years 2005 and 2006.

In value-terms, Indian imports to China were more than those from Indonesia during these two years. However, they were lower than the value of imports from Malaysia, Philippines, Singapore and Thailand. On the other hand, in terms of number of items imported by China, India was behind only to Singapore and Thailand from among the ASEAN countries. This clearly shows that a large number of Indian exports are already making their presence felt in the Chinese market.

The main Indian imports into China are shown in Appendix C.I.

Like we did for ASEAN exports to China in the earlier section, here also, we tried to identify those Indian exports that have shares of more than 50 per cent in total export of those items to China. The results are given in Table 6.

**Table 6: Indian Export Items having Shares of 50 % or More in Total Chinese Imports of Such Items**

Product Code	Product Description	Value in US Dollar thousands	Percentage share	Value in US Dollar thousands	Percentage share
840590	Parts	21097.98	82.59	26406.37	95.72
840510	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers	-	-	103984.15	50.01
740312	Wirebars	435.86	58.28	-	-
730511	Longitudinally submerged arc welded	-	-	14537.94	61.18
710210	Unsorted	2301.95	85.95	-	-
701200	Glass inners for vacuum flasks or for other vacuum vessels	1472.49	76.08	1300.55	68.14
670300	Human hair, dressed, thinned, bleached or otherwise worked; wool or other animal hair or other textile materials, prepared for use in making wigs or the like.	95927.73	53.75	130148.16	57.34
630229	Of other textile materials	114.86	74.38	-	-
630222	Of manmade fibres	162.75	88.48	-	-
620819	Of other textile materials	2.09	72.16	-	-
570390	Of other textile materials	517.63	59.73	-	-
570299	Of other textile materials	533.82	53.64	407.32	82.72
570249	Of other textile materials	273.08	71.09	119.75	88.35
570231	Of wool or fine animal hair	-	-	41.98	87.64
570220	Floor coverings of coconut fibres (coir)	105.04	74.39	121.95	85.87

Product Code	Product Description	Value in US Dollar	Percentage share	Value in US Dollar thousands	Percentage share
520614	Measuring less than 192.31 decitex but not less than 125 decitex (exceeding 52 metric number but not exceeding	787.17	59.92	832.43	67.20
520526	Measuring less than 125 decitex but not less than 106.38 decitex (exceeding 80 metric number but not	3156.35	52.18	-	-
330125	Of other mints	13124.70	74.54	16693.72	69.25
294140	Chloramphenicol and its derivatives; salts	-	-	9.38	100.00
293959	Other	0.04	100.00	-	-
293919	Other	868.43	89.45	1598.65	95.32
293739	Other	-	-	9.92	100.00
293712	Insulin and its salts	-	-	170.59	98.83
292243	Anthranilic acid and its salts	-	-	249.82	55.04
292214	Dextropropoxyphene (INN) and its salts	13.85	100.00	14.44	83.64
292145	1-Naphthylamine (alpha-naphthylamine), 2-naphthylamine (beta-naphthylamine) and their derivatives; salts	147.32	50.73	-	-
292142	Aniline derivatives and their salts	-	-	8519.95	55.49
292010	Thiophosphoric esters (phosphorothioates) and their salts; their halogenated, sulphonated, nitrated or nitrosated	972.05	62.40	-	-
291634	Phenylacetic acid and its salt	332.56	82.52	573.57	55.34
291620	Cyclanic, cyclenic or cycloterpenic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacid	-	-	21901.59	59.03

Product Code	Product Description	Value in US Dollar	Percentage share	Value in US Dollar thousands	Percentage share
291249	Other	15760.08	57.25	13729.13	64.66
290611	Menthol	60737.54	95.60	65693.56	88.90
290490	Other	7260.53	57.93	8359.43	63.44
283800	Fulminates, cyanates and thiocyanates.	541.38	64.32	566.47	58.95
283190	Other	461.41	71.42	549.12	81.73
252510	Crude mica and mica rifted into sheets or splittings	6545.62	90.25	8492.01	93.35
250100	Salt (including table salt and denatured salt) and pure sodium chloride, whether or not in aqueous solution or containing added anticaking or freeflowing agents; sea water.	151714.45	52.65	-	-
240399	Other	180.93	99.79	150.76	85.67
230690	Other	493.43	78.79	153.56	77.58
230649	Other	9914.30	100.00	30543.11	98.85
230641	Of low erucic acid rape or colza seeds	323.56	100.00	-	-
230500	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of groundnut	14133.30	100.00	17462.37	100.00
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soyabean	49314.71	85.69	151262.92	74.89
230250	Of leguminous plants	134.12	96.57	3.84	75.00
230240	Of other cereals	-	-	9.81	91.75
151530	Castor oil and its fractions	55713.35	97.74	63244.41	98.22
130110	Lac	1398.05	69.07	-	-
120890	Other	-	-	26.37	49.95
110610	Of the dried leguminous vegetables of heading	2560.79	94.53	2947.73	87.98

Source: WITS

# 3

## CHAPTER

### A Comparison between ASEAN and Indian imports to China

A detailed analysis of Chinese imports from different ASEAN countries and India is given in Appendices D.I - D.X. These are the common items being exported by both ASEAN countries and India to China.

As we have mentioned earlier, Indonesia, Malaysia, Philippines, Thailand and Singapore are the top five import destinations for China among the ASEAN. A comparison of the leading imports (top ten imports value-wise) made by China from these countries vis-à-vis those from India can provide a clear illustration of the comparative profiles of leading imports. This is shown in

Table 7 below.

**Table 7: Country-wise Comparison of top 10 Imports to China during 2006**

	Indonesia
Product Code	Product Description
847170	Storage units
470329	Nonconiferous
400122	Technically Specified Natural Rubber (TSNR)
291736	Terephthalic acid and its salts
271019	Other
260600	Aluminium ores and concentrates.
270112	Bituminous coal
847330	Parts and accessories of the machines of heading 84.71
740819	Other
151620	Vegetable fats and oils and their fractions

	Malaysia
Product Code	Product Description
854221	Digital
854229	Other
854260	Hybrid integrated circuits
400122	Technically specified natural rubber (TSNR)
847330	Parts and accessories of the machines of heading 84.71
271019	Other
847170	Storage units
854121	With a dissipation rate of less than 1 W
852990	Other
854129	Other
	Philippines
Product Code	Product Description
854221	Digital
847170	Storage units
854229	Other
854260	Hybrid integrated circuits
852990	Other
847330	Parts and accessories of the machines of heading 84.71
740400	Copper waste and scrap
740311	Cathodes and sections of cathodes
760200	Aluminium waste and scrap
854129	Other
	Singapore
Product Code	Product Description
854221	Digital
271019	Other
847170	Storage units
854229	Other
847330	Parts and accessories of the machines of heading 84.71
852990	Other
854260	Hybrid integrated circuits
841861	Compression type units whose condensers are heat exchangers
390190	Other
390210	Polypropylene

Thailand	
Product Code	Product Description
847170	Storage units
854221	Digital
847330	Parts and accessories of the machines of heading 84.71
291736	Terephthalic acid and its salts
854229	Other
400122	Technically Specified Natural Rubber (TSNR)
390740	Polycarbonates
400121	Smoked sheets
852990	Other
100630	Semi-milled or wholly milled rice, whether or not polished or glazed
India	
Product Code	Product Description
260111	Nonagglomerated
740311	Cathodes and sections of cathodes
281820	Aluminium oxide, other than artificial corundum
710239	Other
390120	Polyethylene having a specific gravity of 0.94 or more
290241	oXylene
390210	Polypropylene
260800	Zinc ores and concentrates.
290531	Ethylene glycol (ethanediol)
670300	Human hair, dressed, thinned, bleached or otherwise worked; wool or other animal hair or other textile materials, prepared for use in making wigs or the like.

Source: WITS



The following points can be noted from Table 7:

1. There are three product categories at the 2-digit level that are leading exports to China for India and Indonesia. These are ores, slag and slash (26 : 260600 from Indonesia and 260111 from India), organic chemicals (29 : 291736 from Indonesia and 290241 & 290531 from India) and copper and copper articles thereof (74 : 740819 from Indonesia and 740311 from India).
2. There are no common leading exports between India and Malaysia at the 2-digit level.
3. There is one common leading export between India and Philippines, to China, at the 2-digit level. This is copper and copper articles thereof (74). Interestingly, at a further disaggregated 6-digit level, copper cathodes and sections (740311) are leading exports to China from both countries. In addition, 740400 is a leading export from Philippines.
4. India and Singapore have one common leading export at the 2-digit level - plastic and plastic articles (39). Within this category, like between India and Philippines, India and Singapore have a common lead export at the 6-digit too - 390210 (polypropylene). Singapore has another item from this category (390190), which figures among its leading Chinese exports.
5. Organic chemicals (29) are common leading exports from India (290241, 290531) and Thailand (291736) to China. Another common group of leading exports from the two countries is plastics and articles (39 – 390120 and 390210 from India and 390740 from Thailand).

While Table 7 and our observations from 1 to 5 pertain to the leading imports made by China both from ASEAN countries and India, we have also prepared a list of Chinese imports that are not common between India and China. Essentially, this is a compilation of those Chinese imports that are being exported by different ASEAN countries to China, but are not being exported by India. These are shown in Appendices D.XI-D.XXX. The data has been compiled for both 2005 and 2006.

# 4

CHAPTER

## Indian SME Export

The main thrust of this report is on identifying the commodities manufactured by Indian small and medium industries that have good export potential for the Chinese market. In the earlier sections, we have indicated the current pattern of Indian exports to China (Appendix C.I). We have also identified those export items from India to China that occupy more than 50 per cent shares in the total imports of such items by China. These are arguably the main exports from India to China now (2005 and 2006) in terms of market shares.

Ideally, we would have liked to identify those export items from India to China that are being manufactured by India's small scale sector. However, limitations in existing data system constrain us from identifying these items. The export estimates for India's small scale sector is available only at a broad 2-digit level. There is no secondary data source that gives information on India's SSI exports at a further disaggregated level.

In this section, we first give a broad profile of exports from India's SSI sector. This can be seen in Table 8.

**Table 8: Exports from India's SSI**

Product Group	Total Exports (Rs crore)		Share of SSI Sector		SSI Share (%)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Engineering Goods	71411	90106.00	23561.00	30097.00	32.99	33.40
Basic Chem. Pharmaceutical & Cosmetic Products	31121	18920.00	13851.96	8421.29	44.51	44.51
Chemical & Allied Products	33525.61	41422.63	14248.38	17604.62	42.50	42.50
Plastic Products	8716.89	11717.91	3632.33	4882.85	41.67	41.67
Finished Leather & Leather Products	10691.2	11763.01	7437.87	8344.86	69.57	70.94
Marine Products	6646.69	7245.30	3411.86	3372.02	51.33	46.54
Processed Foods	16254.89	17880.38	11378.42	12516.26	70.00	70.00
Wool & Woolen Products	1855.95	2098.27	1763.15	2098.27	95.00	100.00
Sports Goods	395.1	456.97	395.10	456.97	100.00	100.00
Readymade Garments	24719.06	38193.09	22247.15	34373.78	90.00	90.00
Synthetic & Rayon Textile	9681.19	10649.31	1839.43	2129.86	19.00	20.00
Processed Tobacco, Bidi & Snuff	1362.18	1413.47	986.65	907.99	72.43	64.24
Processed Tobacco, Bidi & Snuff	1362.18	1413.47	986.65	907.99	72.43	64.24
Electronics & Computers	85300	114625	16147.29	21698.51	18.93	18.93
Cashew	2717.15	2514.86	2717.15	2514.86	100.00	100.00
Lac	165.88	159.62	165.88	159.62	100.00	100.00
Spices	2200	2295.25	632.94	663.26	28.77	28.90
Total	-----	-----	124416.56	150242.03		

Export performance during 2004-05		Export performance during 2005-06	
Total Exports of the country-	375339.52	Total Exports of the country-	456417.88
Exports from SSI Sector	124416.56	Exports from SSI Sector	150242.03
Share of SSI in Total Exports of the Country	33.15	Share of SSI in Total Exports of the Country	32.92
Growth of SSI Exports over the previous year	27.42 %	Growth of SSI Exports over the previous year	20.76
Growth of Total Exports of the Country	27.94 %	Growth of Total Exports of the Country	21.60
-Source: Ministry of Commerce & Industry		-Source: Ministry of Commerce & Industry	

The following points are to be noted from Table 8:

1. In 2005-06, all Indian exports of wool and woolen products, sports goods, cashew and lac were from the SSI sector.
2. In the same year, more than 50 per cent of Indian exports of finished leather and leather products, processed foods, readymade garments, and processed tobacco, bidi and snuff, were also from the SSI sector.

The broader picture for exports from India's SSI sector shows that the small-scale contributes significantly in export of textiles (wool and woolen products and readymade garments), sports goods, cashew, lac, finished leather, processed foods and processed tobacco. We don't see any of these figuring in the list of leading exports from India to China as shown in Table 7.

As far as Indian export items that comprise more than 50 per cent of Chinese imports of those particular imports are concerned (Table 6), some items from the group 'other made-up textile articles' (63), figure in the list. These are 630222 (bed linen, table linen, toilet linen and kitchen linen of man-made fibre), 630229 (bed linen, table linen, toilet linen and kitchen linen of other textile material). The item 620819 (Women's or girls' slips and petticoats of textile materials (excluding man-made fibres, knitted or crocheted and vests)) also figures in the list<sup>1</sup>.

Another item, which features on this list, is natural lac (130110). From among tobacco products (24), item 240399 (Chewing tobacco, snuff and other manufactured tobacco and manufactured tobacco substitutes, and tobacco powder, tobacco extracts and essences (excluding cigars, cheroots, cigarillos and cigarettes, smoking tobacco whether or not containing tobacco substitutes in any proportion, "homogenized" or "reconstituted" tobacco, nicotine extracted from the tobacco plant and insecticides manufactured from tobacco extracts and essences)), is also on the list. We do not find any leather products (product codes 41 and 42) figuring in the list of items shown in Table. Among wool and woolen products, 570231 (of wool or animal hair) figures among exports with more than 50% share for the year 2006.

A comparison of India's export items having more than 50 per cent shares in total exports of such items to China (Table 6) with the segments where India's small scale enterprises figure dominantly in total Indian exports (Table 8), also identifies the above mentioned items in textiles, lac, tobacco and wool segments. These, therefore might be the current Indian export items with high market shares to China that have significant contributions from India's small scale enterprises.

This is, however, not to suggest that small scale exports from India in other product categories are not finding their way into China. Indeed, on the basis of information provided by the Federation of Small and Medium Enterprises (FISME) (Appendix E.I and E.II), we have an idea of the nature of exports moving to China. From these detailed firm-level information, we have compiled the broad product categories from Indian SMEs that are currently being exported to China (Table 9).

---

<sup>1</sup> All the three figure in the list for the year 2005. See table 6.

**Table 9: Indian SME Exports to China : 2005-06 and 2006-07**

Products	Value (in U.S. Dollars)	Share
<b>2005-06</b>		
Chemicals and Allied Products	106268.6	0.005
Electronic Products	7424203.74	0.364
Engineering Products	11737471.1	0.576
Food Products	234996.9	0.012
Handicrafts	41710.8265	0.002
Leather Products	82864.41203	0.004
Miscellaneous	17018.61185	0.001
Textiles	736070.2672	0.036
<b>Total</b>	<b>20380604.46</b>	<b>1</b>
<b>2006-07</b>		
Electronic Products	694450.96	0.290
Engineering Products	56895.5	0.024
Food Products	272527.7	0.114
Handicrafts	232199.35	0.097
Leather Products	116020.25	0.049
Miscellaneous	43228.15	0.018
Textiles	975439.892	0.408
<b>Total</b>	<b>2390761.802</b>	<b>1</b>

Source: FISME

The following points on Table 9 may be noted:

1. During 2005-06, electronic products (36.4%) and engineering products (57.6%) were the two main exports. During 2006-07, however, textiles emerged as the main exports (40.8%), followed by engineering products (29%) and food products (11.8%).
2. A comparison with Table 8 shows that among those Indian exports that have a predominant SME presence, leather, food and textiles products are moving to China. Due to lack of disaggregated data on SME exports, it is not possible to compare which items among these groups are being exported more.

The available evidence examined till now, however, presents an interesting possibility. In engineering products exports, for example, during 2005-06, the small scale accounted for 33.4% of total Indian exports. In the same year, engineering products comprised 57.6% of total SME exports from India to China. Is it possible then that in segments like engineering exports, despite relatively low presence of small scale compared with textiles and garments, China is a key destination for the existing SME exporters compared with the other world markets? This might be so for electronics too. Data limitations constrain us from arriving at a satisfactory conclusion on this possibility. However, the possibilities are indeed worth examining further.

# 5 CHAPTER

## Competitiveness Analysis

In this section we attempt an analysis of the relative competitiveness of exports from India and ASEAN countries to China.

The Revealed Comparative Advantage (RCA) is a commonly applied method for computing the relative comparative advantage that a country has in exporting a particular product vis-à-vis its competitors. In this section, we try to examine the kind of comparative advantages that India has in exporting different products to China vis-à-vis other ASEAN countries exporting the same products to China.

We computed RCA's at the ITC HS 2-digit level product classification by employing the Balassa Index. Due to data limitations we could do this only at the 2-digit level and also for four ASEAN countries – Malaysia, Singapore, Thailand and Vietnam. Within all ITC-HS 2-digit product categories, we selected those where exports from Indian SMEs are taking place. This has been done after comparing ITC-HS product categories with those in Table 8.

Our detailed computations are given in Appendix F.I. A particular country enjoys greater comparative advantage in the export of a particular product if it has a RCA of more than 1. Between two countries exporting the same commodity, if both have RCAs greater than 1, then the one with higher RCA is the more efficient exporter of that product.

From the larger list of commodities at the 2-digit level (Appendix F.I), we have collected those exports to China that are common between India and Malaysia, Singapore, Thailand and Vietnam (bilaterally between each country and India) and the ones where Indian RCAs are more than 1. Thereafter, we have compared the RCAs for these products between India and these four countries for identifying the relative competitiveness of the Indian exports. We present these results on a bilaterally comparable basis in Tables 10-14. The RCA values shown in these tables are three-year averages for the period 2004-2006.

**Table 10: Average RCA between India and Malaysia**

<b>Product Code ITC HS 2-digit</b>	<b>Product name</b>	<b>India</b>	<b>Malaysia</b>
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	10.76	0.06
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	6.89	0.17
9	COFFEE, TEA, MAT AND SPICES	5.96	0.26
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	3.61	0.26
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER	3.44	0.39
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)	3.20	0.08
55	MAN-MADE STAPLE FIBRES	3.16	0.56
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES	2.82	0.72
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	2.71	0.49
54	MAN-MADE FILAMENTS	2.66	1.32
36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS	2.44	0.16
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	2.39	0.06
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	1.85	0.14

64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	1.62	0.20
29	ORGANIC CHEMICALS	1.62	0.60
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	1.47	0.46
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	1.29	0.67
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY	1.22	0.14
17	SUGARS AND SUGAR CONFECTIONERY	1.16	0.39
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	1.10	0.32
38	MISCELLANEOUS CHEMICAL PRODUCTS	<b>1.02</b>	<b>1.39</b>
<b>Note: The figures in bold correspond to the commodities where India can improve its comparative advantage</b>			

Except for miscellaneous chemical products (38), India is more competitive than Malaysia in all the other 20 product groups in Table 10.



**Table 11: Average RCA between India and Singapore**

<b>Product Code ITC HS 2-digit</b>	<b>Product name</b>	<b>India</b>	<b>Singapore</b>
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	10.76	0.30
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	6.89	0.13
9	COFFEE, TEA, MAT AND SPICES	5.96	0.47
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	3.61	0.17
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER	3.44	0.15
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)	3.20	0.24
55	MAN-MADE STAPLE FIBRES	3.16	0.30
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES	2.82	0.29
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	2.71	0.52
54	MAN-MADE FILAMENTS	2.66	0.26
36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS	2.44	0.44
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	2.39	0.21
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	1.85	0.08

64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	1.62	0.13
29	ORGANIC CHEMICALS	<b>1.62</b>	<b>2.02</b>
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	1.47	1.02
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	1.29	0.78
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY	1.22	0.29
17	SUGARS AND SUGAR CONFECTIONERY	1.16	0.13
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	1.10	0.18
38	MISCELLANEOUS CHEMICAL PRODUCTS	1.02	0.98
<b>Note: The figures in bold correspond to the commodities where India can improve its comparative advantage</b>			

Other than organic chemicals (29), India is more competitive than Singapore in all other 20 categories of Table 11.

**Table 12: Average RCA between India and Thailand**

<b>Product Code ITC HS 2-digit</b>	<b>Product name</b>	<b>India</b>	<b>Thailand</b>
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	10.76	0.73
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	6.89	0.76
9	COFFEE, TEA, MAT AND SPICES	5.96	0.21
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	3.61	1.09
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER	3.44	1.58
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)	3.20	0.84
55	MAN-MADE STAPLE FIBRES	<b>3.16</b>	<b>3.25</b>
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES	<b>2.82</b>	<b>3.55</b>
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	2.71	1.56
54	MAN-MADE FILAMENTS	2.66	1.40
36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS	2.44	0.39
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	2.39	1.12
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	1.85	0.63

64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	1.62	1.23
29	ORGANIC CHEMICALS	<b>1.62</b>	<b>0.63</b>
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	1.47	0.33
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	1.29	0.28
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY	1.22	1.19
17	SUGARS AND SUGAR CONFECTIONERY	<b><i>1.16</i></b>	<b><i>3.63</i></b>
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	1.10	0.24
38	MISCELLANEOUS CHEMICAL PRODUCTS	1.02	0.23
<b>Note: The figures in bold correspond to the commodities where India can improve its comparative advantage and in bold italic where India has a comparative disadvantage.</b>			

India is less competitive than Thailand in 2 categories (03 - fish and crustaceans, molluscs and other aquatic invertebrates and 17 – sugars and sugar confectionary) and more competitive in 18 other categories of Table 12.

**Table 13: Average RCA between India and Vietnam**

<b>Product Code ITC HS 2-digit</b>	<b>Product name</b>	<b>India</b>	<b>Vietnam</b>
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	10.76	1.13
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	6.89	2.81
9	COFFEE, TEA, MAT?? AND SPICES	<b>5.96</b>	<b>20.66</b>
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	<b>3.61</b>	<b>6.79</b>
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER	3.44	0.12
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)	3.20	3.15
55	MAN-MADE STAPLE FIBRES	3.16	1.51
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES	<b>2.82</b>	<b>15.91</b>
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	<b>2.71</b>	<b>5.07</b>
54	MAN-MADE FILAMENTS	2.66	0.92
36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS	2.44	0.15
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	2.39	0.43
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	<b>1.85</b>	<b>4.40</b>

64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	<b>1.62</b>	<b><i>15.22</i></b>
29	ORGANIC CHEMICALS	1.62	0.09
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	1.47	0.05
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	<b>1.29</b>	<b>1.80</b>
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY	1.22	0.58
17	SUGARS AND SUGAR CONFECTIONERY	1.16	0.26
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	1.10	0.05
38	MISCELLANEOUS CHEMICAL PRODUCTS	1.02	0.11
<b>Note: The figures in bold correspond to the commodities where India can improve its comparative advantage and in bold italic where India has a comparative disadvantage. The average RCA of Vietnam is calculated using the RCA's in 2004 and 2005.</b>			

There are seven groups where Vietnam is more competitive than India. These are: 03- fish and crustaceans, molluscs and other aquatic invertebrates; 08- edible fruit and nuts; peel of citrus fruits or melons; 09 - coffee, tea, mat and spices; 24 - tobacco and manufactured tobacco substitutes; 61 - articles of apparel and clothing accessories, knitted or crocheted; 62- articles of apparel and clothing accessories, not knitted or crocheted and 64 - footwear, gaiters and the like; parts of such articles. In the other 14 categories of Table 13, India is more competitive than Vietnam.

The bilateral competitiveness profiles shown in Tables 10-13 indicate that India is more competitive than Malaysia, Singapore, Thailand and Vietnam in 9 product groups. These are:

1. 13 (lac; gums, resins and other vegetable saps and extracts).
2. 23 (residues and waste from the food industries; prepared animal fodder).
3. 28 (inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes).

4. 32 (tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks).
5. 41 (raw hides and skins (other than furskins) and leather).
6. 42 (articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)).
7. 54 (man-made filaments)
8. 58 (special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery).
9. 63 (other made-up textile articles; sets; worn clothing and worn textile articles; rags).

In all the nine 2-digit product categories, India's RCAs are more than 1 and higher than those of Malaysia, Singapore, Thailand and Vietnam during 2003-2005.

On the basis of the evidence gathered so far, we try probing deeper for obtaining some insights at more disaggregated level. We decompose the nine broad groups mentioned above into specific 6-digit level sub-categories. Thereafter, we try to identify products at the 6-digit level that are being currently exported to China by India along with one or more of the four ASEAN countries mentioned in our analysis. We also try to identify those products that are being exported to China only by India and none of the other four. The results are shown in Table 14.

**Table 14: India's current and relatively more competitive exports (6-digit level) to China and Malaysia, Singapore, Thailand and Vietnam.**

Product code at two digit level	Product code	Malaysia	Singapore	Thailand	Vietnam
13	130110				
	130190				
	130219				
	130232				
	130239				
63	630120				
	630130				
	630140				
	630190				
	630210				
	630221				
	630222				
	630229				
	630231				
	630232				

	630239				
	630240				
	630251				
	630259				
	630260				
	630291				
	630299				
	630311				
	630319				
	630391				
	630392				
	630399				
	630411				
	630419				
	630491				
	630492				
	630493				
	630499				
	630539				
	630699				
	630720				
	630790				
	631010				
	631090				
23	230250				
	230400				
	230500				
	230641				
	230649				
	230690				
	230990				
42	420100				
	420211				
	420212				
	420221				



	420222				
	420231				
	420232				
	420291				
	420292				
	420310				
	420321				
	420329				
	420330				
	420340				
	420500				
54	540110				
	540120				
	540210				
	540232				
	540233				
	540239				
	540241				
	540242				
	540249				
	540261				
	540262				
	540331				
	540410				
	540710				
	540742				
	540751				
	540752				
	540761				
	540769				
	540771				
	540772				
	540773				
	540774				
	540781				



	540782				
	540783				
	540792				
	540793				
	540794				
	540821				
	540822				
	540823				
	540832				
	540833				
41	410310				
	410411				
	410419				
	410441				
	410449				
	410530				
	410621				
	410622				
	410632				
	410692				
	410711				
	410712				
	410719				
	410791				
	410792				
	410799				
	411200				
	411310				
	411320				
	411330				
	411390				
	411410				
	411420				
	411510				
	411520				

32	320110				
	320190				
	320210				
	320290				
	320300				
	320411				
	320412				
	320413				
	320414				
	320415				
	320416				
	320417				
	320419				
	320420				
	320490				
	320500				
	320611				
	320619				
	320620				
	320630				
	320641				
	320642				
	320643				
	320649				
	320650				
	320710				
	320720				
	320730				
	320810				
	320890				
	320910				
	320990				
	321000				
	321100				
	321210				



	321290				
	321390				
	321410				
	321490				
	321511				
	321519				
	321590				
58	580135				
	580190				
	580230				
	580390				
	580410				
	580421				
	580429				
	580500				
	580610				
	580620				
	580631				
	580632				
	580639				
	580710				
	580790				
	580810				
	580890				
	581091				
	581092				
	581099				
28	280130				
	280200				
	280300				
	280461				
	280490				
	280910				
	281119				
	281122				

	281129				
	281610				
	281810				
	281820				
	281910				
	282110				
	282510				
	282560				
	282590				
	282732				
	282739				
	282760				
	282810				
	282919				
	283090				
	283190				
	283210				
	283319				
	283322				
	283329				
	283330				
	283429				
	283523				
	283524				
	283670				
	283699				
	283800				
	283990				
	284190				
	284210				
	284290				
	284440				
	284700				
	284990				
	285000				



From Table 14, we identify the following twenty-five 6-digit items, which, during 2003-2005, were exported to China only by India and not by any of the four other ASEAN countries:

1. **230250** (Bran, sharps and other residues of leguminous plants, whether or not in the form of pellets, derived from sifting, milling or other working)
2. **230400** (Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil)
3. **230500** (Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil)
4. **230641** (Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content of  $< 2\%$  and yielding a solid component of glucosinolates of  $< 30$  micromoles/g")
5. **230649** (Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of high erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content of  $\geq 2\%$  and yielding a solid component of glucosinolates of  $\geq 30$  micromoles/g")
6. **230690** (Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils (excl. of cotton seeds, linseed, sunflower seeds, rape or colza seeds, coconut or copra, palm nuts or kernels, maize "corn" germ, or from the extraction of soya-bean oil or ground-nut oil)
7. **280130** (Fluorine; bromine)
8. **280490** (Selenium)
9. **280910** (Diphosphorus pentaoxide)
10. **282919** (Chlorates (excluding sodium))
11. **283090** (Sulphides (excl. sodium, zinc and cadmium); polysulphides, whether or not chemically defined)
12. **283190** (Dithionites and sulfoxylates (excluding sodium))
13. **283670** (Lead carbonates)
14. **284440** (Radioactive elements, isotopes and compounds, and alloys and dispersions, including cermets, ceramic products and mixtures, containing these elements, isotopes and compounds; radioactive residues (excluding natural uranium, uranium enriched and depleted in Uranium-235; plutonium, thorium and compounds of these products)
15. **320110** (Quebracho extract), 320730 (Liquid lustres and similar preparations of the kind used in the ceramic, enamelling or glass industry)

16. **410310** (Raw hides and skins of goats or kids, fresh or salted, dried, limed, pickled or otherwise preserved, whether or not dehaired or split (excluding parchment-dressed and hides and skins of goats or kids from Yemen, Mongolia or Tibet))
17. **410621** (Hides and skins of goats or kids, in the wet state "incl. wet-blue", tanned, without wool on, whether or not split (excluding further prepared and pre-tanned only))
18. **580390** (Gauze (excluding that of cotton and narrow woven fabrics of heading 5806))
19. **630120** (Blankets and travelling rugs of wool or fine animal hair (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404))
20. **630140** (Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404))
21. **630190** (Other blankets and travelling rugs)
22. **630221** (Printed bed-linen of cotton (excluding knitted or crocheted))
23. **630239** (Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or crocheted))
24. **630299** (Toilet linen and kitchen linen of textile materials (excluding of cotton, flax or man-made fibres, floor-cloths, polishing-cloths, dish-cloths and dusters))
25. **630391** (Curtains, including drapes, and interior blinds, curtain or bed valances of cotton (excluding knitted or crocheted, awnings and sunblinds))

**In all these items, Indian exports are more competitive than Malaysia, Singapore, Thailand and Vietnam.** So there is a case for encouraging more exports of these products.

We now take a look at those products that are being exported to China by Malaysia, Singapore, Thailand and Vietnam, but not by India. It must be clarified that these products are being exported by India to the rest of the world. At the same time, these are also the products where India is more competitive than the four ASEAN countries. The results are shown in Table 15. We also look at the products that India along with Malaysia, Thailand, Singapore and Vietnam are not exporting to China, but to the rest of the world.

**Table 15: Exports to China (6-digit level) by Malaysia, Singapore, Thailand and Vietnam, not India**

Product code at two digit level	Product code	Malaysia	Singapore	Thailand	Vietnam
13	130120		√		
	130211				
	130212				
	130220			√	
	130231				√
63	630110		√		
	630252	√			√
	630253	√		√	√
	630292				√
	630293			√	
	630312	√	√	√	
	630510	√			
	630520		√	√	
	630532	√	√	√	√
	630533	√	√	√	√
	630590	√	√	√	√
	630611				
	630612	√		√	
	630619				√
	630621				√
	630622				√
	630629				√
	630631		√		
	630639				
	630641				
	630649				√
	630691				
	630710	√	√	√	√
	630800				



	630900				
36	360100				
	360200				
	360300				
	360410				
	360490		√		
	360500				
	360610				
	360690		√		√
23	230110				
	230120	√		√	√
	230210				
	230220				
	230230		√	√	
	230240	√			
	230310			√	
	230320				√
	230610				
	230620				
	230630				
	230650			√	
	230670				
	230800			√	
	230910			√	
42	420219		√		
	420229		√		
	420239		√		
	420299	√	√	√	
	420400	√	√		
	420610				
	420690				
54	540220	√	√	√	
	540231	√		√	√
	540243	√	√	√	√

	540251	√		√	
	540252	√	√	√	√
	540259		√	√	√
	540269	√	√	√	
	540310				
	540320				√
	540332	√			
	540333				
	540339	√			
	540341	√		√	√
	540342			√	
	540349	√		√	
	540490				
	540500			√	
	540610	√			
	540620		√		
	540720	√		√	√
	540730			√	
	540741	√		√	√
	540743	√		√	√
	540744				
	540753	√		√	
	540754			√	
	540784		√	√	
	540791		√	√	
	540810		√		
	540824		√	√	
	540831			√	
	540834		√	√	√
41	410120				
	410150				
	410190		√		
	410210				
	410221				

	410229				
	410390				√
	410510				
	410631			√	√
	410640				√
	410691		√		
32	320120		√		
	320740	√	√	√	
	320820	√	√	√	√
	321310		√	√	
58	580110		√	√	
	580121	√			
	580122	√	√	√	
	580123		√		
	580124				
	580125	√			
	580126				
	580131				√
	580132			√	
	580133	√	√	√	√
	580134				
	580136		√		
	580211				
	580219			√	
	580220				√
	580310			√	
	580430			√	
	580640		√	√	
	580900	√			
	581010			√	
	581100		√	√	√
28	280110		√		
	280120				
	280410		√		

	280421		√		
	280429		√		
	280430	√	√		
	280440		√		
	280450				
	280469	√			
	280470				
	280480				
	280511				
	280512		√		
	280519	√			
	280540				
	280610		√		
	280620		√		
	280700		√		
	280800		√		
	280920		√	√	
	281000	√	√	√	
	281111		√		
	281121		√		
	281123				
	281210		√		
	281290		√		
	281310				
	281390				
	281410	√			
	281420		√		
	281511	√	√	√	
	281512	√	√	√	
	281520	√	√		
	281530			√	
	281640				
	281700	√	√	√	
	281830		√		

	281990	√	√		
	282010		√		
	282090			√	
	282120	√			
	282200	√			
	282300	√	√	√	
	282410				
	282420				
	282490		√		
	282520	√			
	282530				
	282540	√			
	282550	√			
	282570				√
	282580			√	
	282611		√		
	282612				
	282619		√	√	
	282620				√
	282630				
	282690	√			
	282710	√	√	√	
	282720		√	√	
	282731	√	√		
	282733		√		
	282734		√		
	282735		√		
	282736				
	282741		√		
	282749	√			
	282751		√		
	282759	√	√		
	282890		√	√	
	282911				

	282990			√	
	283010		√		
	283020				
	283030				
	283110		√		
	283220	√	√		
	283230		√		
	283311		√	√	
	283321	√		√	
	283323			√	
	283324	√	√	√	
	283325		√		
	283326		√		
	283327			√	
	283340		√		
	283410	√	√		
	283421	√	√		
	283510	√	√	√	
	283522	√	√	√	
	283525		√		
	283526		√		
	283529	√			
	283531	√	√	√	√
	283539	√	√	√	
	283610		√		
	283620	√	√	√	
	283630		√		√
	283640		√	√	
	283650	√	√	√	√
	283660				
	283691				
	283692				
	283711				
	283719		√		

	283720				
	283911	√	√	√	
	283919	√	√		
	283920	√	√		
	284011		√		
	284019		√		
	284020		√		
	284030		√		
	284110		√		
	284120				
	284130		√		
	284150	√	√		
	284161				
	284169				
	284170		√		
	284180				
	284310		√		
	284321		√		
	284329		√		
	284330				
	284390		√		
	284410				
	284430				
	284590				
	284610		√		
	284690		√		
	284800		√		
	284910				
	284920		√		
	285100	√	√		√

From table 15, we identify the following sixty-nine products that were exported to the rest of the world by India, Malaysia, Singapore, Thailand, and Vietnam during 2004-2006.

1.	130211	(Opium)
2.	130212	(of liquorice)
3.	230110	(Flours, meals and pellets, of meat or meat offal; greaves)
4.	230210	(of maize (corn))
5.	230220	(of rice)
6.	230610	(of cotton seeds)
7.	230620	(of linseed)
8.	230630	(of sunflower seeds)
9.	230670	(of maize (corn) germ)
10.	280120	(Iodine)
11.	280450	(Boron; tellurium)
12.	280470	(Phosphorus)
13.	280480	(Arsenic)
14.	280511	(Sodium)
15.	280540	(Mercury)
16.	281123	(Sulphur dioxide)
17.	281310	(Carbon disulphide)
18.	281390	(Other)
19.	282410	(Lead monoxide (litharge, massicot))
20.	282420	(Red lead and orange lead)
21.	282530	(Vanadium oxides and hydroxides)
22.	282612	(Of aluminium)
23.	282630	(Sodium hexafluoroaluminate (synthetic cryolite))
24.	282736	(Of zinc)
25.	282911	(Of sodium)
26.	283020	(Zinc sulphide)
27.	283030	(Cadmium sulphide)
28.	283660	(Barium carbonate)
29.	283691	(Lithium carbonates)
30.	283692	(Strontium carbonate)
31.	283711	(Of sodium)
32.	283720	(Complex cyanides)
33.	284120	(Chromates of zinc or of lead)
34.	284161	(Potassium permanganate)
35.	284169	(Other)
36.	284180	(Tungstates (wolframates))
37.	284330	(Gold compounds)
38.	284410	(Natural uranium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing natural uranium or natural uranium compounds)



39.	284430	(Uranium depleted in U 235 and its compounds; thorium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing uranium depleted in U 235, thorium or compounds of these products)
40.	284590	(Other)
41.	284910	(Of calcium)
42.	360100	(Propellant powders.)
43.	360200	(Prepared explosives, other than propellant powders.)
44.	360300	(Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators.)
45.	360410	(Fireworks)
46.	360500	Matches, other than pyrotechnic articles of heading 36.04.)
47.	360610	(Liquid or liquefied gas fuels in containers of a kind used for filling or refilling cigarette or similar lighters and of a capacity not exceeding
48.	410120	(Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when drysalted, or 16 kg when fresh, wet salted or otherwise preserved)
49.	410150	(Whole hides and skins, of a weight exceeding 16 kg)
50.	410210	(With wool on)
51.	410221	(Pickled)
52.	410229	(Other)
53.	410510	(In the wet state (including wetblue))
54.	420610	(Catgut)
55.	420690	(Other)
56.	540310	(High tenacity yarn of viscose rayon)
57.	540333	(of cellulose acetate)
58.	540490	(other)
59.	540744	(Printed)
60.	580124	(Warp pile fabrics, épinglé (uncut))
61.	580126	(Chenille fabrics)
62.	580134	(Warp pile fabrics, épinglé (uncut))
63.	580211	(Unbleached)
64.	630611	(of cotton)
65.	630639	(of other textile materials)
66.	630641	(of cotton)
67.	630691	(of cotton)
68.	630800	(Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.)
69.	630900	(Worn clothing and other worn articles.)

Among the above, the following are the items that China did not import from anywhere else in the world in 2005: 130211 (opium), 630900 (worn clothing and other worn articles), 230620 (Of linseed) and 230670 (of maize (corn) germ).

**In all the above 65 items (after excluding 130211, 630900, 230620 and 230670), India is more competitive than its ASEAN neighbours. Since China is not importing these items, as of now, from ASEAN or India, Indian SMEs can look forward to new opportunities in these products in the Chinese market.**

Since these sixty-nine commodities comprise major sources of market access opportunities for Indian manufacturers, it is important to obtain further details on these products. Critical information in this regard will leverage our knowledge - the source countries from where China is exporting these products. We have attempted to do that in Table 16.

**Table 16: Major Source Countries Exporting the 65 Key Products to China for 2005**

Product code	Product code Description	Major exporters to China	Trade Value (in U.S. \$ mn)	Total value of imports from the world (in U.S. \$ mn)	Percentage share
130212	Of liquorice	Turkmenistan	3663.086	6010.953	60.94
		Uzbekistan	723.345	6010.953	12.03
		Japan	623.039	6010.953	10.37
630611	Of cotton	Sweden	38.408	88.819	43.24
		Italy	31.73	88.819	35.72
		Japan	10.654	88.819	12.00
630639	Of other textile materials	USA,PR,USVI	0.929	1.191	78.00
		Netherlands	0.262	1.191	22.00
630641	Of cotton	USA,PR,USVI	0.058	0.071	81.69
		UK	0.013	0.071	18.31
630691	Of cotton	Asia Othr.ns	1.14	1.478	77.13
		USA,PR,USVI	0.283	1.478	19.15
		Japan	0.055	1.478	3.72

630800	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	Japan	208.217	269.284	77.32
		UK	53.501	269.284	19.87
360100	Propellant powders.	USA,PR,USVI	190.775	190.775	100.00
360200	Prepared explosives, other than propellant	USA,PR,USVI	68.829	68.829	100.00
360300	Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators.	Canada	1614.838	4647.629	34.75
		USA,PR,USVI	1320.555	4647.629	28.41
		Australia	500.092	4647.629	10.76
360410	Fireworks	Germany	17.002	20.299	83.76
		China*	3.297	20.299	16.24
360500	Matches, other than pyrotechnic articles of heading 36.04.	Nepal	9.337	16.874	55.33
		Asia Othr.ns	5.516	16.874	32.69
360610	Liquid or liquefied gas fuels in containers of a kind used for filling or refilling cigarette or similar lighters and of a capacity not exceeding 300 cm <sup>3</sup>	USA,PR,USVI	228.265	564.304	40.45
		Korea Rep.	131.62	564.304	23.32
		France+Monac	77.199	564.304	13.68
		Hong Kong	76.63	564.304	13.58

230110	Flours, meals and pellets, of meat or meat offal; greaves	Australia	11630.411	14252.179	81.60
		Uruguay	2461.673	14252.179	17.27
230210	Of maize (corn)	USA,PR,USVI	10.562	18.292	57.74
		Netherlands	7.145	18.292	39.06
230220	Of rice	Japan	0.191	0.191	100.00
230610	Of cotton seeds	Asia Othr.ns	1.197	1.197	100.00
230630	Of sunflower seeds Kazakhstan	493.488	493.488	100.00	
420610	Catgut	France +	11.476	12.463	92.08
		Japan	0.987	12.463	7.92
420690	Other	Japan	22.617	45.135	50.11
		USA,PR,USVI	21.027	45.135	46.59
540310	High tenacity yarn of viscose rayon	China*	896.463	1826.483	49.08
		Japan	323.1	1826.483	17.69
		Hong Kong	184.191	1826.483	10.08
540333	Of cellulose acetate	Japan	10936.043	17887.913	61.14
		USA,PR,USVI	5018.665	17887.913	28.06
540490	Other	Netherlands	6879.137	12985.59	52.98
		Asia Othr.ns	2398.74	12985.59	18.47
540744	Printed	Korea Rep.	1958.441	4358.564	44.93
		Asia Othr.ns	1568.153	4358.564	35.98
410120	Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when drysalted, or 16 kg when fresh, wetsalted or otherwise preserved	Belgium	10684.668	35424.038	30.16
		Uruguay	9977.118	35424.038	28.16
		Kazakhstan	4610.69	35424.038	13.02

410150	Whole hides and skins, of a weight exceeding 16 kg	USA,PR,USVI	612020.234	929871.72	65.82
		Australia	108957.623	929871.72	11.72
		Canada	91818.126	929871.72	9.87
410210	With wool on	Australia	148159.668	193511.152	76.56
		UK	20705.395	193511.152	10.70
410221	Pickled	New Zealand	36815.477	37007.212	99.48
410229	Other	New Zealand	21.872	35.319	61.93
		UK	10	35.319	28.31
410510	In the wet state (including wetblue)	Ethiopia	4541.269	18753.011	24.22
		Kazakhstan	3251.247	18753.011	17.34
		Mongolia	2524.534	18753.011	13.46
		Iran-Islam.R	2519.777	18753.011	13.44
580124	Warp pile fabrics, épinglé (uncut)	Hong Kong	128.187	321.403	39.88
		China*	42.031	321.403	13.08
		Japan	40.39	321.403	12.57
580126	Chenille fabrics	Japan	186.977	490.969	38.08
		China*	177.539	490.969	36.16
580134	Warp pile fabrics, épinglé (uncut)	Korea Rep.	13082.204	14157.128	92.41
		Asia Othr.ns	573.89	14157.128	4.05
		Japan	316.941	14157.128	2.24
580211	Unbleached	Asia Othr.ns	30.133	33.344	90.37
280120	Iodine	Chile	28760.443	37355.799	76.99
		Japan	4831.227	37355.799	12.93
		Germany	1925.341	37355.799	5.15
		Turkmenistan	1737.769	37355.799	4.65
280450	Boron; tellurium	Japan	1184.192	4329.006	27.35
		China	1052.207	4329.006	24.31

280470	Phosphorus Korea Rep.	80.356	206.996	38.82	
		USA,PR,USVI	62.933	206.996	30.40
		Japan	53.037	206.996	25.62
280480	Arsenic	Germany	618.45	846.777	73.04
		Korea Rep.	199.23	846.777	23.53
280511	Sodium	France +	1229.897	1865.881	65.92
280540	Mercury	Japan	59.73	59.73	100.00
281123	Sulphur dioxide	Japan	7.034	22.009	31.96
		Asia Othr.ns	6.923	22.009	31.46
		Netherlands	4.069	22.009	18.49
281310	Carbon disulphide	China*	5.812	12.968	44.82
		UK	3.353	12.968	25.86
281390	Other	Netherlands	2.033	4.251	47.82
		Korea Rep.	1.53	4.251	35.99
282410	Lead monoxide (litharge, massicot)	Indonesia	18060.719	52368.267	34.49
		USA,PR,USVI	11069.205	52368.267	21.14
		Russian Fed	7177.108	52368.267	13.71
		Bahrain	6246.052	52368.267	11.93
		Iran-Islam.R	4208.227	52368.267	8.04
282420	Red lead and orange	Japan	1740.874	4023.704	43.27
		Asia Othr.ns	1662.571	4023.704	41.32
282530	Vanadium oxides and hydroxides	Germany	12.423	25.338	49.03
		Japan	8.448	25.338	33.34
282612	Of aluminium	Japan	162.536	163.045	99.69
282630	Sodium hexafluoroalumin ate (synthetic cryolite)	Mozambique	28.75	41.175	69.82
		Japan	10.241	41.175	24.87
282736	Of zinc	Asia Othr.ns	231.617	362.855	63.83
		China*	67.856	362.855	18.70
		Korea Rep.	32.482	362.855	8.95

282911	Of sodium	USA,PR,USVI	25.561	34.449	74.20
		Korea Rep.	6.817	34.449	19.79
283020	Zinc sulphide	Germany	332.974	453.247	73.46
		Japan	65.051	453.247	14.35
283030	Cadmium sulphide	Japan	62.096	88.098	70.49
		Asia Othr.ns	22.65	88.098	25.71
283660	Barium carbonate	Germany	187.382	545.967	34.32
		Italy	148.3	545.967	27.16
		China*	99.264	545.967	18.18
283691	Lithium carbonates	Chile	12206.6	22190.859	55.01
		Argentina	6638.885	22190.859	29.92
283692	Strontium carbonate	Korea Rep.	269.02	695.367	38.69
		Germany	248.411	695.367	35.72
		Russian Fed	105	695.367	15.10
283711	Of sodium	Korea Rep.	16534.631	29693.968	55.68
		Japan	8204.929	29693.968	27.63
283720	Complex cyanides	Asia Othr.ns	53.546	80.008	66.93
		Japan	21.092	80.008	26.36
284120	Chromates of zinc or of lead	Japan	97.366	263.272	36.98
		Hungary	78.26	263.272	29.73
		USA,PR,USVI	53.035	263.272	20.14
284161	Potassium permangana	USA,PR,USVI	353.792	387.119	91.39
284169	Other	Japan	1275.067	2102.447	60.65
		USA,PR,USVI	784.962	2102.447	37.34
284180	Tungstates (wolframates)	Japan	90.085	212.639	42.37
		Germany	60.063	212.639	28.25
284330	Gold compounds	Asia Othr.ns	72728.368	157273.435	46.24
		Hong Kong	34642.711	157273.435	22.03
		Switz.Liecht	25132.199	157273.435	15.98
		Japan	17125.678	157273.435	10.89

284410	Natural uranium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing natural uranium or natural uranium				
		Kazakhstan	52257.742	57529.879	90.84
284430	Uranium depleted in U 235 and its compounds; thorium and its compounds; alloys, dispersions (including cermets), ceramic products and mixtures containing uranium depleted in U 235, thorium or compounds of	USA,PR,USVI	32.216	32.216	100.00
284590	Other	USA,PR,USVI	538.56	911.164	59.11
		Israel	160.919	911.164	17.66
		Russian Fed	128.489	911.164	14.10
284910	Of calcium	Japan	35.496	51.259	69.25

\*: Re-imports; Source : WITS Database

Table 16 shows that China has been importing these products from a number of countries including developed economies of the West (e.g. US, UK, Germany, France, Italy, Switzerland, Netherlands, Russia etc.) and the East (Korea, Japan, Hong Kong etc), as well as from the developing countries of Central Asia (e.g. Kazakhstan, Turkmenistan, Iran) and Latin America (e.g. Argentina, Chile, Uruguay). The country-wise shares in total imports of particular commodity provide some further insights on source countries. On the whole, however, developed countries appear to be having a greater share in these imports. If Indian manufacturers are to enter the Chinese market in the items mentioned in Table 16, much of the competition is expected to arise from developed country manufacturers. It needs to be noted, however, that India is competitive in these items. The larger issue is whether it is more competitive vis-à-vis the countries from where China is importing these products right now.

In the context of opportunities of fresh market access for Indian manufacturers, it is important to look at those products where the difference in competitiveness between India and its ASEAN competitors is only marginal. These are those products where marginal differences can result in displacements either way. In this regard, we thought it is useful to take a close look at such commodities on a bilateral basis. Like we did earlier, we studied these marginal differences among commodities that are being exported to China by India and the four ASEAN countries, as well as for commodities that are being exported by only India and not the ASEAN-4.



Tables 17A-17D identify those commodities where the difference in competitiveness between Indian and ASEAN-4 (i.e. Malaysia, Singapore, Thailand and Vietnam) exports to China are only marginal. In all of these, however, India's RCA is slightly lower than that of China.

**Table 17 A: India-Malaysia : Products with Marginal Difference**

Product code ITC HS 2- digit	Product codes at the six digit level	Product name
38 - MISCELLANEOUS CHEMICAL PRODUCTS	380190	Other
	380210	Activated carbon
	380510	Gum, wood or sulphate turpentine oils
	380610	Rosin and resin acids
	380690	Other
	380820	Fungicides
	380830	Herbicides, antisprouing products and plantgrowth regulators
	380840	Disinfectants
	380991	Of a kind used in the textile or like industries
	380992	Of a kind used in the paper or like industries
	380993	Of a kind used in the leather or like industries
	381010	Pickling preparations for metal surfaces; soldering, brazing or welding powders and pastes consisting of metal and other materials
	381090	Other
	381121	Containing petroleum oils or oils obtained from bituminous minerals
	381129	Other
	381190	Other
	381210	Prepared rubber accelerators
	381220	Compound plasticisers for rubber or plastics
	381230	Antioxidising preparations and other compound stabilisers for rubber or plastics
	381400	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.

	381511	With nickel or nickel compounds as the active substance
	381519	Other
	381590	Other
	381600	Refractory cements, mortars, concretes and similar compositions, other than products of heading 38.01.
	382100	Prepared culture media for development of microorganisms.
	382200	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading 30.02 or 30.06; certified reference materials.
	382311	Stearic acid
	382319	Other
	382370	Industrial fatty alcohols
	382440	Prepared additives for cements, mortars or concretes
	382490	Other

There are 32 6-digit items in the product category 38 (miscellaneous chemical items where this situation exists) between India and Malaysia.

**Table 17 B: India-Singapore : Products with marginal difference**

Product code ITC HS 2- digit	Product codes at the six digit level	Product name
29 - ORGANIC CHEMICALS	290124	Buta1,3diene and isoprene
	290219	Other
	290241	oXylene
	290290	Other
	290312	Dichloromethane (methylene chloride)
	290330	Fluorinated, brominated or iodinated derivatives of acyclic hydrocarbons

	290361	Chlorobenzene, odichlorobenzene and pdichlorobenzene
	290369	Other
	290410	Derivatives containing only sulpho groups, their salts and ethyl esters
	290420	Derivatives containing only nitro or only nitroso groups
	290490	Other
	290512	Propan-1-ol (propyl alcohol) and propan-2-ol (isopropyl alcohol)
	290514	Other butanols
	290517	Dodecan-1-ol (lauryl alcohol), hexadecan-1-ol (cetyl alcohol) and octadecan-1-ol (stearyl alcohol)
	290519	Other
	290522	Acyclic terpene alcohols
	290529	Other
	290531	Ethylene glycol (ethanediol)
	290539	Other
	290541	2-Ethyl-2-(hydroxymethyl)propane-1,3-diol (trimethylolpropane)
	290545	Glycerol
	290549	Other
	290559	Other
	290611	Menthol
	290612	Cyclohexanol, methyleyclohexanols and dimethyleyclohexanols
	290619	Other
	290621	Benzyl alcohol
	290629	Other
	290713	Octylphenol, nonylphenol and their isomers; salts thereof
	290714	Xylenols and their salts
	290719	Other
	290721	Resorcinol and its salts

	290722	Hydroquinone (quinol) and its salts
	290729	Other
	290820	Derivatives containing only sulpho groups, their salts and esters
	290890	Other
	290919	Other
	290930	Aromatic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives
	290941	2,2'-Oxydiethanol (diethylene glycol, digol)
	290943	Monobutyl ethers of ethylene glycol or of diethylene glycol
	290944	Other monoalkylethers of ethylene glycol or of diethylene glycol
	290949	Other
	290950	Ether-phenols, ether-alcohol-phenols and their halogenated, sulphonated, nitrated or nitrosated derivatives
	290960	Alcohol peroxides, ether peroxides, ketone peroxides and their halogenated, sulphonated, nitrated or nitrosated derivatives
	291090	Other
	291219	Other
	291221	Benzaldehyde
	291229	Other
	291241	Vanillin (4hydroxy3methoxybenzaldehyde)
	291249	Other
	291260	Paraformaldehyde
	291413	4-Methylpentan-2-one (methyl isobutyl ketone)
	291419	Other
	291423	Ionones and methylionones
	291429	Other
	291439	Other
	291440	Ketonealcohols and ketonealdehydes
	291450	Ketone-phenols and ketones with other oxygen function

	291470	Halogenated, sulphonated, nitrated or nitrosated derivatives
	291511	Formic acid
	291512	Salts of formic acid
	291513	Esters of formic acid
	291521	Acetic acid
	291529	Other
	291535	2-Ethoxyethyl acetate
	291539	Other
	291540	Mono-, di- or trichloroacetic acids, their salts and esters
	291570	Palmitic acid, stearic acid, their salts and esters
	291590	Other
	291611	Acrylic acid and its salts
	291619	Other
	291631	Benzoic acid, its salts and esters
	291635	Esters of phenylacetic acid
	291639	Other
	291719	Other
	291734	Other esters of orthophthalic acid
	291736	Terephthalic acid and its salts
	291737	Dimethyl terephthalate
	291739	Other
	291811	Lactic acid, its salts and esters
	291814	Citric acid
	291815	Salts and esters of citric acid
	291816	Gluconic acid, its salts and esters
	291819	Other
	291829	Other
	291830	Carboxylic acids with aldehyde or ketone function but without other oxygen function, their anhydrides, halides, peroxides, peroxyacids and their derivatives
	291890	Other

	291900	Phosphoric esters and their salts, including lactophosphates; their halogenated, sulphonated, nitrated or nitrosated derivatives.
	292010	Thiophosphoric esters (phosphorothioates) and their salts; their halogenated, sulphonated, nitrated or nitrosated derivatives
	292090	Other
	292111	Methylamine, di- or trimethylamine and their salts
	292112	Diethylamine and its salts
	292119	Other
	292121	Ethylenediamine and its salts
	292129	Other
	292130	Cyclanic, cyclenic or cycloterpenic mono or polyamines, and their derivatives; salts thereof
	292144	Diphenylamine and its derivatives; salts thereof
	292149	Other
	292151	o-, m-, p-Phenylenediamine, diaminotoluenes, and their derivatives; salts thereof
	292159	Other
	292212	Diethanolamine and its salts
	292219	Other
	292229	Other
	292249	Other
	292250	Amino-alcohol-phenols, amino-acid-phenols and other aminocompounds with oxygen function
	292419	Other
	292520	Imines and their derivatives; salts thereof
	292690	Other
	292700	Diazo, azo or azoxycompounds.
	292800	Organic derivatives of hydrazine or of hydroxylamine.
	292910	Isocyanates
	292990	Other
	293020	Thiocarbamates and dithiocarbamates
	293090	Other

	293100	Other organo-inorganic compounds.
	293219	Other
	293229	Other lactones
	293299	Other
	293321	Hydantoin and its derivatives
	293329	Other
	293339	Other
	293349	Other
	293359	Other
	293361	Melamine
	293379	Other lactams
	293399	Other
	293410	Compounds containing an unfused thiazole ring (whether or not hydrogenated) in the structure
	293420	Compounds containing in the structure a benzothiazole ringsystem (whether or not hydrogenated), not further fused
	293499	Other
	293500	Sulphonamides.
	293624	D- or DL-Pantothenic acid (Vitamin B3 or Vitamin B5) and its derivatives
	293629	Other vitamins and their derivatives
	293690	Other, including natural concentrates
	293890	Other
	294200	Other organic compounds.

There are 136 items in the product category 29 (organic chemicals) where the competitiveness difference is marginal between India and Singapore.

**Table 17 C: India-Thailand : Products with marginal difference**

<b>Product code ITC HS 2- digit</b>	<b>Product codes at the six digit level</b>	<b>Product name</b>
55 - MAN-MADE STAPLE FIBRES	550120	Of polyesters
	550130	Acrylic or modacrylic
	550320	Of polyesters
	550330	Acrylic or modacrylic
	550410	Of viscose rayon
	550510	Of synthetic fibres
	550630	Acrylic or modacrylic
	550810	Of synthetic staple fibres
	550820	Of artificial staple fibres
	550921	Single yarn
	550922	Multiple (folded) or cabled yarn
	550932	Multiple (folded) or cabled yarn
	550953	Mixed mainly or solely with cotton
	550962	Mixed mainly or solely with cotton
	550992	Mixed mainly or solely with cotton
	551011	Single yarn
	551211	Unbleached or bleached
	551219	Other
	551229	Other
	551299	Other
	551331	Of polyester staple fibres, plain weave
	551422	3thread or 4thread twill, including cross twill, of polyester staple fibres
	551433	Other woven fabrics of polyester staple fibres
	551511	Mixed mainly or solely with viscose rayon staple fibres
	551512	Mixed mainly or solely with manmade filaments
	551513	Mixed mainly or solely with wool or fine animal hair
	551519	Other
	551612	Dyed
	551622	Dyed
	551623	Of yarns of different colours
	551692	Dyed



<b>3 - FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES</b>	030269	Other
	030333	Sole (Solea spp.)
	030339	Other
	030376	Eels (Anguilla spp.)
	030379	Other
	030410	Fresh or chilled
	030420	Frozen fillets
	030490	Other
	030559	Other
	030611	Rock lobster and other sea crawfish (Palinurus spp., Panulirus spp., Jasus spp.)
	030613	Shrimps and prawns
	030614	Crabs
	030739	Other
	030741	Live, fresh or chilled
	030749	Other
	030759	Other
	030760	Snails, other than sea snails
	030799	Other

There are 31 items from the group 55 (man-made staple fibres) and 18 items from the group 03 (fish and crustaceans, molluscs and aquatic invertebrates) where marginal competitive differences exist between India and Thailand. In case of Vietnam, its only one item (Table 17D).

**Table 17 D: India-Vietnam : Products with marginal difference**

<b>Product code ITC HS 2-digit</b>	<b>Product codes at the six digit level</b>	<b>Product name</b>
<b>24 - TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES</b>	240399	Other

Within the broad 2-digit product groups of marginal differences identified in tables 17A-17D, we now proceed to identify those commodities (at the 6-digit level) that are being exported to China by India, but not by the ASEAN 4. These results are shown in Tables 18A-18D.

**Table 18A: India-Malaysia : Products with marginal differences**

Product Code at 2-digit level	Product code at six digit level	Product Description
<b>38 - MISCELLANEOUS CHEMICAL PRODUCTS</b>	380110	Artificial graphite
	380700	Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch.
	380810	Insecticides
	380910	With a basis of amylaceous substances
	381700	Mixed alkylbenzenes and mixed alkyl naphthalenes, other than those of heading 27.07 or 29.02.
	382430	Nonagglomerated metal carbides mixed together or with metallic binders

There are 6 current exports by India to China in product group 38 (miscellaneous chemical products) where its competitiveness is almost the same as Malaysia's. As of now, Malaysia is not exporting these products to China. However, India needs to be prepared about likely threats from Malaysian manufacturers of these products.

**Table 18B: India – Singapore: Products with marginal differences**

Product Code at two-digit level	Product code at six digit level	Product Description
<b>29 - ORGANIC CHEMICALS</b>	290313	Chloroform (trichloromethane)
	290359	Other
	290711	Phenol (hydroxybenzene) and its salts
	290712	Cresols and their salts
	290715	Naphthols and their salts
	290810	Derivatives containing only halogen substituents and their salts
	291300	Halogenated, sulphonated, nitrated or nitrosated derivatives of products of heading 29.12.
	291469	Other
	291524	Acetic anhydride

	291620	Cyclanic, cyclenic or cycloterpenic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacids and their derivatives
	291634	Phenylacetic acid and its salts
	291735	Phthalic anhydride
	291813	Salts and esters of tartaric acid
	292141	Aniline and its salts
	292142	Aniline derivatives and their salts
	292143	Toluidines and their derivatives; salts thereof
	292145	1-Naphthylamine (alpha-naphthylamine), 2-naphthylamine (beta-naphthylamine) and their derivatives; salts thereof
	292221	Aminohydroxynaphthalenesulphonic acids and their salts
	292222	Anisidines, dianisidines, phenetidines, and their salts
	292243	Anthranilic acid and its salts
	292310	Choline and its salts
	292429	Other
	292511	Saccharin and its salts
	292519	Other
	293040	Methionine
	293221	Coumarin, methylcoumarins and ethylcoumarins
	293311	Phenazone (antipyrin) and its derivatives
	293319	Other
	293331	Pyridine and its salts
	293332	Piperidine and its salts
	293369	Other
	293371	6-Hexanelactam (epsilon-caprolactam)
	293430	Compounds containing in the structure a phenothiazine ringsystem (whether or not hydrogenated), not further fused
	293622	Vitamin B1 and its derivatives
	293623	Vitamin B2 and its derivatives
	293625	Vitamin B6 and its derivatives
	293626	Vitamin B12 and its derivatives
	293919	Other
	293921	Quinine and its salts
	293959	Other

	293991	Cocaine, ecgonine, levometamfetamine, metamfetamine (INN), metamfetamine racemate; salts, esters and other derivatives thereof
	293999	Other
	294000	Sugars, chemically pure, other than sucrose, lactose, maltose, glucose and fructose; sugar ethers, sugar acetals and sugar esters, and their salts, other than products of heading 29.37, 29.38 or 29.39.
	294130	Tetracyclines and their derivatives; salts thereof
	294150	Erythromycin and its derivatives; salts thereof
	294190	Other

India is currently exporting 46 items from the 2-digit product group 29 (organic chemicals) to China, where its competitiveness is almost the same as that of Singapore, and the latter is not exporting these items to China as of now.

**Table 18C: India-Thailand : Products with marginal difference**

Product Code at two-digit level	Product code at six digit level	Product Description
<b>55 - MAN-MADE STAPLE FIBRES</b>	550200	Artificial filament tow.
	550390	Other
	550520	Of artificial fibres
	550700	Artificial staple fibres, carded, combed or otherwise processed for spinning.
	551012	Multiple (folded) or cabled yarn
	551020	Other yarn, mixed mainly or solely with wool or fine animal hair
	551090	Other yarn
	551611	Unbleached or bleached
	551613	Of yarns of different colours
	551614	Printed
	551693	Of yarns of different colours
<b>3 - FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES</b>	030342	Yellowfin tunas (Thunnus albacares)
	030344	Bigeye tunas (Thunnus obesus)
	030349	Other
	030380	Livers and roes

In so far as Thailand is concerned, among India's current exports to China, eleven items in the product group 55 (man-made staple fibres) and four items in the group 03( fish and crustaceans, molluscs and other aquatic invertebrates) are almost as competitive as those of Thailand.

The final segment of our analysis on competitiveness pertains to computation of unit values. For a particular commodity that is being exported to China both by India and another ASEAN country, we estimate the ratios of the unit values of exports. This ratio throws light on the relative cost advantages that India enjoys in different exports vis-à-vis its ASEAN competitors. Exports with unit values less than 1 are those where costs of production in India are lower than those of the compared ASEAN country. The opposite applies for products where the unit values are greater than 1. The inference about export values reflecting the cost of products precludes the assumption of deliberate under-cutting of prices (i.e. absence of dumping) and non-imposition of export taxes.

We group our results on unit values in two categories. First, we present the results for those products where India's RCAs are more than those of the ASEAN countries. These are given in Tables 19A-19D. Second, we compute unit values for products where India's RCAs are less. These are shown in Tables 20A-20D.



**Table 19.A: Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Malaysia that were exported by India and Malaysia to China in 2005**

Product code at two digit level	Unit value range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
3	30739; 30760;	30613;	30759; 30349; 30799;	30749; 30379; 30333;	30376;			30614; 30490;		
9	91099;	90920; 91010; 90420;	91050;	90930;		90122; 90412;	90411;			
13								130239;	130190;	
17				170290;		170199;		170490;		
23								230990;		
28	281910; 282590; 282732;	281810;	281122;	284290; 284210; 280300;		284190; 283990;	282110;	283210; 280200; 283524;	283329; 285000;	
29								290410; 291719; 291590; 290949; 291811; 292419; 291819; 291570; 291890; 290919; 291739; 292222; 290519; 292990; 292219; 293369; 290559; 291639;	291815; 292112; 292519; 293890; 293299;	290514; 291413; 293229;

								320810; 320649; 320412; 320415; 320417; 320419; 320910; 320630; 320619; 320300; 320490;		
32	320620; 320650; 321490; 321590; 321210;	321511; 320500; 320720; 320414; 320420;	321000; 320710; 321519;	320990; 320411; 320890;		320643; 320611; 320413;	321390; 321290; 321410; 320416;	320630; 320619; 320300; 321100;		
38	380190; 380610;	381121; 381220;	381519; 380840; 380991; 382440;	380690; 381010; 381129;	382370;	381511; 380510; 381600; 380992; 382490; 380830; 382319;	380820; 381090; 381590;	382311; 381400; 381190; 381230; 381210; 380993;	382100; 382200; 380210;	
41			410712; 410622;	410530; 411200;		411420; 411310;	411510; 410792; 411390; 411330;		410799;	
42	420330; 420500;	420211;	420221;	420231;	420292;		420222;	420232;	420212;	
54				540261; 540233; 540782;	540781; 540771; 540751; 540752; 540773; 540742; 540761; 540793; 540783; 540772;	540110; 540232;	540242; 540120;	540210; 540239; 540241; 540262;		
55			550330;	551012; 551331;	551692; 551211; 551299; 551219; 551511; 551433; 551512;	550810; 550932; 550320;	550510;	550922; 550921;		

						580410; 580421; 580810;	580631;			
58	580790;	580632; 581099;		580620;	580230;	580710;	580610;	580429;	580890;	
				610342; 610459;	610333;	611693; 611420;		610910;		
61		610453; 611212; 610452;	610610; 611011; 610510;	610433; 610442; 610462;	611592; 611699; 611692;	610432; 610332; 610620; 610821;	610339; 610339; 610990;	611020; 611030; 611710; 610520;	611780;	
				620341; 620333; 620349;		620520; 621410; 620433; 621490; 620463;		620343; 621790;		
62	620431; 620432;	620442; 620439;	620293; 620462;	620630; 620891;	621600; 621133;	620342; 620459;	620332; 620920; 620530;	620452; 621710; 620292;		
					630231; 630240; 630130; 630251; 630491; 630260;		630222;			
63		630790; 631090;	631010;	630499; 630232;	630539; 630291;	630492; 630259;				
						640620; 640399;	640299;			
64	640699;			640359;		640510;	640419;			

**Table 19.B: Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Singapore that were exported by India and Singapore to China in 2005**

Product code at two digit level	Unit value range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
3	30799; 30342;	30344; 30349;	30490;	30379;	30376;	30559;		30749; 30613;		
9	91099; 91010;	90240; 91050; 90412;				90411; 90122;		90420; 90230; 90210;	90500;	



13		130232;			130239;		130219;	130190;		
17		170111;	170290;			170199; 170490;				
23						230990;				
28	283990; 281820; 282110; 281119; 280461; 281810;	283800; 284990; 280300; 283330;	284700; 282732;	281122;		283319; 284290; 283524;	284190;	282739; 282560; 282590; 283699; 282810; 281610; 283322; 282510; 283429; 285000; 283210;	283329; 281129;	282760; 283523;
32	321590; 321490; 320710;	320411; 321390; 320630; 321511; 320990; 320420; 320620; 321000;	321519; 321210; 320500; 320412; 320720; 321290; 321410; 320416; 320210;	320290; 320611; 320190;	320890;	320419; 320414;	320417; 320649; 320810;	320413; 320300; 320490;	321100;	
38	380610; 382440;	380690; 382319; 380820; 380910; 380610; 381511; 380993;	380700; 382490; 382200; 380992; 381220;	381090; 382311; 381519; 381129; 381121;		380991; 381010; 381600;	381590; 380830; 382100;	380840; 381210; 381190; 381230; 380190; 382370; 380810; 381400; 380210; 380510;		
41		411200; 411310; 410712;	410792; 410441; 411390;	411420; 410799; 410622;		410719;	410449;	411510; 411330;		
42	420330; 420211;	420221;		420310;	420292; 420291;	420231; 420329;	420222; 420500;	420232;	420212;	

					540822; 540769; 540781; 540783; 540742; 540793; 540752; 540761; 540792; 540120; 540261; 540710; 540832; 540772; 540823;					
54		540249;	540410;	540782;	540821;	540110;	540239;			
					551693; 551692; 551614; 551519; 551622; 551219; 551211; 551433; 551623; 551612; 551511;	551512; 551613; 550390;		550921; 550810; 550820;		
55		550932;		551331;			550510;			
								580639; 580421; 580810;	580631; 580610;	
58	580620;	580632;	580429; 580790;		580190;	580410;	580710;	580890;	581092;	581091;
		610453; 610432; 610342; 611211; 610120;	610442;	610610;	610520; 610332; 611699;		611692; 610433; 611592;	610333; 610910; 611780; 610510; 611030;		
61	611011;	610462;	610990;	611693;			610620;			
								620341; 621790; 620439; 621710; 620590; 620520; 620349;		
	621430; 621410; 620333;	621420;	620343; 620463; 620442;	620453; 620193; 621220;	621600;	620449;	620332; 620112; 620452; 620630;	620462;		
62	620292;	620432;	620433;	621142;	621133;	620459;	620342;			

63			631090; 630790; 630210;	630260; 630240; 630720;	630291; 630492; 630499; 630399; 630231; 630392; 630311; 630539;	630419; 630491; 630251; 630319;				
64	640590; 640419;	640299; 640610;		640520;		640391; 640620;	640359; 640399;	640699;		

**Table 19.C: Comparision of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Thailand that were exported by India and Thailand to China in 2005**

Product code at two digit level	Unit value range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
8			81340;							
9	91099;	91050; 90420;				90411; 90412; 90122;	91010;			
13	130219;			130110;					130190;	
23			230990;							
28	281820;	283990;	281910; 282110; 281119;	280300;		284210; 284700;	282590;	281122; 282810; 283210; 283329;		283523;

								291890; 293399; 291619; 293100; 291590; 290949; 293331; 290410; 292121; 292129; 291470; 291815; 292690;			
	293321; 290719; 293690; 290312; 290943; 291631; 290611;	292143; 291260; 291611; 292910; 292142; 291219;	293369; 293420; 292419; 292151; 290545; 290941; 293361;	290950; 292800; 293359; 290944; 290241; 290124;		292249; 293371; 291511; 291736; 291539; 294000; 292159; 292700; 290721; 291734; 291814; 291719;	292090; 290549; 291570;	291900; 293329; 293500;	292130; 293410; 293499;	291513;	
								320414; 320500; 320417; 320910; 320642; 320419; 320619; 320641; 320490;			
	321210; 320710; 320990;	321490; 320415;	320420; 321519; 320890; 320620;	320411; 321410; 320412; 321511; 320611; 320416; 320650;		320190; 320810; 320649; 320210; 320300; 321590; 320720; 321290;	321000; 320290;	320641; 320490;	321100; 320413;		
								380992; 381400; 380910; 381010; 381230; 381210; 380190; 380210; 382200; 380810;			
								380991; 381590;	381600; 381090;		
								411200; 411510; 410711; 410419; 411320;			
	411330; 411310; 411390; 410411;	410441; 410449;	410719; 410712; 410792;	411410; 411420; 410791;	411520; 410799;			411200; 411510; 410711; 410419; 411320;	410692;		
	420330; 420211; 420500;	420221; 420222;						420100; 420232;			

					540822; 540781; 540751; 540821; 540752; 540783; 540742; 540769; 540792; 540761; 540772; 540793; 540832; 540261; 540771; 540794; 540232; 540242;		540110; 540120; 540262; 540241; 540410; 540331;		
54		540249;	540233; 540210;	540710; 540782;	540823; 540773;				
						580190; 580620; 580429; 580632;		580810; 580631; 581091; 580639;	
58	581099;	580421;	580790; 581092;	580610; 580710;	580230;	580410;		580890;	
		610469; 610220; 611090; 611212; 610821; 610711; 610442; 611011;				611430; 611020; 610333; 610520; 610443; 610432; 610990; 610342;		610339; 611710; 611030; 611780; 611211;	
61		610453; 610610;	610510; 610120; 610462;	610452; 610433; 610439; 610332; 610910;	611592; 611699; 611420;		610459; 610620;		
						621142; 620899; 621320; 620459; 620341; 620332; 621600; 620469; 620193; 620432; 620453; 620640; 621710;		620463; 621410; 621490; 620462; 620630; 620442; 620342; 620452; 620461; 621111; 620520;	
62			620193; 620432; 620453; 620640; 621710;	620349; 621790; 620422; 621131; 620792;	621143; 620891; 621133; 620892; 620433;	620439; 620293; 620920; 620821; 620192;	620343;		

					630499; 630210; 630251 630240 630392 630260 630411 630491 630291 630539 630492					
63		630790	631010;	630259; 630493;	630231 630232	630399; 630311;	631090;			
64	640610; 640419;	640359	640620;				640299;	640399; 640391 640590 640699	640520;	

**Table 19.D: Comparison of the unit costs of those commodities where India has a Comparative Advantage viz-a-viz Vietnam that were exported by India and Vietnam to China in 2005**

Product code at two digit level	Unit value range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
17								170490;		
13							130110;	130190;	130219;	
23			230990;							
29	291419;					293369;		291570;		
32		320500;		320720; 320890;		320649; 321511;	320419; 320417;			
38						380991;	380820;	381400; 382490; 381590;	381230; 380210;	380110;

								410791; 411310; 411520; 410411; 410692; 411320; 410632;		
41	411390;	411200;	410792;	411420;		411330; 410799; 410441; 410712;	411410;		410419;	
42	420100;			420222;	420321; 420231; 420292;	420291; 420221;		420212; 420232;		
54				540110;	540710; 540782;	540751; 540771; 540752; 540769; 540742; 540761; 540792; 540783; 540772; 540774; 540832; 540793;	540261; 540233; 540242;	540120; 540262;		
55		551012;	550922;	551331;	551211; 550953; 551090;	551299; 551219; 551612;	551614; 551613; 550810;	550510; 550992; 550921;		
58	580790;	580410; 580631; 580421; 580620;		580610;	580190; 580230;	580632; 580810;	580710;	580890; 581091;		

					630699; 630251; 630232; 630491; 630419; 630399; 630492; 630392; 630210; 630291; 630231; 630229; 630539; 631010;					
63			630790;	630493;						

**Table 20.A: Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Malaysia that were exported by India and Malaysia to China in 2005**

Product code at two digit level	Unit Value Range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
						381511; 380510; 381600; 380992; 382490; 380830; 382319;		382311; 381400; 381190; 381230; 381090; 381210; 380993;	382100; 382200; 380210;	
38	380190; 380610	381121; 381220	381519; 380840; 380991; 382440	380690; 381010; 381129;	382370;		380820; 381590;			

**Note:** In this product category, India has a slight comparative disadvantage as compared to Malaysia



**Table 20.B: Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Singapore that were exported by India and Singapore to China in 2005**

Product code at two digit level	Unit Value Range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
	291260; 291090; 290361; 292149; 291631; 291511; 292144; 293219; 290612; 290820; 290714; 293359;	291260; 291090; 291439; 290361; 292149; 291631; 293020;	290369; 291439; 293361; 293629; 293020;	290517; 291450; 291829; 293499; 290545; 290944; 291814; 293321; 291470;	293329;	290960; 293090; 293500; 293379; 292121; 290941; 290512;	291419; 290559; 291419; 291811; 291539; 291570;	291734; 290943; 291512; 291719; 290490; 293399; 290919; 293339; 291619; 290713; 292419; 291900; 290949; 290290; 292212; 291535; 291241; 292219;	290629; 292129; 290722; 292112; 291639; 290729; 293890;	291737; 290514;
29	290930; 293690; 291423; 291830; 291736; 291890; 290219; 290330; 290529;	291511; 292229; 291611; 290612; 290820; 290714;	290241; 290539; 292700; 290531; 290719; 290611; 290549;			292910; 291440; 290312; 290621; 291521; 291429; 291590;	292111; 292690; 292520; 292250;	290420; 292119; 292010; 291819; 290950; 291540; 291815; 291739; 292249; 290721; 292130; 293299; 290522; 291513; 291816; 290519;	290890; 292990; 293349; 291529; 294200; 293229; 290541; 293410;	291413; 293624;
29										
Continued										
...										

Note: In this product category, India has a slight comparative disadvantage as compared to Singapore

**Table 20.C: Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Thailand that were exported by India and Thailand to China in 2005**

Product code at two digit level	Unit Value Range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
					551692; 551519; 551211; 551623; 551219; 551299; 551433; 551513; 550953; 550410; 550130; 550330; 551331;	551511; 551512; 551622; 551612; 551229;	550630; 550320; 550962; 550820; 550932;	550120; 550921; 550810; 550992; 551422;		
55	550700;									
		030420; 030799;		030339;						
	030614; 030759;	030760; 030611;	030741; 030749;	030739; 030333;	030376;	030379; 030490;	030613; 030269;	030410; 030559;		
3										
17		170490;		170290;		170199;		170111;		

**Note: In all the above mentioned product categories, India has a slight comparative disadvantage as compared to Thailand**

**Table 20.D: Comparison of the unit costs of those commodities where India has a Comparative Disadvantage viz-a-viz Vietnam that were exported by India and Vietnam to China in 2005**

Product code at two digit level	Unit Value Range									
	0.00-0.25	0.26-0.50	0.51-0.75	0.76-0.99	equal to 1.00	1.01-1.50	1.50-2.00	2.01-10.00	10.01-100.00	100 and above
9			090412;	091099;		090240;	090411;	090122; 090111;	090220;	
62						620332; 621220; 620293; 621710; 620341; 621600; 620343; 620920; 620469; 620891; 620213; 620333; 620453; 621143; 620463; 620422; 620349; 621133; 621790; 620462; 620212; 620292; 620899; 620792; 620462; 620431; 620193; 620433; 621131; 620892; 620530; 620192; 620461; 620432; 620439; 620640; 621320; 621142; 620452; 620459; 620630;				
3	030759; 030614; 030420; 030749;			030349; 030760;		030741;	030490;	030559; 030269;		
61						611693; 611692; 611430; 610510; 610333; 610459; 610332; 610990;		611090; 610620; 610910; 611020;		
	611011; 610442; 610469; 610821;	610453;	610342;	610432;	611420;	611592;	611212;	611780;	611030;	
8		081340;				080132;				
64							640299; 640610; 640399; 640359; 640699;			
	640419; 640590;	640610; 640359;					640391;			

**Note:** In the product category 24, India has a slight comparative disadvantage as compared to Vietnam, but none of the products under this category are exported by Vietnam to China in 2005.

The results shown in Tables 19 and 20 enable us to take a final view on the competitiveness enjoyed by India in export of different products to the Chinese market. The products covered in Tables 19A-D are the ones that are already being exported by India and the four ASEAN countries to China. Furthermore, India enjoys higher RCAs in all these products vis-à-vis the ASEAN-4. In addition, the products having unit values between 0.00-0.99 are the ones that have lower costs vis-à-vis Malaysia, Singapore, Thailand and Vietnam. **So both in terms of RCA as well as unit values, these Indian exports are competitive vis-à-vis their ASEAN competitors.**

Similarly, if we look at Tables 20A-D, we come across products where Indian exports have lower RCAs than the ASEAN-4. However, there are quite a few products, again within the unit value range of 0.00-0.99, where India enjoys the cost advantage vis-à-vis its ASEAN competitors. The possibility of obtaining greater access in the Chinese market exists in these products as well.

*(This page intentionally has been left blank.)*



# CHAPTER 6

## Possible Entry Strategies of Indian SMEs in China

The competitiveness analysis of Part 1 has identified several products where Indian manufacturers can hope to gain greater access in the domestic Chinese market. These are the products where Indian manufacturers are more efficient compared with the leading ASEAN exporters to China. However, establishing a strong foothold in the Chinese market not only requires Indian manufacturers to be more efficient, but also identify feasible entry strategies. This part of our study concentrates on the latter.

We have looked closely at some of the key product markets in China, where Indian manufacturers are relatively efficient. These include markets for textiles and clothing, leather, beverages (coffee), spices, fruit, rubber and organic chemicals. The prospects for Indian SMEs in these segments are outlined below.

### 1. Textiles and clothing

China is not only a leading textile exporter, but it is also one of the biggest consumers of textiles with a domestic population of 1.3 billion. It ranks third among the textile importers in the world. The table below shows the major source countries from which China obtains its textile imports.

**Table: 21 Top 30 Textile Importing Countries for China during January - October 2006** (in USD ten thousands)

No.	Country/ District	Amount	Increase	No.	Country/ District	Amount	Increase
1	Hong Kong	57045.16	5.17	16	Spain	915.91	107.02
2	Italy	13469.45	19.19	17	Germany	819.36	-33.90
3	Macao	12194.77	27.45	18	Britain	770.66	-35.12
4	Japan	11609.97	-12.95	19	Portugal	731.58	44.91
5	South Korea	10630.04	14.43	20	Indonesia	724.17	52.32

6	China(re-import)	10339.05	47.95	21	India	598.38	43.44
7	Korea	5315.05	-1.65	22	Bengal	569.24	133.52
8	Taiwan	2801.10	-1.04	23	Tunisia	439.21	2.47
9	Malaysia	2453.24	38.01	24	Poland	311.47	1.37
10	France	1976.71	13.47	25	Philippine	301.16	-28.78
11	Turkey	1536.58	54.85	26	Australia	288.24	-60.91
12	Romania	1409.04	54.49	27	Sri Lanka	238.64	33.61
13	Thailand	1250.50	20.80	28	Switzerland	220.83	15.33
14	America	1196.54	-21.23	29	Bulgaria	207.84	37.10
15	Vietnam	1171.26	37.92	30	Cambodia	200.82	59.77

*Source: Chinese textile importers and exporters association*

A substantial amount of textiles are re-imported by China as can be seen from the table above. At present, India does not figure within the top 20 textile importers. However, it's encouraging to note that during January-October 2006 Indian textile exports to China showed a big leap.

Several leading foreign brands have established their presence in the medium and high-end of the domestic consumer goods market. These are selling sophisticated products meant for relatively higher incomes. These brands include Channel, LV (Louis Vuitton), Dior, Versace, Prada, Burberry Kenzo, Givenchy, Valentino, Hugo Boss etc. Along with these leading global brands, domestic lines like Baoxiniao, Jumble beads, Metersbonwe, Septwolves, Weizhi, Sinoer, Youngor, Redcollor, Sunfed etc have taken up market shares. There are also several homegrown brands at the medium and low ends making competition much intense. While local and foreign competition is intense in almost all the segments, our study reveals that there are good opportunities for Indian SMEs making garments for the aged as well as for the grown-up children. However, the entry route and marketing channel chosen will play important role in determining commercial success.

After her accession to the WTO, China has removed several restrictions on market access. The extant rules and regulations have also become transparent, public and stable. As a result, SMEs from ASEAN countries as well as India have become very keen on entering the Chinese market. Given the intensity of competition in the domestic Chinese market, simple product exports are probably the best options to try out initially. Several Indian textile and garment-manufacturing SMEs have unique product mixes. They can try exploiting these advantages by approaching existing dealers.

In so far as moving through existing dealers are concerned, it may not be inappropriate to consider the wholesale markets. These attract not only working class consumers, but also students, migrant workers and floating customers from low and medium income groups. Though the prices in these markets are low for improving sales volumes, there are ten wholesale markets with annual volume of business of more than 10 billion Yuan. However, given that profits in these markets are pretty low, the brands keen on exploiting this channel must be prepared to work on low margins and high volumes.

Many brands treat fairs as important channels for expanding business. Apart from popularizing products, fairs also serve some specific marketing functions like bringing together brands and buyers for discussing collaborations, distributorship and franchisee agreements. However, Indian enterprises must realize that not only participation but subsequent follow-in and market developments are also critically important.

Another interesting option for facilitating market access is Internet/television shopping. These mainly target women groups on the basis of brand image in tune with contemporary fashion trends. Television shopping, which is preferred by products aiming to make a statement, is particularly effective for products with specific function or form. Like general merchandise mall, the product prices of these two modes are decided by terminal platform. Sold in this fashion, ordinary products can reach a premium ability of 300% to 500%. As for some low-cost satellite TV station, it can often be a much cost-effective mode. Currently there are billions of netizens in China with the number expected to grow at an increasing rate. Thus Internet and television can serve as effective marketing channels and entry strategies.

All the above are feasible options for Indian exporters of textiles and clothing to China. However, Indian SMEs can also consider diverting processing functions to China for utilizing the latter's low-cost human capital. This holds particularly true for those manufacturers who emphasize on design and value-addition for the relatively higher income segments. The ideal approach in this regard is to select a region with convenient traffic, particularly airports and seaports, for efficient processing and easy transportation. It is evident that not all Indian manufacturers will be interested in this route. However, the predominantly upper-end manufacturers might consider this a feasible route.

Market access always precludes the possibility of entry through collaborations. Indian SMEs can explore possibilities of loose collaboration or strategic alliances with capable Chinese partners. This has actually been a very effective entry strategy for enterprises from Hong Kong and Taiwan. The reason why this approach is so popular is that there are no major investment risks with the respective partners utilizing their own access predominance in local market for supplying a platform to the other for entering the new market. Mutual benefit is the key to success and perhaps the only choice.

Finally, familiarity and penetration in the Chinese market can also arise from establishing market centers for lowering raw material costs and preliminary processing products. Currently many SMEs are establishing representative offices in China whose main function is to seek material suppliers or develop processing queries. The key to this practice is to seek private or state-owned enterprises with raw material and processing as their main activities. Indian SMEs having their own brands and designs can seriously consider this option.

For Indian SMEs aspiring to enter the Chinese clothing and textile market, the prospect comprises both opportunities and competition. Our study reveals that while entering the market now is much easier than what it was earlier, but the critical question is to find and establish a foothold. It needs to be kept in mind that though the two countries are dissimilar in many respects, the textile industries of both have several common features and weak complementarities as a result. These factors are likely to be significant in taking on the prevailing competition in different parts of China. East China and the coasts probably require accessing more sophisticated marketing channels in order to reach out to the more affluent consumers residing in these parts. West China and the inland areas on the other hand, house the relatively less affluent, who can be reached through simpler marketing channels.



Right at the beginning, locating interested importers and dealers for pushing exports and checking the consumer feedback on the products is an important issue. A positive response should encourage further efforts in seeking out agents having deep marketing channels. Thereafter, it is important to decide whether or not to invest further in setting up more effective marketing channels in collaboration with the existing agents or plan otherwise. The success of Indian brands that are relatively less well-known depends heavily on the efficiency of marketing channels and pricing. Established brands of global repute aiming at medium and high ends of the market might, of course, be spared of these difficulties.

Advertisement is likely to play a key role in making inroads. In this regard, our study shows that advertisement on television and internet is found to be the most effective. This again underlines the effectiveness of Internet/television shopping mentioned earlier. In China, television advertising reportedly has the most comprehensive audience with the impact levels being highest in the central TV station, followed by the provincial TV station, city TV station and other local TV stations.

## 2. Leather and leather products

China is a net exporter of leather with such exports being USD 32.7 billion or more than 4.0 per cent of total exports of the country during 2005. During the same year, Chinese imports of leather were around USD 4.0 billion. Like in textiles, China has utilized abundant cheap labour for developing a diversified and well-spread leather industry. China's leather and leather product market also shows large presence of leading global brands along with well-performing domestic brands. The leading leather brands in the Chinese market are:

**Table 22: China's top 10 leatherware brands**

No.	Brand name	Laurel of brands
1	WANLIMA	1927, Hong Kong, famous domestic trademark
2	Golden lion	Famous Chinese brand name
3	Mexican	Shenzhen, famous domestic leatherware enterprise
4	Louis Vuitton	1854, Paris
5	Lacoste	1933?, France
6	Sept-wolves	Famous Chinese trademark and brand name
7	Laorentou	Italy, controlled by Busen group in China
8	Bandicoot	International famous leatherware brand name
9	Dunhill	1893, London
10	Hugo Boss	1923 Germany, famous brand of men's wear

Different leather products have flourished in different parts of the country. Wenzhou is known for leather shoes, while Daying enjoys reputation for producing the best women's shoes. Similarly, Suning is known as the fur capital of China. According to unconfirmed information, there are more than 20,000 leather processing enterprises, of which around 2,900 pursue tanning, 9,300 are engaged in shoe leather, 2,200 in leatherwear enterprise, 5,900 in leather articles and 1,200 in fur and ware enterprise.

During the period of the fifteenth five-year plan, the Chinese leather industry has organized into industry colonies. These colonies have developed a coordinated production system beginning from processing of raw material to selling and service. These colonies characterize some economic regions, like the shoemaking regions of Zhejiang Wenzhou, Sichuan Chengdu Wuhou, Chungking Bishan, Guangdong and Fujian, leatherware and leather garment regions of Zhejiang Haining, leather garment in Hebei Xinji, leatherware in Guangzhou Huadu Shiling, Fujian Quanzhou and Hebei Baigou, fur raw material processing in Zhejiang Tongxiang, Hebei Suning, Hebei Daying and Henan Sangcheng.

Our case study of a successful leather enterprise reveals that the company relied on the brand strength and marketing network of its parent company in the beginning for developing its own products. In recent years, it has taken advantage of the occasion of Olympic Games and the large media CCTV to enhance its brand awareness. It has devoted considerable importance to prolongation of marketing channels for reaching out to specialty stores.

Marketing strategies for Indian SMEs in textiles and leather industries will have to be broadly similar. One predicament that the Indian enterprises would be facing is whether to opt for a high-brand route or to take the low-end route. And this is going to be compounded by the choice regarding degree of emphasis on 'India'- specific characteristics of the product and selection of marketing channel.

### **3. Spices**

Spices and essences, apart from their traditional use in preparing food, are also important sources of raw material for fragrance-plus products. Essences/flavours are raw materials for concoction of fragrance used in food, beverage, liquor, cigarettes, cleaning products, cosmetics, toothpaste, medicine, fodder, textile, leather and other industries. Except perfume, flavour is added to various fragrance-plus products in a minor dosage of only 0.3-3% and plays an important role in distinguishing the quality of products, known as the "soul" of fragrance-plus products.

Available statistics show that almost all the top global essences and spices companies have active presence in the Chinese market. These companies have made deep inroads with their famous brands, advanced technology and large scale of production and have come to occupy around 17% share of the market. However, these enterprises are facing difficulties in the form of high production costs, scarce species, low degree of localization and somewhat incomplete adaptation to the Chinese tastes and preferences. State-owned enterprises are still the leading entities in the Chinese essences and spices market backed by their long history, good reputation, stable quality, cheap products and extensive popularity among consumers. These enterprises enjoy a market share of 55%. However, these enterprises also are suffering from weaknesses like lack of developed research, low technology content, inflexible operation methods and poor service quality. Thanks to encouraging policies, flexible operations and good services, township

and private enterprises have grown swiftly to corner 24% of the market. This is despite occasional problems of limited brand prestige and erratic product quality.

Despite large availability of imported food stuff following China's accession to the WTO and granting of greater market access, Chinese tastes have not undergone major changes. Traditional food still remains the major attraction for the bulk of consumers. This is in many ways similar to India where the majority of households favour traditional home-cooked food. In this regard, it must be understood that both India and China are large producers of essences and spices. This doesn't mean that there are no possibilities of cooperation between them. In so far as Indian producers of spices are concerned, they must look at products where the core material used is different from those employed in the Chinese varieties. This will help them in identifying and targeting distinct markets. At the same time, promotion of spices with unique flavours and ingredients will also help in avoiding direct competition with local varieties. Further, the rapid growth and development in the two countries will also help in enlarging the consumption market of essences and spices in both.

Our market survey suggests that in so far as specific entry modes are concerned, it is important to first identify the predominant brands and varieties in the Chinese market and refrain from encroaching into their territories. Products must rely on their specific features and exploit the incipient demand in local market. Moving through wholesale markets by using existing dealers/agents could be a good option in the beginning. More sophisticated marketing channels can be examined once products targeting the relatively upper ends of consumers are introduced.

#### 4. Fresh Fruit

Fruit presents increasing opportunities for Indian producers in the Chinese market. Bananas, mangos, oranges, grapes, pomegranates, apples and pineapples are India's major exports. All these can be classified as tropical or subtropical fruits. There is strong demand for these fruits in China. At present, China is importing these products mostly from Southeast Asia. The table below shows the trend of fruit imports in China.

**Table 23 : Fruit Import Trends in China**

Fruits	Import volume (10,000 tons)	Variation of the import volume	Import value (10,000 US dollars)	Variation of the import value	Main countries and districts of origin
Apples	2528	-0.59%	31	-6.41%	America and Chile
Pears	0.002	-80.62%	2.3	-55.77%	Japan
Oranges	63.4	26.04%	4224	19.14%	America, New Zealand and South Africa
Grapes	4.6	-19.95%	6966	-15.45%	Chile and America
Bananas	38.8	16.63%	11600	9.03%	Philippines

Peaches					
Pineapples	0.4	504.90%	182	444.41%	Philippines
Dates	0.75		165		West Asia
Persimmon					
Fig	0.066	-34.16%	44	-51.57%	Iran and Mexico
Lemon	0.46		397		America and New Zealand
Cherry	0.019	-34.21%	68	-37.09%	America and Chile
Plum	0.25		324		America and New Zealand

It is important to note that the domestic fruit production and consumption markets in China are large in terms of both varieties of products as well as the number of consumers. The performance-price ratio is an important indicator for the success of imported fruits in the Chinese market. In this regard, some Indian fruits might tend to be at a disadvantage on account of their higher prices arising from heavy costs incurred on an inefficient supply chain at home.

Indian SMEs dealing in fruit and keen on entering the Chinese market need to draw important lessons from the entry strategies followed by similar enterprises from Southeast Asia. The situation is somewhat similar to that in spices. In both spices and fruit, there are strong possibilities of Indian producers carving out niches in the Chinese market for selected products. However, for doing so, they have to rely on their sources of specific comparative advantages, which include, among other things, the 'Indianness' of their products, for avoiding direct competition with local Chinese varieties.

Like in spices, the wholesale markets should be the major emphasis in fruits as well. There are approximately 900 fresh and dried fruits wholesale markets in China at present, among which nearly 500 are in the urban area and 400 are in the countryside. Urban residents consume around 70% of the total fruits output and the big fruit markets in cities and metropolises attract fruits from various places. For fresh fruits, these markets should be the early targets for forcing entry.

## 5. Coffee

Available statistics indicate that during 2006, domestic coffee consumption in China amounted to 30,000 tons. Out of this, 60% was instant coffee and 30% was brewed coffee. Per capita coffee consumption in China is 4 cups, which is much lower compared with average levels of 500 cups in Europe and America. Records available with Nestle show that instant coffee consumption is growing annually by 40%, while the traditional variety of brewed coffee is growing by 30%. Vietnam is the largest source country for coffee imports to China, followed by Indonesia, Brazil, Columbia and Uganda.

Our surveys indicate that the instant and 3-in-1 packaged coffee varieties have large potential for growth in China. This should encourage Indian coffee producers. What is further encouraging is that coffee is becoming increasingly popular among the Chinese youth as a beverage with unique taste. As of now, the middle-aged (41-45 years) and the young are the main consumers of coffee. The taste of the beverage, as well as the convenience of drinking coffee, is identified as the major factors behind its increasing popularity.

Whether finished coffee products or coffee beans, Indian coffee producers enjoy a good chance of moving into the Chinese market, since the degree of competition, as of now, is limited compared with other product lines. Entry options should focus on trade negotiations with the coffee importers in China, participation in exhibitions and possibility of supplying coffee to the leading retail outlets. Among the existing marketing channels, advertising on TV appears to be the most important means for reaching out to consumers. Other dissemination channels include promotion campaigns, radio, magazines and newspapers. Free trials have also been found to be useful.

## **6. Organic chemicals**

Organic chemicals are one of the largest Chinese imports. The rapid expansion of the Chinese economy, particularly the petrochemicals sector, has resulted in rising demand for such imports. Indeed, while China enjoys large surpluses in most segments of its foreign trade, the chemical industry is conspicuous in terms of the deficit that it produces. In the year 2006, this deficit was as large as USD 113.07 billion, showing an increase of 13.8 per cent over the previous year. Though China has achieved self-sufficiency in some of the chemicals, the overall demand is still large and overshoots supply, thereby leaving much market room. The industrial solvents of benzene and industrial alcohol (methanol) have shown particularly high import growth. Large growth has also been observed in oil and building paints and dyes.

Import of organic chemicals into China is relatively free compared with the kind of restrictions it faces in Europe and the US. Our market surveys also indicate that Chinese domestic enterprises in the chemical industry are keen on cooperation and collaboration. The latest industrial statistics show that there are around 31.5 million Chinese SMEs in the chemical industry. Around 14% of these enterprises are registered, while 16.7% are engaged in international trade or are capable of import and export; 28% of the SMEs currently utilize third party B2B electronic commerce platform.

For Indian SMEs willing to enter the Chinese market, presence of high demand is certainly a major source of assurance. The problem, as our survey reveals, lies in lack of accurate information regarding willing partners. On part of Chinese enterprises too, the quality and business reputation of Indian enterprises is an important factor. While procedures should not be the main concerns for either side, the important issue is to establish successful contacts, through physical exhibitions or through electronic commerce display modes.