

CUTS Dossier on Preferential Trade Agreements

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1. Indonesia and Bangladesh are set to start a PTA Negotiation

Bangladesh and Indonesia are set to start a negotiation this month for signing a preferential trade agreement to boost bilateral trade and to promote trade and economic partnership between the two countries. Commerce ministry officials have said that the first meeting of the trade negotiating committee (TNC) of Indonesia Bangladesh Preferential Trade Agreement (IB_PTA) will be held in Dhaka. They say that both sides will sign the terms of reference of TNC of the IB-PTA and set the procedures and probable time-line for implementation of the agreement. Both the countries on January 2018 reached a consensus to launch the negotiations for signing the PTA. The proposed agreement would only cover trade in goods and other areas mutually agreed upon such as cooperation among enterprises including small and medium enterprises of both sides.

(<http://www.newagebd.net/article/64343/bangladesh-indonesia-set-to-start-pta-negotiation>)

CUTS Comments

Being a neighbour with linguistic and cultural similarity, India is maintaining good relations with Bangladesh and also, enjoying duty free market access on a number of goods traded with this country under SAFTA (Agreement on South Asia Free Trade Area). Similarly, Bangladeshi goods enjoy duty free access to the Indian market. Bangladesh is very much dependent on Indian goods in the form of raw materials and directly consumable items.

In 2017 India's export to Bangladesh was US\$ 7.21 billion. The top ten exported products to Bangladesh belonged to the categories of raw materials for textile industry, semi-milled or wholly milled rice, transport vehicles and engine, oils and preparation of petroleum and bituminous minerals, and oilcake and other solid residue of soya-bean oil.

On the other hand, India is already having a trade agreement with Indonesia through India-ASEAN commitments. Existing export of Indonesia to Bangladesh is approximately one-sixth of India's export to Bangladesh in the year 2017. From Table 1.1 it is clear that there are no overlapping products, except one, which is medium oils and preparation of petroleum or bituminous minerals.

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

Product Code	Product Description	India's Exports to Bangladesh		Indonesia's Exports to Bangladesh	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
520100	Cotton, neither carded nor combed	733.6 (-0.03)	10.17		
100630	Semi-milled or wholly milled rice	374.98 (42.46)	5.2		
271019	Medium oils and preparations, of petroleum or bituminous minerals	302.71 (54.65)	4.2	16 (1)	42.65
871120	Motorcycles, incl. mopeds	267.72 (25.67)	3.71		
520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex	224.61 (12.31)	3.12		
520523	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex	172.4 (3.19)	2.39		
870600	Chassis fitted with engines for tractors, motor vehicles	146.77 (35.64)	2.04		
520942	Denim, containing >= 85% cotton	134.47 (-2.2)	1.87		
870422	Motor vehicles for the transport of goods, diesel or semi-diesel engine	130.21 (17.08)	1.81		
230400	Oilcake and other solid residues, extraction of soya-bean oil	102.1 (-6.78)	1.42		
151190	Palm oil and its fractions			824.57 (51.64)	13.43
470329	Semi-bleached or bleached non-coniferous chemical wood pulp, soda or sulphate			126.11 (7.9)	12.96
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning			24.89 (1.56)	32.27
550320	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning			24.49 (1.53)	96.74
551011	Single yarn, containing >= 85% artificial staple fibres			22.94 (1.44)	37.04
120300	Copra			21.95 (1.37)	76.94
390410	Poly"vinyl chloride", in primary forms			21.8 (1.37)	63.38
960720	Parts of slide fasteners			19.71 (1.23)	27.88
390760	Polyethylene terephthalate			18.85 (1.18)	79.52
Sub-Total*		2589.55 (35.92)	--	1121.3 (70.23)	--
Total Exports in 2017 (US\$ mn)		7210.1	--	1596.62	--
<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>					

Table 1.2 represents India and Bangladesh's positions in Indonesia's market. India is positioned well in this market as compared to Bangladesh with total exports of US\$ 3.76 billion, fifty times higher than Bangladesh's exports (US\$ 69.85 million). There is no common product that India and Bangladesh are exporting to Indonesia.

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

Product Code	Product Description	India's Exports to Indonesia		Bangladesh's Exports to Indonesia [#]	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
120242	Groundnuts, shelled	234 (6.22)	2.69		
271019	Medium oils and preparations, of petroleum or bituminous minerals,	150.82 (4.01)	2.33		
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars	148.81 (3.95)	24.49		
720719	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	139 (3.69)	111.42		
870410	Dumpers for off-highway use	128.78 (3.42)	136.9		
520100	Cotton, neither carded nor combed	116.04 (3.08)	0.84		
290243	P-Xylene	98.15 (2.61)	-26.47		
870899	Parts and accessories, for tractors, motor vehicles.	69.05 (1.84)	-12.08		
890400	Tugs and pusher craft	61.66 (1.64)	-6.96		
290220	Benzene	59.44 (1.58)	13.88		
530720	Multiple "folded" or cabled yarn of jute or of other textile bast fibres			15.53 (22.23)	-0.06
610910	T-shirts, singlets and other vests of cotton			8.72 (12.48)	30.67
630510	Sacks and bags, for the packing of goods, of jute or other textile bast fibres			6.25 (8.95)	-8.97
620342	Men's or boys' cotton trousers, bib and brace overalls, breeches and shorts			4.79 (6.86)	17.52
620462	Women's or girls' cotton trousers, bib and brace overalls, breeches and shorts			4.34 (6.21)	15.01
620520	Men's or boys' cotton shirts			2.54 (3.63)	18.86
611020	Cotton Jerseys, pullovers, cardigans, waistcoats and similar articles,			1.82 (2.6)	37.6
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres			1.8 (2.58)	18.89
611120	Babies' garments and clothing accessories of cotton			1.38 (1.97)	24.57
610990	T-shirts, singlets and other vests of textile materials			1.36 (1.94)	10.81
Sub-Total*		1205.74 (32.04)	--	48.52 (69.46)	--
Total Exports in 2017 (US\$ mn)		3762.67	--	69.85	--
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>					

India's top ten export basket constitutes a mixture of products from agriculture, heavy industry, raw cotton, mineral, and chemicals, whereas, Bangladesh's top ten exports basket is dominated by the various types of final textile products and these top product contributes 69.46 per cent in total export earnings of Bangladesh from Indonesia in the year 2017.

The potential effect of Indonesia-Bangladesh PTA on India can also be analysed by using the indices of homogeneity and competitive pressure faced by Indian exports from Indonesia and Bangladesh in their respective markets. For this, we will calculate 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 Bangladesh

A. India's FKI with Indonesia in Bangladesh's Market						B. India's FKI with Bangladesh in Indonesia's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
Bangladesh	0.08	0.09	0.09	0.11	0.10	Indonesia	0.20	0.02	0.04	0.02	0.01
C. India's RECPI with Indonesia in Bangladesh's Market						D. India's RECPI with Bangladesh in Indonesia's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
Bangladesh	0.01	0.01	0.01	0.02	0.02	Indonesia	0.01	0.00	0.00	0.00	0.00

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 Indonesia in Bangladesh's market. In the same way, there are no alarming signals for India from Bangladesh while having Indonesia as a common export destination (Table 1.3B & Table 1.3D).

Food for Thought

Formation of this PTA between Indonesia and Bangladesh will provide access to the exports of goods of Indonesia and Bangladesh in each other's market at the preferential rates. India is already enjoying good trade relations with both and our analysis has not revealed any potential harm to India's exports from the formation of this PTA. However, in order to retain its position in the markets of Indonesia and Bangladesh, India should keep strengthening its trade and strategic relations with Indonesia and Bangladesh.

2. Sri Lanka-China Free Trade Agreement

Sri Lanka has planned to hold ministerial-level FTA talks with China. For this, Minister of Development Strategies and International Trade Malik Samarawickrama is going to visit China to hold ministerial-level discussions to resume negotiations in connection to the proposed Sri Lanka-China FTA. The minister is planning to hold discussions with top Chinese government officials to resume FTA negotiations between the two countries as early as possible. However as the Chinese government officials are currently occupied with negotiations to reach a settlement with the United States over the trade war that has erupted between two countries, there could be possible delays in resuming FTA negotiations between Sri Lanka and China.

(<https://www.newsfirst.lk/2019/03/27/china-sri-lanka-fta-talks-to-resume-soon/>)

CUTS Comments

Table 2.1 displays that India's exports to China are extremely high (US\$ 12.50 billion) as compared to Sri Lanka (US\$ 430.44 million) with no overlapping products. India's basket comprises different light and heavy industry products, whereas Sri Lanka's top ten exports to China concentrated in textile sector, final goods (HS code: 640610, 610990, 621210, 620342) as well as raw materials (HS code: 530500). Other than these products, Sri Lanka's main exporting products to China are black tea, activated carbon, parts of electronic circuit, and used pneumatic tyres.

Table 2.1: India and Sri Lanka's Top Ten Exports to China

Product Code	Product Description	India's Exports to China		Sri Lanka's Exports to China	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
740311	Copper, refined, in the form of cathodes and sections of cathodes	1345.35 (10.77)	-8.69	--	--
260112	Agglomerated iron ores and concentrates	754.18 (6.04)	35.62	--	--
271012	Light oils and preparations, of petroleum or bituminous minerals	741.31 (5.93)	46.3	--	--
290243	P-Xylene	729.76 (5.84)	121.97	--	--
260111	Non-agglomerated iron ores and concentrates	595.32 (4.76)	-13.36	--	--
151530	Castor oil and fractions	394.81 (3.16)	4.39	--	--
720241	Ferro-chromium, containing by weight > 4% of carbon	374.31 (3)	2.94	--	--
251611	Granite, crude or roughly trimmed	374.25 (3)	-5.77	--	--
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton	273.35 (2.19)	-12.32	--	--
790111	Unwrought Zinc, Containing by weight 99.99% or more of zinc	263.55 (2.11)	25.26	--	--

90240	black tea (fermented) and other partly fermented tea	--	--	41.97 (9.75)	28.09
530500	Coconut, abaca (Manila hemp or Musa textilis Nee), ramie and other vegetable textile fibres	--	--	22.31 (5.18)	-1.04
640610	Uppers and parts of footwear, other than stiffeners	--	--	16.91 (3.93)	64.5
610990	T-shirts, singlets and other vests, of other textile materials	--	--	11.87 (2.76)	44.58
621210	Brassieres	--	--	11.17 (2.59)	85.16
380210	Activated carbon	--	--	10.05 (2.33)	37.94
401290	Used pneumatic tyres	--	--	9.98 (2.32)	18.64
854290	Parts of Electronic integrated circuits	--	--	6.54 (1.52)	183.34
90230	Black tea (fermented) and partly fermented tea, of a content not exceeding 3 kg	--	--	6.08 (1.41)	3.66
620342	Cotton trousers, bib and brace overalls, breeches and shorts	--	--	4.03 (0.94)	16.08
Sub-Total*		5846.19 (46.79)	--	140.92 (32.74)	--
Total Exports in 2017 (US\$ mn)		12495.23	--	430.44	--
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>					

On the other hand, India is enjoying duty free market access in Sri Lanka due to India-Sri Lanka FTA and SAFTA. However, as shown in Table 2.2, China's access to this market is not negligible. In 2017, India's export to Sri Lanka was US\$ 4.40 billion and that of China's was US\$ 4.10 billion.

There is no product to product similarity in top ten exported products from India and China to Sri Lanka. However, slightly different category products of same industry are there in the top ten export baskets of respective countries. For instance, India is exporting medium oils (HS code 271019), whereas China is exporting light oils (HS code: 271012). Similarly, India's semi-finished iron or non-alloy steel products (HS code: 720719 and 720711) are matching broadly with China's flat-rolled products of iron and non-alloy steel. Other than these products, India's top ten export basket consists of rice, onion, Portland cement, dredgers, transport vehicle, tugs and pusher craft, and medical products. China is mostly exporting goods from electronic sector and different types of fabrics.

Table 2.2: India and China's Top Ten Exports to Sri Lanka

Product Code	Product Description	India's Exports to Sri Lanka		China's Exports to Sri Lanka	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
271019	Medium oils and preparations, of petroleum or bituminous minerals	758.62 (17.19)	15.29	--	--
871120	Motorcycles, incl. mopeds	219.23 (4.97)	18.05	--	--
100630	Semi-milled or wholly milled rice	203.47 (4.61)	181.22	--	--
300490	Medicaments consisting of mixed or unmixed products	137.22 (3.11)	4.1	--	--
252329	Portland cement	109.24 (2.48)	5.56	--	--
890510	Dredgers	93.86 (2.13)	-4.29	--	--
70310	Fresh or chilled onions and shallots	77.01 (1.74)	-3.13	--	--
890400	Tugs and pusher craft	72.79 (1.65)	9.64	--	--
720719	Semi-finished products of iron or non-alloy steel	61.93 (1.4)	22.02	--	--
720711	Semi-finished products of iron or non-alloy steel, of rectangular shape	59.32 (1.34)	63.09	--	--
271012	Light oils and preparations, of petroleum or bituminous minerals	--	--	98.02 (2.4)	3.95
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	--	--	86.85 (2.12)	40.93
600410	Knitted or crocheted fabrics, of a width of > 30 cm, containing >= 5% by weight elastomeric yarn	--	--	77 (1.88)	1.32
721049	Flat-rolled products of iron or non-alloy steel	--	--	52.27 (1.28)	82.07
690790	Unglazed Ceramic hearth or wall tiles	--	--	45.47 (1.11)	21.64
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments	--	--	44.87 (1.1)	16.07
852872	Reception apparatus for colour television	--	--	44.21 (1.08)	9.78
851761	Base stations of apparatus for the transmission or reception of voice, images or other data	--	--	43.76 (1.07)	4.6
851762	Machines for the reception, conversion and transmission or regeneration of voice	--	--	43.64 (1.07)	-0.77
600622	Dyed cotton fabrics, knitted or crocheted, of a width of > 30 cm	--	--	42.17 (1.03)	0.92
Sub-Total*		1792.69 (40.62)	--	578.27 (14.15)	--
Total Exports in 2017 (US\$ mn)		4413.43	--	4088	--

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

Source: WITS database

The extent of export similarity and competitive pressure for India in the markets of China and Sri Lanka is presented in Table 2.3. India is facing very low degree of similarity and competitive pressure from Sri Lanka in China's market (Table 2.3A & Table 2.3C). On the other hand and relatively speaking, there is some pressure on India from China in Sri Lanka's market (Table 2.3B & Table 2.3D).

Table 2.3: FKI & RECPI among India, Sri Lanka and China

A. India's FKI with Sri Lanka in China's Market						B. India's FKI with China in Sri Lanka's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
China	0.04	0.05	0.04	0.07	0.06	Sri Lanka	0.26	0.23	0.22	0.27	0.26
C. India's RECPI with Sri Lanka in China's Market						D. India's RECPI with China in Sri Lanka's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
China	0.00	0.00	0.00	0.00	0.00	Sri Lanka	0.11	0.03	0.09	0.22	0.07

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

Food for Thought

India is having a reasonably fair amount of trade with these two neighbours from East and South Asia. Formation of an FTA between Sri Lanka and China is not going to have potential harm on the export coverage of India in the Chinese market but China is certainly going to enjoy a bigger share of the Sri Lankan market and that may be at the expense of India. Sri Lanka has already become a partner of China's Belt and Road Initiative and various China funded construction activities are under way. India has a working FTA with Sri Lanka and efforts should be made to expand and strengthen it for economic as well as security reasons.

3. Korea and Indonesia Free Trade Agreement Talks

South Korea will hold its first negotiations with Indonesia in five years to forge a bilateral free trade deal. This will mark the resumption of the talks between the two countries. Two sides held their last negotiations in February 2014, about two years after engaging in talks on a free trade agreement (FTA), better known as the Comprehensive Economic Partnership Agreement. Trade volume between South Korea and Indonesia stood at \$20 billion in 2018, up from \$17.9 billion in 2017, according to the South Korean government data. South Korea also plans to conclude a joint study with Malaysia on a separate FTA by the end of this April, 2018. South Korea has sought stronger economic ties with Southeast Asian countries to reduce its heavy reliance on large markets like the United States and China, and to foster new growth drivers. South Korea has clinched a series of free trade agreements with major trading partners, including the U.S. and China, as well as Chile, Peru, Colombia and the Association of Southeast Asian Nations (ASEAN), in recent years as part of its efforts to boost growth in the country's export-driven economy.

[\(<https://www.bilaterals.org/?s-korea-to-resume-talks-with>\)](https://www.bilaterals.org/?s-korea-to-resume-talks-with)

CUTS Comments

Being famous for its cars, electronics and steel products, South Korea is expanding its export base by being part of various trade deals. Among them, the major ones are: Korea-US FTA, Korea-ASEAN FTA and Korea-EU FTA. Korea is also having trade deals with Australia, Canada, Chile, China, Colombia, India, New Zealand, Peru, Singapore, Turkey and Vietnam. In a similar fashion, Korea and Indonesia are joining hands to make another trade deal with the largest market in its extended neighbourhood.

Table 3.1 shows top ten exported items of India and South Korea in Indonesia's market. South Korea's total export to Indonesia was 2.2 times higher than India's total exports to that country. Majority of India's exports are of groundnuts, oils, motor cars & other motor vehicles, semi-finished products made of iron, cotton and accessories of motor vehicles & tractors.

On the other hand, top ten export basket of South Korea to Indonesia includes products made out of iron, rubber, electronics and cotton fabrics, out of which electronic integrated circuits are growing at the fastest rate. India and South Korea are sharing one common product in Indonesia's market, i.e. medium oils and preparations (HS 271019).

Table 3.1: India and South Korea's Top Ten Exports to Indonesia

Product Code	Product Description	India's Exports to Indonesia		South Korea's Exports to Indonesia	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
120242	Groundnuts, shelled	234 (6.22)	2.69	--	--
271019	Medium oils and preparations, of petroleum or bituminous minerals,	150.82 (4.01)	2.33	638.28 (7.6)	-26.4
870322	Motor cars and other motor vehicles principally designed for the transport of persons	148.81 (3.95)	24.49	--	--
720719	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	139 (3.69)	111.42	--	--
870410	Dumpers for off-highway use	128.78 (3.42)	136.9	--	--
520100	Cotton, neither carded nor combed	116.04 (3.08)	0.84	--	--
290243	P-Xylene	98.15 (2.61)	-26.47	--	--
870899	Parts and accessories, for tractors, motor vehicles.	69.05 (1.84)	-12.08	--	--
890400	Tugs and pusher craft	61.66 (1.64)	-6.96	--	--
290220	Benzene	59.44 (1.58)	13.88	--	--
271012	Light oils and preparations, of petroleum or bituminous minerals			303.99 (3.62)	-27.55
720839	Flat-rolled products of iron or non-alloy steel	--	--	167.99 (2)	6.67
400219	Styrene-butadiene rubber "SBR"; carboxylated styrene-butadiene rubber "XSBR"	--	--	151.83 (1.81)	3.27
600410	Knitted or crocheted fabrics, of a width of > 30 cm	--	--	143.55 (1.71)	-7.65
400220	Butadiene rubber "BR", in primary forms or in plates, sheets or strip	--	--	134.63 (1.6)	3.6
852990	Parts suitable for use solely or principally with transmission	--	--	118.15 (1.41)	-9.71
854232	Electronic integrated circuits as memories	--	--	114.81 (1.37)	54.76
720917	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm	--	--	101.08 (1.2)	-8.9
600622	Dyed cotton fabrics, knitted or crocheted, of a width of > 30 cm	--	--	100.38 (1.19)	-16.77
Sub-Total*		1205.74 (32.04)	--	1974.69 (23.5)	--
Total Exports in 2017 (US\$ mn)		3762.67	--	8403.68	--

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

Source: WITS database

Table 3.2: India and Indonesia's Top Ten Exports to South Korea

Product Code	Product Description	India's Exports to South Korea		Indonesia's Exports to South Korea	
		Export Value in 2017 (US\$ mn)	CAGR (2013-17)	Export Value in 2017 (US\$ mn)	CAGR (2013-17)
760110	Aluminium, not alloyed, unwrought	722.70 (16.51)	17.74	--	--
271012	Light oils and preparations, of petroleum or bituminous minerals	659.38 (15.06)	15.24	--	--
720241	Ferro-chromium, containing by weight > 4% of carbon	245.10 (5.60)	3.38	--	--
790111	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc	141.23 (3.23)	22.78	--	--
740311	Copper, refined, in the form of cathodes and sections of cathodes	139.36 (3.18)	178.02	--	--
271019	Medium oils and preparations, of petroleum or bituminous minerals	94.14 (2.15)	-36.01	--	--
290124	Buta-1,3-diene and isoprene	63.89 (1.46)	11.99	--	--
710239	Diamonds, worked, but not mounted or set	53.29 (1.22)	10.10	--	--
780110	Unwrought lead	50.21 (1.15)	-7.77	--	--
540233	Textured filament yarn of polyester	37.44 (0.86)	23.25	--	--
271111	Natural gas, liquefied	--	--	1340.66 (16.38)	-24.67
270119	Coal, whether or not pulverised, non-agglomerated	--	--	1288.43 (15.74)	17.07
270112	Bituminous coal, whether or not pulverised, non-agglomerated	--	--	543.02 (6.63)	-20.62
260300	Copper ores and concentrates	--	--	423.87 (5.18)	4.27
270900	Petroleum oils and oils obtained from bituminous minerals, crude	--	--	378.63 (4.62)	-22.14
400122	Technically specified natural rubber "TSNR"	--	--	327.33 (4)	-3.47
800110	Unwrought tin, not alloyed	--	--	187.88 (2.29)	16.36
441231	Plywood consisting solely of sheets of wood <= 6 mm thick	--	--	184.91 (2.26)	28.04
470329	Semi-bleached or bleached non-coniferous chemical wood pulp, soda or sulphate	--	--	173.02 (2.11)	-13.72
151190	Palm oil and its fractions	--	--	134.15 (1.64)	51.06
Sub-Total*		2206.74 (50.42)	--	4981.92 (60.85)	--
Total Exports in 2017 (US\$ mn)		4376.96	--	8186.98	--

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

Source: WITS database

Top ten exports of India and Indonesia to South Korea are given by Table 3.2 and there is no overlapping product. India's export to South Korea was almost half the total export of Indonesia to South Korea. Main exports of India are aluminium, light oils, ferro-chromium, unwrought zinc, copper, medium oils, buta, diamonds unwrought lead and textured filament yarn.

On the other hand, Indonesia's basket of exports to South Korea includes natural gas, coal (whether or not pulverised, non-agglomerated), bituminous coal (whether or not pulverised, non-agglomerated), copper ores and concentrates, petroleum oils and oils obtained from bituminous minerals, technically specified natural rubber, unwrought tin (not alloyed), plywood consisting solely of sheets of wood, semi-bleached or bleached non-coniferous chemical wood pulp and palm oil including its fractions.

Table 3.3: FKI & RECPI among India, South Korea and Indonesia

A. India's FKI with South Korea in Indonesia's Market						B. India's FKI with Indonesia in South Korea's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
Indonesia	0.24	0.24	0.30	0.22	0.20	Bangladesh	0.06	0.07	0.10	0.09	0.08
C. India's RECPI with South Korea in Indonesia's Market						D. India's RECPI with Indonesia in South Korea's Market					
Competitor	2013	2014	2015	2016	2017	Competitor	2013	2014	2015	2016	2017
Indonesia	0.78	1.04	1.76	0.43	0.59	Bangladesh	0.13	0.16	0.26	0.07	0.05

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

The export similarity of India with South Korea in the Indonesian market is somewhat low (Table 3.3A) but the competitive pressure is high (Table 3.3C), requiring immediate attention from India. In case of Indian exports to South Korea, the extent of export similarity and competitive pressure is low when compared with Indonesia (Table 3.3B and Table 3.3D).

Food For Thought

Formation of an FTA between South Korea and Indonesia is expected to harm India's exports to these markets. The adverse impact will be seen more from South Korea in Indonesia's market. India's market shares in Indonesia and South Korea are already lower as compared to that of South Korea and Indonesia in each other's market and they will be under pressure. As a counter measure, India should expand the scope and coverage of its trade agreement with South Korea and that with the members of the Association of Southeast Asian Nations as that will help strengthening its trade relations with Indonesia.