

**High commission of India
London
(Economic & Commerce Wing)**

BRIEF ON INDIA-UK ECONOMIC RELATIONS

ECONOMIC OVERVIEW

1. India UK has strong bilateral economic relationship with great potential for growth in both goods and services. Investment is the key part of the India-UK Bilateral relationship. Strong Indian community presence of over 1.6 million expatriates forming less than 2% of UK's total population but contributing over 6% in GDP plays an important role in promoting bilateral trade and investment. Major Indian corporates are present in the UK market and new entrants are increasing. Similarly, UK has remained keen on exploring potentials of Indian market.

BILATERAL TRADE

2. Total bilateral trade (good and services) during calendar year 2019 witnessed growth of 9.75% and reached to GBP 24 billion. Bilateral trade in goods has been in the range of US\$15.45 billion during the FY 2019-20, remained in favour of India, but reduced by 11.33% in comparison to the previous year. Both our export to and import from UK have reduced. UK used to be the second largest trading partner of India in 1998-99. But it ranks 14th in the list of India's trading partners during the year 2019-20.

3. Merchandise Trade of India-UK

(Figures in USD Millions)

No.	Trade	2014-15	2015-16	2016-17	2017-18	2018-19	2019-2020
1	Export	9,319.73	8,828.48	8,530.07	9,691.07	9,309.29	8,737.85
2	Import	5,018.28	5,192.54	3,664.96	4,806.75	7,562.13	6,712.63
3	Total Trade	14,338.01	14,021.02	12,195.03	14,497.82	16,871.42	15,450.49
4	Trade Balance	4,301.46	3,635.95	4,865.11	4,884.32	1,747.15	2025.22

4. **Export:** India's main exports to the UK are Articles of apparel & clothing accessories, power generating machinery & equipment, petroleum, petroleum products, textile yarn, fabrics, footwear, medicinal & pharmaceutical products, manufactures of metal, road vehicles and other transport equipment.

5. **Import:** The main imports from the UK to India are power generating machinery & equipment, non-ferrous metals, metalliferous ores & metal scrap, industrial machinery, transport equipment, beverages, electrical machinery, electrical appliances, professional - scientific instruments and chemical materials.

a. **Trade in Service:** India, in 2019, was UK's 7th largest import destination for services with total value of around GBP 6.2 billion during October 2018-September 2019. Component of trade in service is increasing in bilateral trade and has almost overtaken trade in goods during 2019 and the trend is expected to continue.

BILATERAL INVESTMENT

6. **Indian investment in UK:** India invested in 120 projects and created 5,429 new jobs in the UK to become the second-largest source of foreign direct investment (FDI) after the US in 2019, according to the Department for International Trade (DIT) inward investment statistics for 2019-2020.

7. As per the CII-Grant Thornton India meets UK Report 2020, there are now a record 850 Indian companies operating in the UK, with combined revenues of almost £41.2 billion (£48 billion in 2019). Together, they paid over £461.8 million in corporation tax (£684 million in 2019) and employed 110,793 people (104,783 in 2019). This figure excludes employees of UK branches of Indian companies. If these were included, the employment numbers would be substantially higher.

8. As per the report India in the UK: The diaspora effect prepared by GrantThorton and FICCI, there are over 65,000 companies owned by Indian diaspora. The report researched 654 companies with turnover of more than £100,000 per year. Their combined revenue is £36.84 billion they paid over £1 billion in corporation tax, invested over £2 billion through capital expenditure and created over 174,000 jobs.

9. **UK's investment in India:** UK is the 6th largest inward investor in India, after Mauritius, Singapore, Japan, Netherlands and USA with a cumulative equity investment of US \$29.56 billion (April 2000-September 2020), accounting for around 6% of all foreign direct investment (FDI) into India. Some 600 UK companies operate in India creating over 800,000 jobs – claiming one in every 20 jobs in organised sector in India (GBI0015).

BILATERAL INSTITUTIONAL MECHANISMS

10. Bilateral cooperation on economic and commerce matters are guided by institutionalized dialogues to enhance trade and Investment between the two

countries. Both sides meet regularly to review the progress of bilateral trade and investment under the aegis of these mechanisms. The main two bilateral institutional mechanisms are: India-UK Joint Economic and Trade Committee (JETCO) and India-UK Economic and Financial Dialogue (EFD). They are supported by various JWG, India-UK CEO's Forum, India-UK Financial Partnership etc. The Bilateral Institutional Mechanisms are:

- I. India-UK Joint Economic and Trade Committee (JETCO)
- II. India-UK Economic and Financial Dialogue (EFD)

11. India-UK Joint Economic and Trade Committee (JETCO): The JETCO was established on January 13, 2005 to develop a strategic economic relationship following the Joint Declaration "India-UK towards a new and dynamic partnership" between the then Prime Ministers of the two countries in September 2004. The JETCO has been conceived as a business-driven institutional framework to enhance bilateral trade and investment through business to business relationship. The JETCO is structured to meet annually under the leadership of the Minister of Commerce and Industry (CIM) from India and the Secretary of State for International Trade from the UK. The meetings are held alternating in both capitals.

12. The 14th JETCO meeting was held virtually between Shri Piyush Goyal, Minister for Commerce and Industry & Railways and Rt Hon'ble Elizabeth Truss, Secretary of State for International Trade on 24 July 2020. Both sides have agreed to have MoS level virtual meetings to follow up on the agendas set in JETCO. MOS (Commerce & Industry) Shri Hardeep Singh Puri and his counterpart Mr Ranil Jayawardena, DIT have held meetings in September and October 2020. A Ministerial meeting was held between CIM and SOS Truss in November 2020.

13. **India-UK Joint Trade Review** was established under the JWG on Trade in 2016 to identify ways to broaden and deepen the trade and investment relationship. To provide a comprehensive empirical understanding of bilateral trade and seek ways to advance relationship over the short and long term. DIT and DOC agreed on terms of reference for the JTR in early 2017: to identify market access barriers and potential quick wins in key sectors of mutual interest; to be a data driven exercise that will look into a list of priority sectors; to include business engagement on both sides.

14. Under the JETCO mechanism the business cooperation is promoted through formation of focused sectoral Joint Working Groups (JWGs) on trade to discuss and resolve trade related issues. The JWG meetings are organised under the co-leadership of a chair/co-chair each from India and UK. The feedbacks of these meetings are given to the ministers from both sides, either at the Plenary session or

at a close door Bilateral meeting. The 9th meeting of JWG on Trade was held on 15 July 2019 in London before the 13th JETCO meeting on the same day.

15. **India-UK Economic and Financial Dialogue (EFD):** The India-UK Economic and Financial Dialogue (EFD) was established on 4th February 2005. This was in pursuance of the proposals set out in the India-UK Joint Declaration signed by the Prime Ministers of India and UK in September 2004. The objective of the Dialogue is to strengthen the financial and economic relationship between India and the UK. The Dialogue discusses sustainable economic development, structural reforms, reform of financial systems and markets, improving regulatory frame-works and international development.

16. First meeting of the EFD was held on 18 January 2007. The 9th EFD was held on 4 April 2017 in New Delhi where the UK side was led by Chancellor of the Exchequer Philip Hammond and Indian side was led by Finance Minister Arun Jaitley. The 10th Economic and Financial Dialogue (EFD) was held on 28 October 2020 virtually between Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman and Mr. Rishi Sunak, Chancellor of Exchequer, UK.

INDIAN BANKS IN THE UK

22. Indian Banks have seen its presence in the UK since 1962. Bank of India (BOI) was the first Indian bank to open its branch in Manchester in 1962. Since then Indian banks have strengthening business and commercial relationship between India and the UK. Indian banks operating in the UK are: State Bank of India, Punjab National Bank (International Ltd, Bank of Baroda, Bank of India, Exim Bank, Canara Bank Ltd, Dena Bank Rep office, Axis Bank UK Ltd, ICICI Bank UK, IndusInd Bank, Syndicate Bank, HDFC (Housing Development Finance Corporation Limited).

INDIAN COMPANIES IN THE UK

23. From Tata Global Beverage's purchase of the iconic Tetley tea and Jaguar-Land Rover in UK to steel and mining giant ArcelorMittal, Indian companies have invested in UK. Major Indian corporates are present in the UK, prominent amongst them are TATA Group, Vedanta, Infosys, Wipro, HCL, Bharati Global, Kotak Mahindra, TVS motors, EESL, Bharat Forge, Hero, Usha Martin, Appolo Tyres, Reliance Entertainment, ITC infotech, Zensar Technologies, Ranbaxy, Lupin Healthcare, Torrent Pharma, Mastek, Dishman, Accord Pharma, etc. Indian companies in the UK have made their mark in various sectors.

FLIGHT CONNECTIVITY BETWEEN INDIA AND UK

24. Aviation forms an important part of the global supply chain, which allows many businesses to operate, export and grow. The UK signed updated air services agreements with India in February 2017. Since signing these agreements new routes have been announced including Manchester-Mumbai, and Stansted – Amritsar. The following airlines fly direct to selected cities in the country: Air India, Virgin Atlantic and British Airways. Vistara has already started flights to London in August 2020 and Spice Jet and IndiGo aims to launch flights soon.

OTHER SUPPORTIVE MECHANISMS

17. India-UK Financial Partnership (IUKFP) was launched at the 7th India-UK Economic and Financial Dialogue held in Delhi on July 8, 2014 by Shri Arun Jaitley, the then Finance Minister of India and Rt. Hon. George Osborne, the then Chancellor of the Exchequer Mr Uday Kotak, Executive Vice Chairman and Managing Director, Kotak Mahindra Bank and Sir Gerry Grimstone, Chairman, Standard Life were appointed as co-chairs of the IUKFP representing India and the UK side respectively. It was decided that the Partnership would focus on development of corporate bond market, mutual sharing of expertise on financial sector and market regulation, enhancing financial training and qualification, financial inclusion, cross-border provision of financial and insurance services, pensions, internationalization of the Rupee and infrastructure funding. Since the formation of the Partnership, a number of papers have been published. The last meeting of the India-UK Financial Partnership was held on April 4, 2017 on the side-lines of 9th India-UK EFD in New Delhi. The IUKFP is coming out with a report on FinTech which will be published at the next EFD.

18. India-UK CEOs Forum: India-UK CEO's Forum was launched on July 29, 2010 during the visit of UK PM David Cameron to India, with the objective of the forum making recommendations to Governments for increasing the level of bilateral trade and investment between the two countries. It was agreed that the co-chairs will meet every quarter and the forum members will meet every six months. First meeting of the CEO Forum was held in February 2011 in London. The forum remained dormant for some time and was revived during the visit of PM Modi to UK in 2015. The 4th India – UK CEO's Forum was held on 18th April 2018, in London during the visit of Prime Minister of India to the UK. The meeting was attended by both PMs. It was decided to establish a virtual incubator which would capitalise on the fact that both India and the UK have extraordinary start-up ecosystems and are two of the world's most innovative economies.

Joint Working Groups

19. Three Joint Working Groups (JWGs) were established under JETCO. They are:

- I. JWG on Trade which carries out Joint Trade Review

- II. JWG on Smart Cities
- III. JWG on Technological Collaboration, Advanced Manufacturing and Engineering

20. Under an MoU on Cooperation in the Energy Sector signed in November 2015, it was decided to establish two JWGs:

- IV. JWG on Power
- V. JWG on Renewable Energy

21. Other Joint Working Groups under various mechanisms include:

- VI. JWG on FinTech
- VII. JWG on Sustainable Urban Development

OTHER INITIATIVES

22. **The Green Growth Equity Fund (GGEF):** During the 9th round of EFD, India and the UK announced the launch of an Early Market Engagement for the joint UK-India Fund, namely a Green Growth Equity Fund (GGEF), managed by EverSource Capital. GGEF is a joint initiative by the Governments of India and the UK under India's flagship National Investment and Infrastructure Fund (NIIF). The two countries have invested over £240 million of anchor capital into the fund, which is expected to raise up to £500 million from institutional investors. This will provide a high-quality conduit for international institutional investment, including from the City of London, into green and renewable infrastructure projects in India. GGEF had first close of GBP 260m in April 2019 (including GBP 20m from EverSource). GGEF announced its first investment of £150m into Ayana Renewable Power as part of new partnership with CDC Group to develop utility scale solar and wind generation projects across growth states in India.

23. **Masala Bonds:** Presently, 49 Masala bonds are listed on the London Stock Exchange, with a capitalization of over USD 7.5 Billion equivalent in total. On 21 July 2016, HDFC issued the world's first ever "Masala" (rupee-denominated bond) outside India by an Indian corporate being listed on the London Stock Exchange. This was followed by NTPC, which is a leading Indian public sector institution in the power sector. In 2017, IREDA's bond listing was the first green-certified Climate Bond. Indian Railway Finance Corporation (IRFC) also issued \$500 million green bond on London Stock Exchange's new International Securities Market (ISM) in December 2017. The State Government of Kerala launched Kerala Infrastructure Investment Fund Board (KIIFB), first listing by a sub-sovereign entity from India, in 2019 for over USD 300 million.

24. Indian Railway Finance Corporation (IRFC) also issued \$500 million green bond on London Stock Exchange's new International Securities Market (ISM) in December 2017. Their debut green bond is a significant milestone for IRFC, supporting the company's ambitious infrastructure green projects, which includes procurement of rolling stocks electrifying rail tracks across India.

25. **Access India Programme:** High Commission of India, London initiated the 'Access India Programme' in September 2017 for facilitating investments by UK SMEs in India. The primary focus of the AIP programme was on companies interested in investing in India i.e. those intending to set up manufacturing facilities as part of the 'Make in India' initiative. Under the programme it was sought to identify high-potential UK SME companies and assist them in establishing themselves in India with the focus on the UK SMEs that possess high-end technology but may not be big investors.

26. In collaboration with UK-IBC, the Knowledge Partner selected for the first phase, a total of 50 companies were shortlisted, in two Cohorts. They are at various stage of market entry to India. They will be assisted during the second phase of AIP. Request for Proposal (RFP) has been floated for the interested companies to become the Knowledge Partner of AIP-II. Minimum 20 new companies will be selected under AIP-II. In addition, support will be extended to the companies selected in phase one. The AIP-II was launched on 17 January 2020 and is in progress.

27.Fast Track Mechanism: The UK-India Fast Track Mechanism was announced between UK and India during PM Shri Narendra Modi's visit to the UK in November 2015. India established procedure and mechanism for implementation of the Fast Track Mechanism in March 2016. DPIIT (then DIPP) and Invest India have put in place the necessary system from Indian side. Key objectives of this mechanism is to pave way for identifying and solving problems faced by companies and investors with their operations in India or UK. Invest India is the point of contact for all UK investors. FICCI and CII UK would help High Commission find out cases for putting on Fast Track as per the MoU. A reciprocal Fast Track Mechanism was established by the UK side to identify and resolve issues faced by Indian companies who are either in the UK or looking to establish operation in the UK during the PM's visit to UK in April 2018. DIT is the nodal agency from UK side.

27. **UK-India FinTech Dialogue:** During the visit of PM to the UK in April 2018, the two sides decided on the establishment of a FinTech dialogue to discuss further opportunities for financial services collaboration, including policy coordination. A joint working group between India and UK on Fintech has been constituted. The first

meeting of working group was held on 11th February 2019 in Delhi which consider recommendations of India UK Financial Partnership latest paper on Fintech.

28. TechXchange Program: TechXchange program was launched by the High Commission cooperation with FICCI-UK on June 20, 2018. Under the programme, 21 high potential tech Startups from across India were invited to the UK to pitch their business and raise funding as well as interact with hi-tech enterprises and incubators in the UK. FICCI-UK is in the process of launching second round of TechXchange Program in 2019.

29. UK-India Tech Alliance: NASSCOM and techUK have set up the UK - India Tech Alliance, which will facilitate collaboration on building future skills in new technologies by nurturing a solid skills base in the UK and India, with the support of both the governments. The alliance will be composed of high-level stakeholders from the technology industry in the United Kingdom and India.

UK TECH-INITIATIVES IN INDIA

30. FinTech Rocketship Awards: The UK Trade and Investment (now Department of International Trade) launched a unique, first-of-its-kind Great Tech FinTech mentoring programme led by India and the UK's top FinTech mentors namely Rocketship Awards in 2014. Now it is called FinTech Rocketship Awards. In the first year, at least 20 FinTech entrepreneurs from each country were to be given the opportunity to experience respective ecosystems and pitch for investment. The UK selected 10 Indian FinTech companies for the Rocketship Awards. The companies travelled to UK from 29 April to 3 May 2019.

31. UK-India Tech Hub: The UK announced the creation of a UK-India Tech Hub. The tech hub will include a network of people and programs designed to facilitate ideas, investment and prosperity for India and the UK. It will focus on the fastest growing sectors, including: cyber security, AI/data, future mobility, digital manufacturing, healthcare, electric vehicles and digital identity.

32. UK-India Tech Cluster Partnerships: The Tech Cluster partnerships will link world-leading centres of excellence; enable shared innovation and technology exchange; create landing pads for Indian companies in the UK, and UK companies in India to drive investment and trade and create high value jobs and build UK and Indian productivity.

33. Advanced Manufacturing Centre: The UK announced the potential establishment of an Advanced Manufacturing Centre. Such a centre would support respective industrial strategies and in turn drive growth and jobs in both countries.

(AS OF JANUARY 2021)