

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

BRIEF ON INDIA-UK ECONOMIC RELATIONS

ECONOMIC OVERVIEW

1. India and UK have a strong bilateral economic relationship with great potential for growth in both goods and services. Besides bilateral trade, investment is also a key part of the India-UK economic 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 the potential of Indian market.

BILATERAL TRADE

2. India-UK bilateral trade (both goods and services) stood at £25.7 billion during the period from April 2021 - March 2022, registering an increase of 35.2% or £6.7 billion from the same period in 2020-21. Out of the above, India's total imports from UK amounted to £8.8 billion and India's total exports to the UK amounted to £16.9 billion. India was the UK's 12th largest trading partner in this period accounting for 1.9% of UK's total trade. (Source: Department of International Trade, United Kingdom)

3. **Trade in Goods:** During the period from April 2021 - March 2022, total bilateral trade in goods (merchandise) was £14.4 billion, of which India's export to the UK was £9.1 billion while India's import from UK was £5.3 billion. During the period from April - September 2022, total bilateral trade in goods (merchandise) was £10.09 billion, of which India's export to the UK was £5.22 billion while India's import from UK was £4.87 billion. (Source: DIT, UK)

4. **Trade in Service:** During the period from April 2021 - March 2022, our total trade in service were £11.3 billion, comprising of India's export of £7.8 billion and India's import of services from the UK of £3.5 billion. (Source: DIT, UK)

5. **Merchandise Trade of India-UK as per Ministry of Commerce & Industry, India statistics**

(Figures in USD Millions)

No.	Trade	2017-18	2018-19	2019-2020	2020-2021	2021-2022	2022-2023 (April-September)

1	Export	9,691.07	9,309.29	8,737.85	8,158.52	10,461.29	5672.36
2	Import	4,806.75	7,562.13	6,712.63	4,955.76	7,017.68	5393.32
3	Total Trade	14,497.82	16,871.42	15,450.49	13,114.28	17,478.97	11065.68
4	Trade Balance	4,884.32	1,747.15	2025.22	3,202.76	3,443.61	279.05

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

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

BILATERAL INVESTMENT

8. **Indian investment in UK:** India invested in 99 projects and created 4,830 new jobs in the UK to retain the position of second-largest source of foreign direct investment (FDI) after the US in 2020, according to the Department for International Trade (DIT) inward investment statistics for 2020-2021. The number of projects and jobs dropped in comparison to the 2019-20 figures of 120 projects and 5,429 jobs reflecting an impact of the COVID-19 pandemic and post-Brexit changes.

9. As per the CII-Grant Thornton India meets UK Report 2022, there are 900 Indian companies operating in the UK, with combined revenues of almost £54.4 billion. Together, they paid over £304.6 million in corporate tax and employed 141,005 people. This figure excludes employees of UK branches of Indian companies.

10. As per the report 'India in the UK: The diaspora effect' prepared by Grant Thornton 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 corporate tax, invested over £2 billion through capital expenditure, and created over 174,000 jobs.

11. **UK's investment in India:** UK is the 6th largest inward investor in India, with a cumulative equity investment of US \$ 32.82 billion (April 2000 - September 2022), accounting for around 5.3% of all foreign direct investment into India. As per the CII-Grant Thornton report titled 'Britain Meets India' tracker 2022, there are 618 British companies in India with a combined turnover of approximately INR 3,634.9 billion, and employing 4,66,460 people directly.

BILATERAL INSTITUTIONAL MECHANISMS

12. 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 JWGs, India-UK CEO's Forum, India-UK Financial Partnership etc.

13. 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 (SOS) for International Trade from the UK. The meetings are held alternatively in both capitals. The 15th India-UK Joint Economic and Trade Committee (JETCO) meeting was held on 13 January 2022 in New Delhi between CIM Shri Piyush Goyal and then SOS for International Trade Rt. Hon. Anne-Marie Trevelyan.

14. 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 investigate a list of priority sectors; to include business engagement on both sides.

15. Under the JETCO mechanism, business cooperation is promoted through formation of focused sectoral Joint Working Groups (JWGs) on Trade to discuss and resolve trade related issues and report to the Ministers from both sides, either at a Plenary session or at a closed-door Bilateral meeting. Both sides are working on five sector streams: (i) life sciences and healthcare; (ii) food and drink; (iii) digital and data services; (iv) chemicals; and (v) trade in services.

16. India-UK Economic and Financial Dialogue (EFD): The India-UK Economic and Financial Dialogue (EFD) was established on 4 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. The first meeting of the EFD was held on 18 January 2007.

17. 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. The 11th Economic and Financial Dialogue (EFD) meeting was held on 2nd September 2021 virtually between Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman and Mr. Rishi Sunak, Chancellor of Exchequer, UK.

INDIAN BANKS IN THE UK

18. The presence of Indian Banks in the UK began in 1921 with the Imperial Bank which is currently the State Bank of India UK. Bank of India (BOI) was the first Indian bank to open its branch in Manchester in 1962. Since then, Indian banks have assisted in strengthening business and commercial relationship between India and the UK. Indian banks currently 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, Axis Bank UK Ltd, ICICI Bank UK, IndusInd Bank and HDFC.

INDIAN COMPANIES IN THE UK

19. From Tata's purchase of the iconic Tetley tea and Jaguar-Land Rover in UK to steel and mining giant ArcelorMittal, Indian companies have strengthened their presence in the UK. Major Indian corporates present in the UK, prominent amongst them, include: TATA Group, Vedanta, Infosys, Wipro, HCL, Bharati Global, Kotak

Mahindra, TVS Group, Bharat Forge, Hero, Usha Martin, Apollo Tyres, Reliance Entertainment, ITC Infotech, Zensar Technologies, Ranbaxy, Ola cabs etc.

FLIGHT CONNECTIVITY BETWEEN INDIA AND UK

20. India and UK signed an updated air services agreement in February 2017. There are several flights between London and major cities of India, operated by Air India, Virgin Atlantic and British Airways. Vistara started flights in August 2020 on London-Delhi route. SpiceJet and IndiGo aim to launch flights as well.

OTHER SUPPORTIVE MECHANISMS

21. 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, several 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. Shri Uday Kotak has been re-nominated to lead IUKFP from Indian side whereas Mr. David Craig, CEO of Refinitiv would be the co-chair from British side. During the 11th Economic and Financial Dialogue (EFD) held on 02 September 2021, virtually between Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman and Mr. Rishi Sunak, Chancellor of Exchequer, UK a virtual business engagement with Chairpersons of India-UK Financial Partnership (IUKFP) was conducted and Climate Finance Leaders Initiative India Chapter (CFLI India) was launched. CFLI India would support private sector financing in low carbon sustainable infrastructure projects in India.

22. India-UK CEOs Forum: India-UK CEO's Forum was launched on July 29, 2010 during the visit of the then Prime Minister of UK 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. UKIBC acts as the secretariat for the CEOs Forum. 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 18 April 2018, in London during the visit of Prime Minister Shri Narendra Modi to the UK. It was co-chaired by Mr. Ajay Piramal, Chairman, Piramal Enterprises Ltd and Sir Gerry Grimstone, Chairman, Standard Life Plc. The meeting was attended by both PMs, wherein it was decided to establish a virtual incubator which would capitalize 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

- 23.** Three Joint Working Groups (JWGs) were established under JETCO
- i. JWG on Trade which carries out Joint Trade Review
 - ii. JWG on Smart Cities
 - iii. JWG on Technological Collaboration, Advanced Manufacturing and Engineering
- 24.** Under an MoU on Cooperation in the Energy Sector signed in November 2015, it was decided to establish two JWGs:
- i. JWG on Power
 - ii. JWG on Renewable Energy
- 25.** Other Joint Working Groups under various mechanisms include:
- i. JWG on FinTech
 - ii. JWG on Sustainable Urban Development

OTHER INITIATIVES

26. 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), to be 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 India. During the 11th EFD, India and the UK announced \$1.2bn (£0.87bn) green growth initiative package of public and private finance to help drive South Asian country's green growth. It includes a \$1 billion (£0.7bn) investment from

CDC, the UK's development finance institution, joint investments from both governments to support businesses working on innovation green tech solutions as well as a new \$200 million (£144.7m) private and multilateral investment into the GGEF. The Climate Finance Leadership Initiative India partnership has also been launched to mobilise private capital into sustainable infrastructure in India, including solar and wind power and other green technologies.

27. Masala Bonds: On 21 July 2016, HDFC issued the world's first ever "Masala bond" (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. Having raised over 50% of the total aggregate amount raised globally, presently, 49 Masala bonds are listed on the London Stock Exchange. Over the last 5 years, Indian firms have raised £13.41 billion in masala, dollar and green bonds listed on the LSE.

28. 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.

29. Access India Programme: High Commission initiated a market entry support programme, '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. Focus is on manufacturing and high-end technology SMEs. UK-India Business Council was selected, through Request for Proposal (RFP) process, as the Knowledge Partner for the first phase. A total of 50 companies were shortlisted, in two cohorts. The second phase of Access India Programme (AIP-II) was launched in January 2020. Based on RFP, UKIBC has been re-selected as the Knowledge Partner for AIP-II. By end of March 2021, 20 SMEs were selected under the AIP-II and six workshops were held to guide the selected companies (AIP-I&II).

30. 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 the procedure and modalities 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 objective 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 operations in the UK during the PM's visit to UK in April 2018. DIT is the nodal agency from UK side.

31. 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 11 February 2019 in Delhi.

32. TechXchange Program: techXchange program was launched by the High Commission in cooperation with FICCI-UK on June 20, 2018. Under the first phase of the programme, a cohort of 21 high potential tech Start-ups from across India were selected and invited to the UK to pitch their business and raise funding as well as interact with hi-tech enterprises and incubators in the UK. The second cohort of techXchange comprising of 13 scaled up Start-ups visited UK from 17-21 September 2019. At the same time, DPIIT initiated a Start-up support program titled 'UK-India Start-up Launchpad' in London. The third cohort of techXchange Start-ups virtually visited UK during 26-30 October 2020.

33. UK-India Tech Alliance: UK-India Tech Alliance was formed during the visit of PM Modi to UK in April 2018, and was announced in the Joint Statement. NASSCOM and techUK have set up the Alliance to facilitate collaboration on building future skills in new technologies by nurturing the solid skills base in the UK and India, with the support of both the governments. The alliance is composed of high-level stakeholders from the technology industry in the United Kingdom and India. The second annual meeting of the Alliance was held on virtual mode on 31 July 2020.

UK TECH-INITIATIVES IN INDIA

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

35. UK-India Tech Hub: The UK announced 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.

36. 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.

38. 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 2nd December 2022)