

The FTA is the most exciting feature of the rapidly developing economic partnership. Reduction in tariffs will facilitate increased competitiveness in sectors like auto and pharma

INDIA-UK TIES AND A SUSTAINABLE GLOBAL FUTURE

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The year 2022 is significant for both India and the UK as our country commemorates the 75th anniversary of its Independence and the two celebrate 75 years of bilateral ties. India-UK relations were elevated to a Comprehensive Strategic Partnership in 2021, based on a shared commitment towards democracy, fundamental freedoms and multilateralism, and the recent visit of Boris Johnson, prime minister of the United Kingdom, further strengthened the ties.

During the visit, both nations recognised the need to focus on sustained economic recovery and work towards building resilience and trusted partnerships to assuage any external disruptions, thus building towards a Vision 2047 for shared security and prosperity for their people and the world.

India-UK economic partnership: Today, India has become a major economic power and is a highly valued strategic partner for the UK. The discussions and agreements during the visit covered a plethora of matters ranging from job creation and economic growth to energy security and defence.

In FY 2021-22, India's exports to the UK stood at \$9.43 billion, while imports aggregated \$6.58 billion. India's main exports to the UK include ready-made garments and textiles, gems and jewellery, engineering goods, petroleum products, transport equipment, spices, pharmaceuticals and marine products.

Imports from Britain include precious and semi-precious stones, ores and metal scraps, engineering

goods, chemicals and machinery. In the services sector, the UK is the largest market in Europe for Indian IT services.

Similarly, investments are robust in both directions, with Indian companies as the largest and fastest-growing overseas investors in the UK. As per the CII-Grant Thornton report titled 'Britain Meets India' tracker 2021, there are 572 British companies in India. The 'India meets UK' Report 2021 shows a record 850 Indian companies operating in Britain, with combined revenues of almost £50.8 billion and employing 1,16,046 people.

Areas of collaboration: The meetings between the heads of the two countries included a significant economic component related to climate change, trade, defence and healthcare that will drive the future partnership. The CII envisions new-age partnerships across emerging sectors for the private industries of both countries, building on the overall economic framework emerging from this landmark visit.

First, India-UK climate collaboration revolves around strengthening partnership in R&D of cutting-edge technologies and the transfer of proven tech to drive low carbon pathways. Such partnerships also provide opportunities for the private sector in developing technologies, climate finance and nature-based solutions to deliver concrete actions for achieving the 2030 nationally determined contributions.

With the UK leading in the development of both blue and green hydrogen capability and India also

having launched the National Hydrogen Policy, there is huge potential to curate a new global alliance on hydrogen led by India with the collaboration of other countries and support of businesses.

The two countries launched the Climate Finance Leadership Initiative (CFLI) in September 2021 to support climate and green energy projects in India. The CFLI is responsible for \$6.2 trillion in assets and aims to create investment-friendly business environments and robust pipelines of bankable sustainable infrastructure opportunities in emerging markets. These investments aim to support India's target of 450 GW renewable energy by 2030. Many industry titans are a part of the CFLI and this provides a great opportunity to extend this platform to other leading Indian businesses, especially MSMEs, to support the accelerating climate action.

Two, defence and security also form key elements of the India-UK partnership, with special focus on R&D and joint industrial cooperation to develop advanced defence capabilities. Strengthening collabora-



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tion in tackling new threats in the cyber, space, counter-terrorism and maritime domains adds to the economic partnership.

Three, India and the UK also share an enhanced partnership in science, tech, education, research and innovation. Promoting collaboration in Artificial Intelligence (AI), the two countries together aim to deliver economic and social benefits to both nations. This calls for closer engagement between the higher education sectors and furthering of transnational education programmes in both countries.

Benefits of the India-UK FTA: Four, the launch of Free Trade Agreement (FTA) negotiations in January 2022 is a historic development to unlock the full potential of the trade and commercial relationship, boosting jobs, investment and exports for large sectors such as textiles, leather goods, and footwear. The agreements that were signed at the beginning of the year, aim to achieve up to 65 % of coverage for goods and up to 40% coverage for services. By the end of the final agreement in October 2022, the coverage for goods is expected to increase to more than 90%.

Areas of opportunity: The FTA is the most exciting feature of the rapidly developing economic partnership as the reduction in tariffs and non-tariff barriers will facilitate increased competitiveness in industries like automobiles and pharmaceuticals. The trade expansion will create investment and employment potential in both countries.

The pharma sector is likely to be

amongst the fastest growing sectors, as both countries have huge investments in place. Also, the communication and technology sector offers significant opportunities for UK exporters to tap into the Indian market. The agreements will give further impetus to the textile industry and the IT sector.

The FTA will provide India with an opportunity to increase its share of exports in categories like fashion, homeware, furniture, and electrical and general industrial machinery. Strategic sectors of defence, cybersecurity, R&D and healthcare where the UK has been a strong player would benefit as well.

In addition, India being a tech giant and home to one of the world's leading start-up ecosystems facilitates greater access for the UK market and also provides Britain with a much wider spectrum in the Indo-Pacific region.

The road ahead: The UK and India have established the Science and Innovation Council in 2010 to jointly undertake scientific projects. The two countries can be partners in innovation. For the Indian side, collaborations in innovations for low-cost goods and services could help address emerging middle class consumers as well as foster technology transfer.

Looking ahead, India will be central to the world's development in the next 25 years and the recent visit of the UK prime minister ensures that bilateral ties will play a key role in a sustainable global future.

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