

CUTS Dossier on Preferential Trade Agreements and India
April - June, 2026
(Volume XXII, No. 2)

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1. Japan, Philippines move to conclude revised free trade agreement

The Philippines and Japan are working to conclude the first-ever revision of the Japan-Philippines Economic Partnership Agreement (JPEPA), with the Philippine Department of Trade and Industry targeting completion as early as November 2026. Eighteen years after the pact entered into force in 2008, negotiators have gained momentum following President Ferdinand Marcos Jr.'s state visit to Japan in late May 2026. Philippine Trade Secretary Cristina Roque has indicated that only one substantive issue remains unresolved, relating to agricultural market access - particularly Philippine bananas, which currently face seasonal Japanese tariffs of 8 percent in summer and 18 percent in winter. The revision is also expected to update tariff treatment for Japanese motor vehicles entering the Philippines, where only vehicles with engines exceeding 3.0 litres currently qualify for preferential access under the original agreement, a provision that Japanese automakers have long sought to update in view of the shift toward smaller and electrified vehicles.

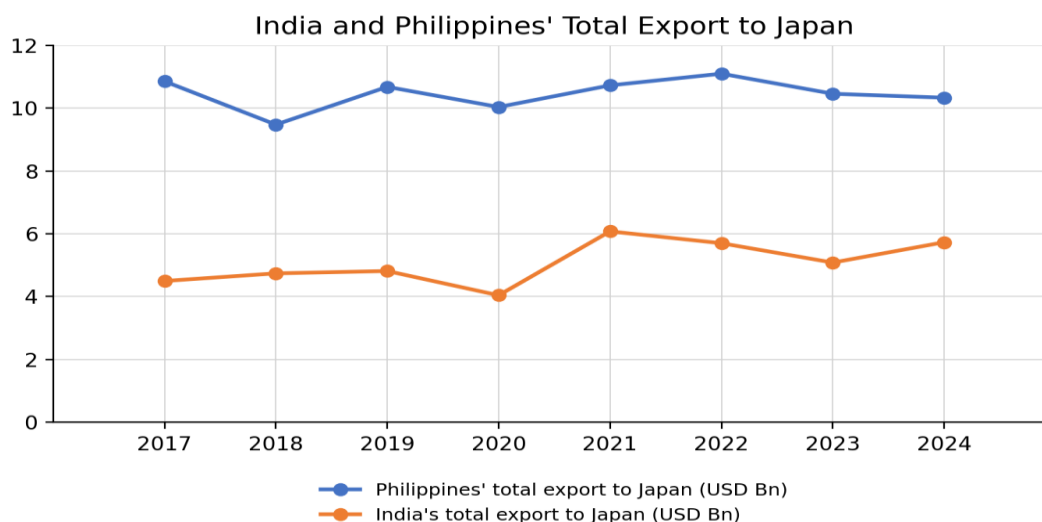
(<https://business.inquirer.net/597821/revised-ph-japan-free-trade-deal-seen-by-november>)

CUTS Comments

a) Impact on India's exports to Japan

The Philippines' exports to Japan have consistently and substantially exceeded India's exports over 2017-2024. This reflects the deeper trade integration already achieved under the existing JPEPA framework. Philippine exports to Japan ranged between US\$ 9.5-11.1bn during the period, dipping in 2018 before recovering, while India's exports to Japan remained considerably smaller, fluctuating between US\$ 4.0-6.1bn. Both countries experienced a pandemic-related dip in 2020, followed by a sharp recovery in 2021 that coincided with India's exports peaking at US\$ 6.08bn. Overall, India maintained a markedly smaller export footprint in the Japanese market compared to the Philippines throughout this period.

Figure 1: India and the Philippines' Total Exports to Japan, 2017-2024



Source: CUTS computations using data from WITS

India and the Philippines do not share any common products among their respective top 10 exports to Japan, indicating that the two countries largely cater to different segments of Japanese import demand. India's key exports to Japan include petroleum oils, floating or submersible drilling and production platforms, frozen shrimps and prawns, non-industrial diamonds, ferro-silico-manganese, unwrought aluminium, iron ores and concentrates, herbicides, and turbo-jets. Together, these top 10 items contribute approximately 39 percent of India's total exports to Japan.

Philippines' key exports to Japan include ignition wiring sets and other vehicle wiring sets, electronic integrated circuits, bananas, nickel oxide sinters and other intermediate nickel products, vessels for transport, radio navigational aid apparatus, and wood products. Together, these top 10 items constitute approximately 42 percent of its total exports to Japan - a notably higher degree of export concentration than that of India's.

The impact of the revised JPEPA 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 that India's FKI with the Philippines in the Japan market has remained low and broadly stable, ranging between 0.071 and 0.089 over 2017–2023, with no clear upward or downward trend. This indicates that the overall similarity between India's and the Philippines' export baskets to Japan has remained limited throughout the period.

Table 1.A: India's FKI with the Philippines in the Japan Market

Competitor	2017	2018	2019	2020	2021	2022	2023
The Philippines	0.077	0.082	0.078	0.088	0.075	0.071	0.089

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

Table 1.B indicates that India's RECPI with the Philippines in the Japan market has been considerably more volatile, rising from 0.046 in 2017 to a high of 0.194 in 2020, dropping sharply to 0.043 in 2021, and then climbing again to 0.201 by 2023 - its highest level in the series. This suggests that while the two countries' export baskets remain broadly dissimilar, competitive pressure from the Philippines on India's exports in the Japanese market has intensified markedly in the most recent years for which data is available.

Table 1.B: India's RECPI with the Philippines in the Japan Market

Competitor	2017	2018	2019	2020	2021	2022	2023
The Philippines	0.046	0.049	0.088	0.194	0.043	0.111	0.201

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

A quantitative WITS SMART simulation of the trade diversion India could face if Japan grants the Philippines zero-duty access under the revised JPEPA was conducted. The result indicates that several Indian exports to Japan, particularly frozen fish meat, prepared fruit and food preparations, and a cluster of leather and textile footwear products, could be adversely affected, though the estimated magnitude of diversion is modest in absolute terms.

Table 2: Trade Diversion likely to be experienced by India in Japan

Product Code	Description	Trade Diversion (Thousand US\$)
030499	Fish meat, other than fillets, frozen, n.e.s.	104.14
200899	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, other	24.01
640399	Footwear, outer soles of rubber, plastics or leather, uppers of leather, other	4.97
210690	Food preparations, not elsewhere specified	1.74
640391	Footwear, leather uppers, covering the ankle, other	1.26
420329	Gloves, mittens and mitts, of leather, other	1.11
640610	Footwear parts; uppers and parts thereof, other than stiffeners	1.11
190590	Bread, pastry, cakes, biscuits and other bakers' wares, other	0.98
170490	Sugar confectionery not containing cocoa, other	0.97
640419	Footwear, outer soles of rubber or plastics, uppers of textile materials, other	0.59

Source: CUTS computations using WITS SMART analysis tool

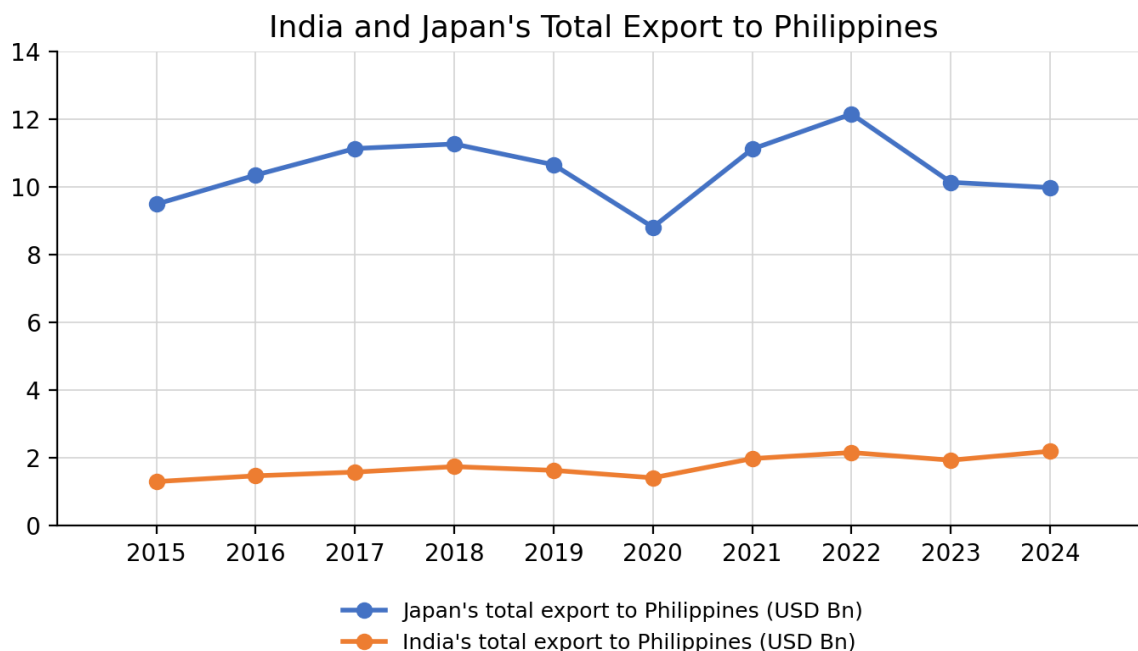
Food for Thought

India maintains a considerably smaller export footprint in Japan than that of the Philippines, and the two countries' export baskets show very limited overlap, as reflected in the consistently low FKI values. However, the sharply rising RECPI values in 2022-2023 point to intensifying competitive pressure from the Philippines in specific product categories even as the aggregate similarity between the two export baskets remains low. India already benefits from the India-Japan Comprehensive Economic Partnership Agreement, yet Indian exporters continue to face the broader challenge of low FTA utilisation. As Japan moves to deepen preferential access for the Philippines, particularly on agricultural items such as bananas, where the Philippines already dominates the Japanese market, India will need to watch for erosion of tariff-preference margins in categories where the two countries' export baskets converge and should continue to strengthen the utilisation of its own existing preferences in Japan.

b) Impact on India's exports to the Philippines

Japan's exports to the Philippines have remained far larger than India's throughout 2015-2024, underlining the depth of the existing Japan-Philippines trade relationship. Japan's exports ranged between US\$ 8.8bn and 12.1bn over the period, dipping sharply in 2020 due to the pandemic before recovering to a peak of US\$ 12.1bn in 2022. India's exports to the Philippines, by contrast, grew steadily but from a much smaller base, rising from US\$ 1.3bn in 2015 to US\$ 2.2bn in 2024, with a dip to US\$ 1.4bn in 2020. Overall, India's export presence in the Philippine market remains a fraction of Japan's.

Figure 2: India and Japan's Total Exports to the Philippines, 2015-2024



Source: CUTS computations using data from WITS

India and Japan do not share any common products among their respective top 10 exports to the Philippines, suggesting that the two countries' export baskets to this market are largely complementary rather than competing. India's key exports to the Philippines include medicaments, motorcycles, frozen bovine meat, aircraft, semi-finished iron and steel products, groundnuts, petroleum oils, wheat, tyres, and motor cars. Together, these top 10 items Japan's key exports to the Philippines include electronic integrated circuits, buses, petroleum oils, permanent magnets, printed circuits, storage media, electrical switching apparatus parts, diesel goods-transport vehicles, computer parts, and other switching apparatus. Together, these top 10 items constitute a comparatively modest 24 percent of Japan's total exports to the Philippines, reflecting a more diversified overall export basket than that of India's.

Tables 3.A and 3.B present India's competitive relationship with Japan in the Philippine market using the FKI and RECPI. The FKI values remain low throughout 2015-2024, ranging from 0.109 to 0.162, indicating limited overlap between India's and Japan's export baskets in the Philippine market. The index has moderated somewhat since its 2019 peak of 0.162, settling around 0.135-0.137 in the most recent years, suggesting the two countries largely export different products to the Philippines.

Table 3.A: India's FKI with Japan in the Philippines Market

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Japan	0.140	0.139	0.161	0.134	0.162	0.137	0.116	0.109	0.137	0.136

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

Table 3.B shows that India's RECPI with Japan in the Philippine market has fluctuated considerably, falling from a high of 0.312 in 2017 to a low of 0.099 in 2021, before recovering to 0.203 by 2024. This suggests that competitive pressure from Japan on India's exports to the Philippines has been trending upward again in the most recent years.

Table 2.B: India's RECPI with Japan in the Philippines Market

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Japan	0.234	0.231	0.312	0.217	0.271	0.140	0.099	0.162	0.224	0.203

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

As with the Japanese market, a quantitative WITS SMART simulation of the trade diversion India could face in the Philippine market has been undertaken. This indicates that India's exports of motor cars would bear the overwhelming brunt of any diversion; spark-ignition passenger cars up to 1000cc alone account for over 84 percent of the total estimated diversion, with much smaller effects on rice, industrial solvents, plastic articles, and basic chemicals such as caustic soda and hydrochloric acid.

Table 4: Trade Diversion likely to be experienced by India in the Philippines

Product Code	Description	Trade Diversion (Thousand US\$)
870321	Motor cars, spark-ignition engine, cylinder capacity ≤1000cc	120.49
870322	Motor cars, spark-ignition engine, cylinder capacity >1000cc but ≤1500cc	7.55
100630	Rice, semi-milled or wholly milled	6.33
381400	Organic composite solvents and thinners, n.e.s.; prepared paint or varnish removers	3.19
392329	Articles for the conveyance or packing of goods, of plastics, other (excl. sacks and bags of ethylene polymers)	1.45
281511	Sodium hydroxide (caustic soda), solid	0.90
100610	Rice in the husk (paddy or rough)	0.54
280610	Hydrogen chloride (hydrochloric acid)	0.54
390210	Polypropylene, in primary forms	0.51
392321	Sacks and bags (including cones), of polymers of ethylene	0.33

Source: CUTS computations using WITS SMART analysis too

Food for Thought

India's export presence in the Philippines remains modest relative to Japan's, and the FKI values confirm that the two countries' export baskets are, on the whole, complementary rather than competing. However, the RECPI series shows that the degree of competitive pressure India faces from Japan in this market is far from static – it has swung between roughly 0.10 and 0.31 over the last decade and has been rising again since 2021. Since India and Japan do not currently share any common products in their respective top 10 exports to the Philippines, the immediate risk of broad-based trade diversion from a revised JPEPA appears limited. However, as Japan seeks improved access for its automobiles and machinery under the revision, India should press, through the ASEAN-India Trade in Goods Agreement review process, for improved tariff treatment or expanded quota access for Indian-origin vehicles and auto components into the Philippines.

2. Malaysia, EU in final stage of signing free trade agreement

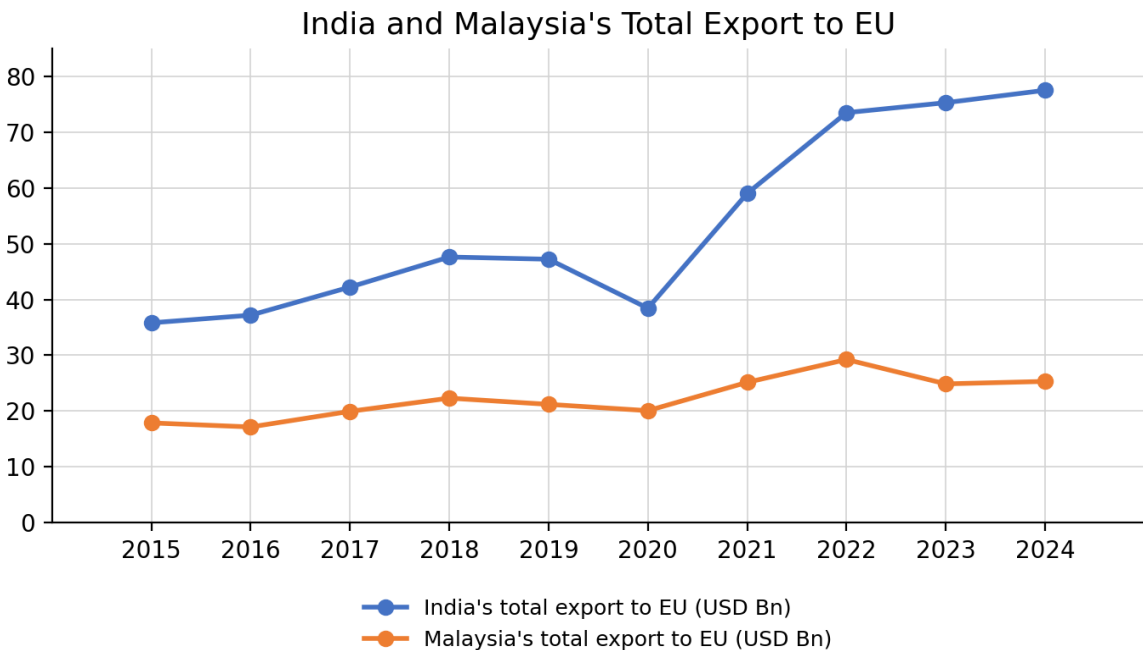
Malaysia and the European Union are in the final stage of signing a Free Trade Agreement alongside a broader comprehensive partnership aimed at deepening economic cooperation. Malaysian Foreign Minister Datuk Seri Mohamad Hasan said the move is being driven partly by the EU’s growing interest in Southeast Asia as a strategic bloc, following unilateral US tariffs and the instability stemming from the Russia-Ukraine conflict. While no firm timeline has been set, both sides have indicated a wish to agree soon; bilateral trade between Malaysia and Europe stood at roughly €46 billion and is expected to grow rapidly once the FTA is implemented. Malaysia has also used the negotiations to push back against the EU’s anti-palm oil campaign and the EU Deforestation Regulation, arguing that its palm oil sector is professionally managed and largely certified under the Malaysian Sustainable Palm Oil standard, and is seeking improved market access for higher-value processed palm oil rather than crude palm oil alone. (<https://theedgemalaysia.com/node/801502>)

CUTS Comments

a) Impact on India’s exports to the EU

India’s exports to the EU have grown substantially faster than Malaysia’s over 2015-2024, and the gap between the two has widened sharply in recent years. India’s exports rose from US\$ 35.8bn in 2015 to US\$ 77.5bn in 2024, more than doubling, with a dip in 2020 followed by a strong recovery that saw exports nearly double again between 2020 and 2022. Malaysia’s exports to the EU, by contrast, grew more modestly, from US\$ 17.9bn in 2015 to US\$ 25.3bn in 2024, also dipping in 2020. As a result, India’s export lead over Malaysia in the EU market, which was roughly two-to-one in 2015, widened to about three-to-one by 2024.

Figure 3: India and Malaysia’s Total Exports to the EU, 2015-2024



Source: CUTS computations using data from WITS

India and Malaysia share one common product among their respective top 10 exports to the EU: petroleum oils, other medium and heavy oils (HS 271019), which ranks first in India's export basket to the EU and eighth in Malaysia's, indicating a degree of direct overlap in refined petroleum products despite otherwise differentiated export baskets. India's key exports to the EU include petroleum oils, non-industrial diamonds, smartphones, medicaments, turbo-jets, motor vehicle parts, cotton T-shirts, unworked diamonds, unwrought aluminium, and frozen shrimp. Together, these top 10 items contribute approximately 30 percent of India's total exports to the EU.

Malaysia's key exports to the EU are dominated by electronics and palm-oil-linked products: electronic integrated circuits, rubber gloves, crude palm oil, printing-machinery parts, data transmission machines, computer units, petroleum oils, semiconductor devices, and industrial fatty acids (oleochemicals). Together, these top 10 items constitute approximately 35 percent of Malaysia's total exports to the EU, with electronics alone accounting for over 13 percent.

Table 5.A shows that India's FKI with Malaysia in the EU market has remained low through most of the period, in the 0.11-0.13 range, before rising to a notable peak of 0.186 in 2022 and easing to 0.128 by 2024. This suggests a generally limited but occasionally strengthening degree of overlap between the two countries' export baskets to the EU.

Table 5.A: India's FKI with Malaysia in the EU Market

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Malaysia	0.114	0.113	0.118	0.125	0.120	0.122	0.126	0.186	0.143	0.128

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

Table 5. B indicates that India's RECPI with Malaysia in the EU market has risen dramatically in recent years - from below 0.10 through most of 2015-2018 to 0.255 in 2019, and then to extraordinarily high levels of 1.415 in 2022 and 1.246 in 2023, before easing to 0.655 in 2024. Values of this magnitude are unusual relative to the other country pairs examined in this dossier series and point to a sharp escalation in competitive pressure in specific overlapping product categories most plausibly linked to the shared petroleum-oils exposure identified above in the years immediately following the pandemic recovery. Given this large swing, we recommend verifying the underlying HS-level computation before treating the 2022-2023 spike as "robust".

Table 5.B: India's RECPI with Malaysia in the EU Market

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Malaysia	0.085	0.084	0.080	0.151	0.255	0.086	0.232	1.415	1.246	0.655

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

A quantitative WITS SMART simulation of the trade diversion India could face if the EU grants Malaysia zero-duty access under the FTA has been undertaken. This indicates that India's exports of unwrought aluminium would face by far the largest diversion, followed by industrial oleochemicals (fatty acids), hydrogenated vegetable oils, and a cluster of organic chemical intermediates. Notably, aluminium and its downstream products (unwrought aluminium, aluminium alloys, and aluminium wire) together account for over a third of the total estimated diversion. In contrast, oleochemical and fatty-acid-related products (fatty acids, palmitic/stearic acid, saturated monocarboxylic acids) form a second major cluster directly aligned with Malaysia's stated push under the FTA for greater EU access for processed palm oil and downstream oleochemicals.

Table 6: Trade Diversion likely to be experienced by India in the EU

Product Code	Description	Trade Diversion (Thousand US\$)
760110	Unwrought aluminium, not alloyed	2,231.31
382319	Industrial monocarboxylic fatty acids, other (oleochemicals)	1,215.18
151620	Vegetable fats and oils and their fractions, hydrogenated/esterified etc., other	723.27
290522	Acyclic terpene alcohols (e.g. geraniol, citronellol)	477.23
291219	Acyclic aldehydes, other (without other oxygen function)	476.89
720211	Ferromanganese, containing more than 2% carbon by weight	448.56
291570	Palmitic acid, stearic acid, their salts and esters	384.62
291590	Saturated acyclic monocarboxylic acids and their anhydrides/halides/peroxides, other	348.22
760120	Aluminium alloys, unwrought	333.56
760511	Aluminium wire, of aluminium not alloyed, maximum cross-sectional dimension > 7 mm	228.54

Source: CUTS computations using WITS SMART analysis tool

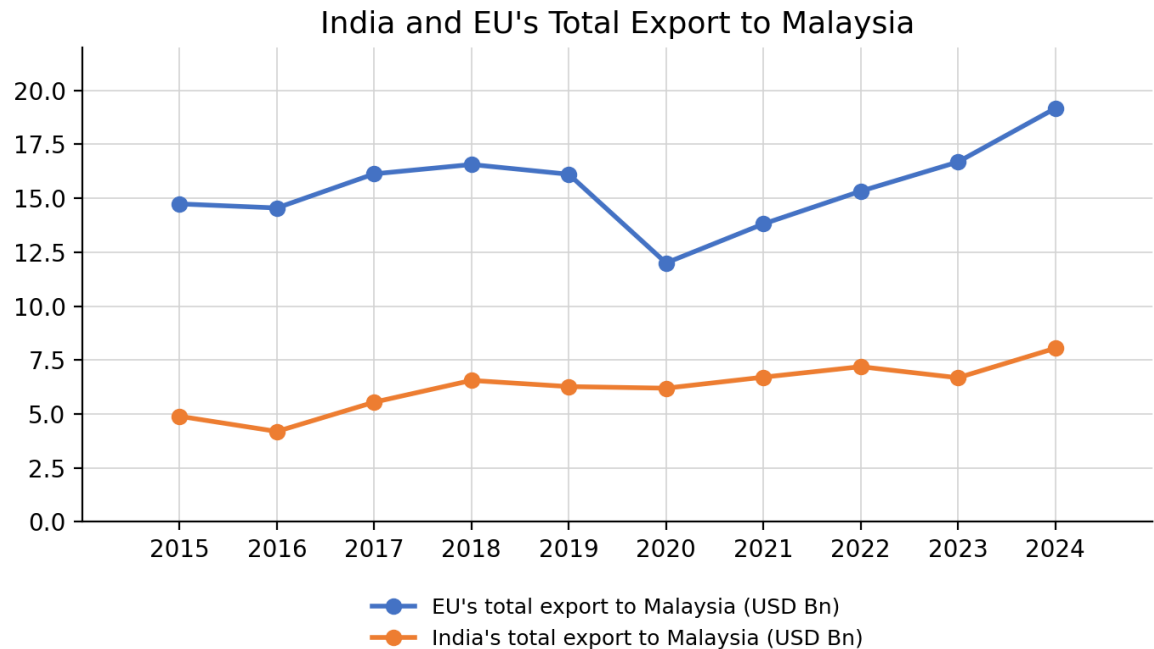
Food for Thought

India's export position in the EU has grown substantially stronger than Malaysia's in absolute terms over the past decade, and the FKI values confirm that the two countries' export baskets remain largely dissimilar, with one notable point of overlap in refined petroleum products. Given that aluminium products together account for over a third of the estimated diversion, India should also assess whether its own aluminium exporters face any non-tariff constraints (energy costs, EU carbon border adjustment mechanism exposure) that could compound a tariff disadvantage - a combined tariff-plus-CBAM squeeze would be more damaging than either of them alone.

b) Impact on India’s exports to Malaysia

EU’s exports to Malaysia have remained considerably larger than India’s throughout 2015-2024, though both have grown over the period. EU exports to Malaysia ranged between US\$ 12bn and 19.2bn, dipping in 2020 before recovering strongly to reach a series high of US\$ 19.2bn in 2024. India’s exports to Malaysia grew steadily from US\$ 4.9bn in 2015 to US\$ 8.0bn in 2024, with a comparatively mild dip in 2020 followed by a generally rising trend, interrupted by a dip in 2023. Overall, India’s export presence in Malaysia remains less than half that of the EU.

Figure 4: India and EU’s Total Exports to Malaysia, 2015-2024



Source: CUTS computations using data from WITS

India and the EU do not share any common products among their respective top 10 exports to Malaysia, indicating that the two countries’ export baskets to this market are largely complementary rather than competing. India’s key exports to Malaysia include petroleum oils, unwrought aluminium, frozen bovine meat, drilling and production platforms, para-xylene, motor spirit, refined copper, special-purpose vessels, turbo-jets, and rice. Together, these top 10 items contribute approximately 52 percent of India’s total exports to Malaysia - a notably high degree of concentration, driven substantially by petroleum products. EU’s key exports to Malaysia include electronic integrated circuits, aircraft, medicaments, semiconductor devices, data transmission machines, motor vehicle body parts, aircraft parts, and semiconductor testing instruments. Together, these top 10 items constitute approximately 28 percent of the EU’s total exports to Malaysia, reflecting a comparatively diversified high-technology export basket.

Tables 7.A and 7.B present India’s competitive relationship with the EU in the Malaysian market using the FKI and RECPI. The FKI values remain low and stable throughout 2015-2024, ranging from 0.133 to 0.164, indicating limited overlap between India’s and the EU’s export baskets in the Malaysian market. There is no discernible trend, suggesting the two exporters largely serve different segments of Malaysian import demand across the period.

Table 7.A: India's FKI with the EU in Malaysia

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EU	0.144	0.164	0.149	0.133	0.152	0.145	0.155	0.141	0.147	0.143

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

Table 7.B shows that India's RECPI with the EU in the Malaysian market has remained consistently low, generally below 0.10, with a mild, temporary rise to 0.104 in 2019 and 0.084 in 2020. By 2024 the RECPI had eased further to 0.023, its lowest level in the series. This indicates very limited and, if anything, diminishing competitive pressure from the EU on India's exports to Malaysia.

Table 7.B: India's RECPI with the EU in Malaysia

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EU	0.028	0.026	0.036	0.037	0.104	0.084	0.080	0.035	0.022	0.023

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

The SMART simulation output for the Malaysia market scenario shows zero values across the Trade Creation, Trade Diversion, and Total Trade Effect columns for all HS 6-digit product lines. This is because the 'New Duty Rate' field in the exported dataset mirrors the 'Applied Duty Rate' field exactly, row for row, indicating no effective tariff change was captured. This appears to be a data issue specific to this country pair. *Therefore, for this proposed PTA we have not done this exercise.*

Food for Thought

India's exports to Malaysia remain considerably smaller than that of the EU, but the FKI and RECPI values together suggest that the two exporters are not meaningful direct competitors in this market: their export baskets barely overlap, and the low and falling RECPI indicates minimal and easing competitive pressure from the EU on India's exports. This stands in contrast to the EU market (section a), where competitive pressure from Malaysia on India has risen sharply in recent years. Since India and the EU do not share any common products in their respective top 10 exports to Malaysia, the immediate risk of trade diversion for India in this market from a Malaysia-EU FTA appears limited. India's exports to Malaysia are also unusually concentrated in petroleum products (over 30 percent of the top 10 basket alone), and India should continue to diversify its Malaysia-bound export basket and monitor how the FTA's eventual tariff schedule for European machinery and aircraft-related goods categories with limited but growing Indian export interest evolves.

3. Pakistan proposes signing FTA with UK

Pakistan has formally proposed signing a Free Trade Agreement with the United Kingdom, describing it as a natural progression of the two countries' growing economic partnership. Both sides agreed to activate additional working groups covering IT, agriculture, professional services, and education and skills, adding to an existing working group on healthcare and life sciences. Pakistan's Commerce Secretary suggested the current trade dialogue could serve as a stepping stone towards a longer-term FTA, while the UK side pressed Pakistan on intellectual property reforms and policy consistency, including on the geographical-indication status of Pakistani basmati rice. According to UK government data, total two-way trade in goods and services stood at £5.6 billion in the four quarters to Q3 2025, up 13.5 percent year-on-year, with UK exports to Pakistan growing faster (up 19.3 percent) than imports from Pakistan (up 7.1 percent); Pakistan remains a modest trading partner for the UK, ranked 46th and accounting for just 0.3 percent of total UK trade.

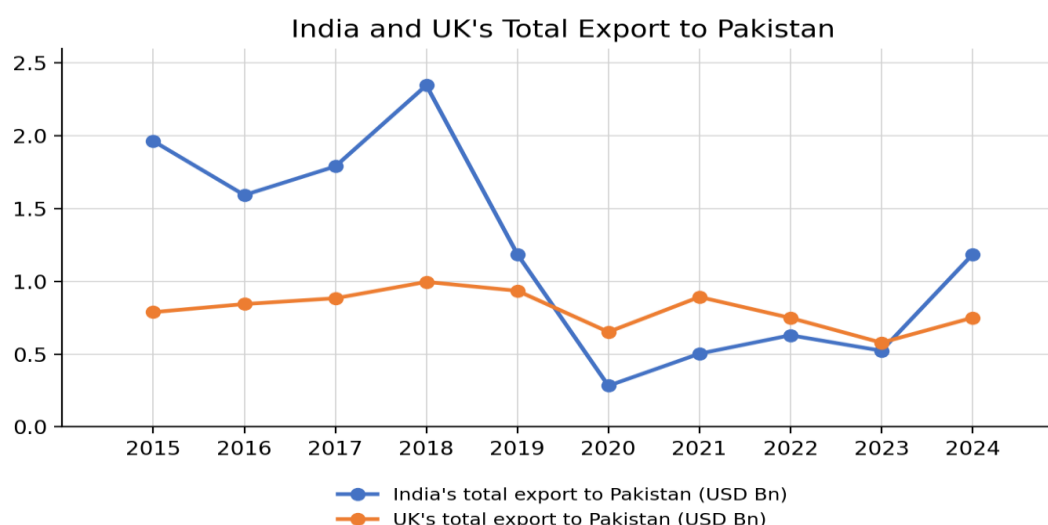
<https://www.brecorder.com/news/40414605/pakistan-proposes-signing-fta-with-uk>

CUTS Comments

a) Impact on India's exports to Pakistan

India's exports to Pakistan have historically exceeded that of the UK, though both remain modest and volatile in absolute terms, reflecting the constrained and politically sensitive nature of India-Pakistan trade. India's exports fell sharply from a peak of US\$ 2.35bn in 2018 to US\$ 0.28bn in 2020, before gradually recovering to US\$ 1.18bn by 2024 - still below pre-2020 levels. UK's exports to Pakistan, by contrast, have been comparatively steadier, ranging between US\$ 0.58-1.0bn over the period, and by 2023-24 were broadly comparable in magnitude to India's much-reduced exports. This convergence reflects primarily the reduction of India's exports to Pakistan rather than any strengthening of UK competitiveness.

Figure 5: India and the UK's Total Exports to Pakistan, 2015-2024



Source: CUTS computations using data from WITS

India and the UK do not share any common products among their respective top 10 exports to Pakistan, indicating that the two countries' export baskets to this market are largely complementary rather than competing. India's key exports to Pakistan are dominated by raw cotton and textile inputs, alongside petrochemicals, sugar and pharmaceuticals: raw cotton, p-xylene, petroleum oils, polypropylene, cotton yarn (in several grades), refined sugar, vaccines, and raw sugar. Together, these top 10 items contribute approximately 43 percent of India's total exports to Pakistan, with raw cotton alone accounting for 17 percent.

UK's key exports to Pakistan are dominated by scrap metals and industrial inputs: ferrous waste and scrap (in multiple grades), turbo-jets, worn clothing, liquefied natural gas, aircraft, other chemical products, and aluminium waste and scrap. Together, these top 10 items constitute approximately 49 percent of the UK's total exports to Pakistan, with ferrous scrap alone accounting for close to 30 percent - an export basket structurally very different from India's.

Table 8.A shows that India's FKI with the UK in the Pakistan market has been low throughout and has declined over time, from 0.070 in 2015 to just 0.029 in 2024, with a temporary uptick to 0.051 in 2023. This falling trend indicates that India's and the UK's export baskets to Pakistan have grown increasingly dissimilar over the decade.

Table 8.A: India's FKI with the UK in Pakistan

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
United Kingdom	0.070	0.070	0.073	0.067	0.055	0.039	0.031	0.036	0.051	0.029

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

Table 8.B shows that India's RECPI with the UK in the Pakistan market has remained extremely low throughout, never exceeding 0.02 and often below 0.01, with a peak of 0.019 in 2020. This indicates that India faces negligible competitive pressure from the UK in the Pakistani market, consistent with the very limited overlap in their respective export baskets.

Table 8.B: India's RECPI with the UK in Pakistan

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
United Kingdom	0.001	0.004	0.006	0.002	0.009	0.019	0.003	0.007	0.014	0.002

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

A quantitative WITS SMART simulation of the trade diversion India could face if the UK gains preferential access to Pakistan under a future FTA has been undertaken. This indicates that India's pharmaceutical exports would be the most exposed category by a wide margin; medicaments, pharmaceutical intermediates (heterocyclic compounds), and antibiotics together account for over half of the total estimated diversion, followed by smaller effects on petroleum jelly, colour lakes, and various food-preparation and plastics products.

Table 9: Trade Diversion likely to be experienced by India in Pakistan

Product Code	Description	Trade Diversion (Thousand US\$)
300490	Medicaments, other, put up for retail sale	61.01
293359	Heterocyclic compounds with nitrogen hetero-atom(s) only, other (pharmaceutical intermediates)	35.89
271210	Petroleum jelly; paraffin wax, micro-crystalline petroleum wax, etc.	29.33
320500	Colour lakes; preparations based on colour lakes	20.34
294190	Antibiotics, other	8.70
210690	Food preparations, not elsewhere specified	3.32
291639	Aromatic monocarboxylic acids, their anhydrides, halides, peroxides, peracids and derivatives, other	1.90
390610	Poly(methyl methacrylate)	1.65
190190	Food preparations of flour, groats, meal, starch or malt extract, other	1.00
392310	Boxes, cases, crates and similar articles, of plastics	0.74

Source: CUTS computations using WITS SMART analysis tool

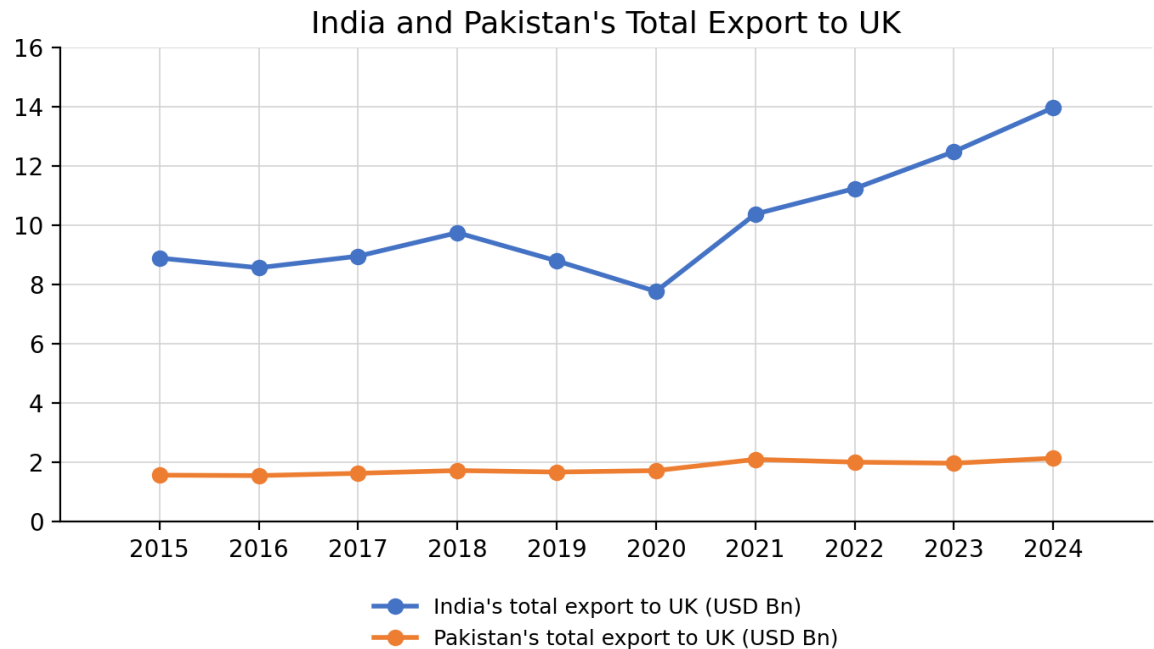
Food for Thought

India's trade with Pakistan remains constrained and is well below its economic potential. Both FKI and RECPI confirm that the UK is not a meaningful competitive threat to India in this market: the two countries' export baskets are structurally very different such as India's cotton, petrochemicals and pharmaceuticals against the UK's scrap metals, aircraft and chemicals, and competitive pressure has stayed negligible throughout the decade. Here, the more consequential story is sharp contraction in India's own exports to Pakistan since 2018, driven by broader matters of bilateral relations rather than by any competitive pressure from the UK (or any other country). A Pakistan-UK FTA, even if concluded, is unlikely to materially affect India's competitive position in Pakistan.

b) Impact on India’s exports to the UK

India’s exports to the UK have grown steadily and substantially over 2015-2024, and remain far larger than Pakistan’s throughout the period. India’s exports rose from US\$ 8.9bn in 2015 to US\$ 14.0bn in 2024, dipping only mildly in 2020 before climbing to successive series highs from 2021 onward. Pakistan’s exports to the UK, while also growing, did so from a much smaller base, rising from US\$ 1.6bn in 2015 to US\$ 2.1bn in 2024. As a result, India’s export lead over Pakistan in the UK market, already wide at nearly 6-to-1 in 2015, widened further to more than 6.5-to-1 by 2024.

Figure 6: India and Pakistan’s Total Exports to the UK, 2015-2024



Source: CUTS computations using data from WITS

India and Pakistan do not share any common products among their respective top 10 exports to the UK, indicating that the two countries largely cater to different segments of UK import demand - India’s basket is diversified across pharmaceuticals, petroleum, electronics, jewellery and footwear, while Pakistan’s is heavily concentrated in textiles and home linen. India’s key exports to the UK include medicaments, petroleum oils, smartphones, gold jewellery, turbo-jets, special-purpose vessels, leather footwear, rice, non-industrial diamonds, and cotton babywear.

Together, these top 10 items contribute approximately 24 percent of India’s total exports to the UK - a comparatively diversified basket relative to the other markets examined in this dossier series. Pakistan’s key exports to the UK are overwhelmingly textile and apparel products: bed linen (cotton and other materials), men’s cotton ensembles and trousers, terry-towelling linen, knitted shirts and jerseys, and rice. Together, these top 10 items constitute approximately 49 percent of Pakistan’s total exports to the UK, with bed linen alone accounting for close to 19 percent - underlining Pakistan’s heavy reliance on textiles and home furnishings in this market.

Tables 10.A and 10.B present India's competitive relationship with Pakistan in the UK market using the FKI and RECPI. The FKI values have declined steadily from 0.158 in 2015 to 0.110 in 2024, indicating that India's and Pakistan's export baskets to the UK have grown progressively less similar over the decade, consistent with the structural divergence noted above - India's basket diversifying toward electronics, pharmaceuticals and jewellery even as Pakistan's has remained concentrated in textiles.

Table 10.A: India's FKI with Pakistan in the UK

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pakistan	0.158	0.144	0.137	0.122	0.136	0.130	0.116	0.113	0.113	0.110

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

Table 10.B shows that India's RECPI with Pakistan in the UK market has also declined consistently, from 0.048 in 2015 to just 0.006 in 2024 - its lowest level in the series. This steady decline indicates that competitive pressure from Pakistan on India's exports to the UK has been easing continuously over the past decade, mirroring the falling FKI trend.

Table 10.B: India's RECPI with Pakistan in the UK

Competitor	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pakistan	0.048	0.032	0.036	0.028	0.032	0.031	0.023	0.014	0.009	0.006

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

As with the Pakistan market, a quantitative WITS SMART simulation of the trade diversion India could face in the UK market under a prospective Pakistan-UK FTA has been undertaken. This indicates that the impact on India's exports to the UK would be negligible overall; only frozen shrimp and prawns show a measurable, though small, diversion effect, while every other product in the top 10 shows a diversion value at or effectively at zero.

Table 11: Trade Diversion likely to be experienced by India in the UK

Product Code	Description	Trade Diversion (Thousand US\$)
030617	Frozen shrimps and prawns, other	7.88
210610	Protein concentrates and textured protein substances	0.03
391739	Plastic tubes, pipes and hoses, other, not reinforced	0.01
391740	Fittings for tubes, pipes and hoses, of plastics	0.00
080620	Dried grapes (raisins)	0.00
080550	Lemons and limes, fresh or dried	0.00
010619	Live mammals, other	0.00
030111	Ornamental fish, freshwater	0.00
030229	Flatfish, fresh or chilled, other	0.00
030243	Mackerel, fresh or chilled	0.00

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

India's export position in the UK is far larger than Pakistan's and growing faster. Both FKI and RECPI indicate steadily diminishing similarity and competitive pressure between the two countries' export baskets over the past decade. Since India and Pakistan do not share any common products in their respective top 10 exports to the UK, and the trend in both indices is downward rather than upward, a Pakistan-UK FTA appears unlikely to pose a meaningful competitive threat to India's exports in this market in the near term. Pakistan's textile-heavy export basket could gain tariff advantages under a future FTA. India's priority in the UK market should instead be maximising the gains already secured under the India-UK CETA. The agreement entered into force on July 15, 2026. It gives duty-free access for nearly 99 percent of India's exports to the UK. The binding constraint now is utilisation, not access. Exporters in the labour-intensive sectors CETA specifically targeted textiles, leather, marine products, and engineering goods need support in claiming certificates of origin. They also need help meeting UK standards.

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:

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

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 $x_{i_1 j}^k/X_{i_1 j}$ is the share of product k in country i_1 's total exports to the destination partner (j). $x_{i_2 j}^k/X_{i_2 j}$ is the share of product k in the comparator country's (i_2) total exports.

Relative Export Competitive Pressure Index

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

$$RECPI = \frac{\sum_k s_{i_2 j}^k x_{i_2 j}^k}{\sum_k s_{i_1 j}^k x_{i_1 j}^k}$$

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.