

Abstract

This paper aims to examine the Competitiveness of China and India in the European Union based on the international trade values, during the time period 2001-2009. It firstly reflects about the ambiguous definition of Competitiveness as well as the diversity of methods that exist to measure this concept. Subsequently, the following work seeks to analyse the exports growth of China and India in particular to the European market.

Therefore, some methodologies were used in this paper: the Revealed Comparative Advantage analysis, which seeks to capture the products where China and India present Comparative advantage at world's level; the Constant Market Share analysis, which pretends to verify if the Competitiveness explain the export growth to the European market; and the analysis based on the combination of the Trade Complementarity Index with the Geographical Orientation Index, which permits to identify the products where there is room, for China and India, to expand their exports to the European Union, under certain circumstances.

The empirical analysis suggests that China's and India's exports are competitive in products identified by the three methodologies, having in many of them capacity to increase their exports to the European market. However, there still persist high levels of trade protection applied by the European Union, which can explain why China's and India's exports have not yet take advantage of their full potential.

Keywords: China, India, Competitiveness, European Union, Revealed Comparative Advantage, Constant Market Shares Technique, Trade Potential analysis, Tariffs.