

CUTS Dossier on Preferential Trade Agreements

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1. China - Bangladesh FTA: Working Together for a Better Future

China is ready to synergise its 13th Five-Year Plan with Bangladesh's Seventh Five-Year Plan with the view to leveraging the respective comparative advantages of the two countries, Chinese President Xi Jinping said during his Bangladesh visit in October 2016. The cooperation was aimed at increasing economic exchanges and trade, building key projects in areas such as infrastructure, production capacity, energy, electricity, transportation, information, telecom and agriculture, and strengthening practical cooperation under the BCIM Economic Corridor (Bangladesh, China, India, Myanmar). China now is the biggest trading partner of Bangladesh; however, China does not seek trade surpluses as its trading goal. In future, China will import more competitive goods from Bangladesh. The signing of a free trade agreement between China and Bangladesh will provide Bangladesh with more preferential goods, services and investments access to China.

<http://www.thedailystar.net/business/economy/bangladesh-china-should-work-together-better-future-1513147>

CUTS Comments

Bangladesh is enjoying preferential treatment from China under the APTA (Asia-Pacific Trade Agreement) and China's initiation of unilateral tariff liberalisation for least developed countries. It is also enjoying similar preferences while trading with India. China is now looking forward to a more comprehensive economic relationship with the economies of South Asia region. This proposed China-Bangladesh agreement is a step taken by China for the same.

Since the independence of Bangladesh, India is its major trading partner. Economic relations between these two countries are good due to similarity in language, culture, and landscape. China is making constant efforts to capture Bangladesh's market overtime and this agreement between China and Bangladesh can be visualised from this perspective.

Table 1.1 and Table 1.2 represent the top ten product-wise trade volume with their corresponding shares in total trade for 2016 and, also, product-wise CAGR over five years (from the year 2012 to 2016). Table 1.1 depicts top ten exported products of India and Bangladesh to China in 2016. The volume of India's top ten products is seven times larger than Bangladesh's exports of top ten products to China. The products are mainly raw materials and natural resources, which can be used for further manufacturing.

Table 1.1: India and Bangladesh's Top Ten Exports to China

Product Code	Product Description	India's Exports to China		Bangladesh's Exports to China	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
740311	Cathodes & sections of cathodes	619.35 (6.95)	-27.05	--	--
271011	Light petroleum oils & preparations	558.32 (6.26)	22.48	--	--
260111	Iron ores & concentrates, non-agglomerated	531.01 (5.96)	-29.57	--	--
260112	Iron ores & concentrates, agglomerated	429.64 (4.82)	258.79	--	--
251611	Granite, crude/roughly trimmed	299.89 (3.36)	-8.9	--	--
520512	Cotton yarn, single of uncombed fibres	272.94 (3.06)	14.94	--	--
520524	Cotton yarn, single of combed fibres	259.4 (2.91)	-3.45	--	--
151530	Castor oil & fractions thereof	243.37 (2.73)	-6.33	--	--
520100	Cotton, not carded/combed	228.59 (2.56)	-45.57	--	--
520514	Cotton yarn, single of uncombed fibres (>52 metric)	215.12 (2.41)	9.28	--	--
620342	Men's/boys' trousers, bib & brace overalls	--	--	96.31 (11.08)	34.31
610910	T-shirts, singlets & other vests	--	--	78.86 (9.07)	31.5
530710	Yarn of jute/of other textile bast fibres	--	--	70.18 (8.07)	18.89
30624	Crabs, whether/not in shell, other than frozen	--	--	59.22 (6.81)	17.76
620462	Women's/girls', trousers, bib & brace overalls	--	--	44.32 (5.1)	30.18
620520	Men's/boys' shirts (excl. knitted/crocheted)	--	--	35.18 (4.05)	45.07
631090	Used/new rags, scrap twine, cordage	--	--	28.62 (3.29)	24.31
611020	Jerseys, pullovers, cardigans, of cotton	--	--	27.82 (3.2)	29.03
611030	Jerseys, pullovers, cardigans of man-made fibres	--	--	26.1 (3.0)	43.83
391590	Waste, parings & scrap, of plastics	--	--	25.94 (2.98)	-9.77
Sub-Total*		3657.63 (41.02)		492.55 (56.65)	
Total Exports in 2016		8916.07		869.40	

Notes: Values in the parenthesis are export share of the particular product in total export;
* Summation of top ten exported products
Source: WITS database

On the other hand, Bangladesh's top ten products constitute more than fifty per cent of its total exports to China in 2016. Bangladesh is worldwide famous for its exports of Readymade Garments (RMG) and that is reflected in its exports to China. Seven products out of its ten major exports are from the RMG sector. It is interesting to note that all exported products of Bangladesh to China (see Table 2.1) have positive CAGR over 2012-2016, which reflects that though Bangladesh's volume of exports is low in Chinese market but it is growing over the years.

Table 1.2: India and China's Exports to Bangladesh

Product Code	Product Description	India's Exports to Bangladesh		China's Exports to Bangladesh	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
520100	Cotton, not carded/combed	511.75 (9.03)	-1.47	--	--
520524	Cotton yarn, single of combed fibres	201.15 (3.55)	13.79	--	--
520523	Cotton yarn, single (excl. sewing thread), of comb	164.19 (2.9)	4.49	--	--
871120	Motorcycles (incl. mopeds) & cycles	156.62 (2.76)	6.15	--	--
870600	Chassis fitted with engines	120.1 (2.12)	38.25	--	--
520942	Woven fabrics of cotton	119.86 (2.11)	-3.23	--	--
720719	Semi-finished products of iron/non-alloy steel, n.e.s. in 72.07	96.7 (1.71)	41.2	--	--
870422	Motor vehicles for the transport of goods	92.67 (1.63)	24.46	--	--
720711	Semi-finished products of iron/non-alloy steel	88.23 (1.56)	49.92	--	--
320416	Reactive dyes & preparations based Thereon	80.19 (1.41)	17.96	--	--
271019	Petroleum oils & oils obtained from bituminous min	--	--	709.99 (4.96)	175.4
520842	Woven fabrics of cotton, containing >85% by weight of cotton	--	--	290.03 (2.03)	-6.57
521142	Woven fabrics of cotton, containing <85% by weight of cotton	--	--	232.08 (1.62)	37.83
520939	Woven fabrics of cotton (excl. of 5209.31 & 5209.3)	--	--	220.05 (1.54)	-1.14
540752	Woven fabrics (excl. of 5407.10-5407.30), dyed	--	--	173.75 (1.22)	12.88
600632	Knitted/crocheted fabrics, n.e.s. in Ch.60, of syn	--	--	161.78 (1.13)	36.3
520843	Woven fabrics of cotton, containing >85% by weight of cotton, weighing not >200g/m2	--	--	148.64 (1.04)	13.11
871190	Side cars for motorcycles	--	--	131.33 (0.92)	52.13
80810	Apples, fresh	--	--	125.28 (0.88)	19.51
310530	Diammonium hydrogenorthophosphate	--	--	122.07 (0.85)	12.95
Sub-Total*		1631.46 (28.78)		2315 (16.19)	
Total Exports in 2016		5668.79		14300.64	

Notes: Values in the parenthesis are export share of the particular product in total export;
* Summation of the top ten exported products
Source: WITS database

Table 1.2 represents top ten exports of India and China to Bangladesh for the year 2016 with their corresponding CAGR. Major exports of India and China to Bangladesh are cotton or cotton based woven fabrics. Both nations are having positive CAGR for most of their exported products to Bangladesh. In terms of total exports in 2016, China's exports are more than double to Indian exports to Bangladesh.

The effect of this FTA can also be assessed by using the indices of homogeneity and competitive pressure faced by Indian exports from Bangladesh and China in their respective markets. For this, FKI (Finger-Kreinin Index) and RECPI (Relative Export Competitive Pressure Index) have been used.

The FKI measures the degree of homogeneity of trade (exports or imports) of two sets of countries with respect to the third (destination) country. The value of this index ranges from zero to one. If FKI = 1, then export structures would be exactly similar (homogeneous) and if FKI = 0, then, the export structures do not have any similarity (heterogeneous).

The RECPI calculates the level of competitive pressure a country faces from other country in a particular destination country. Suppose country X and country Y are exporting in the country Z's market. If country X's exports are 'n' times larger than the country Y's exports to country Z but these exports are entirely in different sectors when compared to country Y, then the RECPI will be equal to zero. If country X's exports are 'n' times larger than the country Y's exports to country Z but these exports are entirely in same sectors as that of country Y, then, the competition pressure will be high for country Y and hence, the RECPI will be equal to 'n'.

Table 1.3: FKI & RECPI among India, China and Bangladesh

A. India's FKI with Bangladesh in China's Market						B. India's FKI with China in Bangladesh's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Bangladesh	0.03	0.04	0.04	0.03	0.03	China	0.22	0.22	0.24	0.24	0.26
C. India's RECPI with Bangladesh in China's Market						D. India's RECPI with China in Bangladesh's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Bangladesh	0.50	0.40	0.23	0.10	0.10	China	0.13	0.13	0.17	0.11	0.12

Source: Calculations using TradeSift software with data from UN Comtrade via WITS (HS 6-Digit)

India's FKI values over the five periods with Bangladesh in the Chinese market (Table 1.3A) are indicating that the commonality between India and Bangladesh's exported products to China is very low. Furthermore, Table 1.3C represents that export competitive pressure to India from Bangladesh in the Chinese market is declining overtime. Table 1.3B portrays that India has moderate level of commonality with China while exporting products to Bangladesh. Also, the export pressure faced by India from China in Bangladesh's market (Table 2.3D) is very low.

Food for Thought

Though India, China and Bangladesh do not have any common product in the list of their top ten exporting products and, also, the degree of commonality and competition is very low, it cannot be said that India need not worry from this proposed FTA. India's traditional ties with Bangladesh may be at stake from this agreement because its share of trade in Bangladesh may be captured by China sooner or later. Additionally, in future China's import demand of textiles and other products, on which Bangladesh is exporting largely, may be further met from Bangladesh and, hence, the demand for Indian products of the same category in the Chinese market may get diminished. As a remedial measure, India should strengthen its trade relations with Bangladesh by strengthening its trade and investment promotion work in that country.

2. China - Sri Lanka FTA: Adding One More Pearl to ‘Silk Road Garland’

Talks between Sri Lanka and China in pursuit of the coveted Free Trade Agreement (FTA) between the two countries are progressing smoothly and six exhaustive sessions of official talks have been concluded to date, Rishad Bathiudeen, Minister of Industry and Commerce of Sri Lanka said. “In recent years, China – Sri Lanka two way trade has grown faster than our trade with many other countries. Last year China became the largest import destination for us. 42% of our total imports from the world in 2016 came from China at a value of \$4.2 billion” the minister said. According to Sri Lanka’s Department of Commerce, Sri Lanka’s total bilateral trade with China was \$4.4 billion, a huge 363% increase in comparison to a decade back in 2007, a 11% YoY increase in 2016 from 2015’s 4 Billion USD.

http://www.colombopage.com/archive_17A/Jul16_1500219442CH.php

CUTS Comments

Sri Lanka’s bilateral trade relation with China started in the year 1952, when both of them signed Rubber-Rice pact. Thereafter, Sri Lanka and China got connected with each other through Asia-Pacific Trade Agreement (APTA). But till date, Sri Lanka is having huge deficit with China. From this new agreement Sri Lanka is looking forward to explore the Chinese market.

China is also interested to intervene in South Asia region and has already developed good trade relations with Bangladesh, Nepal and Pakistan. Now, China is moving forward to strengthen its trade relations with Sri Lanka, which will help it to gain economic advantages in South Asia as well as to add one more node to its Belt and Road Initiative.

A snapshot of major traded products between India and Sri Lanka with China for the year 2016 is presented in the Table 2.1. Sri Lanka is mainly exporting primary products to China. Tea is the top most exporting product of Sri Lanka with a positive growth of 35.56 per cent (cumulative CAGR corresponds to HS six digit codes 90240 and 90230), followed by coconut and other products.

India is a major player in the Chinese market in comparison to Sri Lanka because its exports are 34 times larger than Sri Lankan exports to China. India’s export basket constitutes copper, iron ore, granite, cotton and other agricultural based products. Looking at the CAGR, it becomes clear that all Sri Lankan exports, except coconut (530500), are growing positively over the years, whereas the same is not true for the exports of all major products of India to China.

Table 2.1: India and Sri Lanka's Top Exports to China

Product Code	Product Description	India's Exports to China		Sri Lanka's Exports to China	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
740311	Cathodes & sections of cathodes, of refined copper	619.35 (6.95)	-27.05	--	--
271011	Light petroleum oils & preparations	558.32 (6.26)	22.48	--	--
260111	Iron ores & concentrates, non-agglomerated	531.01 (5.96)	-29.57	--	--
260112	Iron ores & concentrates, agglomerated	429.64 (4.82)	258.79	--	--
251611	Granite, crude/roughly trimmed	299.89 (3.36)	-8.9	--	--
520512	Cotton yarn, single (excl. sewing thread), of uncombed fibres	272.94 (3.06)	14.94	--	--
520524	Cotton yarn, single (excl. sewing thread), of combed fibres	259.4 (2.91)	-3.45	--	--
151530	Castor oil & fractions thereof	243.37 (2.73)	-6.33	--	--
520100	Cotton, not carded/combed	228.59 (2.56)	-45.57	--	--
520514	Cotton yarn, single (excl. sewing thread), of uncombed fibres, containing 85%/more by weight of cotton	215.12 (2.41)	9.28	--	--
90240	Tea, black (fermented) & partly fermented tea, content >3kg	--	--	25.65 (11.9)	25.7
530500	Coconut, abaca (Manila hemp/Musa textilis Nee)	--	--	20.67 (9.59)	-7.14
621210	Brass/Fres & parts thereof	--	--	13.95 (6.47)	104.03
610990	T-shirts, singlets & other vests	--	--	12.8 (5.94)	35.81
401290	Solid/cushion tyres, tyre treads & tyre flaps	--	--	7.82 (3.63)	21.44
380210	Activated carbon	--	--	6.64 (3.08)	41.94
90230	Tea, black (fermented) & partly fermented tea, content not >3kg	--	--	5.57 (2.59)	9.86
620342	Men's/boys' trousers, bib & brace Overalls	--	--	5.38 (2.5)	49.49
261510	Zirconium ores & concentrates	--	--	4.25 (1.97)	91.76
210690	Food preparations, n.e.s.	--	--	3.41 (1.58)	126.23
Sub-Total*		3657.63 (41.02)		106.14 (49.25)	
Total Exports in 2016		8916.07		215.49	

Notes: Values in the parenthesis are export share of the particular product in total export;
* Summation of the top ten exported products
Source: WITS database

As represented in Table 2.2, India and China are having almost same share in terms of their total exports to Sri Lanka (US\$ 4118.25 mn and US\$ 4286.88 mn, respectively). Majority of India's exports are petroleum oils, motorcycles, medicaments, dredgers, vehicles, cement, fruits, vessels & beet sugar and those of China's are petroleum oils, bars, knitted & woven fabrics, machines, telephones, urea, fish and base stations for transmissions.

Sri Lanka's demand for petroleum oils and oils obtained from bituminous minerals is very high and it is importing the same product from India and China in large quantities. However, over the last five years Sri Lanka is shifting its source of obtaining this product from India to China (see the positive and high value of CAGR of exports of this product from China to Sri Lanka).

Table 2.2: India and China's Top Exports to Sri Lanka

Product Code	Product Description	India's Exports to Sri Lanka		China's Exports to Sri Lanka	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
271019	Petroleum oils & oils obtained from bituminous minerals	333.43 (8.1)	-4.11	181.41 (4.23)	116.47
871120	Motorcycles (incl. mopeds) & cycles	208.52 (5.06)	15.12	--	--
300490	Medicaments	138.24 (3.36)	9.82	--	--
890510	Dredgers	121.8 (2.96)	19.06	--	--
870321	Vehicles (excl. of 87.02 & 8703.10)	121.74 (2.96)	-4.81	--	--
252329	Portland cement (excl. white cement)	120.38 (2.92)	13.69	--	--
870421	Motor vehicles for the transport of goods	96.2 (2.34)	0.58	--	--
90420	Fruits of the genera Capsicum/Pimenta, dried/crush	86.73 (2.11)	17.94	--	--
890690	Vessels, n.e.s. in 89.01-8906.10, incl. lifeboats	79.57 (1.93)	7.25	--	--
170199	Cane/beet sugar & chemically pure sucrose	55.2 (1.34)	-18.06	--	--
722830	Bars & rods of other alloy steel			92.6 (2.16)	116.47
600410	Knitted/crocheted fabrics of a width >30cm			79.02 (1.84)	72.26
851762	Machines for the reception			55.68 (1.3)	11.25
851712	Telephones for cellular networks/for other wireless			51.83 (1.21)	2.82
310210	Urea, whether/not in aqueous solution			49.54 (1.16)	20.65
30379	Fish (excl. of 0303.71 - 0303.78)			46.21 (1.08)	17.47
540752	Woven fabrics			44.22 (1.03)	178.04
851761	Base stations for transmission /reception of voice			44.13 (1.03)	13.58
600622	Knitted/crocheted fabrics, n.e.s. in Ch.60			41.32 (0.96)	-1.19
Sub-Total*		1361.81 (33.07)		685.96 (16.00)	
Total Exports in 2016		4118.25		4286.88	

Notes: Values in the parenthesis are export share of the particular product in total export;
* Summation of the top ten exported products
Source: WITS database

In Table 2.1 and Table 2.2, we have considered only top ten exported products of India, China and Sri Lanka, whereas Table 2.3 represents the analysis of commonality as well as competition among these three nations for the entire product categories at six digits level of disaggregation.

Table 2.3: FKI & RECPI among India, China and Sri Lanka

A. India's FKI with Sri Lanka in China's Market						B. India's FKI with China in Sri Lanka's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Sri Lanka	0.04	0.04	0.05	0.05	0.07	China	0.20	0.26	0.23	0.22	0.27
C. India's RECPI with Sri Lanka in China's Market						D. India's RECPI with China in Sri Lanka's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Sri Lanka	0	0	0.001	0.001	0.002	China	0.36	1.19	0.98	1.14	0.76
<i>Source: Calculations using TradeSift software with data from UN Comtrade via WITS (HS 6-Digit)</i>											

It is clear from Table 2.3A that India and Sri Lanka have very low level of similarity in their exported products to China. Also, the level of competition faced by India from Sri Lanka in the Chinese market is negligible (Table 2.3C). Table 2.3B portrays that degree of commonality is there when it comes to exports of India and China to the Sri Lankan market. Additionally, India is facing huge competitive pressure from China while exporting to Sri Lanka which outlines that more preference to China from Sri Lanka, in terms of lower trade restrictions through this FTA, will help China to create new trade opportunities for them in the Sri Lankan market, which will divert India's trade with that country.

Food for Thought

China has added an additional pearl to its garland of 'Silk Road' by proposing this FTA with Sri Lanka. This will give more access to China in and across the Indian Ocean. Our analysis underlined the point that China and India are already in tough competition with each other in the Sri Lankan market. Now, Sri Lanka may offer additional preference to China in its market, which will have severe negative effect on India's exports to Sri Lanka. To save its export market in Sri Lanka, India should speed up the progress of concluding its comprehensive economic and technical cooperation agreement with Sri Lanka, whose standards will be higher than the existing India-Sri Lanka Free Trade Agreement.

3. China - Japan - South Korea FTA: A Road to Asian Economic Integration

12th round of Negotiations for the free trade agreement were concluded in April 2017 and the FTA is expected to come into force as soon as the legislatures of these countries pass the resolution. The three countries held working group meetings on trade in services, telecommunication, financial services, investment, competition policies, intellectual properties and e-commerce. They also conducted a comprehensive and detailed policy exchange on management measures regarding trade in services. China, Japan and South Korea together account for 90% of East Asian GDP and 20% of Global GDP. This agreement would further integrate the Asian economies.

<http://english.mofcom.gov.cn/article/newsrelease/significantnews/201704/20170402559542.shtml>

CUTS Comments

China, Japan and South Korea hold the lion's share in regional economy of North-East Asia. Even though political disequilibrium exists, trilateral economic relation between them was started during the Asian financial crisis in late 1990s and was strengthened further after the global financial crisis in the year 2008. Now, these nations have started talks for an FTA. The formation of this FTA will help strengthening their economic and political ties further.

India shares a good volume of trade, both in terms of exports and imports, with these three countries. The formation of China – Japan – South Korea FTA will surely impact the existing level of trade of India with them.

Table 3.1 represents the top ten exported products of India, China and Japan to South Korea with their contribution in total exports and CAGR over 2012-2016. In terms of total exports, China's exports are the highest (US\$ 30677.65 mn) to South Korea followed by Japan (US\$ 11587.20 mn) and India (US\$ 1520.09 mn).

India's has higher concentration of its exports of aluminium (not alloyed) and light petroleum oils. China's exports are more of telephones for cellular networks and electronic integrated circuits and Japan is mainly exporting commodities and machines.

In the South Korean market, India and Japan are in direct competition in terms of their exports of petroleum oils and oils obtained from bituminous minerals. In terms of volume, Indian exports of this product are low as compared with Japanese exports to South Korea.

Table 3.1: India, China and Japan's Top Ten Exports to South Korea

Product Code	Product Description	India's Exports to South Korea		China's Exports to South Korea		Japan's Export to South Korea	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
760110	Aluminium, not alloyed	507.48 (14.64)	20.07	--	--	--	--
271011	Light petroleum oils & preparations	487.74 (14.07)	-14.4	--	--	--	--
720241	Ferro-chromium, containing by weight >4% of carbon	143.33 (4.14)	-12.27	--	--	--	--
903289	Automatic regulating/controlling instr.	68.46 (1.98)	235.32	--	--	--	--
271019	Petroleum oils & oils obtained from bituminous minerals	66.51 (1.92)	-26.69	--	--	772.58 (1.67)	-11.68
790111	Zinc, not alloyed	63.92 (1.84)	-10.88	--	--	--	--
710239	Diamonds, non-industrial	50.13 (1.45)	8.09	--	--	--	--
271099	Waste oils other than those containing polychlorinated	44.79 (1.29)	7.23	--	--	--	--
230649	Oil-cake & other solid residues	44.66 (1.29)	-13.48	--	--	--	--
711299	Waste & scrap of precious metal	43.07 (1.29)	-7.74	--	--	--	--
851712	Telephones for cellular networks	--	--	7933.71 (8.47)	-2.36	--	--
854232	Electronic integrated circuits, Memories	--	--	7267.3 (7.76)	30.28	--	--
851770	Parts of telephone sets	--	--	6200.25 (6.62)	-4.58	--	--
901380	Liquid crystal devices	--	--	2106.3 (2.25)	-4.23	--	--
847130	Portable automatic data processing machines	--	--	1491.41 (1.59)	-6.53	--	--
854430	Ignition wiring sets & other wiring sets	--	--	1313.17 (1.4)	6.34	--	--
847170	Storage units	--	--	1195.53 (1.28)	46.86	--	--
722830	Bars & rods of other alloy steel	--	--	1103.62 (1.18)	13.7	--	--
722530	Other flat-rolled products of other alloy steel	--	--	1036.5 (1.11)	-3.42	--	--
854140	Photosensitive semiconductor devices	--	--	1029.86 (1.1)	4.52	--	--
999999	Commodities not specified according to kind	--	--	--	--	2884.55 (6.24)	6.18
848620	Machines & apparatus for the manufacture of semiconductor	--	--	--	--	1606.94 (3.48)	-4.59
854239	Other Electronic integrated Circuits	--	--	--	--	1530.55 (3.31)	1.89
848690	Parts & accessories of machines	--	--	--	--	1278.21 (2.76)	26.06
900120	Sheets & plates of polarising Material	--	--	--	--	932.79 (2.02)	-13.57
382490	Chemical products & preparations of the chemical	--	--	--	--	812.11 (1.76)	-11.74
270730	Xylol (xylenes)	--	--	--	--	614.64 (1.33)	13.3
720839	Flat-rolled products of iron/non-alloy steel	--	--	--	--	577.71 (1.25)	-3.75
870840	Gear boxes & parts thereof	--	--	--	--	577.12 (1.25)	4.17
Sub-Total*		1520.09 (43.86)		30677.65 (32.74)		11587.2 (25.06)	
Total Exports in 2016		3465.42		93707.1			

Notes: Values in the parenthesis are export share of the particular product in total export;

* Summation of the top ten exported products

Source: WITS database

The competition among India, Japan and South Korea in their exports to China is given in Table 3.2. Indian exports are more of copper, iron and cotton yarn based products and it is not in direct competition with Japan and South Korea in terms of its top ten exported products to China. Also, India is a small player in the Chinese market as compared to Japan and South Korea.

Table 3.2: India, Japan and South Korea's Top Ten Exports to China

Product Code	Product Description	India's Exports to China		Japan's Exports to China		South Korea's Exports to China	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
740311	Cathodes & sections of cathodes, of refined copper	619.35 (6.95)	-27.05	--	--	--	--
271011	Light petroleum oils & preparations	558.32 (6.26)	22.48	--	--	--	--
260111	Iron ores & concentrates, non-agglomerated	531.01 (5.96)	-29.57	--	--	--	--
260112	Iron ores & concentrates, Agglomerated	429.64 (4.82)	258.79	--	--	--	--
251611	Granite, crude/roughly trimmed	299.89 (3.36)	-8.9	--	--	--	--
520512	Cotton yarn, uncombed	272.94 (3.06)	14.94	--	--	--	--
520524	Cotton yarn, combed	259.4 (2.91)	-3.45	--	--	--	--
151530	Castor oil & fractions thereof	243.37 (2.73)	-6.33	--	--	--	--
520100	Cotton, not carded/combed	228.59 (2.56)	-45.57	--	--	--	--
520514	Cotton yarn, single (excl. sewing thread)	215.12 (2.41)	9.28	--	--	--	--
999999	Commodities not specified according to kind	--	--	5803.68 (5.1)	-3.08	--	--
870840	Gear boxes & parts thereof	--	--	4117.25 (3.62)	0.59	1996.66 (1.6)	23.83
870323	Vehicles (excl. of 87.02 & 8703.10)	--	--	3751.7 (3.3)	-2.1	--	--
854232	Electronic integrated circuits, Memories	--	--	3572.06 (3.14)	1.85	14630.93 (11.76)	23.65
901380	Liquid crystal devices	--	--	3082.64 (2.71)	-2.52	12066.6 (9.7)	-11.43
848630	Machines & apparatus	--	--	2367.18 (2.08)	31.98	--	--
290243	p-Xylene	--	--	1805.72 (1.59)	-8.31	4481.29 (3.6)	12.89
851770	Parts of telephone sets	--	--	1755.79 (1.54)	41.45	3474.12 (2.79)	1.06
847989	Other machines & mechanical Appliances	--	--	1500.45 (1.32)	-7.78	--	--
854239	Other Electronic integrated circuits	--	--	1387.25 (1.22)	-14.52	--	--
854231	Electronic integrated circuits	--	--	--	--	5853.7 (4.7)	-3.01
853190	Parts of the apparatus	--	--	--	--	4264.13 (3.43)	4.79
271019	Petroleum oils & oils obtained from bituminous minerals	--	--	--	--	2702.07 (2.17)	-23.27
853890	Parts suit (excl. of 8538.10)	--	--	--	--	2136.53 (1.72)	9.74
852580	Television cameras	--	--	--	--	2074.44 (1.67)	191.28
Sub-Total*		3657.63 (41.02)		29143.72 (25.6)		53680.46 (43.14)	
Total Exports in 2016		8916.07		113830.23		124432.94	

Notes: * Values in the parenthesis are export share of the particular product in total export; ** Summation of the top ten exported products
Source: WITS database

Table 3.3: India, China, and South Korea's Top Ten Exports to Japan

Product Code	Product Description	India's Exports to Japan		China's Exports to Japan		South Korea's Exports to Japan	
		Export Value in 2016 (US\$ mn)	CAGR (2012-2016)	Export Value in 2016 (US\$ mn)	CAGR (2012-2016)	Export Value in 2016 (US\$ mn)	CAGR (2012-2016)
271011	Light petroleum oils & Preparations	553.89 (14.47)	-30.08			1314.24 (5.40)	-25.28
30613	Shrimps & prawn	307.74 (8.04)	5.18				
710239	Diamonds, non-industrial other than unworked	240.87 (6.29)	-6.8				
271019	Petroleum oils & oils obtained from bituminous minerals	95.69 (2.5)	-32.6			923.64 (3.79)	-31.18
720230	Ferro-Silico-Manganese, in granular/powder form	78.78 (2.06)	-14.56				
870899	Other parts & accessories for the motor vehicles	73.38 (1.92)	0.85				
30499	Fish fillets & other fish meat	59.64 (1.56)	-0.67				
380893	Herbicides, anti-sprouting Products	58.89 (1.54)	75.23				
80132	Cashew nuts, shelled	54.63 (1.43)	2.27				
760110	Aluminium, not alloyed	51.4 (1.34)	308.94				
851712	Telephones for cellular networks			7411.79 (5.73)	10.39		
847130	Portable automatic data processing machines			4347.51 (3.36)	-8.88		
854140	Photosensitive semiconductor devices			2990.29 (2.31)	26.14		
851770	Parts of telephone sets			2799.45 (2.17)	7.97		
611030	Jerseys, pullovers, cardigans, waist-coats			1715.27 (1.33)	-4.33		
841510	Window/wall type air-conditioning machines			1082.8 (0.84)	-9.82		
851762	Machines for the reception			1079.01 (0.83)	-4.83		
844399	Other parts & accessories for printing machinery			1041.72 (0.81)	-2.27		
901380	Liquid crystal devices			1006.99 (0.78)	-15.62		
844331	Machines which perform two/more of the functions			954.25 (0.74)	-7.8		
710691	Silver (incl. silver plated with gold/platinum)					781.81 (3.21)	-8.36
854232	Electronic integrated circuits, Memories					494.57 (2.03)	-19.79
854231	Electronic integrated circuits, Processors					422.35 (1.73)	-12.54
732690	Articles of iron/steel, n.e.s.					379.05 (1.56)	0.17
848071	Moulds for rubber/plastics					373.48 (1.53)	4.50
721049	Flat-rolled products of iron/non-alloy steel					290.37 (1.19)	-5.99
854140	Photosensitive semiconductor Devices					284.45 (1.17)	1.36
851770	Parts of telephone sets					276.81 (1.14)	2.63
Sub-Total*		1574.91 (41.15)		24429.08 (18.9)		5540.78 (22.75)	
Total Exports in 2016		3827.28		129268.49		24354.46	

Notes: Values in the parenthesis are export share of the particular product in total export;
* Summation of the top ten exported products
Source: WITS database

The scenario of exports of major products of India, China and South Korea to the Japanese market is given by Table 3.3. There is no common product among India, China and South Korea but there is competition in the exports of light petroleum oils and petroleum oils and oils obtained from bituminous minerals by India and South Korea to Japan.

In order to understand the level of commonality and competition among India, China, Japan and South Korea, FKI and RECPI have been calculated (see Table 3.4). In Japanese and South Korean markets, India is facing low level of competition (Table 3.4A) including that from China (Table 3.4C).

Table 3.4: FKI and RECPI among India, China, Japan and South Korea (2012-16)

A. India's FKI with China in Japan & South Korea's Markets							B. India's FKI with Japan in China & South Korea's Markets						
Competitor	Market	2012	2013	2014	2015	2016	Competitor	Market	2012	2013	2014	2015	2016
China	Japan	0.12	0.12	0.14	0.16	0.18	Japan	China	0.10	0.11	0.13	0.15	0.15
China	South Korea	0.11	0.12	0.12	0.13	0.13	Japan	South Korea	0.11	0.15	0.12	0.13	0.14
C. India's RECPI with China in Japan & South Korea's Markets							D. India's RECPI with Japan in China & South Korea's Markets						
Competitor	Market	2012	2013	2014	2015	2016	Competitor	Market	2012	2013	2014	2015	2016
China	Japan	0.01	0.01	0.01	0.00	0.00	Japan	China	0.29	0.30	0.60	0.86	0.94
China	South Korea	0.003	0.004	0.007	0.001	0.001	Japan	South Korea	0.50	1.76	0.98	0.51	0.64
E. India's FKI with South Korea in China & Japan's Markets													
Competitor	Market	2012	2013	2014	2015	2016							
South Korea	China	0.10	0.12	0.13	0.12	0.14							
South Korea	Japan	0.27	0.30	0.28	0.25	0.22							
F. India's RECPI with South Korea in China & Japan's Markets													
	Market	2012	2013	2014	2015	2016							
South Korea	China	0.27	0.43	0.95	1.01	1.30							
South Korea	Japan	1.97	1.86	2.14	2.11	1.68							

Source: Calculations using TradeSift software with data from UN Comtrade via WITS (HS 6-Digit)

Also, in Chinese and South Korean market there is low level of commonality between the exported products of India and Japan (Table 3.4B) but there is huge competition faced by India from Japan in these markets (Table 3.4D). Similar is the case for Indian and South Korean exports to the markets of China and Japan (Table 3.4E and Table 3.4F)

Food for Thought

Three big Asian nations – China, Japan and South Korea – are set to have more liberal trade policies while trading with each other. This will provide them greater access to each other's markets, which may result in trade diversion for countries like India. Therefore, in order to minimise such risks in future, India should strengthen its bilateral trade agreements with Japan and South Korea, and should also see how it can minimise such risks through careful negotiations of the Regional Comprehensive Economic Partnership for Asia and the Pacific, which includes, besides India, the 10-member ASEAN group and Australia, China, Japan, New Zealand and South Korea.