

CUTS Dossier on Preferential Trade Agreements
January-March, 2020
(Volume XIV, No. 1)

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1. Bangladesh and Nepal to sign Free Trade Agreement

Bangladesh and Nepal have agreed to sign a free trade agreement to boost bilateral trade. Commerce Minister of Bangladesh Tipu Munshi made the announcement after a meeting with Nepal Foreign Minister Pradeep Kumar Gyawali. He further mentioned that the two countries will hold a secretary-level meeting in Dhaka on 3 and 4th March, 2020 to get the deal signed.

A combined team will also be formed to work out the pros and cons of the agreement and a committee will be formed to work out the modalities of the agreement.

<https://tbsnews.net/economy/trade/bangladesh-nepal-sign-free-trade-deal-soon-45539>

1.1 CUTS Comments

Both Bangladesh and Nepal are immediate neighbours and important trade partners of India. Therefore, in order to analyse the impact of this FTA between Bangladesh and Nepal on India, exports from India to each of these countries have been individually examined and compared with exports between Bangladesh and Nepal.

a) Impact on India's Exports to Bangladesh

India's key exports to Bangladesh include raw materials for textile industry, semi-milled or wholly milled rice, transport vehicles and engine, oils and preparation of petroleum and bituminous minerals, oil cake, parts and accessories for motor cycles, bicycles, chassis, synthetic organic colouring matter, antibiotics, herbicides, pesticides, vegetables.

Nepal's key exports to Bangladesh include vegetable products, prepared foodstuff, beverages, spirits and vinegar, tobacco, zinc articles, chemical products, sulphur, lime and cement, man-made staple fibre and soya bean oil.

In order to understand the impact of this FTA on Indian exports to Bangladesh, two types of analysis have been conducted: FKI (Finger Kreninin Index) analysis, RECPI (Relative Export Competitive Pressure Index) analysis (see **Annexure I**).

The FKI analysis measures the degree of similarity between product baskets of two source countries in their exports of goods to a given destination country. Table 1.A shows FKI values for India over a period of five years in Bangladesh market while Nepal as a competitor. As indicated in the figure, limited similarity is found in export baskets of India and its competitor Nepal in their exports to Bangladesh. Apart from few vegetable products, there is no commonality in the export baskets of India and Nepal to Bangladesh. This is surprising given the expected similarity in exports of contiguous countries.

The RECPI analysis compares the degree of competitiveness between a particular country and its competitor countries in exporting common products to a destination market. Table 1.B presents the findings of RECPI analysis of India in Bangladesh market with Nepal as a competitor. It depicts that India is unlikely to face any export competition and pressure from Nepal in Bangladesh's market. This seems to be a result of lack of comparable products in export baskets of both countries.

Table1: FKI and RECPI between India and Nepal in Bangladesh's Market					
A. India's FKI with Nepal in Bangladesh's Market					
Competitor	2013	2014	2015	2016	2017
Nepal	0.008	0.009	0.005	0.006	0.008
B. India's RECPI with Nepal in Bangladesh's Market					
Competitor	2013	2014	2015	2016	2017
Nepal	0	0	0	0	0
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

b) Impact on India's Exports to Nepal

India's major exports to Nepal include cereals, cotton, fresh fruits, nuts, vegetables, fabrics and apparels, pharmaceuticals, spices.

Bangladesh's key exports to Nepal comprise agricultural products, jute and jute goods, engineering products, pharmaceutical products, paper and paper board, cotton, chemical products, ceramic products, glass and glassware.

FKI analysis in Table 2.A shows that there is limited similarity in product baskets of India and Bangladesh in their exports to Nepal. Common items of export are limited to pharmaceutical products, cotton, and fabrics. Accordingly, the RECPI analysis suggests negligible competitiveness between India and Bangladesh in Nepal's market (see Table 2.B).

Table 2: FKI and RECPI between India and Bangladesh in Nepal's Market					
A. India's FKI with Bangladesh in Nepal's Market					
Competitor	2013	2014	2015	2016	2017
Bangladesh	0.092	0.084	0.100	0.136	0.100
B. India's RECPI with Bangladesh in Nepal's Market					
Competitor	2013	2014	2015	2016	2017
Bangladesh	0.005	0.006	0.008	0.010	0.007
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

India benefits from duty free market access on selective products in both these markets under the SAFTA (Agreement on South Asian Free Trade Area). Also, India has bilateral trade treaty with Nepal and a bilateral trade agreement with Bangladesh. Both entail duty-free quota-free market access to exports from them to India on all products except a few such as alcohol, tobacco products.

Under this scenario, the SMART analysis provides an opportunity to obtain a better insight of trade diversion that India may experience on account of this FTA. India's export to Bangladesh of beauty and skincare product, and textile clothing are likely to be marginally affected. Exports to Nepal are unlikely to be affected.

1.2 Food for Thought

Bangladesh and Nepal have recorded steady economic growth in the past few years. Bangladesh, in particular, has benefitted from US-China trade war.¹ Despite facilitating trade between the two countries, India hasn't emerged as a key competitor to any of them in their bilateral trade. It will be useful to examine reasons for the inability of Indian producers to manufacture products that can compete with Bangladesh and Nepal in their bilateral trade, and make efforts to address those challenges.

More recently, the Covid-19 pandemic has adversely disrupted global and regional trade. For instance, it has been reported that exports of Indian rice to Bangladesh and Nepal are stuck.² Indian response to the crisis also appears to have adversely impacted trade between the two neighbouring countries.³ The pandemic is likely to result in reorganisation of global value chains, bring production closer to consumption source, and strengthen regional value chains.

In order to tap such opportunities, countries such as Bangladesh, have started providing relief packages to their exporters.⁴ India needs to turn this crisis into opportunities by emerging as a lynchpin for the creation of value chains in this region. This can happen if the Indian government provides adequate support to its exporters, engage in early talks with neighbouring countries and treat them as equal partners for offering viable alternate regional value chains to global manufactures looking to relocate to this region.

2. EU talks about FTA with ASEAN as a whole

The EU has expressed interest in pursuing a number of free trade agreements (FTAs) in the region, not only with Thailand but eventually with ASEAN as a whole, says EU-Asean Business Council Chairman Donald Kanak. The EU has already signed FTAs with Singapore and Vietnam and is in negotiations with Indonesia.

At the regional level, the European Commission and the ASEAN Member States are undertaking a stocktaking exercise to explore the prospects towards the resumption of region-to-region negotiations. A joint EU ASEAN Working Group for the development of a Framework setting out the parameters of a future ASEAN-EU FTA gathers at a regular basis.

<https://www.bangkokpost.com/business/1864214/eu-eyes-ftas-with-asean-as-a-whole>

2.1 CUTS Comments

In order to analyse the impact on India of the trade deal between EU and ASEAN, exports from India to Germany (a major economy in the EU) and Indonesia (a major economy in the ASEAN) have been compared with exports between Germany and Indonesia.

¹ <https://economictimes.indiatimes.com/news/economy/indicators/bangladesh-nepal-ahead-of-india-as-growth-in-south-asia-slows-down-world-bank-report/articleshow/71562925.cms?from=mdr>

² <https://www.indiatoday.in/business/story/indian-rice-exports-suspended-as-lockdown-disrupts-supply-chain-report-1663745-2020-04-06>

³ <https://economictimes.indiatimes.com/news/economy/foreign-trade/nepal-bangladesh-raise-with-india-bengals-decision-to-halt-trade/articleshow/75333449.cms?from=mdr>

⁴ <https://www.financialexpress.com/economy/behind-the-curve-indias-competitors-in-export-markets-aided-by-fiscal-bounties/1933535/>

a) Impact on India's Exports to Germany

Items mostly exported from India to Germany include apparels, turbo jets, parts and accessories for motor vehicles, footwear, medicaments, new pneumatic tyres, synthetic organic colouring matter, iron and steel items, coffee, parts of air-craft, furniture, articles for interior furnishing.

Items mostly exported from Indonesia to Germany include printing machinery, natural rubbers, footwear, copper ores and concentrates, mechanical front and shovel loaders, new pneumatic tyres, coffee, wooden furniture.

FKI analysis between India and Indonesia for the market in Germany shows that there is moderate similarity in products exported by India and Indonesia to Germany (see Table 3.A). Few common items which are exported both by India and Indonesia to Germany are apparels, footwear, new pneumatic tyres, coffee, airplane and motor vehicles parts. Among them, footwear and apparels are most common. However, RECPI index value shown in Table 3.B implies that India will face low competition from Indonesia for exporting its products to Germany.

Table 3: FKI and RECPI between India and Indonesia in Germany's Market					
A. India's FKI with Indonesia in German market					
Competitor	2014	2015	2016	2017	2018
Indonesia	0.341	0.311	0.317	0.312	0.287
B. India's RECPI with Indonesia in Germany's Market					
Competitor	2014	2015	2016	2017	2018
Indonesia	0.212	0.234	0.225	0.150	0.117
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

In order to better understand possible trade diversion from India to Indonesia in the German market owing to favorable duties as a result of this FTA, SMART analysis was carried out. Findings from that analysis are presented in Table 4. India's exports to Germany of readymade textile products of cotton and silk materials for ladies and gents, and footwear may be adversely impacted owing to favorable terms offered to Indonesia for export of such items by Germany as per this FTA.

Table 4: Possible Trade Diversion from India to Indonesia in Germany's Market

Product Code	Product Description	Trade Diversion (in thousand US\$)
620640	Blouses, shirts and shirt-blouses; women's or girls', of silk or silk waste	-1764.71
640399	Footwear, Outer Sole Rub Etc & Leather Upper	-1714.46
620520	Shirts; men's or boys', of cotton	-643.85
620443	Women's or girls' dresses synthetic fibers	-506.74
620630	Blouses, shirts and shirt-blouses; women's or girls', of cotton	-477.54

b) Impact on India's Exports to Indonesia

Items mostly exported from India to Indonesia include groundnuts, P-xylene, medium oil and preparations of petroleum or bituminous minerals, motor cars, semi-finished iron and stainless steel, dumpers for off highway use, frozen meat of bovine animals, parts and accessories for transport vehicles, tugs, light vessels, fire floats, tyres, ferro-silico-manganese.

Items mostly exported from Germany to Indonesia include aircraft and other powered aircrafts, electrical apparatus and electronic integrated circuits, instruments used for medical purposes, pharmaceutical products, packing and wrapping machinery, mobile cranes and work trucks fitted with cranes, vessels for transpiration of goods and persons, gas and oil pipes, parts of motor vehicles, printing machinery, optical fibre cables.

FKI analysis as shown in Table 4.A, which is an indicator for homogeneity in export baskets of two countries, reflects that there is little similarity between the export baskets of India and Germany to Indonesia. RECPI analysis conducted between India and Germany for Indonesia's market shows that India will face negligible competition from Germany (see Table 4.B). Consequently, although a certain level of homogeneity exists between products exported by these two countries to Indonesia, it does not seem alarming for India.

Few common items which are exported both by India and Germany to Indonesia include parts and accessories for motor vehicles and accessories for transport vehicles, medium oil and preparations of petroleum or bituminous minerals, medicaments, machine and mechanical appliances, electronic integrated circuits, machinery, plant or laboratory equipment.

Table 4: FKI and RECPI between India and Germany in Indonesia's Market					
A. India's FKI with Germany in Indonesia market					
Competitor	2014	2015	2016	2017	2018
Germany	0.218	0.257	0.259	0.275	0.269
B. India's RECPI with Germany in Indonesia's Market					
Competitor	2014	2015	2016	2017	2018
Germany	0.057	0.061	0.087	0.107	0.080
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

Table 5 shows trade diversion (and extent thereof), which is likely to be experienced by India in Indonesian market as a result of this FTA. Exports from India of motor cars and other motor vehicles for transport of persons are likely to be adversely impacted.

Table 5: Possible Trade Diversion from India to Germany in Indonesia's Market

Product Code	Product Description	Trade Diversion (in thousand US\$)
870322	Motor cars and other motor vehicles for transport of persons	-5369.91
870423	Motor cars and other motor vehicles for transport of persons of another type	-784.618
847989	Machines and mechanical appliances having individual functions	-273.648
70190	Potatoes, fresh or chilled	-253.079
293020	Thiocarbamates and dithiocarbamates	-242.606

2.2 Food for Thought

As a result of the EU-ASEAN FTA, apparel exports from India to the EU may be adversely impacted, owing to preferential access to ASEAN products in the EU's market. India has previously expressed some concerns in this regard,⁵ and may need to negotiate special tariff lines with the EU for its exports of apparel and footwear products. India has also been looking forward to fast-track its talks with EU with respect to an FTA. However, convergence on some issues⁶ and investment promotion⁷ measures may be a precondition in this regard. In addition, India will need to undertake structural reforms in its domestic market to enable availability of key factors of production, particularly raw materials at internationally competitive prices, so that its apparel exporters compete effectively in the EU market.

With respect to Indian exports to ASEAN, while ASEAN and India have an FTA, India has been unable to realise its full potential, and would need to step up its efforts to facilitate exports, harmonise and simplify procedures, and promote greater private sector engagement.⁸ It may also need to negotiate favourable tariff lines and reduction in quotas for exports to ASEAN countries, particularly in the auto sector⁹, which is likely to be most adversely impacted by EU-ASEAN FTA. Given that both economies have decided to initiate a review of their FTA,¹⁰ India will need to examine the possibility of trade diversion across sectors owing to other FTAs which ASEAN might be discussing, and negotiate tariff lines accordingly.

⁵ <https://www.fibre2fashion.com/news/apparel-news/india-s-apparel-exports-face-duty-disadvantage-in-eu-253673-newsdetails.htm>

⁶ <https://www.thehindubusinessline.com/economy/eu-fta-talks-india-looking-at-ways-to-end-stalemate-re-start-negotiations/article30313313.ece>

⁷ <https://www.orfonline.org/expert-speak/india-eu-summit-2020-defining-the-future-of-the-strategic-partnership-64817/>

⁸ https://www.business-standard.com/article/economy-policy/india-asean-bilateral-trade-may-double-by-2025-to-300-billion-study-119111200547_1.html

⁹ https://www.business-standard.com/article/economy-policy/india-urges-indonesia-to-reduce-import-quota-restrictions-on-auto-sector-119071000065_1.html

¹⁰ <https://economictimes.indiatimes.com/blogs/et-commentary/indias-trade-with-its-fta-partners-experiences-challenges-and-way-forward/>

The Covid-19 pandemic has affected Indian exports across regions, including EU¹¹ and ASEAN. While some relief has been provided by the Reserve Bank of India to Indian exporters, and the government has taken steps to ensure Indian exporters to EU continue to benefit from the EU's Generalised System of Preferences (GSP) Scheme, despite the lockdown,¹² the industry has indicated such efforts to be insufficient.¹³

India will need to step up its support to exporters to enable them to tide through the pandemic and leverage new opportunities that may be created. Given that the EU has launched a public consultation on its GSP Scheme, which expires in 2023, India will need to make strong case for its exporters to continue to benefit from such scheme.

3. U.S. trade chief tells Congress of plans for trade deal with Kenya

The Trump administration on Tuesday told Congress it plans to negotiate a comprehensive trade agreement with the East African country of Kenya. This agreement would be the first U.S. free trade deal in sub-Saharan Africa, comes amid growing concern about China's investments across Africa.

Kenyatta told U.S. business executives that Kenya was keen to secure its economic future ahead of the expiry of the U.S. Africa Growth and Opportunity Act, which allows sub-Saharan African countries to export thousands of products to the United States without tariffs or quotas until 2025.

<https://af.reuters.com/article/topNews/idAFKBN2150V3-OZATP>

3.1 CUTS Comments

a) Impact on Indian Exports to USA

USA is India's largest export destination. India enjoyed a positive trade balance with USA of US\$ 12.72 billion in 2018. Although India has no Free Trade Agreement with USA, it has been enjoying benefits under the Generalised System of Preferences Scheme for exports of select products to USA. Such benefits were revoked in June 2019. Despite such a move, Indian exports to USA have grown.¹⁴

While India enjoyed trade surplus with USA, Kenya had five times larger trade deficit with USA in 2018. Major contributors of such huge trade surplus of India with USA include petroleum products, motor vehicles, auto parts, high value parts and machinery of aircraft, shrimps, diamonds, jewellery products, cotton textile items. Key export items from Kenya to USA include men and women non-knitted trousers and shirts of cotton and synthetic fiber materials, knitted sweaters and pullover of manmade fiber, edible fruit, coffee.

¹¹ <https://www.livemint.com/news/india/136-million-jobs-at-risk-in-post-corona-india-11585584169192.html>

¹² <https://www.outlookindia.com/newsscroll/commerce-min-lists-steps-to-support-exporters-as-industry-expresses-fears-of-huge-job-losses/1799517>

¹³ <https://retail.economicstimes.indiatimes.com/news/apparel-fashion/apparel/aepc-welcomes-rate-cut-but-calls-for-more-relief-to-protect-apparel-export-industry/74861898>

¹⁴ <https://www.hindustantimes.com/india-news/india-s-exports-to-us-rise-despite-no-gsp-benefits/story-okbsPocFAMGhK8hVImAMI.html>

Substantial difference exists between export baskets of India and Kenya to USA, as has been validated by FKI analysis presented in the Table 6.A. Naturally, given the small number of common products, the competitive pressures experienced by both the countries for exporting their products to USA are also negligible. The constant low RECPI values over a period of time as indicated in Table 6.B validate this assumption.

Table 6: FKI and RECPI between India and Kenya in USA's Market					
A. India's FKI with Kenya in USA's Market					
Competitor	2014	2015	2016	2017	2018
Kenya	0.097	0.109	0.102	0.102	0.093
B. India's RECPI with Kenya in USA's Market					
Competitor	2014	2015	2016	2017	2018
Kenya	0.001	0.001	0.001	0.001	0.001
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

In order to better understand possible trade diversion, which may be experienced by India owing to preferential treatment of Kenyan products under this FTA, a SMART analysis was conducted. Findings of the analysis are presented in Table 7. Owing to limited common key items and because of comparatively better position of India in USA's market, possible adverse impact on Indian exports is likely to be limited, despite Kenya benefiting from favorable trade terms under this FTA. Exports from India of extracts, essence, and concentrates of tea, toilet and kitchen linen of two types of fabric to USA may be marginally affected.

Table 7: Possible Trade Diversion from India to Kenya in USA's Market

Product Code	Product Description	Trade Diversion (in thousand US\$)
210120	Extracts, essences and concentrates, of tea	-34.76
630291	Toilet and Kitchen Linen of Pure Cotton Fabric	-1.45
630260	Toilet and Kitchen Linen of Cotton Terry Fabrics	-1.21

b) Impact on Indian Exports to Kenya

Both India and USA export medicaments product (HS code 380891) in large, albeit different quantities, to Kenya. Other than this, key export items of India include industrial products motor cycles, semi-finished product of iron or non-alloy steels or zinc, polyethylene paper and paperboard, petroleum oil, parts of agriculture, forestry, and bee keeping machinery, semi-finished or wholly milled rice. Key export items from USA to Kenya include vinyl chloride, kraftliner, electronic integrated circuits, machines for the reception, conversion, and transmission, digital processing unit, worn clothing and other worn textile articles, wheat and meslin, grain sorghum.

It is evident from the FKI analysis that limited similarity exists among India's and USA's export baskets to Kenya (see Table 8.A). Naturally, the RECPI analysis suggests limited competitive pressure exerted by both exporting countries on each other for their exports to Kenya.

Table 8: FKI and RECPI between India and USA in Kenya's Market					
A. India's FKI with USA in Kenya's Market					
Competitor	2014	2015	2016	2017	2018
USA	0.125	0.151	0.199	0.213	0.220
B. India's RECPI with USA in Kenya's Market					
Competitor	2014	2015	2016	2017	2018
USA	0.000	0.001	0.007	0.006	0.007
<i>Source: TradeSift calculations using data from United Nations Comtrade via WITS 6-Digit</i>					

As a result of this FTA, tariffs on exports of these countries are likely to decline significantly. However, exports from India to Kenya are likely to be negatively impacted. As indicated in Table 9, SMART analysis suggests that India's exports to Kenya of grain sorghum, and worn clothing and other worn textile articles are likely to be most adversely impacted.

Table 9: Possible trade diversion experienced by India from USA in Kenya market

Product Code	Product Description	Trade Diversion (in thousand US\$)
100790	Grain Sorghum	-998.667
630900	Worn Clothing and other worn textile articles	-461.648

3.2 Food for Thought

While little similarity exists in Indian and Kenyan exports to USA, this FTA might adversely affect exports of tea from India to USA. It has been reported that rising costs, political unrest, and Covid-19 has badly hit Indian tea industry and reduced its international competitiveness.¹⁵ India will need to undertake an in-depth review to better understand stakeholders' concerns in the tea sector and implement reforms, particularly in the area of labour¹⁶ and logistics.¹⁷ In addition, it may need to negotiate special tariff lines with USA.¹⁸

In order to mitigate adverse impacts of this FTA on Indian textile exports to Kenya, India will need to deepen its trade relationship with Kenya. While some efforts have already been made on these lines¹⁹, it may be useful to conduct sector-specific discussion. India will also need to implement domestic reforms to ensure its textile industry remains globally competitive. This will involve release of pending dues by government on time²⁰, and ensuring availability of raw materials at internationally competitive prices.²¹

¹⁵ https://www.business-standard.com/article/companies/rising-costs-political-unrest-covid-19-triple-whammy-for-tea-industry-120042101880_1.html

¹⁶ <https://stir-tea-coffee.com/features/india-tea-industry-struggles-to-flourish/>

¹⁷ <https://economictimes.indiatimes.com/news/economy/foreign-trade/indian-tea-trade-gets-export-enquiries-from-global-markets-but-worried-over-supply/articleshow/74995369.cms>

¹⁸ <https://www.thehindubusinessline.com/news/new-challenges-and-opportunities-to-define-india-us-ties-in-the-post-covid-19-world/article31433244.ece/amp/>

¹⁹ <https://pib.gov.in/newsite/PrintRelease.aspx?relid=196218>

²⁰ <https://www.news18.com/news/business/home-textile-exporters-demand-govt-to-release-pending-dues-since-last-7-months-2338189.html>

²¹ <https://cuts-ccier.org/strengthening-the-discourse-on-economic-policy-to-generate-good-and-better-jobs-in-india/>

Annexure I

Finger Kreninin Index (FKI) & Relative Export Competitive Pressure Index (RECPI)

FK Index

The Finger-Kreinin (FK) index provides a measure of 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.

FK to a Destination Country

This version of the FK index compares the export patterns of two countries into a given market (eg. UK and Korea's exports to the world or to the EU). Another way of thinking about this is that it compares how similar are the imports of a given country from two different suppliers. This version of the indicator is useful for example if you want to consider the overall similarity of the 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 world.

The mathematical formula for the FK index to a destination country is as follows:

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

In the FKI by destination, i_1 and i_2 to the two source countries and j to the destination country. x^k refers to the trade flow in product k ; X to the 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.

RECPI

The Relative Export Competitive Pressure Index (RECPI) is designed to explore 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.

The Relative Export Competitive Pressure Index (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 the index can be provided either for all trade, or for particular sectors – in all cases on the basis of more detailed sub-sectoral or product level detail.