

CUTS Dossier on Preferential Trade Agreements
April-June 2018
(Volume XII, No. 2)

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1. Iran and Eurasian Economic Union: Three Year Provisional Agreement

Iran’s ambassador to Kazakhstan highlighted Tehran’s efforts to maximize its benefits from a preferential trade agreement it recently signed with members of the Eurasian Economic Union (EEU), stressing the need for providing robust legal and banking infrastructures to that end. In an interview with Tasnim News Agency, Mojtaba Damirchiloo also emphasized the need for providing “legal, banking, financial and technical infrastructures” to boost relations between Iran and EEU, and get the most out of the temporary preferential trade agreement that was signed in May, 2018.

<https://financialtribune.com/articles/economy-business-and-markets/88320/iran-to-make-most-of-eurasia-preferential-trade>

CUTS Comments

Iran has signed a trade agreement with five nations of EEU on provisional basis for three years to provide and get a greater access in each other’s market on reciprocal basis.

Table 1.1 shows India and Iran’s export of top ten products during the year 2016, including Compound Annual Growth Rate (CAGR) along with the share of that particular product, given in parenthesis, in EEU’s market.

The composition of top ten exported products of India is entirely different from that of Iran in EEU market. India’s basket consists of products of ayurvedic, unani, homoeopathic, siddha or biochemic systems, tea, spark-ignition and extracts, essences and concentrates of coffee, among others.

The top ten exports of Iran to EEU includes natural gas & agricultural produce in the form of cucumbers, kiwifruits, pistachios, grapes (dried and fresh) and dates, among others. All these products contribute more than 50 per cent of Iran’s total exports to EEU. In comparison to India, Iran’s total exports are one-fourth in EEU market.

Table 1.1: India and Iran's Top 10 Exports to EEU

Product Code	Product Description	India's Exports to EEU		Iran's Exports to EEU	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Biochemic systems	321.55 (15.77)	-7.01	--	--
90240	Tea, black (fermented) & partly Fermented	130.56 (6.4)	-4.84	--	--
840710	Spark-ignition reciprocating/rotary	108.47 (5.32)	--	--	--
210111	Extracts, essences and concentrates of coffee	60.65 (2.97)	-7.34	--	--
240120	Tobacco, partly or wholly stemmed or stripped	57.4 (2.82)	2.3	--	--
880390	Parts of aircraft	57.36 (2.81)	-14.41	--	--
300420	Medicaments, containing antibiotics	45.55 (2.23)	-6.15	--	--
870899	Parts and accessories of Motor Vehicles	43.94 (2.16)	0.85	--	--
030613	Shrimps & prawns	43.59 (2.14)	40.07	--	--
880330	Parts of aeroplanes/helicopters	42.36 (2.08)	-9.86	--	--
070700	Cucumbers & gherkins	--	--	64.46 (12.27)	-2.55
271121	Natural gas, in gaseous state	--	--	57.72 (10.99)	-9.6
081050	Kiwifruit	--	--	47.76 (9.09)	36.65
080250	Pistachios	--	--	26.95 (5.13)	-27.95
999999	Commodities not specified according	--	--	25.77 (4.91)	--
080620	Grapes, dried	--	--	25.6 (4.87)	-14.07
080410	Dates, fresh/dried	--	--	15.85 (3.02)	-3.66
080610	Grapes, fresh	--	--	12.24 (2.33)	6.18
283010	Sodium sulphides	--	--	10.1 (1.92)	8.77
070990	Vegetables	--	--	9.34 (1.78)	-7.29
Sub-Total*		911.43 (44.70)		295.79 (56.32)	
Total Exports in 2016 (in US\$ mn)		2039.03		525.22	
Notes: Values in the parenthesis are export share of the particular product in total exports; * Summation of the top ten exported products					
<i>Source: WITS database</i>					

Table 1.2 exhibits exports of top ten products of India and EEU to Iran's market. India and EEU are sharing no products in common but in aggregate sense there is commonality because both regions - India and EEU - are majorly exporting agricultural products to Iran.

Table 1.2: India and EEU's Top 10 Exports to Iran

Product Code	Product Description	India's Exports to Iran		EEU's Exports to Iran	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
100630	Semi-milled/wholly milled rice, whether/not polish	503.02 (20.85)	-13.33	--	--
90240	Tea, black (fermented) & partly fermented tea	99.21 (4.11)	16.01	--	--
560790	Twine, cordage, ropes & cables of fibres n.e.s.	86.43 (3.58)	1515.49	--	--
281820	Aluminium oxide (excl. artificial corundum)	71.37 (2.96)	-10.43	--	--
871120	Motorcycles (incl. mopeds) & cycles	48.30 (2.00)	83.31	--	--
970110	Paintings, drawings & pastels	42.07 (1.74)	1781.06	--	--
294200	Organic compounds	40.17 (1.67)	9.19	--	--
300490	Ayurvedic, Unani, Homoeopathic, Siddha or Biochemic	39.68 (1.64)	1.00	--	--
730210	Rails of iron/steel	37.07 (1.54)	313.87	--	--
20230	Meat of bovine animals, frozen, boneless	31.99 (1.33)	-29.9	--	--
852610	Radar apparatus	--	--	382.56 (15.02)	2.12
720839	Flat-rolled products of iron/non-alloy steel	--	--	341.21 (13.4)	-0.01
999999	Commodities not specified according	--	--	316.68 (12.44)	2.23
100190	Wheat other than durum wheat; meslin	--	--	165.32 (6.49)	-0.23
100300	Barley	--	--	156.32 (6.14)	-0.07
100590	Maize (corn), other than seed	--	--	120.49 (4.73)	0.49
151211	Sunflower seed/safflower oil, crude	--	--	89.56 (3.52)	0.32
440710	Coniferous	--	--	85.97 (3.38)	-0.19
720917	Flat-rolled products of iron/non-alloy steel: Plate, Sheets, Strips etc.	--	--	67.69 (2.66)	0.05
722530	Flat rolled products of other alloy steel	--	--	61.34 (2.41)	4.29
Sub-Total*		999.31 (41.42)		1787.14 (70.18)	
Total Exports in 2016 (in US\$ mn)		2412.53		2546.36	
Notes: Values in the parenthesis are export share of the particular product in total exports; * Summation of the top ten exported products					
<i>Source: WITS database</i>					

Majority of India's exports to Iran are of rice (milled and semi-milled), tea, fibre cables, aluminium oxide, motor cycles and cycles, among others. Over the past five years, there has been a huge growth in terms of exports of Indian manufactured products, twine, cordage, ropes & cables of fibres n.e.s. and paintings, drawings & pastels.

EEU's basket of top ten exports to Iran includes radar apparatus, flat-rolled products of iron, wheat other than durum wheat, barley, maize and sunflower (seed and oil). It is apparent that over the selected years - 2012-2016 - the growth of these products, in terms of exports to Iran, has remained at a minimal level.

The potential effect of this Iran-EEU agreement on India can also be analysed by using the indices of homogeneity and competitive pressure faced by Indian exports from Iran and EEU in their respective markets. For this, we use Finger-Kreinin Index (FKI) and Relative Export Competitive Pressure Index (RECPI).

The FKI measures the degree of homogeneity of trade (exports or imports) of two sets of countries with respect to the third (destination) country. The value of this index ranges from zero to one. If FKI = 1, then export structures would be exactly similar (homogeneous) and if FKI = 0, then, the export structures do not have any similarity (heterogeneous).

The RECPI calculates the level of competitive pressure a country faces from other country in a particular destination country. Suppose country X and country Y are exporting in the country Z's market. If country X's exports are 'n' times larger than the country Y's exports to country Z but these exports are entirely in different sectors when compared to country Y, then the RECPI will be equal to zero. If country X's exports are 'n' times larger than the country Y's exports to country Z but these exports are entirely in same sectors as that of country Y, then, the competition pressure will be high for country Y and hence, the RECPI will be equal to 'n'.

Table 1.3: FKI and RECPI among India, Iran and EEU

A. India's FKI with Iran in EEU's Market						B. India's FKI with EEU in Iran's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Iran	0.05	0.05	0.05	0.05	0.05	EEU	0.04	0.06	0.07	0.05	0.03
C. India's RECPI with Iran in EEU's Market						D. India's RECPI with Australia in Indonesia's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Iran	0	0	0	0	0	EEU	0.01	0	0.03	0.01	0

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

Table 1.3A and Table 1.3C depict that India is facing negligible amount of export competition and pressure from Iran in EEU's market. Similarly, in Iran's market, India is not getting any alarming signals from EEU (Table 1.3B & Table 1.3D).

Food for Thought

Signing of a trade agreement with EEU will provide better access to Iran in the market of former and vice versa. However, our analysis has not presented any signals of worry for India from this agreement. Since Indian export orientation to these two nations is more of agricultural products which match the export orientations of Iran and EEU in each other's markets, more talks and closeness of India with these two will be helpful in saving its export shares in these markets.

2. Japan and European Union Free Trade Agreement

Japan and the European Union (EU) are slated to affix the final signatures on a wide-ranging free trade pact in mid-July in Brussels, according to sources on both sides familiar with the talks. In remarks, EU Trade Commissioner Cecilia Malmstrom revealed that the European Commission is planning to endorse the final draft of the economic partnership agreement with Japan. The final economic partnership agreement draft will then advance to the 28 EU nations for approval, according to the European Commission. The two sides have decided to remove from the agreement provisions concerning resolution of investment disputes. Japan favoured ad-hoc arbitration, while the EU sought to create a separate court system. By shelving the corporate dispute issue, the pact will face fewer hurdles toward ratification. Malmstrom said that the accord between Japan and the EU sends a strong message for fair and open trade against an international tide of protectionism.

<https://asia.nikkei.com/Politics/International-Relations/Japan-EU-trade-agreement-ready-for-July-signing>

CUTS Comments

Japan and EU - important trading partners of India - are on the verge of signing a wide-ranging agreement, which will have direct and indirect impact on their future trade with India. The top ten exports of India and Japan to the EU, along with their shares in total trade and CAGRs, are given by Table 2.1.

India is exporting petroleum oils, diamonds, medicaments, vehicles with a cylinder capacity >1000cc but not >1500cc and T-shirts. Japan is also exporting the vehicles in larger volume but of the capacity as India is exporting plus the vehicles differing in capacity from India. The creation of FTA between Japan and EU is likely to divert away the Indian trade of this product to Japan.

Table 2.1: India and Japan's Top 10 Exports to EU

Product Code	Product Description	India's Exports to EU		Japan's Exports to EU	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
271019	Petroleum oils & oils obtained from bituminous minerals	2165.10 (4.74)	-94.27		
710239	Diamonds, non-industrial, other than unworked	1949.61 (4.27)	-82.39		
300490	Medicaments consisting of mixed/unmixed products	1170.01 (2.56)	-75.74		
870322	Vehicles, of a cylinder capacity >1000cc but not >1500cc	938.27 (2.06)	-78.18	1230.24 (1.67)	-56.67
610910	T-shirts, singlets & other vests, knitted/c.ocheted, of cotton	709.71 (1.56)	-79.95		
710231	Diamonds, non-industrial, unworked	687.50 (1.51)	-73.59		
880330	Parts of aeroplanes/helicopters, other than propellers	677.95 (1.49)	-73.69		
640391	Other footwear without outer soles of leather, covering the ankle	590.49 (1.29)	-58.59		
030613	Shrimps & prawns, whether/not in shell, frozen	562.82 (1.23)	-74.29		
870899	Other parts & accessories for the motor vehicles	560.26 (1.23)	-83.06		
870323	Vehicles, of a cylinder capacity >1500cc but not >3000cc			5245.41 (7.23)	-68.92
999999	Commodities not specified according to kind			4406.53 (6.08)	-82.73
870332	Vehicles, of a cylinder capacity >1500cc but not >2500cc			3444.74 (4.75)	-74.34
870840	Gear boxes & parts thereof, of the motor vehicles			2873.91 (3.96)	-80.64
710812	Gold, in unwrought forms (excl. powder)			2578.74 (3.56)	-49.17
844399	Other parts & accessories for printing machinery			2058.06 (2.84)	-87.22
842952	Self-propelled mechanical shovels & excavators			1360.30 (1.88)	-80.20
841191	Parts of the turbo-jets/ turbo-propellers			1011.67 (1.40)	-75.99
902790	Microtomes; parts & accessories			889.95 (1.23)	-75.63
Sub-Total*		10011.72		25099.56	
Total Exports in 2016 (in US\$ mn)		45629.44		73736.84	
Notes: Values in the parenthesis are export share of the particular product in total exports; * Summation of the top ten exported products					
<i>Source: WITS database</i>					

Table 2.2 outlines the top ten exports, along with CAGR and percentage share in total exports, of India and EU in the Japan's market. From Table 2.2, it is clear that India's total exports to Japan are far less than that of EU's to Japan. However, in the list of top ten exports of India and EU to Japan, there is no overlapping of products.

Indian exports to Japan are more of petroleum oils, shrimps & prawns, diamonds and ferro-silico-manganese in granular form, among others, whereas, EU's exports to Japan are more of medicaments, vehicles, meat of swine, antisera and medicaments containing hormones, among others.

Table 2.2: India and EU's Top 10 Exports to Japan

Product Code	Product Description	India's Exports to Japan		EU's Exports to Japan	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
271011	Light petroleum oils & preparations	553.89 (14.47)	-95.22		
030613	Shrimps & prawns	307.74 (8.04)	-75.52		
710239	Diamonds, non-industrial	240.87 (6.29)	-84.91		
271019	Petroleum oils & oils obtained from	95.69 (2.50)	-95.87		
720230	Ferro-silico-manganese, in granular/powder form	78.78 (2.06)	-89.34		
870899	Other parts & accessories for the motor vehicles of 87.01-87.05	73.38 (1.92)	-79.31		
030499	Fish fillets&other fish meat	59.64 (1.56)	-80.53		
380893	Herbicides, anti-sprouting products & plant-growth regulators	58.89 (1.54)	88.59		
841122	Turbo-propellers, of a power >1,100kW	57.71 (1.51)	--		
080132	Cashew nuts, shelled	54.63 (1.43)	-78.12		
300490	Medicaments consisting of mixed/unmixed products			5061.18 (8.03)	-82.30
870323	Vehicles, of a cylinder capacity >1500cc but not >3000cc			3497.32 (5.55)	-85.58
870324	Vehicles, of a cylinder capacity >3000cc			1537.83 (2.44)	-84.50
870322	Vehicles, of a cylinder capacity >1000cc but not >1500cc			1405.27 (2.23)	-70.44
020329	Meat of swine			1311.75 (2.08)	-75.17
870332	Vehicles, of a cylinder capacity >1500cc but not >2500cc			1262.88 (2.00)	5.68
300210	Antisera & other blood fractions & modified immunological products			1241.53 (1.97)	-58.05
999999	Commodities not specified according to kind			1230.19 (1.95)	-87.56
300439	Medicaments containing hormones but not containing antibiotics			827.95 (1.31)	-77.52
840820	Compression-ignition internal combustion piston engines			742.43 (1.18)	-66.92
Sub-Total*		1581.21 (41.31)		18118.34 (28.75)	
Total Exports in 2016 (in US\$ mn)		3827.28		63023.30	
<p>Notes: Values in the parenthesis are export share of the particular product in total exports; * Summation of the top ten exported products</p>					
<p>Source: WITS database</p>					

It is apparent that all the exported products of India and EU have negative CAGR except one for India - herbicides, anti-sprouting products & plant-growth regulators and one for EU - vehicles of a cylinder capacity >1500cc but not >2500cc. The CAGR of EU's exports to Japan is likely to become positive in the upcoming future due to the preferential treatment provided by Japan. The extent of export similarity and competitive pressure for India in the markets of EU and Japan from Japan and EU respectively is presented in Table 2.3.

Table 2.3: FKI and RECPI among India, Japan and EU

A. India's FKI with Japan in EU's Market						B. India's FKI with EU in Japan's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Japan	0.17	0.17	0.17	0.18	0.18	EU	0.13	0.15	0.16	0.19	0.20
C. India's RECPI with Japan in EU's Market						D. India's RECPI with EU in Japan's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Japan	0.06	0.10	0.07	0.20	0.21	EU	0.16	0.20	0.22	0.64	0.78

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

It is to be noted that India is facing low degree of similarity and competitive pressure from Japan in EU's market (Table 2.3A & Table 2.3C). In Japan's market, the extent of similarities faced by India from EU is low but the competitive pressure is increasing over the years (Table 2.3B & Table 2.3D).

Food for Thought

Though India is not facing any direct competition from Japan and EU in each other's markets at disaggregated product level categories, except one product, but in a larger sense, India is exporting more or less same type of products, as exported by Japan and EU, in each other's markets. In future, India will be facing strong competition from Japan in terms of exports of vehicles to the EU. Therefore, India should finalise the Broad-based Trade and Investment Agreement (BTIA) with the EU in order to keep its position in this market. On the other hand, India should also expedite the implementation of India-Japan Comprehensive Economic Partnership Agreement (CEPA) to keep its position in the Japanese market.

3. China, South Korea and Mercosur Free Trade Agreement

China and South Korea are seeking to establish free trade agreements with Mercosur in a strategic response to Washington's increasingly protectionist stance. South Korean Prime Minister Lee Nak-yeon agreed with Brazilian President Michel Temer to start formal negotiations for a free trade deal between South Korea and the South American bloc. Mercosur also includes Argentina, Uruguay and Paraguay. The pact would reportedly be designed to increase South Korean exports of consumer electronics and autoparts and boost Mercosur's shipments of corn, soybeans and other grains. China is also keen on Mercosur markets. Earlier this year, Foreign Minister Wang Yi visited Montevideo and pressed the case for a China-Mercosur pact in talks with President Tabare Vazquez. Signing a free-trade agreement with China would give the country "access to a market of 1.3 billion," Wang told the Uruguayan leader. Trump's protectionist agenda also gives Beijing the chance to expand its diplomatic influence in the region. In January, an official at the Chinese Embassy in Brazil told a local newspaper that China was opening the door as "one person" is closing another.

<https://asia.nikkei.com/Economy/China-and-South-Korea-seek-free-trade-deal-with-Mercosur>

CUTS Comments

To counter USA's protectionist actions, China, South Korea and Mercosur are sitting together to articulate a trade pact for better economic and political relationships amongst themselves. Table 3.1 provides a list of top ten exports of India, South Korea and China to Mercosur with their respective shares and CAGR over 2012-16. It is clear that these three nations are exporting products of different types to Mercosur.

India's exports to South Korea are not comparable to China's exports, which are nearly 27 times larger in volume and highly diversified with the top ten products making up approximately 32 per cent of their total exports to South Korea.

There is no significant difference in terms of total exports of India and Mercosur to South Korea but the exports of top ten products of Mercosur are almost double than that of India to the same.

Table 3.1: India, Mercosur and China's Top Ten Exports to South Korea

Product Code	Product Description	India's Exports to South Korea		Mercosur's Exports to South Korea		China's Exports to South Korea	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
760110	Aluminium, not alloyed	507.48 (14.64)	-60				
271011	Light petroleum oils & preparations	487.74 (14.07)	-92				
720241	Ferro-chromium, containing by weight >4% of carbon	143.33 (4.14)	-86				
903289	Automatic regulating/controlling instructors. & apparatus	68.46 (1.98)	2839				
271019	Petroleum oils & oils obtained from bituminous minerals	66.51 (1.92)	-91				
790111	Zinc, not alloyed,	63.92 (1.84)	-77				
710239	Diamonds, non-industrial	50.13 (1.45)	-77				
271099	Waste oils	44.79 (1.29)	-73				
230649	Oil-cake & other solid residues from extraction of colza seeds	44.66 (1.29)	-78				
711299	Waste & scrap of precious metal	43.07 (1.24)	-97				
230400	Oil-cake & other solid residues, from extraction of soyabean oil			618.26 (16.15)	-74.48		
100590	Maize (corn), other than seed			512.02 (13.37)	-90.63		
220710	Undenatured ethyl alcohol of an alcoholic strength of 80%			300.27 (7.84)	-44.45		
260111	Iron ores & concentrates			280.18 (7.32)	-95.05		
120100	Soya beans, whether/not broken			253.17 (6.61)	-72.76		
150710	Soya bean oil, crude			184.78 (4.83)	-85.19		
520100	Cotton, not carded/combed			173.88 (4.54)	-88.28		
020714	Cuts & edible offal of species Gall			169.57 (4.43)	-80.30		
260300	Copper ores & concentrates			154.94 (4.05)	-94.06		
470329	Chemical wood pulp, soda/sulphate,			123.34 (3.22)	-76.28		
851712	Telephones for cellular networks					7933.71 (8.47)	-81.82
854232	Electronic integrated circuits,					7267.30 (7.76)	-42.38
851770	Parts of telephone sets,					6200.25 (6.62)	-83.42
901380	Liquid crystal devices					2106.30 (2.25)	-83.18
847130	Portable automatic data processing machines					1491.41 (1.59)	-84.74
854430	Ignition wiring sets & other wiring					1313.17 (1.40)	-74.42
847170	Storage units					1195.53 (1.28)	-6.97
722830	Bars & rods of other alloy steel					1103.62 (1.18)	-66.57
722530	Other flat-rolled products of other alloy steel					1036.50 (1.11)	-82.60
854140	Photosensitive semiconductor device					1029.86 (1.10)	-76.13
Sub-Total*		1520.08 (43.86)		2770.39 (72.36)		30677.64 (32.74)	
Total Exports in 2016 (in US\$ mn)		3465.42		3828.38		93707.10	

Notes: Values in the parenthesis are export share of the particular product in total exports;
* Summation of the top ten exported products

Source: WITS database

Table 3.2: India, South Korea and Mercosur's Top Ten Exports to China

Product Code	Product Description	India's Exports to China		South Korea's Exports to China		Mercosur's Exports to China	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
740311	Cathodes & sections of cathodes	619.35 (6.95)	-94.33			355.62 (0.88)	-26.51
271011	Light petroleum oils & preparations	558.32 (6.26)	-54.99				
260111	Iron ores & concentrates, non-agglomerated	531.01 (5.96)	-95.08			7202.76 (17.80)	-89.68
260112	Iron ores & concentrates, agglomerated	429.64 (4.82)	3214.37				
251611	Granite, crude/roughly trimmed	299.89 (3.36)	-86.22				
520512	Cotton yarn, single, of uncombed fibres,(>14 metric number)	272.94 (3.06)	-65.09				
520524	Cotton yarn, single, of combed fibres	259.40 (2.91)	-82.62				
151530	Castor oil & fractions thereof	243.37 (2.73)	-84.60				
520100	Cotton, not carded/combed	228.59 (2.56)	-98.24				
520514	Cotton yarn, of uncombed fibres, (>52 metric number)	215.12 (2.41)	-71.47				
854232	Electronic integrated circuits			14630.93 (11.76)	-53.24		
901380	Liquid crystal devices			12066.60 (9.70)	-87.69		
854231	Electronic integrated circuits			5853.70 (4.70)	-82.30		
290243	p-Xylene			4481.29 (3.60)	-67.51		
853190	Parts of the apparatus of 85.31			4264.13 (3.43)	-75.88		
851770	Parts of telephone sets			3474.12 (2.79)	-79.14		
271019	Petroleum oils & oils obtained from bit. minerals (other than crude)			2702.07 (2.17)	-93.07		
853890	Parts suitable for use			2136.53 (1.72)	-71.00		
852580	Television cameras, digital camera			2074.44 (1.67)	1339.77		
870840	Gear boxes & parts thereof			1996.66 (1.60)	-52.98		
120100	Soya beans, whether/not broken					17328.03 (42.82)	-76.99
270900	Petroleum oils & oils obtained from bituminous minerals (crude)					4286.19 (10.59)	-84.37
470329	Chemical wood pulp, soda/sulphate					1753.40 (4.33)	-65.22
020230	Meat of bovine animals, frozen					1341.02 (3.31)	92.91
020714	Cuts & edible offal of species					953.45 (2.36)	-66.35
170111	Cane sugar, raw, in solid form					818.08 (2.02)	-84.62
470200	Chemical wood pulp					353.62 (0.87)	-68.34
240120	Tobacco, partly/wholly stemmed					342.34 (0.85)	-88.09
Sub-Total*		3657.63 (41.02)		53680.46 (43.14)		34734.50 (85.82)	
Total Exports in 2016 (in US\$ mn)		8916.07		124432.94		40471.05	

Notes: Values in the parenthesis are export share of the particular product in total exports;
* Summation of the top ten exported products

Source: WITS database

From Table 3.2, it is clear that South Korea's exports to China are also not comparable to India's exports to China, being nearly 14 times larger though broadly similar in product-wise export diversification. Mercosur's total exports to China are nearly five times larger than that of India's exports, with top ten exports contributing 85 per cent.

Of the two identical products in the top ten export lists of Mercosur and India's to China, India has a slight advantage in its own top product - cathodes & sections of cathodes, but Mercosur has an overwhelming advantage in the other product - iron ores & concentrates, non-agglomerated.

Table 3.3 outlines the top ten exports of India, South Korea and China to Mercosur along with their percentage shares and CAGRs. India is a smaller player than China and South Korea while exporting to Mercosur.

In its diversified portfolio of exports to Mercosur, India is sharing one product in common with China, namely herbicides, anti-sprouting product, on which China is in a very strong position as compared to India.

While exporting to Mercosur, India and South Korea are commonly exporting other parts & accessories for the motor vehicles. South Korea is holding a strong position in this product as its export is double, in terms of value, than that of India.

Table 3.3: India, South Korea and China's Top Ten Exports to Mercosur

Product Code	Product Description	India's Exports to Mercosur		South Korea's Exports to Mercosur		China's Exports to Mercosur	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
540233	Textured yarn other than sewing thread	154.91 (5.05)	-84.75				
380892	Fungicides, put up in forms/packing	133.27 (4.34)	6.93				
300490	consisting of mixed/unmixed products for therapeutic	132.89 (4.33)	-75.74				
271019	Petroleum oils & oils obtained from bit. minerals (other than crude)	127.85 (4.17)	-99.24				
380891	Insecticides, put up in forms/ packings for retail sale	115.49 (3.76)	-89.90				
870899	Other parts & accessories for the motor vehicles	110.76 (3.61)	-78.83	212.05 (3.87)	-94.90		
380899	Rodenticides& other biocides	80.26 (2.61)	-70.31				
294200	Organic comps. n.e.s. in Ch.29	62.82 (2.05)	-90.83				
380893	Herbicides, anti-sprouting product	55.93 (1.82)	-44.44			352.73 (1.10)	-67.89
840710	Spark-ignition reciprocating/rotary	51.09 (1.66)	--				
851770	Parts of telephone sets			703.72 (12.85)	-77.36		
852990	Other parts suitable for use			296.28 (5.41)	-88.65		
854239	Other Electronic integrated circuits, other than Amplifier			275.76 (5.04)	-82.19		
870323	Vehicles principally designed for the transport of persons			273.31 (4.99)	-95.43		
854232	Electronic integrated circuits			238.88 (4.36)	-79.03		
901380	Liquid crystal devices			161.23 (2.94)	-94.67		
840734	Spark ignition reciprocating piston engines			149.51 (2.73)	41.00		
870840	Gear boxes & parts thereof			127.26 (2.32)	-72.98		
860310	Self-propelled railway/tramway			110.83 (2.02)	--		
851712	Telephones for cellular networks					829.10 (2.58)	-77.21
851770	Parts of telephone sets					765.03 (2.38)	-81.16
901380	Liquid crystal devices					732.75 (2.28)	-91.17
293100	Organo-inorganic compounds					426.32 (1.33)	-84.82
852872	Other colour reception apparatus					419.94 (1.31)	-82.04
940540	Electric lamps & lighting fittings					389.19 (1.21)	-27.08
851762	Machines for the reception					389.13 (1.21)	-86.51
854140	Photosensitive semiconductor device					367.98 (1.15)	320.02
841510	Window/wall type air-conditioning					326.98 (1.02)	-89.70
Sub-Total*		1025.27 (33.40)		2548.84 (46.54)		4999.16 (15.56)	
Total Exports in 2016 (in US\$ mn)		3069.48		5476.54		32119.11	

Notes: Values in the parenthesis are export share of the particular product in total exports;
* Summation of the top ten exported products

Source: WITS database

Degrees of homogeneity and competitive pressure for India from and in the markets of China, South Korea and Mercosur are given by Table 3.4. India is facing moderate levels of competition and pressure from China while exporting to Mercosur and South Korea, and also, these pressures are varying overtime (Table 3.4A and Table 3.4C)

Indian exports to China and Mercosur are having low levels of similarities when compared with its exports of South Korea to these two countries/region (Table 3.4B). Contrarily, the relative export pressure faced by India from South Korea is higher in China than in Mercosur.

While exporting to South Korea, Indian exports are having low degree of similarity with the exports of Mercosur but the same is bit a higher with exports of China (Table 3.4E). The export pressure, as shown in Table 3.4F, faced by India from Mercosur is far higher in China than at the South Korean market.

Table 3.4: FKI and RECPI among India, China, South Korea and Mercosur (2012-16)

A. India's FKI with China in South Korea & Mercosur's Markets							B. India's FKI with South Korea in China & Mercosur's Markets						
Competitor	Market	2012	2013	2014	2015	2016	Competitor	Market	2012	2013	2014	2015	2016
China	Mercosur	0.15	0.18	0.15	0.20	0.22	South Korea	China	0.10	0.12	0.13	0.12	0.14
China	South Korea	0.11	0.12	0.12	0.13	0.13	South Korea	Mercosur	0.18	0.14	0.12	0.17	0.18
C. India's RECPI with China in South Korea & Mercosur's Markets							D. India's RECPI with South Korea in China & Mercosur's Markets						
Competitor	Market	2012	2013	2014	2015	2016	Competitor	Market	2012	2013	2014	2015	2016
China	Mercosur	0.05	0.04	0.01	0.16	0.94	South Korea	China	0.27	0.43	0.95	1.01	1.30
China	South Korea	0.47	1.13	1.02	0.64	0.37	South Korea	Mercosur	0.31	0.10	0.03	0.13	0.35
E. India's FKI with Mercosur in China & South Korea's Markets													
Competitor	Market	2012	2013	2014	2015	2016							
Mercosur	China	0.19	0.12	0.08	0.06	0.11							
Mercosur	South Korea	0.08	0.08	0.07	0.06	0.05							
F. India's RECPI with Mercosur in China & South Korea's Markets													
Competitor	Market	2012	2013	2014	2015	2016							
Mercosur	China	1.86	1.22	0.69	0.40	2.31							
Mercosur	South Korea	0.12	0.17	0.05	0.06	0.03							

Source: TradeSift calculations using data from Comtrade via WITS (HS 6-Digit)

Food For Thought

The trilateral trade pact of China, South Korea and Mercosur will be helpful in knitting a strong trade relationship among them. On the other hand, India will suffer from losing out its existing trade shares, which are significant from its own perspective, in these three markets. China, South Korea and Mercosur are giant players and India has relatively low levels of trade shares when compared with them and that too will be in danger after the implementation of this trilateral trade pact. As a remedy to this, India has to start and/or expedite its existing trade talks with China, South Korea and Mercosur.