

## Contents

Drift and decline in Indo-UK trade .....	2
India, UK agree to work towards broad based trade and investment agreement .....	4
India and UK agree to push Trade and Investment.....	6

# Drift and decline in Indo-UK trade

Vidya Ram, Hindu Businessline

*Britain's trade diplomacy has not kept pace with economic change.*

Jan 29: Has India downgraded Britain as a global partner? The contention earlier this week by Labour Member of Parliament Mr Barry Gardiner that this may be the case, particularly when it comes to trade, provoked strenuous rebuttals by British politicians from across political parties, and the High Commission here in London.

Casting doubt on British-Indian relations, particularly in Britain, is pretty sacrilegious, with political leader after leader stressing the weight it accords that relationship. Prime Minister David Cameron is no exception: pledging to make Britain India's "partner of choice" when he visited India on his first foreign tour as Prime Minister two years ago, while Britain tasked itself with doubling trade with India by 2015.

## *UK-INDIA TRADE*

Trade has certainly been growing in absolute terms: UK-India trade for 2011 crossed the 10 billion-pound mark by the end of November last year, against 9.8 billion pounds for the year before, and was up 40 per cent for the year as a whole, after a fall of nearly 15 per cent the year before.

Yet, relative figures tell a somewhat different story. As a recent UK parliamentary briefing paper notes, in 2010, India was just the 15th-biggest destination for UK goods, accounting for 1.5 per cent of the total, and the 16th-most important when it came to UK goods imports (1.6 per cent). The picture wasn't much better when it came to services, holding 22nd and 11th position, respectively. And while exports of goods and services to India more than doubled in the decade to 2010, it had barely moved in relative terms, rising to 1.4 per cent, from 1 per cent of UK exports. (The percentage has remained relatively constant since the 1970s).

Investment by Britain in India has also been lagging behind other parts of Europe: while FDI from France rose to \$685 million in 2010 from \$117 million four years before, British investment has fallen to \$475 million from \$1.8 billion during that period, according to WTO figures.

Meanwhile, from the Indian perspective, Britain has fallen further down the rank of its export partners — from 4th position in 2000, to 7th last year, and from 3rd to 22nd when it comes to imports during that period. Now, UK imports account for just 1 per cent of India's total, behind countries from Australia and Switzerland to South Korea, Nigeria and Iran.

## *STRATEGIC PARTNER*

It's partly a reflection of how the British economy has been evolving during the past few decades: manufacturing — which accounts for the largest chunk of Indian imports — has been on the decline in Britain, a country, which, until recently, focused much of its efforts on the financial services industry (it still accords more weight to that sector than most parts of Europe, as protection of it was the key reason that Mr Cameron vetoed the European fiscal compact).

But it's also partly a failure by Britain to pro-actively pursue its choices in a scenario that has changed rapidly during the past 10 years. "Particularly in the last decade, the UK has been somewhat behind the curve when it comes to dealing with India or increasing its trade," says Mr Christopher Ogden, a lecturer in international relations at St Andrews University, and author of a forthcoming book on Indian foreign policy. "It's been behind the curve in dealing with India, just as it's been with its engagement with China." This has come at a time when India's choices and leverages have been widening: India has identified 23 strategic partners, and Britain is simply one of them. "My sense is that the UK may no longer be one of India's top 5 strategic partners, a position that it used to hold 3 or 4 years ago," argues Rahul Roy-Chaudhury, a senior fellow at the International Institute for Strategic

Studies. “When (British Prime Minister) David Cameron visited India in July 2010, there were \$1.1 billion of trade deals, when (US President Barack) Obama visited, there were \$10 billion of trade deals, when (French President Nicholas) Sarkozy visited, there were \$14 billion of trade deals. There is a difference.”

### *ASSETS IN BRITAIN*

Still, on some counts — such as Indian investment into Europe — ties between Britain and India are streets ahead of other countries. Between 2006 and 2011, Indian firms bought \$22.4 billion worth of assets in Britain — with runner-up Germany at just \$3.4 billion. India is a major employer, with its companies employing around 90,000 people in Britain. The government is keen to promote more such investments, and is introducing measures, such as reducing the time that those who bring certain substantial sums to invest in the country must wait to be eligible for a British passport. The need for re-alignment and re-balancing, particularly in the wake of the financial crisis, and the troubles plaguing Britain's largest trading partner, the EU, has been recognised by Britain itself. Chancellor George Osborne courted China on a recent visit to the country, and scored a number of deals, including promoting Britain as the yuan's second-largest offshore trading hub after Hong Kong. (It's seen as something of a coup, given fears that countries might concentrate their efforts on the European mainland, following Britain's increasing isolation from the rest of the EU.) With India too, moves to improve trade have been accompanied by other gestures of solidarity, including the decision to maintain its direct aid payments (as part of its austerity drive, aid to countries from Russia and China, to Niger and Vietnam have been taken off the list). And last week, Foreign Secretary William Hague reiterated Britain's support for India's quest for a permanent UN Security Council membership — one of the stronger levers it still holds. Outstanding issues — such as over non payments to British firm SIS Live during the Commonwealth Games — are being dealt with largely outside the public arena. Someone pointed out to me recently, there's been much rhetoric but little concrete analysis of the state of the relationship, particularly economic, between the two nations. “Downgrade” is perhaps too strong a word, but the instinct that this is a relationship that needs to be worked at and analysed, rather than treated with the complacency it largely is, is no bad thing.

[\[Back to top\]](#)

# India, UK agree to work towards broad based trade and investment agreement

ANI

New Delhi, April 2: India and UK on Monday agreed to remain fully committed to resolving the remaining issues and work towards concluding a mutually beneficial India-EU Broad based trade and investment agreement at the earliest.

A joint press statement by the Chancellor of the Exchequer of UK, George Osborne, and Finance Minister Pranab Mukherjee after the fifth round of UK-India Economic and Financial Dialogue said both sides recognized the important role that small and medium sized enterprises (SMEs) play in underpinning economic growth and employment in both our countries, and discussed the challenges they face, particularly in raising finance, and resolved to work together to promote trade and investment between the SME sectors of the two countries.

Today's dialogue reaffirmed the continued strength of the UK-India economic and financial relationship. Both sides agreed to continue to work closely throughout the year to follow through on their commitments and look forward to the next round of talks in 2013. The two sides discussed ways to strengthen our mutual cooperation and further boost trade and investment between our two countries during the talks, which included senior representatives of our Finance Ministries and regulatory bodies.

Both sides agreed that while the global economy has stabilized in recent months, growth will remain subdued and at risk from a series of threats. UK and India share a common commitment to play their part to support the recovery, ensure financial stability and restore confidence. Both countries remain determined to deliver necessary fiscal consolidation plans to secure sustainable public finances.

India and UK welcomed the exchange of ideas in financing infrastructure as part of the dialogue, noting that both countries share a common aim of increasing the role of institutional investors in infrastructure financing. Both sides also discussed the importance of developing deep and efficient capital markets to support infrastructure financing in India. Foreign capital can play an important part in this process.

Both sides supported the progress on the Reserve Bank of India's (RBI) roadmap for foreign banks in India and UK side welcomed the desire by the Indian side to resolve outstanding issues, including those on tax, of the RBI's subsidiarisation proposals for foreign banks. They also discussed the steps that are being taken to simplify and harmonise financial services legislation including through the work of the Financial Sector Legislative Reforms Commission (FSLRC) in India, and the UK's ongoing implementation of the recommendations of the Independent Commission on Banking. Both sides agreed that there was a clear benefit to sharing experiences on this and welcomed the ongoing technical collaboration to assist the FSLRC in carrying out its mandate.

The two countries welcomed the Cannes Action Plan for Growth and Jobs agreed at the November 2011 Cannes Summit and are making progress in implementing these commitments, which remain fully relevant to the shared objectives of strong, sustainable and balanced growth. Both sides emphasized the importance of investment, in particular in infrastructure, to strengthen the global recovery and rebalance demand.

Both sides are committed to ensuring that the IMF is adequately resourced to play its systemic role in the international financial system in support of its entire membership and that the quota and governance reforms of the IMF are implemented within the agreed timelines. India and UK agreed to remain committed to pursuing the financial regulatory reform agenda according to the timetable agreed in G-20 in an internationally consistent and non-discriminatory manner. This will be

monitored by the Financial Stability Board through its Coordination Framework for Implementation Monitoring.

Both sides discussed the joint approaches to meeting these commitments and will continue to work together to strengthen the global financial system. The two nations also recognized the need for countries to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and engage in automatic exchange of information where legally required to improve tax compliance and decrease tax evasion.

Recognising the importance of open trade for the global economy, India and UK reaffirmed their commitment to refrain from protectionism. Both sides signaled their commitment to the WTO and agreed to consider new approaches to taking forward the Doha round, with a clear focus on delivering outcomes for the least developed countries.

Both sides confirmed their intention for India and the UK to continue to work closely to develop ever-stronger links across a wide spectrum of issues in pursuit of the ambitious mutual aspiration to achieve a step change in two-way trade. India and the UK welcomed the 40 percent year on year increase in the export of goods from the UK to India and the increase by 35.05 percent of exports from India to UK in 2011. Both sides continue to work towards enhancing this growth.

[\[Back to top\]](#)

# India and UK agree to push Trade and Investment

Ministry of commerce press release

JETCO identifies projects between BAE systems and Mahindra and Mahindra JV, between Hindustan Aeronautics Limited and Rolls Royce and collaboration between Bhushan Power and Steel and CDE Asia Limited for immediate implementation; Anand Sharma raises visa problems and non EU immigration into the UK

16 April 2012, London: Shri Anand Sharma, Commerce, Industry and Textiles Minister who is in London for the 8th round of India-UK Joint Economic and Trade Committee (JETCO) Meeting, today held official meetings with his British counterpart Secretary of State for Business, Innovation and Skills, Dr. Vince Cable and the Chancellor of the Exchequer Mr. George Osborne in addition to leading the Indian deliberations at the JETCO. Shri Anand Sharma and Dr. Vince Cable addressed the JETCO meeting. The FICCI and CII have led industry delegations of leading businessmen from India to the meeting. The JETCO was established on 13 January 2005 in New Delhi to steer the strategic economic partnership between the two countries following the historic Joint Declaration “India-UK towards a new and dynamic partnership” between Prime Ministers Dr. Manmohan Singh and Tony Blair in September 2004 in London. The JETCO has been conceived as a business driven institutional framework to enhance trade and investment both ways. Shri Anand Sharma and Dr. Vince Cable had led the respective delegations at the 7th JETCO meeting last year in New Delhi. Today’s meeting saw both industry and Government come together for healthy discussions in the Joint Working Groups on the themes of Advanced Manufacturing and Engineering, Education and Skills Development, Investment and Innovation and Logistics. The outcomes of these deliberations were presented by the leaders of the groups in the plenary session. Outcomes of the discussions in the Britain-India Infrastructure Group (BIIG), which has been meeting separately were also taken onboard during the Plenary Session.

Both sides agreed to concentrate on Education and Skills Development and innovation and healthcare technology, particularly cardiology. In the advanced manufacturing and engineering sector the meeting identified several projects like collaboration between BAE systems and Mahindra & Mahindra, JV between Hindustan Aeronautics Limited and Rolls Royce and collaboration between Bhushan Power & Steel and CDE Asia Limited for immediate implementation. The Ministers also participated in the release of a Compendium on partnerships in Skills and Education and the launch of a dedicated website of the UK- India Skills Forum.

During the bilateral meetings with Dr. Vince Cable and George Osborne Shri Anand Sharma highlighted the scope for greater cooperation between the two countries in trade and investment, particularly in critical areas like infrastructure, healthcare, skills development, advanced manufacturing and innovative technologies. Shri Sharma referred to the need for improving the regulatory environment for investments.

He pointed out that Indian companies who want to acquire companies in the UK have been facing considerable delay and long legal hassles. He highlighted the concerns of Indian companies who want to

visit UK for business meetings and also the long delay in obtaining Visa by Indian nationals. Shri Sharma also flagged the issue of the restrictions imposed on non-EU immigration into the UK which is adversely affecting the operations of Indian companies in the UK. He specifically referred to the UK Border Agency treating Intra Company Transfers of IT experts, professionals and highly skilled workers as prospective immigrants which has affected badly the performance of Indian companies operating in the UK. He also expressed concern that this move may force Indian companies, especially IT companies to relocate to other European capitals. Shri Sharma appreciated the UK Government’s intention to reduce net immigration “to tens of thousands” and clarified that

Indian experts coming to the UK leave the country after completion of their contractual obligations with their employers in the UK and therefore they cannot be treated as economic migrants. He highlighted the vast contributions of Indian professionals to the UK economy. He also informed the Chancellor that stoppage of Post Study Work Permits to students has not found favourable to Indian students who are not able to recover the cost of their education in the UK universities and therefore they are now looking for options to study in other countries. He stressed that this development is expected to impact the UK universities where at present over 40,000 Indians students have been studying.

Dr. Vince Cable emphasised the British Government's desire to further strengthen the ties with India. He highlighted the importance of economic collaboration by protecting and creating jobs through trade and investment for economic recovery. He referred to the Global Investment Conference which the British Government is organizing at Lancaster House one day before the London Olympics started, as an initiative to drive the world economy out of the crisis. It is understood that Prime Minister David Cameron had personally invited Shri Anand Sharma to attend this Investment Conference. Dr. Cable thanked Shri Sharma for agreeing to take part in the conference and the Panel discussion on the theme "Regional Growth, Opportunities, Trade and Foreign Direct Investment". He also discussed about the visit of Prime Minister Dr. Manmohan Singh to London during this year at a mutually convenient time as it will arrive at important decisions to further push the ties.

Mr. George Osborne told Shri Sharma that for the British Government led by the Conservative party, enhancement of relations with India has been a top priority. He added that this was reiterated by Prime Minister David Cameron on several occasions including last month in New Delhi during his televised address at the India Today Conclave and the launch of 'Great Britain' campaign in India. It would be UK Government's endeavour to create a long lasting partnership with India in all areas of polity for building our two economies stronger. He underlined that UK and India are close allies in the comity of international business and coordinate common issues in fora like WTO, IMF, G-20, etc. Mr. Osborne also briefed Shri Sharma about the sovereign debt crisis in the Eurozone and the decisions arrived at the recent summits in Brussels for the return of Europe-led global growth and recovery. He also referred to his fruitful meeting with Shri Pranab Mukherjee, Finance Minister, in New Delhi during the UK-India Economic and Financial Dialogue in the beginning of this month where several issues of mutual interest were discussed. He clarified that the UK Government thereafter has taken the decision not to make any change in the Intra Company Transfers for the next two years and that there will not be any increase in the salary cap for such transfers. He acknowledged the contributions of Indian people and praised the performance of Indian companies. He added that UK remains keenly interested in getting highly qualified professionals from India.

In his address at the JETCO plenary session of over 150 businessmen from both countries at the Royal Society here, Shri Anand Sharma congratulated the Joint Working Groups in identifying concrete projects and tangible results which are critically important for India's development and inclusive growth. He urged them to focus on implementation of the identified deliverables, building upon the decisions

taken during the New Delhi meeting. He expressed satisfaction that trade and investment between the two countries have been growing despite the global economic crisis and serious sovereign debt crisis in the Eurozone, He underlined that India is committed to continue to grow in the trajectory of robust growth for the next 25-30 years. He reiterated that the Government of India is committed to create investor friendly environment in the country through the FDI route, implementation of the new National Manufacturing Policy and creation of enabling financial framework for investment outward investment by Indian companies abroad and for foreign companies in India. Shri Sharma invited the British companies to investment in the infrastructure development projects in various parts of India including the Delhi-Mumbai Industrial Corridor and Bangalore-Chennai corridor.

[\[Back to top\]](#)