

**CUTS Dossier on Preferential Trade Agreements and India
January-March, 2023
(Volume XVII, No. 1)**

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1. UAE-Israel CEPA to take effect on April 1

The complete text of the UAE-Israel CEPA ("the Agreement"), which was signed by the Governments of the United Arab Emirates (UAE) and the State of Israel, was recently published by the UAE Ministry of Economy (Israel). The historic Agreement was signed on May 31, 2022, and it came into effect on April 1, 2023. The agreement stipulates that tariffs on more than 96% of product lines, or 99% of the present value of trade in goods between the UAE and Israel, will be eliminated or lowered.

[\(https://www.thenationalnews.com/business/economy/2023/03/30/uae-israel-cepa-to-take-effect-on-april-1/\)](https://www.thenationalnews.com/business/economy/2023/03/30/uae-israel-cepa-to-take-effect-on-april-1/)

CUTS Comments

a) Impact on India's Exports to the UAE

India's exports to the United Arab Emirates experienced a massive hike of 41 per cent in 2021, when it reached US\$25.47bn. In that year, the value of the Israel's exports to the UAE was US\$0.64bn. Two types of diamonds and electrical apparatus for line telephony or line telegraphy (including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line system or for digital line systems; Videophones Telephone sets; Videophones) is found to be common as key export items.

India's other key export items to the UAE include petroleum oils, jewelry, light-vessels, flat rolled products of iron, rice, t-shirts, cane or beet sugar, motor cars (including other motor vehicles). On the other hand, Israel's other key export items to the UAE include transmission apparatus, precious stones, monitors and projectors, machinery (particularly plant and laboratory equipment), liquid crystal devices, chlorides automatic data processing machines.

In order to understand the overall impact of this PTA on India's exports to the UAE, two indices have been computed. They are the Finger-Kreinin Index (FKI) and the Relative Export Competitive Pressure Index (RECPI) (see Annexure I). FKI measures the degree of homogeneity between the export baskets of two source countries to a specific destination country. RECPI measures whether a country is facing competitive pressure from another country while exporting common export items to a third country.

Table 1.A presents FKI values for India over a period of five years in UAE's market with Israel as one of its competitors. As shown in Table 1.A, the FKI values are low and more or less same over time. It indicates a very small degree of homogeneity in the composition of exports of India and its competitor, Israel, in UAE's market.

On the other hand, if Israel's average level of exports in common items is higher than that of India, the RECPI value will be greater than one. It means that India will face significant competitive pressure from Israel in its exports of selected common items to the UAE. However, as shown in Table 1.B, India's average exports to the UAE in common items is much larger than that of Israel. Thus, India does not face any major competitive pressure from the Israel in exports of common items to the UAE.

Table 1.A: India's FKI with Israel in the UAE					
Competitor	2017	2018	2019	2020	2021
Israel	NA	0.027	0.066	0.142	0.157
Table 1.B: India's RECPI with Israel in the UAE					
Competitor	2017	2018	2019	2020	2021
Israel	NA	0.000	0.000	0.003	0.015
<i>Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database</i>					

In order to better understand possible trade diversion, which may be faced by India from Israel in UAE's market as a result of this PTA, a SMART analysis has been carried out. As shown in Table 2, India may face significant trade diversion in diamonds and other precious metals and stones.

Table 2: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
710239	Diamonds (jewelry) worked but not mounted or set	-11283.9
710490	Synthetic precious or semi precious stones	-161.76
711319	precious metal, whether or not plated or clad with precious metal:	-106.86
850490	Transformer Parts	-49.25
293299	Heterocyclic compounds	-47.63
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

Food for Thought

This is the first trade agreement of Israel with an Arab country. This has happened after both of them established ties in September 2020 for economic and trade cooperation.¹ From 2020 to 2021, Israel's exports to the UAE grew from US\$74mn to US\$384mn.² This trade agreement has covered 96 percent tariff lines under zero tariff. It is expected that it will help increase trade between Israel and the UAE to US\$10bn billion within five years.³

At the same time, India's trade with the UAE is improving steadily. In 2021-22, the UAE was India's second largest export destination. As per recently published DGCI&S trade data, during April-January, 2023, India has maintained this position.

Moreover, while our findings from FKI and RECPI analysis indicate that export baskets of India and Israel are not similar, India's exports of diamonds and other precious metals will be most affected in UAE's market.

¹ Israel signs first Arab free trade agreement with UAE; 31 May 2022; ALJAZEERA; <https://www.aljazeera.com/economy/2022/5/31/israel-signs-major-trade-deal-with-uae>

² Israel's fast-growing trade ties with the UAE; 29 September 2022; BBC News; <https://www.bbc.com/news/business-63045930>

³ Ibid.

b) Impact on India's Exports to Israel

Israel is the 26th largest export destination of India. In 2021, the value of India's exports to Israel was US\$4.38bn. Among key export items of both India and the UAE to Israel, various types of diamonds are found to be common.

Other major export items of India to Israel include petroleum oils, CCTV parts, radar apparatus of radio navigational, military weapons parts and accessories, rice, parts of aircraft and spacecraft, unwrought aluminum, heterocyclic compounds with nitrogen, and polymers of propylene. Similarly, UAE's key exports to Israel include telephone sets, gold, polymers of propylene, unwrought aluminum, polymers of ethylene, motor parts and accessories, automatic data processing machines, new pneumatic tires of rubber, perfumes and toilet waters.

FKI values over the past two years (as shown in Table 3.A) indicate that there is less similarity in the export baskets of India and the UAE in Israel's market.⁴ RECPI values (as shown in Table 3.B) indicate that Israel's average exports in those common export items is much lower than that of India.

Table 3.A: India's FKI with the UAE in Israel					
Competitor	2017	2018	2019	2020	2021
UAE	NA	NA	NA	0.322	0.394
Table 3.B: India's RECPI with the UAE in Israel					
Competitor	2017	2018	2019	2020	2021
UAE	NA	NA	NA	0.037	0.161

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

As shown in Table 4, our findings from SMART analysis reveal that UAE's preferential access to Israel's market may not significantly harm Indian exports to Israel.

Table 4: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data	-9.5
330741	Agarbatti, odorifers operated by burning	-5.58
842139	Filtering or purifying machinery for gases	-4.63
200799	Jams, fruit jellies, purees and pastes, except citrus	-2.12
870899	Motor vehicle parts	-1.22

Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database

⁴ Until 2019, there was no export from the UAE to Israel.

Food for Thought

Our findings from FKI and RECPI analysis indicate that export compositions of India and Israel in the UAE's market have very limited similarity. Moreover, our findings from the SMART analysis indicate no significant market loss for Indian exporters in the UAE's market as a result of this PTA.

Also, export interests of India and the UAE in Israel's market have less similarity. Hence, duty-free market access of UAE's products in Israel may not cause much harm to Indian exporters. However, UAE's exports to Israel have just started in 2020. It is expected that within the next five years this trade deal will significantly enhance Israel-UAE trade.⁵ Hence, it is very early to see the impact of this PTA on India's exports to Israel.

⁵ Analysis: UAE plans long-term economic ties with Israel despite political strains; April 4, 2023; REUTERS; <https://www.reuters.com/world/middle-east/uae-plans-long-term-economic-ties-with-israel-despite-political-strains-2023-04-03/>

2. Kenya to sign EU economic partnership agreement in June

Kenya and the European Union have maintained a steady and extensive collaboration for many years, and they both share multilateral and international goals including battling climate change and promoting peace and security. In this context, the meeting between H.E. Uhuru Kenyatta, C.G.H., President of the Republic of Kenya, and H.E. Charles Michel, President of the European Council, which took place on June 21, 2021, in Brussels, marked the beginning of the Strategic Dialogue between Kenya and the European Union. Both the parties will sign the revised contract in June 2023.

[\(https://www.the-star.co.ke/news/2023-03-29-kenya-to-sign-eu-economic-partnership-agreement-in-june/\)](https://www.the-star.co.ke/news/2023-03-29-kenya-to-sign-eu-economic-partnership-agreement-in-june/)

CUTS Comments

a) Impact on India's Exports to Kenya

In 2021, while India's exports to Kenya experienced a high growth of more than 25 percent, that of the EU grew moderately at four percent. That year the value of India's exports to Kenya was US\$2.5bn and that of the EU was US\$2.12bn. Petroleum oil and medicament is found to be the only common key export item of both India and the EU to Kenya.

Other key export items of India to Kenya include semi-finished products of iron, motorcycles (including mopeds), rice, motor vehicles for the transport, uncoated paper and paperboard, polymers of ethylene, bars and rods, hot-rolled, and flat-rolled products of iron. On the other hand, EU's other key export items to Kenya include antisera and other blood fractions and modified vaccines, toxins, cultures of micr., uncoated kraft paper and paperboard, telephone sets, including telephone, wheat and meslin, insecticides, rodenticides, fungicide, instruments and appliances used in medical, surgical, dental or veterinary sciences, diagnostic or laboratory reagents, and discs, tapes, solid-state non-volatile storage devices, smart cards and other media items for the recording of sound.

FKI values indicate that there is some similarity in export baskets of India and Kenya in the EU's market and this similarity increased over time. As in FKI values, RECPI values also increased over time. This means that competitive pressure from the EU to India in exporting to Kenya is increasing.

Table 5.A: India's FKI with the EU in Kenya					
Competitor	2017	2018	2019	2020	2021
EU	0.381	0.360	0.377	0.488	0.492

Table 5.B: India's RECPI with the EU in Kenya					
Competitor	2017	2018	2019	2020	2021
EU	0.289	0.205	0.215	0.620	0.864

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

Our findings from the SMART analysis show that India may experience significant loss in exports of two products, viz. paper and pulp industries, soft drinks, alcoholic beverage, and some aluminum items in Kenya's market (Table 6).

Table 6: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
481092	Multiply paper and paperboard	-1510.75
210690	Soft drink concentrates	-1203.91
220830	Whiskies	-1077.44
761290	Aluminum casks, drums, cans, boxes and similar containers	-702.46
480257	Uncoated paper and pumderm	-612.67

Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database

Food for Thought

Our findings from FKI and RECPI analyses indicate that there is similarity in export baskets between India and the EU in Kenya's market, and the more alarming fact is that EU's average export in common export items was very close to that of India in 2021.

Overall, EU's penetration in the Kenyan market is increasing and that increase in exports is happening in those goods that are much similar in nature to India's exports to Kenya. India should adopt specific policies to enhance the competitiveness of its paper and pulp, food processing, and aluminum industries.

b) Impact on India's Exports to the EU

EU is the second largest destination of India's exports after the USA. India's total exports to the EU is much larger than that of Kenya. In 2021, while the value of India's export to the EU was US\$54.41bn, that of Kenya was US\$1.27bn. Among key export items of both India and Kenya to the EU, none are found to be common. Other major export items of India to the EU include petroleum oils, diamonds, medicines and mobile phones. Similarly, Kenya's key exports to the EU include tea, coffee, fruits, vegetables and plants.

India's FKI values over a period of five years with Kenya as a competitor in EU's market are presented in Table 7.A. They indicate a very low similarity in export items of India and Kenya to the EU. RECPI values (Table 7.B) confirm that India's average exports to the EU in those common products is far greater than that of Kenya.

Table 7.A: India's FKI with Kenya in the EU					
Competitor	2017	2018	2019	2020	2021
Kenya	0.065	0.067	0.061	0.060	0.069

Table 7.B: India's RECPI with Kenya in the EU					
Competitor	2017	2018	2019	2020	2021
Kenya	0.004	0.003	0.002	0.003	0.002

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

Our findings from the SMART analysis indicate that there is no product on which India's exports to the EU may be significantly affected by the Kenyan exports of those products in that market.

Food for Thought

Kenya is not a major competitor of India in EU's market. Hence, we may expect that Indian exports to the EU may not be much harmed due to this PTA. Further, India is negotiating a bilateral trade and investment agreement with the EU. The fourth round of negotiations concluded last month.⁶ Even if there is any negative impact that India's exports may face in the EU from Kenya's exports to that market, this agreement may neutralise it.

⁶ India, EU conclude another round of talks for proposed trade agreement; Mar 19, 2023; The Economic Times; https://economictimes.indiatimes.com/news/economy/foreign-trade/india-eu-conclude-another-round-of-talks-for-proposed-trade-agreement/articleshow/98774447.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cpps

3. Fourth round of negotiations on proposed Sri Lanka-Thailand FTA held

In 2016, when Somkid Jatusripitak, the former deputy prime minister, undertook an official visit to the island nation, Sri Lanka and Thailand initially started discussing an FTA. A memorandum on technical cooperation, a letter of intent on collaboration in the area of small- and medium-sized firm growth, and a collaborative tourist programme for 2016–18 was all signed by the two nations.

On May 8, 2018, the Thai cabinet adopted the framework for the FTA negotiations with Sri Lanka. They deal with investment, commerce in commodities and services, and all-encompassing economic cooperation.

The proposed Sri Lanka-Thailand Free Trade Agreement (SLTFTA) underwent its fourth round of negotiations from March 27 to 29, 2023, in Colombo.

Thailand can use Sri Lanka as a gateway to increase Thai exports to South Asia because Sri Lanka is a developing nation with favourable trade and investment conditions.

<http://www.adaderana.lk/news/89428/fourth-round-of-negotiations-on-proposed-sri-lanka-thailand-fta-held>

CUTS Comments

a) Impact on India's Exports to Sri Lanka

In 2021, the value of India's exports to Sri Lanka was US\$4.79bn, while that of Thailand was US\$0.35bn. Petroleum oils, cane or beet sugar, and other knitted or crocheted fabrics are common export items of both India and Thailand in Sri Lanka's market.

Other key export items of India to Sri Lanka include semi-finished products of iron, medicaments, wheat and meslin, light-vessels, fire-floats, dredger, knitted or crocheted fabrics, cotton yarn and woven fabrics of cotton. Similarly, other key export items of Thailand to Sri Lanka include natural rubber, fish (dried and salted), precious stones, harvesting or threshing machinery, portland cement and self-propelled bulldozers.

As shown in Table 8.A, FKI values are in the range of 0.303 to 0.330 and they were increasing. It indicates that there are some common export items that both India and Thailand exports to Sri Lanka and the value of those common items contribute at least 30 percent to respective countries' total exports to Sri Lanka. It is also observed from very low RECPI values that on an average India has larger value of exports in those common items than Thailand.

Table 8.A: India's FKI with Thailand in Sri Lanka					
Competitor	2017	2018	2019	2020	2021
Thailand	0.325	0.303	0.318	0.338	0.330
Table 8.B: India's RECPI with Thailand in Sri Lanka					
Competitor	2017	2018	2019	2020	2021
Thailand	0.017	0.016	0.020	0.025	0.015

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

Our findings from the SMART analysis indicate that India may face significant trade diversion in electronic device refrigerator, natural rubber, processed food products, malt extract and limited cocoa pastry cooks, dog or cat food, and paper and paperboard products (Table 9).

Table 9: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
841810	Combined refrigerator-freezers	-1597.77
400121	Natural rubber in smoked sheets	-511.17
190190	Malt extract and limited cocoa pastrycooks products	-486.42
230910	Dog or cat food	-271.94
480256	Paper and paperboard	-212.39

Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database

Food for Thought

Our findings from FKI indicate that Thailand has some common export items with India. However, values of RECPI indicate India have on an average larger export in those common products as compared to Thailand. Also, India's value of total exports to Sri Lanka is quite larger than Thailand.

However, our findings from SMART analysis identify some key affected products for which India's exports to Sri Lanka may significantly reduce as a result of this PTA.

India has a PTA with Sri Lanka and it may revive negotiations to increase its scope and coverage, particularly keeping in mind those items of India's export interests in India which may be negatively impacted by this and other PTAs that Sri Lanka may enter in future.

b) Impact on India's Exports to Thailand

In 2021, the value of India's exports to Thailand was US\$5.16bn, whereas that of Sri Lanka was US\$0.07bn. There are no common major export items between India and Sri Lanka in Thailand's market.

Other major export items of India to Thailand include diamonds, motor parts or accessories, medicaments, unwrought aluminum, semi furnished iron, pepper, frozen fish. Sri Lanka's major export items to Thailand include precious stones (other than diamonds), knitted or crocheted fabrics, wheat or meslin flour, crustaceans, electrical machines and capacitors, activated carbon and liquid crystal devices.

FKI values (Table 10.A) indicate very limited number of common export items of India and Sri Lanka's to Thailand. As shown in Table 10.B, it is also observed that India's level of exports in common items was higher than that of Sri Lanka.

Table 10.A: India's FKI with Sri Lanka in Thailand					
Competitor	2017	2018	2019	2020	2021
Sri Lanka	0.098	0.100	0.077	0.079	0.077
Table 10.B: India's RECPI with Sri Lanka in Thailand					
Competitor	2017	2018	2019	2020	2021
Sri Lanka	0.002	0.004	0.004	0.001	0.001
<i>Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database</i>					

It is found from the SMART analysis that India's exports of solid or cushioned tyres; men and boys' shirts of both knitted and non-knitted cotton; women and girls' blouses and shirts of non-knitted cotton may get negatively affected. However, the magnitude of loss is not significant (Table 11).

Table 11: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
401290	Solid or cushioned tyres	-10.32
610510	Mens, boys shirts, of cotton, knit	-6.41
620630	Womens, girls blouses and shirts, of cotton, not knit	-4.77
121190	Plants and parts, pharmacy, perfume, insecticide	-4.58
620520	Mens, boys shirts, of cotton, not knit	-4.3
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

Food for Thought

While Sri Lanka's export capacity is much lower than that of India, its geo-strategic importance is increasing by the day. Though this PTA may particularly help Sri Lanka's textile and apparel industry to access Thailand's market and build a value chain with Southeast Asia region, as Sri Lanka's production capacity is low, it may not have high negative impact on India's exports of those items to Thailand and other Southeast Asian countries.

4. EU ready to conclude free-trade agreement with Thailand

The EU and Thailand announced the resumed the negotiations for an ambitious, modern and balanced free trade agreement (FTA), with sustainability at its core. This FTA will be paving the way for deeper trade ties with the second largest economy in South-East Asia and further strengthening the EU's strategic engagement with this burgeoning Indo-Pacific region.

By addressing a wide range of issues, including market access for goods, services, investments, and government procurement; prompt and efficient sanitary and phyto-sanitary procedures; the protection of intellectual property rights, including Geographical Indications; and the removal of barriers to digital trade and trade in energy and raw materials, the FTA will support the transition to a digital and green economy. This agreement will place a strong emphasis on sustainability, with enforced trade and sustainable development (TSD) rules at its core.

<https://thethaiger.com/hot-news/politics/eu-ready-to-conclude-free-trade-agreement-with-thailand>

CUTS Comments

a) Impact on India's Exports to the EU

In 2021, the value of Thailand's exports to the EU was US\$26bn, which was almost half of the value of India's exports to the EU. Telephone sets is the common key export item in both India and Thailand's export baskets to the EU.

Other major export items of India to the EU include petroleum oils, diamonds, medicines and mobile phones. Similarly, Thailand's other major exports to the EU include automatic data processing machines, electronic integrated circuits, air conditioning, printing machines, motorcycles (including mopeds), articles of jewelry, natural rubber, articles of apparel and clothing, and electrical transformers.

As shown in Table 12.A, FKI values indicate that there are some export items, which are common between India and Thailand in EU's market. However, the number of common items is reducing over time. Furthermore, the low values of RECPI indicate that India's average value of exports in common items was larger than that of Thailand.

Table 12.A: India's FKI with Thailand in the EU					
Competitor	2017	2018	2019	2020	2021
Thailand	0.301	0.292	0.288	0.290	0.275
Table 12.B: India's RECPI with Thailand in the EU					
Competitor	2017	2018	2019	2020	2021
Thailand	0.146	0.118	0.091	0.192	0.135

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

Findings from the SMART analysis indicate that India's exports of certain products such as motorcycles, silver and plated jewelry and its parts, spectacle lenses, fruits, and sacks and bags may be significantly reduced. The magnitude of India's export loss in these five most affected products will be more than USD 16 million.

Table 13: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
871130	Motorcycles, spark ignition engine of 250 500 cc	-5091.3
711311	Jewellery and parts, silver, including plated silver	-3607.97
900150	Spectacle lenses	-3192.03
200899	Fruit, edible plants	-2588.55
630532	Sacks and bags	-1756.56

Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database

Food for Thought

Overall, there is some similarity in common export items of India and Thailand in EU's market. As a result of this PTA, India's exports of automobiles, jewelry, food processing, and apparel products to the EU may be reduced in large volume.

As part of its negotiations on the India-EU bilateral trade and investment agreement, India should place specific requests to the EU to get zero duty access on these and other items, which will experience significantly negative impacts as a result of the EU's PTAs.

b) Impact on India's Exports to Thailand

In 2021, the value of India's exports to Thailand was US\$5.16bn, whereas that of the EU was US\$15.42bn. Motor parts and accessories are common export items that of both India and the EU in Thailand's market.

Other major export items of India to Thailand include diamonds, motor parts or accessories, medicaments, unwrought aluminum, semi furnished iron, pepper, frozen fish. EU's major export items to Thailand include electronic integrated circuits, medicaments, turbo jet or propellers, raw furskins, motor cars and other motor vehicles, colloidal precious metals, and silver.

FKI values (Table 14.A) indicate the existence of a number of common products in India and EU's export baskets to Thailand. However, RECPI values were decreasing over time. It means that India's average value of exports to Thailand in those common items is relatively increasing as compared to that of the EU.

Table 14.A: India's FKI with the EU in Thailand					
Competitor	2017	2018	2019	2020	2021
EU	0.330	0.322	0.318	0.332	0.320

Table 14.B: India's RECPI with the EU in Thailand					
Competitor	2017	2018	2019	2020	2021
EU	0.903	0.795	0.629	0.501	0.278

Source: CUTS calculations using TradeSift software and data from UN Comtrade via WITS 6-digit database

It is found from the SMART analysis that India's exports of specific genre of ayurvedic, unani, homoeopathic, siddha or biochemic medicines; engine and different motor vehicle parts to Thailand may be reduced. India's expected export loss of these five most affected items may be more than US\$24mn.

Table 15: Trade diversion likely to be experienced by India

Product Code	Description	Trade Diversion (US\$ Thousands)
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Biochemic systems medicaments, put up for retail sale	-11645.9
300390	Ayurvedic, Unani, Siddha, Homoeopathic or Bio-chemic systems medicaments : formulated in bulk	-4365.49
840820	Engines, diesel, for motor vehicles	-3656.93
870899	Motor vehicle parts	-2236.69
870892	Mufflers and exhaust pipes for motor vehicles	-1497.24

Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database

Food for Thought

EU is a leading source of Thailand's imports. Our findings from FKI and RECPI analyses indicate that both India and the EU have some common items of export interest in Thailand's market. India's exports of some specific types of medicines and certain automobile products to Thailand may be reduced significantly.

India and Thailand have an 'early harvest' trade agreement sive free trade agreement, which has 82 items for tariff elimination.⁷ An amendment is also made in the Second Protocol to amend the Framework Agreement for establishing free trade area between India and Thailand. Following this, another product was included in this 'early harvest' initiative. However, it is found that all five most affected products as identified in our SMART analysis are not in the 'early harvest' list. India may request Thailand to expand this list including these (and other similarly affected) products as a result of Thailand's PTAs in recent times.

⁷ For a full list of 82 items under the early harvest scheme, please visit at: <https://commerce.gov.in/international-trade/trade-agreements/framework-agreement-with-thailand/list-of-82-items-under-the-early-harvest-scheme/>

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:

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

In the FKI by destination, i_1 and i_2 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 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 . $x_{i j}^k$ 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.