CUTS International

CUTS Dossier on Preferential Trade Agreements and India

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Contents

1. China, ROK to speed up second-phase FTA negotiations

Chinese Commerce Minister Wang Wentao and South Korea's Trade Minister Kim Jung-kwan met in Beijing, agreeing to accelerate second-phase China–ROK FTA negotiations. Both sides pledged to deepen cooperation in traditional and emerging sectors, strengthen industrial and supply chains, and enhance subnational ties. They emphasized supporting multilateralism through WTO, APEC and RCEP, with Seoul backing China's hosting of APEC 2026.

(*https://news.cgtn.com/news/2025-12-13/China-ROK-to-speed-up-second-phase-FTA-negotiations-1J3WdC1sP6g/p.html*)

CUTS Comments

a) Impact on India's exports to China

Korea maintains a substantial trade advantage over India in the Chinese market. Korea's exports are consistently much higher, fluctuating between about US$ 125-165bn, with peaks in 2018 and 2021. India's exports are far smaller, rising gradually until 2021, then declining and stabilising at lower levels thereafter.

Figure 1: India and Korea's exports to China, 2015-2024

Source: CUTS computations using data from WITS

p-Xylene (para-xylene) is commonly traded as a key export item from India and Korea to China. India's other key export items to China include Petroleum oils and oils obtained from bituminous minerals, Iron ores and concentrates, agglomerated and non-agglomerated, Copper cathodes and sections of cathodes (refined copper), Frozen shrimps and prawns, Castor oil and its fractions, Granite, crude or roughly trimmed, Ferro-chromium, Semi-finished products of iron or non-alloy steel. They collectively account for approximately 37 percent of India's total exports to China.

Korea's key exports to China include Electronic integrated circuits: memories, processors and controllers, Other optical devices, appliances and instruments, Parts suitable for use solely or principally with apparatus of headings 8525 to 8528 (e.g., TV/radio/camera/telecom equipment parts), Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations containing ≥70% petroleum oils - other, Parts and accessories of machines of computers/ADP machines, Parts of telephone sets/other communication apparatus, Beauty or make-up preparations and skincare preparations - other, Salts of oxometallic or peroxometallic acids (chemical category). They constitute approximately 43.53 percent of Korea's total exports to China.

The impact of this FTA 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). 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 shows the FKI values for India and Korea over five years. Though India's FKI with Korea decreased slightly from 0.153 to 0.147, it is not gradual, indicating minimal overlap between India's and Korea's export baskets to China. Also, RECPI values remain consistently lower than 1, which indicates that Korea's export value-share and export levels of common items are lower than those of India. In other words, India faces moderate competitive pressure from Korea in the Chinese market.

Table 1.A: India's FKI with Korea in the Chinese Market

Competitor	2020	2021	2022	2023	2024
Korea	0.153	0.158	0.132	0.127	0.147

Table 1.B: India's RECPI with Korea in the Chinese Market

Competitor	2020	2021	2022	2023	2024
Korea	0.526	0.701	0.777	0.313	0.496

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

Moreover, a SMART (Software for Market Analysis and Restrictions on Trade) analysis was conducted to quantify potential trade diversion effects India might face if China allows Korea to export its goods at zero duty under this FTA. It indicated that several Indian exports to China, like Vegetable saps and extracts, other, Essential oils, other (incl. concretes/absolutes), Safety airbags with inflator system, Synthetic filament yarn, textured, of polyester, have majorly negative impacts.

Table 2: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
130219	Vegetable saps and extracts, other	5697.21
330190	Essential oils, other (incl. concretes/absolutes)	1327.34
870895	Safety airbags with inflator system	1108.63
540233	Synthetic filament yarn, textured, of polyester	1028.55
121190	Plants and parts for perfumery, pharmacy, etc., other	793.07
250100	Salt (including table salt), pure sodium chloride	698.86
870899	Parts and accessories of motor vehicles, other	671.43
680293	Worked monumental or building stone, granite	599.84
030617	Shrimps and prawns, frozen	560.35
870894	Steering wheels, columns and boxes	549.22

Food for Thought

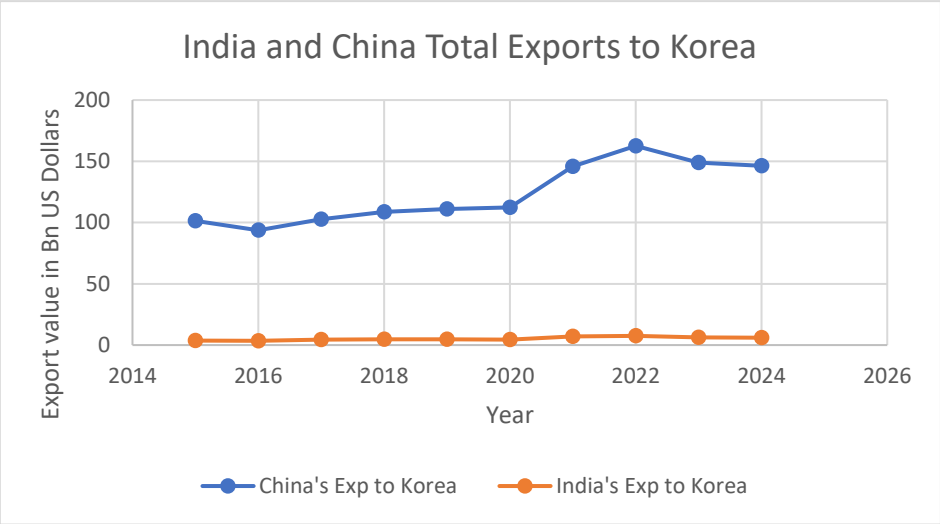
China and the Republic of Korea (ROK) are moving to accelerate second-phase negotiations under their bilateral FTA, signalling deeper economic integration across both traditional and emerging sectors. The renewed push, coupled with commitments to strengthen supply chains and reinforce cooperation through platforms such as the APEC and RCEP, points to a more coordinated China-ROK trade relationship that could further consolidate Korea's already strong position in the Chinese market, with potential implications for third-country exporters such as India.

India does not currently have a comprehensive FTA with China. Instead, bilateral engagements have focused on border trade resumption and confidence-building mechanisms, with both sides discussing reopening traditional trade routes and restoring economic engagement as part of broader diplomatic dialogue after years of strained ties. Recent efforts include talks on resuming border trade via passes such as Lipulekh, Shipki La, and Nathu La, indicating cautious but tentative steps toward normalising cross-border commerce.

b) Impact on India's exports to Korea

Figure 2 compares China's and India's exports to Korea from 2015 to 2024. China is Korea's dominant supplier, with exports rising steadily and peaking around USD 160 billion in 2022 before easing slightly. India's exports remain much smaller, generally below USD 10 billion, showing modest growth and fluctuations. Overall, the gap highlights Korea's far deeper trade integration with China than with India.

Figure 2: China and India's exports to Korea, 2015-2024



Source: CUTS computations using data from WITS

There is no common product between India's and China's top 10 export items to Korea. Key exports of China to Korea include Electronic integrated circuits, Telephones for cellular networks or for other wireless networks, Parts of telephone sets, Lithium-ion accumulators (lithium-ion batteries), Portable automatic data processing machines, Ignition wiring sets and other wiring sets, Phosphides, whether or not chemically defined, Parts and accessories of computers, Other optical devices, appliances and instruments, Storage units for automatic data processing machines. They collectively account for approximately 26 percent of China's total exports to the Korean market.

India's key exports to Korea include Petroleum oils & oils obtained from bituminous minerals (not crude): light oils and preparations Aluminium, unwrought, not alloyed, Turbo-jets: of a thrust exceeding 25 kN, Ferro-chromium, unwrought, Oilcake and other solid residues (whether or not ground/pelleted), of other oil seeds and oleaginous fruits, Petroleum oils & oils obtained from bituminous minerals (not crude), Zinc, unwrought, not alloyed, containing 99.99% or more zinc, Wheat and meslin, other than durum wheat, Copper cathodes and sections of cathodes. They constitute approximately 47 percent of India's total exports to Korea.

Our FKI analysis reveals moderate overlap between India's and China's export baskets to Korea. The FKI values consistently hover near 0.13 (see Table 3.A), indicating more or less stable convergence around 13 percent in export basket compositions between the two countries. Also, RECPI values demonstrate a gradually increasing competitive threat from China. Higher RECPI values throughout 2023-2024 confirm that China poses higher competitive pressure on Indian exports in the Korean market for their common export products in recent years.

Table 3.A: India's FKI with China in the Korean Market					
Competitor	**2020**	**2021**	**2022**	**2023**	**2024**
China	0.137	0.125	0.112	0.136	0.152
Table 3.B: India's RECPI with China in the Korean Market					
Competitor	**2020**	**2021**	**2022**	**2023**	**2024**
China	0.201	0.142	0.066	0.342	0.362
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Our SMART analysis indicated that several Indian exports to China, like Cane or beet sugar, other, Polypropylene, in primary forms, Polyisobutylene, in primary forms, have majorly negative impacts.

Table 4: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
170199	Cane or beet sugar, other	10010.86
390210	Polypropylene, in primary forms	964.35
390220	Polyisobutylene, in primary forms	517.15
480519	Paper and paperboard, other (uncoated)	482.43
30389	Fish, frozen, other	470.91
390120	Polyethylene having specific gravity ≥0.94	417.11
840890	Compression-ignition engines, other	322.56
290220	Benzene	320.97
290243	p-Xylene	236.37
848180	Taps, cocks, valves and similar appliances, other	205.17
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

India and South Korea share a steadily expanding economic partnership under the Comprehensive Economic Partnership Agreement (CEPA), yet bilateral trade remains asymmetric and limited in scale compared to Korea's deep integration with China. While the export structures of India and China to Korea show only moderate overlap, rising competitive pressure from China underscores the need for India to strengthen its position through targeted policy action. Going forward, India can build greater resilience by upgrading the CEPA to address non-tariff barriers, promoting value-added exports beyond commodities, and deepening cooperation in emerging sectors such as electronics, semiconductors, clean energy and advanced manufacturing.

2. Thailand looks to sign free trade deal with Bangladesh

Thailand has shown strong interest in launching bilateral FTA negotiations with Bangladesh to boost trade and Thai investment. Discussions also covered starting a direct shipping route between Ranong and Chittagong ports, expected in March. Both sides explored wider cooperation on trade, connectivity, and people-to-people ties, while Bangladesh sought Thailand's support for its ASEAN engagement and easier visa access.

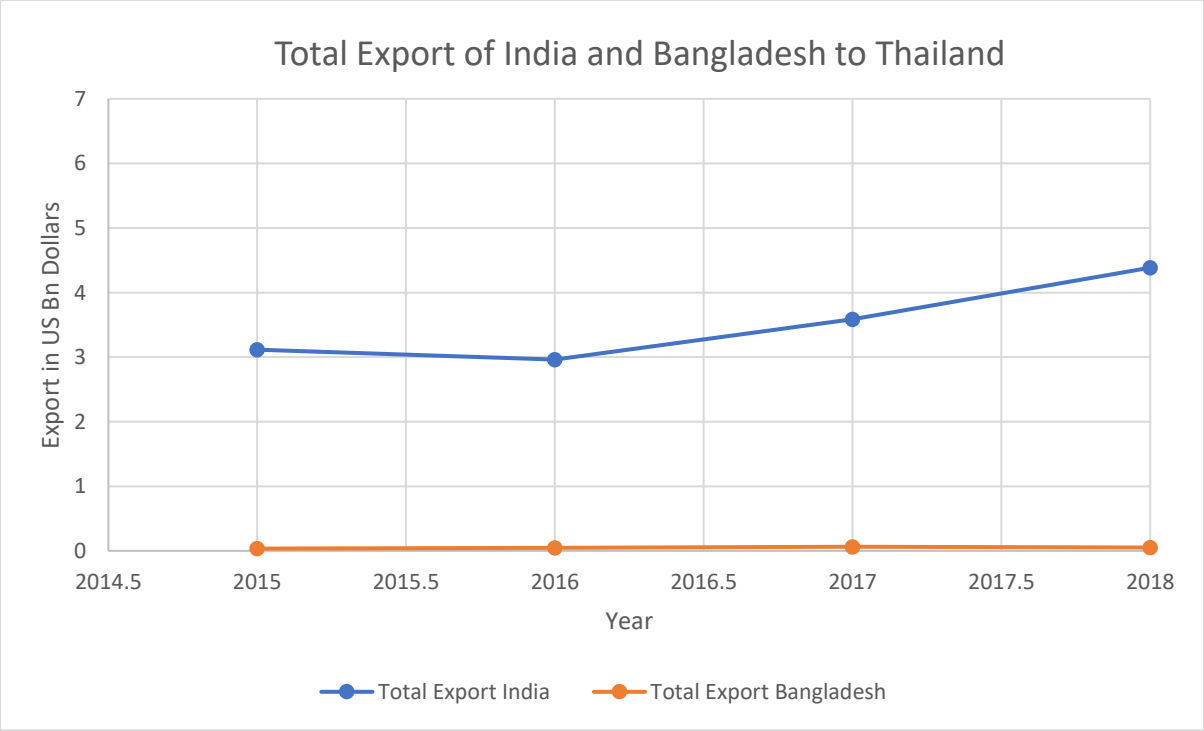
(*https://thefinancialexpress.com.bd/trade/thailand-looks-to-sign-free-trade-deal-with-bangladesh*)

CUTS Comments

a) Impact on India's exports to Thailand

Trade dynamics between India and Bangladesh in the Thailand market reveal a consistent difference in export performance and market positioning. Figure 3 compares total exports from India and Bangladesh to Thailand between 2015 and 2018. India's exports are substantially higher, starting at around US$ 3.1bn in 2015, dipping slightly in 2016, and then rising steadily to about US$ 4.4bn by 2018. Bangladesh's exports to Thailand remained very small throughout the period, averaging well below US$ 0.1bn and showing minimal variation. The trend highlights India's stronger trade presence in Thailand, while Bangladesh's engagement remains limited, suggesting significant untapped potential for trade expansion and diversification with Thailand.

Figure 3: India and Bangladesh's exports to Thailand, 2015-2018



Source: CUTS calculations using data from WITS

India's export basket to Thailand is diverse, ranging from energy-intensive products to gold. The top ten export items constitute approximately 33 per cent of India's total exports to Thailand. The list includes exports to Thailand, including non-industrial worked diamonds, compression-ignition engines, diesel and semi-diesel vehicle engines, dried whole chilli and pepper, medicaments in measured doses, unwrought non-alloyed aluminium, frozen fish, motor vehicle parts and accessories, non-monetary unwrought gold, and petroleum oils and related preparations other than crude.

Bangladesh's top ten export items account for approximately 61 per cent of Bangladesh's total exports to Thailand. Key exports of Bangladesh to Thailand: Husked (brown) rice, men's and boys' cotton trousers and breeches, cotton T-shirts and vests (knitted or crocheted), urea fertiliser, self-propelled cranes, gas turbine parts, women's and girls' cotton trousers and breeches, parts and accessories of surveying and navigation instruments, sesame seeds, and cotton pullovers, sweaters and sweatshirts (knitted or crocheted).

Table 5.A shows India's FKI with Bangladesh in the Thailand market is very low (around 0.03) during 2015-2018, indicating minimal similarity in export baskets and limited direct competition. Table 5.B shows a RECPI of zero, confirming that India and Bangladesh do not meaningfully compete in Thailand, as their exports neither overlap significantly nor rival each other in the same product segments.

Table 5.A: India's FKI with Bangladesh in Thailand Market

Competitor	2015	2016	2017	2018	
Bangladesh	0.033	0.026	0.031	0.032	

Table 5.B: India's RECPI with Bangladesh in Thailand Market

Competitor	2015	2016	2017	2018	
Bangladesh	0	0	0	0	

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

Our SMART analysis reveals that India may face trade diversion following preferential trade arrangements. The largest potential diversion is in semi-milled rice, followed by cosmetics, skin-care products, tyres, and feldspar. Textiles, animal feed preparations, synthetic fabrics, tapioca, and PET films also show moderate diversion. Overall, the results indicate that agriculture, consumer goods, and manufacturing sectors could be most affected.

Table 6: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
100630	Semi-milled or wholly milled rice	8686.8
330499	Beauty or make-up preparations, other	734.27
340130	Organic surface-active products for washing skin	710.29
401120	New pneumatic tyres of rubber, for buses or lorries	651.04
252910	Feldspar	647.23
520942	Denim fabric, cotton, dyed	612.37
230990	Preparations of a kind used in animal feeding, other	356.91
540752	Woven fabric of synthetic filament yarn, dyed	315.11
190300	Tapioca and substitutes prepared from starch	308.53
392062	Polyethylene terephthalate (PET) film	282.59
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

India and Thailand share a long-standing and multifaceted economic relationship anchored in the ASEAN-India Free Trade Agreement, under which bilateral trade has expanded steadily, and India has built a strong export presence in the Thai market. While the current export overlap between India and Bangladesh in Thailand remains minimal, a prospective Thailand-Bangladesh FTA could introduce trade-diversion risks in select agricultural and manufacturing products where India currently holds an advantage.

Going forward, India can strengthen resilience by deepening engagement with Thailand through upgrading the ASEAN–India FTA, addressing non-tariff barriers, and enhancing cooperation in logistics, connectivity, and value-added manufacturing. Targeted export diversification, stronger participation in regional value chains, and closer coordination with Thailand on standards and trade facilitation would help India safeguard market access and sustain competitiveness amid evolving regional trade arrangements.

b) Impact on India's exports to Bangladesh

India's exports to Bangladesh have maintained a relatively higher position throughout the observed timeframe, demonstrating a consistent edge in market penetration over Thailand. Figure 4 compares India's and Thailand's total exports to Bangladesh from 2015 to 2024. India's exports are consistently much higher, rising steadily from about US$ 5.5bn in 2015 to a sharp peak around US$ 14bn in 2021, before moderating and stabilising near US$ 11-12bn. Thailand's exports remain relatively small and stable, fluctuating around US$ 0.8-1.3bn throughout the period. Overall, the chart highlights India's dominant trade position in Bangladesh compared to Thailand.

Figure 4: India and Thailand's Exports to Bangladesh, 2015-2024

Source: CUTS calculations using data from WITS

Our analysis of the top ten export items reveals two common products between India and Thailand in the Bangladesh market: Petroleum oils & oils from bituminous minerals (not crude) and Semi-milled or wholly milled rice. These shared product categories represent areas of direct competition and potential trade diversion.

India's export basket to Bangladesh demonstrates a concentration of key export items, such as Cotton, not carded or combed, Electrical energy (electricity), Cotton yarn, wheat and meslin, motorcycles, Maize and parts of motorcycles. They collectively constitute approximately 34.27 per cent of India's total exports to Bangladesh, indicating a moderately diversified export structure with significant concentration in cotton and food products.

Key export items of Thailand to Bangladesh include Cement clinker, Denim, polypropylene, Synthetic staple fibres of polyester, containers for compressed or liquified gas of iron and steel, and Polyvinyl Chloride. They account for approximately 35 per cent of India's total exports to Bangladesh.

Table 7.A report on India's Finger–Kreinin Index (FKI) with Thailand in the Bangladesh market from 2020 to 2024. Here, the FKI values range from 0.176 to 0.239, indicating a low to moderate overlap between Indian and Thai exports to Bangladesh. This suggests that while the two countries compete in some product categories, their export structures differ significantly. The index dips in 2021, implying reduced competitive overlap, but rises again in 2022 and 2024, with 2024 (0.239) showing the highest similarity in the period. Overall, the trend points to mild but increasing competitive pressure from Thailand on India in the Bangladesh market, though not at an intense level.

RECPI values as in Table 7.B demonstrates that that Thailand's exports posed minimal competitive pressure on India in Bangladesh despite some product overlap. A noticeable increase occurs in 2023 (0.050) and strengthens further in 2024 (0.080), indicating a rising competitive challenge from Thailand in recent years. Overall, the table shows that while Thailand was a weak competitor for most of the period, its export presence and competitive impact in Bangladesh have increased, especially post-2022.

Table 7.A: India's FKI with Thailand in Bangladesh Market

Competitor	2020	2021	2022	2023	2024
Thailand	0.211	0.176	0.226	0.189	0.239

Table 7.B: India's RECPI with Thailand in Bangladesh Market

Competitor	2020	2021	2022	2023	2024
Thailand	0.034	0.029	0.027	0.050	0.080

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

Our SMART analysis reveals that zero-tariff access for Thai goods under this proposed FTA would result in moderate export displacement for India across multiple product categories. Clothing sector emerges as the most vulnerable sector, facing the highest potential losses. Other substantially affected categories include frozen shrimps and prawns.

Table 8: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
610910	T-shirts, singlets and vests, of cotton	149.99
620342	Men's or boys' trousers and shorts, of cotton	106.86
620462	Women's or girls' trousers and shorts, of cotton	21.22
620630	Women's or girls' blouses or shirts, of cotton	15.24
611120	Babies' garments and clothing accessories, of cotton	14.02
610462	Women's or girls' trousers and shorts, of cotton, knitted	10.46
030617	Frozen shrimps and prawns	9.82
610711	Men's or boys' underpants and briefs, of cotton	8.16
611020	Pullovers, cardigans, of cotton	7.94
610831	Women's or girls' nightdresses and pyjamas, of cotton	7.90
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

India and Bangladesh share a uniquely close and interdependent trade relationship, underpinned by geographic proximity, extensive land-border trade, and deep integration in sectors such as textiles, cotton, food grains, and energy. India's strong export position is closely linked to Bangladesh's reliance on Indian cotton, yarn, electricity, and cereals, which are critical inputs for Bangladesh's garment industry and food security.

However, rising competition from Thailand in overlapping products such as rice and petroleum oils, along with Bangladesh's pursuit of diversified sourcing through new FTAs, signals a gradual shift in its trade strategy. To build greater resilience, India needs to reinforce its role as a reliable supplier by easing logistics at land ports, ensuring a stable supply of key inputs like cotton and food grains, and expanding cooperation in value-added textiles, energy trade, and industrial inputs. Strengthening production linkages, facilitating Indian investment in Bangladesh's manufacturing sectors, and aligning standards and customs procedures would help India retain its strategic trade advantage as Bangladesh integrates more deeply into regional trade arrangements.

3. UAE-EU free trade talks advancing rapidly, UAE state minister says

Free trade negotiations between the UAE and the European Union are progressing quickly, according to UAE Minister Lana Nusseibeh. Launched earlier this year, the talks cover trade in goods and services, investment, and cooperation in strategic areas such as renewable energy, green hydrogen, and critical raw materials. The fourth negotiation round is underway in the UAE, with a fifth planned for early next year. The EU is a key trade and investment partner for the UAE.

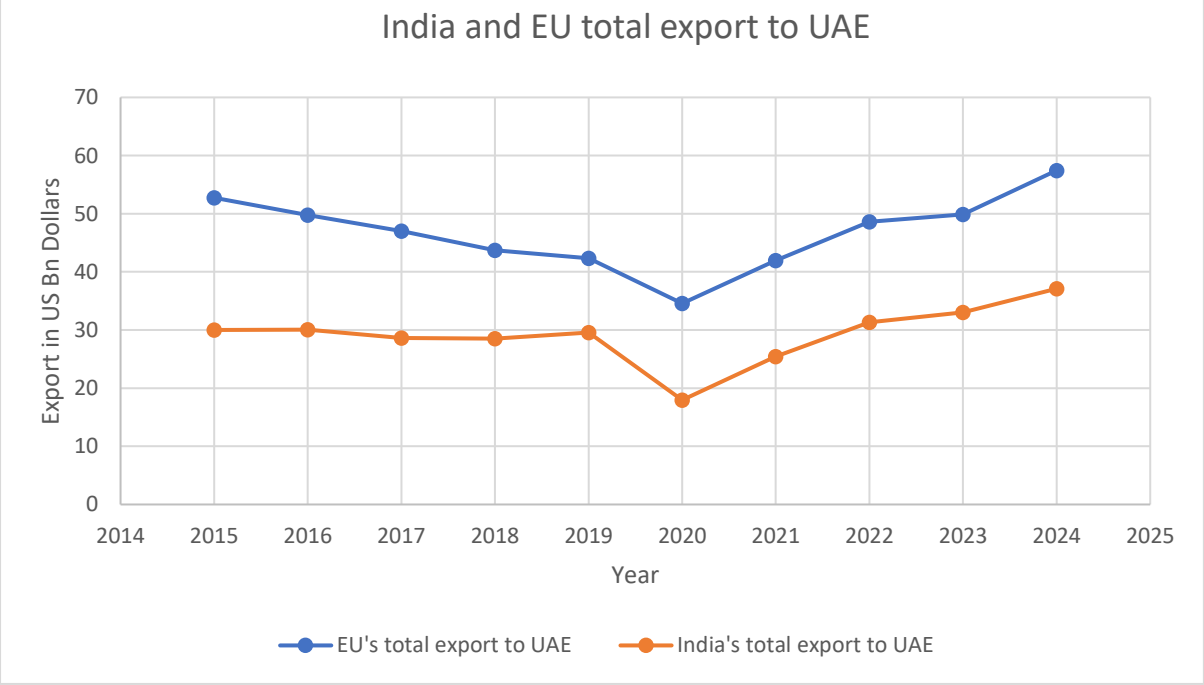
(*https://www.reuters.com/business/finance/uae-eu-free-trade-talks-advancing-rapidly-uae-state-minister-says-2025-12-11/*)

CUTS Comments

a) Impact on India's exports to the UAE

India's exports to the UAE have consistently been lower than the EU's throughout the 2015-2024 period. Though both show a decline up to 2020, reflecting pandemic-related disruptions. The fall is sharper for India in 2020. From 2021 onward, exports recover strongly for both, with steady growth through 2024. The EU's rebound is more pronounced in absolute terms, while India shows sustained post-pandemic expansion in the UAE market.

Figure 5: India and the EU's exports to the UAE, 2015-2024



Source: CUTS calculations using data from WITS

Among the top ten exports from both India and the EU to the UAE, common items are Articles of jewellery and parts of precious metal, smartphones, Non-industrial diamonds, aeroplanes and other aircrafts. Other key exports from India include Petroleum oils & oils obtained from bituminous minerals, Semi-milled or wholly milled rice, and Other floating structures (e.g., rafts, pontoons, floating docks/platforms). They collectively account for 53 per cent of India's total exports to the UAE.

On the other hand, the EU's key exports to the UAE include Gold, Turbo-jets of a thrust exceeding 25 kN, Motor cars and other motor vehicles, Medicaments (mixed/unmixed) for therapeutic/prophylactic use, and Parts of turbo-jets or turbo-propellers. They constitute 31 per cent of the EU's total exports to the UAE.

Table 9.A presents India's Finger–Kreinin Index (FKI) with the EU in the UAE market from 2020 to 2024. The FKI values range from 0.251 to 0.284, indicating a moderate and steadily increasing similarity between India's and the EU's export structures to the UAE. The gradual rise over the period suggests that India and the EU are exporting increasingly overlapping product baskets, implying growing competitive interaction in the UAE market. By 2024, the higher FKI reflects a noticeable strengthening of direct export competition between the two.

The Revealed Export Competitive Position Index (RECPI) values are shown in Table 9.B shows India's Revealed Export Competitive Pressure Index (RECPI) with the EU in the UAE market from 2020 to 2024. The values indicate moderate but fluctuating competitive pressure from the EU on India. Competitive pressure peaks in 2021, declines in 2022, and then rises again in 2023-2024, suggesting that while EU competition is persistent, its intensity varies over time, strengthening again in the most recent years.

Table 9.A: India's FKI with the EU in the UAE Market

Competitor	2020	2021	2022	2023	2024
EU	0.251	0.256	0.259	0.274	0.284

Table 9.B: India's RECPI with the EU in the UAE Market

Competitor	2020	2021	2022	2023	2024
EU	0.232	0.302	0.192	0.257	0.292

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

Results of our SMART analysis reveal that zero-tariff access for EU goods under this proposed FTA would result in significant export displacement for India across multiple product categories. The largest potential diversion is in unwrought aluminium - both non-alloyed and alloyed - indicating strong exposure of India's aluminium exports to preferential competition. Cast iron pipes, glass bottles, and PET films show moderate diversion risks, reflecting competitive pressure in industrial and packaging segments. Lower but notable diversion appears in jewellery, footwear, apparel, batteries, and automotive wiring, suggesting that trade diversion effects extend beyond metals into consumer and light manufacturing sectors, though at smaller magnitudes.

Table 10: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
760110	Unwrought aluminium, not alloyed	4146.89
760120	Unwrought aluminium alloys	2271.06
730300	Cast iron tubes and pipes	359.78
701090	Glass bottles and jars	251.13
392062	PET film, non-cellular	238.36
711319	Articles of jewellery, of precious metal	213.99
640399	Footwear with leather uppers	123.55
620443	Women's or girls' dresses, of synthetic fibres	122.93
850720	Lead-acid accumulators	120.87
854430	Ignition wiring sets for vehicles	104.38
Source: CUTS computations using WITS SMART analysis tool		

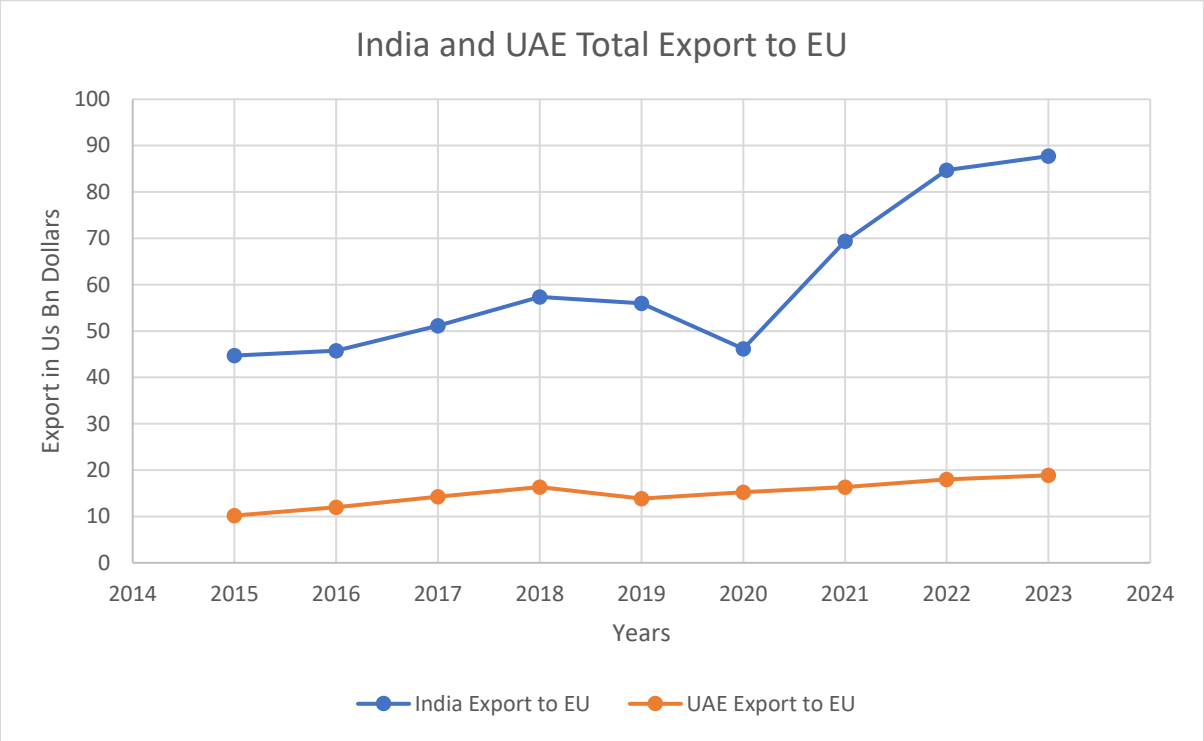
Food for Thought

India and the UAE share a deep and institutionalised economic partnership, strengthened significantly by the India-UAE Comprehensive Economic Partnership Agreement (CEPA), under which bilateral trade has expanded rapidly and the UAE has emerged as a key gateway for India's exports to West Asia and Europe. However, the advancing EU-UAE FTA poses new competitive challenges for India in the UAE market, particularly in sectors such as aluminium, industrial products, and selected consumer goods where export overlap with the EU is rising. To build resilience, India needs to fully leverage CEPA by improving utilisation rates, addressing non-tariff barriers, and deepening cooperation in manufacturing, metals, and value-added processing within the UAE.

b) Impact on India's exports to the EU

India and UAE's exports followed a similar growth trajectory throughout the period, with a notable decrease in India's exports in 2020 and a continuous increase from then onwards. Overall, India has a better presence in the EU market with notably higher exports than UAE. In 2023, while India exported around US$88 billion, UAE's exports were at US$20 billion.

Figure 6: India and UAE's Exports to the EU, 2015-2023



Source: CUTS calculations using data from WITS

Among the top ten exports from India and UAE to the EU, four common items are there: Non-industrial Diamonds, smartphones, turbo jets, jewellery articles. India's other key export items Petroleum Oils (Non-Crude), Medicaments, T-shirts, frozen shrimps and prawns, leather footwear etc. They collectively represent 29 percent of India's total exports to the EU. Similarly, other key UAE exports to the EU include unwrought aluminium, gold, helicopters, aircraft engines, etc. These technology-intensive exports constitute 59 percent of the UAE's total exports to the EU.

The Finger-Kreinin Index (FKI) indicates a steady increase in the similarity between India's and the UAE's export structures in the EU market, rising from 0.251 in 2020 to 0.284 in 2024. This suggests a gradual but limited convergence in the composition of products exported by both countries to the EU, pointing to growing structural overlap and a strengthening of direct competition over time.

The Relative Export Competitive Pressure Index (RECPI) shows greater year-to-year volatility, reflecting changes in the intensity of competition rather than underlying export structure. After peaking in 2021, competitive pressure eased in 2022 but strengthened again by 2024, reaching 0.292. Taken together with the rising FKI, this indicates that while competitive pressure fluctuates with short-term market conditions, the longer-term trend is toward increasing and more sustained competition from the UAE for India in the EU market.

Table 11.A: India's FKI with the UAE in the EU Market					
Competitor	**2020**	**2021**	**2022**	**2023**	**2024**
UAE	0.251	0.256	0.259	0.274	0.284
Table 11.B: India's RECPI with the UAE in the EU Market					
Competitor	**2020**	**2021**	**2022**	**2023**	**2024**
UAE	0.232	0.302	0.192	0.257	0.292
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Food for Thought

The recently signed historic India-EU Free Trade Agreement significantly strengthens India's position in the EU market at a time when competitive pressure from the UAE is gradually increasing. Preferential market access under the FTA is expected to enhance the competitiveness of Indian exports in key sectors such as pharmaceuticals, textiles and apparel, leather goods, agri-food products, and light manufacturing, where India already has a strong presence and relatively diversified export base.

Improved rules of origin, regulatory cooperation, and reduced tariffs will help Indian firms move up the value chain and mitigate risks arising from growing export overlap with the UAE, particularly in shared product categories like jewellery and electronics. By locking in stable and preferential access to the EU, the FTA enables India to consolidate its export advantage, attract investment into export-oriented manufacturing, and build long-term resilience against emerging competitors in the European market.

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:

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

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) measures the competitive pressure faced by country i_1 from country i_2 in destination market j. It is defined for exporter i_1 with respect to competitor i_2 in the importing market j, as it takes into account both, the level, and the structure of trade by the two competing countries, i_1 and i_2. Specifically, country i_1 is concerned with the value of the exports from country i_2 to country j and the extent to which these exports directly compete with its own in market j. The RECPI index is defined as follows:

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

where k refers to the product; i_1 to the reporting country; i_2 to the competitor country, and the x and s variables refer to the exports to the common destination, market j

x^k_{ij} is the value of country i's exports to country j of good k, and s^k_{ij} denotes the share of product 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.