

HONGKONG

Country profile and trade aspects

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I Overview

Hong Kong, officially the Hong Kong Special Administrative Region of the People's Republic of China (HKSAR), is a metropolitan area and special administrative region of the People's Republic of China on the eastern Pearl River Delta of the South China Sea. With over 7.5 million residents of various nationalities in a 1,104-square-kilometre (426 sq mi) territory, Hong Kong is one of the most densely populated places in the world.

Hong Kong became a colony of the British Empire after the Qing Empire ceded Hong Kong Island at the end of the First Opium War in 1842. The colony expanded to the Kowloon Peninsula in 1860 after the Second Opium War and was further extended when Britain obtained a 99-year lease of the New Territories in 1898. The whole territory was transferred to China in 1997. As a special administrative region, Hong Kong maintains separate governing and economic systems from that of mainland China under the principle of "one country, two systems".

Originally a sparsely populated area of farming and fishing villages, the territory has become one of the world's most significant financial centres and commercial ports. It is the world's tenth-largest exporter and ninth-largest importer. Hong Kong has a major capitalist service economy characterized by low taxation and free trade, and its currency, the Hong Kong dollar, is the eighth most traded currency in the world.

Hongkong, China (SAR) ranks 4th in the human development index¹ with Life expectancy at birth (years) at 84.9, Expected years of schooling (years) at 16.9, Mean years of schooling (years) at 12.3, Gross national income (GNI) per capita (PPP \$) at 62,985, with the overall HDI value (2019) as 0.949.

The GDP (real) growth rate of Hongkong's economy was 2.39, 2.17, 3.79, 2.84 and -1.25 (negative) respectively in 2015, 2016, 2017, 2018 and 2019. Hong Kong unemployment rate for 2019 was 3.63%, a 0.73% increase from 2018. The inflation rate of Hongkong was 0.3% in 2020, down from 2.9% in 2019.

A detailed data outlining Hongkong's country profile is shown in Table A in Appendix A.

II Economic History

With its limited natural resources, Hong Kong depends on imports for virtually all of its requirements, including raw materials, food and other consumer goods, capital goods, and fuel. Under its unique status as an international free port, entrepôt trade, mainly with China, flourished until 1951, when a United Nations embargo on trade with China and North Korea drastically curtailed it. This situation, combined with the need to export and with the availability of cheap labour, led to the establishment of competitive light industries and a transformation of the economy in the early 1960s. The market economy and the laissez-faire policy of the British colonial government provided flexibility for further industrialization and the incentive and freedom, from the late 1960s, to attract foreign

1 As per the Human Development Report 2020.

investment and financial transactions. In succeeding years, with China adopting a more open foreign policy, entrepôt trade rapidly revived, while Hong Kong – China trade surged. Hong Kong developed not only in manufacturing, trade, and shipping but also as a regional financial centre and as an agent in China’s pursuit of modernization. The tertiary (services) sector of the economy now makes up some four-fifths of the gross domestic product (GDP).

III The Modern Economy: Macroeconomic Indicators

The IMF projected a Real GDP growth rate of 4.3% with 1.4% growth projected in Consumer Prices in 2021 for Hongkong.

In December, 2019, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation discussions with the People's Republic of China—Hong Kong Special Administrative Region (SAR). Economic activity in Hong Kong SAR weakened significantly in 2019 as rising trade tensions between the U.S. and China and heightened uncertainty took a toll on exports and investment while private consumption and visitor arrivals have declined due to the social unrest that started over the summer. With the cyclical downturn, GDP was expected to contract by 1.9 percent in 2019. Growth was projected to rise to 0.2 percent in 2020, led by private consumption, but the pace of recovery over the medium term is expected to be slower than in previous recoveries as increased trade barriers and disruptions to global supply chains would be a drag on trade-related activities. Despite external and domestic headwinds, financial markets continue to function smoothly and the HK dollar has traded within the convertibility undertaking range since the last FX operations conducted by the Hong Kong Monetary Authority in March 2019. With the slowdown in growth in Hong Kong SAR and Mainland China, credit growth has moderated to 6.3 percent in September 2019, from a peak of 21.4 percent in October 2017. Housing prices, which rose for the first five months of 2019 amid expectations of monetary easing in the U.S, also declined by about 4 percent between May and September. Risks to outlook are tilted to the downside. On the external side, further escalation of trade tensions between the U.S. and China and a significant slowdown of Mainland China as well as additional barriers, including potential restrictions by the U.S. against China in technology and the financial sectors, could negatively affect growth in Hong Kong SAR. On the domestic side, a deterioration of the sociopolitical situation and delays in addressing structural challenges of insufficient housing supply and high income inequality could further weaken economic activity and negatively affect the city’s competitiveness in the long term. A significant slowdown of the economy could trigger an adverse feedback loop between house prices, the real economy and the financial sector.

The IMF Executive Board noted that economic activity in Hong Kong SAR has deteriorated significantly on account of the global growth slowdown, U.S.-China trade tensions, and ongoing social unrest. While the balance of risks is tilted to the downside going forward, Executive Board agreed that Hong Kong SAR’s robust policy frameworks and ample buffers will help the economy weather the challenges ahead. They welcomed the authorities’ readiness to use these buffers as and when necessary. Amid the growth slowdown and strong headwinds, Executive Board agreed that countercyclical fiscal support would continue to be essential. They welcomed the recently announced stimulus targeted at the most vulnerable households and small- and medium-sized enterprises.

Executive Board recommended a comprehensive medium-term fiscal package to cope with the cyclical downturn and address longer-term structural challenges associated with housing market imbalances, population aging, and income inequality, while preserving fiscal sustainability. In light of the envisaged spending pressures, Executive Board encouraged the authorities to consider tax reform over the medium to long term to boost revenues and foster equity. On the expenditure side, they saw scope for improving budget planning and execution, as well as developing a long-term healthcare spending strategy.

Executive Board supported the authorities' three-pronged approach to contain housing market risks and improve housing affordability, with priority given to increasing land allocation for residential housing. Noting the effectiveness of macroprudential measures, Directors concurred that any adjustment should be based on evolving financial stability risks. They encouraged the authorities to phase out the new residential stamp duty and replace it with alternative nondiscriminatory macroprudential measures once systemic risks from nonresident inflows dissipate. Directors underscored the importance of safeguarding financial stability amid rising global volatility. They commended the authorities for the progress in implementing the 2014 FSAP recommendations. Continued efforts would be needed to monitor vulnerabilities in the corporate sector, further strengthen the regulatory and supervisory framework, and facilitate innovation while managing risks. Executive Board noted that further development of green finance and the Greater Bay Area would help maintain Hong Kong SAR's competitiveness. Executive Board observed that Hong Kong SAR's external position is broadly in line with medium-term fundamentals and desirable policies. They agreed that the Linked Exchange Rate System remains an appropriate anchor of stability. They stressed that preserving a track record of public communication would be key to the credibility of the currency board arrangement.

Hong Kong's economy recorded in the first quarter of 2021-22, its deepest annual contraction since at least 1974, as the coronavirus pandemic dealt a heavy blow to business activity, already in decline following months of anti-government protest last year. The outbreak has killed four of Hong Kong's 1,041 virus patients, and largely put a brake on protests, while crushing tourism and keeping shoppers off the streets, hitting two key contributors to gross domestic product (GDP). On an annual basis, the economy contracted 8.9%, compared with a revised 3.0% in the fourth quarter of 2019. That was the steepest contraction for a single quarter since records began in 1974, the Hongkong government said.

IV Trade Policy

Hong Kong, China has been a WTO member since 1 January 1995 and a member of GATT since 23 April 1986.

As per WTO Trade Policy Review of Hongkong in 2018, between 2014 and 2017, the economy of Hong Kong, China (HKC) grew at an average annual rate of 2.8%, driven mainly by domestic demand and exports, mainly to the People's Republic of China (Mainland China). Services, in particular trade and finance, continued to be the mainstay of the economy, contributing 92% to GDP and 88% to total employment, and reflecting Hongkong's position as a global trade and financial centre. Hongkong remains one of the most open economies in the world, with a trade/GDP ratio of 375%. Its investment regime remains open. The Hongkong economy has strong fiscal and financial fundamentals. During

the review period, Hongkong recorded substantial fiscal surpluses, which allowed for increased public spending, mainly on infrastructure and social welfare; while under strengthened supervision and regulation, the banking sector has built up large capital and liquidity reserves. Monetary policy focuses on currency stability, which is achieved through a pegged exchange rate to the US dollar. Inflation (CPI) has been on a declining trend during the review period, dropping to 1.5% in 2017 from 4.4% in 2014. Despite higher policy rates (in the aftermath of increases in the US rates), low financing costs and the measures implemented by the authorities to restore balance in the property market have helped maintain financial stability.

Hongkong's current account surplus increased during the review period, owing largely to a net inflow of primary income and a positive services trade balance. Foreign exchange reserves amounted to the equivalent of 36.7 months of retained imports of goods in 2017. Mainland China is Hongkong's main trading partner, receiving 55.3% of Hongkong's re-exports and supplying 44.6% of its imports in 2017, largely unchanged since the previous

Notwithstanding its strong macroeconomic fundamentals and good performance, Hongkong's sustained economic growth faces some external and domestic challenges, including heightened volatility in international markets, rising trade protectionism, persistently high housing prices, the need to preserve fiscal sustainability in the face of an ageing population, and income disparities.

V Trade Analysis

While presenting the overview of Hongkong's international trade data, this section will particularly focus on the bilateral trade between Hongkong and India in details.

1. Hongkong's Imports and Exports

Tables 1.1 to 1.4 show the list of Hongkong's top 20 source countries and destination countries for merchandise trade. From tables 1.1 and 1.2, it is seen that China, Other Asia, nes, Singapore and Japan are the top 4 countries accounting for 65% in Hongkong's imports of merchandise in 2019. India accounts for 1.74% in Hongkong's goods' imports in 2019, with an average hovering around 2.02% from 2015 to 2019.

Table 1.1: Hongkong's Imports of Merchandise in billion US dollars

Partner Country	2015	2016	2017	2018	2019	Grand Total
World	559.31	547.12	589.32	627.33	578.59	2,901.66
China	261.12	251.09	262.58	280.98	264.60	1,320.37
Other Asia, nes	36.27	37.80	42.40	43.29	42.31	202.07
Singapore	34.57	35.46	37.69	40.42	37.63	185.77
Japan	35.25	33.51	35.71	34.88	33.72	173.08
USA	30.95	28.24	30.82	31.76	27.36	149.12
Rep. of Korea	22.60	25.74	32.50	35.58	28.27	144.70
Malaysia	12.13	11.68	14.74	24.14	20.68	83.38
Switzerland	18.74	18.47	15.14	15.80	10.49	78.65

India	11.02	11.98	13.78	11.85	10.07	58.70
Thailand	11.37	11.04	11.68	11.88	11.31	57.28
Philippines	7.89	8.71	11.17	11.10	9.97	48.84
United Kingdom	9.61	6.50	8.03	10.00	10.18	44.33
Viet Nam	6.57	7.00	7.91	8.44	10.03	39.94
Germany	6.88	6.57	6.92	6.95	6.73	34.05
Italy	6.39	6.13	6.16	6.66	6.38	31.72
Australia	4.83	6.10	8.99	7.16	4.60	31.69
France	4.98	5.36	6.38	6.78	6.69	30.18
United Arab Emirates	4.44	3.92	4.37	4.43	4.45	21.60
Belgium	3.32	3.26	3.13	3.31	2.84	15.86
Others	30.38	28.56	29.20	31.93	30.28	150.35
Total	1,118.61	1,094.25	1,178.63	1,254.65	1,157.18	5,803.33

Source: UN Comtrade database

Table 1.2: Shares (%) of countries in Hongkong's Imports of Merchandise

Partner Country	2015	2016	2017	2018	2019	Share(%)
China	46.69	45.89	44.56	44.79	45.73	45.50
Other Asia, nes	6.49	6.91	7.19	6.90	7.31	6.96
Singapore	6.18	6.48	6.40	6.44	6.50	6.40
Japan	6.30	6.13	6.06	5.56	5.83	5.96
USA	5.53	5.16	5.23	5.06	4.73	5.14
Rep. of Korea	4.04	4.71	5.51	5.67	4.89	4.99
Malaysia	2.17	2.14	2.50	3.85	3.57	2.87
Switzerland	3.35	3.38	2.57	2.52	1.81	2.71
India	1.97	2.19	2.34	1.89	1.74	2.02
Thailand	2.03	2.02	1.98	1.89	1.95	1.97
Philippines	1.41	1.59	1.89	1.77	1.72	1.68
United Kingdom	1.72	1.19	1.36	1.59	1.76	1.53
Viet Nam	1.17	1.28	1.34	1.35	1.73	1.38
Germany	1.23	1.20	1.17	1.11	1.16	1.17
Italy	1.14	1.12	1.04	1.06	1.10	1.09
Australia	0.86	1.12	1.53	1.14	0.80	1.09
France	0.89	0.98	1.08	1.08	1.16	1.04
United Arab Emirates	0.79	0.72	0.74	0.71	0.77	0.74
Belgium	0.59	0.60	0.53	0.53	0.49	0.55
Others	5.43	5.22	4.95	5.09	5.23	5.18
Total	100	100	100	100	100	100

Source: UN Comtrade Database

Table 1.3: Hongkong's Exports of Merchandise in billion US dollars

Partner Country	2015	2016	2017	2018	2019	Grand Total
World	510.55	516.59	549.86	569.11	535.71	2,681.82
China	287.49	285.50	297.81	314.29	296.07	1,481.17
USA	44.35	42.03	42.42	45.87	39.12	213.79
India	13.27	15.40	21.07	17.90	15.49	83.14
Japan	15.95	15.06	16.51	16.53	15.47	79.52
Thailand	8.69	10.07	13.39	13.45	10.45	56.05
Other Asia, nes	8.91	10.19	12.25	11.73	11.63	54.70
Singapore	9.78	9.38	11.20	12.33	10.77	53.46
Viet Nam	9.93	9.36	10.25	10.66	10.29	50.48
Germany	9.09	8.65	9.49	9.72	8.85	45.80
United Kingdom	7.11	11.19	9.33	6.40	8.35	42.38
Netherlands	6.73	7.40	8.21	9.11	8.71	40.16
Rep. of Korea	7.25	7.67	7.98	7.80	7.47	38.18
United Arab Emir-ates	6.69	7.00	7.73	7.57	8.10	37.10
Switzerland	4.25	9.33	11.27	5.81	6.02	36.69
China, Macao SAR	6.02	5.30	5.50	6.30	6.75	29.87
Australia	4.69	4.73	4.60	4.62	4.16	22.81
France	4.52	4.47	4.74	4.56	4.52	22.81
Mexico	3.79	3.59	3.72	4.39	4.66	20.15
Malaysia	3.79	3.52	3.68	4.48	4.44	19.90
Others	48.25	46.75	48.72	55.57	54.37	253.65
Total	1,021.11	1,033.18	1,099.72	1,138.21	1,071.42	5,363.64

Source: UN Comtrade database

Table 1.4: Shares (%) of countries in Hongkong's Exports of Merchandise

Partner Country	2015	2016	2017	2018	2019	Share(%)
China	56.31	55.27	54.16	55.23	55.27	55.23
USA	8.69	8.14	7.71	8.06	7.30	7.97
India	2.60	2.98	3.83	3.15	2.89	3.10
Japan	3.12	2.91	3.00	2.91	2.89	2.97
Thailand	1.70	1.95	2.43	2.36	1.95	2.09
Other Asia, nes	1.74	1.97	2.23	2.06	2.17	2.04
Singapore	1.91	1.82	2.04	2.17	2.01	1.99
Viet Nam	1.94	1.81	1.86	1.87	1.92	1.88
Germany	1.78	1.67	1.73	1.71	1.65	1.71
United Kingdom	1.39	2.17	1.70	1.12	1.56	1.58
Netherlands	1.32	1.43	1.49	1.60	1.63	1.50
Rep. of Korea	1.42	1.49	1.45	1.37	1.40	1.42

United Arab Emirates	1.31	1.35	1.41	1.33	1.51	1.38
Switzerland	0.83	1.81	2.05	1.02	1.12	1.37
China, Macao SAR	1.18	1.03	1.00	1.11	1.26	1.11
Australia	0.92	0.92	0.84	0.81	0.78	0.85
France	0.88	0.87	0.86	0.80	0.84	0.85
Mexico	0.74	0.70	0.68	0.77	0.87	0.75
Malaysia	0.74	0.68	0.67	0.79	0.83	0.74
Others	9.45	9.05	8.86	9.76	10.15	9.46
Total	100	100	100	100	100	100

Source: UN Comtrade database

From tables 1.3 and 1.4, it is seen that China, USA are the top 3 export destinations of Hongkong. India, as an export destination for Hongkong, has a share of around 3.10%.

Using the ITC HS commodity codes, tables 1.5 and 1.6 highlight the top 10 commodities, at the double digit aggregation, that comprises Hongkong's imports and exports respectively.

Table 1.5: Shares (%) of top 10 Commodities in Hongkong's Imports of Merchandise

ITC- HS Chapter	Commodity Description	2015	2016	2017	2018	2019
HS-85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	47.58	50.58	51.49	52.27	53.18
HS-71	Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	13.14	12.29	12.10	10.43	9.38
HS-84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	11.07	10.54	10.64	11.72	11.47
HS-90	Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	2.67	2.87	2.84	2.79	3.05
HS-27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2.17	1.77	2.12	2.51	2.49
HS-39	Plastics and articles thereof	2.13	1.88	1.76	1.55	1.43

HS-91	Clocks and watches and parts thereof	1.70	1.52	1.39	1.44	1.39
HS-61	Apparel and clothing accessories; knitted or crocheted	1.31	1.17	1.01	0.98	0.91
HS-02	Meat and edible meat offal	0.95	1.06	1.12	1.03	0.93
HS-62	Apparel and clothing accessories; not knitted or crocheted	1.20	1.11	0.97	0.92	0.90
Others		16.09	15.20	14.56	14.35	14.88
Total		100	100	100	100	100

Source: UN Comtrade database

Table 1.6: Shares (%) of top 10 Commodities in Hongkong's Exports of Merchandise

ITC-HS Chapter	Commodity Description	2015	2016	2017	2018	2019
HS-85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	48.83	50.24	51.20	54.42	56.16
HS-71	Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	14.51	16.29	15.85	11.98	10.10
HS-84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	12.69	11.85	12.25	13.09	13.17
HS-90	Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	2.86	3.00	3.09	3.22	3.35
HS-39	Plastics and articles thereof	2.41	2.13	1.93	1.76	1.69
HS-91	Clocks and watches and parts thereof	1.94	1.71	1.52	1.49	1.53
HS-61	Apparel and clothing accessories; knitted or crocheted	1.79	1.50	1.29	1.22	1.15
HS-62	Apparel and clothing accessories; not knitted or crocheted	1.62	1.38	1.21	1.08	1.03
HS-95	Toys, games and sports requisites; parts and accessories thereof	1.45	1.11	1.33	1.27	1.02
HS-42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles	1.05	0.91	0.87	0.80	0.82

	of animal gut (other than silk-worm gut)					
	Others	10.84	9.88	9.46	9.65	9.98
	Total	100	100	100	100	100

Source: UN Comtrade database

The top 5 highest imported products for Hongkong are chapters HS-85 (Electrical Machinery), HS-71(Gems and Jewelry), HS-84 (Nuclear Reactors/Machinery), HS-90 (Optical Equipment) and HS-27 (Mineral Fuels/Oils) (see table 1.5). On the other hand, Hongkong's dominant export basket constitutes chapters HS-85(Electrical Machinery), HS-71(Gems and Jewelry), HS-84(Nuclear Reactors/Machinery), HS-90(Optical Equipment) and HS-39 (Plastics) (refer to table 1.6).

2. Export Trade Intensity Index

Export Trade Intensity Index (ETII) of a country (here, India) with respect to an importing country (here, Hongkong) is the share of the exporting country's merchandise going to that particular importing country divided by the share of world exports going to that importing country. In other words, it is the importance of that importing country as a destination for the exporting country's merchandise outflow, as compared to the importance that importing country enjoys as a destination of world exports. But algebraically, it is equal to the exporting country's share in the importer's market as compared to the importing country's market share in the world market.² Table 2.1, which states the ETII of BRICS countries and USA with respect to Hongkong, shows that China and India have ETIIs >1 with respect to Hongkong.

Table 2.1: Export Intensity Indices (ETIIs) of BRICS Countries and USA w.r.t. Hongkong

Countries	2015	2016	2017	2018	2019
India	1.24	1.35	1.53	1.21	1.10
Brazil	0.30	0.33	0.37	0.33	0.06
China	3.93	3.65	3.69	3.61	3.33
South Africa	0.58	0.64	0.56	0.45	0.41
USA	0.80	0.78	0.94	0.83	0.69
Russia	0.06	0.07	0.06	0.07	0.05

Source: UN Comtrade database

Elaborating on the ETII, table 2.2 shows the disaggregated value of this index for India with respect to Hongkong. The index is calculated for each of the 2-digit ITC HS commodity codes and a higher value, greater than 1, represents that the Indian exports, of those specific chapters, to Hongkong are relatively performing better than the world averages.

² See Appendix D for the formula of Export Intensity Index.

Table 2.2: ITC-HS Chapter-wise Export Intensity Indices for India w.r.t Hongkong in 2019

ITC - HS Chapter	Trade Intensity Index (TII)	ITC - HS Chapter	Trade Intensity Index (TII)	ITC - HS Chapter	Trade Intensity Index (TII)	ITC - HS Chapter	Trade Intensity Index (TII)
44	13.54	22	0.29	15	0.12	36	0.01
67	4.74	97	0.29	84	0.11	66	0.01
41	3.19	42	0.27	55	0.09	60	0.01
18	3.07	88	0.27	68	0.09	93	0.01
33	2.64	62	0.27	10	0.08	26	0.01
71	2.44	64	0.27	54	0.08	24	0.01
72	1.76	32	0.27	94	0.07	99	0.00
91	1.64	81	0.26	43	0.07	75	0.00
74	1.18	90	0.25	76	0.06	79	0.00
48	1.05	39	0.25	19	0.06	01	0.00
29	0.88	82	0.24	53	0.06	02	0.00
12	0.77	50	0.24	20	0.06	03	0.00
57	0.57	70	0.21	49	0.05	04	0.00
11	0.55	21	0.21	14	0.05	05	0.00
80	0.52	85	0.20	92	0.05	06	0.00
27	0.50	34	0.19	87	0.04	07	0.00
25	0.47	37	0.19	23	0.03	08	0.00
96	0.44	61	0.18	28	0.03	09	0.00
51	0.40	58	0.18	46	0.03	31	0.00
95	0.36	65	0.17	86	0.03	47	0.00
45	0.36	56	0.16	69	0.02	78	0.00
83	0.34	52	0.16	13	0.02	89	0.00
40	0.31	63	0.15	17	0.02		
30	0.30	16	0.13	59	0.02		
38	0.30	73	0.13	35	0.01		

Source: Computed from UN Comtrade Database

In Table 2.2, the chapters are arranged in order of magnitude from largest to smallest values of ETII. From the above table, it is clear that there are several chapters which have an index value greater than 1, which are as under:

HS-18 Cocoa and cocoa preparations

HS-33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations

HS-41 Raw hides and skins (other than furskins) and leather

HS-44 Wood and articles of wood; wood charcoal

HS-48 Paper and paperboard; articles of paper pulp, of paper or paperboard

HS-67 Feathers and down, prepared; and articles made of feather or of down; artificial flowers; articles of human hair

HS-71 Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
 HS-72 Iron and steel
 HS-74 Copper and articles thereof
 HS-91 Clocks and watches and parts thereof

3. Trade Complementarity Index

The ITC-HS chapters identified in the previous section is only a short-list, for it narrates half the story. Trade takes place when there is a complementarity of demand and supply, in the present case, between the demand of Hongkong and the supply of India. The Trade Complementarity Index (TCI) is a measure of this match, and the value of the index between Indian exports and Hongkong's imports in 2019 stood at 0.23, significantly lower than the TCI between Indian exports and world imports, that was 0.39. Hence, the Relative Trade Complementarity Index is 0.58 (i.e. < 1), meaning that India's exports have less complementarity with Hongkong's imports than with world imports.³

TCI is computed by taking the shares of each commodity (here, at the ITC-HS 6-digit level) in the export basket of India, and then the corresponding shares of these commodities in the import basket of Hongkong, calculating the absolute value of the difference between the two for each 6-digit level commodity, summing the differences up, dividing the sum by 2, and subtracting what we get from 1. So, the differences in the shares are the major determinants.

Table 3.1: Trade Complementarity Index (including Relative) between India and Hongkong

	2015	2016	2017	2018	2019
TCI Between India and Hongkong⁴	0.23	0.22	0.21	0.21	0.23
TCI Between India⁵ and World	0.41	0.38	0.40	0.41	0.39
RTCPI⁶	0.55	0.59	0.53	0.51	0.58

Table 3.2: Trade Complementarity Index (including Relative) between selected countries (largest exporters to Hongkong) and Hongkong in 2019

Countries	TCI	TCIW	RTCPI
China	0.42	0.51	0.82
Other Asia, nes	0.44	0.39	1.15
Singapore	0.47	0.44	1.08
Japan	0.27	0.47	0.57
USA	0.34	0.67	0.51

Source: Computed from UN Comtrade Database

When we compare the Relative Trade Complementarity Index (RTCPI) between India and Hongkong to that of other top exporting countries and Hongkong in table 3.2, we see that India's RTCPI is

³ See RTCPI in Appendix D.

⁴ Trade Complementarity Index between India and Hongkong.

⁵ Trade Complementarity Index between India and World.

⁶ Relative Trade Complementarity Index between India and Hongkong.

comparable to Japan and USA (~0.5) However, even if the value of the index may not be high, it is a composite value depending on all the differences between 6-digit values, as mentioned before, taken together. The differences at the individual product group level may be examined. The differences at the individual ITC-HS 2-digit level are examined to find out at which products the complementarities lie and there is a greater match between demand (imports) and supply (exports).

The ITC-HS 2-digit code-wise composition of Indian exports and Hongkong's imports is given in table 3.3 below.

Table 3.3: Composition of India's Exports and Hongkong's Imports in 2019 (ITC-HS chapter-wise)

ITC-HS Chapter	India		Hongkong	
	Exports(Bn \$)	Share of Chapters (%)	Imports(Bn \$)	Share of Chapters (%)
HS-01	0.02	0.01	1.06	0.18
HS-02	3.45	1.07	5.41	0.93
HS-03	6.30	1.95	3.00	0.52
HS-04	0.45	0.14	2.31	0.40
HS-05	0.10	0.03	0.18	0.03
HS-06	0.08	0.02	0.05	0.01
HS-07	1.09	0.34	0.77	0.13
HS-08	1.49	0.46	4.57	0.79
HS-09	3.30	1.02	0.30	0.05
HS-10	7.07	2.19	0.31	0.05
HS-11	0.31	0.10	0.20	0.03
HS-12	1.70	0.53	0.36	0.06
HS-13	0.94	0.29	0.06	0.01
HS-14	0.05	0.02	0.01	0.00
HS-15	1.17	0.36	0.21	0.04
HS-16	0.47	0.14	1.12	0.19
HS-17	1.97	0.61	0.33	0.06
HS-18	0.19	0.06	0.44	0.08
HS-19	0.54	0.17	1.00	0.17
HS-20	0.61	0.19	0.56	0.10
HS-21	0.83	0.26	1.55	0.27
HS-22	0.28	0.09	2.86	0.49
HS-23	1.45	0.45	0.20	0.03
HS-24	0.96	0.30	0.93	0.16
HS-25	2.01	0.62	0.68	0.12
HS-26	3.03	0.94	0.03	0.01
HS-27	44.53	13.78	14.38	2.49
HS-28	1.82	0.56	0.57	0.10
HS-29	18.25	5.64	0.54	0.09

HS-30	16.26	5.03	2.79	0.48
HS-31	0.13	0.04	0.01	0.00
HS-32	3.50	1.08	0.73	0.13
HS-33	2.36	0.73	6.40	1.11
HS-34	0.64	0.20	0.42	0.07
HS-35	0.23	0.07	0.39	0.07
HS-36	0.12	0.04	0.01	0.00
HS-37	0.01	0.00	0.22	0.04
HS-38	5.14	1.59	1.40	0.24
HS-39	7.35	2.27	8.25	1.43
HS-40	3.23	1.00	0.68	0.12
HS-41	0.55	0.17	0.97	0.17
HS-42	2.51	0.78	4.91	0.85
HS-43	0.01	0.00	0.51	0.09
HS-44	0.48	0.15	0.42	0.07
HS-45	0.00	0.00	0.00	0.00
HS-46	0.05	0.01	0.01	0.00
HS-47	0.01	0.00	0.00	0.00
HS-48	2.06	0.64	1.65	0.28
HS-49	0.37	0.11	1.15	0.20
HS-50	0.08	0.03	0.04	0.01
HS-51	0.18	0.06	0.42	0.07
HS-52	6.00	1.86	1.03	0.18
HS-53	0.45	0.14	0.03	0.01
HS-54	2.34	0.72	0.58	0.10
HS-55	1.75	0.54	0.46	0.08
HS-56	0.42	0.13	0.25	0.04
HS-57	1.71	0.53	0.05	0.01
HS-58	0.41	0.13	0.64	0.11
HS-59	0.28	0.09	0.48	0.08
HS-60	0.44	0.14	1.57	0.27
HS-61	7.88	2.44	5.26	0.91
HS-62	8.36	2.59	5.20	0.90
HS-63	5.16	1.60	0.34	0.06
HS-64	2.81	0.87	3.50	0.60
HS-65	0.06	0.02	0.10	0.02
HS-66	0.00	0.00	0.02	0.00
HS-67	0.27	0.08	0.20	0.03
HS-68	1.70	0.53	0.45	0.08
HS-69	1.82	0.56	0.28	0.05

HS-70	0.91	0.28	2.10	0.36
HS-71	36.73	11.36	54.30	9.38
HS-72	9.77	3.02	1.72	0.30
HS-73	7.25	2.24	1.59	0.28
HS-74	0.90	0.28	1.48	0.26
HS-75	0.09	0.03	0.06	0.01
HS-76	5.24	1.62	0.92	0.16
HS-78	0.40	0.12	0.00	0.00
HS-79	0.56	0.17	0.21	0.04
HS-80	0.01	0.00	0.06	0.01
HS-81	0.05	0.02	0.10	0.02
HS-82	0.89	0.28	0.54	0.09
HS-83	0.67	0.21	0.85	0.15
HS-84	21.26	6.58	66.35	11.47
HS-85	14.94	4.62	307.68	53.18
HS-86	0.35	0.11	0.14	0.02
HS-87	17.41	5.39	3.70	0.64
HS-88	1.49	0.46	2.16	0.37
HS-89	5.80	1.79	0.41	0.07
HS-90	3.39	1.05	17.66	3.05
HS-91	0.10	0.03	8.01	1.39
HS-92	0.03	0.01	0.16	0.03
HS-93	0.13	0.04	0.00	0.00
HS-94	1.84	0.57	1.51	0.26
HS-95	0.42	0.13	4.17	0.72
HS-96	0.63	0.19	1.07	0.18
HS-97	0.13	0.04	4.88	0.84
HS-99	0.21	0.07	0.93	0.16
Total	323.25	100	578.59	100

Source: Computed from UN Comtrade Database

Complementarity in respect of a particular commodity group (here, ITC-HS two-digit level code) implies that India's exports of the commodity (to the world) is substantial, and so is Hongkong's imports of the commodity (from the world). As it is required to identify the sectors (ITC-HS 2-digit chapters) which have contributed most to the low level of complementarity, the absolute difference in shares – between the share in Indian exports and the share in Hongkong's imports – for each 2-digit code may be computed. Table 3.4 below shows the twenty 2-digit codes which have seen the highest differences. This will be of interest to policymakers if they would consider aligning India's exports to Hongkong's imports.

Table 3.4: Top Twenty Chapters with highest absolute difference in shares in % (in Indian exports and Hongkong's imports in 2019)

ITC-HS Chapter	Commodity Description	Absolute Value of Difference in Shares(%)	Higher Share in
HS-85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	48.56	Hongkong Imports
HS-27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	11.29	Indian Exports
HS-29	Organic chemicals	5.55	Indian Exports
HS-84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	4.89	Hongkong Imports
HS-87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	4.75	Indian Exports
HS-30	Pharmaceutical products	4.55	Indian Exports
HS-72	Iron and steel	2.72	Indian Exports
HS-10	Cereals	2.14	Indian Exports
HS-90	Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	2.00	Hongkong Imports
HS-71	Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	1.98	Indian Exports
HS-73	Iron or steel articles	1.96	Indian Exports
HS-89	Ships, boats and floating structures	1.72	Indian Exports
HS-62	Apparel and clothing accessories; not knitted or crocheted	1.69	Indian Exports
HS-52	Cotton	1.68	Indian Exports
HS-63	Textiles, made up articles; sets; worn clothing and worn textile articles; rags	1.54	Indian Exports
HS-61	Apparel and clothing accessories; knitted or crocheted	1.53	Indian Exports
HS-76	Aluminium and articles thereof	1.46	Indian Exports
HS-03	Fish and crustaceans, molluscs and other aquatic invertebrates	1.43	Indian Exports
HS-91	Clocks and watches and parts thereof	1.36	Hongkong Imports
HS-38	Chemical products n.e.c.	1.35	Indian Exports

Source: Computed from UN Comtrade Database

From table 3.4, it is seen that in case of chapters 85 ('Electrical, electronic equipment'), 84 ('Nuclear reactors, boilers, machinery, etc,') 90 ('Optical, photo, technical, medical, etc apparatus') and 91('Clocks and watches and parts thereof '), the shares in Hongkong's imports outweigh those in Indian exports. In case of HS-85, there is a huge scope of boosting exports by India to meet Hongkong's demand for electrical equipment as is evident in the yawning gap of 49% between the import demand of Hongkong of electrical goods that can be met by exports.

4. RCA and RCII

The earlier approach was one way of looking at things. Another way involves the use of information regarding sectors which have a relative importance, in terms of value, in India's exports (relative to the importance in world exports), and which enjoy a similar relative importance in Hongkong's imports. The first is known as Revealed Comparative Advantage (RCA) and the second Revealed Comparative Import Inclination (RCII). RCA index for a commodity (or commodity group) exported from India is higher than 1 if its importance is more in India's exports than in world exports, and vice versa. Similarly, RCII index for Hongkong's imports for a commodity (or commodity group) imported to Hongkong is higher than 1 if its importance is more in Hongkong's imports than in world imports, and vice versa.

Hence, those sectors – we analyse at the ITC-HS two-digit code level – which have both RCA for India and RCII for Hongkong higher than 1 are the sectors which India's exports and Hongkong's imports to an extent more than overall world trends warrant. Hence these are the sectors which are expected to see substantial Indian exports to Hongkong. Tables 4.1 and 4.2 shows values of RCA for Indian exports and of RCII for Hongkong's imports for 2019. Those chapters for which the values are above 1 are in red.

Table 4.1: RCA of Indian exports in 2019 – ITC-HS chapter-wise

ITC-HS Chapter	RCA	ITC-HS Chapter	RCA	ITC-HS Chapter	RCA	ITC-HS Chapter	RCA
13	6.88	42	1.67	70	0.69	95	0.20
57	6.47	72	1.62	96	0.68	97	0.17
52	6.45	36	1.54	87	0.67	81	0.16
53	6.12	30	1.52	59	0.63	80	0.14
63	4.59	67	1.50	21	0.61	31	0.13
10	4.12	38	1.43	34	0.60	22	0.13
78	3.33	73	1.37	49	0.57	91	0.10
71	3.17	27	1.31	20	0.56	45	0.10
14	3.02	24	1.26	84	0.55	43	0.08
17	2.96	23	1.15	16	0.54	66	0.05
89	2.91	64	1.12	86	0.53	37	0.04
55	2.83	12	1.08	83	0.53	99	0.03
25	2.76	46	1.03	35	0.44	47	0.01
54	2.63	40	1.01	93	0.43	01	

29	2.63	11	0.93	94	0.41	02	
32	2.50	28	0.92	19	0.40	03	
50	2.46	56	0.92	74	0.38	04	
62	2.30	33	0.89	65	0.33	05	
61	2.14	51	0.84	90	0.31	06	
58	1.91	15	0.83	85	0.31	07	
79	1.85	26	0.81	88	0.24	08	
68	1.84	82	0.77	18	0.22	09	
76	1.79	60	0.71	75	0.22		
69	1.77	48	0.71	44	0.21		
41	1.70	39	0.69	92	0.21		

Source: Computed from UN Comtrade Database

Table 4.2: RCII of Hongkong's imports in 2019 – ITC-HS chapter-wise

ITC-HS Chapter	RCII	ITC-HS Chapter	RCII	ITC-HS Chapter	RCII	ITC-HS Chapter	RCII
91	5.08	96	0.71	82	0.27	44	0.10
97	5.04	59	0.70	66	0.26	23	0.08
85	3.42	92	0.69	13	0.26	15	0.08
43	3.20	21	0.65	53	0.26	87	0.08
71	2.68	37	0.47	14	0.24	36	0.07
58	2.10	54	0.46	34	0.22	75	0.06
42	1.92	19	0.43	89	0.21	29	0.04
60	1.88	55	0.43	38	0.21	45	0.02
41	1.55	25	0.43	94	0.20	93	0.01
33	1.42	39	0.43	69	0.20	78	0.01
95	1.11	35	0.40	27	0.20	31	0.00
51	1.10	79	0.37	63	0.19	26	0.00
67	1.06	83	0.36	73	0.17	47	0.00
49	0.96	11	0.36	76	0.17	01	
84	0.95	80	0.36	46	0.16	02	
90	0.92	56	0.33	86	0.15	03	
70	0.88	48	0.32	72	0.15	04	
50	0.87	74	0.31	81	0.15	05	
52	0.82	65	0.31	28	0.14	06	
61	0.79	20	0.30	30	0.14	07	
62	0.79	68	0.30	57	0.12	08	
64	0.78	32	0.29	40	0.12		
16	0.77	88	0.29	12	0.11		
22	0.75	17	0.29	99	0.11		
24	0.72	18	0.29	10	0.10		

Source: Computed from UN Comtrade Database

Policymakers should focus on commodities /commodity groups for which RCA of Indian exports >1 and RCII of Hongkong's imports >1 as these commodity groups have good potential for bilateral trade between India and Hongkong. These commodities should be the intersection set of ITC-HS chapters with RCA >1 in Table 4.1 and RCII >1 in Table 4.2. These commodities are:

- HS-41 Raw hides and skins (other than furskins) and leather
- HS-42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)
- HS-58 Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery
- HS-67 Feathers and down, prepared; and articles made of feather or of down; artificial flowers; articles of human hair
- HS-71 Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin

Table 4.3: RCA of Indian exports to Hongkong in 2019 – ITC-HS chapter-wise

ITC-HS Chapter	RCA Between Countries	ITC-HS Chapter	RCA Between Countries	ITC-HS Chapter	RCA Between Countries	ITC-HS Chapter	RCA Between Countries
91	7.35	11	0.13	49	0.04	23	0.00
71	7.27	62	0.13	54	0.03	87	0.00
41	4.36	16	0.11	86	0.03	24	0.00
33	3.11	64	0.11	53	0.03	66	0.00
44	1.43	27	0.10	68	0.03	36	0.00
67	1.34	37	0.10	55	0.03	75	0.00
97	0.80	39	0.10	63	0.03	26	0.00
18	0.64	83	0.10	92	0.02	93	0.00
85	0.59	12	0.09	73	0.02	79	0.00
74	0.41	61	0.09	20	0.02	31	0.00
51	0.36	84	0.09	94	0.02	47	0.00
42	0.34	88	0.08	14	0.02	78	0.00
48	0.29	52	0.08	76	0.01	89	0.00
58	0.26	82	0.07	46	0.01		
96	0.25	65	0.06	59	0.01		
50	0.24	32	0.06	15	0.01		
72	0.24	81	0.06	13	0.01		
90	0.24	56	0.06	10	0.01		
80	0.22	57	0.05	60	0.01		
95	0.19	34	0.05	35	0.01		
22	0.19	19	0.05	28	0.01		
70	0.18	38	0.05	45	0.00		
43	0.17	29	0.05	69	0.00		

25	0.15	40	0.04	17	0.00	
21	0.14	30	0.04	99	0.00	

Source: Computed from UN Comtrade Database

It can be established that if, for a particular commodity, RCA for India and RCII for Hongkong are both > 1 , it can be expected that RCII for that commodity in Hongkong's imports from India will be > 1 . If this is not the case, the reasons thereof need to be investigated, and appropriate policy measures taken. Actually it implies that the importers of Hongkong are not importing the particular commodity in sufficient amount (in value terms) while importing from India. It is not necessarily that they are averse to buying from India in general, they may very well purchase other commodities from India, but – for some reason – not this particular product. Policies designed to make these products from India attractive to Hongkong importers need to be adopted.

Table 4.4: RCII of Hongkong's imports from India in 2019 – ITC-HS chapter-wise

ITC-HS Chapter	RCII Between Countries	ITC-HS Chapter	RCII Between Countries	ITC-HS Chapter	RCII Between Countries	ITC-HS Chapter	RCII Between Countries
91	6.63	19	0.09	55	0.03	14	0.00
71	5.82	84	0.09	60	0.02	25	0.00
41	3.12	70	0.09	34	0.02	66	0.00
44	1.80	33	0.08	73	0.02	87	0.00
18	0.65	21	0.08	35	0.02	26	0.00
85	0.61	27	0.08	43	0.02	79	0.00
74	0.57	39	0.08	63	0.02	75	0.00
67	0.41	12	0.08	45	0.02	78	0.00
37	0.33	65	0.07	56	0.02	01	
96	0.32	32	0.07	68	0.02	02	
22	0.32	20	0.07	40	0.01	03	
72	0.31	86	0.06	23	0.01	04	
58	0.21	97	0.06	92	0.01	05	
80	0.21	38	0.05	15	0.01	06	
50	0.20	48	0.05	24	0.01	07	
11	0.19	17	0.05	57	0.01	08	
42	0.19	54	0.04	99	0.01	09	
16	0.17	82	0.04	13	0.01	31	
51	0.16	94	0.04	69	0.01	36	
52	0.15	49	0.03	10	0.01	47	
64	0.14	81	0.03	88	0.01	89	
95	0.12	83	0.03	76	0.01	93	
90	0.12	53	0.03	28	0.01		
62	0.11	29	0.03	59	0.00		
61	0.11	30	0.03	46	0.00		

Source: Computed from UN Comtrade Database

From tables 4.3 and 4.4, we find that only four ITC-HS chapters viz. 91, 71, 41 and 44 have both RCA of Indian exports to Hongkong in 2019 and RCII of Hongkong's imports from India in 2019 greater than 1. The associated commodity group descriptions are:

- HS-91 Clocks and watches and parts thereof
- HS-71 Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
- HS-41 Raw hides and skins (other than furskins) and leather
- HS-44 Wood and articles of wood; wood charcoal

This was a sector-wise analysis, and the policies to be adopted need to address the sector at large. There may be, in a particular chapter, 6-digit commodities which may satisfy the conditions satisfied by the chapter as a whole, and there may many which do not. There may even be occasions wherein no 6-digit commodity of a particular chapter individually satisfies the conditions but the chapter as a whole does. This may be because RCA and RCII of some commodities in India's exports to Hongkong < 1 (which brings down the RCA and RCII of the chapter as a whole), but their RCAs in case of India's exports (to the whole world) or their RCII in case of Hongkong's imports (from the whole world) may also be < 1 . In case of other commodities of the same chapter, both may be > 1 . On the other hand, a chapter as a whole may not satisfy the conditions, but some 6-digit commodities included in it may.

So, ITC-HS 6-digit code-wise analysis is more relevant, because the greater granularity permits better focusing of policy measures. The list of chapters may not be consistent with the list of ITC-HS six-digit commodities, because of the reasons mentioned above. The analytical framework elaborated above, with chapters as the basis, was mainly for the purpose of elucidation of the methodology adopted, but also for giving a sector-wise status. But for policy formulation, the analysis with the highest possible granularity is the best option. Hence, it will be most expeditious to consider the ITC-HS six-digit commodities which emerge, as the candidates for the policies mentioned above, when the methodology set out above is employed at the 6-digit level. This list is given in Appendix B.

So much for product-specific policies. Market (i.e. destination) specific policies need to be taken, too. If India has a market share in the world, for commodity P (say s), which is greater than India's overall market share (for all commodities) in the world (say t), there is no reason to expect that India's market share for P in Hongkong, say $g < s$. g can be $< s$ only when, for some reason, Hongkong imports P, but not sufficiently from India. In such cases, market or destination-specific promotional policies will be needed. The same will be true when Hongkong's share in India's export of P falls below Hongkong's share in total world imports of P. When both coincide, there is an even stronger case for adoption of the market-specific promotional policies. Appendix C shows the list of such commodities in case of India's exports to Hongkong.

For commodities appearing in both the lists – in Appendix B and Appendix C, both product-oriented and market-oriented promotional policies are required to be adopted.

5. Export Concentration

The standard measure of concentration of exports over a range of commodities is the Hirschman-Herfindahl Index (HHI), which is the sum of the squares of the shares of the commodities (in terms of value) in the export basket.⁷ The index has been calculated over all ITC-HS six-digit commodities, the highest level of granularity allowed by comparable international data. The index is more meaningful the more granular the data.

In case of India's exports to Hongkong, table 5.1 shows that the value of the index, between 2015 and 2019, averages around 0.69. It may be noted that the index for India's exports to the world at 0.14 (average) is way lower than it is for India's exports to Hongkong. A relatively higher level of concentration of exports means that India's export basket to Hongkong is less diverse than to the world and it may bring forth gains from specialization. However, a more concentrated export also indicates a broader production base and greater concentration (industry specific) risks.

Table 5.1: Hirschman-Herfindahl Index for India to the World and for India to Hongkong

Year	India-Hongkong HHI	India-World HHI
2015	0.67	0.13
2016	0.68	0.13
2017	0.67	0.13
2018	0.74	0.15
2019	0.69	0.14

Source: Computed from UN Comtrade Database

6. Intra-Industry Trade

Intra-industry trade is of importance as it can increase and expand markets. The standard indicator is the Index of Intra-industry Trade (IIT). The index can be calculated within individual sectors as well. Intra-industry trade is generally high in case of the manufacturing sector. An increase in IIT may signify a maturing of this sector, and hence, a regular monitoring of this index may be useful.

Intra-industry trade is a common world-wide phenomenon – export and import of the commodities produced by the same industry or sector. The degree to which this occurs is generally measured by the Grubel-Lloyd Index, which is the difference between the exports of the particular sector to a partner country and imports of the products of the same sector from the same partner, divided by the sum of these two, and whole thing obtained subtracted from 1.⁸

In the present case, the Grubel-Lloyd Index values (computed on exports from India to Hongkong and imports from Hongkong to India) in Table 6.1 show that, in 2019, in case of agricultural products and processed farm products, intra-industry trade between India and Hongkong is generally not very

⁷ See Export Concentration Index in Appendix D.

⁸ See Appendix D for the Index of Intra-Industry Trade.

high, except for commodity groups HS-05(Animal originated products; not elsewhere specified or included) and HS-21(Miscellaneous edible preparations), with values exceeding 0.8.

Table 6.1: Grubel-Lloyd Index for India and Hongkong in 2019 – Agricultural and Related Products (Chapters 01-24)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-01	Animals; live	
HS-02	Meat and edible meat offal	
HS-03	Fish and crustaceans, molluscs and other aquatic invertebrates	0.00
HS-04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	
HS-05	Animal originated products; not elsewhere specified or included	0.89
HS-06	Trees and other plants, live; bulbs, roots and the like; cut flowers and ornamental foliage	0.38
HS-07	Vegetables and certain roots and tubers; edible	
HS-08	Fruit and nuts, edible; peel of citrus fruit or melons	0.47
HS-09	Coffee, tea, mate and spices	0.11
HS-10	Cereals	
HS-11	Products of the milling industry; malt, starches, inulin, wheat gluten	0.08
HS-12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder	0.09
HS-13	Lac; gums, resins and other vegetable saps and extracts	0.31
HS-14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0.19
HS-15	Animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes	0.53
HS-16	Meat, fish or crustaceans, molluscs or other aquatic invertebrates; preparations thereof	
HS-17	Sugars and sugar confectionery	0.41
HS-18	Cocoa and cocoa preparations	0.00
HS-19	Preparations of cereals, flour, starch or milk; pastrycooks' products	0.00

HS-20	Preparations of vegetables, fruit, nuts or other parts of plants	0.26
HS-21	Miscellaneous edible preparations	0.87
HS-22	Beverages, spirits and vinegar	0.43
HS-23	Food industries, residues and wastes thereof; prepared animal fodder	0.16
HS-24	Tobacco and manufactured tobacco substitutes	0.38

Source: Computed from UN Comtrade Database

From table 6.2, it is seen that IIT is low for natural resources, except for HS-27 (Mineral Fuels/Oils) with IIT value over 0.7.

Table 6.2: Grubel-Lloyd Index for India and Hongkong in 2019 – Mineral Products (Chapters 25-27)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-25	Salt; sulphur; earths, stone; plastering materials, lime and cement	0.50
HS-26	Ores, slag and ash	0.00
HS-27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.70

Source: Computed from UN Comtrade Database

In chemicals and chemical-based industries shown in Table 6.3 below, the IIT values are low to moderate.

Table 6.3: Grubel-Lloyd Index for India and Hongkong in 2019 – Products of Chemical or Allied Industries (Chapters 28-40)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-28	Inorganic chemicals; organic and inorganic compounds of precious metals; of rare earth metals, of radio-active elements and of isotopes	0.03
HS-29	Organic chemicals	0.39
HS-30	Pharmaceutical products	0.40
HS-31	Fertilizers	
HS-32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints, varnishes; putty, other mastics; inks	0.63
HS-33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.03

HS-34	Soap, organic surface-active agents; washing, lubricating, polishing or scouring preparations; artificial or prepared waxes, candles and similar articles, modelling pastes, dental waxes and dental preparations with a basis of plaster	0.35
HS-35	Albuminoidal substances; modified starches; glues; enzymes	0.01
HS-36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	0.58
HS-37	Photographic or cinematographic goods	0.03
HS-38	Chemical products n.e.c.	0.41
HS-39	Plastics and articles thereof	0.20
HS-40	Rubber and articles thereof	0.45

Source: Computed from UN Comtrade Database

Again, when it comes to chapters dealing with products of plant and animal parts (leather, wood, paper), as included in the groups shown in Table 6.4 below, the intra-industry trade is low except for Chapter-42 {Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)} with a fairly high degree of intra-industry trade (0.69).

Table 6.4: Grubel-Lloyd Index for India and Hongkong in 2019 – Leather, Wood and Paper (Chapters 41-49)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-41	Raw hides and skins (other than furskins) and leather	0.36
HS-42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	0.70
HS-43	Furskins and artificial fur; manufactures thereof	0.53
HS-44	Wood and articles of wood; wood charcoal	0.37
HS-45	Cork and articles of cork	0.03
HS-46	Manufactures of straw, esparto or other plaiting materials; basketware and wickerwork	0.25
HS-47	Pulp of wood or other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	
HS-48	Paper and paperboard; articles of paper pulp, of paper or paperboard	0.47
HS-49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	0.16

Source: Computed from UN Comtrade Database

The group comprising textiles and clothing, shown in Table 6.5, shows high index values (> 0.8) for HS-50(Silk), HS-61(Apparel and clothing accessories; knitted or crocheted) and HS-62(Apparel and clothing accessories; not knitted or crocheted).

Table 6.5: Grubel-Lloyd Index for India and Hongkong in 2019 – Textiles, Textile Articles, Footwear and Headgear (Chapters 50-65)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-50	Silk	0.86
HS-51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0.15
HS-52	Cotton	0.70
HS-53	Vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0.43
HS-54	Man-made filaments; strip and the like of man-made textile materials	0.27
HS-55	Man-made staple fibres	0.68
HS-56	Wadding, felt and nonwovens, special yarns; twine, cordage, ropes and cables and articles thereof	0.18
HS-57	Carpets and other textile floor coverings	0.86
HS-58	Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery	0.11
HS-59	Textile fabrics; impregnated, coated, covered or laminated; textile articles of a kind suitable for industrial use	0.02
HS-60	Fabrics; knitted or crocheted	0.01
HS-61	Apparel and clothing accessories; knitted or crocheted	0.81
HS-62	Apparel and clothing accessories; not knitted or crocheted	0.89
HS-63	Textiles, made up articles; sets; worn clothing and worn textile articles; rags	0.70
HS-64	Footwear; gaiters and the like; parts of such articles	0.34
HS-65	Headgear and parts thereof	0.29

Source: Computed from UN Comtrade Database

For the assorted group in Table 6.6, intra-industry trade is very high (0.94) for HS-70(Glass and glassware) and moderately high for HS-71(Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin) and HS-68(Stone, plaster, cement, asbestos, mica or similar materials; articles thereof).

Table 6.6: Grubel-Lloyd Index for India and Hongkong in 2019 – Assorted Group of Items (Chapters 66-71)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-66	Umbrellas, sun umbrellas, walking-sticks, seat sticks, whips, riding crops; and parts thereof	0.00
HS-67	Feathers and down, prepared; and articles made of feather or of down; artificial flowers; articles of human hair	0.10
HS-68	Stone, plaster, cement, asbestos, mica or similar materials; articles thereof	0.77
HS-69	Ceramic products	0.09
HS-70	Glass and glassware	0.95
HS-71	Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	0.68

Source: Computed from UN Comtrade Database

As regards metals and articles made thereof, there is high intra-industry trade (>0.8) in chapters 72 ('Iron and steel') and 74 ('Copper and articles thereof').

Table 6.7: Grubel-Lloyd Index for India and Hongkong in 2019 – Base Metals and Articles of Base Metals (Chapters 72-83)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-72	Iron and steel	0.88
HS-73	Iron or steel articles	0.18
HS-74	Copper and articles thereof	0.93
HS-75	Nickel and articles thereof	0.00
HS-76	Aluminium and articles thereof	0.04
HS-78	Lead and articles thereof	
HS-79	Zinc and articles thereof	0.00
HS-80	Tin; articles thereof	0.25
HS-81	Metals; n.e.c., cermets and articles thereof	0.03
HS-82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof, of base metal	0.39
HS-83	Metal; miscellaneous products of base metal	0.07

Source: Computed from UN Comtrade Database

For the last group, half of which are high-end manufactures, the Grubel-Lloyd Index for HS-97(‘Works of art; collectors' pieces and antiques’) is very high, almost 1. Table 6.8 shows the index values for chapters 84 to 99.

Table 6.8 : Grubel-Lloyd Index for India and Hongkong in 2019 – High-End Manufactured Products, Furniture, Sports Goods and Works of Art (Chapters 84-99)

ITC-HS Chapter	Commodity Description	Grubel Lloyd Index
HS-84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	0.10
HS-85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	0.07
HS-86	Railway, tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	0.64
HS-87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	0.16
HS-88	Aircraft, spacecraft and parts thereof	0.49
HS-89	Ships, boats and floating structures	
HS-90	Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	0.23
HS-91	Clocks and watches and parts thereof	0.34
HS-92	Musical instruments; parts and accessories of such articles	0.03
HS-93	Arms and ammunition; parts and accessories thereof	
HS-94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, n.e.c.; illuminated signs, illuminated name-plates and the like; pre-fabricated buildings	0.05
HS-95	Toys, games and sports requisites; parts and accessories thereof	0.25
HS-96	Miscellaneous manufactured articles	0.22
HS-97	Works of art; collectors' pieces and antiques	0.99
HS-99	Commodities not specified according to kind	0.03

Source: Computed from UN Comtrade Database

7. Export Similarity

The similarity in the export baskets of two countries, i.e. similarities in the shares of different commodities in the total exports of two countries, is measured by the Export Similarity Index. It is calculated by taking the percentage shares of each commodity (here ITC-HS six digit level commodities have been taken) in both the countries, taking the minimum of the two, and then summing up these minima over all the commodities. The index values vary from 0 to 100, with higher values implying greater export similarity between the countries and thus greater export competition between the two countries.

Table 7.1 shows the values of this index for India and some major countries.

Table 7.1: Export Similarity Index – India and a few countries

	2015	2016	2017	2018	2019
India-Russia	22.53	17.83	25.31	25.28	25.46
India-Singapore	29.80	24.01	28.04	30.80	30.94
India-South Korea	27.05	27.21	28.10	30.32	31.80
India-Thailand	31.46	31.04	0.00	30.30	30.48
India-China	26.77	27.52	26.97	28.06	30.16
India-USA	32.62	32.00	31.74	31.91	32.89
India-UK	30.99	31.94	31.44	31.00	32.89
India-Germany	29.86	29.61	29.88	30.61	32.11
India-Japan	23.03	23.54	23.87	23.62	24.43
India-New Zealand	15.74	14.66	13.88	13.38	17.11
India-Vietnam	22.97	0.00	0.00	21.79	22.31
India-Hongkong	18.49	17.60	16.44	15.91	17.69

Source: Computed from UN Comtrade Database

The Export Similarity Index between India and Hongkong is not very high (17.69 in 2019) and is comparable with ESI between India-New Zealand (17.11). Table 7.2 below shows that Hongkong's Export Similarity Index values with other countries such as Singapore, South Korea, China, USA, UK, Germany and Japan.

Table 7.2: Export Similarity Index – Hongkong and a few countries

	2015	2016	2017	2018	2019
Hongkong-Singapore	42.19	42.92	42.79	42.27	45.38
Hongkong -South Korea	33.00	33.04	32.47	33.73	34.94
Hongkong -China	41.29	40.25	39.61	40.76	40.32
Hongkong -USA	31.41	31.38	30.96	30.48	30.34
Hongkong -UK	20.67	20.84	20.30	19.87	22.23
Hongkong -Germany	21.33	20.78	21.20	21.64	22.26
Hongkong -Japan	25.62	25.14	25.26	24.80	25.20

Source: Computed from UN Comtrade Database

From the above table, the average ESI values are computed between Hongkong and the seven countries, are given as under:

Hongkong-Singapore	44.25
Hongkong -China	40.38
Hongkong -South Korea	34.19
Hongkong -USA	30.63
Hongkong -Japan	25.20
Hongkong -Germany	21.85
Hongkong -UK	21.51

ESI between Hongkong and Singapore is the highest among the seven countries, implying that these two countries are the closest competitors in the world market for exports in the group of seven countries.

VI Resources

- Oracle Business Intelligence Application, DGCIS
- UN Comtrade Database
- Encyclopædia Britannica, <https://www.britannica.com/place/Hong-Kong>
- IMF 2019 ARTICLE IV CONSULTATION (People's Republic of China-Hong Kong Special Administrative Region) —PRESS RELEASE; STAFF REPORT (Country Report No. 19/394)
- World Trade Organization (WTO) Trade Policy Reviews: Hongkong
- Human Development Report 2020

VII Appendix

A. Data on Country Profile

Table A: Country Profile — Hongkong

Country Profile : Hong Kong SAR, China				
	1990	2000	2010	2018
World view				
Population, total (millions)	5.7	6.67	7.02	7.45
Population growth (annual %)	0.3	0.9	0.7	0.8
Surface area (sq. km) (thousands)	1.1	1.1	1.1	1.1
Population density (people per sq. km of land area)	5,762.10	6,347.60	6,689.70	7,096.20
Poverty headcount ratio at national poverty lines (% of population)	..	..	..	..
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	..	..	..	..
GNI, Atlas method (current US\$) (billions)	72.22	179.5	236.17	373
GNI per capita, Atlas method (current US\$)	12,660	26,930	33,620	50,060
GNI, PPP (current international \$) (billions)	101.32	189.82	352.8	488.23
GNI per capita, PPP (current international \$)	17,760	28,480	50,230	65,530
People				
Income share held by lowest 20%	..	..	..	..
Life expectancy at birth, total (years)	77	81	83	85
Fertility rate, total (births per woman)	1.3	1	1.1	1.1
Adolescent fertility rate (births per 1,000 women ages 15-19)	7	4	3	3
Contraceptive prevalence, any methods (% of women ages 15-49)	86	86	75	..
Births attended by skilled health staff (% of total)	..	..	..	..
Mortality rate, under-5 (per 1,000 live births)	..	..	..	..
Prevalence of underweight, weight for age (% of children under 5)	..	..	..	..
Immunization, measles (% of children ages 12-23 months)	..	..	..	..
Primary completion rate, total (% of relevant age group)	104	..	101	104
School enrollment, primary (% gross)	108.9	97.9	103.9	108.6
School enrollment, secondary (% gross)	75	80	88	107

School enrollment, primary and secondary (gross), gender parity index (GPI)	1	..	1	1
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..
Environment				
Forest area (sq. km) (thousands)	..	..	..	..
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	48.9
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
Urban population growth (annual %)	0.7	0.9	0.7	0.8
Energy use (kg of oil equivalent per capita)	1,511	2,039	1,947	..
CO2 emissions (metric tons per capita)	4.79	6.07	5.73	5.95
Electric power consumption (kWh per capita)	4,178	5,447	5,973	..
Economy				
GDP (current US\$) (billions)	76.93	171.67	228.64	361.7
GDP growth (annual %)	3.8	7.7	6.8	2.8
Inflation, GDP deflator (annual %)	7.6	-3.4	0.3	3.7
Agriculture, forestry, and fishing, value added (% of GDP)	..	0	0	0
Industry (including construction), value added (% of GDP)	..	12	7	6
Exports of goods and services (% of GDP)	117	126	205	188
Imports of goods and services (% of GDP)	109	122	199	189
Gross capital formation (% of GDP)	27	28	24	22
Revenue, excluding grants (% of GDP)	..	..	..	..
Net lending (+) / net borrowing (-) (% of GDP)	..	..	..	..
States and markets				
Time required to start a business (days)	..	11	6	2
Domestic credit provided by financial sector (% of GDP)	..	..	..	..
Tax revenue (% of GDP)	..	..	..	..
Military expenditure (% of GDP)	..	..	..	..
Mobile cellular subscriptions (per 100 people)	2.3	82.5	198	269.9
Individuals using the Internet (% of population)	0	27.8	72	90.5
High-technology exports (% of manufactured exports)	..	..	37	65

Statistical Capacity score (Overall average)	..	..	..	..
Global links				
Merchandise trade (% of GDP)	217	243	368	330
Net barter terms of trade index (2000 = 100)	100	100	97	97
External debt stocks, total (DOD, current US\$) (millions)	..	..	..	..
Total debt service (% of exports of goods, services and primary income)	..	..	..	..
Net migration (thousands)	156	65	75	147
Personal remittances, received (current US\$) (millions)	..	136	340	425
Foreign direct investment, net inflows (BoP, current US\$) (millions)	3,275	70,496	82,709	97,036
Net official development assistance received (current US\$) (millions)	38.2	..	..	..

Source: World Development Indicators database
 Figures in blue refer to periods other than those specified.

*Data from database: World Development Indicators
 Last Updated:03/19/2021*

B. Commodities requiring product-specific export-promotion policies

Commodity Code (6-digit)	Commodity Code Description
121190	OTHER : SEEDS :
130219	OTHER : EXTRACTS :
283329	OTHER SULPHATES
293629	OTHER VITAMINS AND THEIR DERIVATIVES :
420211	TRUNKS,SUIT-CASES VANITY-CASES SCHOOL SATCHELS AND SMLR CONTNRS WITH OUTR SRFCE OF LTHR/COMPSTN LTHR/PATENT LEATHER
420221	HANDBAGS WITH OUTER SURFACE OF LEATHER OF COMPOSITION LEATHER/OF PATENT LEATHER W/N WTH SHOULDER STRAP-INCL THOS WITHOUT

420222	HANDBAGS WITH OUTER SURFACE OF SHEETING OF PLASTIC/OF TEXTILE MATERIALS W/N WITH SHOULDER STRAP-INCL THOSE WITHOUT HA
420229	OTHR HANDBAGS INCL THOSE WITHOUT HANDLE
420231	ARTCLS WTH OUTER SRFCE OF LTHR OF COMPSTN LTHR/OF PTNT LTHR CARIED IN POCKT/HNDBAG
420299	OTHR SIMILAR CONTAINERS OF HDNG 4202
420310	ARTICLES OF APPAREL
420330	BELTS AND BANDOLIERS
420340	OTHER CLOTHING ACCESSORIES :
420500	OTHR ARTCLS OF LEATHER/OF COMPSTN LEATHER
430390	OTHER ARTICLES OF FURSKIN
500720	OTHER FABRICS, CONTAINING 85% OR MORE BY WEIGHT OF SILK OR OF SILK WASTE OTHER THAN NOIL SILK :
510710	YARN OF COMBED WOOL CONTNG>=85% WOOL BY WTNOT PUT UP FOR RETAIL SALE
520931	DYED PLAIN WEAVE COTTON FABRICS WEGHNG MORE THAN 200 GM PER SQM
520942	DENIM
520959	OTHER FABRICS :
521142	DENIM OF YARNS OF DIFFERENT COLOUR OF MXD COTN FABRICS WEIGHING>200 GSM
531100	WOVEN FABRICS OF OTHER VEGETABLE TEXTILE FIBRES;WOVEN FABRICS OF PAPER YARN
540822	OTHER WOVEN FABRICS CNTNG BY WT>=85% OF ARTIFICIAL FILAMENT/STRIP/LIKE,DYED
551519	FABRICS OF POLYESTR STPL FBRS MIXD MAINLY OR SOLELY WITH OTHR FIBRS
560790	OTHER TWINE,CORDAGE,ROPE AND CABLES
580639	OTHR NARROW WVN FBRCS OF OTHR TXTL MATRLS

580900	WVN FBRCS OF MTL THRD AND MTLSD YARN OF HDG 5605 OF A KND USED IN AP-PAREL AS FRNSHNG FBRCS/FOR SMLR PURPOSES N.E.S./INCLU
581010	EMBROIDERY WITHOUT VISIBLE GROUND
600290	OTHR KNITDOR CROCHETED FBRCS OF WIDTH<30CM
600622	OTHR KNITED OR CROCHETD FBRCS OF COTTON , DYED
611490	OTHR GRMNTS OF OTHR TEXTILE MATERIALS
620449	DRESSES OF OTHER TEXTILE MATERIALS
620461	TROUSERS,BIB AND BRACE OVER-ALLS,BREECHES AND SHORTS OF WOOL OR FINE ANIMAL HAIR
621139	OTHR GRMNTS OF OTHR TXTL MTRLS FR MNS/BOYS
621149	OTHER GARMENTS OF OTHER TEXTILE MATERIALS
621410	SHWLS,SCRVS,MUFFLERS ETC OF SLK/SLK WSTE
621420	SHWLS,SCARVES ETC OF WOOL/FINE ANML HAIR
711790	OTHER IMITATION JEWELLERY
840710	AIR-CRAFT ENGINES
844010	BOOK-BINDNG MCHNRY,INCL BOOK-SEWNG MCHNS
845230	SEWING MACHINE NEEDLES
850440	STATIC CONVERTERS
850730	NICKEL-CADMIUM ACCUMULATORS
852359	OTHER
900150	SPECTACLE LENSES OF OTHR MATERIALS
910519	OTHER ALARM CLOCKS
910599	OTHER CLOCKS NES
950669	OTHER BALLS
960720	PARTS OF SLIDE FASTENERS
960891	PEN NIBS AND NIB POINTS

C. Commodities requiring market-specific export-promotion policies

Commodity Code (6-digit)	Commodity Code Description
110290	OTHER CEREAL FLOUR
121190	OTHER : SEEDS :
130219	OTHER : EXTRACTS :
150890	OTHR REFND GRND NUT OIL AND ITS FRACTIONS
210120	EXTRCTS ESSNCS AND CNCNTRTS,OF TEA/MATE AND PRPNS WTH A BASIS OF THESE EXTRCTS,ESS- NCS OR CONCENTRATES OR WTH A BASIS OF TE
283329	OTHER SULPHATES
293629	OTHER VITAMINS AND THEIR DERIVATIVES :
401410	SHEATH CONTRACEPTIVES
410799	OTHER/HIDES/SKINS INCLUDING SIDES
420211	TRUNKS,SUIT-CASES VANITY-CASES SCHOOL SACHELS AND SMLR CONTNRS WITH OUTR SRFCE OF LTHR/COMPSTN LTHR/PATENT LEATHER
420221	HANDBAGS WITH OUTER SURFACE OF LEATHER OF COMPOSITION LEATHER/OF PATENT LEATHER W/N WTH SHOULDER STRAP-INCL THOS WITHOUT
420222	HANDBAGS WITH OUTER SURFACE OF SHEETING OF PLASTIC/OF TEXTILE MATERIALS W/N WITH SHOULDER STRAP-INCL THOSE WITHOUT HA
420229	OTHR HANDBAGS INCL THOSE WITHOUT HANDLE
420231	ARTCLS WTH OUTER SRFCE OF LTHR OF COMPSTN LTHR/OF PTNT LTHR CARIED IN POCKT/HNDBAG
420299	OTHR SIMILAR CONTAINERS OF HDNG 4202
420310	ARTICLES OF APPAREL
420330	BELTS AND BANDOLIERS
420340	OTHER CLOTHING ACCESSORIES :
420500	OTHR ARTCLS OF LEATHER/OF COMPSTN LEATHER

430390	OTHER ARTICLES OF FURSKIN
490510	GLOBES
500720	OTHER FABRICS, CONTAINING 85% OR MORE BY WEIGHT OF SILK OR OF SILK WASTE OTHER THAN NOIL SILK :
510710	YARN OF COMBED WOOL CONTNG \geq 85% WOOL BY WTNOT PUT UP FOR RETAIL SALE
520524	SNGL YRN OF CMBD FBRS MEASURNG $<$ 192.31 BUT \geq 125 DCTX($>$ 52 BUT \leq 80 MTRC NO)
520532	MLTPL(FLDED)/CBLD YRN OF UNCMBD FBRS MEASURNG $<$ 714.29 BUT \geq 232.56 DCTX ($>$ 14 BUT \leq 43 MTRC NO PER SNGL YAR
520542	MLTPL(FLDED)/CBLD YRN OF CMBD FBRS MEASURNG PER SNGL YRN $<$ 714.29 BUT \geq 232.56 DCTX($>$ 14 BUT \leq 43 MTRC NO PER SNGL Y
520543	MLTPL(FLDED)/CBLD YRN OF CMBD FBRS MEASURNG PER SNGL YRN $<$ 232.56 BUT \geq 192.31DCTX($>$ 43 BUT \leq 52 MTRC NO PER SNGL Y
520544	MLTPL(FLDED)/CBLD YRN OF CMBD FBRS MEASURNG PER SNGL YRN $<$ 192.31 BUT \geq 125 DCTX($>$ 52 BUT \leq 80 MTRC NO PER SNGL Y
520931	DYED PLAIN WEAVE COTTON FABRICS WEGHNG MORE THAN 200 GM PER SQM
520942	DENIM
520959	OTHER FABRICS :
521142	DENIM OF YARNS OF DIFFERENT COLOUR OF MXD COTN FABRICS WEIGHING $>$ 200 GSM
531100	WOVEN FABRICS OF OTHER VEGETABLE TEXTILE FIBRES;WOVEN FABRICS OF PAPER YARN
540822	OTHER WOVEN FABRICS CNTNG BY WT \geq 85% OF ARTIFICIAL FILAMENT/STRIP/LIKE,DYED
551519	FABRICS OF POLYESTR STPL FBRS MIXD MAINLY OR SOLELY WITH OTHR FIBRS

551591	OTHR WOVN FABRCS OF SYN FIBRS MIXD MAINLY OR SOLELY WITH NAM-MADE FILAMENTS
560790	OTHER TWINE,CORDAGE,ROPE AND CABLES
580410	TULLES AND OTHER NET FABRICS
580620	OTHER WOVEN FABRICS, CONTAINING BY WEIGHT 5% OR MORE OF ELASTOMERIC YARN OR RUBBER THREAD
580639	OTHR NARROW WVN FBRCS OF OTHR TXTL MATRLS
580900	WVN FBRCS OF MTL THRD AND MTLSD YARN OF HDG 5605 OF A KND USED IN APPAREL AS FRNSHG FBRCS/FOR SMLR PURPOSES N.E.S./IN-CLU
581010	EMBROIDERY WITHOUT VISIBLE GROUND
600290	OTHR KNITDOR CROCHETED FBRCS OF WIDTH<30CM
600622	OTHR KNITED OR CROCHETD FBRCS OF COTTON , DYED
610333	JACKETS AND BLAZERS OF SYNTHETIC FIBRES
611490	OTHR GRMNTS OF OTHR TEXTILE MATERIALS
620429	ENSEMBLES OF OTHER TEXTILE MATERIALS
620449	DRESSES OF OTHER TEXTILE MATERIALS
620461	TROUSERS,BIB AND BRACE OVERALLS,BREECHES AND SHORTS OF WOOL OR FINE ANIMAL HAIR
621139	OTHR GRMNTS OF OTHR TXTL MTRLS FR MNS/BOYS
621149	OTHER GARMENTS OF OTHER TEXTILE MATERIALS
621410	SHWLS,SCRVS,MUFFLERS ETC OF SLK/SLK WSTE
621420	SHWLS,SCARVES ETC OF WOOL/FINE ANML HAIR
711319	ARTCLS OF OTHR PRCS MTL W/N PLTD OR CLAD
711790	OTHER IMITATION JEWELLERY
810296	WIRE OF MOLYBDENUM

840710	AIR-CRAFT ENGINES
844010	BOOK-BINDNG MCHNRY,INCL BOOK-SEWNG MCHNS
844312	OFFSET PRINTING MACHINERY-SHEET FED, OFFICE TYPE(SHEET SIZE NT EXCDNG 22X36 CM)
845230	SEWING MACHINE NEEDLES
847340	PRTS AND ACCSSRS OF MCHNS OF HDG NO.8472
850440	STATIC CONVERTERS
850490	PRTS OF TRNSFRMRS,STATIC CNVRTRS AND INDUCTR
850730	NICKEL-CADMIUM ACCUMULATORS
852359	OTHER
853225	OTHR FXD CAPACTRS DIELCTRC OF PAPR/PLSTCS
900150	SPECTACLE LENSES OF OTHR MATERIALS
910519	OTHER ALARM CLOCKS
910599	OTHER CLOCKS NES
911090	UNASSMLD/PARTLY ASSMLD/ROUGH CLOCK MVMNTS
950669	OTHER BALLS
960190	OTHER ARTICLES OF HDG 9601
960630	BUTN MOULDS AND OTHR PRTS OF BUTN;BUTN BLNKS
960720	PARTS OF SLIDE FASTENERS
960860	REFILLS FOR BALL POINT PENS,COMPRISING THE-BALL POINT AND INK RESERVOIR
960891	PEN NIBS AND NIB POINTS

D. Trade Indicators

1. Revealed Comparative Advantage Index (RCA): RCA for a commodity exported from a country means the importance of this commodity in the export trade of the country in comparison with the importance of the commodity in world exports. Mathematically,

$$RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$$

where x_{ij} = country i 's exports of commodity j

X_{it} = country i 's total exports

x_{wj} = world exports of commodity j

X_{wt} = total world exports.

When $RCA_{ij} > 1$, i.e. when j 's weight in i 's exports (x_{ij}/X_{it}) is more than j 's weight in world exports (x_{wj}/X_{wt}), country i is said to have a revealed comparative advantage in commodity j . There is a revealed comparative disadvantage if $RCA_{ij} < 1$. When $RCA_{ij} = 1$, there is neither comparative advantage or disadvantage.

By studying the RCA for a commodity exported from a country over time, it can be seen whether the country in question is gaining in comparative advantage regarding a particular commodity. If RCA is falling, the reasons require investigation. (x_{ij}/X_{it}) may have risen less or fallen more than proportionately than (x_{wj}/X_{wt}).

2. One way of checking the reasons for a fall in RCA for a particular commodity is seeing which markets are responsible for this fall. This can be seen from another, slightly different, indicator called Export Specialization Index (ESI).

$ESI = (x_{ij}/X_{it}) / (m_{kj}/M_{kt})$, where

m_{kj} = import of commodity j to market k

M_{kt} = world imports of commodity k .

(m_{kj}/M_{kt}) gives the weight of j in market k . So, if RCA_{ij} is seen to fall, then it can be found out for which markets ESI has fallen. Special attention may then be given to those markets regarding the commodity in question.

3. Like RCA, the revealed comparative import intensity (RCII) can also be measured.

$RCII = (m_{ij}/M_{it}) / (m_{wj}/M_{wt})$

where m_{ij} = country i 's imports of commodity j

M_{it} = country i 's total imports

m_{wj} = world imports of commodity j

M_{wt} = total world imports.

This gives an idea whether the proportion of imports of any commodity is more than expected, in terms of the share of that commodity in world imports.

4. Bilateral trade between countries is an important area of trade policy in that bilateral trade agreements are signed to increase trade. However, some points require to be examined before entering into these agreements. Firstly, it is necessary to see whether there is trade complementarity between the two countries. That is, whether the exports of one country match with the imports of the other, and vice versa. Naturally, when trade complementarity is high between two countries, it is beneficial to enter into a trade agreement. If a partner country does not import what India generally exports, there is little point in entering into a trade agreement with that country. The Trade Complementarity Index (TCI) is given as follows:

$TCI = 1 - \sum (|m_{ik} - x_{ij}| / 2)$, where

m_{ik} = share of commodity i in the imports of market k

x_{ij} = share of commodity i in the exports of country j .

It is evident that TCI can have values between 0 and 1. When these shares, m_{ik} and x_{ij} are close to each other, (i.e. when trade complementarity increases) TCI is close to 1. As their difference increases, TCI falls.

$TCIW$ = TCI between a country and the World.

$RTCI$ (Relative Trade Complementarity Index) between country k and country j = (TCI between country k and country j) / (TCI between country k and the world)

RTCI gives a measure of the complementarity between two countries as compared to the complementarity between the first country and the world.

5. But another fact may be checked while proceeding to enter into a trade agreement. The trade between the two countries may already be quite high. This can be measured by the Export Intensity Index (EII).

$$EII = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$$

where x_{ij} = country i 's exports to country j

X_{it} = country i 's exports to the world

x_{wj} = world exports to country j

X_{wt} = total world exports.

This essentially measures the relative importance of country j in country i 's export trade, in comparison with country j 's importance as world export destination. $EII < 1$ or > 1 implies less than or more than expected bilateral trade, respectively. If EII is already high, there is little scope of further increasing bilateral trade between i and j . But if it is low, and if TCI is high, bilateral trade can very well be increased through trade agreements.

6. A related indicator is the Export Similarity Index (XSI), which helps us identify a country's competitors.

$$XSI = \sum [\min (X_{ij}, X_{ik}) * 100]$$

where X_{ij} = share of commodity i in exports of country j

X_{ik} = share of commodity i in exports of country k

XSI can vary between 0 and 100. It will be seen that when $X_{ij} = X_{ik}$ for all i 's, $XSI = 100$, which means complete export similarity between countries j and k . As X_{ij} and X_{ik} start to differ, XSI falls. Countries exporting the same commodities are competitors in the world market, and export strategies, taking in to account such competition, have to be designed accordingly.

7. It is necessary to know whether the exports of a country are concentrated in a few products. A high concentration, while enabling a country to reap the benefits of specialization and economies of scale, also exposes a country to the risks arising from the vicissitudes of global trade. The Hirschman Index (HI), used by UNCTAD, is a handy measure for monitoring export concentration.

$$HI = \sqrt{[\sum S_q(x_i/X_t)]}$$

where x_i is the country's exports of commodity i

X_t is the country's total exports.

HI ranges from $(1/n)$ to 1. The higher the value of HI , the higher the concentration of exports.

8. Intraindustry trade is of importance as it can increase and expand markets. The standard indicator is the Index of Intraindustry Trade (IIT).

$$IIT_{jk} = 1 - [\sum | X_{ijk} - M_{ijk} | / (X_{ijk} + M_{ijk})]$$

where X_{ijk} = exports of products of industry i from country j to country k

M_{ijk} = imports of products of industry i from country k to country j .

IIT can take values from 1 (extremely high intra-industry trade, exports equaling imports) to 0 (no interindustry trade at all).
