CUTS Dossier on Preferential Trade Agreements and India

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Contents

1. Korea, Thailand hold 4th round of negotiations for Economic Partnership Agreement

The 4th round of Economic Partnership Agreement (EPA) negotiations between South Korea and Thailand will take place in Seoul from April 4-7. Previously, there have been three official rounds of negotiations aimed at establishing a higher-level agreement. This round will cover discussions on a total of 17 areas of mutual interest, which include goods, services, digital trade, government procurement, economic cooperation and sustainable development.

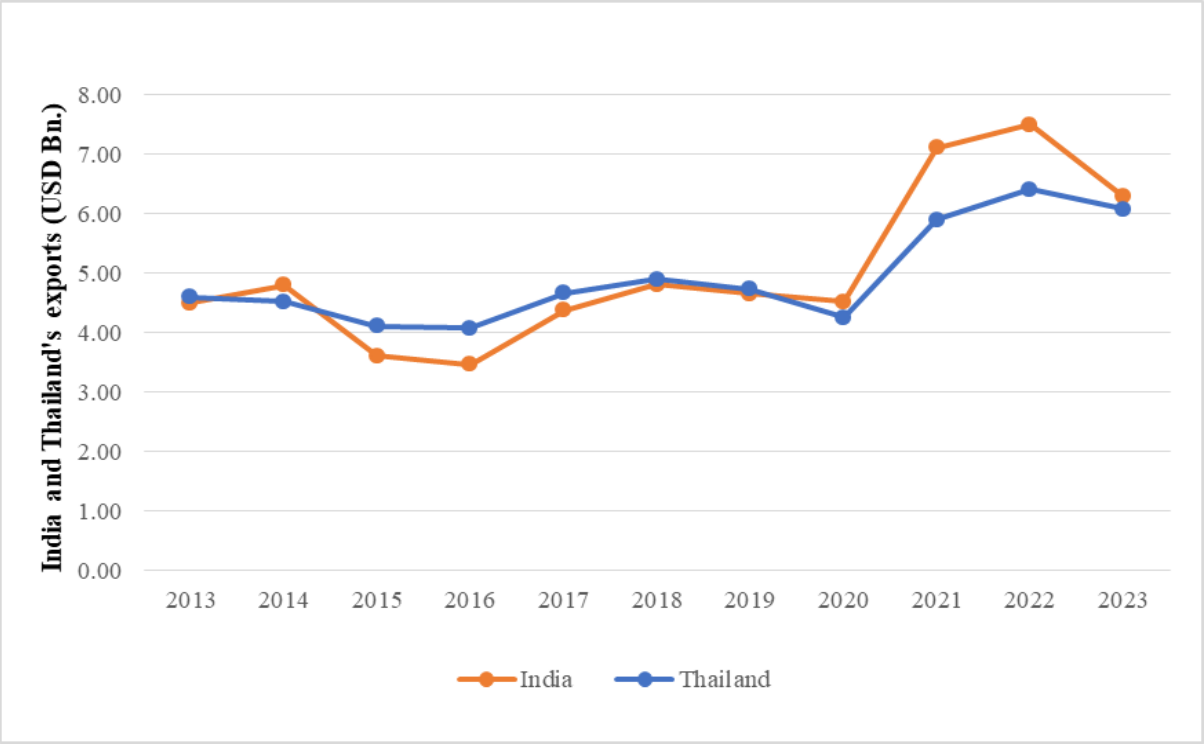
(*https://biz.chosun.com/en/en-policy/2025/03/04/3EWFJEV54VDQZEPNT34UJBXQ6Q/*)

CUTS Comments

a) Impact on India's exports to Korea

Indian and Thai exports to Korea have followed a stable trajectory from 2013 till 2020, post which both increased significantly. While India's exports remained lower than Thai exports during 2015-19, it surpassed the latter in the subsequent years. In 2023, India's exports to Korea were valued at US$ 6.29 billion, compared to Thailand's at US$ 6.07 billion.

Figure 1: India and Thailand's Exports to Korea, 2013-2023



Source: CUTS computations using data from WITS

Petroleum oil is the only one commonly traded key export item from India and Thailand to South Korea. India's other key export items to Korea include ferro-alloys, refined lead, vegetable oil cakes and residues, unwrought zinc, and turbojets. Together, they contribute approximately 46 percent of India's total exports to Korea.

Thailand's key exports to Korea include block rubber, air conditioners for closed spaces, wood particle board, unflavoured cane sugar, pneumatic rubber tyres in motor cars, constituting about 25 percent of its total exports to that country.

Now, given that the impact of such PTAs on India's exports can be better analysed using the Finger-Kreinin Index (FKI) and the Relative Export Competitive Pressure Index (RECPI) (see Annexure I), we have calculated those indices. The FKI measures the similarity in the goods exported by two countries to an importing market. The RECPI measures the degree of competitive pressure faced by one country (exporter) from another country (exporter) when they export their common products to a third market (importer).

Table 1.A represents FKI values of India with Thailand in the Korean market over five years. The values indicate that the Indian and Thai export baskets to Korea share few products in common and the number has gradually been reduced over the years.

Similarly, as in Table 1.B, the RECPI values indicate that the Indian exports do not face much competition from Thai exports to Korea. This is because India's share of exports of common items is much larger in value and volume than that of Thailand.

Table 1.A: India's FKI with Thailand in the Korean Market

Competitor	2019	2020	2021	2022	2023
Thailand	0.119	0.104	0.094	0.072	0.083

Table 1.B: India's RECPI with Thailand in the Korean Market

Competitor	2019	2020	2021	2022	2023
Thailand	0.032	0.008	0.053	0.014	0.007

Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level

Given the above, we have conducted a SMART analysis to assess potential trade diversion that India may face if Korea grants zero-duty access to Thai goods under their PTA. Our results indicate that India's exports of frozen shrimps and prawns, dextrin, and other modified starches may be significantly impacted. Other negatively affected export items primarily include agricultural and processed food products intended for both human and animal consumption.

Table 2: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
030617	Frozen shrimps and prawns	241
350510	Dextrin and modified starches	195.54
170199	Refined sugar	94.49
210690	Soft drink concentrates	89.83
200899	Edible plant parts which are unpreserved and without sweeteners and spirits	69.50
130219	Vegetable saps and extracts like that of belladona	23.20
210120	Tea extracts, essences and concentrates and their preparations	21.70
330590	Preparations for use on the hair like perfumed hair oil	21.15
151590	Fixed vegetable or microbial fats and oils	16.87
230990	Food preparations used for animal feed	16.49

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

Other than petroleum oil, there is very less similarity in the product baskets exported by the two countries. Although India's exports to South Korea improved between 2020 and 2022, the trade deficit widened subsequently, prompting review of their PTA with a focus on improving market access and reducing tariffs on key items of India's export interest such as shrimp, steel, rice, textiles, and pharmaceuticals.

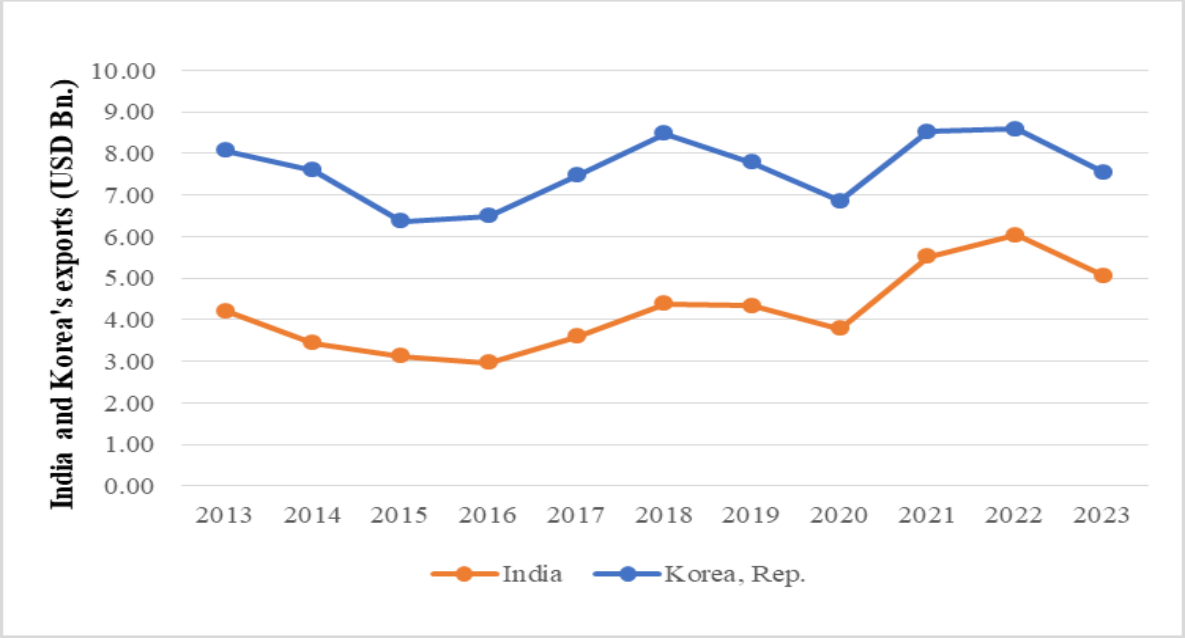
In particular, India is facing increased non-tariff barriers, especially for textiles, rice, steel and pharmaceuticals, in the South Korean market, products for which it is seeking improved market access while revising its PTA with this country. Though this South Korea-Thailand PTA may divert some Indian exports, especially in seafood and food preparations, the impact may be minimal if the agreement emphasises on sectors like electric vehicles and other automobiles.

Values of indices like FKI and RECPI, as analysed above, suggest that India has a stronger presence in exporting common export items to South Korea. This ensures that it does not face much competitive threats from Thailand. Nonetheless, a carefully negotiated revised PTA with South Korea is essential for India to protect and grow its market share in that country.

b) Impact on India's exports to Thailand

Between India and South Korea, there was a significant difference in export values to Thailand before COVID, with Korea leading by an average of US$ 4 billion. While this gap narrowed slightly after the pandemic, a substantial difference of approximately USD 2 billion still exists. In 2023, India's exports to Thailand reached US$ 5.06 billion, while that of Korea's stood at US$ 7.54 billion.

Figure 2: India and Korea's Exports to Thailand, 2013-2023



Source: CUTS computations using data from WITS

Similar to the Korean market, commonly exported item by India and Korea to Thailand is petroleum oil obtained from bituminous minerals. This product is the third largest export of Korea to Thailand, while it ranks ninth in India's export to Thailand.

Other key exports of India's basket to Thailand include diamonds, diesel driven piston engines, dried pepper fruits, therapeutic medicaments, motor vehicle parts, unwrought and unalloyed aluminium. These constitute approximately 33 percent of its total exports to the Thai market.

Korea's key exports also include warships, stainless steel products, electronic integrated circuits, flat-rolled iron and steel products and primary styrene polymers, which constitute approximately 22 percent of its total exports to Thailand.

The FKI values between India and Korea for five years are presented in Table 3.A, which are not high numbers. It can be inferred that either the number of common items in the exports of India and Korea to Thailand is significantly less or that the average export value-share of common items of both countries is significantly low.

On the other hand, the RECPI values in Table 3.B indicate that India's export share of common items in the Thai market is higher than that of Korea. It can be inferred that India does not face much competition from Korea while exporting those common items to Thailand.

Table 3.A: India's FKI with Korea in the Thai Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Korea	0.196	0.168	0.160	0.162	0.178
Table 3.B: India's RECPI with Korea in the Thai Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Korea	0.102	0.052	0.033	0.039	0.070
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Our findings from SMART analysis indicate that if Korean imports from Thailand at zero duties under this proposed PTA, India's exports of certain automobile parts and accessories of motor vehicles, such as parts of drive axles and electric accumulators for piston engines, may face relatively large trade diversion. Other products with potential trade diversion include vegetable seeds, various electronic items and their parts and components, articles of iron and steel, and animal food preparations.

Table 4: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
870850	Parts of drive-axles with differential, whether or not provided with other transmission components, and non-driving axles	894.03
850710	Electric accumulators, including separators, which are used in piston engines	468.24
870899	Other Parts and accessories of motor vehicles	206.90
120991	Vegetable seeds for sowing	124.58
845090	Parts of household and laundry-type washing machines which both wash and dry	54.17
732690	Articles of iron and steel like stainless steel	42.25
853710	Boards, panels, consoles, desks, cabinets and other bases for electric control or distribution of electricity	36.95
842139	Centrifugal dryers, filtering or purifying apparatus, air separators for processing, smelting or refining of minerals	24.11
230990	Animal food preparations	23.03
841459	Air or vacuum pumps, ventilating or recycling hoods which may or may not be fitted with filters	13.73

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

Apart from petroleum oil, which is a common export among key exports of India and Thailand in the Korean market, there is limited overlap in their export baskets. While this PTA may boost Korea's exports to Thailand, which are already higher than India's, our findings from FKI, RECPI, and SMART analyses indicate that there may be limited impact on India's exports to Korea. However, India's automobile sector may experience negative impact.

In this context, it is important to note that Thailand's Act West policy aligns well with India's Act East policy, and provides the base for stronger trade ties. Additionally, an India-Thailand Strategic Partnership Agreement, which is under discussion, aims to resolve market access issues, boost trade in future-oriented sectors, and deepen our cooperation under frameworks such as the ASEAN-India Trade in Goods Agreement. It should explored holistically.

2. Vietnam envoy discusses enhanced trade, FTA with Sri Lanka trade

minister

Vietnam and Sri Lanka discussed potential free trade agreements and specific product imports. Despite annual bilateral trade of $300-350 million with Sri Lanka in sectors like electric vehicles, coffee, coconut shells and fertilisers, Vietnam faces challenges like high import taxes and similarity of exchanged commodities. Both sides seek deeper cooperation, with Sri Lanka aiming to address its market shortages and ensure a level playing field.

(https://economynext.com/vietnam-envoy-discusses-enhanced-trade-fta-with-sri-lanka-trade-minister-207998/)

CUTS Comments

a) Impact on India's exports to Vietnam

Both India and Sri Lanka experienced volatile export performance to Vietnam between 2013 and 2023. India has achieved a high market penetration in Vietnam as compared to Sri Lanka. Both countries' exports to Vietnam peaked in 2017, but experienced a sharp decline by 2020. Post this, they mirrored sharp recovery in 2021 but their exports declined in the subsequent years. In 2023, India's exports to Vietnam reached US$ 5.65 billion, while that of Sri Lanka was US$ 0.04 billion.

Figure 3: India and Sri Lanka's Exports to Vietnam, 2013-2023

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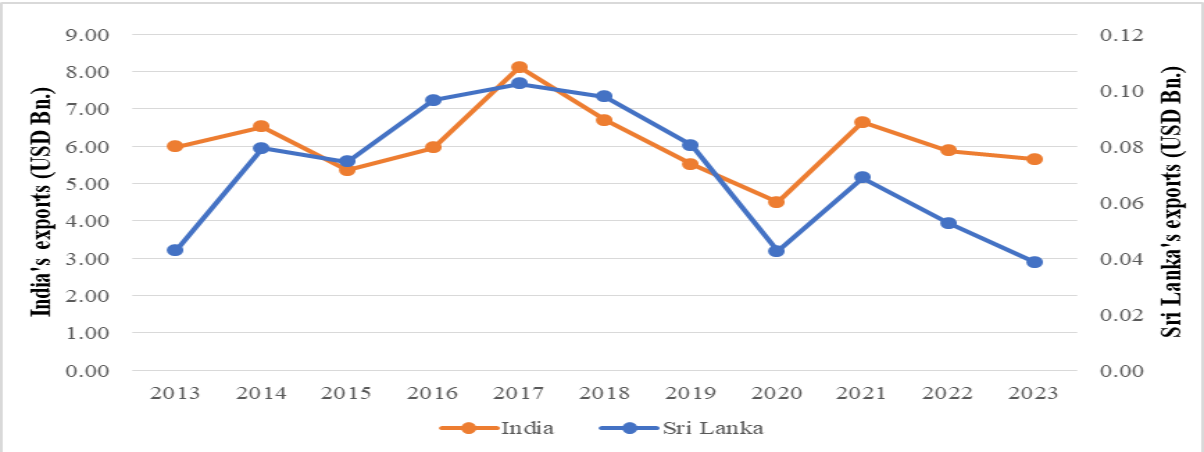


Source: CUTS calculations using data from WITS

India's top ten exports to Vietnam include frozen boneless bovine meat (with the highest and significantly large share of 20%), maize, frozen shrimps and prawns and fish, therapeutic medicaments, shelled uncooked groundnuts and uncoated flat-rolled products of iron and steel. They constitute a cumulative share of 46 percent of India's total exports to Vietnam.

In contrast, Sri Lanka's cumulative share of its major exports is 56 percent, with its top traded product footwear parts like removable insoles itself comprising 24 percent of its total exports to Vietnam. Apart from that, wheat bran and other residues, diamonds, spirits obtained from grape wine, nylon filament yarn, knitted or crocheted fabrics are some other key export items of Sri Lanka to Vietnam.

The FKI values in Table 5.A suggest that either the export baskets of the two countries in the Vietnamese market share very few common items or that the value share of common items in the two baskets account for only 2-3 percent of their respective total exports to Vietnam. Additionally, the RECPI values in Table 5.B indicate that Indian goods, which are also exported by Sri Lanka to the Vietnamese market, do not face any competition from their Sri Lankan competitors. This means that Indian exports have a significantly large share of common goods in the Vietnamese market.

Table 5.A: India's FKI with Sri Lanka in the Vietnamese Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Sri Lanka	0.032	0.026	0.029	0.034	0.036
Table 5.B: India's RECPI with Sri Lanka in the Vietnamese Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Sri Lanka	0.0001	0.00003	0.00009	0.0002	0.0003
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Findings from our SMART analysis indicate that India might not face significant trade diversion in the Vietnamese market due to this PTA. Possible affected products primarily include marine seafood items and textile and apparel products.

Table 6: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
030617	Frozen shrimps and prawns	35.41
030342	Frozen yellowfin tunas	21.54
620630	Cotton clothes of women or girls like shirts and blouses	4.01
400599	Unvulcanised, compounded rubber in form of plates, sheets or strips	3.43
620520	Cotton shirts for men and boys	3.10
090710	Whole fruit of cloves which are not crushed or ground	2.05
600622	Knitted and crocheted fabrics of cotton	1.98
401290	Solid rubber tires for motor vehicles	1.85
030389	Hilsa, Dara and Ribbon fish	1.68
620442	Cotton dresses like housecoats of women or girls	1.41

Source: CUTS computations using WITS SMART analysis tool

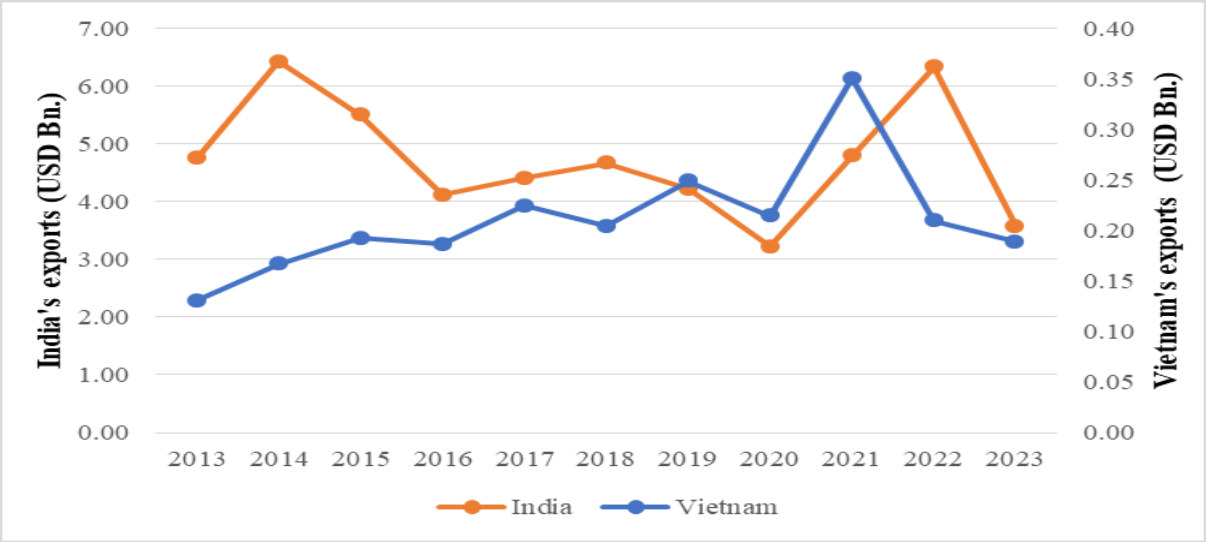
Food for Thought

India occupies a strong position in the Vietnamese market as compared to Sri Lanka. Our findings from FKI and RECPI analyses indicate minimal similarity between the export baskets of India and Sri Lanka to Vietnam. Although our SMART analysis suggests that India's seafood and textile/apparel sectors may experience negative impact, overall trade diversion on Indian exporters may not be significant.

b) Impact on India's exports to Sri Lanka

As a neighbouring country, India historically maintained better market penetration in Sri Lanka as compared to Vietnam. However, India's exports to Sri Lanka have declined over time. This reduction was driven by factors such as COVID and Sri Lanka's economic crisis. Additionally, Sri Lanka's increasing economic engagement with Southeast Asian nations and other Indo-Pacific countries, particularly China and Japan, has contributed to its reduced dependence on India. Although Vietnam's exports to Sri Lanka have not reached highly competitive levels and were similarly affected, Vietnamese exports to Sri Lanka are showing an upward trend.

Figure 4: India and the Vietnam's Exports to Sri Lanka, 2013-2023



Source: CUTS calculations using data from WITS

India's key export items to Sri Lanka, which contribute approximately 44 per cent to its total exports to that country, include aircraft, petroleum oil, therapeutic medicaments, pure cane or beet sugar, and motorcycles fitted with auxiliary motors.

Vietnam's key exports items, such as cellular telephones, smoked sheets of natural rubber, knitted or crocheted fabrics of elastomeric yarn, minerals or chemical fertilisers, animal food preparations and semi-finished iron and steel products, constitute 37 percent of its total exports to Sri Lanka.

The FKI values in Table 7.A for the five-year period are all small. Therefore, it can be inferred that India and Vietnam share very few common items in their respective export baskets to Sri Lanka. Alternatively, it may also indicate that the common items might have only 10-15 percent of share in their respective exports to Sri Lanka. The RECPI values in Table 7.B are near zero, indicating that India is facing very less competitive pressure from Vietnam in its access to Sri Lanka's market.

Table 7.A: India's FKI with Vietnam in the Sri Lankan Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Vietnam	0.114	0.155	0.119	0.095	0.151
Table 7.B: India's RECPI with Vietnam in the Sri Lankan Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Vietnam	0.006	0.013	0.007	0.001	0.006
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Findings from our SMART analysis indicate that several Indian export products may face trade diversion in Sri Lanka, including processed rubber plates, sheets and strips; tanned or crusted leather; iron or steel structures and parts; rubber, plastic or leather-soled footwear; and perfumes. However, the overall value of this potential trade diversion is not significant.

Table 8: Trade Diversion likely to be faced by India

Product Code	Description	Trade Diversion (Thousand US$)
400122	Technically Specified Natural Rubber in forms of plates, sheets or strips	77.23
410719	Tanned or crusted leather of bovine or equine animals which may or may not be split	69.09
401290	Tyres which may be retreaded, solid or cushion like solid rubber tires for motor vehicles	51.29
730890	Structures like bridges, lock gate and towers or their parts like plates, rods and angles made of iron or steel	39.87
821210	Shaving razors equipped with twin type shaving blades	33.25
640419	Footwear with outer soles made of rubber, plastics or leather	32.77
960719	zip fasteners	31.73
390690	Acrylic polymers like polyacrylonitrile (PAN) and acrylic resins	31.62
330300	Perfumes and toilet waters like eau-de-cologne	24.11
960720	Slide fasteners and their parts	19.15

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

India is one of Sri Lanka's major trading partners, while Vietnam's market penetration in Sri Lanka is not substantial. India-Sri Lanka Free Trade Agreement has further strengthened India's trade relationship with Sri Lanka. However, as a Southeast Asian country, Vietnam's strategic move to sign this PTA with Sri Lanka may help improve its trade performance with Sri Lanka, which is below-the-potential at present. Consequently, India may experience loss of market access in Sri Lanka, particularly in sectors, such as rubber, textile and apparel, leather, and related industries, where both countries are competing with each other.

3. EU-Mexico conclusion of a new trade agreement: the EU Commission adds more fuel to farmers' anger

The European Coordination Via Campesina (ECVC) condemns the rushed conclusion of the EU-Mexico trade agreement, which follows the EU-Mercosur deal. This trade agreement pressures farmers, ignoring their demands and worsening their situation. While the European Commission promotes increased market access for EU agribusinesses, it risks undermining sustainable farming practices and benefiting multinational corporations rather than local farmers. ECVC calls for agriculture to be excluded from trade deals, minimum entry prices for imports, and guaranteed fair prices for farmers to cover production costs.

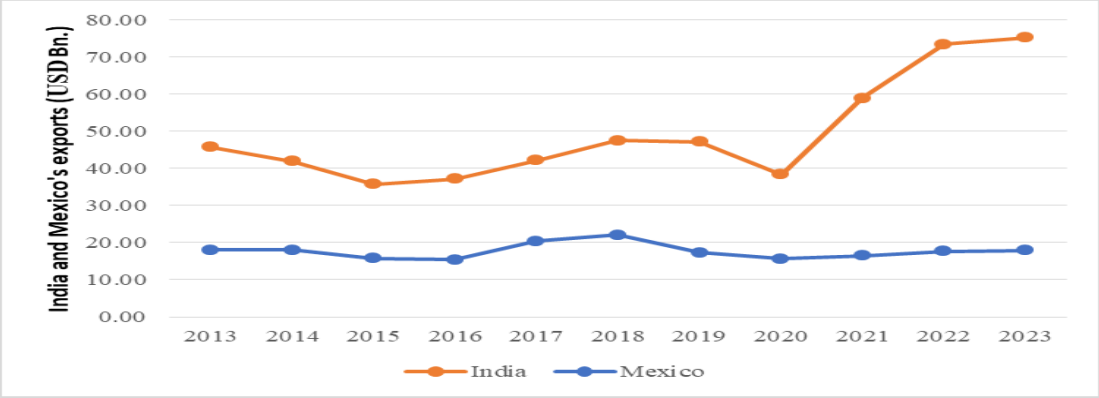
(*https://www.eurovia.org/press-releases/eu-mexico-conclusion-of-a-new-trade-agreement-the-eu-commission-adds-more-fuel-to-farmers-anger/*)

CUTS Comments

a) Impact on India's exports to the EU

India has significantly strong export penetration in the EU as compared to Mexico. On average, India's total exports to the EU were approximately $40 billion larger than Mexico's from 2013 to 2023. While India experienced a substantial decline in exports during the COVID-affected year of 2020, it demonstrated remarkable resilience by recovering within a year and maintaining an upward growth trajectory thereafter. As of 2023, India's exports to the EU reached US$75 billion, which substantially exceeded Mexico's exports to the EU, which totalled US$18 billion.

Figure 5: India and Mexico's exports to EU, 2013-2023



Source: CUTS calculations using data from WITS

Petroleum oil is the only export item found to be common in India and Mexico's key export baskets to the EU. Other key exports of India to the EU include unmounted but cut diamonds, therapeutic medicaments, cellular telephones, turbo-jets, propellers and other gas turbines, cotton T-shirts, singlets and vests, frozen shrimps and prawns. They constitute approximately 28 percent of India's total exports to the EU.

Mexico's key exports include station wagons and racing cars, designed with spark ignition with capacity between 1500cc and 3000cc, telephones and other apparatus for transmission and reception of data, automatic data processing machines, lead ores and concentrates. They constitute 59 percent of Mexico's total exports to the EU.

As shown in Table 9.A, the FKI values have declined over time and remained small. This suggests that the export baskets of India and Mexico to the EU share few common items, or that such items constitute only a small portion of each country's total exports to the EU. On the other hand, the RECPI values, as shown in Table 9.B, have been steadily declining since 2020, approaching zero. This indicates that common export items are predominantly supplied by India. Given the already limited overlap in export baskets, Mexico's exports of these items do not present significant competition for India in the EU market.

Table 9.A: India's FKI with Mexico in the EU Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Mexico	0.131	0.106	0.096	0.091	0.091
Table 9.B: India's RECPI with Mexico in the EU Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Mexico	0.014	0.021	0.005	0.002	0.001
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

A SMART analysis was conducted to assess the potential negative impact on India's exports to the EU if Mexico gains zero-duty access to all products under this PTA. Our results suggest that some trade diversion may occur, primarily affecting specific product categories including processed food items such as jams, jellies, and natural honey, fruit juices and syrups, active yeasts. Also, unwrought and semi-manufactured gold, preserved tomatoes, starches, and insulin are likely to experience a slight trade diversion.

Table 10: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
200799	Jams, fruit jellies and marmalade	16.74
040900	Natural honey	12.21
200931	Fruit juices of any single citrus fruit	2.27
200989	Mango juice	1.98
200911	Frozen fruit and vegetable juices	1.22
210210	Active yeasts, including culture yeast and baker's yeast	1.08
170290	Invert sugar and other sugar and sugar syrup blends	1.06
071080	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms	1.05
200210	Tomatoes, whole or in pieces, prepared or preserved	0.47
110820	Starches and inulin	0.32
Source: CUTS computations using WITS SMART analysis tool		

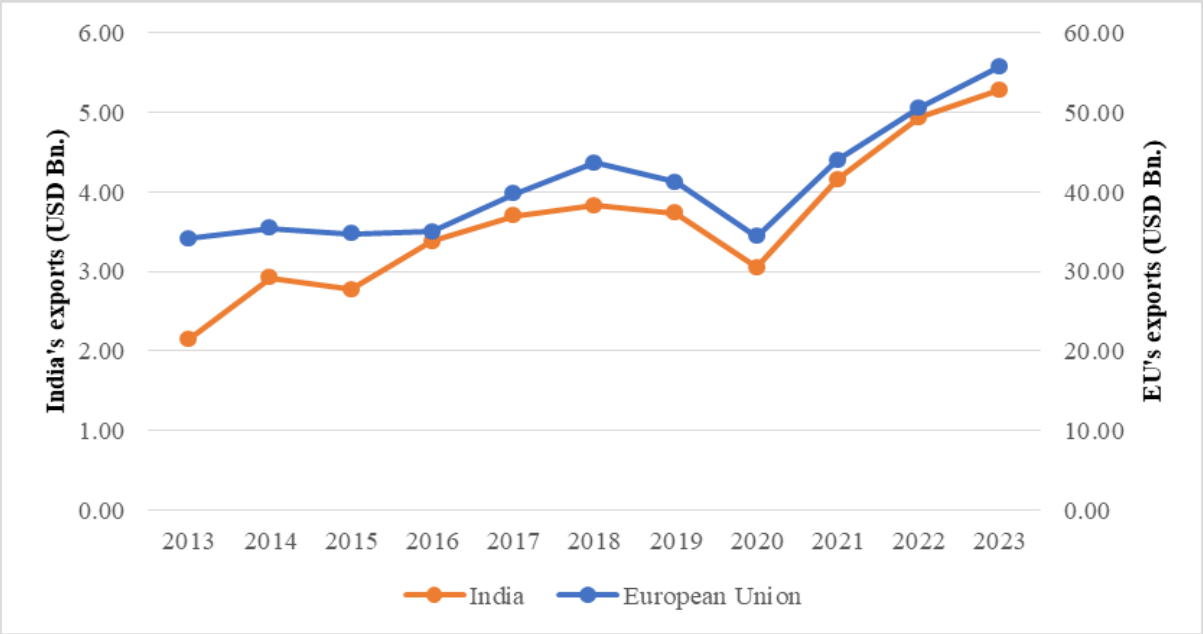
Food for Thought

India holds a strong position in the EU market as compared to Mexico. While this PTA is expected to benefit Mexico's agricultural exports, it is unlikely to significantly impact India's key exports, which are primarily industrial goods. However, Indian agribusiness, particularly shrimp, prawn, and processed agricultural exports, may face some competition. At the same time, the overall risk is limited as FKI and RECPI values indicate low overlap between Indian and Mexican export baskets in the EU market.

b) Impact on India's exports to Mexico

Both India and the EU's exports to Mexico experienced similar trends in export performance, since 2016. However, India's exports remained relatively much lesser than those of the EU. In 2023, India's exports to Mexico reached US$ 5.28 billion, while that of the EU was US$ 55.75 billion.

Figure 6: India and EU's Exports to Mexico, 2013-2023



Source: CUTS calculations using data from WITS

Common products exported by India and the EU to the Mexican market are station wagons, racing cars designed with spark ignition engines, parts and accessories of motor vehicles and therapeutic medicaments. Other key products exported by India to the Mexican market are alloyed and unalloyed aluminium ingots, motorcycles fitted with internal combustion piston engines, refined copper cathodes, and unglazed ceramic flags like vitrified tiles. They constitute around 43 per cent of India's total exports to Mexico.

On the other hand, other key products exported by the EU to Mexico include aeroplanes and other aircraft, petroleum oil, gearboxes, odoriferous substances used in the food and beverage industries, lithium electrical accumulators and compression ignition combustion engines. They constitute around 21 per cent of the EU's total exports to Mexico.

The FKI values are in Table 11.A suggest that India and the EU have some common export items with an average contribution of them to either of the countries ranging between 22 to 27 percent. Furthermore, gradual increase in these values between 2020 and 2023 indicates that either a few additional products may have been added to the list of commonly exported items or the value share of the existing common items has increased during this period.

The RECPI values are more than 1 for most of the years in the five-year period, which means that the EU has a better share of common exports in the Mexican market than India and poses significantly higher competition to India.

Table 11.A: India's FKI with EU in Mexico Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Mexico	0.225	0.220	0.245	0.259	0.272
Table 11.B: India's RECPI with EU in Mexico Market					
Competitor	**2019**	**2020**	**2021**	**2022**	**2023**
Mexico	1.194	0.984	1.360	1.550	1.953
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Our SMART analysis indicates that India's exports of agricultural and processed food items, jewellery, wood products, and similar categories are likely to experience some trade diversion, though the magnitude is expected to be small.

Table 12: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
230990	Animal feed preparations	31.79
130219	Vegetable saps and extracts like that of belladonna	4.81
350510	Dextrins and other modified starches and glues made out of them	4.38
711790	Imitation jewellery made of imitation pearls or synthetic stones	4.32
151620	Animal or vegetable fats and oils and their fractions which are partly or wholly hydrogenated and inter-esterified	3.14
210690	Food preparations like soft drink concentrates	2.25
442090	Wood marquetry and inlaid wood, other than caskets and cases and similar articles of cutlery	2.15
382460	Sorbitol, other than D-glucitol and other acyclic alcohols and their halogenated derivatives	1.28
691390	Statuettes and other ornamental ceramic articles	0.38
100630	Semi-milled or wholly-milled rice, whether or not polished or glazed	0.19

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

Our findings from the RECPI shows that the EU holds a strong position in the Mexican market for common export items with India. However, as a single country, India has substantial exports to Mexico. However, our SMART analysis indicates that India is likely to face limited trade diversion, mostly in agricultural and processed export commodities. Meanwhile, India and Mexico have continued to strengthen their trade relationship through initiatives like the Strategic Partnership and the High-Level Group on Trade, Investment, and Economic Cooperation, even in the absence of a formal PTA. This may be expanded with a focus on implementation.

Annexure I

Finger-Kreinin Index

The Finger-Kreinin (FK) index provides a way of measuring how similar is two sets of numbers. In principle, it can be used to compare the similarity between either the structure of a country's imports or exports with any two partner countries, to indicate how similar is a country's export pattern to its import pattern, whether geographically or by product; or to compare the structure of production in two different countries.

FKI to a Destination Country

This version of the FK Index compares export patterns of two countries into a given market (for example, UK and Japan's exports to the world or to India). Another way of thinking about this is that it compares how similar are the imports of a given country from two different suppliers. This is useful if we want to consider overall similarity of exports of two countries and therefore, their degree of competitiveness/complementarity either with respect to particular markets or with respect to their trade with the rest of world. The formula for the FK Index to a destination country is as follows:

$$FK_{i_1 i_2 j} = \sum_k \left[\left(\frac{x^k_{i_1 j}}{X_{i_i j}} \right), \left(\frac{x^k_{i_2 j}}{X_{i_2 j}} \right) \right]$$

In the FKI by destination, i_1 and i_2 are two source countries and j is a destination country. X^k refers to trade flow in product k; X as total trade flow, so $x^k{}_{i1j}/X_{i1j}$ is the share of product k in country i's total exports to the destination partner (j). $X^k{}_{i2j}/X_{i2j}$ is the share of product k in the comparator country's (i_2) total exports.

Relative Export Competitive Pressure Index

The Relative Export Competitive Pressure Index (RECPI) is about exploring the average degree of competition country i_1 faces in country j's market from country i_2, by taking into account both the structure and level of competing countries' trade. Country i_1 will be interested in the value of country i_2's exports to country j, and also in the extent to which country i_2's exports are in direct competition with country i_1's exports. RECPI is defined for exporter i_1 with respect to competitor i_2 in market j as:

$$RECPI = \frac{\sum_k s^k_{i2j} x^k_{i_2 j}}{\sum_k s^k_{i_1 j} x^k_{i_1 j}}$$

where k refers to the product, i_1 to the reporting country, i_2 to the competitor country, and the s and x data refer to a given export destination, country j. $x_{ij}{}^k$ is the value of country i's exports to country j of good k, and $s_i{}^k$ gives the share of good k in country i's exports to country j. The RECPI is a summary measure which aggregates information from across a range of sectors, subsectors, or products. Hence, it can be calculated either for all trade, or for particular sectors - in all cases on the basis of more detailed sub-sectoral or product level detail.