CUTS Dossier on Preferential Trade Agreements and India
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Contents

1. Marcos: PH, South Korea to sign free trade pact this year

The Philippines and South Korea are set to sign a free trade agreement (FTA) later this year, marking a significant milestone in their bilateral relations. This agreement was announced during the 43rd ASEAN Summit, held in Jakarta in September 2023, where the presidents of both countries expressed their optimism about the enhanced trade relations.

South Korea, being the valued trade and investment partner of the Philippines, trades worth $15.45 billion. Filipino products of interest are tropical fruits, automotive parts and semiconductors, which would enjoy duty-free access to South Korea's market.

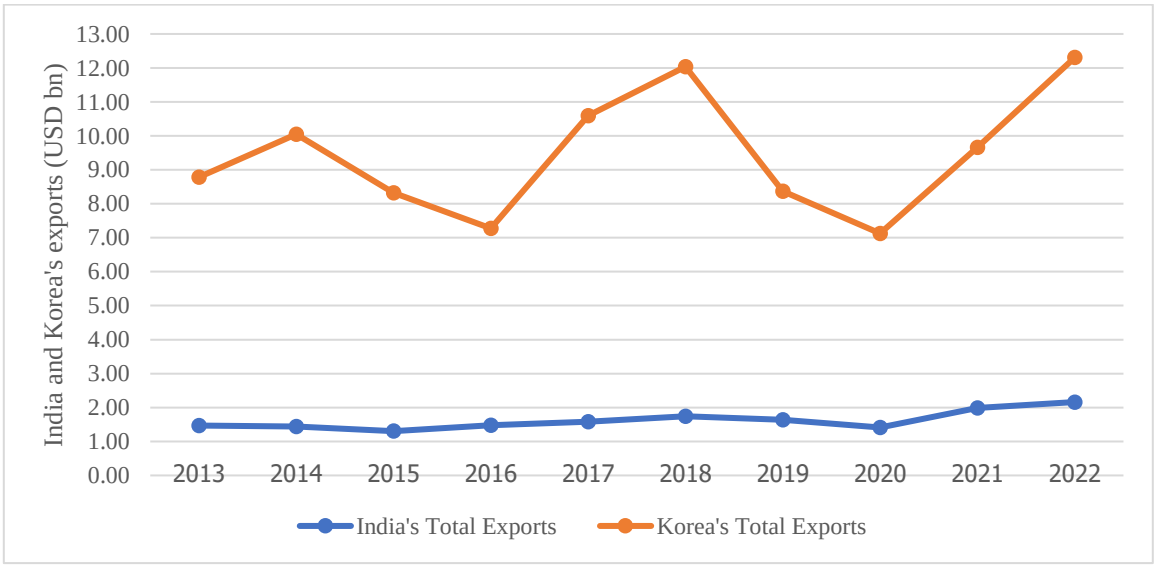
(https://cebudailynews.inquirer.net/571550/ph-south-korea-to-sign-free-trade-pact-this-year)

CUTS Comments

a) Impact on India's exports to the Philippines

South Korea's exports to the Philippines significantly outweigh India's. In 2022, South Korea's exports reached US$ 12.31 billion, while India's exports ranged from US$ 1.47 to 2.16 billion between 2013 and 2022.

Figure 1: India and South Korea's exports to Philippines, 2013-2022



Source: CUTS computations using data from WITS

Among the top ten exports from India and South Korea to the Philippines, light oils and preparations are the only common items. India's other key exports include medicaments, motorcycles and automobiles with reciprocating piston engines, frozen boneless bovine meat, aircraft, semi-finished products of iron and non-alloy steel, and new pneumatic tires. These products contribute approximately 40 per cent of India's total exports to the Philippines.

South Korea's other key exports to the Philippines include refined copper wires, aircraft, electrical capacitors, printed circuits, and liquid lustres. These products constitute approximately 59 per cent of South Korea's total exports to the Philippines.

To better understand the FTA's impact on India's exports, we use two indices: the Finger-Kreinin Index (FKI) and the Relative Export Competitive Pressure Index (RECPI) (see Annexure I). The FKI measures the degree of homogeneity between the export baskets of two source countries to a specific destination country. The RECPI measures whether a country faces competitive pressure from another country while exporting common items to a third country.

The FKI values in Table 1.A indicate that either, the respective export baskets of India and South Korea to the Philippines contain very few common items, or, contribution of the common items from these two baskets is very low compared to their total value of exports to the Philippines. Further, the values portray a decreasing trend over the years from 2018-2022.

The RECPI values in Table 1.B indicate that while the competitiveness between Indian and South Korean exports was high in 2018, it decreased over the next few years. This means India has gained a larger value-share (of its common exports with South Korea) in the Philippines. Recent RECPI values suggest that there is not much possibility of Indian exports declining due to this FTA.

Table 1.A: India's FKI with South Korea in the Philippines' Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
South Korea	0.153	0.122	0.122	0.100	0.076
Table 1.B: India's RECPI with South Korea in the Philippines' Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
South Korea	1.452	0.696	0.341	0.288	0.288
Source: CUTS computations using TradeSift software and data from WITS at HS 6-digit level					

To assess the potential adverse effects on India's exports to the Philippines resulting from this FTA, a SMART analysis was conducted. Our findings indicate that India may experience export losses in some automobile and electrical products, among others. However, the magnitude of these losses is expected to be negligible.

Table 2: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
850710	Lead-acid accumulators of a kind used for starting piston engines	138.95
854430	Ignition wiring sets and other wiring sets of a kind used in vehicles aircraft/ships	22.00
340211	Anionic surface-active agents (excluding soap)	14.57
870322	Vehicles with spark ignition internal combustion reciprocating piston engine of cylinder capacity >1000CC but not >1500CC	14.31
291521	Acetic Acid	13.33
392049	Other plates, sheets, films, foils and strips of polymer of vinyl chloride	13.02
210120	Extracts, essences and concentrates of tea or mate, and their preparations	12.91
870600	Chassis fitted with engines for motor vehicles	11.64
871410	Motorcycles including mopeds products	9.67
870790	Other bodies for tractors, buses, trucks	8.17
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

Following the 'Act East Policy', the Philippines has been included in India's list of potential trading partners in Southeast Asia. Moreover, with increased liberalised bilateral trade between the two countries via the ASEAN-India Free Trade Area (AIFTA), the Philippines has secured a 20 percent import market share for Indian pharmaceutical exports in the ASEAN region.[1]

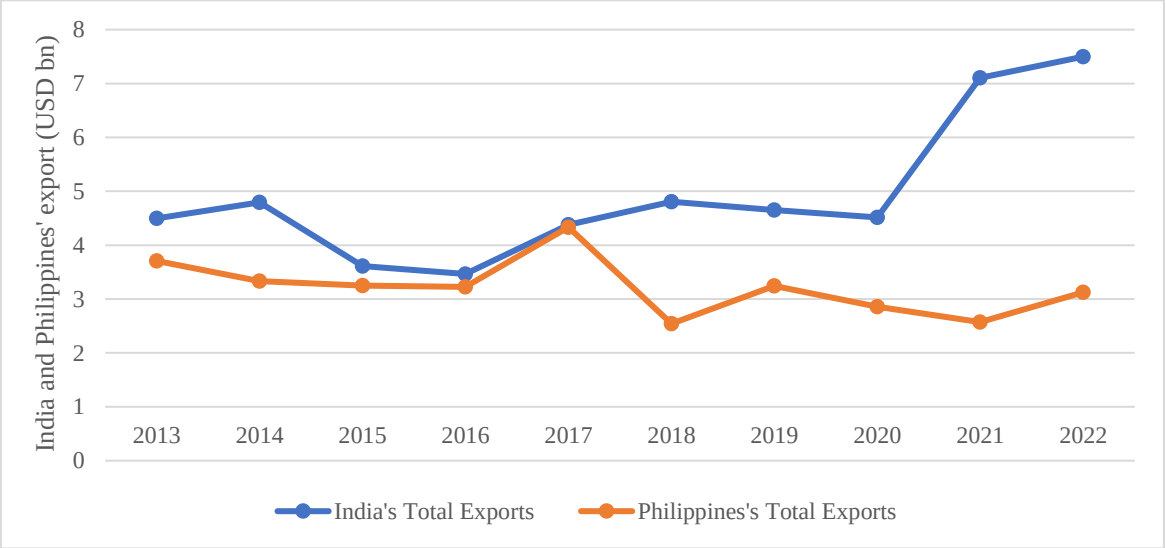
The ratification of this FTA between the Philippines and South Korea aims to remove tariffs on 96.5 percent of South Korean imports.[2] This would raise the risk of India losing its export market to South Korea for many common export items. Moreover, this risk would have been reinforced if the RECPI values had remained close to the level recorded in 2018. However, the FKI and RECPI figures indicate that this risk is low for India since the commonality in the export baskets is low, and the competitiveness between these two export baskets has reduced in the past four years.

b) Impact on India's exports to South Korea

India and the Philippines' exports to South Korea were largely similar until 2017. Afterwards, India experienced high export growth, while the Philippines' exports declined significantly, resulting in a substantial difference by 2022.

[1] https://www.mea.gov.in/Portal/ForeignRelation/India-Philippines_October_23.pdf
[2] https://www.aseanbriefing.com/news/philippines-and-south-korea-sign-free-trade-agreement/

Figure 2: India and Philippines' Exports to South Korea, 2013-2022



Source: CUTS computations using data from WITS

Among the top ten exports of India and the Philippines to South Korea, refined copper cathodes and sections are the only common item. India's other key exports include unwrought and not alloyed metals (aluminium, lead, zinc), ferro-chromium, and mixed xylene isomers. These key export items contribute 46 percent of India's total exports to South Korea.

Key exports of the Philippines include parts of electrical machines and apparatus, petroleum oils and oils obtained from bituminous minerals (crude), unrefined copper, copper anodes, and ignition wiring sets. These key exports constitute 48 percent of the Philippines' total exports to South Korea.

Table 3.A represents the Finger-Kreinin Index (FKI) values between India and the Philippines. It indicates that either the number of common items in the export baskets of these two countries to South Korea is very low, or the contribution of the common items to the total value of exports is significantly low. After decreasing until 2020, the FKI values have remained constant.

Table 3.B lists the Relative Export Competitive Pressure Index (RECPI) values, which indicate that India's export value and export value-share of common items are much larger than the Philippines'. With values of approximately zero for the last three years, India faces no competitive pressure from the Philippines for its exports of common items during this period.

Table 3.A: India's FKI with the Philippines in South Korea's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Philippines	0.093	0.052	0.044	0.042	0.040
Table 3.B: India's RECPI with the Philippines in South Korea's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Philippines	0.054	0.015	0.002	0.001	0.001
Source: CUTS computations using TradeSift software and data from WITS at HS 6-digit level					

Findings from SMART analysis reveal that if South Korea offers zero duty to all imports from the Philippines, then Indian exports of lead and lead alloys, tobacco, electrical machinery, photographic and surgical instruments, chemicals, and textiles to South Korea will face trade diversion.

Table 4: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
780199	Other unrefined lead and lead alloys	207.41
240120	Tobacco partly or wholly stemmed/stripped	206.77
850110	Motors of an output not exceeding 37.5W	160.71
902920	Speed indicators and tachometers, stroboscopes	155.46
380210	Activated carbon	86.21
780191	Other unwrought lead containing by wt antimony as the principal other element	69.79
854430	Ignition wiring sets and other wiring sets of a kind used in vehicles aircrafts/ships	45.80
200899	Other squash	36.91
620520	Men's or boys' shirts of cotton	33.60
853649	Other relays	29.56
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

The ratification of this FTA between the Philippines and South Korea aims to remove tariffs on 94.8 percent of Filipino imports by South Korea.[3] While this might have affected India's export basket to South Korea, the FKI and RECPI indices indicate that competition from the Philippines is not substantial enough to do so. The scarcity of common products in these baskets, combined with negligible competition from the Philippines, does not pose a significant risk of trade diversion for India in South Korea.

However, as indicated by the SMART Analysis, manufacturers of electrical machinery and accessories, as well as lead articles, might experience significant trade diversion. Nevertheless, the India-Korea Comprehensive Economic Partnership Agreement (CEPA) may safeguard Indian exporters from potential losses.

[3] https://www.aseanbriefing.com/news/philippines-and-south-korea-sign-free-trade-agreement/

2. CEPA: UAE, New Zealand launch talks for a free trade deal

The UAE and New Zealand have begun negotiations for a Comprehensive Economic Partnership Agreement (CEPA). This free trade agreement aims to enhance bilateral trade, which reached $764.5 million in non-oil trade in 2023.

The CEPA will focus on reducing tariffs, improving market access, and fostering investments in sectors like agriculture, renewable energy, logistics, and healthcare. The UAE is New Zealand's largest trade partner in the Middle East, with exports valued at $613 million in the year to September 2023.

(https://gulfbusiness.com/uae-new-zealand-launch-talks-for-free-trade-deal/)

CUTS Comments

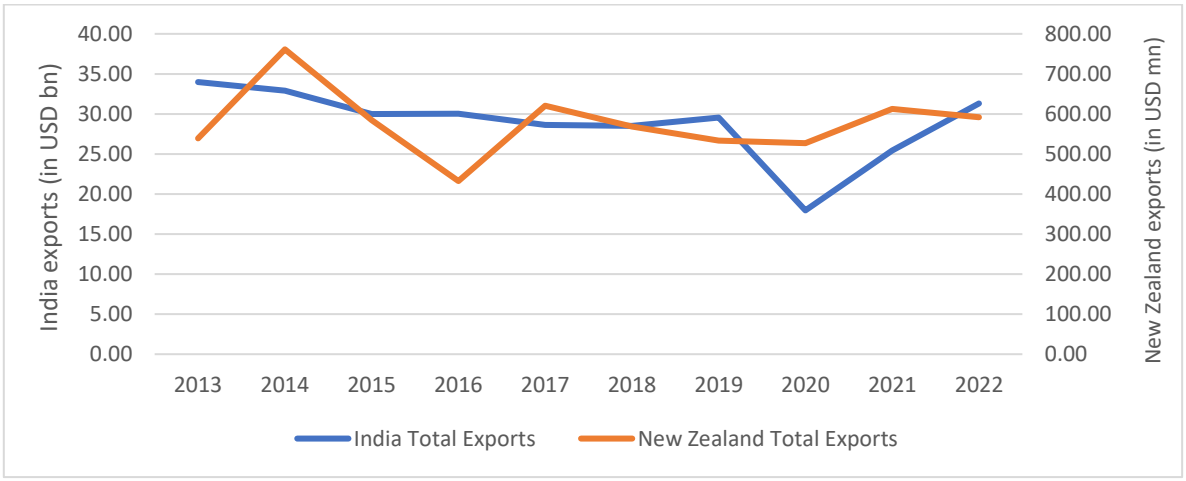
a) Impact on India's exports to the United Arab Emirates (UAE)

In May 2022, India and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) that took effect. This Agreement is strategically important for India, as the UAE is its second-largest export destination. The CEPA is expected to help India maintain its strong export position, particularly in light of the economic slowdown caused by the COVID-19 pandemic.

In 2022, India's exports to the UAE reached a substantial US$ 31.22 billion. This figure underscores the robust trade relationship between the two nations and the potential for further growth under the CEPA.

On the other hand, New Zealand's trade with the UAE is considerably smaller in scale. New Zealand's exports to the UAE have not surpassed the one-billion dollars mark. In 2022, New Zealand's exports to the UAE amounted to approximately half a billion dollars, highlighting the significant difference in trade volumes between India and New Zealand with respect to the UAE market.

Figure 3: India and New Zealand's Exports to the UAE, 2013-2022



Source: CUTS calculations using data from WITS

India’s key export items to the UAE include jewellery made up of precious metals, light oils and their preparations, diamonds, non-monetary gold and mineral fuels and oils. These products collectively account for 46% of India's exports to the UAE. In contrast, New Zealand's key export products to the UAE include milk and cream, butter, other dairy spreads, apples and meat of bovine animals. These items constitute 65.6% of New Zealand's total exports to the UAE.

Table 5.A shows India's Finger-Kreinin Index (FKI) values in the UAE market over five years, with New Zealand as the competitor. The FKI values are low, suggesting either few common products in India and New Zealand's export baskets to the UAE, or low value-addition of these common items in either country's export baskets. As a result, India faces minimal risk of significant export loss in the UAE market due to this FTA. Moreover, Relative Export Competitive Pressure Index (RECPI) values indicate that, on average, India's export value-share and export levels of common items are considerably higher than New Zealand's. This implies that New Zealand does not pose a major competitive threat to India in the UAE market. In conclusion, this FTA is unlikely to significantly impact India's exports to the UAE.

Table 5.A: India’s FKI with New Zealand in the UAE’s Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
New Zealand	0.082	0.081	0.093	0.077	0.082
Table 5.B: India’s RECPI with New Zealand in the UAE’s Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
New Zealand	0.00005	0.00005	0.00021	0.00017	0.00013
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 UAE. This analysis simulates a scenario where the UAE offers zero-duty access to all New Zealand products under this FTA. The findings indicate that the dairy and meat industry are likely to be the most affected sectors for India's exports to the UAE under this scenario.

Table 6: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
040590	Butter and other fats and oils derived from milk and dairy spreads	309.45
040510	Butter	151.53
190190	Malt Extract, Food Products of Flour, Meal, Etc	87.65
040900	Natural Honey	65.90
040210	Milk and cream, concentrated or containing added sugar or other sweetening matter in powder, granules or other solid forms	64.99
040221	Milk and cream, concentrated, not sweetened, in Powder, granules or other solid forms	39.43
020230	Meat of bovine animals	30.54
902300	Carpets and other textile floor coverings, tufted, whether or not made up - of wool or fine animal hair	15.18
200811	Instruments, apparatus models, designed demonstrational Products	14.84
870899	Parts and accessories of the motor vehicles	12.90
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

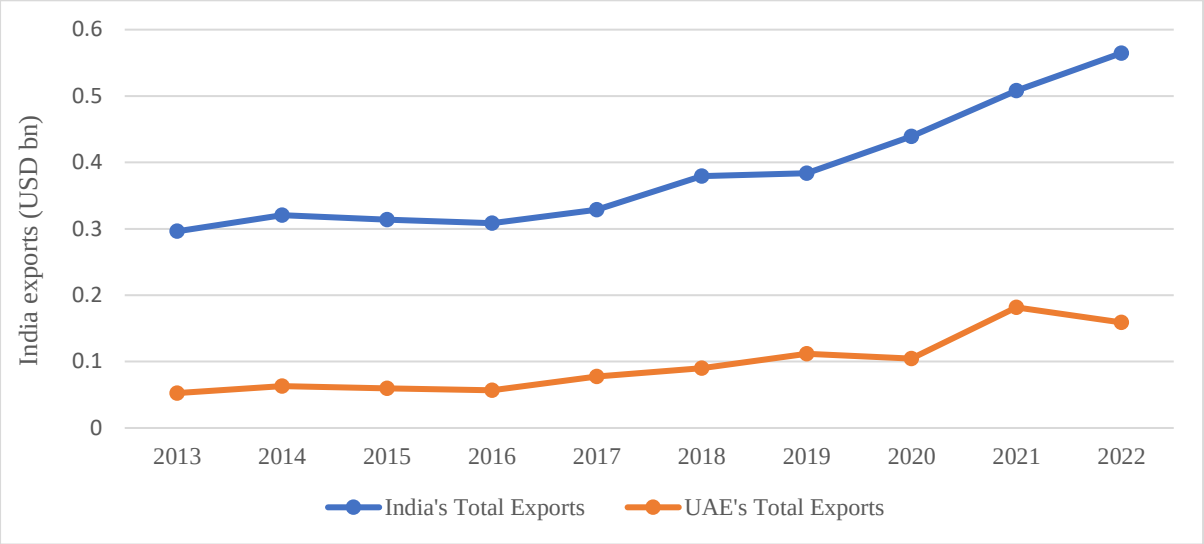
India currently faces minimal competitive pressure from New Zealand in the UAE market. However, certain products from the dairy and meat industries may experience export losses in this market. The India-UAE Comprehensive Economic Partnership Agreement (CEPA) is expected to mitigate potential negative impacts on Indian exports to the UAE. Nevertheless, Indian exporters should maintain vigilance, especially regarding specific dairy and meat products.

This cautious approach will help Indian exporters fully leverage the benefits provided by the CEPA, maintain their competitive edge in the UAE market, and quickly adapt to any changes in market dynamics. By staying alert to market trends and utilizing the advantages offered by the CEPA, Indian exporters can work to preserve and potentially expand their market share in the UAE, even in sectors where some competition from New Zealand may arise.

b) Impact on India’s exports to New Zealand

Since 2013, both India and the UAE have seen a steady increase in their exports to New Zealand, following a similar growth pattern. As of 2022, India’s exports to New Zealand reached US$ 0.56 billion, while that of UAE experienced a slight decline stand at US$ 0.16 billion. This data shows that India's exports to New Zealand are currently more than three times the value of UAE's exports to the same market.

Figure 4: India and the UAE's Exports to New Zealand, 2013-2022



Source: CUTS calculations using data from WITS

Among the top ten exports of India and UAE to New Zealand, the common products are wires made of refined copper and jewellery made up of precious metals. Apart from these, India's unique top exports to New Zealand include medicaments, light oils and their preparations, aircraft turbines, diamonds, aircraft, spacecraft and satellite launch vehicles. These products constitute approximately 23% of India's total exports to New Zealand.

On the other hand, UAE's unique top exports to New Zealand include glass containers, milk and cream which is concentrated but not sweetened, milk and cream which is neither sweetened not concentrated, carpets and rugs. These items account for about 34% of UAE's total exports to New Zealand.

Table 7.A presents the FKI values for the past five years from 2018-2022 for India in New Zealand market when the UAE is the competitor. They indicate that either there is a small number of common items between India and UAE's export baskets to New Zealand or the contribution of those common items to the total value of exports is small for either of the countries.

RECPI values (see Table 7.B below) indicate that on average India's level of exports and export value-share of common items is much larger than that of UAE. It implies that there is not much possibility of a reduction of India's exports to New Zealand as a result of this FTA.

Table 7.A: India's FKI with UAE in New Zealand's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
UAE	0.081	0.081	0.093	0.076	0.082
Table 7.B: India's RECPI with UAE in New Zealand's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
UAE	0.014	0.015	0.008	0.036	0.014
Source: CUTS computations using TradeSift software and data from WITS at HS 6-digit level					

The SMART analysis has been conducted to anticipate the adverse effect on India's exports to New Zealand, which may be realized if the exports from New Zealand to UAE are allowed duty-free under this FTA. The findings from the SMART analysis indicate that several products such as jewellery, textiles, carpets & rugs, metal products, and plastic products may be affected due to the FTA. While these products may experience some impact, the overall value of export loss is expected to be minimal.

Table 8: Trade Diversion likely to be faced by India

Product Code	Description	Trade Diversion (Thousand US$)
711319	Jewellery made up of precious metals, other than silver	44.76
570330	Carpets and Rugs	21.59
730630	Welded of circular cross-section, of iron or nonalloy steel	10.04
540720	Woven fabric of synthetic filament including woven fabrics	7.18
570320	Carpets and other textile floor coverings (of nylon or other polyamides)	6.05
391723	Polymers of vinyl chloride	3.95
392390	Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	2.58
570310	Carpets and other textile floor coverings, tufted, whether or not made up - of wool or fine animal hair	2.42
240311	Water pipe gudaku tobacco	2.16
730840	Equipment for scaffolding, shuttering, propping or pit-propping	1.71
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

India and UAE have distinct product interests in the New Zealand market. The FTA may boost UAE's exports to New Zealand in specific products where it has a comparative advantage. India's exports are likely to remain largely unaffected due to its comparative advantage in different products. However, like most FTAs, this agreement may have some negative impact on India. To mitigate potential negative effects and enhance trade relations, India should consider negotiating its own FTA with New Zealand, an important trade partner. This strategy could further strengthen India's trade relationship with New Zealand.

3. Thailand looks to sign trade agreement with Bangladesh

Thailand and Bangladesh are set to start negotiations to sign a free trade agreement to expand their trade and investment markets. Thailand expects this deal would also capacitate it to access the markets of the Middle East and Africa, utilising the large market size, labour force size and other productive resources. Through this FTA, Bangladesh also aims to boost its food exports from Thailand, including sugar, vegetable oil and beans to enhance food security.

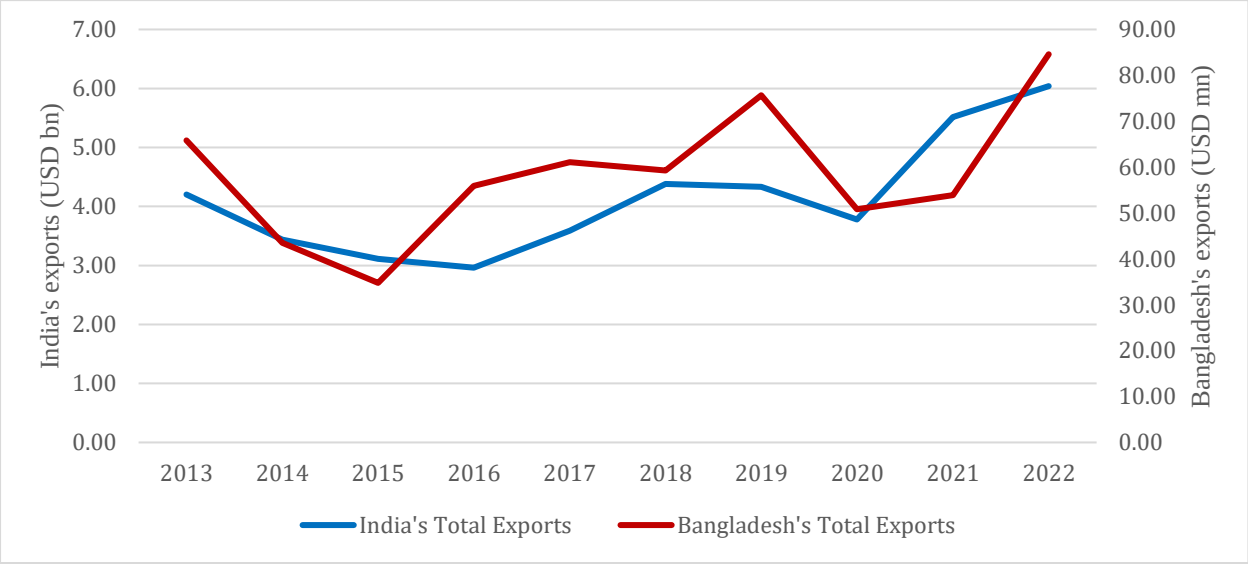
(https://www.bangkokpost.com/business/general/2783442/thailand-looks-to-sign-trade-agreement-with-bangladesh)

CUTS Comments

a) Impact on India's exports to Thailand

Thailand is one of India's significant export destinations. In contrast, Bangladesh's exports to Thailand are relatively small. In 2022, India's exports to Thailand were valued at US$ 6 billion, while Bangladesh's exports to Thailand amounted to just US$ 85 million.

Figure 5: India and Bangladesh's Exports to Thailand, 2013-2022



Source: CUTS calculations using data from WITS

India's top 10 export items to Thailand include diamonds, internal combustion piston engines, engines for vehicle propulsion, dried food items, bovine meat, and medicaments. These products constitute approximately 27 per cent of India's total exports to Thailand. Bangladesh's top 10 export items to Thailand include light oils and their preparations, cotton t-shirts, tank tops and other garments, urea, and turbojets. These products constitute approximately 33 per cent of Bangladesh's total exports to Thailand.

Table 9.A presents the FKI values for the past five years from 2018-2022 for India in the Thailand market when Bangladesh is the competitor. They indicate that either there is a small number of common items between India and Bangladesh's export baskets to Thailand or the contribution of those common items to the total value of exports is small for either of the countries.

RECPI values (see Table 9.B below) indicate that on average India's level of exports and export value-share of common items to Thailand is significantly larger than that of Bangladesh. It implies that there is not much possibility of a reduction of India's exports to Thailand as a result of this FTA.

Table 9.A: India's FKI with Bangladesh in Thailand Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Bangladesh	0.030	0.031	0.025	0.018	0.026
Table 9.B: India's RECPI with Bangladesh in Thailand's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Bangladesh	0.00023	0.00039	0.00027	0.00008	0.00012
Source: CUTS computations using TradeSift software and data from WITS at HS 6-digit level					

A SMART analysis has been conducted to anticipate the potential adverse effects on India's exports to Thailand, which may arise if Thailand offers zero-duty access on all products to Bangladesh under this FTA. The findings of our analysis suggest that India's garment industry will be the most affected sector. However, the overall impact is not expected to be significantly large.

Table 10: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
610910	Cotton t-shirts, tank tops and other garments	82.89
620342	Articles of apparel and clothing, not knitted or crocheted	39.66
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, not knitted or crocheted	16.10
620630	Linen shirt	12.99
030617	Shrimps and prawns	11.84
610510	Men's or boys' shirts of cotton, knitted or crocheted	7.58
620442	Cotton products	6.76
850710	Lead-acid storage batteries, of a kind used for starting piston engines	6.71
611020	Sweaters, pullovers, sweatshirts, vests and similar articles of cotton, knitted or crocheted	5.81
610831	Articles of apparel and clothing accessories, knitted or crocheted (Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted)	5.47
Source: CUTS computations using WITS SMART analysis tool		

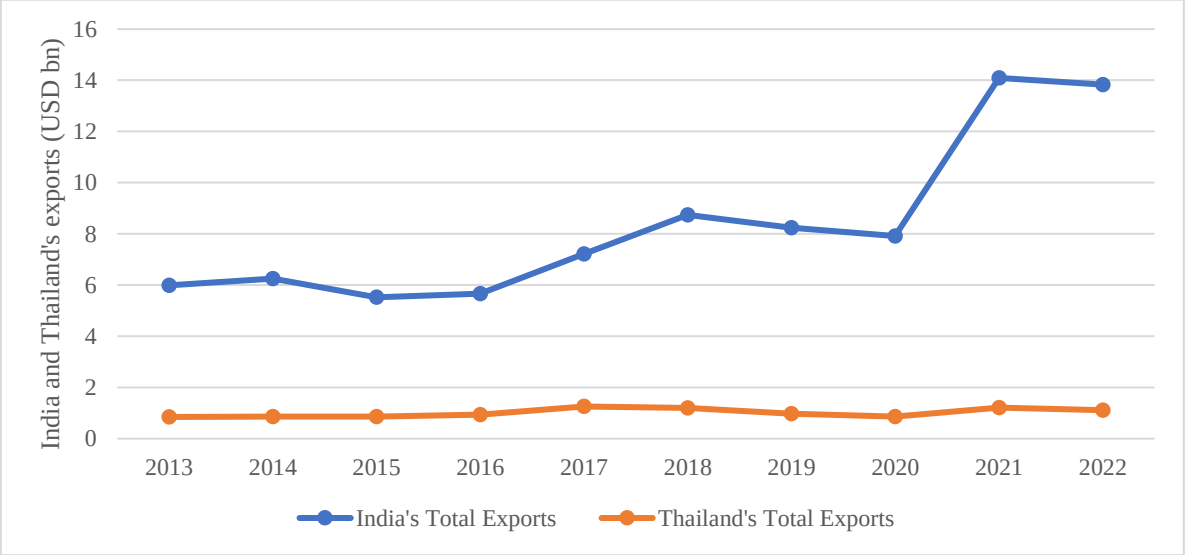
Food for Thought

India and Thailand are enhancing their economic relations through respective 'Act East' and 'Act West' policies. Initiatives include, singing the India-ASEAN FTA, establishing a free trade area, the BIMSTEC free trade area, and a Memorandum of Understanding to boost trade and investment between Thailand and Telangana industries. India's exports and investments in Thailand have increased significantly in recent years. The FTA will be boosting Bangladesh's exports to Thailand, but India's overall export may not be affected much, except the exports of some specific sectors like the most prone garment.

b) Impact on India's exports to Bangladesh

The gap between India's and Thailand's exports to Bangladesh has widened over time. Bangladesh is the fourth largest export destination for India, with India's exports to Bangladesh increasing to US$ 13.83 billion in 2022. In contrast, Thailand's exports to Bangladesh have remained relatively stable, reaching only US$ 1.11 billion in the same year.

Figure 6: India and Thailand's Exports to Bangladesh, 2013-2022



Source: CUTS calculations using data from WITS

Among the top ten exports of India and Thailand to Bangladesh, the common products are mineral fuels and oils, cotton fabric, and rice. Other key items exported by India to Bangladesh include some electrical items, wheat and meslin, and cotton yarn. These products are constituting approximately 26 per cent of India's total exports to Bangladesh. On the other hand, Thailand's other key export items to Bangladesh include cement clinkers, polypropylene, and synthetic staple fibers. These products are constituting about 24 per cent of Thailand's total exports to Bangladesh.

The following table presents India's FKI (Finger-Kreinin Index) values over five years in the Bangladeshi market, with Thailand as the competitor market. FKI values are not significant. This implies either that there are limited common items between India and Thailand's export baskets to Bangladesh, or that the value-addition of those common items in the export baskets of either country is relatively low. Consequently, this suggests that India does not face a high risk of substantial export loss in the Bangladeshi market. The RECPI (Revealed Export

Competitive Pressure Index) values further support this conclusion. On an average, Thailand's export value of these common products is significantly smaller than that of India.

Table 11.A: India's FKI with Thailand in Bangladesh's Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Thailand	0.205	0.184	0.211	0.176	0.229
Table 11.B: India's RECPI with Thailand in the Bangladesh Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Thailand	0.020	0.017	0.034	0.029	0.026
Source: CUTS computations using TradeSift software and data from WITS at HS 6-digit level					

In order to understand potential adverse effects on India's exports to Bangladesh, which may occur if Bangladesh offers zero-duty access on all products to Thailand under this FTA, a SMART analysis has been conducted. Our findings from the SMART analysis indicate that several products in certain sectors, such as agriculture, motor vehicles, and textiles, may be significantly impacted.

Table 12: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
100630	Rice	8291.42
520942	Woven Fabrics of Cotton	1540.54
854460	Electronic conductors	1094.59
540233	Synthetic Filament Yarn Other Than Sewing Thread	956.79
080280	Areca nut	929.58
340130	Organic Surface-Active Products and Preps for Washing Skin	929.31
870421	Motor Vehicles for Goods Transport	793.94
392062	Polyethylene terephthalate Products	597.67
401120	New Pneumatic Tires, Of Rubber, Of A Kind Used on Buses Or Trucks	573.33
252910	Feldspar	560.23
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

The above analysis demonstrates India's stronger position relative to Thailand in the Bangladeshi market. India benefits from factors like geographical proximity, regional and bilateral trade agreements, and favorable trade policies, which give it an economic advantage in this market. However, concerns exist about the potential negative impact of this FTA on India's exports to Bangladesh, particularly in sectors such as automobiles, agriculture, motor vehicles, electronics, and textiles.

Although India has a Preferential Trade Agreement (PTA) with Bangladesh and is part of the South Asian Free Trade Area (SAFTA), it is essential to address these issues to maintain India's export performance. Mitigating the challenges posed by future FTAs that Bangladesh might enter will be crucial for India's continued success in this 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) is about exploring 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.