

# CUTS Dossier on Preferential Trade Agreements and India

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## **1. Israel and Australia discuss free trade agreement, boosting trade relations**

Israel's Minister of Economy and Industry Orna Barbivai met virtually on 27<sup>th</sup> October 2021 with the Australian Minister of Trade, Tourism and Investment Dan Tehan to examine the viability of a Free Trade Agreement (FTA) between the countries and to examine ways and tools to strengthen trade relations between Israel and Australia.

Ohad Cohen, Head of the Foreign Trade Administration at the Ministry of Economy, stated that "Australia is a significant market for Israeli exports. A free trade agreement – if signed – could help Israeli companies compete in the Australian market and strengthen business ties between companies and corporations in the two countries."

<https://www.jwire.com.au/israel-and-australia-discuss-free-trade-agreement-boosting-trade-relations/>

### **1.1 CUTS Comments**

#### **a) Impact on India's Exports to Australia**

In 2020, India's exports to Australia were US\$ 3.47 billion while Israel's exports to Australia stood at US\$ 0.48 billion in the same year. Products like diamond, herbicides, anti-sprouting products and plant-growth regulators are found to be common of both India and Israel to Australia. The items that India majorly exports to Australia are pharmaceutical products, mineral fuels and mineral oils, natural or curled pearls, precious or semi-precious stones and metals.

Israel's key exports to Australia consist mostly products of the electronic sector and some products are from plastics and construction sectors. Those key export products are machinery and apparatus for filtering or purifying water, instruments and appliances used in medical, surgical or veterinary sciences, fittings such as joints, elbows, flanges, of plastics, for tubes, pipes and hose, tiles, flagstones, bricks and similar articles of cement, concrete or artificial stone.

In order to understand the overall impact on India's exports to Australia, two Indices have been computed: FKI (Finger-Kreinin Index) and RECPI (Relative Export Competitive Pressure Index) (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. Our FKI analysis (Table 1.A) shows that there is a very low degree of similarity between the exports of India and Israel in the Australian market. Index values have not changed much over the last five years. Values range between 0.13 and 0.16.

The RECPI analysis compares the degree of competitiveness between India and its competitor country (in this case Israel) in exporting common products to a particular destination market (in this case Australia). Table 1.B below presents the findings of RECPI analysis of India in the Australian market with Israel as a competitor. As shown in Table 1.B, in this particular case, RECPI values of India are low, indicating India is not facing any significant competitive pressure from Israel in their common export products to the Australian market.

**Table 1: India's FKI and RECPI with Israel in the Australian Market**

<b>Table 1.A: India's FKI with Israel in the Australian Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Israel</b>	0.15	0.13	0.14	0.16	0.16
<b>Table 1.B: India's RECPI with Israel in the Australian Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Israel</b>	0.02	0.01	0.01	0.03	0.01
<i>Source: CUTS calculations using the TradeSift software and data from UN COMTRADE via WITS 6-digit database</i>					

In order to better understand possible trade diversion, which is likely to be faced by India from Israel in the Australian market, a SMART analysis has been carried out. Findings of this analysis are presented in Table 2 below. It is observed that exports of some products of India such as jewelry, fungicides and fittings of plastics of pipes, tubes. are likely to be reduced by more than US\$ 10,000.

**Table 2: Trade Diversion likely to be Experienced by India**

<b>Product Code</b>	<b>Description</b>	<b>Trade Diversion (US\$ thousands)</b>
711319	Jewellery of precious metal, whether or not plated	-13.27
380892	Fungicides	-11.57
391740	Fittings of Pipes, Tubes etc.	-10.94
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

### **Food for Thought**

It is observed from the above analysis that this FTA will not result in significant trade diversion against India. Furthermore, it is to be noted that the negotiations on the proposed Comprehensive Economic Cooperation Agreement (CECA) between India and Australia is getting a momentum, and it is likely that an early harvest trade deal will be effective soon.<sup>1</sup>

Indian negotiators are emphasising on increased market access for highly competitive goods such as textiles, leather and gems & jewelry. However, India is not willing to offer concessions on its sensitive dairy and agriculture items, and Australia has expressed its discomfort in opening its services sector.<sup>2</sup>

<sup>1</sup> <https://www.moneycontrol.com/news/business/economy/early-harvest-trade-deal-with-australia-by-christmass-full-fta-by-2022-7527431.html>

<sup>2</sup> <https://www.thehindubusinessline.com/news/india-to-keep-sensitive-dairy-agri-items-out-of-fta-with-australia/article64815274.ece>

## b) Impact on India's Exports to Israel

In 2020, while India's exports to Israel were US\$ 2.6 billion, Australia's exports to Israel were just about US\$ 157.4 Million. There are no common top-category products found between these two exporters, India and Australia, in Israel. The items that India majorly exports to Israel are diamond products, mineral fuels and oils, electrical machineries and equipment, and organic chemicals. Australia's key export items to Israel majorly come under product groups such as live cattle, meat of bovine animals, live sheep, non-cellular polyesters, unwrought aluminum alloys.

Our FKI analysis (see Table 3.A) also indicates that there is hardly any common product in the export baskets of India and Australia to Israel. However, RECPI (see Table 3.B) values indicate that for those very few common products Indian exporters are facing a significant competitive pressure from Australia in the Israeli market.

**Table 3: India's FKI and RECPI with Australia in the Israeli Market**

<b>Table 3.A: India's FKI with Australia in the Israeli Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Australia</b>	0.10	0.11	0.08	0.12	0.09
<b>Table 3.B: India's RECPI with Australia in the Israeli Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Australia</b>	2.01	4.98	2.24	2.49	1.22
<i>Source: CUTS calculations using the TradeSift software and data from UN COMTRADE via WITS 6-digit database</i>					

Our SMART analysis reveals that India's exports to Israel will not be affected much due to this FTA. A list of five relatively most affected products is given in below Table 4.

**Table 4: Trade Diversion likely to be Experienced by India**

<b>Product Code</b>	<b>Description</b>	<b>Trade Diversion (US\$ thousands)</b>
640340	All leather Shoes, open toe	-48.45
640391	All leather Shoes, covering the ankle	-30.79
852910	Aerials and aerial reflectors of all kinds	-2.47
841950	Heat Exchange Units	-1.84
940360	Wooden Furniture	-1.26
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

## Food for Thought

RECPI values reveal that Indian exporters are going to face competition from Australia in common export items to access Israel's market after the conclusion of this FTA. However, India is also negotiating an FTA with Israel and it is expected to be completed by mid-2022. This FTA negotiation has been stalled for a decade due to patent issues and other pharmaceuticals related issues.<sup>3</sup> Now both parties agreed to resume the negotiations after India's External Affairs Minister S Jaishankar held "very productive talks" with Israel's Alternate Prime Minister and Foreign Minister Yair Lapid.<sup>4</sup>

It has been observed that India's products from textile and readymade garments, electrical machinery and parts including television image and sound recorders, and medical and surgical instruments categories are mostly common with Australia in the Israeli market. Hence, Indian negotiators should emphasise on these product categories while seeking concessions from Israel.

## 2. Vietnam, Israel look toward bilateral FTA next year

Vietnam and Israel are in the final stage of negotiations on a Free Trade Agreement after which the trade between the two countries could increase to 3-4 billion USD each year quickly. Vietnamese Minister of Industry and Trade Nguyen Hong Dien has hailed Israel as a promising market of Vietnam in West Asia. Despite the COVID-19 pandemic last year, two-way trade still hit 1.6 billion USD, up 36.4 percent annually. The figure went up 14.3 percent year-on-year to 1.3 billion USD in nine months of this year.

Dien suggested the ambassador offer support to the country in trade promotion, both directly and indirectly, to bring more Vietnamese goods such as pepper, cashew nuts, coffee, fruits and vegetables, leather and footwear to Israel.

<https://vietnamnet.vn/en/business/vietnam-israel-look-toward-bilateral-fta-next-year-792815.html>

### 2.1 CUTS Comments

#### a) Impact on India's Exports to Vietnam

In 2020, India's exports (US\$ 4.5 billion) to Vietnam were 28 times larger than Israel's exports (US\$ 160 million) to this market. India's imports from Vietnam were also very high as compared to those from Israel. In 2020, India's imported goods from Vietnam was worth US\$ 5.5 billion, while Israel's imports from Vietnam were just US\$ 976 million. Both countries, India and Israel, are facing trade deficit with Vietnam. Key exports from India to Vietnam are iron and steel, meat products, cotton, shrimps and prawns, and motor vehicles and their parts. Similarly, key exports from Israel to Vietnam are fertilizers, articles of iron and steel, electrical machineries and equipment, and plastic articles.

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<sup>3</sup> <https://www.thehindubusinessline.com/economy/policy/israel-set-to-make-a-strong-push-for-goods-fta/article64273343.ece>

<sup>4</sup> <https://www.businesstoday.in/latest/world/story/india-israel-to-resume-negotiations-on-fta-in-november-309698-2021-10-18>

Table 5.A shows FKI values for India over a period of five years in Vietnam’s market while Israel as a competitor. As in Table 5.A, FKI values are significantly low (0.04-0.05), showing that there is a very small degree of similarity between export baskets of India and its competitor Israel in Vietnam’s market.

Table 5.B presents the findings of RECPI analysis of India in Vietnam’s market with Israel as a competitor. As shown in Table 5.B, RECPI values of India are very low, indicating that India is not facing a significant competitive pressure from Israel in their common export products to Vietnam’s market.

**Table 5: India’s FKI and RECPI with Israel in the Vietnamese Market**

<b>Table 5.A: India’s FKI with Israel in the Vietnamese Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Israel</b>	0.01	0.04	0.04	0.05	0.05
<b>Table 5.B: India’s RECPI with Israel in the Vietnamese Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Israel</b>	0.00	0.43	0.15	0.18	0.08
<i>Source: CUTS calculations using the TradeSift software and data from UN COMTRADE via WITS 6-digit database</i>					

Our SMART analysis shows that the magnitude of trade diversion is on an average less than US\$ 10,000. Most affected product will be salt (HS code 250100), followed by tube or pipe fittings item (HS code 730722), fruit juice (HS code 200989), and insecticides (HS code 380891).

**Table 6: Trade Diversion likely to be Experienced by India**

<b>Product Code</b>	<b>Description</b>	<b>Trade Diversion (US\$ thousands)</b>
250100	Salt (including table salt and denatured salt)	-20.47
730722	Tube or Pipe Fittings (Threaded Elbows, bends and sleeves)	-7.81
200989	Fruit Juice	-3.42
380891	Insecticides	-3.35
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

## Food for Thought

India is already availing preferential market access in Vietnam due to its Comprehensive Economic Cooperation Agreement with the Association of Southeast Asian Nations (ASEAN). Vietnam is India's 15<sup>th</sup> largest export destination.<sup>5</sup> However, it should be kept in mind that this FTA is strategically important for Israel as Vietnam can act as its gateway to the ASEAN region. Also, it is observed that Israel's export basket to Vietnam is not as much diversified as that of India.

While, in the year 2020, India's export basket to Vietnam consisted of 842 products at HS 4-digit level, Israel's export basket to Vietnam consisted of 204 products. Furthermore, it is also observed that 193 products at HS 4-digit level is common between them and some major ones are from overlapping sectors such as plastics, electrical machinery, pharmaceuticals, surgical equipment. However, there is a possibility that in some of those products both countries have comparative advantage. Hence, India's exporters of these overlapping products should remain alert.

### b) Impact on India's Exports to Israel

In 2020, Vietnam's exports to Israel (US\$ 683 million) were approximately one-fourth of India's exports to Israel (US\$ 2.6 billion). Key common products were electrical machineries and its equipment. The items primarily exported by India to Israel were diamonds, mineral fuels and mineral oils, semi-milled or wholly-milled rice, herbicides, aerials and aerial reflectors. Vietnam primarily exports electrical machineries and equipment to Israel such as mobiles, telephones, data-processing machines, machines for the reception, conversion and transmission or regeneration of voice, images, etc. Other key export items include cashew nuts, coffee and footwear products.

Our FKI Analysis (see Table 7.A) shows that there is a very small degree of similarity between export baskets of India and its competitor Vietnam in the Israeli market. This is further corroborated by the RECPI values (as shown in Table 7.B).

**Table 7: India's FKI and RECPI with Vietnam in the Israeli Market**

<b>Table 7.A: India's FKI with Vietnam in the Israeli Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Vietnam</b>	0.04	0.04	0.04	0.05	0.05
<b>Table 7.B: India's RECPI with Vietnam in the Israeli Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Vietnam</b>	0.02	0.01	0.01	0.01	0.02
<i>Source: CUTS calculations using the TradeSift software and data from UN COMTRADE via WITS 6-digit database</i>					

<sup>5</sup> [TOP 25 Export Destination \(indiantradeportal.in\)](https://indiantradeportal.in) , data accessed on 14<sup>th</sup> January, 2022

Findings of SMART analysis are presented in Table 8 below. It is observed that exports of some products from India such as cashew nuts, shrimps and prawns, and footwear products are likely to be reduced by more than US\$ 100,000. Most importantly, it is found that these products are major export commodities from Vietnam to Israel.

**Table 8: Trade Diversion likely to be Experienced by India**

Product Code	Description	Trade Diversion (US\$ thousands)
160529	Crustaceans and Molluscs	-232.04
030617	Shrimps and Prawns	-164.23
080132	Cashew nuts	-126.21
640391	Leather Boots	-123.90
640399	Leather Sandals	-108.60
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

### Food for Thought

Israel is the fifth largest trade partner of Vietnam. Trade between these two countries has not been hampered much due to Covid-19 pandemic; in fact, in 2020, their bilateral trade was 36.4 percent higher than the previous year. In October, 2021, their bilateral trade went up 14.3 percent on year-on-year basis to US\$ 1.3 billion.<sup>6</sup> Hence, it is expected that this FTA will further expand the overall market access for Vietnam in Israel.

Our SMART analysis has identified a number of products such as shrimps and prawns, cashew nuts, and footwear on which Indian exports to Israel may be reduced by a substantial amount due to this FTA. Vietnamese Minister of Industry and Trade Nguyen Hong Dien already suggested to the Israeli Ambassador to Vietnam Nadav Eshcar to offer support in promoting trade in these products.<sup>7</sup>

### 3. Bangladesh for early conclusion of inclusive PTA with Indonesia

Bangladesh has stressed the importance of an early conclusion of bilateral Preferential Trade Agreement (PTA) with Indonesia as, according to Bangladesh, this would be an effective tool for strengthening the trade and economic relations between the two countries. The Foreign Ministers of both the countries expressed their satisfaction over the flourishing bilateral relations in the areas of mutual interest over the last five decades.

<https://thefinancialexpress.com.bd/economy/bangladesh-for-early-conclusion-of-inclusive-pta-with-indonesia-1637078412>

<sup>6</sup> <https://vietnamnet.vn/en/business/vietnam-israel-look-toward-bilateral-fta-next-year-792815.html>

<sup>7</sup> *Ibid*

### 3.1 CUTS Comments

#### a) Impact on India's Exports to Indonesia

In 2020, Bangladesh's exports to Indonesia were valued at US\$ 76.64 million. Textile products are dominating the export basket of Bangladesh. Major textile products include readymade garments like T-shirts, trousers, jerseys, cardigans, waistcoats, etc. Other related products are jute yarn and yarn made from other fibers. In the same calendar year, India's exports to Indonesia were at US\$ 4.3 billion. Top exporting commodities of its export basket were ships and boats, meat of bovine animals, raw cane sugar, cotton, and petroleum oils.

Our FKI analysis for this FTA is shown in Table 9.A. The index values from 2016 to 2020 highlight the fact that there is very little homogeneity in the export baskets of India and Bangladesh to Indonesia. FKI values were more or less same over the past five years. Values hovered around 0.01 and 0.02. Table 9.B shows the computed values of RECPI over a period of five years. In 2016, the RECPI value was very low. While they are increasing, but not so high as yet.

**Table 9: India's FKI and RECPI with Bangladesh in the Indonesian Market**

<b>Table 9.A: India's FKI with Bangladesh in the Indonesian Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Bangladesh</b>	0.02	0.01	0.01	0.02	0.02
<b>Table 9.B: India's RECPI with Bangladesh in the Indonesian Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Bangladesh</b>	0.09	0.27	0.25	0.40	0.75
<i>Source: CUTS calculations using the TradeSift software and data from UN COMTRADE via WITS 6-digit database</i>					

In order to identify specific products on which Indian producers may face loss of this market due to this FTA, a SMART analysis has been carried out. Findings of this analysis are presented in Table 10 below. It is observed that Indian textile products may be mostly affected. Highly affected products include readymade garments and jute products.

**Table 10: Trade Diversion likely to be Experienced by India**

<b>Product Code</b>	<b>Description</b>	<b>Trade Diversion (US\$ thousands)</b>
610910	Cotton T-Shirts and Other Vests, Knitted or Crocheted	-182.09
611120	Babies Garments of Cotton	-164.35
530720	Jute Yarn	-151.03
620520	Cotton Shirts for Mens and Boys	-113.22
<i>Source: CUTS calculations using WITS SMART analysis tool and data from UN COMTRADE via WITS 6-digit database</i>		

## Food for Thought

Our SMART analysis has identified a number of readymade garment products on which India's exports to Indonesia may be substantially reduced due to this PTA. It is more likely to be the case as Bangladeshi officials requested Indonesia to offer its readymade garments duty-free market access and not to impose any safeguard measures on its textile products.<sup>8</sup>

India is getting preferential market access for a selected number of products in Indonesia due to its Comprehensive Economic Cooperation Agreement with ASEAN. However, it is observed that India is not availing duty-free market access for those identified products, except only one, which is jute yarn (HS code 530720).<sup>9</sup> If Indonesia offers duty-free market access to Bangladesh for this and any other products on which India is not availing any preference, India should request Indonesia to revise their offer list to India. Also, if Indonesia removes all safeguard measures on Bangladesh's textile products, India should ask for the same.

### b) Impact on India's Exports to Bangladesh

Bangladesh is India's fifth largest export destination. In 2020, India's exports to Bangladesh were at US\$ 7.9 billion. Out of this total export value, cotton and cotton-based products comprised of around 22 percent. Other key items included mineral fuels and oils, maize, two wheelers like motorcycles, mopeds and its parts. Indonesia is the fifth largest source of import of Bangladesh.<sup>10</sup> In 2020, Bangladesh imported US\$ 1.69 billion worth of goods from Indonesia and key items included palm oil, coal, chemicals, wood pulp, cement clinkers, and staple fibers. Only one product, that is cotton yarn of several measuring standards, found to be common under key export items in both India and Indonesia's export baskets to Bangladesh.

FKI values are presented in Table 11.A. They reflect that a very small number of common export items is there between the exports of India and Indonesia to Bangladesh. This is further corroborated by the RECPI values, which are also insignificant.

**Table 11: India's FKI and RECPI with Indonesia in the Bangladeshi Market**

<b>Table11.A: India's FKI with Indonesia in the Bangladeshi Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Indonesia</b>	0.11	0.10	0.17	0.12	0.09

  

<b>Table11.B India's RECPI with Indonesia in Bangladesh Market</b>					
<b>Competitor</b>	2016	2017	2018	2019	2020
<b>Indonesia</b>	0.02	0.02	0.07	0.04	0.01

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

<sup>8</sup> [Bangladesh, Indonesia for early signing of PTA \(prothomalo.com\)](http://prothomalo.com)

<sup>9</sup> Source: [Indian Trade Portal](http://IndianTradePortal.com), FIEO, data accessed on 14<sup>th</sup> January, 2022.

<sup>10</sup> [Bangladesh, Indonesia set to start PTA negotiation \(newagebd.net\)](http://newagebd.net)

As in Table 12 below, our SMART analysis reveals that India’s export of one automobile item, that is two-wheelers, is a most affected product, export of which to Bangladesh will be reduced by more than US\$ two million. In addition, it is observed that India’s exports of cotton yarn of three various different variants will be reduced.

**Table 12: Trade Diversion likely to be Experienced by India**

<b>Product Code</b>	<b>Description</b>	<b>Trade Diversion (US\$ thousands)</b>
871120	Two-Wheelers	-2134.44
520523	Cotton Yarn	-1436.98
520524	Cotton Yarn	-845.63
520522	Cotton Yarn	-541.53

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

### **Food for Thought**

As mentioned above, Indian cotton and cotton-based products, cereals, automobile, and machinery and mechanical appliances have good market access in Bangladesh. However, Indonesia’s textile and automobile sectors are good a competitor of India. It is more likely that this PTA will harm these two sectors. Our SMART analysis is indicating this likely scenario.

Under SAFTA (South Asian Free Trade Area), Bangladesh has offered duty-free market access and preferential tariffs on certain products. However, for the most likely affected Indian product, which is two-wheelers (HS code 871120), under which there are seven different variants, none of them are subjected to any preferential or zero tariffs for India in the Bangladeshi market.

And, out of all three different variants of cotton yarn, Bangladesh is offering certain concessions on MFN (most-favoured-nation) rates but not duty-free market access.<sup>11</sup>

Given that Bangladesh will graduate out of its LDC (least developed country) status in 2026, India and Bangladesh are likely to initiative negotiations for a comprehensive economic pact. As per sources, this talk is likely to start in January, 2022.<sup>12</sup> It is expected that with the easing of non-tariff issues between these two countries, the main focus area of this negotiation will be on reducing customs duties on a maximum number of goods, which are of interest to both countries.<sup>13</sup> Indian negotiators should request for duty-free market access or significant tariff concessions in customs duties on products of Bangladesh’s import interests, particularly in textiles and automobile sectors.

<sup>11</sup> [Indian Trade Portal](#), Federation of Indian Export Organisation, data accessed on 14<sup>th</sup> January, 2022

<sup>12</sup> [India ready for negotiations of economic pact with Bangladesh, says Envoy | Business Standard News \(business-standard.com\)](#)

<sup>13</sup> <https://www.outlookindia.com/newsscroll/india-bangladesh-decide-to-move-forward-on-feasibility-study-for-comprehensive-fta/2043036>

## 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.

### RECPI

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  $j$ .  $x_{i_1 j}^k$  is the value of country  $i_1$ 's exports to country  $j$  of good  $k$ , and  $s_{i_1 j}^k$  gives the share of good  $k$  in country  $i_1$ '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.