Faculti Summary
https://staging.faculti.net/intensive-and-extensive-margins-of-exports-what-can-india-learn-from-china/

The study focuses on India's export performance and identifies key strategies and policy interventions needed for achieving higher export growth, particularly in the context of the Make in India program initiated in 2014 to establish India as a global manufacturing hub. A central comparison is made with China, a successful exporting country, particularly due to its extensive trade relationships and specialization in labor-intensive manufacturing.

The research analyzes India's exports of manufactured products from 2000 to 2015, breaking it down into two components: intensive and extensive margins. Results indicate that while both countries perform better in the intensive margin (referring to growth from established markets and products), China's success is primarily driven by quantity rather than price, with China's quantity margin significantly exceeding India's. Conversely, India's lack of penetration into richer markets is attributed to its specialization in skill-intensive and capital-intensive products instead of labor-intensive ones, where it holds a competitive advantage.

The paper concludes that India must enhance its intensive margin by focusing on labor-intensive manufacturing to access richer markets, rather than merely diversifying exports across numerous products and markets. Policy recommendations include removing constraints and fostering integration into global production networks to fully exploit India's export potential and create employment opportunities. Ultimately, a stronger emphasis on the intensive margin is deemed more beneficial for India's export growth than broad diversification.