CUTS Dossier on Preferential Trade Agreements and India

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Contents

1. Japan, UAE hold first round of negotiations on Economic Partnership Agreement

Japan and the United Arab Emirates held the first round of negotiations for the Japan-UAE Economic Partnership Agreement (EPA) from Nov. 26-28 in Tokyo. Delegates discussed topics including trade in goods and services, investment, intellectual property, customs procedures, and competition policy. Both sides agreed to coordinate dates for the second round of negotiations through diplomatic channels.

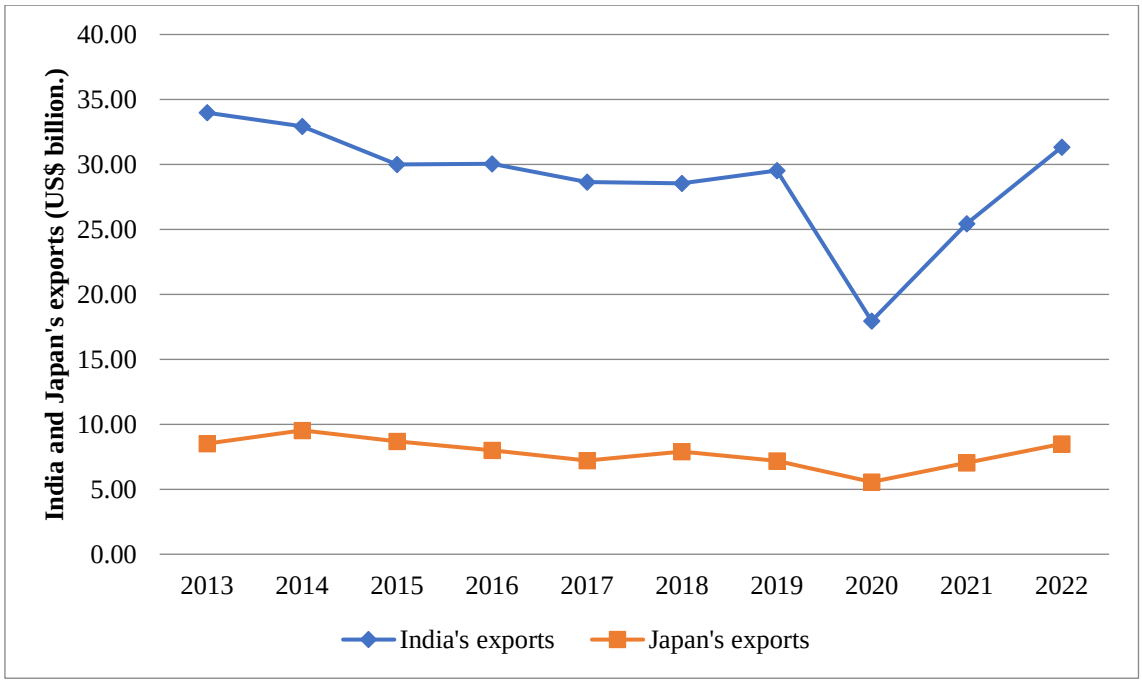
(https://www.arabnews.jp/en/business/article_135616/)

CUTS Comments

a) Impact on India's exports to the UAE

India's exports to the UAE are significantly larger than Japan's. However, their exports to the UAE remained stable over the past decade (2013–2022), with the exception of a decline in 2020 due to the COVID-19 pandemic. In 2022, India's exports to the UAE were valued at US$ 31.32 billion, compared to Japan's US$ 8.48 billion.

Figure 1: India and Japan's exports to the UAE, 2013-2022



Source: CUTS computations using data from WITS

Among the top ten exports from India to the UAE there are petroleum oils and oils obtained from bituminous minerals, articles of jewellery made of precious metal or of metal clad with precious metal, telephone sets, diamonds, aromatic hydrocarbon mixtures, semi-milled or wholly-milled rice, aluminium oxides, and motor cars. Together, they contribute approximately 54.32 percent of India's total exports to the UAE.

Japan's key exports to the UAE include motor cars and other vehicles, motor vehicles for goods transport, bodies including cabs for the motors, flat-rolled products of iron or non-alloy steel, along with parts and accessories of motor vehicles, constituting approximately 50.11 percent of its total exports to the UAE.

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

Table 2.A depicts that the FKI values have been consistent since 2018, with a value of 0.09 in 2022 indicating that either the export baskets of India and Japan to the UAE share only a few common items or the overall contribution of these common items to their total exports to the UAE is relatively low.

The RECPI values in Table 2.B indicate that India's value of exports of common items to the UAE is significantly larger than that of Japan's. As a result, India is unlikely to experience substantial competition from Japan in the export of common items to the UAE.

Table 2.A: India's FKI with Japan in the UAE Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Japan	0.056	0.070	0.093	0.085	0.090
Table 2.B: India's RECPI with Japan in the UAE Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
Japan	0.001	0.002	0.005	0.003	0.002
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

A SMART analysis was conducted to evaluate the potential negative impact on India's exports to the UAE market due to this FTA. The results suggest that India may face some losses, particularly in motor cars, various automotive parts, and tyres. Other major products likely to be affected include items made of iron or non-alloyed steel as well as paper and paperboard.

Table 3: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
870323	Motor vehicles that are designed to transport people, and have a spark-ignition internal combustion reciprocating piston engine with a cylinder capacity between 1,500 and 3,000 cc	7310.52
870322	Motor cars and other motor vehicles that are primarily designed to transport people, and include station wagons and racing cars	1429.93
870899	Parts and accessories for motor vehicles	1244.89
870210	Motor vehicles for the transport of ten or more persons	998.2
842952	Machinery with a 360-degree revolving superstructure	594.92
401120	New pneumatic tyres, of rubber - of a kind used on buses or lorries	569.99
870410	Dumpers designed for off-highway use	564.97
720851	Flat-rolled products of iron or non-alloy steel	467.61
720839	Flat-rolled products of iron or non-alloy steel, width 600 mm or more, in coils, hot-rolled worked only, of a thickness of less than 3 mm	402.13
481013	Paper and paperboard that is coated on one or both sides with kaolin (china clay) or other inorganic substances	379.97

Source: CUTS computations using WITS SMART analysis tool

Food for Thought

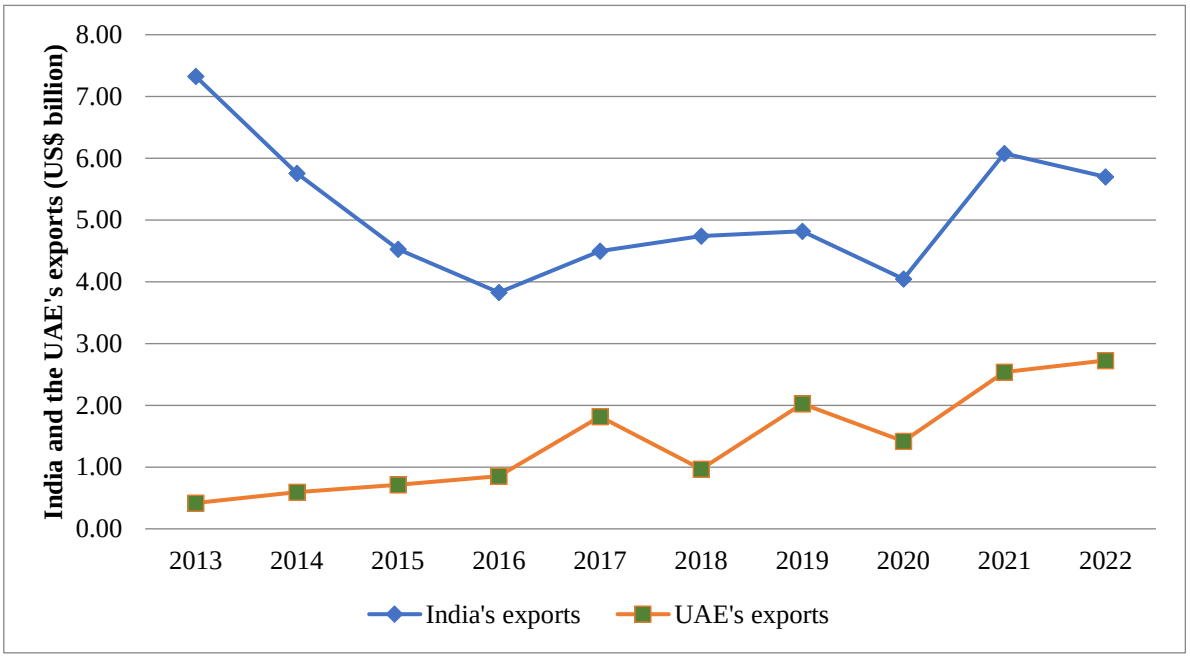
India's export basket of commodities to the UAE is quite diverse and comparatively larger than the export basket of Japan to the UAE. The FKI and RECPI values are a proof of it. Among the commodities to face maximum trade diversion includes motor cars and its various parts. The India-UAE Comprehensive Economic Partnership Agreement (CEPA) is expected to offset potential challenges to Indian exports in the UAE.

However, Indian motor car exporters must adopt a strategic and vigilant approach to maximise the benefits of the CEPA, sustain their competitiveness in the UAE market, and swiftly adapt to evolving market dynamics.

b) Impact on India's exports to Japan

Since 2017, India's exports to Japan have increased steadily, following a consistent decline between 2013 and 2016. In contrast, the UAE's exports to Japan grew steadily from 2013 to 2016 but have shown a volatile performance since 2017. Post-COVID, exports from both countries experienced significant growth. In 2022, India's exports to Japan reached US$ 5.70 billion, while the UAE's exports stood at US$ 2.73 billion.

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



Source: CUTS computations using data from WITS

India's exports to Japan are dominated by petroleum oils and oils obtained from bituminous minerals, shrimps and prawns, non-industrial diamonds, ferro-silico-manganese, unwrought aluminium alloys, herbicides, telephones used in cellular networks, fish meat and fish fillets and turbo jets, cumulatively constituting almost 34 percent of India's total exports to Japan.

The UAE's key export items to Japan share some similarities with India's, including petroleum oils and unwrought aluminium, classified under HS 760120, and HS 760110. These items are top three most exported commodities from the UAE to Japan. Apart from them, the UAE also exports motor cars, classified under HS 870323, and 870324, filtering or purifying machinery and apparatus for gases, copper waste and scrap, pneumatic tires and jewellery made up of precious metals, together constituting almost 77.82 percent.

Table 5.A presents the Finger-Kreinin Index (FKI) values between India and the UAE, which range from 0.099 to 0.216. This indicates that the number of common items in the export baskets of these two countries to Japan is either very low or the common items account for only about 10 to 22 percent of total export values of either country.

Table 5.B shows the Relative Export Competitive Pressure Index (RECPI) values, which indicate that India's export value-share of common items to Japan is much larger than that of the UAE.

Table 5.A: India's FKI with the UAE in the Japanese Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
UAE	0.099	0.156	0.185	0.216	0.204
Table 5.B: India's RECPI with the UAE in the Japanese Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
UAE	0.053	0.217	0.190	0.283	0.542
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Our SMART analysis reveals that even if Japan offers zero duty to all imports from the UAE, then India's product-specific export loss may not be significant (Table 6).

Table 6: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
90230	Instruments, apparatus, and models that are designed for demonstration purposes, such as in exhibitions or education	40.32
210120	Tea mate Products	31.22
630900	Worn clothing and other worn textile articles	7.63
150410	Fish liver oils and their fractions, whether or not refined, but not chemically modified	4.43
240311	Water pipe tobacco	4.17
71340	Lentils	1.06
620342	Men's or boy's trousers, bib and brace overalls, breeches, and shorts made of cotton that are not knitted or crocheted	1.02
390230	Propylene copolymers, in primary forms.	0.67
392020	Non-cellular, non-reinforced, and non-laminated plates, sheets, film, foil, and strips of plastics made from polymers of propylene	0.65
91091	Mixtures of ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices	0.63
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

India has a well-established trade relationship with Japan, rooted in the signing of the India-Japan Comprehensive Economic Partnership Agreement (CEPA) in 2011. The two countries enjoy strong trade complementarity. Furthermore, India and the UAE have complementary (not substitutable) market interests in Japan. India's exports to Japan are dominated by agricultural goods, minerals and metals, chemicals and pharmaceuticals, textiles, and processed food products. In contrast, the UAE's exports to Japan primarily consist of crude oil, natural gas, and petrochemicals. As a result, this proposed FTA is unlikely to pose any significant harm to Indian exporters accessing the Japanese market.

2. Korea, Britain launch new round of talks for upgrading FTA

Korea and Britain began the third round of negotiations on Monday to upgrade their bilateral free trade agreement (FTA) in response to evolving global trade dynamics. The four-day session, held in Seoul, focuses on key areas like services, supply chains, digital trade, and biotechnology. Kwon Hye-jin, Korea's chief negotiator, highlighted Britain as an important partner in emerging sectors such as cutting-edge industries and energy. The FTA, initially signed in August 2019 and effective from January 2021 following Brexit, aims to strengthen economic ties. Previous rounds of negotiations took place in Seoul in January and London in March.

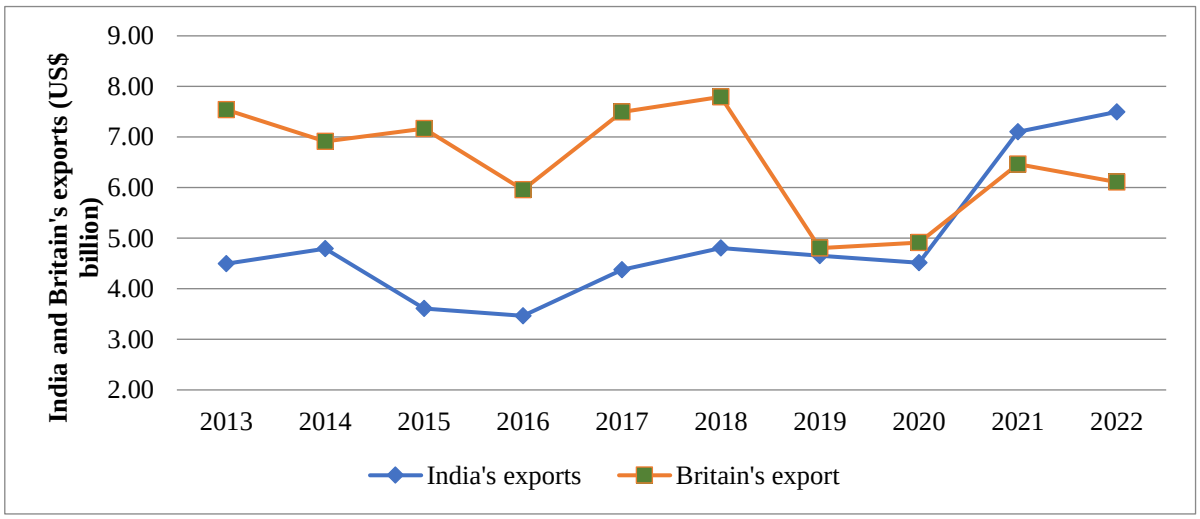
(https://www.koreatimes.co.kr/www/nation/2024/11/113_386043.html)

CUTS Comments

a) Impact on India's exports to South Korea

Until 2018, Britain's exports to South Korea were significantly higher than those of India. However, in 2019, the gap between Indian exports and British exports to South Korea narrowed, as British exports plummeted to levels comparable to India's. By 2021, India surpassed Britain's export figures, achieving its highest exports in 2022 at US$ 7.50 billion, compared to British exports of US$ 6.11 billion.

Figure 7: India and Britain's Exports to South Korea, 2013-2022



Source: CUTS calculations using data from WITS

India's key export items to South Korea include petroleum oils, non-alloyed aluminium, wheat and meslin and refined lead amongst many others. These products collectively account for 61 percent of India's exports to South Korea. In contrast, Britain mainly exports petroleum oils, bourbon whiskey, unwrought rhodium and motor cars and turbojets, amongst many to South Korea. These items constitute 44 percent of Britain's total exports to South Korea.

Table 8.A lists the Finger-Kreinin Index (FKI) values of India in the South Korean market over five years, with Britain as the competitor. The FKI values are low, hence either there are a few common products in India and Britain's export baskets to South Korea, or the contribution of these common items in either country's export baskets is significantly low. Therefore, India will not face a potential export loss in the South Korean market due to this FTA.

Moreover, Table 8.B shows Relative Export Competitive Pressure Index (RECPI) values indicating that on average, India's export value-share and export levels of common items are considerably higher than Britain. This implies that Britain does not pose a major competitive threat to India in the South Korean market.

Table 8.A: India's FKI with Britain in South Korean Market

Competitor	2018	2019	2020	2021	2022
Britain	0.066	0.096	0.087	0.077	0.077

Table 8.B: India's RECPI with Britain in South Korean Market

Competitor	2018	2019	2020	2021	2022
Britain	0.007	0.012	0.004	0.002	0.002

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

Our SMART analysis assessed the potential negative impact on Indian exports to Korea resulting from this FTA. Products likely to be most affected include organic colours, specific chemical compounds such as organo-sulphur, nucleic acid, and heterocyclic compounds, as well as parts and accessories for motor vehicles.

Additionally, electronic equipment like boards, panels, consoles, desks, cabinets, carbon electrodes, taps, cocks, valves, plates, sheets, films, and foils may also experience significant repercussions if South Korea grants zero-duty access to all British products under this FTA.

Table 9: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
320417	Synthetic organic colouring matter and fluorescent brightening agents	1955.86
293090	Organo-sulphur compounds	900.82
293499	Nucleic Acids and their salts; Other heterocyclic compounds	530.39
293339	Heterocyclic compounds with nitrogen heteroatoms only	530.25
870899	Parts and accessories of motor vehicles	436.03
853710	Boards, panels, consoles, desks, cabinets and other bases for electric control and distribution	418.82
853890	Parts that are used with electrical apparatus for electrical circuits, boards, panels and more	412.19
854511	Carbon electrodes of a kind used for furnace	384.57
848120	Taps, cocks, valves and similar appliances for oleohydraulic or pneumatic transmissions	358.33
392020	Plates, sheets, film, foil and strip of plastics that are non-cellular, laminated and combined with other materials	353.04
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

Apart from petroleum oil, there is little similarity in the exported products of the two countries. Potential commodities that may experience trade diversion by India in the Korean market include specific chemical and electronic items, as well as automobile parts and accessories.

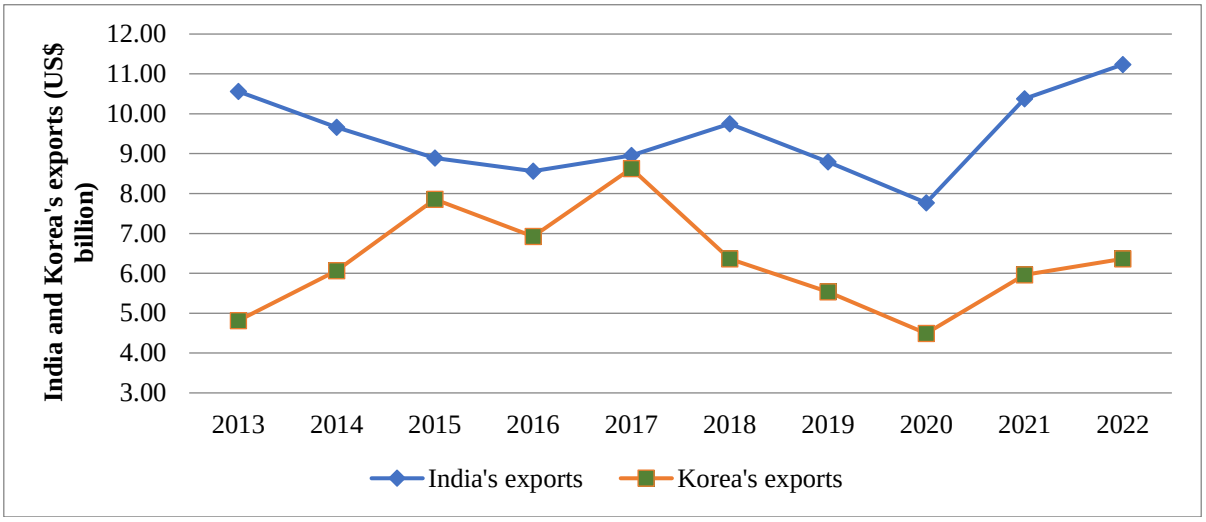
India already has a Comprehensive Economic Partnership Agreement (CEPA) with South Korea. The initial outcomes of this CEPA is encouraging, with bilateral trade exceeding US$20.6 billion by the end of 2021, representing an increase of nearly 70 percent over two years.

A carefully negotiated revie of this CEPA is crucial for Indian exporters to fully capitalise on the advantages offered by it by sustaining their competitive position in the Korean market and swiftly adapt to evolving market dynamics. This approach will enable Indian exporters to safeguard and potentially expand their market share in Korea, even in sectors where competition from Britain might emerge.

b) Impact on India's exports to Britain

India's exports to Britain experienced a declining trend during 2013–2015, while Korea's exports during the same period showed an increasing trend. However, after 2018, both countries' exports have followed a similar trajectory, with a significant gap between the export values of India and Korea. In 2022, India's exports to Britain amounted to US$ 11.24 billion, significantly surpassing Korea's exports of US$ 6.36 billion.

Figure 10: India and South Korea's Exports to Britain, 2013-2022



Source: CUTS calculations using data from WITS

Among the top ten exports of India and South Korea to Britain, common products are cellular network products and petroleum oil. The latter is also the highest traded product among the top 10 exports of India to Britain. Apart from them, India's top 10 exports to Britain include therapeutic medicaments, metal jewellery, turbojets and propellers among many others. They account for approximately 30 percent of India's total exports to Britain.

South Korea's top 10 exports, constituting approximately 55 percent of its total exports to Britain, include items like human or animal blood preparation and frictions, mechanical shovels and excavators and motor vehicles for transport.

Table 11.A presents the FKI values for the past five years from 2018-2022 for India in the British market when South Korea is its competitor. They indicate that either there is a small number of common items between India and South Korea's export baskets to Britain or the contribution of those common items to total value of exports is small for either of the countries.

RECPI values (see Table 11.B below) show that on an average India's level of exports and export value-share of common items to Britain was comparatively larger than that of South Korea's. In 2022, the RECPI value was not significant enough, implying that the export volume or the export value-share of common items of exports to Britain are not similar. It implies that there is limited possibility of reduction of India's exports to Britain because of this FTA.

Table 11.A: India's FKI with South Korea in the British Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
South Korea	0.163	0.163	0.187	0.194	0.202
Table 11.B: India's RECPI with South Korea in the British Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
South Korea	0.246	0.215	0.224	0.274	0.291
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Our SMART analysis indicates that some Indian exports such as preserved fruits, roller bearings may face trade diversion if Britain allows their duty-free access from Korea.

Table 12: Trade Diversion likely to be faced by India

Product Code	Description	Trade Diversion (Thousand US$)
200899	Preserved fruits and other edible plant parts	308.31
848299	Ball or roller bearings and other parts	97.46
320417	Synthetic organic colouring matter and fluorescent brightening agents	89.32
401120	New pneumatic tires of rubber used in buses and trucks	88.77
840890	Compression-ignition internal combustion piston engines	83.09
520852	Woven cotton fabrics	75.57
200599	Vegetables preserved in vinegar or acetic acid; not frozen	59.48
291819	Carboxylic acids and their derivatives	44.96
540752	Woven fabrics made from synthetic filament yarn	37.18
870850	Drive axles with differentials, non-driving axles and their parts	32.02
Source: CUTS computations using WITS SMART analysis tool		

Food for Thought

Britain is India's sixth-largest trading partner, with a trade balance of US$ 5.73 billion. While the possibility of trade diversion from the British market due to this FTA is limited, the India-UK FTA, which is under negotiation, holds significant potential. It should encourage Indian exporters to adopt a more proactive approach and scale up production to capitalise on new opportunities.

3. UK, Switzerland to begin negotiations on FTA

The UK and Switzerland will begin negotiations on an updated Free Trade Agreement (FTA), marking the first round since the UK's 2023 FTA program announcement. The new deal aims to address gaps in digital trade and data flows, reflecting the importance of services, which accounted for £30 billion of trade in 2023. The upgraded agreement is expected to enhance economic growth, create jobs, and provide long-term certainty for UK businesses. The deal will focus on services, investment, and market access for both countries.

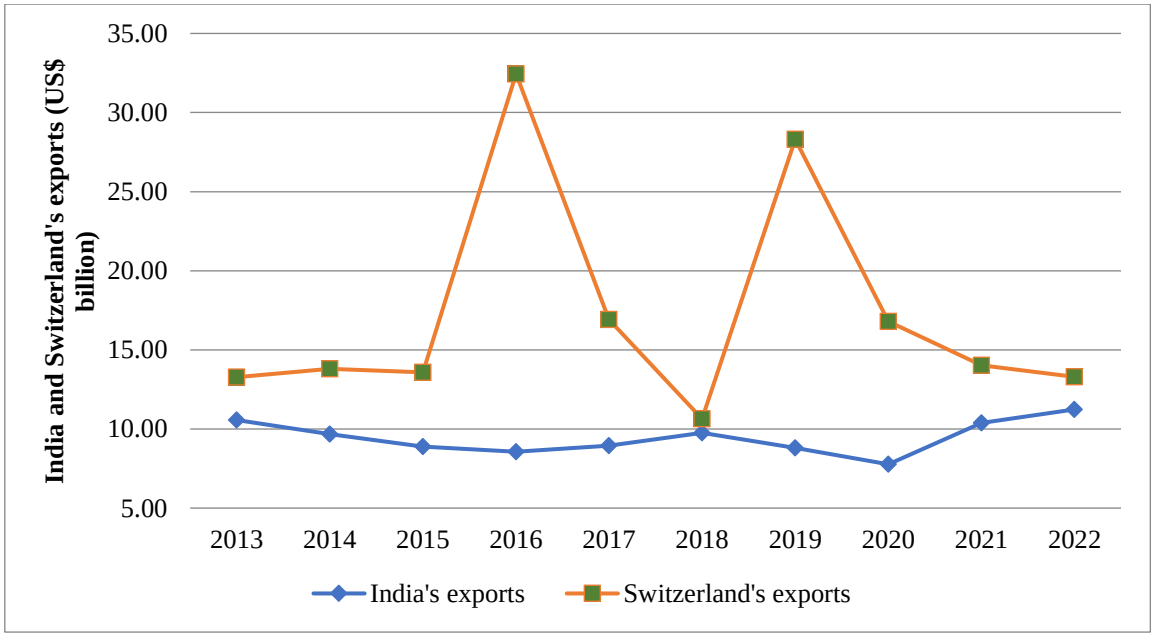
(https://theprint.in/world/uk-switzerland-to-begin-negotiations-on-fta/2309226/)

CUTS Comments

a) Impact on India's exports to the UK

India's exports to the UK have remained relatively stable, currently standing at US$ 11.24 billion. In contrast, Switzerland experienced two notable spikes in their exports to the UK: first in 2016, reaching US$ 32.45 billion and the second in 2019, peaking at US$ 28.31 billion. However, since 2019, Switzerland's exports to the UK have steadily declined to US$ 13.30 billion, while India's exports have shown a slight increase, significantly narrowing the gap between them.

Figure 13: India and Switzerland's Exports to UK, 2013-2022



Source: CUTS calculations using data from WITS

Among the top 10 exported commodities by India and Switzerland to the UK, common ones are medicaments and articles of jewellery made of precious metals. Other items include footwear, parts of machinery, light-vessels, fire-floats, dredgers and floating cranes. They collectively account for approximately 30 percent of India's total exports to the UK.

Switzerland's top 10 export items to the UK include unwrought non-monetary gold, human or animal blood preparation and fraction, medicaments, wrist watches and other types of watches, categorised under HS 910221 and HS 910121, precious metals, palladium, non-alcoholic beverages, roasted coffee and paintings. They constitute approximately 65 percent of Switzerland's total exports to the UK.

Table 14.A presents the FKI values for India in the British market over the past five years (2018–2022), with Switzerland as the competitor. They suggest that there is either a moderate overlap between India and Switzerland's exports to the UK or common items contribute only a small share to total export values for either country.

The RECPI values (see Table 14.B below) have been declining gradually, declining to 0.486 in 2022. This indicates that, on an average, India's level of exports and export value share of common items to the UK are comparatively larger than those of Switzerland. Therefore, it can be inferred that this FTA is unlikely to cause a significant reduction in India's exports to the UK.

Table 14.A: India's FKI with Switzerland in the British Market

Competitor	2018	2019	2020	2021	2022
Switzerland	0.219	0.139	0.166	0.176	0.172

Table 14.B: India's RECPI with Switzerland in the British Market

Competitor	2018	2019	2020	2021	2022
Switzerland	1.124	1.204	1.117	0.730	0.486

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

Our SMART analysis assessed potential adverse effects on India's exports to the UK if Switzerland secures zero-duty access on all products under the proposed FTA. It indicates that certain products in specific sectors, such as metals, chemicals, plastics, and textiles, are likely to be impacted.

Table 15: Trade Diversion likely to be experienced by India

Product Code	Description	Trade Diversion (Thousand US$)
711319	Precious metals, whether or not they are plated or clad with precious metal	1495.78
293499	Nucleic acids and their salts, whether or not chemically defined, and other heterocyclic compounds	564.37
293410	Heterocyclic compounds containing an unfused triazole ring (whether or not hydrogenated) in the structure	556.57
293299	Heterocyclic compounds with oxygen hetero-atoms	178.54
392190	Sheets film, foil and strip, of plastics	137.68
210690	Food preparations not elsewhere specified or included - other: soft drink concentrates: sharbat	74.75
292429	Cyclic amides (including cyclic carbamates) and their derivatives, and salts thereof	74.43
320417	Synthetic organic colouring matter, including preparations based on synthetic organic colouring matter	55.75
392020	Non-cellular, un-reinforced, and un-laminated plastic plates, sheets, film, foil, and strips that are made of polymers of propylene	46.84
520931	Woven fabrics of cotton, containing 85% or more by weight of cotton	42.21
Source: CUTS computations using WITS SMART analysis tool		

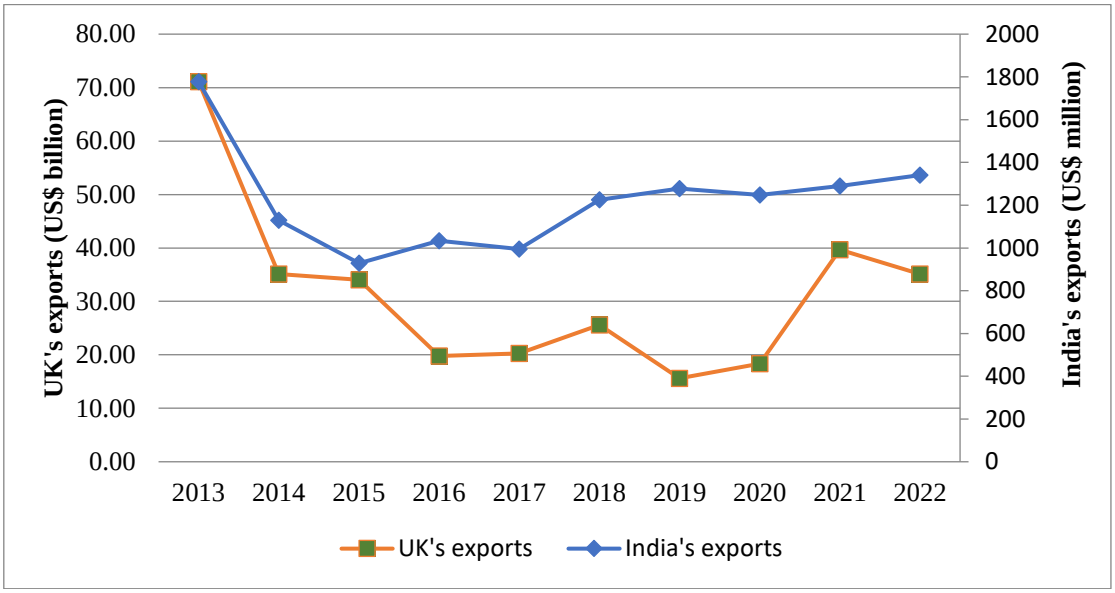
Food for Thought

This FTA may pose risk of trade diversion for India in its export of jewellery made from precious metals and certain chemical items. However, the FKI and RECPI values indicate that India has a more diverse export basket as compared to Switzerland. Therefore, it can be concluded that India's overall exports are unlikely to experience a significant decline due to this FTA.

b) Impact on India's exports to Switzerland

India has limited exports to Switzerland, with the UK's exports to Switzerland being several times larger than India's. British exports to Switzerland experienced a sharp decline in 2014, followed by a steady decrease over the years. However, since 2020, exports began to rise again, maintaining momentum until 2022. Similarly, India's exports have been gradually increasing, reaching US$ 1.34 billion in 2022. In comparison, the UK's exports to Switzerland amounted to US$ 35.09 billion in 2022.

Figure 16: India and UK's Exports to Switzerland, 2013-2022



Source: CUTS calculations using data from WITS

Among common products exported by India and the UK to Switzerland, there are certain chemical compounds like heterocyclic compounds with nitrogen heteroatom. Key items exported by India to Switzerland include diamonds, organic derivatives of hydrazine or hydroxylamine, parts of airplanes or helicopters, ketones and quinones, carboxylic acids with additional oxygen functions and their various derivatives and inorganic or organic compounds of precious metals, colloidal precious metals, and amalgams of precious metals. They constitute approximately 48 percent of its total exports to Switzerland.

On the other hand, the UK's key export items to Switzerland include gold, including gold plated with platinum, in semi-manufactured forms, or in powder form, which constitute almost 78 percent of its total exports to Switzerland. Apart from them, unwrought silver, medicaments, paintings, platinum, palladium, aromatic or modified aromatic items, non-monetary gold that is unwrought, platinum that is unwrought, along with waste and scrap of gold are also exported. They constitute about 10 percent of the UK's total exports to Switzerland.

The following table presents India's FKI (Finger-Kreinin Index) values over five years in the Swiss market, with the UK as its competitor. They are not significant. It implies either that there are limited number of common export items between India and the UK in the Swiss market or value-addition of those common items in the export baskets of either country is relatively low. This suggests that India does not face a high risk of substantial export loss in the Swiss market.

The RECPI (Revealed Export Competitive Pressure Index) values have declined over time, with the current value standing at 0.661 in 2022. This indicates that the UK's export value for common items is now lower than that of India's.

Table 17.A: India's FKI with the UK in the Swiss Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
United Kingdom	0.114	0.128	0.099	0.065	0.076
Table 17.B: India's RECPI with the UK in the Swiss Market					
Competitor	**2018**	**2019**	**2020**	**2021**	**2022**
United Kingdom	1.691	1.918	0.571	1.085	0.661
Source: CUTS Computations using TradeSift software and data from WITS at HS 6-digit level					

Conducting a SMART analysis in the context of Switzerland is not feasible, as most of its tariff lines are subject to non-ad valorem MFN duty rates, while the remaining ones are exempt from MFN duties.

Food for Thought

The UK has a dominant position in exports to Switzerland, whereas India has limited market access. This FTA aims to restore the preferential market access the UK previously enjoyed as a member of the EU.

Meanwhile, a significant development for India is the India-European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA) of which Switzerland is a member. This Agreement is expected to strengthen their trade and investment relations and facilitate technological collaboration. While the UK-Switzerland trade deal is unlikely to have a significant impact on India's exports, India's exports are expected to grow as a result of this TEPA.

Annexure I

Finger-Kreinin Index

The Finger-Kreinin (FK) index provides a way of measuring how similar is two sets of numbers. In principle, it can be used to compare the similarity between either the structure of a country's imports or exports with any two partner countries, to indicate how similar is a country's export pattern to its import pattern, whether geographically or by product; or to compare the structure of production in two different countries.

FKI to a Destination Country

This version of the FK Index compares export patterns of two countries into a given market (for example, UK and Japan's exports to the world or to India). Another way of thinking about this is that it compares how similar are the imports of a given country from two different suppliers. This is useful if we want to consider overall similarity of exports of two countries and therefore, their degree of competitiveness/complementarity either with respect to particular markets or with respect to their trade with the rest of world. The formula for the FK Index to a destination country is as follows:

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

In the FKI by destination, i_1 and i_2 are two source countries and j is a destination country. X^k refers to trade flow in product k; X as total trade flow, so $x^k{}_{i1j}/X_{i1j}$ is the share of product k in country i's total exports to the destination partner (j). $X^k{}_{i2j}/X_{i2j}$ is the share of product k in the comparator country's (i_2) total exports.

Relative Export Competitive Pressure Index

The Relative Export Competitive Pressure Index (RECPI) is about exploring 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:

$$RECPI = \frac{\sum_k s^k_{i2j} x^k_{i_2 j}}{\sum_k s^k_{i_1 j} x^k_{i_1 j}}$$

where k refers to the product, i_1 to the reporting country, i_2 to the competitor country, and the s and x data refer to a given export destination, country j. $x_{ij}{}^k$ is the value of country i's exports to country j of good k, and $s_i{}^k$ gives the share of good k in country i's exports to country j. The RECPI is a summary measure which aggregates information from across a range of sectors, subsectors or products. Hence, it can be calculated either for all trade, or for particular sectors - in all cases on the basis of more detailed sub-sectoral or product level detail.