

CUTS Dossier on Preferential Trade Agreements

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1. Indonesia-Australia Comprehensive Economic Partnership Agreement

Australia and Indonesia are building on the ASEAN-Australia-New Zealand Free Trade Agreement which has a focus on tariff reduction and economic integration into ASEAN, including an aid-for-trade program. They have been working since 2010 to put together an Economic Partnership Agreement which is expected to address impediments to bilateral trade, including both tariff and non-tariff barriers. It is also hoped that the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) could improve access for both countries in each other's services markets and address impediments to increasing Australian investment in Indonesia and Indonesian investment in Australia. IA-CEPA aims to liberalise the current trading environment by eliminating and reducing tariff barriers, building more trade facilitative processes, and improving conditions that impede their services suppliers and investors. The ninth round of negotiations concluded in October 2017.

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Trade_and_Investment_Growth/IndonesiaTrade/Report_1/section?id=committees%2Freportjnt%2F024065%2F24601

CUTS Comments

Indonesia is India's second largest trading partner amongst the ASEAN (10-member Association of Southeast Asian Nations) countries. India is in a trade agreement with Indonesia through the India-ASEAN free trade agreement and with Australia the negotiations are going on to establish free trade relations.

Top ten exported products of India and Indonesia to Australia in 2016 are given by Table 1.1. The volume of India's and Indonesia's top ten export products is roughly the same but in overall term Indonesia exports more to Australia.

India and Indonesia's exports to Australia are of diverse nature and there is no product overlapping between the exports of these two. In general, both are exporting petroleum oils & oils obtained from bituminous to Australia but the former is exporting the same in non-crude form, whereas the latter is exporting in crude form.

Table 1.1: India and Indonesia's Top Ten Exports to Australia

Product Code	Product Description	India's Exports to Australia		Indonesia's Exports to Australia	
		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 (Non-crude)	496.54 (16.84)	27.44	--	--
271011	Light petroleum oils & preparations	265.72 (9.01)	66.91	--	--
300490	Medicaments	172.7 (5.86)	15.14	--	--
710239	Diamonds	159.33 (5.4)	1.31	--	--
711319	Articles of jewellery & parts thereof	105.85 (3.59)	-3.19	--	--
870322	Transport Vehicle	38.45 (1.3)	-25.49	--	--
100630	Semi-milled/wholly milled rice	35.34 (1.2)	6.07	--	--
630260	Toilet linen & kitchen linen	33.4 (1.13)	9.13	--	--
300410	Medicaments containing penicillins/derivatives	22.15 (0.75)	21.73	--	--
380893	Herbicides	21.59 (0.73)	16.35	--	--
270900	Petroleum oils & oils obtained from bituminous (Crude)	--	--	534.3 (16.7)	-23.29
730890	Mechanical structures and their parts	--	--	435.53 (13.61)	70.76
440929	Wood (including strips & friezes for parquet flooring, not assembled)	--	--	99.46 (3.11)	-5.96
401110	New pneumatic tyres	--	--	54.25 (1.7)	-15.74
480300	Toilet tissue and napkin paper	--	--	47.43 (1.48)	12.86
310210	Urea, whether/not in aqueous solution	--	--	46.89 (1.47)	-15.61
730799	Tube/pipe fittings of iron/steel	--	--	43.9 (1.37)	191.67
847490	Parts of the machinery	--	--	43.57 (1.36)	7.94
731589	Chain, of iron/steel	--	--	42 (1.31)	362.38
852872	Colour reception apparatus for television	--	--	40.69 (1.27)	-17.96
Sub-Total*		1351.06 (45.82)	--	1388.02 (43.39)	--
Total Exports in 2016 (US\$ mn)		2948.41	--	3199.01	--

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

Source: WITS database

India and Australia's top ten exports, with their corresponding CAGRs, to Indonesia are represented by Table 1.2. Australia's top ten exports to Indonesia are roughly twice in comparison to that of India but this difference is little in terms of total exports.

India and Australia are competing in two products in Indonesia's market. They are: meat of bovine animals and cotton (non-carded/combed). Though the volume of exports of meat of bovine animals is nearly the same from India and Australia but India's CAGR is very high (201.07) as compared to that of Australia (24.65). This rapid growth of India's exports shows that in future India may face more competition Australia as a result of the formation of this CEPA between Indonesia and Australia.

Table 1.2: India and Australia's Top Ten Exports to Indonesia

Product Code	Product Description	India's Exports to Indonesia		Australia's Exports to Indonesia	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
120220	Ground-nuts	218.34 (6.97)	1.21	--	--
20230	Meat of bovine animals	203.39 (6.5)	201.07	208.18 (5.24)	24.65
890590	Light-vessels	173.89 (5.55)	44.24	--	--
890400	Tugs & pusher craft	112.17 (3.58)	20.17	--	--
290243	p-Xylene	107.97 (3.45)	-31.33	--	--
870899	Motor Vehicle parts	79.66 (2.54)	-7.45	--	--
520100	Cotton (Non-carded/combed)	73.14 (2.34)	14.32	129.05 (3.25)	-15.11
271011	Light petroleum oils & preparations	61.23 (1.96)	-54.14	--	--
90420	Fruits of the genera Capsicum/Pimenta	48.69 (1.55)	28.07	--	--
721913	Flat-rolled products of stainless steel	46.71 (1.49)	-5.43	--	--
100190	Wheat other than durum wheat	--	--	732.09 (18.41)	-14.50
10290	Live bovine animals	--	--	511.14 (12.86)	28.12
270900	Petroleum oils & oils obtained from bituminous (Crude)	--	--	457.56 (11.51)	16.12
270112	Bituminous coal	--	--	217.74 (5.48)	771.03
40210	Milk in powder/granules/other solid form	--	--	77.53 (1.95)	2.43
790111	Zinc, not alloyed, unwrought	--	--	54.83 (1.38)	21.23
230110	Flours, meals & pellets of meat/meat offal	--	--	53.28 (1.34)	-14.13
760110	Aluminum, not alloyed, unwrought	--	--	50.36 (1.27)	-30.44
Sub-Total*		1125.18 (35.93)	--	2491.75 (62.67)	--
Total Exports in 2016 (US\$ mn)		3131.5	--	3975.95	--
Notes: Values in the parenthesis are export shares of particular products in total exports; * Summation of the top ten exported products					
<i>Source: WITS database</i>					

The other common product is cotton (non-carded/combed). Though Australia's export value is nearly twice than that of India but this is declining over time, as shown by negative CAGR. On the other hand, India's exports of the same product are making decent progress overtime.

The effect of this IA-CEPA can also be analysed by using the indices of homogeneity and competitive pressure faced by Indian exports from Indonesia and Australia in their respective markets. For this, we have used 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 & RECPI among India, Indonesia and Australia

A. India's FKI with Indonesia in Australia's Market						B. India's FKI with Australia in Indonesia's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Australia	0.12	0.11	0.11	0.11	0.13	Indonesia	0.08	0.10	0.11	0.11	0.16
C. India's RECPI with Indonesia in Australia's Market						D. India's RECPI with Australia in Indonesia's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Australia	0.16	0.06	0.08	0.02	0.03	Indonesia	0.05	0.04	0.14	0.04	0.31

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

India's export competition and pressure from Indonesia in Australia's market do not show any symptoms of worry for India from the IA-CEPA (Table 1.3A & Table 1.3C). Similarly, the value of FKI and RECPI indices of India with Australia in their exports to the Indonesian market are not showing any alarming trend (Table 1.3B & Table 1.3D).

Food for Thought

Overall, our analysis has not presented any alarming signals accruing from this trade deal on India's trade relationships with them but the closeness of Indonesia and Australia will make competition tough for India in the Indonesia's market in future; if not in the Australia's market. Australia will challenge India's export of meat of bovine animals and cotton (Non-carded/combed) in Indonesia. Therefore, India should enhance its trade ties with these two countries with a particular focus on Indonesia.

2. Canada-Mercosur Free Trade Agreement

Ministers of the Mercosur¹ member states underscored the opportunity for a comprehensive, progressive and commercially meaningful free trade agreement (FTA) which will provide mutual benefit to Canada and Mercosur. Strengthening ties through enhanced trade and investment flows is an integral step toward a shared interest in sustainable prosperity and a shared commitment to trade liberalization and open markets. The ministers recognized the importance of advancing this initiative in an inclusive manner. Mercosur and Canada will seek to negotiate issues such as market access for goods and services, labour, the environment, trade and gender, micro-, small and medium-sized enterprises, among others. Integrating these elements will reinforce a collective commitment to lasting economic growth and development for all people. Following the announcement made on March 9, 2018 in Asuncion, Paraguay, to launch negotiations toward a comprehensive Canada-Mercosur free trade agreement (FTA), the Honourable François-Philippe Champagne, Minister of International Trade, is pleased to welcome the first round of formal negotiations in Ottawa from March 20 to 23, 2018.

(<https://www.canada.ca/en/global-affairs/news/2018/03/minister-of-international-trade-welcomes-first-round-of-negotiations-with-mercotur-countries-in-ottawa.html>)

CUTS Comments

India has a preferential trade agreement (PTA) with Mercosur and is now putting more efforts to expand this existing PTA, whereas, with Canada India is still looking for a breakthrough.

India, Canada and Mercosur's volume of exports of top ten exported products with their corresponding CAGRs is given by Table 2.1 and Table 2.2, respectively. From Table 2.1, it is clear that India is in competition with Canada in two commodities: medicaments and petroleum oils & oils obtained from bituminous (non-crude).

Canada's exports of medicaments are more than double than the Indian exports and are also having very high CAGR. These exports account for only four per cent of India's total exports to Mercosur, whereas, for Canada, the same products account for more than 15 per cent of Canada's total exports to Mercosur.

India's exports of petroleum oils & oils obtained from bituminous (non-crude) to Mercosur are six times higher than Canada's exports. Both are experiencing a declining CAGR and this decline in CAGR is higher in case of growth of Indian exports (-55.86).

¹ Mercosur includes Argentina, Brazil, Paraguay and Uruguay

Table 2.1: India and Canada's Top Ten Exports to Mercosur

Product Code	Product Description	India's Exports to Mercosur		Canada's Exports to Mercosur	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
540233	Textured yarn	154.91 (5.05)	-6.56		
380892	Fungicides	133.27 (4.34)	52.06		
300490	Medicaments	132.89 (4.33)	4.94	296.74 (15.59)	99.68
271019	Petroleum oils & oils obtained from bituminous (Non-crude)	127.85 (4.17)	-55.86	24.04 (1.26)	-13.84
380891	Insecticides	115.49 (3.76)	-15.70		
870899	Motor Vehicle parts	110.76 (3.61)	1.43		
380899	Rodenticides & other biocides	80.26 (2.61)	10.38		
294200	Organic Compounds	62.82 (2.05)	-17.71		
380893	Herbicides, anti-sprouting products & plant-growth regulators	55.93 (1.82)	29.10		
840710	Spark-ignition reciprocating/rotary	51.09 (1.66)	NA [#]		
310420	Potassium chloride			498.33 (26.18)	-11.36
270112	Bituminous coal			124.54 (6.54)	-25.03
480100	Newsprint			69.69 (3.66)	-23.59
270900	Petroleum oils & oils obtained from bituminous (Crude)			64 (3.36)	NA [#]
880529	Ground flying trainers			35.99 (1.89)	5.63
100190	Wheat other than durum wheat			34.84 (1.83)	333.61
880330	Parts of aeroplanes/helicopters			33.81 (1.78)	32.4
999999	Commodities not specified			23.1 (1.21)	-6.2
Sub-Total*		1025.27 (33.40)		1205.08 (63.32)	
Total Exports in 2016 (US\$ mn)		3069.48		1903.16	
<p>Notes: Values in the parenthesis are export shares of particular products in total exports; * Summation of the top ten exported products [#] Data for the year 2012 is not available.</p>					
<p><i>Source: WITS database</i></p>					

Table 2.2 highlights that Mercosur's total exports to Canada are approximately double than that of India. Furthermore, there is no product that India and Mercosur are exporting commonly to Canada's market.

Like in Canada's market, India is mainly exporting medicament products to Mercosur's market. On the other hand, the majority of Canada's exports are gold, aluminium oxide and cane sugar (raw) in solid form.

Table 2.2: India and Mercosur's Top Ten Exports to Canada

Product Code	Product Description	India's Exports to Canada		Mercosur's Exports to Canada	
		Export Value in 2016 (US\$ mn)	CAGR (2012-16)	Export Value in 2016 (US\$ mn)	CAGR (2012-16)
300490	Medicaments	123.57 (6.27)	3.29	--	--
30613	Shrimps & prawns (Frozen)	75.97 (3.86)	7.33	--	--
711319	Articles of jewellery & parts	69.72 (3.54)	3.79	--	--
710239	Diamonds	43.42 (2.20)	6.89	--	--
870899	Motor Vehicles parts	39.54 (2.01)	33.44	--	--
100630	Semi-milled or wholly milled rice	34.59 (1.76)	-2.19	--	--
630260	Toilet linen & kitchen linen	32.81 (1.67)	19.91	--	--
392690	Articles of plastics	27.47 (1.39)	5.86	--	--
610910	Knitted garments	24.36 (1.24)	-7.45	--	--
630419	Bedspreads (non-knitted)	23.05 (1.17)	16.91	--	--
710812	Gold	--	--	1102.59 (30.70)	-12.77
281820	Aluminium oxide	--	--	750.98 (20.91)	5.40
170111	Cane sugar, raw, in solid form	--	--	257.04 (7.16)	-14.41
710813	Gold	--	--	198.49 (5.53)	59.50
90111	Coffee	--	--	124.24 (3.46)	5.28
20230	Meat of bovine animals (Frozen)	--	--	66.92 (1.86)	5.89
220421	Wine	--	--	64.52 (1.80)	-6.73
260600	Aluminium ores & concentrates	--	--	59.10 (1.65)	-0.32
720712	Semi-finished products of iron	--	--	53.00 (1.48)	30.84
842920	Self-propelled graders & levellers	--	--	46.08 (1.28)	2.65
Sub-Total*		494.51 (25.10)	--	2722.96 (75.81)	--
Total Exports in 2016 (US\$ mn)		1970.16	--	3591.68	--
<p>Notes: Values in the parenthesis are export shares of particular products in total exports; * Summation of the top ten exported products</p> <p><i>Source: WITS database</i></p>					

The level of similarity and competitive pressure from the exports of Canada and Mercosur in each other's market with India is given by Table 2.3. It is evident that India is facing low degree of similarity and competitive pressure from Canada in Mercosur's market (Table 2.3A & Table 2.3C). Also, the extent of similarity and competitive pressure faced by India from Canada while exporting to Mercosur's market is almost negligible (Table 2.3B & Table 2.3D).

Table 2.3: FKI & RECPI among India, Canada and Mercosur

A. India's FKI with Canada in Mercosur's Market						B. India's FKI with Mercosur in Canada's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Mercosur	0.09	0.07	0.06	0.11	0.12	Canada	0.06	0.05	0.05	0.05	0.05
C. India's RECPI with Canada in Mercosur's Market						D. India's RECPI with Mercosur in Canada's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Mercosur	0.01	0.00	0.00	0.03	0.31	Canada	0.11	0.10	0.07	0.07	0.11

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

Food for Thought

Even if Canada and Mercosur are going to be preferential trading partners, our analysis confirms that India is not going to be harmed much. However and though India is a relatively larger player than Canada in Mercosur in terms of total exports, it can face some difficulty in trading with Mercosur from the preferences it will give to Canada. On the other hand, while Mercosur is capturing a relatively larger share of Canada's market, there are no symptoms that the preferences to Mercosur will divert the trade away from India to Mercosur in Canada's market. Therefore, India should further strengthen its trade ties with Mercosur and that should also be extended to Canada.

3. Sri Lanka Singapore Free Trade Agreement

Sri Lanka-Singapore Free Trade Agreement (SLSFTA) was signed by Singapore's Minister for Trade and Industry (Industry) S Iswaran and Sri Lanka's Minister for Development Strategies and International Trade Malik Samarawickrama on January 23, 2018. This is a comprehensive free trade agreement which covers goods, services, e-commerce, telecommunications, foreign direct investment, intellectual property and public procurement. With this deal, Singapore and Sri Lanka companies will gain greater access to each other's markets across many sectors. Sri Lanka will eliminate tariffs on 80 per cent of Singapore's exports over 15 years, and has committed to very liberal rules of origin. Singapore already grants Sri Lanka tariff free access on most goods.

<http://www.businesstimes.com.sg/government-economy/singapore-sri-lanka-keen-to-pursue-bilateral-free-trade-pact>

CUTS Comments

India's economic relations with Singapore are very good as enshrined in the ASEAN-India Free Trade Agreement and the India-Singapore Comprehensive Economic Cooperation Agreement. India is also connected with Sri Lanka through the India-Sri Lanka FTA.

Table 3.1 and Table 3.2 display the top ten exported products of India, Sri Lanka and Singapore along with their corresponding shares in total trade for 2016 and, also, product-wise CAGR over five years (2012 - 2016).

As shown in Table 3.1, the volume of India's top ten products is more than seventy times larger than Sri Lanka's exports of top ten products to Singapore. This portrays that India is a major player in comparison to Sri Lanka while exporting to Singapore. Majority of Indian exported products include petroleum products, diamond made products and jewellery related items.

India is competing with Sri Lanka in two products: petroleum oils & oils obtained from bituminous minerals and articles of jewellery & parts thereof. India's exports of petroleum oils & oils obtained from bituminous minerals are many times higher than Sri Lanka's exports of the same. However, both have very low CAGR in the exports of aforementioned commodity and India is experiencing a negative growth in comparison to Sri Lanka.

Articles of jewellery & parts thereof are the sixth largest exporting items from India as well as Sri Lanka to Singapore. Here again, the CAGRs are very low for India and Sri Lanka, and while Sri Lanka is experiencing a positive growth, India's CAGR is negative.

Table 3.1 India and Sri Lanka's Top Ten Exports to Singapore

Product Code	Product Description	India's Exports to Singapore		Sri Lanka's Exports to Singapore	
		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 (Non-crude)	2004.81 (27.26)	-0.08	18.24 (21.93)	0.28
271011	Light petroleum oils & preparations	1364.9 (18.56)	-0.23		
890400	Tugs & pusher craft	358.86 (4.88)	-0.02		
740311	Cathodes & sections of cathodes	274.51 (3.73)	0.46		
890590	Light-vessels, fire-floats	261.77 (3.56)	-0.18		
711319	Articles of jewellery & parts thereof	194.79 (2.65)	-0.09	2.71 (15.80)	0.68
710231	Diamonds, non-industrial, unworked	187.23 (2.55)	2.86		
880330	Parts of aeroplanes/helicopters	176.79 (2.40)	0.10		
710239	Diamonds, non-industrial other than	96.22 (1.31)	-0.16		
290715	Naphthols & their salts	69.18 (0.94)	165.45		
890190	Vessels for the transport of goods			25.33 (6.42)	-0.01
490700	Unused postage, revenue			7.42 (2.97)	3.26
250610	Quartz, other than natural sands			3.43 (2.47)	0.00
110100	Wheat/meslin flour			2.85 (2.35)	-0.16
090230	Tea, black (fermented)			2.56 (2.22)	0.01
710391	Rubies, sapphires & emeralds			2.43 (2.10)	1.35
853225	Fixed electrical capacitors			2.31 (2.00)	-0.02
200819	Nuts (excl. ground-nuts)			2.13 (1.85)	0.13
Sub-Total*		4989.06 (67.83)		69.41 (60.11)	
Total Exports in 2016 (US\$ mn)		7354.86		115.47	

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

Source: WITS database

From Table 3.2, it is clear that while there is a significant difference in the volume of products exported by India to Sri Lanka and Singapore to Sri Lanka but the gap in CAGR is not as large as the difference in volumes of India and Sri Lanka's trade to Singapore. India's volume of exports of top ten products to Sri Lanka is two times larger than the volume of Singapore's top ten exports. Likewise, in case of India and Sri Lanka's competition in terms of exports of petroleum oils & oils obtained from bituminous minerals, India and Singapore are competing in terms of exports of the same product in the Sri Lanka's market. However, both have very minimal CAGRs in the exports of petroleum oils & oils obtained from bituminous minerals with declining trends overtime.

Table 3.2 India and Singapore's Top Ten Exports to Sri Lanka

Product Code	Product Description	India's Exports to Sri Lanka		Singapore's Exports to Sri Lanka	
		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 (Non-crude)	333.43 (8.10)	-0.03	375.51 (28.26)	-0.14
880230	Aeroplanes & other aircrafts	226.65 (5.50)	0.10		
871120	Motorcycles (incl. mopeds) & cycles	208.52 (5.06)	0.12		
880240	Aeroplanes & other aircrafts	186.72 (4.53)	-0.29		
300490	Medicaments	138.24 (3.36)	0.08		
890510	Dredgers	121.8 (2.96)	0.15		
870321	Vehicles (excl. of 87.02 & 8703.10)	121.74 (2.96)	-0.04		
252329	Portland cement (excl. white cement)	120.38 (2.92)	0.11		
870421	Motor vehicles	96.19 (2.34)	0.00		
90420	Fruits of the genera Capsicum	86.73 (2.11)	0.14		
271011	Light petroleum oils & preparations			244.86 (18.43)	0.32
851712	Telephones for cellular networks			37.58 (2.83)	0.36
711319	Articles of jewellery & parts there			31.6 (2.38)	-0.01
847130	Portable automatic data processing			28.55 (2.15)	-0.02
999999	Commodities not specified according			21.24 (1.60)	-0.07
844399	Other parts & accessories for print			19.16 (1.44)	0.07
847330	Parts & accessories of the machines			19.04 (1.43)	-0.11
845229	Sewing machines (excl. h-hold. Type)			18.66 (1.40)	0.07
851762	Machines for the reception			12.64 (0.95)	0.09
Sub-Total*		1640.4 (39.83)		808.84 (60.87)	
Total Exports in 2016 (US\$ mn)		4118.25		1328.84	
<p>Notes: Values in the parenthesis are export shares of particular products in total exports; * Summation of the top ten exported products</p> <p>Source: WITS database</p>					

Degrees of homogeneity and competitive pressure for India in the markets of Singapore and Sri Lanka are presented by Table 3.3. India's exported products are not very much homogenous with Sri Lanka's exported products to Singapore's market (Table 3.3A) and hence, facing not much competitive pressure from Sri Lanka (Table 3.3C).

Table 3.3: FKI & RECPI among India, Sri Lanka and Singapore

A. India's FKI with Sri Lanka in Singapore's Market						B. India's FKI with Singapore in Sri Lanka's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Singapore	0.11	0.05	0.18	0.25	0.23	Sri Lanka	0.23	0.22	0.17	0.23	0.20
C. India's RECPI with Sri Lanka in Singapore's Market						D. India's RECPI with Singapore in Sri Lanka's Market					
Competitor	2012	2013	2014	2015	2016	Competitor	2012	2013	2014	2015	2016
Singapore	0.00	0.00	0.00	0.00	0.01	Sri Lanka	0.94	0.53	0.08	0.19	0.38

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

India's export similarity with Singapore is somewhat higher than its export similarity with Sri Lanka (Table 3.3B) and, as a result of this, there is some competitive pressure for India from Singapore in Sri Lanka's market, it not very high (Table 3.3D).

Food For Thought

India's exports to Singapore are sufficiently diversified. Despite some commonality with Sri Lanka's exports to Singapore, since Singapore already allowed tariff-free access on a majority of products to Sri Lanka, the SLSFTA should not result in a rapid increase in competing products being exported from Sri Lanka to Singapore. But some Indian exports to Sri Lanka may under threat because under the SLSFTA Sri Lanka has committed to reduce tariffs for Singapore. India's position as Sri Lanka's biggest trading partner is likely to be challenged in the near future. This challenge can be dispensed by expanding the scope of the existing India-Sri Lanka FTA.