India-UK Trade

India UK trade has always been on a high. Though there still is a large scope to build this trade at further levels, there lacks clarity from UK on the human resource policy. 40% of the investment from India in UK is in the SME sector. However, this sector runs on low investment grades stringent British policies on human resource and climate considerations increases this cost of investment. The Indian businesses made UK attractive due to access to neighboring markets however with the BREXIT happening a pinch has been felt by Indian businesses.

Trade between India UK more specifically consisted of the services sector especially the IT and KPO and BPO services. Most of UK’s domestic sector has been dominated by Chinese products with little or no scope for Indian businesses in this sector to flourish. All the domestic products such as textiles, kitchen and home appliances for eg furniture, vacuum cleaners, washing machines, etc are all most imported from China. One can fairly say that 80% of equipment, personal products are imported from China thus making UK one of China’s strongest trade partner. Indian UK trade mostly being into the IT services sector which is a smaller trade component as compared to China. Thus Chinese businesses have competitive advantage while seeking better trade concessions than India.

Indian businesses in UK thrived due to the strong neighbouring European market. If trade needs to flourish between the two countries one needs to consider the cultural climate between the two. UK is riddled with high standardization culture which has its inherent costs involved which need to be suitable for Indian businesses. The current objective of UK to have mutually benefitting agenda in the SME sector needs to bring in substantial relaxation in norms so that the Indian SME sector can collaborate with more technology transfer and create equal competitive advantage for both. There are, in addition, many Indian companies with turnover of less than £5 million, who have shown even more spectacular growth rates, particularly in the technology, telecoms and media sectors.

India is the third largest foreign investor in the UK, and the UK is the largest investor in India within the G20. There are many bilateral trade agreements between the two nations designed to strengthen ties. The growth of India’s multinational companies contributed greatly to UK’s business and economy. As of 2014, Indian companies in the UK generated over 19 billion pounds employing more than 100,000 people in the UK. Tata group alone employed over 55,000 people in the UK. This kind of phenomena, where non-Western countries impact the West, has been commented on by sociologist Anthony Giddens as “reverse colonialism.” The British government has chosen India as one of its most influential trade partners because it is one of the “fastest growing economies in the world.” In 2013, Cameron formed the biggest trade delegation by accommodating more than 100 representatives that varied from multinational corporations, medium-to-small-sized corporations, and universities to India. Compared to the 2010 trade mission, the UK and India negotiated to double the trade volume by 2015. Following the trade delegation, total UK goods and services exports to India increased by 14% from January to September 2013. The key topic of discussions for Theresa May’s plan was post-BREXIT relations with India in context to trade development. Discussion on a possible free-trade agreement is also in the agenda. According to a MEA(Ministry of External Affairs, India) spokesperson, there is “substantial scope for further strengthening bilateral cooperation across a range of sectors, including science & technology, finance, trade & investment, and defense & security.”

Bottom of Form

India's economy grew at more than 7 per cent last year, and is forecast to grow at 8 per cent this year. UK is focused on improving its own economy hit by the recent BREXIT event and needs to balance its trade balance. If it needs to access India’s market especially in the heavy engineering sector than it needs to provide a fair share import opportunity to India especially in the textile and food processing sector. UK’s strict standards hamper this opportunity to India. UK thus needs to provide technical expertise to Indian agro processing and textile businesses to come up to the UK standards in order to overcome this problem. UK has promoted its funding schemes in India however, they are accompanied by major constraints which hinder the interests of the deserving businesses in India. UK needs to tweak its policies to accommodate Indian businesses considering the Indian economic and cultural criteria. If this happens sky is the limit for India UK trade.