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Fortune Seekers: Does India have some answers for Brexit Britain?

This year, there is an important chance to reassess the strength of India's bond with the UK and show the world that India is a bridge-building nation.

It is just over a year until the UK reaches its Article 50 deadline and leaves the European Union (EU). UK economic growth is beating all forecasts and UK manufacturing has never had a higher output than it did at the tail end of 2017. This will come as a relief to policy-makers, as Brexit's biggest mountains are still to be tackled.

When UK Foreign Secretary Boris Johnson delivered the first of a number of Brexit speeches from senior Cabinet figures last month, he put forward his vision of Brexit liberating the UK to create its own trade rules and expand into new markets where the EU has previously "held it back".

Boris' 'Liberal Brexit' outline may not have raised the stakes since Theresa May's Lancaster House speech in January 2017, where the British Prime Minister asserted the need to honour the referendum result by making a clear break from the EU, the Customs Union and the Single Market. But he has put pressure on the Prime Minister to make her position clearer, for the benefit of all of those around the world with business interests in the UK, who want to keep up to speed on the negotiations.

THERE IS A LONG WAY TO GO BEFORE ALL BARRIERS TO UK-INDIA FREE TRADE ARE OVERCOME AND WE NEED TO DETERMINE THE PARAMETERS SOON.

The EU27 nations are, as a bloc, headed to be one of the top four major economies, joining China, the US and India, in a decade's time. India's ties with Europe are strong and will grow even more valuable. How will the UK figure in all of this?

The EU27 are concerned that the UK could aim to undercut the EU by drastically shedding environmental, labour, and trading regulations in order to trade more with other nations.

However, the likelihood is that there will be some regulatory alignment on goods. This will go some way to alleviating the problem of a hard land border at Northern Ireland, and will reduce the threat of trade tariffs being levied and non-tariff barriers being imposed at vital trade ports.

Whether the UK strikes such a deal or not, the uplift of global growth will provide the UK with a cushion on which to land as it steps off the Brexit cliff. And Brexit will allow the UK to set its own tariffs on trade in services, the area where the EU-India free trade agreement (FTA) failed. There is a long way to go before all barriers to UK-India free trade are overcome and we need to determine the parameters soon.

Those who trade and invest in the UK will need reassurance that the UK will remain open and welcoming to the labour force and talent that it needs. A rapid reversal of EU migration to the UK would bring a cloud over a number of fast-growing sectors. New entrants are needed in the tech sector, manufacturing and engineering, and across the board in cities like London.

The UK still has a tiered visa system and the number of applicants still hits the cap, month after month, showing there is no shortage of applicants for skilled work. Nasscom estimates that there are about 30,000 Indians working under the Tier 2 visa regime – in every sector from technology to food – but there is clearly scope to increase the freedom of movement between the UK and India after Brexit.

What is clear is that such initiatives to create closer ties between the UK and India are just as important as the Brexit negotiations, which will reach a crunch point this Summer. The two discussions need to happen in parallel.

The fifth annual UK-India Leadership Conclave (page 22) will take place during UK-India Week this year, a showcase of all that we stand to gain by making the best of the UK-India partnership.

After Brexit, the UK will have a new place on the world stage, but its old partners will be even more important. We will have a vital chance to radically renew the UK-India bond, but businesses, the diaspora and policy powerhouses will all need to be involved for us to build lasting ties.

Manoj Ladwa
Publisher & CEO, India Inc.
@manojladwa

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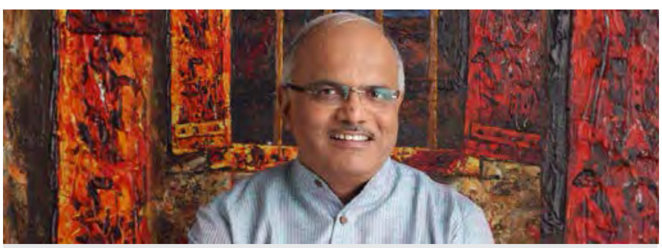

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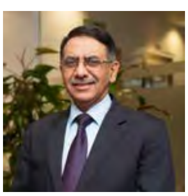

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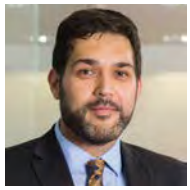

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India-UK relationship: It's better to see it as half full

Pessimists will call the glass half empty. But 'India Global Business' believes that not only is it more than half full, it can, with a little effort on both sides, start overflowing very soon.

From the perspectives of both the United Kingdom and India, few other bilateral relationships offer as much scope for mutual benefit and global good. The natural corollary to that is that few other international relationships have underperformed their potential as the one between London and New Delhi.

Post-Brexit Britain and post-liberalisation India have huge synergies for global and bilateral cooperation. British Prime Minister Theresa May has outlined her vision for a Global Britain and reiterated that her government will ensure that the UK will not retreat into isolation following its divorce with the European Union (EU).

This is perfectly in sync with Indian Prime Minister Narendra Modi's goal of building global partnerships to lift India's growth trajectory into a higher orbit in order to generate jobs and uplift the lives and livelihoods of millions of ordinary Indians.

He has very evocatively called the large population of expatriate Indians living in the UK and contributing to its rich public and social life as a Living Bridge that can and should be used to build closer ties between the two countries.

But immigration and market access remain two major sticking points that are coming in the way of a more animated embrace.

In the following pages, IGB analyses the relationship and looks at ways to take it forward.

India-UK: Warm, transactional but full of potential

by India Inc. Staff

The India-UK relationship is one that is punching well below its weight in bilateral and international matters because it has been allowed to drift. A little more understanding of each other's compulsions can reinvigorate ties and make it a game-changing partnership that can reap rich economic rewards for the two nations and also turn it into a force for the greatest global good.

The potential is there for all to see. Senior serving and former government officials in both the UK and India acknowledge the bright prospects of bilateral ties between these two countries. But a few niggling issues and domestic political concerns over immigration in the UK and its fallout on Indian professionals and students have come in the way of fully consummating these ties.

As a result, the relationship between the countries has been allowed, at official levels at least, to drift and settle into a shallow transactional one, with the focus firmly on "quantity" rather than the quality of the relationship.

There is a view that the Indian leadership, cutting across political parties, looks at Europe and the EU through the eyes of Great Britain. Similarly, it can also be argued that for decades, Europe has looked at India either with confusion or via the leadership of the UK.

But Brexit has brought about a decisive break in this convenient, albeit highly limiting, world view. Things have now changed; India has changed; the UK has changed; and the power dynamic that defined the relationship between these two countries has changed.

So, it naturally follows that the rules of engagement should also change in line the ground realities.

Deceptive statistics

At first glance, some of the numbers on bilateral trade and investment look impressive. The UK is the second-largest G-20 investor into India and Indian companies rank third, after the US and China, on the list of largest foreign investors in the UK.
Partly British multinational Unilever's Indian arm is the largest foreign multinational operating in India and the Tata Group, which owns Jaguar Land Rover, Tata Steel Europe (the former Corus, which is being merged with ThyssenKrupp's steel division in a 50:50 partnership), Tata

Global Beverages-owned Tetley Tea and software services major Tata Consultancy Services, along with other relatively smaller group companies make Tata one of the largest private sector employers in the UK.

Indian companies have created 110,000 jobs in the UK.

Impressive as those figures are, a closer look at the overall picture shows that they have only flattered to deceive. Bilateral trade between the two countries, which is a better indicator of economic integration and inter-dependence, was at a paltry $14 billion in 2015-16, making the UK India's 12th largest trade partner. The picture is even gloomier when seen from the other side. Even Sweden, which was the UK's 14th largest trade partner in 2016, ranked higher than India.

This needs to change… and fast. The real engines of this change will have to be the many famous personalities and some unsung heroes who work tirelessly to fulfil the dream of closer UK-India ties.

There are, however, areas in which the two countries can – and do – cooperate. Trade, defence technology transfers, fundraising in London, people-to-people ties and soft power exports are the obvious areas of convergence.

The platform is there

Following the UK's shock decision to leave the European Community that set in motion the world's most expensive divorce proceeding, Theresa May's government needs to cut mutually beneficial trade deals not only with EU but also with its other trading partners. At this point, the British government needs to demonstrate, in no uncertain terms, that it can find alternative markets and tie up trade deals that compensate for the losses that will accrue from Brexit.

This, most observers believe, is the minimum condition Mrs May has to fulfil to get a fair trade deal from Brussels. And that is why this may be a good time for UK and India to announce that they are "besties" (best friends in today's youth speak).

The UK as a global financial powerhouse and technology leader can find many synergies with India, the world's fastest growing major economy, with a billion-plus aspirational consumers.

May's vision of a Global Britain that does not retreat into isolation after Brexit has huge synergies with Indian Prime Minister Narendra Modi's vision of a globalised India, fully integrated into the international supply chain, finding its place at the global high table.

PRIME MINISTER MODI'S EVOCATIVE REFERENCE TO PEOPLE OF INDIAN ORIGIN CONTRIBUTING TO BRITISH PUBLIC LIFE AND SOCIAL DIVERSITY AS A "LIVING BRIDGE" CAN BE THE FOUNDATION FOR TAKING THE BILATERAL RELATIONSHIP BEYOND TRADE OR ANY IMMEDIATE TRANSACTIONAL NECESSITY.

The British premier's visit to India in November 2016, in the immediate aftermath of the Brexit vote, had raised hopes of closer economic and strategic cooperation between the two countries. But the somewhat lukewarm outcome of that visit belied the initial dizzy expectations.

A lot of groundwork still needs to be carried out before such collaboration can become a reality.

Fixing the nuts and bolts

It will suffice to say that the UK-India relationship has all the ingredients of a game-changing global partnership in an uncertain and ever-changing world.

In the foreword of his highly acclaimed book, 'Winning Partnership', India Inc. Founder and CEO Manoj Ladwa had made the following points that both sides acknowledge:

* The relationship is decisively entering the "post post-Colonial" era
* The pendulum of influence in the relationship has swung; it is now much more a relationship of equals than at any time in the last two and a half centuries
* Alongside Global Britain, we are also seeing the emergence of a Global India – and both countries recognise that their futures lie in more, not less, engagement with the global community and with each other.

But potential is one thing; its realisation quite another.

Ladwa had suggested that to do justice to the immense potential of this relationship, both London and New Delhi need to take a series of concrete actions such as:

* Recognition of India's soft power
* A detailed plan of action for UK to help India leverage its soft power through collaborations with the British Council & DFID
* Allowing freer market access of people and services.
* Engagement with the Indian view on immigration/trade
* Understanding the UK government's stand on immigration
* Leveraging the Commonwealth and other multilateral institutions
* Leveraging the power and influence of the City of London in the world of international finance

Taken to their logical conclusion, these very practical and do-able ideas can form an enabling architecture for the India-UK relationship to flower and blossom to its full potential.

Immigration a major sticking point

The biggest area of divergence between India and the UK is, arguably, in the sphere of immigration. Indians still hold British institutions of higher learning in very high esteem – sending thousands of students every year for graduate, post graduate and technical studies – but Britain's recent decision to begin pulling up the drawbridge on Indian talent has not gone down well with many in this country as is evident from the falling numbers of Indian students choosing British universities for higher studies in recent years.

This is one of the major reasons why hopes for a quick conclusion to a UK-India trade deal have receded because India, which wants access for its talented professionals into Great Britain, will not agree to liberalise the terms of trade for goods unless London agrees to its demand for free movement of professionals and easier entry norms for its students as part of any deal.

From India's perspective, its stand looks perfectly justified as services account for two-thirds of its economy and any restrictions in the "export" of these services is a blow its economic growth.

But looking at this same issue from Westminster's point of view will force one to treat the anti-immigrant sentiment that primarily drove the Brexit vote with much more caution and circumspection. From such a vantage point, pulling up the drawbridges, or at least placing reasonable restrictions on foreign – and Indian – talent would seem like the safest political choice.

India has to accept that the UK is well within its rights to decide who can enter its borders, for how long and for what purpose. This is a sovereign right exercised by all nation states, including India, and questioning this right will not lead to anywhere useful in this relationship.

Each side, then, is faced with a Hobson's Choice – where only one option is available. The problem is the choices are mutually exclusive – and, hence, the perception of a logjam.

To take the relationship forward, the UK must recognise that India's globalisation will be driven by its talent and remain largely services-based well into the foreseeable future. India is already home to the world's largest population of under 35-year-olds. And this youth bulge will last at another two decades. So, easier visa regimes for its students and professionals are sine qua non for India's continued growth.

But despite the political logic, the UK's reluctance to pay heed to India's concerns on immigration is giving rise to an unhealthy impression in New Delhi and elsewhere in the country that London only wants India's business but not its talent. India's former Commerce Minister Nirmala Sitharaman (now Defence Minster) even made this point on an open platform to British Trade Secretary Dr Liam Fox during PM May's visit to India in November 2016.

AT THIS POINT, THE BRITISH GOVERNMENT NEEDS TO DEMONSTRATE, IN NO UNCERTAIN TERMS, THAT IT CAN FIND ALTERNATIVE MARKETS AND TIE UP TRADE DEALS THAT COMPENSATE FOR THE LOSSES THAT WILL ACCRUE FROM BREXIT.

Leveraging the Living Bridge

Prime Minister Modi's evocative reference to people of Indian origin contributing to British public life and social diversity as a "Living Bridge" can be the foundation for taking the bilateral relationship beyond trade or any immediate transactional necessity. A flow of people and the relationships they engender between the two nations and their peoples generates a flow of ideas – and helps build trust, which has to be the bedrock of any sustainable long-term relationship.

This is not to say that the UK does not have legitimate concerns on immigration. As I have said earlier in this section, it quite emphatically does. And India must recognise these legitimate concerns – of Her Majesty's Government to know who is entering its borders – which the free-flowing EU immigration norms did not.

There will need to be a period of adjustment, and India will need to give the UK some space to figure out the contours of a new workable immigration policy given that Brexit was essentially a vote against unchecked immigration from the EU.

The City of London is still very attractive

London is India's preferred gateway to the world of international finance. And more than 800 Indian companies are present in the UK.

The attraction: cultural similarities, familiarity with the British justice and legal system, easy assimilation of personnel into the host society and most importantly, unfettered access to the vast European common market.

These assumptions continue to hold but the last – arguably the most important consideration in business deals – could all the turned on their head if Prime Minister May is unable to negotiate a good exit deal with Brussels.

Most of these Indian companies have chosen the UK as the base of their European operations. Their fate – and those of the thousands they employ in Britain – is in the balance. There is also the added uncertainty post-Brexit about the City remaining the world's financial centre.

It is, but natural, that the changed ground realities will determine the future direction and paradigm of the relationship between London and New Delhi.

In recent years, the UK has played a positive, if relatively reduced, role in India's economic development as New Delhi has looked at other potential partners such as the US, Japan and even China for funds and technology.

But after Brexit, India finds itself in the unfamiliar position of being in a relatively stronger position vis-à-vis Albion. With the US caught up in its own problems, the western European democracies lining up behind Brussels and China taking the lead in building an anti-Western Axis,

New Delhi remains the only major global capital that where Mrs May and her successors are likely find both empathy and strategic alignment.

But both sides have to first decide to walk that extra step. Even as the Narendra Modi government in India is increasingly integrating India into the global supply chain and improving the ease of doing business for both domestic and foreign companies, the UK could also take steps to indicate its intent of forging closer trade ties with India.

For example, it could ease the norms for imports of Ayurvedic products from India. Easier access for these, and other such products, into the British markets would send out the right signal that London is ready to do business with India on equal terms.

Then again, a post-Brexit UK must consider the win-win potential of increased medical tourism, which is currently constrained by restrictive EU norms governing the same. The overstretched NHS, British patients who currently have to wait months and years to get prescribed procedures done, as well as the Indian economy will benefit from this.

The economic logic is sound: It costs less than a fourth of the price an NHS patient would pay in Britain to get an open-heart surgery done in India. The success rate of more than 98 per cent is comparable to that anywhere in the world.

Yet, an anti-competitive EU rule had, so far, deprived British patients of the benefits offered by medical tourism to India. Now that Brexit is about to become a reality, there is no reason why this situation cannot be remedied. This would be yet another signal to India that the UK is seeking a genuine trade partnership and not just one-way access into India's vast domestic market.

Similar opportunities also exist in the market for data protection and legal services. Given the unique confluence of events favouring closer economic ties, the time to tap these opportunities is now.

A truly global partnership

The UK is the world's fifth-largest economy and India the seventh. Together, the two countries can become an unstoppable force for the greatest global good in keeping with the rich heritage of both India, as a founding member of the Non-Aligned Movement, and UK, as the head of the Commonwealth.

Obvious areas of cooperation are climate change, restructuring of the United Nations to reflect contemporary realities rather than post-World War II geo-political considerations, and a more equitable global trading order.

The UK and India have signed an agreement on participating in projects in third countries. Britain, for example, can help India's outreach in Africa. The UK, as a former colonial power that had ruled vast tracts of Africa, has an existing footprint in that continent that it can leverage for this purpose.

This is where a partnership between DfID and/or the British Council and Indian institutions such as the Indian Centre for Cultural Relations can really add value and provide a cutting edge to India's soft power diplomacy in Africa, most notably in the healthcare sector.

Commonwealth for common good

The gradual decline in American influence in global affairs offers the UK and India a tremendous opportunity to reimagine the Commonwealth – from a sleepy club of ex-colonies held together mainly by nostalgia to a vibrant trade and strategic bloc that straddles the globe and offers its members a real alternative to the EU, ASEAN and the proposed RCEP.

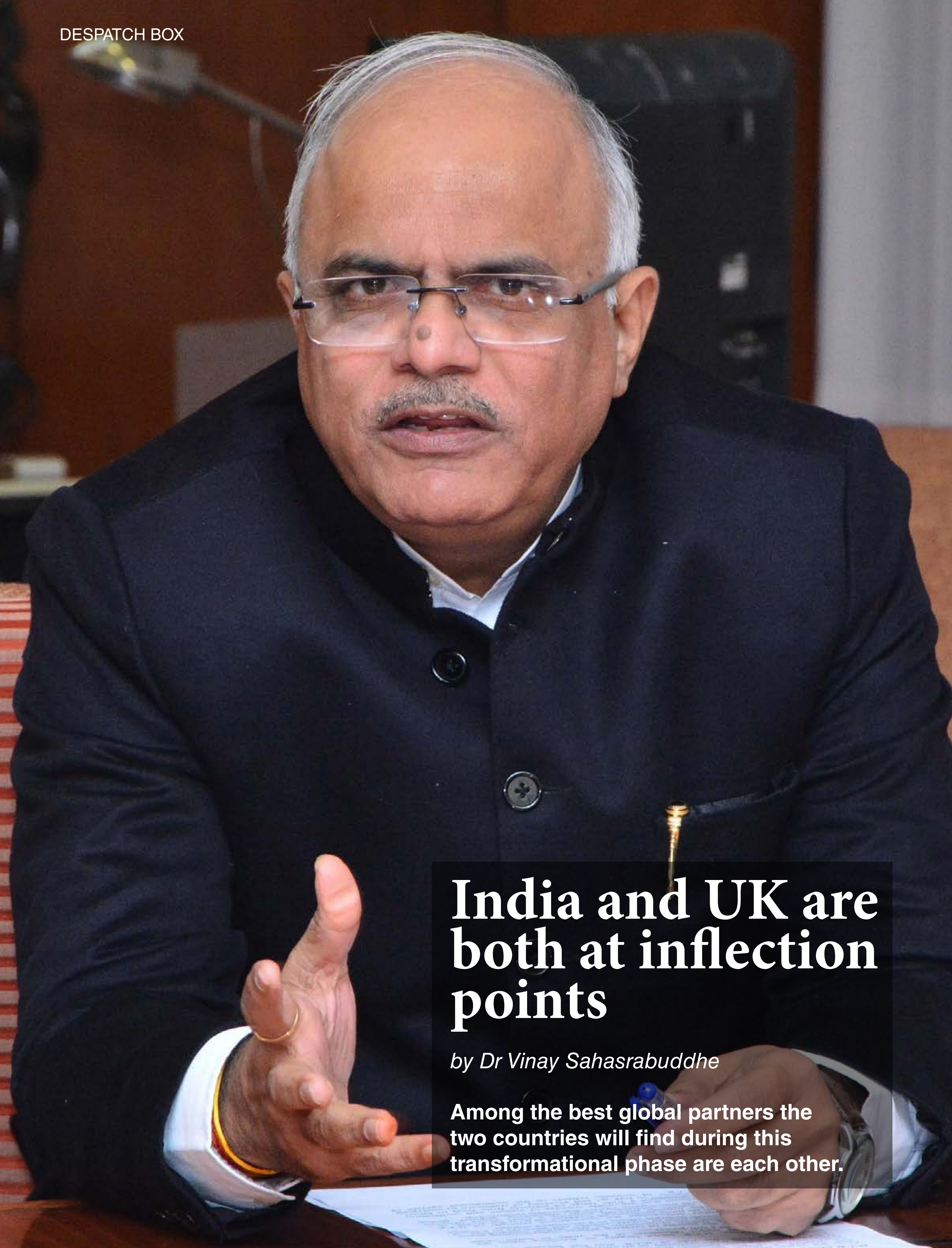
The UK, as the titular head of the Commonwealth, and India, as its second-largest economy, will obviously have to play the lead roles in this initiative to teach an old dog new tricks.

Needed: Special understanding

The oft-cited "special relationship" between the mother of modern democracies and its largest practitioner-state will remain a buzzword without substance if the two governments do not display a "special understanding" of each other's compulsions and goals.

A Special Edition of 'India Global Business' edition last year was headlined Yeh Dosti, meaning "this friendship" on the lines of the theme song of the iconic 1975 Bollywood blockbuster 'Sholay', which tracks the adventures and friendship of two young men who live and die for each other while overcoming all manners of hurdles.

With a little bit of effort, India and the UK can easily aspire to that kind of bonding.



India and UK are both at inflection points

by Dr Vinay Sahasrabuddhe

Among the best global partners the two countries will find during this transformational phase are each other.

The India-United Kingdom relationship is so old, so multi-faceted and so rich in its cultural, economic and people-to-people dimensions that it would appear that politicians and governments almost don't matter. Actually, it is upon governments in both countries, and upon us MPs – my British and Indian colleagues and me, in my capacity as co-chair of the India-UK Parliamentary Forum – to build on the partnerships that civil society has already constructed, and to give the India-UK relationship even more of a strategic edge.

Business links between Indian and UK companies are strong. Where British technology once helped build infrastructure in modern India, today Indian companies and investors are job creators in the UK. They are keeping alive traditions of British manufacture. They are also bringing the energy of the Indian technology and services sector to London and other business cities. The Indian diaspora in the UK is renowned and appreciated for its scholastic and business achievements. It has provided 21st century Britain political and thought leadership. In the words of Prime Minister Narendra Modi, the Indian community in the UK is a human bridge between our societies.

Today, both India and the UK find themselves at inflection points. India has embarked on an ambitious programme of modernisation. In the past three-and-a-half years, under the leadership of the BJP government, the economy has been opened up for investment in a manner that is unprecedented in our history. Whether it is in funding bottom-of-the-pyramid start-ups in rural areas or Make in India in high-technology areas, an exciting future is being written. It is being complemented by investments in the social sector and in human development – insanitation, in public health and health insurance, and in education and skill building.

On its part, the UK is negotiating Brexit and identifying new economic and trade as well as strategic pathways for the coming years. Inevitably, both countries will search for new global partnerships. And the best partners they will find will be each other. Loud, argumentative and English-speaking democracies always have a way of getting along!

Buckingham Palace marks UK India Year of Culture 2017

LOUD, ARGUMENTATIVE AND ENGLISH-SPEAKING DEMOCRACIES ALWAYS HAVE A WAY OF GETTING ALONG!

The prospect of greater commerce and of building a shared prosperity for the people of the UK and of India is an ideal we share. We also cherish common values. These will serve us in the battle against radicalism and terrorism – as well as in the promotion of democracy, pluralism and transparency in the international system.

All of this requires India and the UK to collaborate and work together on multiple platforms – bilateral and multilateral. Strengthening the United Nations and international institutions and renewing the Commonwealth must be part of this endeavour. Equally, it is important for business, thought and political leaders from both countries to invest in and become champions of the relationship – for the benefit of India and the UK and for the benefit of our entire planet.

Yet, ordinary citizens and their concerns, hopes and aspirations must be central to our vision. In the end it is the people of our two countries who provide a foundation for the India-UK partnership. We cannot discount the mutual goodwill and affection, the family associations that link the two countries, the vibrant Indian community in the UK, the love for each other's cultural products – whether chicken tikka masala or the English Premier League, yoga or the Beatles, or of course cricket, an Indian sport accidentally invented in Britain!

Without that "human bridge" and that steady stream of students, business executives and skilled workers who contribute to the British economy and to India's global identity, our relationship would not be same. This is the bridge that allows our governments to walk briskly. This is the bridge our governments must not forget to nurture

Dr Vinay Sahasrabuddhe is Chair, India-UK Forum of Parliamentarians, and President of the Indian Council of Cultural Relations (ICCR).

India's youth will be biggest factor in UK-India relations

by Lord Bilimoria

Discounting foreign students from migrant calculations will greatly benefit the British economy.

India is a country of over 1.3 billion people, over half of whom are aged 25 and under. The UK-India partnership must benefit the youth of India if it is going to reach its full potential.

To achieve this, the UK's higher education sector must play a leading role in building that bond between the UK and India and any prospective trade deal must include concessions on the freedom of movement between the two great nations, particularly for students.

There has been some good news in recent months, with the number of Indian students in the UK showing some signs of recovery since it fell from its peak in 2010. With the roll-out of the Tier 4 visa pilot across 23 more universities in December last year, international students, including Indian students, at 27 selective universities in the UK will no longer have to leave the UK before applying for a permit to work after they complete their studies.

OUR UNIVERSITIES ARE AN ENORMOUS SOURCE OF SOFT POWER – ESSENTIAL FOR A SMALL NATION LIKE THE UK, MAKING UP JUST 1 PER CENT OF THE WORLD'S POPULATION.

One of my proudest moments as a peer in the House of Lords took place in 2007, when I tabled a motion regarding international students, which led to the institution of the post-study work visa for international students at British universities the following year.

The post-study work visa allowed students from across the world, but in particular students from India, to work in the UK for two years after graduating, helping them to pay off their student loans, earn valuable work experience, boost the British economy, contribute to the exchequer and help to build generation-long links between the UK and their country of origin.

For many, the ability to work in the UK is a huge incentive. For others whose study is sponsored by organisations and businesses, being able to work in the UK and pay back part of their student loan is essential.

As Home Secretary, Theresa May abolished the post-study work visa in 2012 and continued to count students as immigrants, in her misguided belief that students were overstaying their visas and using the education system as a stepping stone to working in the UK, illegally.

The unwillingness to sponsor students to study in the UK stems directly from this decision to remove the two-year post-study work visa, which is the reason for the downward trend in international students coming to the UK.

By 2015, the number of Indian students had halved since its peak in 2010, at 16,745. We urgently need a target to increase the number of international students enrolling at our great universities.

Instead, our Prime Minister Theresa May continues, despite all the evidence, to include students in net migration calculations and in the arbitrary target to reduce net migration to the tens of thousands.

International students are not immigrants. Home Office e-exit check data from 2015, leaked to 'The Times' last year, revealed that only around 4,500 international students overstayed their visa in 2015. Theresa May had earlier sought to justify her position by stating, using only experimental statistics, that the number was closer to 100,000.

Everyone, from leading economists to the British public and even members of our Prime Minister's own Cabinet want us to end this economically illiterate practice of including students in net migration figures and maintaining policies that actually deter students from coming here.

Almost three quarters of the British public would like to see more students come from overseas to study here, according to a ComRes poll taken in April 2017 – after the EU referendum, in which immigration proved a pivotal issue. Three quarters of those polled would like students to stay and work for a fixed period, and only 26 per cent consider them to be migrants.

Economists rightly point out that international students contribute over £25 billion to the UK economy every year.

And even Theresa May's own Cabinet overwhelmingly support the idea of removing international students from net migration calculations. The Prime Minister risks not only discrediting her government over this issue but also the UK's reputation around the world as an open and welcoming destination for students, researchers and entrepreneurs.

UK universities are among the very best in the world, along with those in the United States. Our universities are an enormous source of soft power – essential for a small nation like the UK, making up just 1 per cent of the world's population. Research by the Higher Education Policy Institute (HEPI) last year showed that 48 heads of state and heads of government globally have a UK university degree – more than in any other country in the world.

And India, the fastest-growing major economy in the world with a proportionately young demographic, is driving the growth in student mobility across the world.

The Organisation for Economic Cooperation and Development (OECD) estimates that the number of students studying outside of their home country more than doubled between 2000 and 2011, and it continues to rise by 6-7 per cent each year. Against this backdrop, the UK may be up to £9 billion poorer each year owing to policies on student mobility, according to research by Parthenon EY for ExEd in 2016.

The UK government must drop international students from its net migration calculations and should instead seek to have a target to increase the number of international students – to plug this gap.

Lord Bilimoria is the Founder and Chairman of Cobra Beer, President of the UK Council for International Student Affairs and Founding-Chairman of the UK-India Business Council (UKIBC).

Decoding the Indian Budget 2018 for UK businesses

by Radhika Jain

The Budget opens up wide scope for private sector participation in sectors such as healthcare.

Radhika Jain is Partner at Grant Thornton India LLP.

India's Union Budget 2018-19, presented by the Finance Minister on 1 February 2018, reaffirms the government's focus on keeping the Indian economy on an inclusive growth path with an emphasis on social sector, infrastructure and agricultural development. This was the government's last full-year budget before the General Elections in 2019 and came on the back of significant structural reforms in the last 12-15 months including demonetisation, introduction of GST and a comprehensive insolvency legislation aimed at resolving the twin balance sheet problem that has been ailing the Indian banking and corporate sectors.

While the economy experienced a slow-down post the demonetisation undertaken in November 2016, manufacturing and export sectors have picked up since then. Moreover, while demonetisaton resulted in 10 million new income taxpayers, the introduction of GST has witnessed an increase of 50 per cent in the number of indirect taxpayers. Consequently, India is expected to close out fiscal year 2017-18 with a GDP growth rate of 6.75 per cent.

The world's largest government-funded healthcare programme has been announced in this year's Budget (providing annual insurance cover of up to Rs 0.5 million per family per year aimed at benefitting 100 million families). This is expected to throw up opportunities for private sector (including foreign) participation in the development of healthcare infrastructure.

On the tax and regulatory front, the proposals have been marginal especially for the foreign investor segment. Some of the notable proposed changes are a reduction in the corporate tax rate for certain companies, introduction of capital gains tax on long-term gains and changes to the definition of a "business connection" to align it with the OECD 'agency' concept.

A positive amendment in the corporate tax regime is reduction in the corporate tax rate from 30 per cent to 25 per cent for MSMEs (i.e. companies with a turnover of less than Rs 2500 million). This amendment benefits almost 99 per cent of the tax paying corporations in India. The balance 1 per cent constituted by large corporations continue to be under the 30 per cent corporate tax rate but as per available tax statistics, majority of these large corporations end up with an (ETR) of 24 per cent on account of various tax incentives /exemptions under the existing tax regime. The amendment, therefore, seeks to benefit the small corporations which end up paying higher taxes, without any adverse impact or prejudice against the large corporations.

One of the most talked about and debated Budget proposals is the re-introduction of tax on long-term capital gains ('LTCG') arising from on-market transfers of listed equity shares, a tax which was done away with in 2004-05. Premised on the rationale of fiscal prudence (by stemming erosion of tax base) and levelling the playing field between equity assets and other financial / real assets, this tax on LTCG is proposed to be levied at a concessional rate of 10 per cent on gains exceeding Rs 0.1 million. Further, capital gains earned up to January 31, 2018 have been grandfathered; so only incremental gains post January 31 arising from transfers after March 31, 2018 would be brought under the tax net.

While the Indian stock markets have reacted adversely to this proposal (as evidenced by an estimated market capitalisation erosion of Rs 10 trillion post the Budget announcements), the sell-off was also part of a wider correction in global stock indices. Notwithstanding the imposition of LTCG tax, equity as an asset class will likely continue to be attractive for institutional and high net worth individual investors. As far as foreign institutional investors are concerned, some of them are already exploring possibilities of investing in the Indian equity market through countries like France and Netherlands, whose tax treaties with India could mitigate the Indian LTCG tax incidence, subject of course, to meeting substance tests, given the introduction of general anti avoidance rules under Indian tax law last year.

In recent years, the government of India has enacted several provisions in line with OECD's

Base Erosion and Profit Shifting Action Plans ("BEPS"). Like the UK, India is also a signatory to the Multilateral Instrument (MLI) issued by the OECD. In line with India's commitment to BEPS, the Budget proposes to widen the scope of 'Business Connection' test (i.e. equivalent to a Permanent Establishment 'PE' test in tax treaties) through two amendments, which could significantly impact taxability of business profits earned by non-residents from India.

The first amendment seeks to widen the scope of dependent agent to include persons who play a principal role leading to conclusion of contracts by a non-resident. The existing provisions cover under the ambit only persons who had the authority to conclude contracts in India on behalf of non-residents. Consequently, non-resident entities could mitigate Indian tax incidence by signing off or concluding contracts outside India although key functions like contract negotiation were being performed by the Indian agent. The proposed amendment is also aligned with the modified PE rule as per the MLI, to which both India and UK are signatories. However, until such time that the MLI becomes effective for India and UK, entities that are tax resident in UK should continue to be eligible for the beneficial provisions of the prevailing India-UK tax treaty.

The second amendment is introduction of 'Significant Economic presence' (SEP) test. By virtue of this test, a non-resident entity engaged in any transaction in India including provision or download of data/ software or solicitation of business through digital interaction with users, would come under the Indian tax net. This will particularly impact non-resident entities engaged in digital businesses since such entities are not required to be physically present in India through a PE or dependent agent to earn revenue and hence, are currently not required to pay tax in India in the absence of a 'business connection'. However, since the existing MLI provisions and tax treaties do not provide for the SEP test for determination of PE, the proposed amendment is likely to impact only those foreign investors who are resident in a jurisdiction which does not have a tax treaty with India. In other cases, such as UK, business entities shall continue to be governed by the existing treaty provisions.

FROM AN OVERALL PERSPECTIVE, IT IS A WELL-BALANCED ALL-INCLUSIVE BUDGET WITH FOCUS ON RURAL ECONOMY AND LONG-TERM ECONOMIC GROWTH.

In an endeavor to promote development of world class financial infrastructure in India, the Government proposes to provide tax incentives (e.g. exemption from capital gains tax, reduced minimum alternate tax rate of 9 per cent) for transactions undertaken by a non-resident in any International Financial Services Centre (IFSC).

In order to boost the government's 'Make in India' programme and promote local manufacture, customs duty has been raised selectively resulting in increased landed cost of imports in sectors such as automobiles, food processing and telecommunications.

On the compliance side, tax registration i.e. obtaining Permanent Account Number (PAN) will become mandatory for any entity (including non-resident entities) which enters into a financial transaction in India aggregating to Rs 0.25 million or more in a financial year. Further, any person competent to act on behalf of such entities (such as the Managing Director, Director, Partner, CEO, Principal officer etc.) will also be required to apply for allotment of PAN. This will increase compliances for foreign investors who do not have a PE in India but may enter into financial transactions in India.

To conclude, an impact assessment of the tax proposals mooted by the Indian Union Budget 2018, should maintain current status quo for UK investors. From an overall perspective, it is a well-balanced all-inclusive budget with focus on rural economy and long-term economic growth. With the International Monetary Fund forecasting a 7.4 per cent growth rate for India in the current year 2018 (as against China's 6.8 per cent), India is well on its way to becoming the fifth-largest economy in the world.

UK invests big in the Indian market

Tech major Dyson leads the charge of investments in the Indian market as Make in India makes its automotive mark.

Tyremarket.com raises UK funds

Bengaluru-based online tyre retailer Tyremarket.com has raised around $500,000 from UK-based online tyre retailer Blackcircles.com's founder Michael Welch.

Tyremarket is headed by former Siemens Healthcare executive Sanjeev Agrawal, who is co-founder and CEO.

Tyremarket, which was started in 2015, operates a lean business model similar to Blackcircles. It is an online marketplace for supplying tyres to vehicle segments like bicycles, two-wheelers, passenger cars, commercial vehicles, tractors, off-roaders, industrial and heavy vehicles. It also provides tyre replacement and other tyre related services and products.

Agrawal said: "Our strategy of providing more tyre choices, installation partners and great value is starting to pay real dividends. We have created a platform from which we can invest to become the leading online platform for tyre business in India."

Welch, who is also the strategic advisor to Tyremarket, said: "Tyremarket has an opportunity to be the market leader for tyres in India. Its team, vision and ambition are second to none."

Dyson to invest in Indian market

UK-based technology firm Dyson, which forayed into the Indian market recently, would be investing more than Rs 1,200 crore ($187.5 million) in the next five years as it expects the country to be among its top markets over the next few years.

Jake Dyson, chief engineer and member of Dyson Board, said: "We want to help reduce pollution. All markets need these products. But the performance of our products makes us think we are ready for the Indian market.

"We really see India as being the next China [for us]. It is similar in size and scale. We have understood how to start the business in a huge country based on how we did it in China. India is very important for us, so we want to get it right. We expect it to be one of our top markets in the next few years."

The company would be setting up 20 stores in next five years. The products would also be available online through the company website and Amazon.in.

He added: "We already have a team of 150 engineers in the last 18 months, doing R&D and influencing our design from the feedback from Indian people."

The company is also working on adding an electric car to its portfolio by 2021.

India-made cars in demand in the UK

British demand for India-made cars rose last year, while demand in India for cars made in the UK fell sharply during the same period as British carmakers shifted more assembly operations to India.

British demand for India-made cars has long outpaced exports to India, and 2017 was no exception as more than 34,000 new cars from India were registered in the UK, according to the figures published by industry body SMMT.

While exports to Asia grew strongly (exceeding 10 per cent), car production in the UK fell 3 per cent in 2017 — the first decline in eight years, largely driven by a fall in domestic demand. The SMMT attributed the fall to ongoing Brexit uncertainty and concerns around the government's future policy on diesel vehicles, following plans to ban the sale of cars with conventional combustion engines by 2040.

Mike Hawes, CEO, SMMT said that while engagement with government had been positive, a lack of clarity around Brexit and the political and economic impact was affecting buying patterns as well as confusion around government policies on diesel cars.

He added that while it is important to maintain the benefits we currently enjoy, it is equally important that Britain maintained access to the beneficial trading relations that the EU had established with countries across the world.

UK WEEK 2018 INDIA
18-22 JUNE 2018

india inc. ENGAGING LEADERS | INCISIVE CONTENT | IMPACTFUL EVENTS

Defining the contours of a new trade dynamic

The New Year has seen an electrified burst of activity in the UK-India corridor. Two months into 2018, and already we have a flurry of Indo-British activities.

The recent UK-India Createch Summit, which hosted a delegation of 62 UK businesses in Mumbai, saw deals worth £58 million signed in collaborative projects between UK and Indian businesses in sectors across technology, transport, healthcare and more.

The year 2018 so far appears to be the year of strengthening the living bridge flagged by Indian Prime Minister Narendra Modi as key to the bilateral relationship.

The healthcare mission to India is another promising development in the UK-India dynamic, coming on the back of Indian Finance Minister Arun Jaitley's Budget unveiling one of the world's largest healthcare programmes. The timing for the trade mission led by the UK's National Health Service (NHS) England chief, Sir Malcolm Grant, could not have been more apt.

Even British royalty was getting in on the India action, with the British Asian Trust, founded by Prince Charles, celebrating its 10th anniversary of working with South Asian charities with a proposed launch of a new Development Impact Bond for education in India. The Earl of Wessex's visit to India saw a focus on

HCC High Commissioners' Cup

5th Annual UK 2018 INDIA CONCLAVE

innovation and technology in healthcare, including the official inauguration of the DICE Health and Wellness accelerator.

On the Indian side, we witnessed some concrete steps to cut red tape and roll out the red carpet to attract more foreign direct investment (FDI). Commerce Minister Suresh Prabhu's visit to London threw India's interest in renewables, clean technology and the Commonwealth as a potential trading bloc into the spotlight. The Indian minister urged UK and Indian businesses to take the lead in transforming an ailing Commonwealth into a trade bloc, promising Indian government support for such an initiative.

India Inc. has designed the UK-India Week 2018 to take matters forward, as part of the wider vision of nurturing bilateral relations through our annual events

The year 2018 so far appears to be the year of strengthening the living bridge flagged by Indian Prime Minister Narendra Modi as key to the bilateral relationship.

India Inc. has designed the UK-India Week 2018 to take matters forward, as part of the wider vision of nurturing bilateral relations through our annual events. This first-of-its-kind series of events in June this year will be aimed at fortifying the living bridge between the UK and India and transform it into a runway for a smooth take-off of closer ties.

• The UK-India Leadership Conclave 2018 (June 20-21) is designed to open dialogue and debate around the future of the bilateral relationship. Held over two days in a luxurious manor in the English countryside, the conclave will provide the inside track on India and the UK.
• The High Commissioners' Cup (June 19) is an exclusive golf day for the revitalised Commonwealth community to brainstorm and power network amid some light-hearted banter.
• The UK-India Awards 2018 (June 22) are designed to celebrate mutual and individual achievements within the UK-India dynamic.

• The UK-India 100 (June 22) is an exclusive list of key influencers that enrich and make the UK-India relationship tick.

The UK-India Week 2018 brings together a string of A-list, invitation-only events. Use this link to register your interest in time.

Nominations for the UK-India 100 Most Influential in UK-India Relations as well and UK-India Awards 2018 will be closing soon.

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Can CHOGM 2018 redefine global trading history?

by India Inc. Staff

The Commonwealth Heads of Government (CHOGM) meeting in London in April is expected to be the most ground-breaking summit for the bloc of 53 nations.

When Narendra Modi arrives for the Commonwealth Heads of Government (CHOGM) meeting in London in April, he will be aware of the significance of his very presence at the summit. It will mark the first visit by an Indian Prime Minister to CHOGM since Trinidad and Tobago in 2010, with Indian leaders having given summits in Perth, Colombo and Malta a miss.

This omission was no coincidence but indicative of the "benign neglect" the grouping has suffered from in the past, in the words of the Indian High Commissioner to the UK, Y.K. Sinha. "It is time to look at how the Commonwealth can be revived. It is important for the UK as it leaves the European Union (EU). The time has come to give the Commonwealth a particular focus and make it meaningful for member-states; not just an old boys' club to discuss shared legacies, we have to be forward-looking," Sinha says, a perspective echoed in the preliminary programme of the summit itself.

New agenda

Some of the base sessions to take place will be characterised around "The World We Want to See; The People We Want to Be" to deliberate on what the Commonwealth of the future should look like and what it should be doing. "The Future of Work: Skilling Tomorrow's Economy" will analyse the role of technology in creating opportunities for more inclusive employment, while sector-specific sessions will focus on new models of healthcare, steps to future-proof the maritime industry, the future of off-grid energy and sustainability of food production.

With Brexit in the UK and increasingly protectionist tendencies flowing out of the US, a redefining of trade practices is inevitable. CHOGM will grapple with some of the toughest questions around the issue of global trade, with a deeper look into whether cities are now more relevant than countries in driving trade and investment.

Commonwealth effect

The scope for collaborations between the 53 countries – recently enhanced from 52 with the re-admittance of Gambia into the fold – is acknowledged as tremendous. India, as one of the world's fastest growing economies and with a massive youth dividend in terms of its population, has been pitched as the natural new leader within a more result-oriented Commonwealth.

Intra-Commonwealth trade currently accounts for around $800 billion and, given the scale and scope of some of the economies within the bloc, the $1-trillion target set for 2020 is not overly ambitious.

Among the drivers of increased intra-Commonwealth trade and investment flows is a so-called "Commonwealth effect", whereby trade between Commonwealth members is on average 20 per cent higher and trade costs are 19 per cent lower compared with trading between other partners. Therefore, the potential to hike intra-Commonwealth trade by hundreds of billions of dollars with regard to increased trading opportunities with developing country members is enormous.

Barriers

The Commonwealth is widely dispersed across the globe, with member-countries having attained very different levels of economic development. This leads many observers to overlook Commonwealth members as natural trading partners. Most Commonwealth countries have also become active in their own natural regional trading clubs, which involve non-Commonwealth countries.

Yet, there are significant gains to be made from closer cooperation with and integration into the Commonwealth. Historical ties, long-established trading relations, familiar administrative and legal systems, the use of largely one language as the means of communicating with foreign partners and large and dynamic diasporic communities all tend to suggest the association can boost trade and investment flows and economic cooperation. This view has been endorsed during past CHOGM summits, held every two years, but has lacked sufficient vigour to pursue that goal.

CHOGM WILL GRAPPLE WITH SOME OF THE TOUGHEST QUESTIONS AROUND THE ISSUE OF GLOBAL TRADE, WITH A DEEPER LOOK INTO WHETHER CITIES ARE NOW MORE RELEVANT THAN COUNTRIES IN DRIVING TRADE AND INVESTMENT.

Post-Brexit bounce

As highlighted in a report by UK-based think tank Open Europe last year, Britain can make up for any export loss as it exits the EU by building on under-developed links with Commonwealth countries like India and making it a priority in its trade negotiations.

"There's little point making policy looking at just today's world. According to projections, Germany's GDP will grow by 14 per cent between 2017 and 2030. Over the same period India's is expected to more than double," it pointed out.

"English is a lingua franca for India… The task of the government is to seize the opportunity of Brexit to draw fully on our comparative advantages, the English language, the common law system, the status of the UK judiciary and legal system, the UK's security, development and defence reach, our world-class universities, our innovation and science," it added.

It is now an oft-repeated point that Britain is not yet free to negotiate any individual free trade agreements with countries of the Commonwealth, but that has not prevented it from wooing some of these attractive markets with the wider concept of "breaking down trade barriers".

Against this backdrop, CHOGM offers Britain – as the host of this year's summit – the ideal playing field to lay out its wares for the rest of the world and convince all the players of its "Global Britain" vision.

Beyond CHOGM

Modi's visit for the summit will coincide with a bilateral meeting with his British counterpart, Theresa May, and be closely watched for the nature and value of the deals that are struck. While CHOGM provides the excuse for the latest round of bonhomie between the two countries, issues around mobility of Indian students and professionals are unlikely to be overlooked by an increasingly assertive India.

The message at the heart of the deliberations will have to be around a mutually beneficial arrangement, as part of which the UK and India can strike a partnership of equals to make a real impact in the development of some of the weaker economies of the Commonwealth.

But the fact that the Commonwealth must play a more active role in striking such partnerships for the future will be a point of agreement all round.

India's start-up ecosystem has matured rapidly

by Param Shah

Policy incentives, support organisations, universities and large corporates have all played a vital role in the evolution of an innovation-led scenario in India.

Over the centuries innovation has been a key change agent the world over in an effort to provide accessible and affordable solutions to dynamic consumer needs. It plays a crucial role in determining the industrial and economic competitiveness of any country.

India has been contributing innovations that have been a game changer. From the innovation of the digit '0' to Mangalyaan, India has been a land of innovations. Some people may contest this by saying that it ranks a dismal 60th on the 'Global Innovation Index', but one may fail to realise that it has been moving steadily up the ladder from 76th in 2014. India has been moving up the ranks and the move has been swifter in recent years. Currently, India ranks first among Central and South Asian countries on the 'Global Innovation Index'.

The rise in innovations has also led to the eventual commercialisation of these innovations by way of start-ups. Today India is among the top global destinations for start-ups. In terms of the number of start-ups founded, it ranks amongst the top five countries in the world. By one estimate India houses over 5,000 start-ups, which in turn create more than 85,000 employment opportunities. It is projected that the number of start-ups in India will increase to more than 11,500 by 2020, with job creation from these entrepreneurs hitting 250-300K by 2020. The mortality rate of start-ups in India stands at 20-25 per cent. This has been down by 10 per cent YoY, which speaks volumes for the start-up ecosystem that exists and nurtures these ideas.

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Start-ups focused at solving core social problems of India.

The start-up ecosystem in India has matured quite rapidly over the years. Enablers like government policy and incentives, support organisations, universities, funding organisations, service providers, research organisations and large corporates have all played a vital role in the evolution of this ecosystem.

The Indian government has been giving the required policy push to enable a conducive ecosystem. The government has realised that policies and incentives would be the best enabling tools to generate the required momentum and later self-sustain it. In an effort towards this, the ecosystem has seen massive overhaul in the last few years. From Start-up India, Stand-up India to Digital India, the government has been building the right platform for start-ups to succeed. The government's efforts towards ease of doing business policies, taxation policies, greater access to loans have also contributed positively to the growth of the ecosystem.

To keep this innovation-led momentum going, the government as well as private players of the ecosystem will have to work very closely to review, update and upgrade the enabling factors and policies from time to time. The government will have to ensure that three fundamental

IT IS PROJECTED THAT THE NUMBER OF START-UPS IN INDIA WILL INCREASE TO MORE THAN 11,500 BY 2020, WITH JOB CREATION FROM THESE ENTREPRENEURS HITTING 250-300K BY 2020.

things – funding, facilities and flexibility – are available to every innovator who wishes to scale up his idea and be an entrepreneur. Though a lot of work has been done on funding and facilities, flexibility needs to be given priority in the policy. There is a need to frame an easy exit policy for start-ups. Other key policy concerns that have been raised by the start-up ecosystem, such as the Angel Investor Tax, abolition of MAT, support for the e-commerce business, need to be addressed immediately.

Over and above the initiatives from the government, it is interesting to assess the external environment for start-ups in India. India has the third-highest number of start-up incubators and accelerators in the world, after China and the US. The number of start-ups and incubators haven grown by 40 per cent in 2016-17. Of these, 30 academic incubators were established under the government's 'Start-up India, Stand-up India' initiative. This has resulted in the nurturing of innovative ideas into sustainable business models.

20%

of total start-ups based in Tier 2 cities

Tier 2 and Tier 3 cities have also fast emerged as hubs for start-ups to flourish. This is majorly due to the availability of talent, state government initiatives, local investor confidence and infrastructure support. These cities have also been enabling micro-entrepreneurship in rural areas surrounding them, which in turn has led to value creation.

Technologies like artificial intelligence and machine learning, blockchain, storage and computing as a service and robotics have been major enablers for innovators to get into product development, which in turn has shortened the gestation period for start-ups.

The Indian start-up ecosystem is quite dynamic and is adjusting fast to the changing environment, which is enabling start-ups to produce unmatched products and services for not only the Indian market but for global markets.

** The views and opinions expressed are solely those of the author and do not necessarily reflect the views held by FICCI. FICCI is not responsible for the accuracy of any of the information supplied by the author.*

Dr Param Shah is Director – United Kingdom, Federation of Indian Chambers of Commerce & Industry (FICCI).

Working together to ensure Manchester-India relations really take off

by Andrew Cowan

The Chair of the Manchester India Partnership explains the benefits of connectivity this new tie-up would bring India and the UK.

It is a great honour to have been named chairman of the Manchester India Partnership and to have launched the organisation, both in the UK and during a visit to Delhi and Mumbai this month.

One of my primary objectives for the months ahead as CEO of Manchester Airport is to secure direct flight services to India and, as I will set out below, the Partnership is all about ensuring the benefits of this connectivity will be maximised.
As we look at how the region will trade post-Brexit, developing strong links with the world's high growth markets is of paramount importance and, with that in mind, India presents a significant opportunity for Manchester.

India is the fastest growing global market and is the world's seventh-largest economy by GDP. The UK is also the seventh-largest investor into India and that investment is expected to grow by £2 billion over the next five years. So, it is clear what the size of the prize is.

Manchester has always been forward-thinking in terms of its economic and social development and that is no different when it comes to ensuring it has the best possible relationship with this global economic powerhouse. Indeed, the MIP has not been created overnight. It is the product of two years' work to forge ties between our city and India, which started with the MIDAS-led initiative "Make in India, innovate in Manchester" and we have already seen some of the benefits of that work come through.

For example, 10 Indian companies have invested in Manchester in the last three years, creating more than 100 jobs.

The pipeline for potential investment projects also looks very strong and we're very excited about Tech Mahindra opening a new innovation centre at MediaCityUK, in the next few weeks. They chose Salford for their next office due to Greater Manchester being the UK's second digital cluster, the wealth of talent in the region and the lower cost of operation when compared to London.

Having made great progress, the

formation of the MIP is about taking it to the next level and maximising the benefits both Manchester and India can derive from closer collaboration.

The Confederation of Indian Industry (CII) has been a key partner from inception and was instrumental in facilitating the launch of the MIP in Westminster, which was attended by a range of public and private sector leaders, including Lord Jim O'Neill and Trade Minister Baroness Rona Fairhead. I also want to thank the wide range of public and private sector partners that have come together to form MIP. They include the Greater Manchester Local Enterprise Partnership, Deloitte, The Growth Company and Squire Patton Boggs.

As a city, we do have experience of this kind of partnership, having launched the Manchester-China Forum back in 2013 and there is no doubt that has been a huge success. It provided focus for those involved and sent a clear message to our partners in the Chinese market that significant value was being attached to our relationship with their nation. A feature of the Forum was public and private sector organisations joining forces, which has ensured a coordinated approach to stimulating trade, investment and wider collaboration between the two locations. The Manchester India Partnership will look to replicate this.

As with China, securing direct air links to India is a top priority for the Manchester India Partnership. We know that there is significant demand from within our catchment area for a direct service. Already more than 270,000 people within that area travel indirectly to India – that is the sixth-largest demand in Europe and more than the likes of Milan, Zurich and Rome, all of which have direct flights.

We know first-hand what direct connectivity with high growth markets does in terms of delivering social and economic benefits. Again, the best example is our direct route to Beijing, which launched in June 2016 and in its first-year surpassed expectations, delivering impacts including:

- A 265 per cent increase in export values, growing the value of goods shipped from Manchester to China to 200 million a month
- A doubling of Manchester's inward investment pipeline
- A major increase in visitor economy spend to 140million a year
- Growth in international student numbers at Manchester University, meaning applications from China were twice the national average
- The formation of a range of partnerships between Manchester and China, in fields from advanced materials and infrastructure to football and healthcare

With support from CII and MIDAS, we have been pursuing the case for direct flights from Manchester to India. I have every confidence that similar benefits would be realised on the back of a direct route between Manchester and India being launched – and let's be clear, none of the above would be felt unless the service was direct, not connecting via London or Amsterdam.

So, we know the business case is almost proven and it is fair to say we have had lots of encouraging dialogue already with a range of Indian airlines. We hope the formation of this partnership will contribute to these discussions becoming even more meaningful in the weeks and months ahead.

Securing a direct service is one of my number one priorities and I am sure everyone would agree that this partnership will have been a force for good if we see the kinds of positive impacts I have outlined above in the years to come.

I look forward to working with you all to make the Manchester India Partnership a success.

Andrew Cowan is Chair, Manchester India Partnership, and CEO, Manchester Airport Group.

Manchester's business hub

Greater India-ASEAN engagement is imperative for India

by Gareth Price

There appears to be awareness that India's relations with the Association of South East Asian Nations (ASEAN) must move beyond symbolism.

One of Narendra Modi's first foreign policy initiatives called on the country to reinvigorate its "Look East" policy, making it an "Act East" policy. The Look East policy, launched in 1991, is not without achievements – bilateral trade between India and the Association of South East Asian Nations (ASEAN) increased from just $2.3 billion in 1991/92 to around $70 billion in 2016/17. However, the contrast with China is stark – back in 1991 China-ASEAN trade stood at just $6.3 billion. Last year, however, it had jumped to $515 billion.

Across South East Asia views of India are similar. Its diversity, democracy and lack of threat make it in many ways a more attractive partner than an increasingly assertive China. Certainly, engagement with India would be welcomed to balance, or at least dilute, Chinese influence. However, beyond trade (and India's trading achievements contrast poorly with China) there is a sense that India is unable to deliver on its commitments.

This is understandable. Much of the Look East policy focussed on connectivity, yet India remains unconnected, overland, with South East Asia. Having emphasised that connectivity was to form a central plank of India's commitment to South East Asia, this lack of connectivity plays badly. Narendra Modi seems cognisant of this view: his decision to invite the 10 leaders of the members of ASEAN determination to India's 2018 Republic Day ceremony was symbolic, but there appears to be awareness that India needs to move beyond symbolism.

NARENDRA MODI APPEARS TO RECOGNISE THAT INDIA NEEDS TO DEMONSTRATE THAT IT CAN DELIVER ON COMMITMENTS IF IT IS TO BE TAKEN SERIOUSLY WITHIN SOUTH EAST ASIA.

The two main proposed schemes to connect India with its South East Asian neighbours have faced numerous delays. Work on the 160km India-Myanmar Friendship Road, connecting Moreh in Manipur with Kalewa in Myanmar – part of an ambitious Asian highway connecting Singapore with Istanbul – started in 2001, and was eventually completed in 2015. However, it faced two major problems. First, Myanmar had not constructed the next phase of the road, meaning that India remained unconnected with any potential markets in Myanmar. Second, Myanmar had failed to construct 71 bridges along the friendship road. The existing wooden bridges are generally unsuitable for trucks, making the roads impassable during the wet season. India has now taken responsibility both for the bridges and the next phase of the road.

The delays are not entirely India's fault. Myanmar's approach towards connectivity – particularly through some of its border regions – remains securitised. That is, many in Myanmar fear that greater connectivity will provide easier access for public bads such as militant groups, guns or drugs. Consequently, barriers suddenly appear hindering road building. But India's approach has also been to blame, particularly through the use of sub-contractors which were unable to fulfil their obligations.

The other major connectivity project is the near $500 million Kaladan multi-modal transport project. First suggested in 2003, India and Myanmar signed an agreement in 2008, and work started two years later. India has since constructed a port at Sittwe, a river terminal at Paletwa, and several roads within North East India. However, it failed to construct a road connecting Paletwa with the Indian border in Mizoram. That contract was awarded last year.

Narendra Modi appears to recognise that India needs to demonstrate that it can deliver on commitments if it is to be taken seriously within South East Asia. The budgets for both projects have increased dramatically, India has taken direct responsibility for the final phases of construction and there is increased bullishness within India that both projects will soon be completed. If so, it could be a game-changer through demonstrating that India can deliver.

Several lessons have been learnt from the Myanmar experience. One view is that India should shift its focus away from physical connectivity such as road-building and focus on areas in which it has a better record of delivery in third countries, such as health and education, IT or security. An alternative takeaway is that India should focus on a few, larger infrastructure projects and invest significantly in them.

While India is clearly investing more in the existing connectivity projects, it is also taking on board the other view – that it should approach the relationship between India and ASEAN more laterally. Three areas in particular seem to stand out: digital connectivity, maritime connectivity and security.

India's IT sector is already interlinked with Singapore through undersea cables. And in December 2017, India hosted the ASEAN-India Connectivity Summit which focussed both on physical and on digital connectivity. At the summit, Shri Manoj Sinha, the Minister of State for Communication, called for India's digital connections with the countries of ASEAN to be strengthened, and for both India and ASEAN to share best practices in regards to the digital economy. Within this theme, there is tremendous scope to streamline other regional initiatives and sub-groupings, many of which are working on similar issues.

India is investing heavily in its SagarMala project – strengthening its port infrastructure. Regardless of the existence of overland connectivity, most trade between India and ASEAN is likely to take place by sea. The expansion of India's ports is a prerequisite for greater India-ASEAN interaction.

Linked to maritime trade is its nemesis – piracy. In the mid-2000s, Indonesia, Malaysia, Singapore and Thailand established the Malacca Straits Patrol, to counter piracy in the Malacca Strait. Last year, India deployed a warship to the Malacca Straits, and its desire to contribute to anti-piracy operations appears to be received positively by the four ASEAN member states.

The centrality of ASEAN for Asian regional architecture means that greater engagement between India and ASEAN is imperative for India, both politically and economically. If India can demonstrate its ability to deliver, whether through better connectivity or as a security provider, it is likely to find willing partners in South East Asia.

Dr Gareth Price is Senior Research Fellow, Asia Programme, Chatham House.

Weary of China, ASEAN looks at India for leadership

by India Inc. Staff

ASEAN is heavily dependent on China for trade but distrust between the two in South China Sea offers an opening for India to enhance its stature in the region.

Every year, as India celebrates the birth of its Republic in the last week of January, the world watches as the largest democracy shows its mettle as a social, political, cultural and military superpower. This year however, was a particularly power packed show not because the tableaus of various states of the country were any more colorful, the ammunition on display more fearsome, the bands that played the tunes louder or the weather more benign. It was the chief guests that made it special, as instead of just one head of the state gracing the occasion as is the norm, this time there were 10 – the heads of the states of the Association of South East Asian Nations (ASEAN).

In an increasingly globalised world, the role of the block of these 10 Asian economies in the Indian subcontinent cannot be under-estimated. As a standalone entity, ASEAN would be the sixth-largest economy in the world. If India has to become a major power in the region, ASEAN will have to be its inevitable partner. On almost all parameters, at least six of these 10 countries – Indonesia, Thailand, Malaysia, Philippines, Singapore and Vietnam, that forms the bedrock of ASEAN, are tipped to grow robustly in future. The Asian Development Outlook 2017 has projected that Southeast Asia is expected to achieve 5 per cent growth in 2017-18. The Asian Development Bank (ADB) also estimates that ASEAN Five – Indonesia, Malaysia, Thailand, Philippines and Vietnam – will witness remarkable growth in their export trade.

It is no coincidence that strengthening ties with the ASEAN bloc of nations is central to the Narendra Modi government's Act East policy. At the same time, the Prime Minister has become more vocal against protectionism and as exemplified at Davos, barely a few days before the Republic Day celebrations in India, he has almost emerged as the new champion of globalisation.

IF INDIA HAS TO BECOME A MAJOR POWER IN THE REGION, ASEAN WILL HAVE TO BE ITS INEVITABLE PARTNER.

"More countries are becoming self-centred. As protectionism is rising, the sheen of globalisation is fading away. These protectionist powers intend to not just move away from globalisation, but to also reverse the course of the world economy," he said at the World Economic Summit at Davos. "The signing of new bilateral and multilateral trade agreements appears to have come to a standstill. There has been a dip in cross-border economic investments and the growth global supply chains has also come to a standstill."

Modi's comments assume special significance against the backdrop of the ASEAN Regional Comprehensive Economic Partnership (RCEP) – a mega regional trade pact being negotiated for well over five years and which includes Asian economic powers like India, China, New Zealand, Australia, Japan and South Korea. Arriving at a consensus of a block of nations as varied as this will be no easy task but should this fructify, it would be a free trade agreement to rival the Trans Pacific Partnership.

As of today, there is a need for India to make its presence felt in the ASEAN region. In external trade, ASEAN's major trade partners are China, the European Union and US while India does not even figure in the top 10 in the principal sources of FDI inflows in the region. ASEAN offers a collective market of $2.6 trillion and over 622 million people. More importantly, the latest joust with ASEAN comes in the backdrop of the prickly issue of China and the sovereignty of South China Sea – a region where an estimated $5 trillion worth of global trade passes every year.

The ASEAN leaders have increasingly been found wanting on what stand to take on China. While it wants to resist China's imperialist ambitions that threatens to destabilise the region, it cannot ignore its economic might – bilateral trade between China and ASEAN was $514.8 billion in 2017. Indo-ASEAN trade in contrast was a mere $70 billion in 2016-17. Yet, the fact that ASEAN feels more comfortable trading and collaborating with India can be borne by the

repeated calls for strengthening ties between the two. Some of these comments go beyond just pure economics.

"Our early interactions were driven by trade and commerce... both sides also share deep cultural links," said Lee Hsien Loong, Prime Minister, Singapore, the current chair at ASEAN. "India makes a major contribution to regional affairs, helping to keep the regional architecture open, balanced and inclusive."

Modi also made a thinly veiled jab at China for the impasse over the South China Sea.

"India shares ASEAN's vision for peace and prosperity through a rules-based order for the oceans and seas, respect for international law. Notably, Unclos (United Nations Convention on the Law of the Sea) is critical for this," he said. "We remain committed to work with ASEAN to enhance practical cooperation in our shared maritime domain."

The time maybe ripe for India match these words with action and, as Loong mentioned, the RCEP provides just that kind of opportunity. With the enlarged geographic spread, the benefits would be even more far reaching. It would complement India's existing free trade agreements with both the ASEAN states and some of the member nations, strengthening its position as world's fastest growing economy. Further it would allow India to expand its trading association with countries like Australia and New Zealand, with which it has no formal trading partnership due to its absence in the APEC and Transatlantic Trade and Investment Partnership.

It will also facilitate India's integration into sophisticated regional production networks that harmonises trade-related rules, investment and competition regimes of India with those of other countries in the group. These also go hand in hand with some of the structural tax reforms undertaken by the Modi administration like the unified Goods and Services Tax (GST).

"The Regional Comprehensive Economic Partnership (RCEP) trade represents a historic opportunity to establish the world's largest trade bloc, which will enable businesses to harness the region's true potential. It could potentially transform the entire East Asian region into a single market," said Loong. "It also fits India's Act East policy and will increase Make in India exports to the region while boosting India's strategic position in our regional architecture."

Though a highly optimistic deadline of end of this year has been set for completion of RCEP, the going may not be however, that easy. China's presence in the block means RCEP would be akin to India signing a free trade agreement with China, which could potentially flood the Indian market with Chinese products.

Already, India has taken many steps in the past to prevent dumping of commodities especially steel from China and intelligence agencies have repeatedly sounded out the threat to internal security from Chinese goods like smartphones or online shopping which have servers across the border. Further, the reluctance of ASEAN nations to open up their services sector – an are where India stands to gain – is also, is also a potential stumbling block. Beyond what is said in joint statements or from the dais of common platforms, there is much complexity and ambivalence beneath.

"I am a little bit ambivalent about RCEP, as it will involve a lot of opening up to China. We have a natural complementarity vis-à-vis Europe. We export labour-intensive goods to Europe and they export capital-intensive goods to us. In case of the ASEAN and China, it's not the same thing. So what's the advantage for us (in RCEP)? I am not saying it's bad or it's wrong, but I am saying we need to think more carefully about that," said Arvind Subramanian, chief economic advisor. "There is also the geostrategic dimension we need to take into account. So that's a more difficult and richer discussion that the government needs to have. If other nations are not going to open up services and if it's all about opening up manufacturing, then it's a different dynamics."

The challenges may be daunting on paper, but with the champion of globalisation as the head of the state, they are far from insurmountable.

Photo credit James Gifford-Mead

Will Trump's tariff tantrums spark off a global trade war?

by India Inc. Staff

The signs are ominous. Recent utterances by the US President and top administration officials point towards more punitive import tariffs and entry restrictions to protect American industry. This could beget retaliation from China and others and seriously undermine the incipient global economic recovery.

The bull has entered the China shop and though it hasn't started rampaging yet, its first moves suggest that it could just be warming up.

US President Donald Trump has imposed high import duties on washing machines and solar cells to protect US industry, drawing strident criticism from China and a slightly milder statement from South Korea, the two countries immediately affected by the move.

Campaign promises

But governments around the world, including in New Delhi, are burning the midnight lamp trying to figure out if this was a one-off move or part of a larger strategy to redeem the US President's campaign pledge to his rust belt supporters.

These two punitive tariffs are in sync with what we know of Trump's attitude towards international trade – unilateral abrogation of international trade agreements, higher import duties and a strong bias towards domestic manufacturing – in his pursuit of making America Great Again.

Concerns in New Delhi

India has not reacted officially to this latest salvo in what could snowball into an all-out trade war.

But in private conversations, Indian officials admit that they are uneasy about Trump's hawkish pursuit of his "America First" slogan.

In sharp contrast with Indian Prime Minister Narendra Modi's "India First" credo, which envisages an embrace of free trade and forming partnerships with the world's leading industrial and technological countries to make Indian companies world class, the US version is more narrowly focused on squeezing foreign suppliers and companies out of the American market.

Complaints before WTO

The US has, in recent months, complained that India is not complying with World Trade Organisation rules on issues such as prescribing a mandatory domestic content on solar panels and allowing the import of US poultry products. Besides, it has also reiterated its long-standing grouse against what it calls restrictive trade practices and patent infringement on pharmaceuticals, IT and intellectual property rights.

Cutting the trade deficit

A major goal of Trump's protectionist vision is to cut the US' trade deficits with its major partners. India enjoys a $20-billion trade surplus with India and the Trump administration has told Indian Prime Minister Modi that the two sides should work towards reducing this gap.

"It is important that barriers be removed for the export of US goods into your markets and that we reduce our trade deficit with your country," Trump had told Modi during their meeting last year.

"The United States and India plan to undertake a comprehensive review of trade relations with the goal of expediting regulatory processes; ensuring that technology and innovation are appropriately fostered, valued, and protected; and increasing market access in areas such as agriculture, information technology, and manufactured goods and services," the joint statement issued after Modi's meeting with the US President had said.

Steel, aluminium, cars could be next

Many analysts in the US are expecting the White House to soon decide on increasing tariffs on steel, aluminium and automobile imports into the US in order to revive Detroit, the erstwhile auto hub of the world, and the fortunes of the US rust belt, which is… well, rusting.

In case of such a decision, India will be directly impacted. Though these expected higher tariffs may not specifically be aimed at India, that will offer little solace to India's steel industry, which is seeing a revival in recent months, or to its booming automobile sector, which has taken baby steps to enter the US market.

It's all about visas

India exports almost $100 billion worth of software services to the US. In recent months, India's leading software companies have found the going tough for a number of reasons. One of the causes is the squeeze on H1B visas that are used by Indian IT majors to send many professionals to live and work in the US. Since coming to power, the Tump administration has made it much more difficult for Indian professionals to avail of this entry permit.

Indian policy makers feel any unilateral concession by India on trade with the US will be extremely difficult without a reciprocal gesture from the White House on Indian concerns over the grant of visas to its professionals.

INDIAN POLICY MAKERS FEEL ANY UNILATERAL CONCESSION BY INDIA ON TRADE WITH THE US WILL BE EXTREMELY DIFFICULT WITHOUT A RECIPROCAL GESTURE FROM THE WHITE HOUSE ON INDIAN CONCERNS OVER THE GRANT OF VISAS TO ITS PROFESSIONALS.

No signs of backtracking

"We cannot have free and open trade if some countries exploit the system at the expense of others," the US President said recently. "We support free trade, but it needs to be fair and it needs to be reciprocal because, in the end, unfair trade undermines us all."

Back in 1990, Trump, who was not in politics then, had told 'Playboy' magazine that if he were ever to become President of the US, he would increase taxes of every Mercedes Benz and every Japanese car being imported into the US. Almost three decades later, he seems to be making good on that promise.

Now, analysts in the US and governments around the world are keeping a close watch on how Trump navigates through several multilateral trade agreements, such as the North American Free Trade Agreement (NAFTA) and a possible revival of the Trans-Pacific Partnership, which Trump arbitrarily scrapped citing terms that were allegedly unfair to the US.

There are already apprehensions in the US, Canada and Mexico that Trump may walk out of this long-standing agreement, which many considered a proxy for US support to free trade. A Reuters report last month quoted unnamed Canadian officials as saying they expect the worst.

Trump did not help matters by telling CNBC: "NAFTA's a horrible deal. We're renegotiating it. I may terminate NAFTA, I may not. We'll see what happens. I'll terminate it or renegotiate it."

Steep and slippery slope

Economists and policy wonks across the world are concerned that if Trump continues to take the US down the path of protectionism, other countries follow suit and impose higher tariffs to restrict the entry of US goods into their jurisdictions.

They fear that with national interests as well as jobs and prosperity at stake in these countries, it wouldn't take long for politicians to raise tariff walls against all or most imports, thus, hurting the incipient global recovery.

Immediately after the US announced the imposition of higher entry tariffs for washing machines and solar cells, China released an angry statement expressing its strong dissatisfaction and declaring that it will "resolutely defend its legitimate interests".

Given the simmering tensions between Washington and Beijing, such strong language was, perhaps, to be expected. But even South Korea, otherwise a US ally, has decided to hit back and said it would retaliate against the higher US levies, which are expected to hurt the fortunes of two of its largest chaebols – Samsung and LG – which are among the world's largest makers of washing machines.

Ominous signs

US media reports suggest that the language used by Trump and his senior officials at the recently concluded World Economic Forum summit in Davos could presage more such punitive measures against more countries and a wider array of goods and services.

US Commerce Secretary Wilbur Ross said rather combatively that the US would no longer be a "patsy" on trade. "Trade wars are fought every single day. The difference is US troops are now coming to the ramparts," he declared.

These are ominous pointers to the thinking in the US administration. The old saying "If America sneezes, the world catches a cold", unfortunately, still holds true despite signs that the influence of the US on global trade is on the decline.

The global economy is slowly inching its way out of a long worldwide slowdown. Any precipitous action by the US and retaliatory measures by China and other global trade giants will almost certainly set this process back by years, if not decades.

And an ebbing tide will bring down all the boats. Therein lies the fear for emerging economies such as India and recovering ones like the United Kingdom.

Automotive and pharma in focus for India-US ties

Investment in the US market by Indian companies went hand in hand with mergers and acquisitions.

Mahindra to make vehicles in Detroit

Mumbai-headquartered Mahindra & Mahindra (M&M) is set to launch off-highway vehicles and SUVs in the US, becoming the first Indian manufacturer to produce vehicles in Detroit. M&M will begin production in Detroit from March to roll out an off-highway vehicle that will be sold across the US.

Simultaneously, M&M's Korean subsidiary Ssangyong has started preliminary work to identify and launch SUVs in US. The company can consider three SUVs from Ssangyong's line-up for the ambitious foray – Tivoli, Korando and Rexton. The company may initially begin through completely-built unit (CBU) import route, and thereafter manufacture them at Detroit.

Detroit has been the centre of operations for M&M in the US when it comes to the non-tractor business. It is already selling tractors there and has an assembly operation at Houston in Texas.

The off-highway vehicle, an adaptation of a current Mahindra vehicle, has been in the works for the last two-and-a half years. The company has spent roughly $230 million for the operations in Detroit, including an engineering centre which employs more than 250 people and a production setup that has a paint shop and an assembly facility.

The off-highway vehicle will be sold through the Powersports Dealer Network, which is a multi-brand retail channel for all-terrain vehicles, motorcycles, snowmobiles and watercrafts.

Ipca Labs acquires US drugmaker Pisgah

Mumbai-headquartered drugmaker Ipca Laboratories has fully acquired American pharmaceutical company Pisgah Labs for $9.65 million. The acquisition was made via Ipca Labs' US subsidiaries, Ipca Pharmaceutical Inc and Onyx Scientific Ltd.

Ipca Labs said the acquisition would help it establish a foothold in the US market in the fields of contract research, intermediates manufacturing and small-volume active pharmaceutical ingredients (API).

Ipca Labs said in a statement: "Pisgah Labs has been a chemistry solutions provider for over three decades and will continue to operate out of its North Carolina manufacturing facility under the Pisgah trade name."

Ipca Labs has previously made several similarly-sized acquisitions, including in the US. In 2015, the company had acquired 19 per cent stake in Hyderabad-headquartered Krebs Biochemicals & Industries Ltd. The year before that, the firm had acquired a manufacturing plant in Indore from Alpa Labs for Rs 71.71 crore ($12 million at the time).

Founded more than six decades ago, Ipca Labs manufactures APIs and finished dosage forms. It has a significant presence in domestic branded formulations, global branded and generic formulations, and global APIs.

Ipca's investors include India-focused private equity firm Chrys Capital and Malaysian sovereign wealth fund Khazanah.

GM to ramp up component exports from India

American auto major General Motors is looking to ramp up component exports from India even as it continues to add new gloal markets for vehicle shipments from the country.

The company, which has stopped selling cars in the Indian market, recently started exporting Beat Notchback to Costa Rica.

Apart from this addition, it also plans on expanding the component exports in 2018. The company is focused on ensuring that it produces high-quality vehicles for export markets.

It currently exports body panels and engines to Vietnam and Cambodia.

The company is also maintaining a dedicated customer assistance centre to support its customers. It continues to operate parts procurement, warehousing and distribution to ensure smooth parts supply for Chevrolet vehicles in India.

Based on current planning the automaker is taking all measures to ensure availability of spare parts, generally in the market for at least 10 years.

Last year in May, General Motors announced that it would stop selling its vehicles in India. It now exports vehicles manufactured at its Talegaon plant in Maharashtra.

Cementing UK-India ties within the legal sector

by Pranav Bhanot

The co-chair of the India-UK Legal Exchange Programme lays out the benefits of closer ties in the sector.

"Lawyers are the cement of society" are the famous words attributed to the world-renowned Cambridge scholar Glanville Williams QC. Following the referendum in favour of the UK's exit from the European Union (EU), it is safe to say divisions and cracks have formed within British society which could do with being cemented.

Whilst the battle of Brexit between "camp leave" and "camp remain" will no doubt continue for years to come, what is clear is that all eyes are on the UK to see quite how talented we are as a country to establish trade deals, negotiate tariffs and consolidate relationships with all countries around the world including India, possibly the UK's most important partner.

With India's economy accelerating, speculation that by the year 2020 India could be home to the world's largest middle class and a country with an exceedingly strong reputation for enterprise, the potential building blocks to create a strong trading partnership between the UK and India are in place.

A CLOSED-DOOR POLICY TO INTERNATIONAL LAWYERS, INCLUDING BRITISH-QUALIFIED LAWYERS, COULD LOCK OUT TALENT AND HINDER THE ABILITY TO CREATE CLOSER RELATIONSHIPS BETWEEN THE LAWYERS OF BOTH COUNTRIES.

It would seem that a prerequisite of cementing the trading relationship between the UK and India would be to ensure that there is greater collaboration and understanding between the lawyers of both countries. In a world where international borders are being broken down and the ease of doing business in different continents is smoother now than ever before, some would argue that liberalising the Indian legal industry is a necessary and logical next step. The idea that one must hold an Indian citizenship before being in a position to work in India doesn't quite fit with the globalised character of the profession nor the demands of multinational companies.

If India is going to be the land where global corporations and start-ups look to scale their businesses, the warm welcome should equally be extended to global legal advisors of companies beyond the special economic zones that currently exist. After all, the risk of deterring the global companies of today and tomorrow from India because their legal advisors cannot follow them is real. A closed-door policy to international lawyers, including British-qualified lawyers, could lock out talent and hinder the ability to create closer relationships between the lawyers of both countries.

Following a recent survey by Ipsos Mori, there appears to be a clear interest gap that exists among young people from India and the UK. Whilst, 74 per cent of young educated Indians said that they knew "a great deal or fair amount about the UK", this figure reached no more than 26 per cent when the question was addressed to their UK counterparts. In my book 'A Living Bridge: The UK-India Diaspora and the Rise of the Millennials', I call this the "interest gap challenge" that needs attention. In the GenY survey 2014-2015, even though 85 per cent of India owns smartphones and 91 per cent are on Facebook, face to face interaction still came out as the preferred method of communication between young people.

Junior lawyers of today will be the future commercial leaders of tomorrow, consequently, action must start now in filling the "interest gap". A mutual interest between lawyers of both India and the UK about the practices, working culture as well as the commercial and legal challenges is crucial if there is to be, as described by Manoj Ladwa, "a winning partnership" between the two countries in the legal sector.

Equipped with the knowledge that there is an interest gap to be filled and human interaction is the preferred method of engagement, the launch of the India-UK Legal Exchange Programme took place in February 2018 in the House of Lords, hosted by Lord Gadhia and supported by law firms Wiseman Lee LLP and BSM Legal Advisors and Strategy Consultants LLP.

The India-UK Legal Exchange Programme provides lawyers with an opportunity to visit each other's jurisdictions with a view to better understand the legal process, judicial decision making, policy making as well as obtaining exclusive access to a variety of lawyers, judges, politicians and institutions which are working to uphold the rule of law. The exchange programme will offer delegates ample opportunity to network with their counterparts from the host nation with the aim that rapport building and understanding at this stage will lead to greater collaboration in the future.

The launch of the exchange programme also welcomed the first delegation from India who attended 42 meetings in a week with senior lawyers, judges and politicians across the country. Plans are currently underway to send a delegation of British lawyers to India in February 2019.

Pranav Bhanot is the editor of 'The Living Bridge: The UK-India Diaspora and the Rise of the Millennials' and co-chairman of the India-UK Legal Exchange Programme.

Indian firms on an investment spree

From oil and gas to FMCG, Indian companies made their mark around the world in recent weeks.

India gets stake in Abu Dhabi oil

Indian companies agreed to pay $600 million for a stake in one of Abu Dhabi's biggest offshore oil concessions, securing a share in the emirate's crude production for the first time.

State-owned Oil and Natural Gas Corp and two other Indian companies will take a 10 per cent share of the concession to pump crude from the Lower Zakum field, under a 40-year contract in partnership with Abu Dhabi National Oil Company (Adnoc).

Abu Dhabi, which holds most of the UAE's oil reserves, is looking for new partners at its offshore fields in the Persian Gulf as the current production concession for some deposits expires next month. Partners in Abu Dhabi's fields generally receive an amount of crude oil commensurate with their stakes in return for tax and royalty payments and investment to boost output.

The Indian companies will pay 2.2 billion dirhams ($600 million) to Abu Dhabi for their stake in the field, according to the statement. That puts the overall value of the concession at $6 billion. Adnoc, which retains 60 per cent holdings in its fields, aims to award rights for an additional 30 percent of Lower Zakum as well as rights to two other offshore crude blocks.

Godrej Agrovet acquires stake in Maxximilk

Godrej Agrovet Ltd, the agri-business subsidiary of Godrej Industries Ltd, bought a majority stake in Israeli biotech firm Maxximilk Pvt Ltd. The company said it has picked up a 51 per cent stake in Maxximilk, which became its subsidiary as part of the deal.

Maxximilk specialises in invitro production of high-quality embryos that aid dairy farmers produce top-quality milk, thus increasing their yield by a significant proportion. The company claims that its embryos are genetically predisposed to withstand hot weather conditions.

Originally established in central Israel in 2008, Maxximilk shifted gears and opened a production facility in Maharashtra last August, after signing a partnership agreement with Godrej Agrovet Ltd.

Godrej Agrovet, which made its public market debut in October 2017, is a diversified, research and development-focused agri-business of the 120-year-old Godrej Group.

Incorporated in 1991, it produces 1.1 million tonnes of feed and nutritional products for dairy cattle, poultry and aquaculture annually. It also has palm oil plantations and makes hybrid seeds.

The company, which is backed by Singapore state investment firm Temasek, had in the past made two acquisitions – Maharashtra-based Astec Life Sciences and Hyderabad-based Creamline Dairy.

Vedanta to buy majority stake in AvanStrate Inc

India's Vedanta Ltd announced acquisition of a controlling stake in Japanese glass substrate manufacturer AvanStrate Inc from global private equity firm Carlyle Group.

Its wholly owned subsidiary Cairn India Holdings Ltd (CIHL) will invest $158 million in AvanStrate as part of the transaction which also includes taking over debt and extending a loan.

It will take over AvanStrate's debt of $151 million from the company's lenders and extend $7 million as a loan. The face value of AvanStrate's debt is $299 million, which means its lenders are taking a haircut.

In return, CIHL will get a little over 51 per cent stake in AvanStrate for a nominal consideration from Carlyle Group.

AvanStrate is majority-owned by Carlyle. Its other major shareholder is optical products maker Hoya Corporation.

Vendanta said that through a combination of these elements, this transaction provides both strategic control and attractive returns to CIHL. The acquisition is subject to consents being obtained from AvanStrate's lenders by end of the month.

AvanStrate supplies glass substrate to small and medium sized TFT LCD panels, used in many mobile devices, and India has significant market potential for such devices.

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The UK as a location of choice for high net worth Indian individuals

by Arbinder Chatwal

'New World Wealth' recently reported that 7,000 ultra-rich Indians moved overseas to various locations in 2017, including the UK. A financial expert analyses the tax scenario in the country to weigh up its attractions.

The focus of this report is on the tax regime in the UK and why this may be attractive to individuals domiciled in India or elsewhere. The UK offers many other social and economic benefits and tax is unlikely to be the only factor influencing the decision. However, these are outside the scope of this article.

Moving your business to the UK

Anyone wishing to set up or expand their business into the UK for the first time has a number of considerations. Various types of UK legal entities can be used, on their own or in hybrid structures, such as:

1. Private or public limited company
2. Branch
3. Subsidiary
4. Joint Venture company
5. Limited Liability Partnership
6. Partnership

Corporation tax or income tax is due on UK trading profits, depending on the type of entity used. The corporation tax rate is currently 19 per cent, but will decrease to 17 per cent from April 2020. This is a very competitive rate when compared to other jurisdictions. The rate of income tax for individuals varies according to the nature of the money. Broadly, business profits for self-employed individuals or those in partnership are taxed at up to 45 per cent where their total income exceeds £150,000. Income tax rates on dividend income are at up to 38.1 per cent.

Opportunities offered by the UK tax regime for individuals moving to the UK

The UK residence and domicile rules have changed substantially in recent years. However, the UK's Statutory Residence test gives certainty to individuals as to how much time they need to spend in the UK to be treated as UK tax resident. This depends on their particular circumstances.

For non-UK domiciled individuals who become UK tax resident, the UK's remittance basis regime offers an attractive basis of taxation where they arrange their affairs appropriately before arrival and, subject to making a valid claim, limits the UK tax due on overseas income and gains to amounts actually brought to, used or enjoyed in the UK. There have recently been wholesale changes to the taxation of non-UK domiciled individuals but this means that no further changes are expected in this regard in the short to medium term. The benefits of the non-UK domiciled regime can be enjoyed for a period of up to 15 years before being lost.

Income tax and capital gains tax: Residence status in the UK in a tax year (from April 6 to the following April 5) for income tax and capital gains tax purposes is determined under the Statutory Residence Test (SRT). The rules can be complex but do offer certainty on an individual's tax status. If an individual does not wish to trigger UK-residence status for tax purposes, the SRT enables suitable arrangements to be made regarding the number and duration of permitted visits, numbers of hours worked, and other matters, with significant flexibility to spend time in the UK for individuals arriving there. The tests are very prescriptive and full UK tax advice is generally recommended.

Taxation for non-UK domiciled individuals: One attraction of the UK tax regime for UK-resident non-UK domiciled individuals is the ability to limit their UK income tax and capital gains tax liabilities to apply only to UK income and gains by claiming the 'remittance basis of taxation' and not remitting (broadly enjoying in any form) non-UK income/gains to the UK. There is no charge for claiming the remittance basis until an individual has been UK-resident for at least seven of the nine previous tax years, at which point it increases first to £30,000 and then to £60,000 per year.

Business Investment Relief offers individuals who are taxed on the remittance basis the opportunity to remit otherwise taxable funds to the UK for business purposes, without incurring a tax charge on the funds remitted provided specific conditions are met.

A non-UK domiciled individual can claim the remittance basis of taxation until they have been resident in the UK in at least 15 of the previous 20 tax years. Partial years of residence count for these purposes. They will then become 'deemed' UK domiciled for income tax, capital gains tax and inheritance tax (IHT) purposes. Thereafter, it may still be possible for individuals to structure their affairs to optimise their global tax position. New rules introduced from April 6, 2017 mean that individuals who were born in the UK with a UK domicile of origin will generally be treated as deemed domiciled in the UK for tax purposes for years in which they are UK resident.

In general, IHT is charged at 40 per cent on death on the value of a non-UK–domiciled individual's UK assets, and on the value of the worldwide assets of a deemed domiciled individual. However, Indian-domiciled individuals may enjoy beneficial treatment under the terms of the UK-India Capital Taxes treaty, which can override the deemed domicile rule and exempt certain non-UK assets from tax on death. However, recent new rules mean that in many cases this does not provide protection where UK residential property is owned via a non-UK entity, such as a company or partnership.

THERE HAVE RECENTLY BEEN WHOLESALE CHANGES TO THE TAXATION OF NON-UK DOMICILED INDIVIDUALS BUT THIS MEANS THAT NO FURTHER CHANGES ARE EXPECTED IN THIS REGARD IN THE SHORT TO MEDIUM TERM.

Investing in the UK

The UK has long been a place for property investors. The UK government has steadily been changing the taxation of, in particular, UK residential property held by non-residents and are currently seeking to extend this to apply to all UK property. These measures mean UK property is exposed to UK capital gains tax and UK inheritance tax for non-UK residents too. However, this is not inconsistent with the position in many other jurisdictions around the world.

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India and the Commonwealth — Opportunity to set a dynamic new agenda

Lord Jonathan Marland, Chair of the Commonwealth Enterprise and Investment Council (CWEIC), presents his view on how the utilisation of the Commonwealth network can help India achieve its international trade and investment targets.

AS INDIA CONTINUES ITS ASCENT IN INTERNATIONAL AFFAIRS AS A POTENTIAL SUPERPOWER, THE COMMONWEALTH COULD BE A VERY VALUABLE CONDUIT FOR SPREADING ITS VALUES OF DEMOCRACY, TOLERANCE AND EMPOWERMENT.

One of the most notable elements of the India-UK relationship in recent years is the complete absence of the Commonwealth in our bilateral discourse. We quite rightly talk about the values we share — values of democracy, responsibility, the rule of law and fair play — yet, we never speak about them through the lens of the Commonwealth, the network that both countries played key roles in establishing and that also promotes these values across the 52 member-states (now 53 with The Gambia).

Indian Perspective

A proactive Commonwealth trade and investment agenda could carry with it key benefits. Firstly, as key parts of the world are beginning to turn inward, India and the UK could take a leading role in opening up the free trading opportunities around the world that continue to be key drivers of global prosperity. Secondly, as India looks to develop its penetration into vital emerging African markets, the Commonwealth could help India to realise its ambitious $90 billion African trade target. Finally, as India continues its ascent in international affairs as a potential superpower, the Commonwealth could be a very valuable conduit for spreading its values of democracy, tolerance and empowerment.

Facts & Figures

The Commonwealth is a market of 2.2 billion citizens, 60 per cent of whom are under the age of thirty. By 2020 this will account for 40 per cent of the global workforce. Also by 2020, it is expected to contain 1 billion middle class consumers. Between 2013 and 2015, Commonwealth countries were expected to grow at a combined rate of 4.1 per cent in comparison to 1.8 per cent in the EU and 2.6 per cent in the US. In addition to all this, owing to the shared use of the English language as well as shared values and similar legal and regulatory systems, the Commonwealth Secretariat estimates that trade costs between Commonwealth member countries are on an average 19 per cent lower than with non-Commonwealth countries. It has been projected that relatively modest coordinated trade facilitation measures and improvements in logistics would increase Commonwealth exports by £86 billion annually, boosting Commonwealth GDP by £122 billion and creating 24 million new jobs.

IT HAS BEEN PROJECTED THAT RELATIVELY MODEST COORDINATED TRADE FACILITATION MEASURES AND IMPROVEMENTS IN LOGISTICS WOULD INCREASE COMMONWEALTH EXPORTS BY £86 BILLION ANNUALLY, BOOSTING COMMONWEALTH GDP BY £122 BILLION AND CREATING 24 MILLION NEW JOBS.

African Markets

Deepening economic ties with Africa has become a key Indian strategic goal. With its abundant natural resources, status as the continent with the fastest economic growth in the world and rapidly-increasing population, it is easy to see why. In 2015, India unveiled plans to inject $10 billion worth of finance into a host of African development projects whilst pledging grant assistance of $600 million. Nurturing trade with the Commonwealth could help India get closer to this figure and would help it become a more effective counterbalance in the region. A coherent African trade and development agenda with the entire Commonwealth network behind it would be one that would bring together a joint economic capacity on par with any in the world.

Commonwealth Agenda

As part of its founding principles, the Commonwealth already has in place commitments to the promotion of democracy, peace and security, good governance, sustainable development and gender equality to name just a few. Developing a business agenda through this framework would signal to countries within and outside of the network that it means to act as a force for good in the international system with a sustainable economic growth model at its roots. This is an agenda that the Commonwealth Enterprise and Investment Council is also already pushing. With its mandate for promoting investment and employment opportunities in member states, as well as helping to establish the 'conditions for growth' across the network, the foundations for more coordinated activity amongst governments is already in place.

Conclusion

There is a significant business case for India developing a full and central role for itself within the Commonwealth. This underutilised network has already generated a hugely-impressive record for economic growth in the absence of any formal government policy mechanisms to bring this about. Now, at a time of stagnating global trade and uncertainty, it is clearly an opportune moment for member states to coordinate in a more active fashion. India, with its status as one of the most populous and fastest-growing countries in the world is in a prime position to lead such an agenda. With huge opportunities available across the Commonwealth, India can use the Commonwealth network to launch a dynamic new international trade and investment agenda and, in doing so, signal to its partners that it has well and truly arrived upon the international stage.

DEVELOPING A BUSINESS AGENDA THROUGH THIS FRAMEWORK WOULD SIGNAL TO COUNTRIES WITHIN AND OUTSIDE OF THE NETWORK THAT IT MEANS TO ACT AS A FORCE FOR GOOD IN THE INTERNATIONAL SYSTEM WITH A SUSTAINABLE ECONOMIC GROWTH MODEL AT ITS ROOTS.

The above are extracts from one of the chapters from 'Winning Partnership: India-UK Relations Beyond Brexit', edited by India Inc. Founder & CEO Manoj Ladwa.


THE LaLiT
LONDON

Social financing will revolutionise philanthropy in South Asia

by Richard Hawkes

New approaches to charitable giving, such as innovative finance and impact bonds, are crucial to achieve impact at scale in countries like India.

South Asia is home to 20 per cent of the world's population. It is also home to 33 per cent of the world's poor who live on less than $2 a day (World Bank 2016). Some of the major challenges facing South Asia remain persistent: poverty, illiteracy, youth unemployment, gender inequality, trafficking, child labour and mental illness. To tackle this widespread poverty and hardship, His Royal Highness The Prince of Wales, together with leading members of the British Asian Diaspora, established the British Asian Trust (BAT) in 2007 to provide a vehicle for UK and Asian philanthropists to identify and support effective grassroots development programmes in India, Pakistan, Sri Lanka and Bangladesh.

The sheer scale of the challenge in South Asia demands a holistic approach, but with smart and innovative ideas it is possible to tackle these issues. We back sustainable solutions to tackle the challenges of poverty and injustice. To date, the British Asian Trust has touched the lives of over 3 million people. Last year, we launched a multi-million-pound Women's Economic Empowerment Programme in Pakistan, funded by the UK government's Department for International Development (DFID), which will support 12,000 women to invest in a brighter future by equipping them with the right skills and access to market and jobs. Since 2010, the Trust has also supported over 500,000 children to receive a quality education in India, Pakistan and Sri Lanka, with a focus on supporting girls and the most marginalised groups.

THERE IS NO DOUBT THAT TRADITIONAL PHILANTHROPIC APPROACHES HAVE BROUGHT ABOUT HUGE POSITIVE CHANGE ACROSS THE WORLD FOR MANY YEARS AND WILL CONTINUE TO DO SO, BUT IT IS ALSO WIDELY ACCEPTED THAT NEW APPROACHES ARE NEEDED IF WE ARE TO ACHIEVE IMPACT AT SCALE.

We help unlock philanthropic potential so as to have the most positive impact possible on those who most need our support. Anuradha, who grew up with her six siblings in Mumbai's Worli slum, was facing increasing poverty. She was forced to marry when just 15, foregoing her dream of completing her education and pursuing a career in business. Widowed a year later, with a new-born daughter, Anuradha returned to her parents' one-room home. Her father earned very little, so Anuradha had to start working as a maid. The Head of a local night school supported by the Trust convinced her to enroll in school. She achieved outstanding results. Moved by her story, one of our supporters offered her a five-year scholarship to study for a course in Chartered Accountancy. It has changed her life by making her an independent and secure person.

Having worked in the charity sector for decades and having successfully run them to make a difference in society, I can say with confidence that trust is paramount if organisations are to be successful. Donors must have faith that the charity they support will use the funds judiciously and avoid waste. Transparency is essential, as is the need to measure the impact our activities have on the lives of those we seek to support. We have developed over 50 partnerships with corporates and foundations (in the UK, Europe and South Asia) securing millions of pounds for our work. We have developed a unique approach that enables the South Asian diaspora to support high impact grassroots organisations and innovative programmes, whilst also addressing issues of trust and accountability.

There is no doubt that traditional philanthropic approaches have brought about huge positive change across the world for many years and will continue to do so, but it is also widely accepted that new approaches are needed if we are to achieve impact at scale. This is where I see social or innovative finance and impact bonds making a difference. Social finance is a relatively new concept for the philanthropy sector, not just in India, but worldwide. It is a form of blended finance that brings private sector funding into the development sector.

Development Impact Bonds are a type of social financing that we have been pioneering. They combine philanthropy and investment to demonstrate the value of outcome-based financing to drive greater social impact by bringing private sector solutions, accountability and rigour to public sector challenges.

Social finance is a key organisational priority for us. We have been working on a $10 million education Development Impact Bond (DIB) for India. We are also in conversations about other social finance initiatives in Pakistan and Bangladesh.

Furthermore, if a concept is proven to be successful, there is the ability to take it to scale and take philanthropy in South Asia to the next level. I believe social finance will help tackle the widespread poverty and hardship in South Asia.

**Please take this short survey https://g4-emea.yougov.com/vCVDsTh1x3shdJ to help shape the future of giving within the South Asian community.*

Richard Hawkes is Chief Executive of the British Asian Trust, founded in 2007 by Prince Charles to tackle widespread poverty and hardship in South Asia.

UK is a destination, not a stopover, for Indian banks

Sanjiv Chadha is the Regional Head for the UK for State Bank of India (SBI), India's largest state-owned bank. The London-based executive, also Chair of the Association of Indian Banks in the UK, took time out for 'India Global Business' to elaborate on SBI's move from a branch of the Indian entity in Britain into a standalone subsidiary, in line with regulatory requirements, and how the Indian roots of the bank have proved a big asset.

What will the launch of SBI's UK subsidiary mean for clients and the bank?

We will be launching our UK subsidiary on April 1. This is a process which began nearly two years ago. We have had our retail presence in the UK and now, what was earlier a part of State Bank of India, will become a UK incorporated banking entity.

There will be no dislocation as far as customers go because they will be coming to the same branches, meeting the same staff members and putting transactions through in exactly the same way. Nevertheless, it means a change in the strategic focus for the bank. As SBI will now be a UK subsidiary, we will be focussing much more on the UK market. We will be looking to do more business in the UK, expanding the products that are designed for the UK market and the UK will become much more important as part of | our targets.

While there will be no visible change, the brand changes to State Bank of India UK Limited. The 12 retail branches that we have – seven in London and the rest outside London – will become branches of SBI UK Ltd. Apart from that, if we look at the day to day, there will be no dislocation. It would give us an opportunity to focus on the customers even more. The governance of the subsidiary would be looked after by the board, with directors based out of the UK which will give us the benefit of their expertise and knowledge. So, the customers, in fact, can be even more assured in terms of what the bank is doing for them

How do you see the bank supporting programmes like Access India?

For SBI, the UK has worked as a platform for doing business globally. London is an international financial capital and a premier international centre of the world, so that has worked very well for us.

With the UK subsidiary, we will continue doing what we were doing, which is focussing on the global market but also looking closely at the UK market. So, the India-UK trade corridor – investments going from the UK to India and also Indian companies looking to invest in the UK – would be our primary focus. And, I believe, SBI should be a partner of choice in that corridor.

How does SBI hope to overcome the negative impact of recent Indian banking scandals?

As far as SBI is concerned, there is no question about the credibility of the institution and also the backing that it has from the government of India. I don't believe there is any anxiety that has to be addressed. Having said that, the fact is that there are always ups and down in various businesses in various parts of the world – be it the UK, US and elsewhere. Therefore, having a diversified balance sheet gives you the opportunity and benefit that even if there is some dislocation in one market of operation, the other markets are there to balance things. This has been the biggest advantage for the UK operations of SBI and being able to draw strength from various countries. As a subsidiary, the capital will be ring-fenced and that brings an additional comfort level.

Do non-performing assets (NPAs) cast a dark shadow on global expansion plans?

I would not say so. In so many ways it underlines the case for banks to have diversified balance sheets. The fact that SBI has 25 per cent its assets outside India is a source of strength. For our UK operations, a majority of our assets not being India-based means that even if there is any temporary downturn in the Indian economy, we will be able to handle such issues well.

The UK operations are in very good shape and the asset quality is very good and we will keep on trying to further diversify.

On NPAs specifically, there are a lot of changes that have happened in India in the last two-three years. When you have a problem, you begin to address it. The biggest change that has happened is the Indian Bankruptcy Code and National Company Law Tribunal, which would mean that like in the UK if there is restructuring required it can be done in a reasonable time frame.

So, in a way this is an opportunity and the good news is that the Indian government has not wasted the crisis and used it to make changes that will be of abiding value.

How important is SBI to the diaspora as a "living bridge" of the UK-India relationship?

We recognise the fact that the diaspora is the reason why we came to the UK in the first place and that will remain at the core our operations.

THE INDIA-UK TRADE CORRIDOR – INVESTMENTS GOING FROM THE UK TO INDIA AND ALSO INDIAN COMPANIES LOOKING TO INVEST IN THE UK – WOULD BE OUR PRIMARY FOCUS

However, while not losing our focus on that, we are able to cater to the broader market and ensure that the services that the bank offers in the UK are as good as any competing bank.

All our branches in London or outside the city are on the high street and open seven days a week, to make sure that we remain friendly to our customer – both of Indian origin as well as the wider population. Apart from the wholesale branch, SBI has 12 branches which will be spun off into the subsidiary, seven in London and five outside London – in Manchester, Birmingham, Wolverhampton, Leicester and Coventry – cities at the heart of the diaspora population in the country.

Would you say Brexit is a considerable worry for the sector?

From the perspective of State Bank of India, two years ago we had to take a decision on whether we should be incorporating the subsidiary, marking a commitment for the long-haul, or wait to see how Brexit turns out.

We took the decision that regardless of what happens in the referendum, SBI is fully committed to the UK market and we would go ahead because as far as we are concerned, the UK market is one of tremendous interest and promise to us and that is unchanged regardless of Brexit. London is the best place for us to base our international business in, we find the regulatory climate proportionate and supportive. The UK remains a very compelling proposition from a business viewpoint.

However, there are a few Indian banks as UK subsidiaries which have branches operating in Europe and those would be impacted. But even for them, a large proportion of the operations are in the UK. Compared to many other international banks which have used the UK as a gateway to Europe, for Indian banks the UK has been a destination and not a stopover. So, the impact will be limited.

We have great faith in the capacity of the economy, which is open and flexible. The UK is the fifth-largest economy in the world, so the opportunity it offers is unrivalled – in terms of the legal system and regulatory structure.

I have no doubt that regardless of how Brexit turns out – soft or hard – the attraction of the UK market would remain unimpaired.

How does being a Global Indian impact your decision-making?

I would say beyond Indian roots, it is the impact of SBI roots. The bank in India and the world over stands for transparency, high standards of ethics and those are the values we bring to the UK market. And, they are equally important globally to build trust and do business.

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The UK-India Leadership Conclave 2018 (June 20-21) is produced to open dialogue and debate around the future of the bilateral relationship. Held over two days in a luxurious manor in the English countryside, the conclave will provide the inside track on India and the UK.

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Trudeau's domestic political compulsions holding back India-Canada ties

Like the under-performing India-UK relationship, bilateral ties between India and Canada present another conundrum.

To call the India-Canada relationship underwhelming would be, well, an understatement. Bilateral trade between two of the world's largest economies – India is the world's sixth-largest and Canada the tenth-largest – with a combined GDP of about $4 trillion is a paltry $8.3 billion, according to figures from Statistics Canada. That's a minuscule 0.2 per cent of all goods and services produced in these two countries.

Both sides have made sporadic attempts in the past to push bilateral trade and investment into a higher growth trajectory but a mismatch of expectations and the domestic political compulsions of the current Canadian government are proving to be roadblocks in the process.

The visit of Canadian Prime Minister Justin Trudeau and his family, though a huge public relations attempt, is unlikely to change the ground realities, at least not anytime soon.

Perceptions that his government has a soft corner for separatist Sikh elements in Canada and his continuing molly-coddling of known sympathisers of the so-called Khalistani cause are among the major issues coming in the way of closer ties. Worse, the government of India accuses the Canadian government of actually providing shelter to those who are actively advocating separatism and providing funds and arms to their local agents in India.

Trudeau has four ministers of Indian origin in his Cabinet and all of them are Sikhs. The Canadian Prime Minister has, in fact, publicly boasted that he has more Sikh ministers in his government than the government of India. But given their alleged links with separatists, Indian political leaders have avoided meeting them. Last year, the Congress Party's Punjab Chief Minister Amarinder Singh had refused to meet Canadian Defense Minister Harjit Singh Sajjan.

But foreign policy and strategic experts in New Delhi are actually quite surprised because Sikh immigrants form barely 1 per cent of Canada's population. And while it is true that they form a solid and loyal vote-bank for Trudeau's party, only a small but very vocal, well-organised and well-funded minority among them support the separatists. It is believed that many of these people are prominent supporters of Trudeau's Liberal Party.

THE VISIT OF CANADIAN PRIME MINISTER JUSTIN TRUDEAU AND HIS FAMILY, THOUGH A HUGE PUBLIC RELATIONS ATTEMPT, IS UNLIKELY TO CHANGE THE GROUND REALITIES

The Indian government has made its displeasure quite evident – as can be expected from the Modi administration, which, unlike previous governments, does not back away from playing hardball when necessary – but has carefully shielded this behind appropriate diplomatic gestures.

Perhaps realising that the Indian government means business, he made some right noises over the last two days, declaring in no uncertain terms that his government is committed to the unity and integrity of One India. But he has, at the same time, spoken eloquently about India's plurality and diversity, which many have interpreted as a coded message to his Sikh vote-bank that his party will continue to remain sympathetic to their cause.

But despite these misgivings, the Modi government has rightly decided to stay engaged with its Canadian counterpart. Not doing so would have meant wasting an opportunity to create links with yet another G-7 member with which India does not have any unresolved strategic issues. Meanwhile, Trudeau met some of the top players of Indian industry.

Agreements worth about $1 billion were inked between India-Canada, which, given the size of the two economies and the credentials of those present, should be seen as measly pickings.

Two major agreements remain a work in progress. The Canada-India Foreign Investment Protection Agreement (FIPA) and the Canada-India Comprehensive Economic Partnership Agreement (CEPA), that, if signed, could add billions of dollars to each country's GDP don't seem to be going anywhere.

Trudeau and his family were in India for eight days. Out of this, meetings with Modi and his government officials were slotted for only half a day. That is a clear sign that India-Canada ties are drifting at best and cold at worst. The onus of improving it and giving it some meat now rests squarely on Trudeau – if only he can separate his domestic political narrative from his country's foreign policy imperatives.

But given that local politics is what seals a politician's hold on power, it may be too much to wish for.


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