

CUTS Dossier on Preferential Trade Agreements
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1. Thailand seeks restart of trade negotiations with EU

THAILAND is ready to resume negotiations for a free-trade agreement (FTA) with the European Union (EU) once the new government is established, as officials seek to offset the decline in global trade, according to a leading trade official.

Thai-EU trade will continue to decline in the second half of this year, with dim prospects in the next decades if the Kingdom is unable to swiftly act to negotiate a trade deal with the European bloc, warned Aat Pisanwanich, director of the University of the Thai Chamber of Commerce's Centre for International Trade Studies (CITS).

“This is due to the fact that Vietnam, a key competitor of Thailand in terms of exports, has established an FTA with the EU that will become active in the third quarter of this year,” he said. Vietnamese goods that compete with Thai goods, Aat said, such as electrical appliances, rice and fruit, will become even more competitive due to the lower tariffs in place after the FTA is activated. This would reduce Thailand’s market share of goods in the EU and lead to long-term negative impacts on Thai exports unless a Thai-EU trade agreement is soon put in place.

(<https://www.nationthailand.com/Economy/30370853>)

CUTS Comments

European Union is one of the top export destinations of India. That is reflected in the total export of India to this trading bloc, as given in below in Table 1.1. In 2018, India’s total export to the EU was US\$ 57.17bn, which is more than two times that of Thailand’s export to this region

Table 1.1 represents comparative picture of India and Thailand’s top 10 export products in EU market with their corresponding export value, share in total, and five year Compound Annual Growth rate (CAGR). It has been observed that there is no product-to-product similarity in top 10 export baskets of these two countries.

India's export basket is dominated by light oils and its preparations (HS code 271019), medicine (HS code 300490), turbo-jets (HS code 841112), cotton textile product (HS code 610910), parts of aeroplanes or helicopters (HS code 880330), and footwear (HS code 640391).

Thailand's export basket consists of four ICT goods (HS Code: 847170, 844331, 854239, 854140), two types of air conditioning machines (HS code: 841510 and 8415841), prepared and preserved meat items (HS code: 160232), and spectacle lenses (HS code 900150).

Table 1.1: India and Thailand's Top 10 Exports to the EU

Product Code	Product Description	India's Exports to the EU		Thailand's Exports to the EU	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)	CAGR (2014-18)
271019	Light oils and preparations; other	5837.56 (10.21)	4.62	--	--
710239	Diamond, cut or otherwise worked but not mounted or set	2089.09 (3.65)	-3.78	--	--
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	1454.67 (2.54)	8.31	--	--
841112	Turbo-jets of a thrust not exceeding 25KN	1322.11 (2.31)	NA	--	--
610910	Cotton T-Shirts, Singlets, and other Vests	710.80 (1.24)	-4.47	--	--
711319	Jewellery articles and parts of Precious metal; other than silver & gold	697.10 (1.22)	10.09	--	--
880330	parts of aeroplanes or helicopters	674.35 (1.18)	12.20	--	--
870899	Parts and accessories of Motor Vehicles	665.95 (1.16)	1.58	--	--
870322	Motor Cars and other Motor Vehicles for person transport	651.06 (1.14)	4.16	--	--
640391	Footwear: Covering the ankle	643.34 (1.13)	11.18	--	--
847170	Storage units (Floppy disc, Hard disc etc.)	--	--	1891.61 (7.55)	-6.27
160232	Prepared or preserved meat, meat offal or blood of fowls of the species <i>Gallus domesticus</i>	--	--	822.56 (3.28)	-0.69
844331	Machines which perform two or more of the functions of printing, copying or facsimile transmission	--	--	698.06 (2.79)	25.86
711311	Jewellery articles and parts of silver	--	--	682.55 (2.72)	3.66
870421	Motor Vehicles for goods transport (not exceeding 5 ton)	--	--	616.42 (2.46)	-0.88
854239	Electronic integrated circuits; other than Processors, controllers, Memories, and Amplifiers	--	--	567.21 (2.26)	14.18

841510	Air Conditioning Machines	--	--	533.71 (2.13)	19.48
900150	Spectacle lenses other than Polarised glass	--	--	443.61 (1.77)	2.52
841581	Air Conditioning Machines, Incorporating a refrigerating unit and a valve for reversal of the cooling or heat cycle	--	--	381.53 (1.52)	20.64
854140	Photosensitive semi-conductor devices; light-emitting diodes (LED)	--	--	348.65 (1.39)	109.25
Sub-Total*		14746.03 (25.80)	--	6985.89 (27.88)	--
Total Exports in 2018		57165.02	--	25058.44	--

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

India is already enjoying tariff concession while exporting to Thailand's market under India-Thailand Free Trade Agreement and Comprehensive Economic Cooperation Agreement between India and Association of Southeast Asian Nations (ASEAN). However, due to its size, EU's export to Thailand is four-times larger than that of India.

One medicinal product, which has ayurvedic, unani, homoeopathic, siddha or bio-chemic systems, is common in both countries' export basket as can be observed from Table 1.2. Though India's export volume of this medicaments product to Thailand is just one-fifth of EU's export on same product, India's export grew comparatively at a high rate (CAGR of 12.59 percentage points, while EU's was 3.61). Also, India is exporting diamonds in cut or otherwise worked form, whose share in total export was 34.02 per cent. Vietnam also exports diamonds in unworked or simply sawn, cleaved or bruted form.

This medicaments (HS code 300490) and cut diamond (HS code 710239) are two common products that India is exporting to Thailand as well as in EU's market in large volume. Other than these two products, India's highly exported products to Thailand are engine, parts and accessories of motor vehicles (HS code: 840890, 840820, and 870899), chemical product- p-Xylene, different types of Fish and fruit items (HS code: 30389, 30749, and 90421), and manufacturing product - aluminium.

Other than a common product, EU is exporting to Thailand some ICT products (HS code: 854239, 851762, and 854231), aeroplanes and other aircraft, parts of gas turbines, petroleum oils and oils obtained from bituminous minerals, raw fur skins of mink, and parts and accessories for safety of bodies of passengers and drivers of motor vehicles.

Table 1.2: India and EU's Top 10 Exports to Thailand

Product Code	Product Description	India's Exports to Thailand		EU's Exports to Thailand	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)	CAGR (2014-18)
710239	Diamond, cut or otherwise worked but not mounted or set	554.39 (34.02)	-4.27	--	--
290243	p-Xylene	191.99 (11.78)	75.10	--	--
840890	Stationary engines of cylinder capacity exceeding 50 cc	191.11 (11.73)	133.81	--	--
840820	Engines of a kind used for the propulsion	131.92 (8.10)	191.58	--	--
30389	Frozen Fish (Hilsa, Dara, Pomfret, Threadfin etc.)	122.04 (7.49)	225.09	--	--
30749	Live, Fresh, Chilled, Frozen, Dried, and salted fish (Cuttle fish, squids etc.)	97.65 (5.99)	44.21	--	--
90421	Fruits of the genus Capsicum or of the genus Pimenta (Dried, neither crushed nor ground)	93.99 (5.77)	2.55	--	--
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	89.82 (5.51)	12.59	431.29 (2.45)	3.61
760110	Aluminium, not alloyed	78.39 (4.81)	156.74	--	--
870899	Parts and accessories of Motor Vehicles	78.14 (4.80)	-7.53	--	--
880240	Aeroplanes and other aircraft, of an unladen weight exceeding 15,000 kg.	--	--	842.97 (4.78)	6.98
854239	Electronic integrated circuits; other than Processors, controllers, Memories, and Amplifiers	--	--	617.66 (3.50)	19.20
710231	Diamonds (Unworked or simply sawn, cleaved or bruted)	--	--	204.06 (1.16)	-8.27
841199	Parts of Gas Turbines	--	--	196.82 (1.12)	9.27
270900	Petroleum oils and oils obtained from Bituminous Minerals, Crude	--	--	194.35 (1.10)	3296.73

430110	Raw Fur skins of mink, whole, with or without head, tail or paws	--	--	175.57 (1.00)	NA
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	--	--	155.95 (0.88)	12.16
870829	Parts and accessories for safety of bodies of passengers and drivers of motor vehicles	--	--	153.66 (0.87)	17.19
854231	Electronic integrated circuits: Processors and Controllers	--	--	151.34 (0.86)	5.45
Sub-Total*		1629.44 (37.17)	--	3123.68 (17.72)	--
Total Exports in 2018		4383.39	--	17628.89	--

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

Overall, the degree of homogeneity as well as competitive pressure that India is facing while trading with these respective markets can be assessed from the two indices: FKI (Finger-Kreinin Index); and RECPI (Relative Export Competitive Pressure Index).

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 represents the FKI and RECPI values of India with Thailand as well as EU. India's FKI values with Thailand and EU, respectively, are more or less same and very low. Values in both cases are hovering around 0.2 during the last five years. It can be inferred that India's exports to Thailand and EU are not similar.

Also, India is not facing any significant competitive pressure from Thailand while accessing EU's market. Although RECPIs are relatively high for India where EU is the competitor for accessing Thailand's market, these values are not even significant for India to be feared.

Table 1.3: FKI and RECPI among India, Thailand and EU

A. India's FKI with Thailand in EU's Market					B. India's FKI with EU in Thailand's Market						
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
Thailand	0.22	0.23	0.23	0.21	0.21	EU	0.21	0.23	0.26	0.24	0.24
C. India's RECPI with Thailand in EU's Market					D. India's RECPI with EU in Thailand's Market						
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
Thailand	0.06	0.10	0.11	0.09	0.04	EU	0.32	0.36	0.36	0.37	0.37

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

Food for Thought

An FTA between EU and Thailand may increase trade between these countries benefitting Thailand more than EU, given the trade surplus it enjoys. India's exports to EU are much larger than Thailand's exports to EU and the situation is unlikely to change significantly. There are some common items in India's export basket to EU and Thailand, and it would need to focus on these to enhance its exports to these countries.

2. Positive progress on NZ-EU trade talks:

Negotiators leading trade talks between New Zealand and the European Union are hopeful a deal can be concluded by the end of 2019, although agriculture still looms as a potential stumbling block.

“It’s an ambitious goal but we believe it’s doable ... there are more issues where we’re closer together than where we differ,” New Zealand’s lead negotiator Martin Harvey said.

Harvey said there were “a few tricky issues” related to a wide-ranging chapter on trade and sustainable development. Another section on the digital economy posed challenges, with the EU and New Zealand having differing models which they promoted.

Speaking about the frequency of negotiating rounds, EU lead negotiator Peter Berz quipped: “I see more of Martin than many of my best friends ... it’s a bit scary.”

Berz said discussions had been “constructive and cooperative” so far, with transparency high on the EU’s agenda when it came to updating the public on talks.

(<https://www.newsroom.co.nz/2019/05/20/589824/positive-progress-on-nz-eu-trade-talks#>)

CUTS Comments

Table 2.1 shows that New Zealand’s top exported products to the EU are completely different from that of India. New Zealand’s export basket has been dominated by low valued agricultural

products, except different therapeutic respiration apparatus (HS code 901920) and shorn wool. Due to the presence of eight low valued agricultural products in top 10 exports, total value of this basket is less than one-eighth of that of India. And these top 10 exported products of New Zealand comprises 50.98 per cent of its total export to the EU, while India's top ten basket has taken up only 25.80 per cent. Thus, India's total export value is very high in EU's market, sixteen times larger than that of New Zealand.

Five different types of meat of sheep and of offal animal in frozen, fresh, and chilled form (HS code: 20442, 20422, 20443, 20423, and 20890), two types of wines of fresh grapes (HS code: 220421, 220429), and apples are among these top exported products of New Zealand to the EU.

Table 2.1: India and New Zealand's Top 10 Exports to the EU

Product Code	Product Description	India's Exports to the EU		New Zealand's Exports to the EU	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)	CAGR (2014-18)
271019	Light oils and preparations; other	5837.56 (10.21)	4.62	--	--
710239	Diamond, cut or otherwise worked but not mounted or set	2089.09 (3.65)	-3.78	--	--
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	1454.67 (2.54)	8.31	--	--
841112	Turbo-jets of a thrust not exceeding 25KN	1322.11 (2.31)	NA	--	--
610910	Cotton T-Shirts, Singlets, and other Vests	710.80 (1.24)	-4.47	--	--
711319	Jewellery articles and parts of Precious metal; other than silver & gold	697.10 (1.22)	10.09	--	--
880330	parts of aeroplanes or helicopters	674.35 (1.18)	12.20	--	--
870899	Parts and accessories of Motor Vehicles	665.95 (1.16)	1.58	--	--
870322	Motor Cars and other Motor Vehicles for person transport	651.06 (1.14)	4.16	--	--
640391	Footwear: Covering the ankle	643.34 (1.13)	11.18	--	--
20442	Frozen meat of Sheep (cuts with bone)	--	--	365.54 (10.38)	-1.41
220421	Wine of fresh grapes (2 litre or less)	--	--	266.58 (7.57)	-1.57
20422	Fresh or chilled meat of Sheep (cuts with bone)	--	--	253.97 (7.21)	-5.89
20443	Boneless frozen meat of Sheep	--	--	213.58 (6.07)	0.02

20423	Boneless fresh or chilled meat of Sheep	--	--	149.09 (4.23)	2.19
80810	Apples	--	--	141.99 (4.03)	4.32
220429	Wine of fresh grapes: other	--	--	140.15 (3.98)	12.77

901920	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus	--	--	109.48 (3.11)	7.98
20890	Fresh and edible meat offal of wild animal	--	--	80.34 (2.28)	-6.74
510121	Shorn wool	--	--	74.14 (2.11)	-11.70
Sub-Total*		14746.03 (25.80)	--	1794.86 (50.98)	--
Total Exports in 2018		57165.02	--	3520.85	--

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 shown in Table 2.2, there are two products: medicaments based on ayurvedic, unani, homoeopathic, siddha or bio-chemic systems and one type of motor cars and other motor vehicles for personal transport (HS code 870323) are common in India's and EU's top 10 exports to New Zealand. India's exports of these products are very low as compared to EU's exports. Other than this type of motor vehicles, India's top 10 export basket consists another type of motor vehicles for personal transport (HS code 870321) and EU's basket consists of three types of motor vehicles for personal transport (HS code: 870324, 870332, and 870333), and tractor.

India's other major exported products to New Zealand are mixture of agriculture product-rice (HS code: 100630); textile products - cotton made toilet linen and kitchen linen, and hand bags; jewellery products - cut diamond, and jewellery articles and parts of precious metals; and heavy industrial products - turbo jets, and not-alloyed Zinc. And rest of New Zealand's top exported products are from heavy industry, i.e. two types of Aeroplanes and other aircrafts (HS code: 880240, and 880230), parts of turbo-jets or turbo-propellers, and one medical item (HS code: 300210).

Table 2.2: India and EU's Top 10 Exports to New Zealand

Product Code	Product Description	India's Exports to New Zealand		EU's Exports to New Zealand	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)	CAGR (2014-18)
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	27.44 (7.24)	-2.36	123.39 (2.00)	-3.62
870323	Motor Cars and other Motor Vehicles for person transport (cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc)	13.57 (3.58)	114.05	312.08 (5.05)	0.94
841112	Turbo-jets: thrust exceeding 25 kN	12.37 (3.26)	NA	--	--
710239	Diamond, cut or otherwise worked but not mounted or set	11.41 (3.01)	2.47	--	--

630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics, of cotton	10.30 (2.72)	7.57	--	--
100630	Semi-milled or wholly-milled rice	7.55 (1.99)	5.04	--	--
870321	Motor Cars and other Motor Vehicles for person transport (cylinder capacity not exceeding 1,000 cc)	6.64 (1.75)	55.39	--	--
711319	Jewellery articles and parts of Precious metal; other than silver & gold	5.54 (1.46)	-4.84	--	--
420222	Hand bags with outer surface of sheeting of plastic or of textile materials	4.80 (1.27)	51.66	--	--
790111	Zinc, not alloyed	4.70 (1.24)	-0.20	--	--
880240	Aeroplanes and other aircraft, of an unladen weight exceeding 15,000 kg	--	--	281.07 (4.55)	14.10
841191	Parts of turbo-jets or turbo-propellers	--	--	202.37 (3.28)	16.44
870190	Tractors	--	--	158.51 (2.57)	-5.27
870324	Motor Cars and other Motor Vehicles for person transport (cylinder capacity exceeding 3,000 cc)	--	--	135.67 (2.20)	5.79
870332	Motor Cars and other Motor Vehicles for person transport (cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc)	--	--	119.76 (1.94)	-1.72
870333	Motor Cars and other Motor Vehicles for person transport (cylinder capacity exceeding 2,500 cc)	--	--	99.05 (1.60)	0.22
880230	Aeroplanes and other aircraft, of an unladen weight exceeding 2,000 kg. but not exceeding 15,000 kg	--	--	84.02 (1.36)	45.90
300210	Antisera and other blood fractions and modified immunological products	--	--	81.57 (1.32)	13.41
Sub-Total*		104.31 (27.50)		1597.49 (27.05)	--
Total Exports in 2018		379.26		6174.30	--

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 2.3 indicates similarity in exported products of India with New Zealand and EU and highlights if India is facing competitive pressure from them while accessing these two markets. FKI value of India in EU market, while New Zealand is competitor, is negligibly close to zero. India is not facing any competitive pressure from New Zealand while accessing EU's market. Though these values are relatively high where EU is a competitor but they are not significantly high enough. But, India is facing high competitive pressure from EU in New Zealand's market. The RECPI values are on an average close to four over a period of five years and showing an increasing momentum.

Table 2.3: FKI and RECPI among India, New Zealand and EU

A. India's FKI with New Zealand in EU's Market					B. India's FKI with EU in New Zealand's Market						
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
New Zealand	0.07	0.06	0.07	0.08	0.08	EU	0.18	0.19	0.22	0.20	0.21
C. India's RECPI with New Zealand in EU's Market					D. India's RECPI with EU in New Zealand's Market						
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
New Zealand	0.001	0.003	0.003	0.003	0.002	EU	3.43	2.49	4.48	3.79	5.21

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

Food for Thought

An FTA between EU and New Zealand may increase trade between these countries benefitting EU more than New Zealand, given the trade surplus it enjoys. While India's exports to New Zealand are not substantial, it faces stiff competition from EU on some its key exports. There is a possibility that export of such products from India to New Zealand may be adversely impacted. India will need to step up its efforts to boost exports of such products to New Zealand, and must expand the scope of its ongoing discussions with New Zealand, particularly under the Regional Comprehensive Economic Partnership.

3. Vietnam expects to sign free trade pact with EU by end-June:

Vietnam expects to sign a long-anticipated free trade agreement with the European Union before the end of June, the Southeast Asian country's foreign ministry said.

Vietnam, which has one of the region's fastest-growing economies, backed by robust exports and foreign investment, has already signed around a dozen free trade pacts to scrap, or cut, taxes on several imports and exports.

The EU is Vietnam's second-largest export market after the United States, with key exports including garment and footwear products. The EVFTA is the EU's first comprehensive trade deal that would eliminate 99 per cent of all tariffs, although some would be implemented over a time period and some, notably agricultural products, limited by quotas.

(<https://www.todayonline.com/world/vietnam-expects-sign-free-trade-pact-eu-end-june>)

CUTS Comments

As shown in Table 3.1, both countries' exports to the EU are significantly high in value terms. Share of India's top ten exported products in total export was 25.80 per cent. Vietnam's top ten export was 48.07 per cent of total export in 2018. Of this top ten exported products in Vietnam's basket, one ICT product: telephones for cellular networks or for other wireless networks, which is accruing more than half of this 48.07 per cent share. Vietnam's earning from rest of the nine products is 21.75 per cent of its total export.

Of these nine exported products of Vietnam, there are three ICT products (HS code: 854231, 847130, and 854231), two agricultural product: coffee and shelled cashew nuts; and four different types of footwear (HS code: 640411, 640399, 640419, and 640299). India is also exporting one type of footwear product (HS code: 640391).

Table 3.1: India and Vietnam's Top 10 Exports to the EU

Product Code	Product Description	India's Exports to the EU		Vietnam's Exports to the EU	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)**	CAGR (2014-18)
271019	Light oils and preparations; other	5837.56 (10.21)	4.62	--	--
710239	Diamond, cut or otherwise worked but not mounted or set	2089.09 (3.65)	-3.78	--	--
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	1454.67 (2.54)	8.31	--	--
841112	Turbo-jets of a thrust not exceeding 25KN	1322.11 (2.31)	NA	--	--
610910	Cotton T-Shirts, Singlets, and other Vests	710.80 (1.24)	-4.47	--	--
711319	Jewellery articles and parts of Precious metal; other than silver & gold	697.10 (1.22)	10.09	--	--
880330	parts of aeroplanes or helicopters	674.35 (1.18)	12.20	--	--
870899	Parts and accessories of Motor Vehicles	665.95 (1.16)	1.58	--	--
870322	Motor Cars and other Motor Vehicles for person transport	651.06 (1.14)	4.16	--	--
640391	Footwear: Covering the ankle	643.34 (1.13)	11.18	--	--
851712	Telephones for cellular networks or for other wireless networks	--	--	14015.23 (26.32)	10.65
640411	Sports footwear	--	--	2284.84 (4.29)	19.84

640399	Leather sandals with rubber, plastic or synthetic sole	--	--	1538.77 (2.89)	-2.12
854231	Electronic integrated circuits: Processors and Controllers	--	--	1304.60 (2.45)	238.23
90111	Coffee (not roasted)	--	--	1244.60 (2.34)	-5.12
847130	Personal computer and similar other products	--	--	1240.63 (2.33)	-14.00
852990	communication jamming equipment and amateur radio communication equipment	--	--	1187.22 (2.23)	176.41
640419	Footwear of rubber sole with canvas upper and leather cloth uppers	--	--	986.13 (1.85)	9.13
80132	Shelled Cashew nuts	--	--	900.06 (1.69)	20.89
640299	Kind of footwear of rubber	--	--	898.07 (1.69)	2.89
Sub-Total*		14746.03 (25.80)	--	25600.13 (48.07)	--
Total Exports in 2018		57165.02	--	53253.35	--
Notes: Values in the parenthesis are export share of the particular product in total export; ** Mirror data * Summation of the top ten exported products					
Source: WITS database					

India is already availing some duty concession in Vietnam under the Comprehensive Economic Cooperation Agreement between India and ASEAN. India's top ten exported products in this market constitute 57.26 per cent of its total exports, whereas EU's top ten exports constitute only 25.26 per cent. Hence, India's total export is half of that of EU's in Vietnamese market.

These top ten exported products of India to Vietnam are mixture of agricultural, and heavy and medium industrial products. Boneless frozen meat of bovine animals, shrimps and prawns, Edible offal of bovine animals, different fish in fresh, chilled, and frozen form, and black cumin are among agriculture products from that India is gaining 47.1 per cent of total export earnings from Vietnam. Among Industrial products, Indian cotton, parts and accessories of motor vehicles and Flat-rolled products of iron or non-alloy steel India is exporting to Vietnam.

On the other hand, EU's top ten export basket consists Aeroplanes and other aircraft, Turbo-jets, two types of medicines (HS code: 300490, and 300420), different kinds of machines for industrial use (HS code: 851521, 854370, 847989), different raw materials for industrial production (HS code: 720449, 430110), and alcoholic drink-whisky.

Table 3.2: India and EU's Top 10 Exports to Vietnam

Product Code	Product Description	India's Exports to Vietnam		EU's Exports to Vietnam	
		Export Value in 2018 (US\$ mn)	CAGR (2014-18)	Export Value in 2018 (US\$ mn)	CAGR (2014-18)
20230	Boneless frozen meat of bovine animals	1608.98 (24.02)	-7.87	--	--
30617	shrimps and prawns (Scampi (Macrobrachium spp)	823.67 (12.30)	10.03	--	--
520100	Cotton, not carded or combed (Indian Cotton)	320.08 (4.78)	3.72	--	--
720839	Flat-rolled products of iron or non-alloy steel (thickness of less than 3 mm)	236.06 (3.52)	91.42	--	--
90421	Fruits of the genus Capsicum or of the genus Pimenta (Dried, neither crushed nor ground)	190.49 (2.84)	25.23	--	--
20629	Edible offal of bovine animals (fresh, chilled or frozen)	156.23 (2.33)	20.18	--	--
30749	Live, Fresh, Chilled, Frozen, Dried, and salted fish (Cuttle fish, squids etc.)	134.14 (2.00)	16.61	--	--
30389	Frozen Fish (Hilsa, Dara, Pomfret, Threadfin etc.)	127.35 (1.90)	-21.85	--	--
870899	Parts and accessories of Motor Vehicles	122.80 (1.83)	96.18	--	--
90931	Cumin, black (Neither crushed nor ground)	114.85 (1.71)	3.95	--	--
880240	Aeroplanes and other aircraft, of an unladen weight exceeding 15,000 kg.	--	--	1696.11 (13.06)	29.77
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Bio-chemic systems medicaments	--	--	518.00 (3.99)	8.82
841112	Turbo-jets: thrust exceeding 25 kN	--	--	294.09 (2.27)	69.72
851521	Machines and apparatus for resistance welding of metal	--	--	149.01 (1.15)	254.31
847989	Machines and mechanical appliances having individual functions	--	--	133.85 (1.03)	32.18
854370	Electrical machines and mechanical appliances having individual functions	--	--	107.80 (0.83)	92.71

720449	Ferrous waste and scrap; remelting scrap ingots of iron or steel	--	--	99.93 (0.77)	66.33
300420	Medicine (containing antibiotics, Cephalosporins and their derivatives)	--	--	99.49 (0.77)	9.18
220820	Whiskies	--	--	91.37 (0.70)	21.70
430110	Raw Furskins of mink, whole, with or without head, tail or paws	--	--	89.43 (0.69)	65.38
Sub-Total*		3834.65 (57.26)	--	3279.08 (25.26)	--
Total Exports in 2018		6697.47	--	12982.48	--
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					

India's FKI values with Vietnam remain constant at a very low value of 0.17. Similarly, India's FKI values with the EU hover around 0.12 and 0.14. Also, India is not facing any competitive pressure from Vietnam as well as EU. RECPI values are very much close to zero in these two markets.

Table 3.3: FKI and RECPI among India, Vietnam and EU

A. India's FKI with Vietnam in EU's Market					B. India's FKI with EU in Vietnam's Market						
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
Vietnam	0.17	0.17	0.17	0.18	0.17	EU	0.12	0.14	0.14	0.12	0.14
C. India's RECPI with Vietnam in EU's Market											
Competitor	2014	2015	2016	2017	2018	Competitor	2014	2015	2016	2017	2018
Vietnam	0.07	0.14	0.15	0.17	0.07	EU	0.01	0.02	0.03	0.02	0.03

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

Food for Thought

An FTA between EU and Vietnam may increase trade between these countries benefitting Vietnam more than EU, given the trade surplus it enjoys. India's exports to EU substantially surpasses its exports to Vietnam. Given the difference in export baskets, India faces little competition from EU or Vietnam in its exports to these countries. Consequently, it may not be adversely impacted by an FTA between EU and Vietnam. However, India must keep an eye on likely changes in export baskets of these countries.

